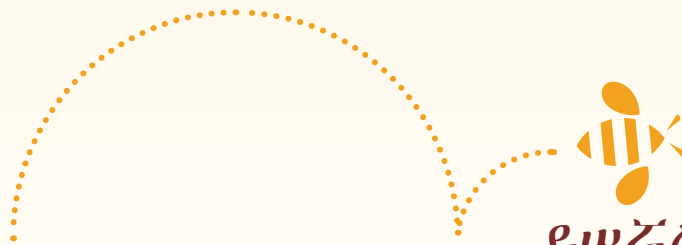




Nib InternationalBank

**ANNUAL REPORT
(JULY 2013 - JUNE 2014)**



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The Bank that Strives to Stimulate Growth !





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Vision

To become an icon of excellence and the leading commercial bank in Ethiopia.

Mission

To provide customer focused, efficient and effective full-fledged commercial banking services by deploying qualified, honest and motivated staff, state-of-the-art technology and thereby optimize stakeholders' interest.

Values

NIB upholds the following values:

- Loyalty;
- Transparency;
- Accountability;
- Social responsiveness;
- Honesty and integrity;
- Organizational excellence
- Equal employment opportunity.
- Prudent and professional banking practices;
- Competitive services and sustainable growth.



Board of Directors



Ato Tafesse Bogale
Chairman



Ato Tesfaye H/Mariam
V/Chairman



Ato Sisay Mamo



Dr. Alemayehu Areda



Dr. Ing. Belay W/Yes



Ato Kore Bawe



Ato Kifle Yirga



W/ro Martha H/Mariam



Dr. Yitfessah Alemu



Ato Bogale Admassu



Ato Theodros Haile
Board Secretary

Management



Ato Kibru Fondja
President



Ato Gashawtena Amdetsion
V/P - Strategic Support & Modernizations



Ato Solomon Goshime
V/P - Resources & Facilities



Ato Kedir Bedewi
Change Manager & Special Advisor
to the President



Ato Solomon Assefa
Director, Trade Finance



Ato Fresenbet G/Medhin
Director, E-Banking



Ato Mulugeta Dilnesaw
Director, Corporate Planning &
Bus.Dev.



Ato Leulseged Niguse
Director, Internal Audit



Ato Abera Shire
Director, Human Resource
Management



W/ro Eden Haddis
Director, Treasury & Fund Mgt.



Ato Yoseph Kibret
Director,
Information System



Ato Seifu Agenda
Director, Credit Appraisal



Ato Lemma H/Michael
Director, Customer Relationship
Mgt.



Ato Assefa Jeza
Director, Logistics &
Property Management



Ato Habib Mohammed
Director, Domestic Banking



Ato Desalegn Yizengaw
Director,
Accounts & Finance



Ato Beyene Alemu
Director, Legal Services



Director,
Risk & Compliance
Management



Ato Endalew Bazezew
Exc. Assistant
to the President





MESSAGE OF THE BOARD CHAIRMAN

It is a privilege and an honor to me to present this message to our highly valued customers, shareholders and other stakeholders. Nib International Bank (NIB) completed the 2013/14 financial year with a performance which is quite higher than the previous years in all spheres of its operations.

Cognizant of the importance of a stable and solid capital base, the equity of the Bank has significantly increased in the period where its paid-up capital reached Birr 1.2 billion, which implies the Bank remains in a strong capital position. To increase its accessibility to the public, branch expansion has also continued as well aiming at reaching potential but unbanked parts of the country. The Bank was able to mobilize more than a billion Birr of deposits in the year under consideration that witnesses the strong public confidence in the Bank.

Moreover, to support the development effort in the country, the Bank has played a significant role by providing loans to investors engaged in different sectors of the economy. As a result, the loans and advances made in the period were satisfactory. To sustain this public trust and to serve our esteemed customers at all places with convenient, fast and efficient banking services, we have successfully implemented the T24 Core Banking Solution at all branches.

The other long term and strategic concern of the Board is focusing on the future of the Bank by translating its resources into real productive assets. On the investment front, the activities taking place in the area of the joint construction of four projects including the Head office building makes us proud. Besides, the Bank's contribution in fulfillment of its social responsibility is also substantial.

