

ADDIS INTERNATIONAL BANK S.C.



ANNUAL REPORT July 2012- June 2013

Your Ultimate Choice!!!



Table of Contents

	Page
Message of the Board Chairman	5
Message of the President	9
Board of Directors' Report	11
I. Operational performance	11
1.1. Deposit Mobilization	11
1.2. Loans and Advances	12
1.3. International Banking Operation	13
II. Financial Performance	14
2.1. Asset	14
2.2. Capital	14
2.3. Income	14
2.4. Expense	15
2.5. Profit	16
III. Human Resource Development	17
IV. Information Technology Development	17
V. Branch Expansion	18
VI. The Way Forward	19
VII. Recommendation on the Appropriation of Profit	19
VIII. Vote of Thanks	19
Auditors' Report	21

BOARD OF DIRECTORS



Ato Haile Melekot T/Georgis
Chairman



Ato Aklilu Delele
Director



Ato Chalachew Sisay
Director



Ato Fitsum Arega
Director



Ato Gebeyehu Tebje
Director



Ato Girma Teklu
Director



Ato Samuel Assefa
Director



W/ro. Tsigie Haile
Director



Ato Worku Guangul
Director



Ato Zena Haile
Director



EXECUTIVE MANAGEMENT



Ato Hailu Alemu
President



Ato Dagnew Gessese
Manager, Corporate Planning &
Business Development Dep't



Ato Endashaw Kebede
Manager, Information
Technology Dep't



W/ro Kokeb Ashame
Manager, International
Banking Dep't



Ato Seleshi Mekonnen
Manager, Accounts and
Finance Dep't



Ato Sime G/Selassie
Manger, HR & Facility
Mangement Dep't



Ato Tebebe Mengistu
Manager, Control Dep't



Ato Tsega T/Yesus
Manager, Credit Dep't

MESSAGE FROM BOARD CHAIRMAN



On behalf of the Board of Directors and myself, I would like to express my pleasure to present year 2012/13 annual report of the Board of Directors of Addis International Bank S.C.

After a noticeable negative growth over the past two years, developed countries joined the recovery path with developing and emerging economies, though the magnitude is relatively weak. Emerging and developing economies are still going strong. According to the international financial institutions growth in emerging market and developing economies is forecasted to reach 5.3 percent in 2013 and 5.7 percent in 2014. Growth in the United States is forecasted to be 1.9 percent in 2013 and 3.0 percent in 2014. In contrast, growth in the Euro area is forecasted to be -0.3 percent in 2013 and 1.1 percent in 2014. Since late 2012, developed economies initiated several policy instruments aimed at reducing systemic risks and stimulating consumption to boost business and investor confidence, but with very limited impacts on growth.

Africa is expected to grow by 4.6 per cent and 5.1 per cent in 2013 and 2014 respectively. Such encouraging performance is assumed to be driven by increases in output in the natural resources, which underpins rising fiscal expenditure, especially in infrastructure projects. In addition high oil prices, despite some declines in output, trade and investment ties with emerging and developing economies

are expected to be intensified to contribute to Africa's positive growth. Rising income and urbanization are supporting growth of domestic demand to reduce the exposure to external economic shocks across the region. Increasing diversification in export and investments in the service sector such as telecommunication will continue to create a more solid growth profile.

In East Africa, investments in infrastructure as well as a growing banking sector will contribute to economic expansion. But high unemployment, combined with massive underemployment, continue to constitute a major policy challenge in many countries. Average inflation remained moderate because of lower food prices and slightly moderating oil prices. However, this cannot mask the fact that inflation remains stubbornly high in several countries, such as Sudan and Malawi. African countries economic performance, however, faced several challenges including, global economic slowdown with negative impacts on trade, tourism and remittances; a pronounced negative effect of the fiscal problems in developed countries on official development assistance(ODA) flows; and adverse weather conditions.

The potential growth in African countries can be affected by a number of factors related to internal and external environment. If the current subdued growth in many developed economies with high unemployment and inadequate investment continues, it could hamper African growth in the medium term. Thus instituting a robust global recovery, with a focus on promoting job creation, has significant importance in sustaining African economic growth. In this connection providing emphasis for macroeconomic policies, based on country-specific circumstances, while taking into consideration potential tradeoffs and institutional and resource constraints is recommended.

Meanwhile, over the past decade, Ethiopia has achieved high economic growth, and real GDP registered double digit figures for nine years in a row. Although growth in 2011/12 slightly maintained lower level as compared to the preceding years, it was in higher side of single digit (8.5%). The relative lower economic growth in 2011/12 compared to previous years is mainly explained by lower agricultural performance. Agriculture, which accounts for close to half of the output, experienced a markedly lower growth rate in 2011/12 of 4.9 percent, compared to 9.0 percent in 2010/11. This was explained by a decline in growth of crop production from 10.3 to 5.0 percent.

In view of sectoral growth contribution, the service sector growth outshines other sectors performance. Accordingly, it has been recognized that in growth trajectory, the service sector accounts nearly half of the growth achievement. Inflation, over the last years which has been a serious challenge, has been brought down to single digits in recent months.

Ethiopia's economic performance was not free of the difficult external environment particularly in connection with major trading partners such as the EU countries. Although the boost in economic relationship with the emerging economies such as China and India mitigated the negative impact of the global financial and economic crisis, recent slowdown in these countries resulted in sluggish growth in the country's export growth. Thus, sluggish demand in trading partners coupled with low international prices for the country's main export commodity (coffee) accounted for poor export performance exhibited in the fiscal year ended as compared to the previous two fiscal years.

As part and parcel of the country's financial sector Addis International Bank pursue to expand its service and contribute in deepening the financial service in the economy. However, foreign exchange and deposit mobilization remained to be a challenge in the financial year ended.