Implementing the strategic plan was the other matter of paramount importance during the period under consideration. For this, the Bank has undergone through a structural change and encouraging progress is observed that enabled us to create a motivated team that takes responsibility and communicates the Bank's fundamental values for the realization of the strategic plan. The overall effort made by the Management and staff to the successful implementation of the 2nd five year strategic plan of the Bank was really impressive. On top of these, the dedication observed in all units indicates that without any doubt we can act in compliance with our guiding motto 'The Bank that strives to stimulate growth!' **ይሁሯል ከልብ፣ እንደ ንብ!**

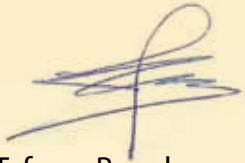
Besides, a number of tasks and decisions have been made during the financial year and the Bank obtained a satisfactory result in all areas of operations. These results could not have been realized without the considerable effort of all stakeholders of the Bank. In such demanding times, it would hardly be possible to register a gross profit of Birr 414.6 million without our relenting effort. However, our decisions and their subsequent implementations were not immune from challenges. In spite of the challenges faced both at macro and micro levels, the actions taken in tackling them and the results achieved deserve appreciation.



*Tafesse Bogale
Chairman, Board of Directors*

On behalf of the Board of Directors, I would like to assure all stakeholders that in the years to come, the Bank will strongly pursue the laid-down strategies to bring about excellence and consequently competitive returns.

Finally, I would like to extend my heartfelt appreciation to our esteemed customers for having us as their partner, shareholders for their commitment, the employees of the Bank for their dedicated efforts, the NBE for its guidance, the public and private institutions for their cooperation; without whom, the result registered would have not been materialized.



Tafesse Bogale

Chairman, Board of Directors

30 September 2014



MESSAGE OF THE PRESIDENT



*Kibru Fondja
President*

On behalf of the Management and on my own, I am delighted to share this short message with all stakeholders of Nib International Bank. First of all, I would like to trace back to the origin of the Bank thereby to appreciate the founders of this vibrant company who have taken all business risks in investing their expertise along with scarce financial resource. Our Bank has already sustained 15 years of service in Ethiopia's Banking industry with considerable annual growth. During this golden period, our Bank has achieved quite a number of social objectives as well as commendable business goals. As a result of concerted efforts of corporate leaders, shareholders, depositors, borrowers, employees as well as the general public at large, our Bank today came to a level of significant height measured in major financial parameters. In reaping untapped business potentials, our Bank is still moving forward with ever increasing momentum.

Focusing on recent phenomena and critically assessing the environment, NIB adopted the 2nd five year strategic plan in which it has incorporated comprehensive success factors, goals and objectives to be achieved in the five year period. In this strategic plan document, external opportunities and threats as well as internal strengths and weaknesses of the Bank are clearly identified. We have already accomplished the second year operational plan of this strategy and currently stepped into the third annual operational plan. The main focus of implementing this strategic plan in the past two years was in changing the external threats into opportunities and internal weaknesses into strengths.

Such long term strategies usually require organizational restructuring in which the Bank has been radically ushered into a comprehensive change process during the last operational year. The strategic plan coupled with organizational restructuring has entailed revision, updating, and developing new working documents particularly policies and procedures for almost all operational lines of the Bank. All these efforts have been aimed at transforming the Bank to a prominent level in the banking industry.

The aggregate efforts of the Board, Management and staff have been realized by implementing the latest technology in C.O.R.E banking solutions, which has fully networked all branches, implemented One-Window-Service (OWS) delivery, Card Payment and ATM service expansion to meet the needs of our esteemed customers. The Bank also changed its logo through which it has achieved significant business promotions and image building. The most important part of the achievement has been observed in capacity building of staff and management training, employee motivation and inspiration through various means.

With courageous involvement of the Board, management and employees, the Bank generated sound profit in the financial year and registered commendable increment in all performance parameters against last year despite challenges in overall banking business environments particularly in the foreign currency earning.

It is also worth mentioning the government's commitment in managing the inflation rate to stay at single digit as its contribution in empowering the saving capacity of the society, which is one of the major success factors for banking business. Moreover, the close supervision and follow-up of the NBE gave us strength to build our capacity and sound regulatory relationship.

Finally, I would like to take this opportunity to extend my gratitude to the Board of Directors for their tireless support and leadership to realize the strategic objectives of the Bank. I am also happy to give due consideration to the Management and employees towards better achievement in the upcoming financial year. With regard to concerted efforts of all business partners and overall stakeholders, I have full confidence that we will attain remarkable achievements in the 2014/15 financial year.

It is also my hope and wish that the current operational year shall be a prosperous, peaceful and pacific business environment for all stakeholders of the Bank.