AdIB has recorded great performance in terms of meeting its targets both in deposit mobilization, extending loan and advance, branch expansion and above all profitability. As it had been in its first year operation, AdIB has quadruple its profit in this financial year. The implementation of Core Banking Solution that started in the previous year is at its final stage and all our branches will be networked in the second quarter of 2013/14 financial year.

With the full participation of the Board, the Management, Employees, and other stakeholders a strategic plan was prepared and implemented effective July 2013. The plan is a vital document that clearly defines the future directions the Bank, the strategies to be employed and the targets to be met in the coming five years. At this juncture the Board and the Management are exerting every effort to meet the new capital requirement set by the National Bank and endorsed by the extra ordinary meeting held back on December 17, 2011. Yet, to meet this requirement, the Board and the Management of the Bank once again appeals to all shareholders to increase their share capital so that we will be able to meet the new capital requirement in the remaining time frame and keep the identity of our Bank.



Finally on behalf of the Board of Directors and myself I would like to take this opportunity to cordially extend my sincere thanks to our esteemed customers for choosing our Bank to do business, our shareholders for their tolerance in responding to the needs of the Bank and the National Bank of Ethiopia for its support. I also extend my appreciation and admiration to the dedication of the Board of Directors, the management and all employees of the Bank in discharging their responsibility remarkably and for making our Bank more profitable in its second year of operations.

Haile Melekot Tekle Giorgis
Chairman, Board of Directors

MESSAGE FROM THE BANK PRESIDENT



Addis International Bank S.C., in spite of the challenges of the global and domestic economy, has registered a remarkable achievement in its second year of operation. The Bank's total deposit and loans and advances have grown by 165% and 113% respectively from the previous years' balance. To date, the Bank is free of any non-performing loans due to prudent loan sanction and subsequent follow up. The profit generated in the financial year has grown to Birr 37.1 million (298.9%) from Birr 9.3 million of the last year balance. The Asset and Capital of the Bank have reached Birr 916.2 million (115.7%) and Birr 225.0 million (38.5%) from the previous year balance respectively. The total number of employees has climbed to 136. The number of branches at the end of the financial year is 11 and out of this two are outside Addis. Six more branches are in pipe line.

Preparation of the Bank's strategic plan, revision of organizational structure, salary scale and benefit packages, preparation of policy and procedure for the mobile and agent banking services etc are import tasks that are accomplished in the financial year on top of the operational activities.

The setting up of the Core Banking Solution (CBS) and data centers are being accomplished as planned. Hopefully the Bank will fully implement the IT system in the first half of 2013/14 financial year and there after all our branches including outlying will be networked.



AdIB is one of the banks that is required to raise its paid up capital to Birr 500 million within the given time frame. The extra ordinary meeting held on December 17, 2011 has discussed on this issue and endorsed the plan submitted to it. Great effort has been exerted to sell more shares to the existing and new shareholders in the financial year. Yet, we once again call especially the existing shareholders to buy more shares by taking advantage of their privileges.

The competition among financial institutions to attract deposit, the ever increasing office rent and lack of appropriate offices in business centers, obstruction of banking business in some branches due to infrastructure development in Addis Ababa, the inevitable pressure of the bill purchase on the meager resources of the bank, insufficient foreign currency etc are hurdles under which AdIB was able to accomplish the hitherto stated performances in the financial year.

The remarkable achievement of the Bank would not have been possible without the support of our customers, shareholders, the National Bank of Ethiopia, Banks, Insurance companies and all stakeholders. The all round support provide by the Board, the commitment of the Management and the employees of the Bank are the success factors of the Bank.

It is also essential to once again call on the shareholders and all stakeholders to support the Bank in its daring effort for sustainable growth and profitability.

Finally, I would like to express the commitment of the management and the employees at all levels to work hard and score better performance in the coming financial years.

Hailu Alemu,
President

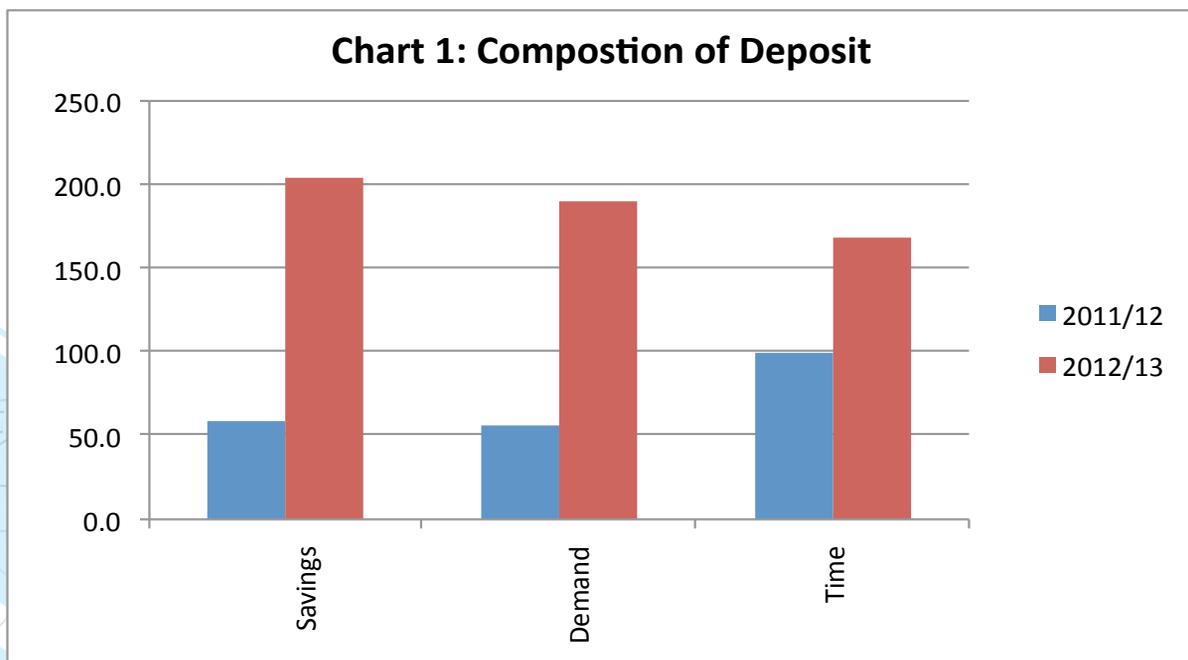
BOARD OF DIRECTORS REPORT

I. Operational Performance

Addis International Bank S.C. has registered remarkable performance in all operational activities in the financial year 2012/13. During the reviewed period, AdIB has faced some notable challenges in terms of deposit mobilization and foreign currency generation as well as rising cost of fund and administrative expense. Details of the operational performance are presented here below.

1.1. Deposit Mobilization

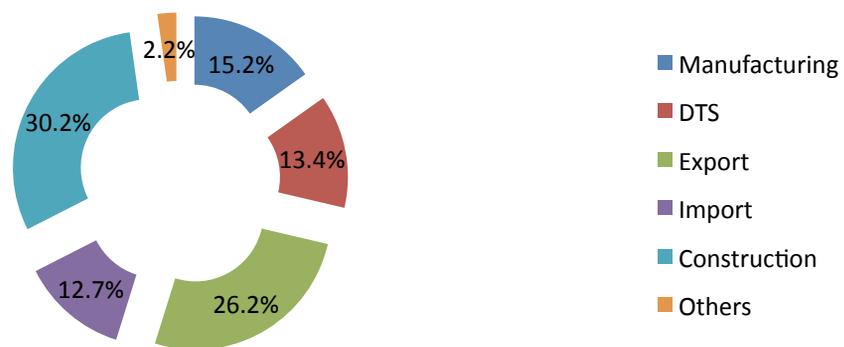
Total deposits of the Bank reached Birr 561.3 million higher than the last year balance by Birr 349.9 million (165%). Similarly, the outstanding number of deposit accounts grew by 369%. The deposit mix of saving, demand and time deposit constituted 36%, 34% and 30% of the total deposit, respectively. The growth in deposit was shown in all types of deposits. Savings deposit grew by Birr 146.3 million (254.5%) followed by demand deposit by Birr 134.7 million (245.4%). Time deposit also went up by Birr 68.8 million (69.5%). Though some challenges faced in resource mobilization the overall achievement in deposit mobilization is encouraging as it reflects the continuously growing confidence of the general public and the business community in our Bank.



1.2 Loans and Advances

As at June 30, 2013, the outstanding loans & advances of the Bank stood at Birr 328.0 million, showing a growth of Birr 173.7 million (112.6%) compared to last year the same period. During the year under review, the total fresh loans disbursed reached Birr 232.5 million which went to various sectors of the economy, depicting a growth of 45.7%. Likewise, the loan collected by the Bank reached Birr 92.5 million, representing a growth of 373.6% over last year same period.

Chart 2: Loans and Advances by Sectors



The loans and advances extended by the Bank covered a wide range of sectors of the economy. Accordingly, 30.2% of the total loans and advances was absorbed by construction, followed by export (26.2%), manufacturing (15.2%), domestic trade & services (13.4%), and Import (12.7%). During the review period, the loan/ deposit ratio went down to 58% from the 73% registered in the preceding year. It is important to note that no non-performing loan was registered as a result of the Bank’s due care in loan sanctioning and close follow up. Maintaining a healthy credit portfolio is a critical success factor for the Bank and due attention will be given in the future.

Some of the Projects Financed by Addis International Bank



1.3 International Banking Operation

During 2012/13 financial year, remarkable achievements were registered in international banking operations. The Bank generated a total income of Birr 35.7 million from international banking operations. It registered a growth of Birr 18.9 million (112.5%) compared with the previous financial year. All in all, international banking operations contributed 42% of the total income during 2012/13 financial year.

The Bank has increased its number of correspondent banks and accounts relationships to two and three respectively. Moreover, AdIB is currently serving as an agent of two international money transfer companies, MoneyGram and Exchange4free.



Coming Soon!



II. Financial Performance

Addis International Bank has registered a remarkable profit in its second year of operations. At the close of the financial year 2012/13, the gross profit stood at Birr 37.1 million. When compared with the previous year's level, it recorded a growth of Birr 27.8 million (298.9%). As a result, AdIB achieved a net profit after tax of Birr 27.2 million, which is higher than the level of profit of the preceding year by Birr 20.0 million (272.6%). Earnings per share stood at Birr 159 compared to last year same period of Birr 57 it depicted a growth of about 178.9%. It is evident that the result achieved during the financial year 2012/13 is much higher than the level recorded last year indicating the Bank continued success in maintaining its growth path in all sphere of operations.