Kibru Fondja

President

30 September 2014



DIRECTORS' REPORT

1. BACKGROUND

1.1. GLOBAL ECONOMIC SITUATION

The world economic situation has continued to move in a positive direction in 2013/14 financial year. According to the IMF's World Economic Outlook (WEO) of April 2014, efforts exerted by advanced economies have strengthened in 2013 to improve the growth level. It further shows that the global growth picked up in the second half of 2013 and advanced economies accounted for much of the growth. On the other hand, growth in developing economies is projected to pick up gradually from 4.7% in 2013 to about 4.9% in 2014 and 5.3% in 2015. The growth rate for the Sub-Saharan Africa remained strong in 2013 at 4.9% and projected to be 5.4% and 5.5% in 2014 and 2015 respectively. This continuous growth has been achieved through improved agricultural production, investment in natural resources and infrastructure. The overall growth of world output is forecasted to be 3.0% in 2013 to 3.6% in 2014.

The World Economic Situation and Prospects (WESP) 2014 mid-year report shows that inflation in the developed economy, United States, decelerated during the year 2013 and expected to remain below 2% in 2014 and 2015. In the Euro Area it has decelerated below 1% which has raised deflationary concerns. Inflation in Sub-Saharan Africa has declined to 6.4% in the period from 8% of last year. Regarding international trade, world export volume declined from 3.1% in 2012 to 2.3% in 2013 due to sluggish demand in many developed countries and indecisive growth in developing countries. However, it is projected to be 4.6% in 2014 and 5.1% in 2015 owing to a modest increase in demand in Europe and the United States and a return to more dynamic trade in East Asia.

1.2. DOMESTIC ECONOMY

The Ethiopian economy has continued to attain fast and broad-based growth making a 9.7% annual growth in the 2013/14 financial year which is almost double of the 4.9% of Sub-Saharan Africa growth during the period. Information from the Ministry of Finance and Economic Development revealed that the country is placed in the list of the fastest growing economies in the world. During the financial year, the country's macroeconomic stability was found to be stable by managing annual average inflation at a single digit of 8.1% from 13.5% in 2012/13 financial year. The devaluation of Birr against US Dollar has also continued in a moderate manner in the period.

According to the information obtained from the Ministry of Trade and Industry, the country's export earnings grew by 5.8% and reached USD 3.25 billion in 2013/14 from USD 3.08 last year. Coffee continues to lead export earning albeit both the volume of export and revenue earned declined to 190,876 metric tons and USD 718.8 million from 199,104 metric tons with corresponding revenue of USD 746.4 million of last year same period. Revenue earned from Oilseeds took the second place making significant growth with an increase of USD 202 million to reach USD 643 million during the fiscal year. On the other hand, export revenue from gold declined from USD 578.8 to USD 456 during the period. The other major export items of the country include Chat USD 297 million (9.1%), pulses USD 251 million (7.7%), flowers USD 199.7 million (6.1%), livestock USD 186 million (5.7%), leather USD 131 million (4.0%), textiles USD 111 million (3.4%) and meat USD 75 million (2.3%).

During the period, the strength of credit repayment capacity and economic stability of the country are also confirmed by internationally renowned rating agencies (Standard and Poor's, Moody's and Fitch) for the first time. Three of them ranked the country at "B" grade. The report showed that the country's economy is stable which is an important criterion for attracting foreign investment. Infrastructure development and investment in the energy sector have also continued to contribute a lot to the economic sectors further achievement.

2. MAJOR PLANNED ACTIVITIES AND ACHIEVEMENTS

2.1 PLANNED ACTIVITIES FOR THE FINANCIAL YEAR 2013/14

Some of the major activities planned to be performed during the financial year were:

- Implementation of the revised organizational structure
- Providing quality services through modern banking technologies.
- Finalizing office standardization and working toward image building through introduction of the new logo.
- Embarking on the construction of the joint Head Office building and other branch offices.