2.1 Asset

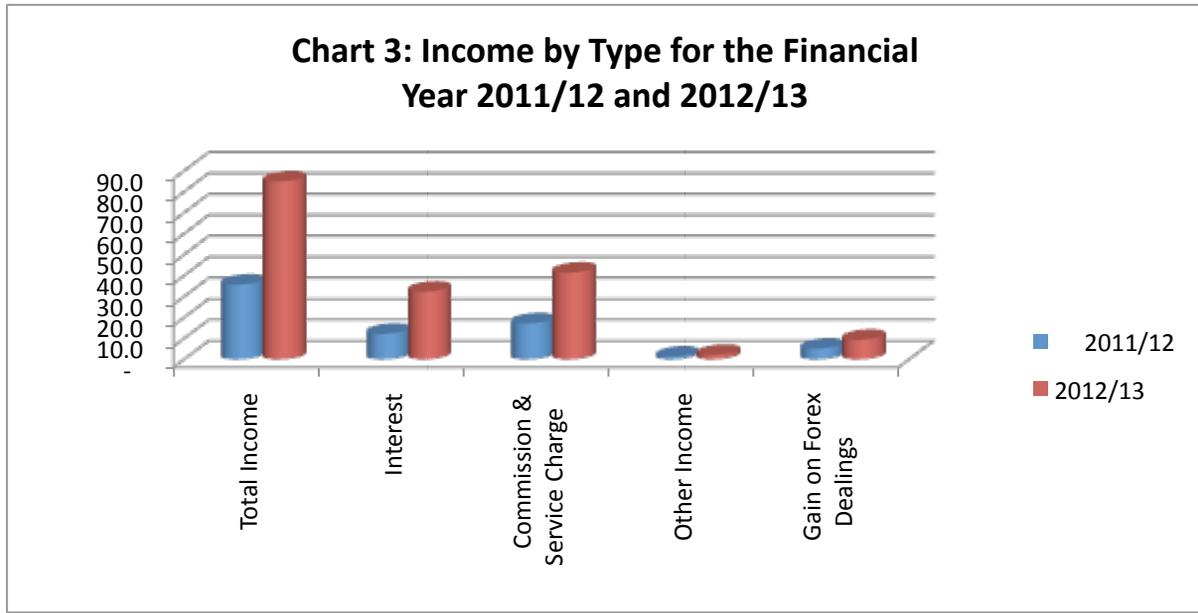
The total asset of the Bank as at June 30, 2013 reached Birr 916.2 million, increased by Birr 491.5 million (115.7%), compared to the last year of the same period. Net loans and advances, deposits with banks as well as investment in security constitute significant portion of the asset i.e. 35.4%, 36.3% and 11.9% respectively.

2.2 Capital

As at June 30, 2013, the total capital of the Bank including legal reserve reached Birr 225.0 million, indicating a growth of Birr 62.6 million (38.5%) over the preceding year. Similarly, the Bank's paid up capital, which was Birr 147.1 million at the close of June, 2012 reached Birr 194.5 million, depicting a growth of Birr 47.2 million (32.2%)

2.3 Income

The aggregate operational income of the Bank for the financial year 2012/13 reached Birr 84.9 million, registering a growth of Birr 49.2 million (138.5%) over the same period of last year. Interest income which was Birr 32.2 million constituted about 38% of the total income. It went up by Birr 20.1 million (166.1%) from the interest income earned during last year same period. Non-interest income accounted for the remaining 62% of total income of the year. Out of the non-interest income, commission and service charge took the lion's share of 78.5%.

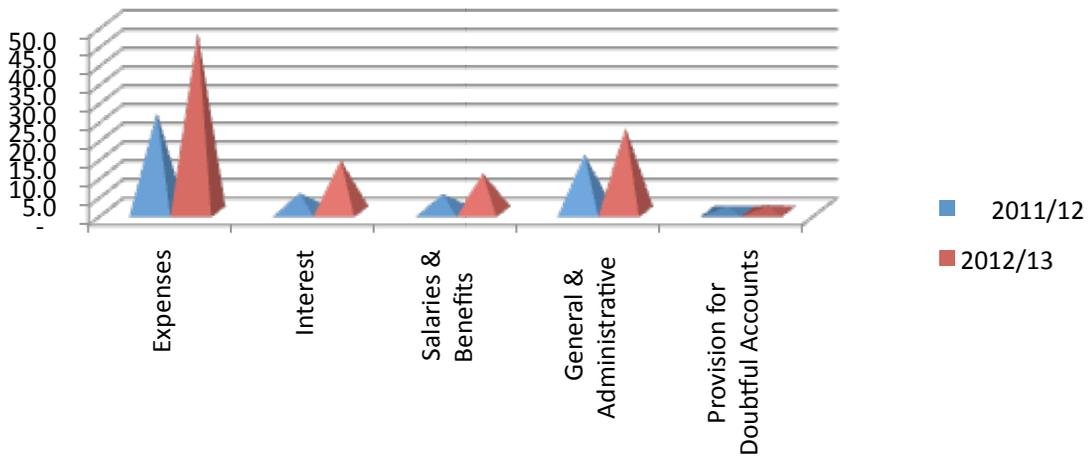


2.4 Expense

The total expense of the Bank during the financial year 2012/13 including provision for doubtful loans & advances and depreciation was Birr 47.8 million. A growth of Birr 21.5 million (81.7%) was noted compared with last year the same period mainly as a result of growing volume of business of the Bank.

General and administrative expense accounted for 46.7% of the total expenses mainly due to high office rent expense, followed by interest expense and salaries and benefits 28.7% and 21.1%, respectively.

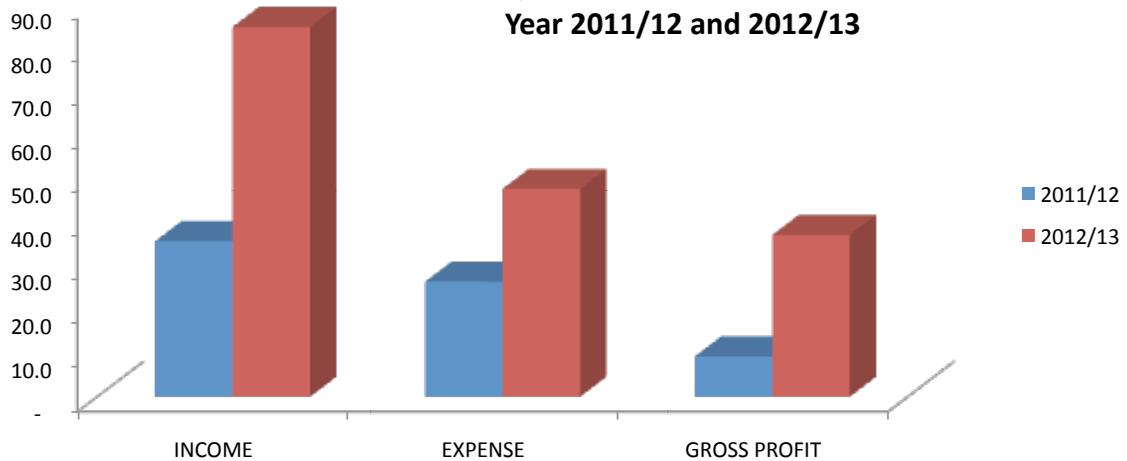
Chart 4: Expense by Type for the Financial Year 2011/12 and 2012/13



2.5 Profit

Despite the global economic slowdown with negative impacts on trade, tourism and remittances AdIB registered profit before tax and after tax of Birr 37.1 million and Birr 27.2 million respectively. The Bank’s return on asset (ROA) and return on equity (ROE) stood at 4% and 14% respectively. This remarkable achievement indicates that the Bank is moving on the right direction.

Chart 5: Operational Results for the Financial Year 2011/12 and 2012/13



III. Human Resource Development

The manpower strength of the Bank as at June 30, 2013 reached 136, depicting a net increase of 69 staff from last year. During the financial year, the Bank recruited 96 personnel for the newly opened six branches and to fill the vacant positions in existing units of the Bank. On the other hand, 27 employees left the Bank for various reasons. To strengthen the Bank with qualified and competent personnel new organizational and salary scale and benefit scheme was implemented during the fourth quarter of the financial year. It is expected that the implementation of new salary scale and benefit package will attract talented and experienced personnel from the industry and minimize turnover rate of existing staff.

During the reviewed period eight training with fifteen training sessions was conducted and 120 staff were beneficiaries from the program. Out of which Anti-Money Laundering was conducted by Ethiopian Institute of Financial Studies (EIFS) while the remaining training sessions were conducted in house to enhance the technical and operational skills of the new and existing staff.

IV. Information Technology Development

Implementation of Core Banking Solution is underway in order to meet the growing demand of our customers for high quality banking services and meet regulatory requirement. Coding and report development and data migration tool and guideline development has already been done. Acquisition of the necessary hardware, software and installation of the associated infrastructure i.e. data center and network infrastructure design were in good progress. The Bank will continue to give due attention until the system is fully implemented within the coming few months.

The Bank has also given due attention for introducing new technology driven banking services to its customers. To this end, AdIB is on the process of launching mobile and agent banking services in collaboration with Rewire ICT Solution. It is expected that the pilot operation will start after the green light from NBE.

V. Branch Expansion

The Bank opened six new branches in the financial year of which five are in Addis Ababa and one in Oromia Regional State, Adama Town and thereby raising total number of branches to eleven. The branches opened during the review period are Mehal Merkato, Adama, Mekanissa, Sefere Selam, Somale Tera and Saris Branches according to their order of opening dates.

The Bank continued to expand its branch network in line with its branch expansion plan and based upon feasibility studies. Currently five branches are on the pipeline namely Arat Kilo, Stadium, Gandhi, Dubai Tera and Beklo Bet which will be opened by next year

Some of the Branchs Opened during Financial Year 2012/13



Saris Branch



Inauguration of Saris Branch



Adama Branch



Inauguration of Adama Branch

VI. The Way Forward

During the just ended financial year, AdIB completed its strategic plan preparation which provides direction for the Bank for the next five consecutive years. To this end, the Bank management and staff at all level will expect to renew their efforts to implement the strategic plan objectives and targets.

Implementing Core Banking Solution, ATM and Mobile and Agent Banking service will be the major focus areas of the Bank in the year to come. Increasing its number of branches, raising additional capital and improving resource mobilization capacity of the Bank are also the other major areas of concerns during the coming years.

VII. Recommendation on the Appropriation of Profit

The Board of Directors of AdIB recommends to the General Shareholders Assembly that the total appropriatable profit of Birr 20.4 million be paid as dividend to shareholders and at the same time request the shareholders to use it to purchase additional shares thereby meet the regulatory requirement.

VIII. Vote of Thanks

The Board of Directors of AdIB expresses its deepest gratitude to all the shareholders of the Bank, our customers, National Bank of Ethiopia, Management and employees of the Bank and to all our collaborators that contributed to the remarkable performance of the Bank.

1st Ordinary and 2nd Extra-Ordinary Shareholders Meeting



Great Ethiopian Run Participation





Auditors' Report



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ADDIS INTERNATIONAL BANK SHARE COMPANY (S.CO.)**

Report on the financial Statements

We have audited the accompanying financial statements of Addis International Bank S.Co., which comprise the balance sheet as at 30 June 2013, and the related income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditors considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

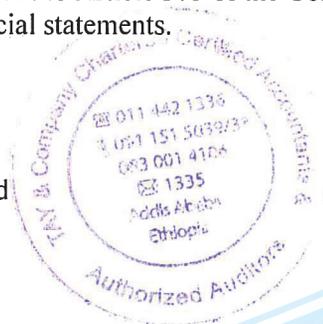
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Addis International Bank S.Co as at 30 June 2013 and of its financial performance and its cash flows for the period then ended in accordance with Generally Accepted Accounting Principles.

We have no comments to make on the report of the Board of Directors of the Bank in so far as it relates to these financial statements and pursuant to Article 375 of the Commercial Code of Ethiopia 1960 recommend approval of these financial statements.

TAY & Co.
Chartered Certified Accountants and
Authorized Auditors



Addis Ababa
August 31, 2013

Addis International Bank S.C.
Balance Sheet
As At 30 June 2013

Assets

	Notes	Birr	2012
Cash and Bank Deposits	3	378,092,779	158,778,282
Investment in Treasury Bills		5,986,200	20,951,784
Other Assets	4	69,978,653	36,236,863
Loans and Advances (net)	2(e),5	324,722,775	152,660,734
Investment in NBE Bills	6.2	102,632,733	40,229,491
Property, Plant and Equipments (net)	2(c),8	22,376,525	8,699,480
Core Banking Solution		6,611,354	-
Deferred Charges (net)	2(d),7	5,073,130	6,764,174
Investments in Shares	6.1	700,000	350,000