2.2. ACHIEVEMENTS

- The Bank has effectively carried out the implementation of the new organizational restructure, branch re-grading and a new salary scale and benefit package.
- With the aim of providing fast and efficient banking services, all branches of the Bank are equipped with Core Banking Solution (T24) and are using the One Window Service. Besides, the Bank is providing card payment service through ATMs installed at various branches, hotels and institutions. As a result of these, It has mobilized a substantial amount of deposit in the period.
- With the objective of working towards image building, office standardization activities along the introduction of the Bank's new logo has been effectively applied in most branches. Aggressive promotional activities have been employed through various channels in order to introduce the new logo and promote the Bank's services.
- In an effort to speed up the construction of the joint Head Office building, a number of activities have been carried out during the period under consideration. One of the fundamental priority tasks was to establish a project office staffed with technically qualified and who can manage the day-to-day activities of the building project. On top of this, a local consultant has been employed to supervise the project. The architectural design work has been carried out by a professional architect and approved by the Addis Ababa City Administration. The pile foundation, shoring and mass excavation for the foundation work of the joint head office building have started in the financial year. Relating to the revision of structural design, the Board of Directors has agreed to appoint an international consultant and a bid has already been floated. The other major issues that should be addressed during the period are the source of funding and the share of ownership of the building by the two sister companies. The share of ownership has now been decided to be 75% for the Bank and the balance of 25% to be for the insurance



company. Accordingly, the initial resource requirement will be from own sources and in due course both companies will look for other possible sources for funding. In addition, the Wolkite branch office building is almost completed. The Bank is also in the process of acquiring a branch office at Hayahulet Mazoria and has secured land for Hawassa and Dukem office buildings. The architectural design of another joint building to be constructed at the Free Zone site with Nib Insurance Company is secured.

- Asset quality of the Bank has been at a good standing and complies with the statutory requirement and it is a result of rigorous monitoring and follow-up activities.

3. FINANCIAL PERFORMANCE

The following is a detailed financial report for the year 2013/14.

3.1. GENERAL

The total assets of the Bank stood at Birr 10.7 billion registering a significant growth of 17.5% compared to that of the same period last year. Out of the total assets, liquid assets constitute 17.8% which is lower by 9% from the preceding year. The decline is attributed to the purchase of NBE Bills on new disbursed loans and advances. The share of loans and advances increased to 50.3% during the reporting period from 48.4% of same period last year. Similarly, the loan to deposit ratio increased to 69.7% in the period from 68.3% on 30th June 2013. The Bank's total liabilities also stood at Birr 8.8 billion, registering a growth of 17.4% compared to the same period last year. The total deposits also constituted 90.2% of the total liabilities.

The Bank's total capital, composed of paid-up capital, reserves, retained earnings and undistributed profit, reached Birr 1.9 billion. It shows an increase of Birr 298.4 million (17.9%). Out of the total capital, paid-up capital constitutes 61.2%. The capital adequacy ratio of the Bank is 23.6% in the financial year which is well above the regulatory minimum requirement of 8%. This indicates that the Bank's asset growth is adequately backed by proportionate growth of equity. On the other hand, return on capital for the financial year is 28.5% showing a decline by 3.4% from last year same period. The major reason for the decline is the 20.2% increase in the capital during the period.

Financed Project-Mamo Kacha Coffee Processing



3.2. DEPOSITS

The aggregate deposit during the financial year stood at Birr 7.9 billion which shows an increase of Birr 1.27 billion or 19.1 % compared to the amount of Birr 6.65 billion of last financial year.

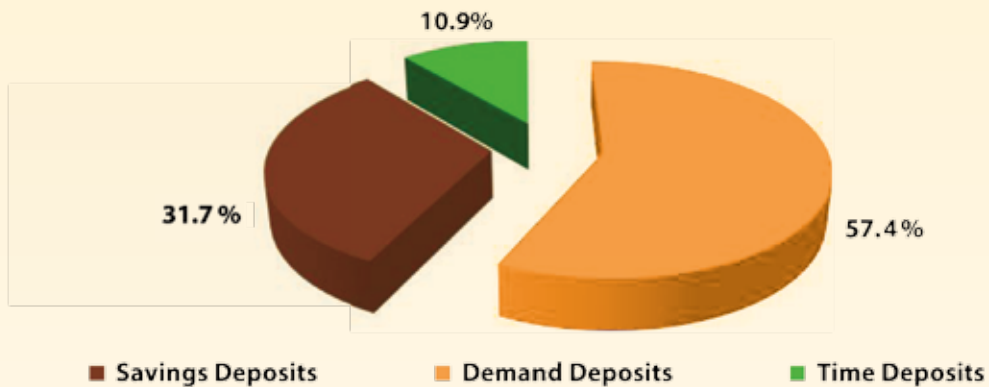
The number of deposit accounts also grew to 278,629 registering a 16.3% growth. This is a clear indication of public trust in the Bank which is increasing from time to time. The details of deposits are presented in Table 1, and Charts 1 and 2 below.

Table 1: Deposits by Type

Deposit Type	30/06/14		30/06/13		Change	
	Amount	% age	Amount	% age	Absolute	% age
Savings Deposits	4,547,006	57.4%	3,980,683	59.8%	566,323	14.2%
Demand Deposits	2,511,485	31.7%	2,123,659	31.9%	387,826	18.3%
Time Deposits	864,802	10.9%	550,871	8.3%	313,931	57.0%
Total	7,923,293	100.0%	6,655,213	100.0%	1,268,080	19.1%

The above table shows that the balance of interest bearing deposits was Birr 5.4 billion or 68.3% while non-interest bearing deposits accounted for Birr 2.5 billion or 31.7% at the end of the financial year.

CHART 1: COMPOSITION OF DEPOSITS

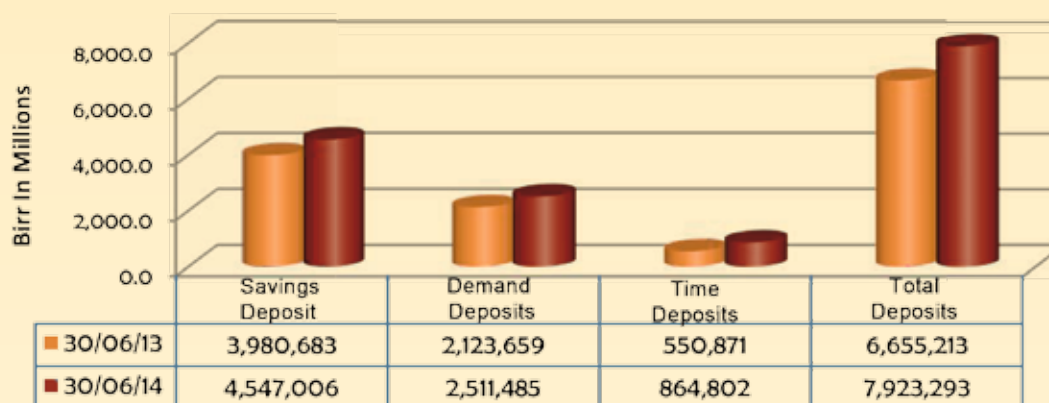


Financed Project-Ethio Cement Factory





CHART 2: COMPOSITION OF DEPOSITS



3.3. LOANS AND ADVANCES

At the close of the 2013/14 financial year, the Bank's total outstanding loans and advances stood at Birr 5.5 billion. When compared to the preceding year, it showed an increase of Birr 980.5 million or (21.6%). The NBE directive that requires private banks to purchase NBE Bills which equals to 27% of loans and advances disbursed has greatly affected the liquidity position and lending capacity of the Bank.

Table 2: Loans and Advances by Economic Sector

In '000 Birr

Economic Sector	30/06/14		30/06/13		Change	
	Amount	% age	Amount	% age	Absolute	% age
Manufacturing	1,406,412.5	25.5%	1,175,874.9	25.9%	230,537.6	19.6%
Building & Construction	801,146.6	14.5%	878,381.0	19.3%	(77,234.4)	-8.8%
Domestic Trade & Services	851,841.1	15.4%	759,049.2	16.7%	92,791.9	12.2%
Export	1,097,526.8	19.9%	714,104.9	15.7%	383,421.9	53.7%
Import	580,702.3	10.5%	518,172.0	11.4%	62,530.3	12.1%
Agriculture	111,117.0	2.0%	112,285.0	2.5%	(1,168.0)	-1.0%
Transportation	38,592.0	0.7%	104,382.7	2.3%	(65,790.7)	-63%
Hotel & Tourism	479,555.3	8.7%	249,858.2	5.5%	229,697.1	91.9%
Mining, Power & Water	21,079.9	0.4%	-	0.0%	21,079.9	100%
Personal	135,526.6	2.4%	30,884.4	0.7%	104,642.2	339%
Total	5,523,500.1	100.0%	4,542,992.3	100.0%	980,507.8	21.6%

Table 2 and Chart 3 show that loans and advances extended by the Bank covered various sectors of the economy. The sectoral distribution indicates that 25.5% was provided to the manufacturing sector followed by export (19.9%), domestic trade and services (15.4%), building and construction (14.5%), import (10.5%) and the remaining (14.2%) were distributed to various sectors.