Total Assets

916,174,149 **424,670,808**

Liabilities

Customer Deposits	9	561,269,594	211,400,712
Margin Held on Letter of Credits		78,990,015	35,287,675
Other Liabilities	10	41,072,573	13,610,722
Provision for Profit Tax	22	9,841,928	1,961,989
Total Liabilities		691,174,110	262,261,098

Capital

Paid up Share Capital	11	194,465,141	147,108,000
Share Premium		1,504,130	7,992,030
Legal Reserve	12	8,628,257	1,827,420
Retained Earning		20,402,511	5,482,260
Total Capital		225,000,039	162,409,710

Total Liabilities and Capital

916,174,149 **424,670,808**


 Haile Melekot T/Georgis
 Chairman of the Board of Director




 Hailu Alemu
 President



**Addis International Bank S.C.
Income Statement
For the Year Ended 30 June 2013**

Income

	Notes	Birr	2012
Interest	14	32,273,008	12,143,676
Commission Income	13	20,119,646	10,087,534
Service Charges	15	21,204,076	7,027,377
Gain (Loss) on Foreign Currency		9,255,476	5,082,968
Other Income	16	2,048,435	1,284,481
		84,900,641	35,626,036

Expenses

General Expenses	17	22,045,276	14,945,383
Interest Expenses	18	13,735,628	4,960,843
Salaries & Benefits	19	10,143,805	4,669,240
Provision for Loans & Advances	2(e)	1,714,950	1,571,558
Audit Fee		32,200	26,450
Directors Allowance	20	164,200	161,400
Total Expenses		47,836,059	26,334,874

Profit before Tax

		37,064,582	9,291,162
Provision for Profit Tax	21	(9,861,234)	(1,981,482)

Profit after Tax

		27,203,348	7,309,680
Transfer to Legal Reserve		(6,800,837)	(1,827,420)

Net Profit after Tax & Legal Reserve

		20,402,511	5,482,260
Profit/Loss Brought Forward		-	-

Profit/Loss Carried Forward

		20,402,511	5,482,260
--	--	-------------------	------------------

Earning per Share of Birr 1000	23	159	57
--------------------------------	----	-----	----



Addis International Bank S.C.
Cash Flow Statement
For the Year Ended 30 June 2013

	Birr	2012
Cash Flow From Operating Activities		
Net Profit for the year	37,064,582	9,291,162
Add:		
Depreciation	4,618,567	2,292,023
Amortization	1,691,043	1,691,043
Provision for Doubtful Loans & Advances	1,714,950	1,571,558
	<u>45,089,142</u>	<u>14,845,786</u>
Cash Flow From Operation before Changes in Working Capital	45,089,142	14,845,786
Decrease (Increase) in Loans & Advances excluding provision	(173,776,991)	(154,488,597)
Decrease (Increase) in Prepayments	-	(13,408,732)
Decrease (Increase) in Other Assets	(33,741,790)	(4,963,730)
Increase (Decrease) in Deposits	349,868,882	211,326,942
Increase (Decrease) in Margin Held Account	43,702,340	35,287,675
Increase (Decrease) in Other Liabilities	27,461,852	13,039,692
Cash Flow From Operation before Changes in Working Capital	258,603,435	101,639,036
Withholding tax paid	(19,306)	(19,493)
Profit tax Paid	(1,961,989)	-
Net Cash Inflow from Operating Activities	256,622,140	101,619,543
Cash Flow From Investing Activities		
Purchase of Fixed Assets	(18,295,612)	(10,850,473)
Deferred Charges	-	(1,350,177)
Purchase of Core Banking Solution	(6,611,354)	-
Investment in NBE Treasury Bills	14,965,584	-
Investment in Shares	(350,000)	(350,000)
Investment in NBE Bills	(62,403,242)	(61,181,275)
Net Cash Outflow from Investing Activities	(72,694,624)	(73,731,925)
Cash Flow From Financing Activities		
Ordinary Shares Issued	40,869,241	37,681,322
Gain Realized on Foreign Currencies	-	-
Dividends Paid	(5,482,260)	-
Cash Flow from Financing Activities	35,386,981	37,681,322
Changes in Cash and Cash Equivalents	219,314,497	65,568,940
Cash and Cash Equivalent at the Beginning of the Year	158,778,282	93,209,342
Cash Balance at end of the year	378,092,779	158,778,282





**Addis International Bank S.C.
Statement of Changes in Equity
For the Year Ended 30 June 2013**

	Currency: Ethiopian Birr				
	Share Capital	Share Premium	Legal Reserve	Retained Earning	Total Capital
Balance at 1 July 2011	109,426,678	7,992,030			117,418,708
Additional Shares issued	37,681,322		-	-	37,681,322
Profit for the Year	-	-		7,309,680	7,309,680
Transfer to Legal Reserve	-	-	1,827,420	(1,827,420)	-
Balance at 30 June 2012	147,108,000	7,992,030	1,827,420	5,482,260	162,409,710
Balance at 1 July 2012	147,108,000	7,992,030	1,827,420	5,482,260	162,409,710
Additional Shares issued	40,869,241	-	-	-	40,869,241
Amount Capitalized	6,487,900	(6,487,900)	-	-	-
Dividends Paid	-	-	-	(5,482,260)	(5,482,260)
Profit for the Year	-	-		27,203,348	27,203,348
Transfer to Legal Reserve	-	-	6,800,837	(6,800,837)	-
Balance at 30 June 2013	194,465,141	1,504,130	8,628,257	20,402,511	225,000,039



Addis International Bank S.C.

Notes to the accounts

For the Year Ended 30 June 2013

1 General Information

Addis International Bank share company is established in Addis Ababa as per the Commercial Code of Ethiopia 1960, and it was licensed by the National Bank of Ethiopia on January 31, 2011 with the objective to engage in banking service in accordance with the Banking Business Proclamation number 592/2008. The bank has started operation on 30 May 2011.