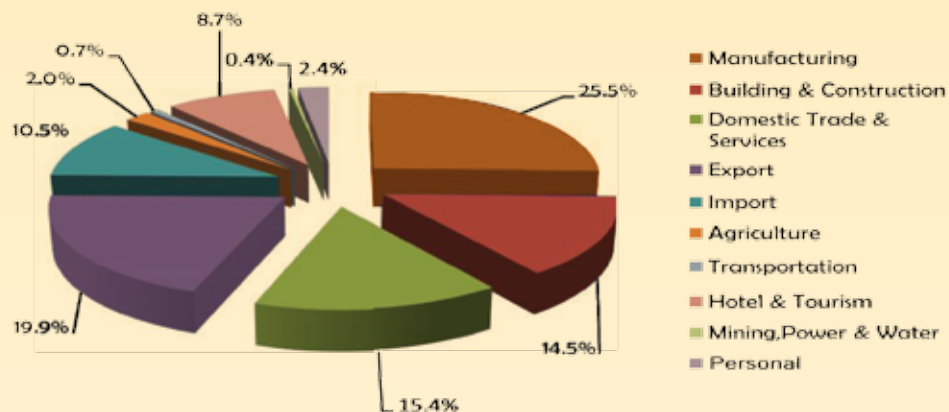
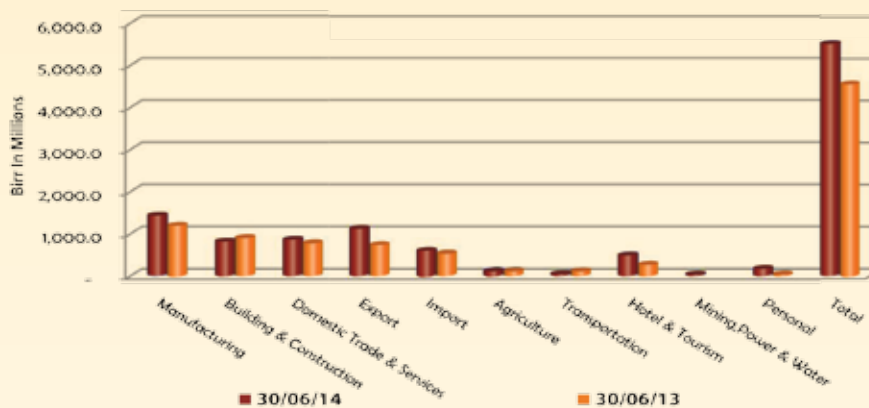
CHART 3: SECTORAL SHARE OF LOANS AND ADVANCES


Chart 4 shows comparative distribution and increase of aggregate loans and advances during the financial year 2012/13 and 2013/14.

CHART 4: COMPARATIVE DISTRIBUTION OF LOANS AND ADVANCES BY SECTOR.


3.4. INCOME STATEMENT ANALYSIS

3.4.1. INCOME

The Bank earned a total income of Birr 1.04 billion during the financial year 2013/14 showing an increase of Birr 187.7 million (22.1%) compared to Birr 851.2 million registered in the preceding financial year.

Table 3: Composition of Income

In '000 Birr

Item	30/06/14		30/06/13		Change	
	Amount	%age	Amount	%age	Absolute	%age
Interest Income from Loans & Advances	694,089.3	66.8%	570,518.5	67.0%	123,570.8	21.7%
Commission Income	82,098.1	7.9%	70,775.4	8.3%	11,322.7	16.0%
Service Charge	165,635.6	15.9%	128,724.21	15.1%	36,911.4	28.7%
Gain on foreign currency transactions	73,710.7	7.1%	65,829.0	7.7%	7,881.7	12.0%
Dividend Income	2,849.1	0.3%	2,100.9	0.2%	748.2	35.6%
Other Income	20,515.4	2.0%	13,240.2	1.6%	7,275.2	54.9%
Total	1,038,898.2	100.0%	851,188.2	100.0%	187,710.0	22.1%



As shown on Table 3 above, interest income from loans and advances constituted 66.8% (Birr 694.1 million) showing an increase of 21.7% (Birr 570.5 million) when compared to the level of the preceding year. The other income components have also a moderate increase during the financial year. (Refer charts 5 and 6).

CHART 5: COMPARATIVE COMPOSITION OF INCOME

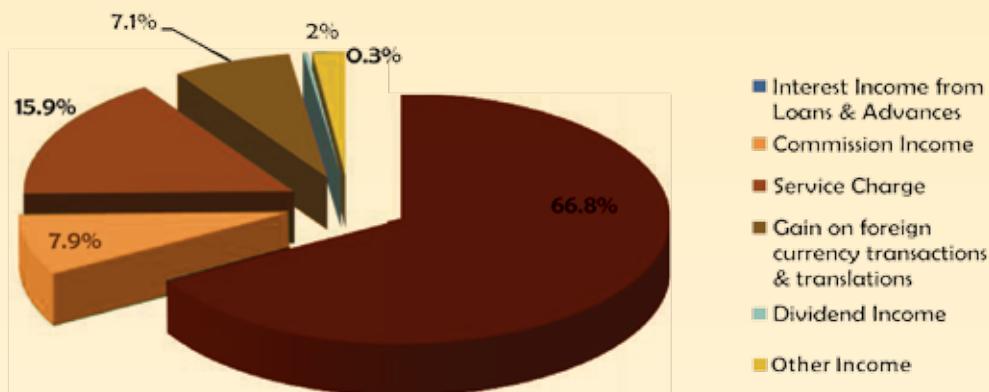
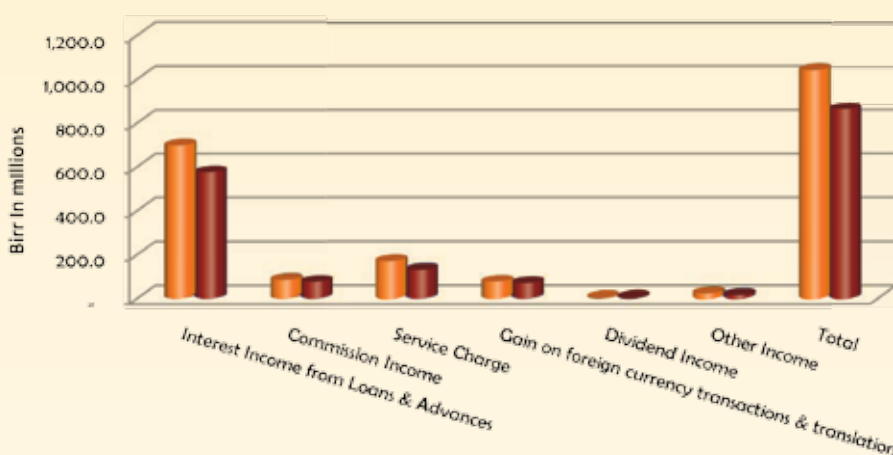


CHART 6: COMPOSITION OF INCOME SOURCES



3.4.2. EXPENSES

The total expenses of the Bank for the financial year were Birr 624.3 million. They exceeded previous year's balance by Birr 151.7 million (32.1%). As shown on the table below, interest on savings and fixed time deposits constitute 36.8% while salaries & benefits and general expenses constitute 31% and 29.9%, respectively. The details are presented on table 4 below.

Financed Project ACOS-Ethiopia



Table 4: Breakdown of Expenses

In '000 Birr

Item	30/06/14		30/06/13		Change	
	Amount	%age	Amount	%	Absolute	%
Interest Expense	229,802.2	36.8%	184,948.4	39.1%	44,853.8	24.3%
Salaries & Benefits	193,652.8	31.0%	140,070.3	29.6%	53,582.5	38.3%
Administrative and General Expenses	186,362.4	29.9%	134,126.6	28.4%	52,235.8	39.0%
Provision for doubtful loans and others	14,108.1	2.3%	13,101.0	2.8%	1,007.1	7.7%
Audit fee	356.5	0.06%	368.0	0.1%	(11.5)	-3.1%
Total	624,282.0	100.0%	472,614.3	100.0%	151,667.7	32.1%

Interest expense has increased by Birr 44.8 million, which is 24.3% when compared to that of the preceding year. The increase is attributed to the growth of saving deposits and the high interest rate offered for fixed time deposits. Salaries and benefits also grew by Birr 53.6 million or by 38.3% mainly due to the recruitment of additional employees for the branch expansion program and annual salary increment and benefits payment. Likewise, administrative and general expense have also increased by Birr 52.2 million or 39% as a result of the continuous increase in the volume of the Bank's operational activities, and also the continued increase in the rental expenses due to branch expansion program and others.