2 Significant Accounting Policy

The financial statements are prepared under the historical cost convention in accordance with generally accepted accounting standards and the laws and regulation of Commercial Code of Ethiopia 1960. The principal accounting policies adopted by the Bank, which are consistent with those applied in the preceding year, are stated below

- Monetary items denominated in foreign currencies are retranslated at mid exchange rate ruling at the balance sheet dates. Gain/loss arising on retranslation are recognized in profit and loss in the period in which they arise.
- Foreign exchange transactions during the year are expressed in Birr at the actual rates prevailing on the transaction dates.
- Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated by a pooling system, except building, at the following rates per annum. The depreciation base for pooling system is the opening book value of assets category increased by the cost of assets acquired and decreased by the sales price of assets disposed.
Buildings are depreciated at straight ling method.

Computer and accessories	%
Other fixed assets	25
Building	20
	5%

- Pre-operating costs incurred during establishment of the bank and for branch openings are capitalized and amortized at 20% per annum.
- Loans and advances are stated at cost less provisions for bad debts. Provision for bad debts on outstanding loans and advances are determined based on the percentages dictated in NBE directive

3 Cash and Bank Deposits

	Birr	2012
Cash on Hand- Local Currency	41,626,160	15,910,755
Cash on Hand- Foreign Currency	3,510,419	2,527,864
Reserve Account with NBE	30,000,000	21,500,000
Payment & Settlement Account with NBE	13,343,084	10,144,920
Issue Account with NBE	12,970,300	-
Special Time Deposit with NBE	23,978,000	-
Deposit with Local Banks	151,552,666	411,737
Deposit with Foreign Banks	63,454,150	72,467,406
Deposit with Foreign Banks - Short Term Fixed Deposit	37,658,000	35,815,600
	378,092,779	158,778,282



Addis International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2013

4 Other Assets

Uncleared Effects - Local
Supplies Stock A/C
Accrued Interest Receivable
Prepaid Office Rent
Withholding Tax Receivable
Advances
Commission Receivables on Letter of Guarantees
Fixed Assets in Store
Miscellaneous
Emergency Staff Loan
Money Gram
Advance on Motor Vehicle
Total Other Assets

Birr	2,012
12,997,999	-
456,806	355,253
1,508,183	553,765
45,337,744	27,853,780
-	-
438,369	1,591,335
-	1,173,570
1,520,090	1,577,498
4,232,666	443,857
394,923	256,305
33,159	-
3,058,714	2,431,500
69,978,653	36,236,863

5 Loans and Advances

Agriculture & Production
Transport
Manufacturing
Domestic Trade & Services
Export
Import
Construction Loans
Personal Loan
Merchandise loan
Staff Housing Loan
Total Loan Balance
Less: Provision for Bad Loans & Advances

Birr	2012
-	1,389,304
4,924,522	2,208,571
49,907,056	16,886,040
44,045,810	20,927,317
57,797,270	17,882,000
41,671,356	18,612,938
99,074,986	49,213,062
629,668	1,253,523
28,149,872	24,562,008
1,808,743	1,297,529
328,009,283	154,232,292
(3,286,508)	(1,571,558)
324,722,775	152,660,734

6 Investments

6.1 Investments in Shares

Ethio Life Insurance Shares

Birr	2,012
700,000	350,000

6.2 Investment in NBE Bills

In accordance with NBE directive no MFA/NBE BILLS/001/2011 , the Bank has purchased NBE Bills to the equivalent of 27% of total loan disbursed during the year. The Bills are interest bearing at 3% with maturity period of five years.

7 Deferred Charges

Establishment Cost
Less: Amortization

8,455,217	8,455,217
(3,382,087)	(1,691,043)
5,073,130	6,764,174



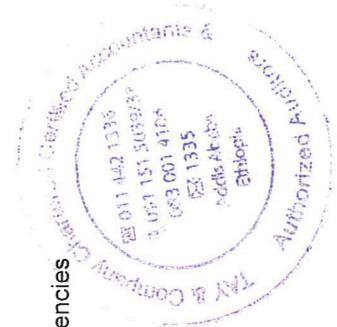
Addis International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2013

8 Property, Plant & Equipments

	Balance at 30 June 2012	Additions	Adjustment	Balance 30 June 2013
Cost	-	5,321,560	-	5,321,560
Premises	1,467,229	3,505,333	(26,439)	4,946,123
Furniture & Fittings	1,223,672	2,007,471	-	3,231,143
Office & Other Equipments	1,899,543	1,690,766	(2,320)	3,587,989
Computer and Accessories	6,450,694	5,770,482	-	12,221,176
Motor Vehicle	11,041,138	18,295,612	(28,759)	29,307,991
Depreciation	-	110,805	-	110,805
Premises	311,794	927,923	(5,288)	1,234,430
Furniture & Fittings	246,009	597,027	-	843,036
Office & Other Equipments	493,716	773,713	(580)	1,266,849
Computer and Accessories	1,290,139	2,186,207	-	3,476,346
Motor Vehicle	2,341,658	4,595,676	(5,868)	6,931,466
Net Book Value	8,699,480	-	-	22,376,525

9 Deposits

	Balance as at 30 June 2013				Total
	Demand	Saving	Time Deposit	Special Saving	
N/R Foreign Currency Accounts	4,302,142	-	-	-	4,302,142
Cooperatives	6,475,756	30,826,739	12,095,433	40,722	49,438,651
Diaspora N/R - FCY Accounts	232,221	-	-	-	232,222
Domestic Banks and Other Financial Agencies	4,559,358	6,185,230	143,017,750	-	153,762,338
FCY Retention Accounts A	4,036,595	-	-	-	4,036,595
FCY Retention Accounts B	11,268,473	-	-	-	11,268,473
Private Sectors	158,801,833	84,535,017	12,700,000	76,949,584	332,986,434
Public Agencies and Enterprises	-	5,242,739	-	-	5,242,739
	189,676,380	126,789,725	167,813,183	76,990,306	561,269,594





Addis International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2013

10 Other Liabilities

Accrued Interest on Fixed Deposits
Accrued Leave Pay
Dividend Payable
Blocking Inwards
Blocked Amount/Accounts
CPO & Certified Checks
Exchange Commission Payable to NBE
Collection from Shareholders
Income Taxes payable
Adjustment & Refund Account
TT's & MT's Payable Local
Miscellaneous
Duties Contributions and other taxes
Unearned rent income
Withholding Taxes payable
Value Added Tax (VAT)
Dividend Tax Payable
Commission Payable

Birr	2012
6,682,868	2,048,873
516,957	166,044
1,383,922	-
1,004,133	-
13,523,060	217,136
12,513,097	2,871,202
2,993,560	1,602,435
-	5,640,550
291,832	74,249
15,051	-
200	-
985,702	245,325
470,015	357,372
-	141,876
211,921	-
227,624	-
8,971	-
243,660	245,660
41,072,573	13,610,722

11 Paid up Share Capital

The authorized share capital of the bank is Birr 800 million comprising 800,000 ordinary shares at par value of Birr 1000 each. Total subscribed shares at the balance sheet date is Birr 201,269,000 out of which Birr 194,465,141 is paid.

12 Legal Reserve

In accordance with the Articles of Association of the bank and Proclamation No 592/2008 article 19 of the Licensing and Supervision of Banking, 25% of profit after tax is transferred to legal reserve until the balance reaches 100% of the paid-up capital.

13 Commission Income

Import Letters of Credit
Commission on CPO & Other Services
Commission on Letter Of Guarantee

Birr	2012
5,272,742	4,305,415
164,778	14,011
14,682,126	5,768,108
20,119,646	10,087,534

14 Interest Income

Interest earned on Loans & Advances
Interest earned on Surplus Fund

28,015,477	9,357,436
4,257,531	2,786,240
32,273,008	12,143,676

15 Service Charges

Service Charge- Local
Service Charge- Foreign

1,039,236	22,461
20,164,840	7,004,916
21,204,076	7,027,377

Addis International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2013

16 Other Income

Estimation and Inspection Fee
Postages
Telephone and SWIFT
Rent
Cash Surplus
Sundries

Birr	2012
32,750	28,500
1,972	779
132,108	58,302
1,298,103	1,099,800
684	10
582,818	97,090
2,048,435	1,284,481

17 General Expenses

Depreciation
Amortization of Establishment Cost
Rent
Stationery & Office Supplies
Business Travel & Transportation
Communication
Fees
Insurance
Taxes
Fuel & Lubricant
Wages
Sundries
Conference & Meeting
Repair & Maintenance
Utilities
Bank Charges
Advertisement/Publicity
Donation & Contribution
FCY Trading Cost & Service Charge
Inauguration
Security and Janitorial Service
Entertainment
Penalty Charges

4,595,676	2,292,023
1,691,043	1,691,043
9,324,586	6,882,204
940,600	427,764
345,096	18,726
490,889	479,545
635,590	227,529
246,972	110,130
64,579	98,561
155,510	27,286
22,198	15,674
52,186	160,848
185,832	64,414
169,680	295,048
159,222	26,730
290,944	306,430
943,155	1,175,752
1,500	-
75,571	-
204,163	250,391
1,427,469	393,827
16,740	1,458
6,075	-
22,045,276	14,945,383

18 Interest Expenses

Interest on Saving Deposits
Interest on Fixed Time Deposits

Birr	2012
4,263,114	1,611,727
9,472,514	3,349,116
13,735,628	4,960,843

19 Salaries and Benefits

Clerical Staff Salaries
Non Clerical Staff Salaries
Provident Fund Contribution
Cash Indemnity Allowance
Uniforms
Training & Education
Severance & Leave Pay
Medical
Bonus
Other Allowance & Benefits
Fuel & Representation Allowance
Employee Transportation Allowance
Overtime Payments
Pension Fund Contribution

7,101,683	3,253,243
72,530	36,786
327,225	307,101
195,049	67,765
2,754	-
20,492	57,894
366,381	171,375
182,146	66,476
433,072	-
188,329	98,911
503,546	395,730
407,057	175,766
20	-
343,523	38,193
10,143,805	4,669,240



**Addis International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2013**

20 Directors Allowance

Directors allowances represent monthly allowance of Birr 1,000 per month and Birr 200 per meeting for each member of board of directors in accordance with the memorandum of association of the bank. The amount paid is within the limit set in accordance with NBE directive SBB 49/2011.

21 Provision for Taxation

Profit before tax
Less: Interest income taxed at source
Interest on deposit with other domestic banks
interest on treasury Bills and NBE bills
Interest on Deposit with Foreign banks

Add: Disallowed Expenses
Entertainments
5% tax on interest income
Donations
Penalty
Taxable Profit
Provision for Taxation (at 30% tax rate)

	Birr	2012
Profit before tax	37,064,582	9,291,162
Less: Interest income taxed at source		
Interest on deposit with other domestic banks	(972,425)	(1,960,528)
interest on treasury Bills and NBE bills	(3,250,484)	(815,025)
Interest on Deposit with Foreign banks	(34,623)	(10,687)
	32,807,050	6,504,922
Add: Disallowed Expenses		
Entertainments	16,740	1,458
5% tax on interest income	39,415	98,561
Donations	1,500	-
Penalty	6,075	-
Taxable Profit	32,870,780	6,604,941
Provision for Taxation (at 30% tax rate)	9,861,234	1,981,482.30
Opening Balance	1,961,989	-
Profit Tax Paid During the year	(1,961,989)	-
Current Year Provision for Profit Tax	9,861,234	1,981,482
Withholding Tax Receivable	(19,306)	(19,493)
	9,841,928	1,961,989

22 Profit Tax Payable

23 Earning per share for the year is calculated on the basis of the average number of shares outstanding during the year. Average number of shares is computed on simple average basis.

24 Certain comparative figures were reclassified where necessary to facilitate comparison.