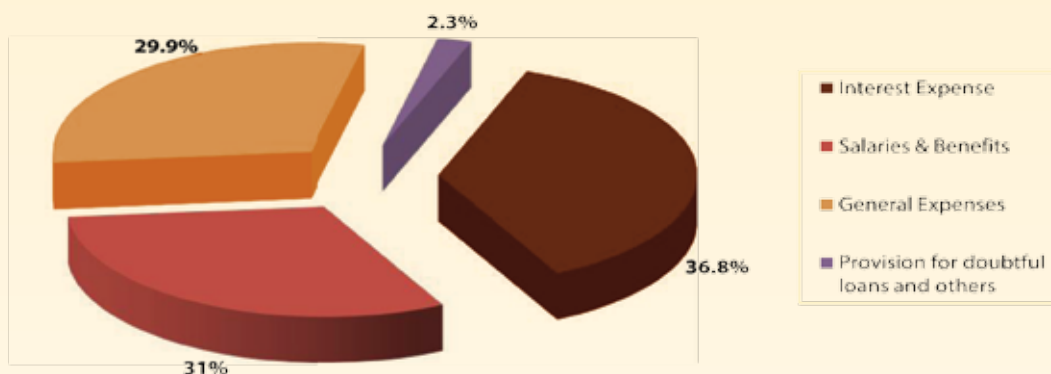
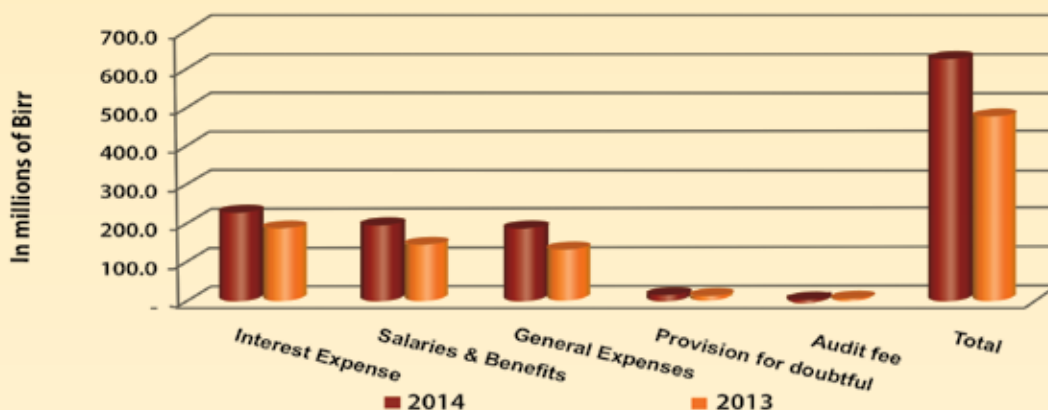
CHART 7: COMPOSITION OF EXPENSES

Colorful branch inaugurations in session




CHART 8: COMPOSITION OF EXPENSES



3.4.3 PROFIT

During the financial year under consideration, the Bank was able to generate gross and net profits of Birr 414.6 million and Birr 313.8 million respectively. The gross profit of the Bank increased by Birr 36 million (9.5%) from last year same period. The net profit also showed an increase of Birr 27.5 million (9.6%) compared to Birr 286.3 million registered in the preceding financial year.

3.4.4 RETURN ON ASSETS AND PAID-UP CAPITAL

The Bank’s Return on Assets (ROA) expressed as the ratio of profit before tax to the average assets is 4.2 % in the financial year 2013/14 which shows a decrease by 2.3% from last year same period of 4.3%. On the other hand, during the financial year, return on paid-up capital expressed as the ratio of net profit after tax to average paid-up capital stood at 28.5%. The percentage for the same period last year was 29.5%.

4. TRADE FINANCE OPERATIONS

At the end of the financial year, the income generated from international banking operations reached Birr 299.2 million, accounting for 28.7% of the Bank’s total income. When compared to the previous financial year, the total income earned from this line of operation shows an increase of 17.1% or Birr 43.7 million. Out of the total income generated from international banking operations, service charges and others contributed 56.4% followed by gain on foreign exchange transactions and translations 24.0%. The remaining 19.9% was from commission income.

Colorful branch inaugurations in session



One major challenge faced was lack of having proper policy and procedure related to purchase and allocation of foreign currency. Currently, the Bank has a clear policy and procedure manual in place for use. In addition, the mandate of allocating foreign exchange has been assigned to a Committee of senior officials.

5. HUMAN RESOURCE

Human resources development is one of the primary concerns of the Bank. At the close of the financial year, the staff strength of the Bank reached 2,351 personnel from the previous year of 2,278. During the period under consideration, the Bank recruited 335 additional employees, of which, 172 were clerical and the remaining are non-clerical.

Training of staff is a core requirement for sustainable development of an organization. Accordingly, 66 training programs were conducted and a total of 2,843 employees attended the in-house and outside training programs. The training is believed to enhance skills of the staff for a better performance and for an effective implementation of the strategic plan.

6. RISK AND COMPLIANCE MANAGEMENT

As banks deal with financial issues, they face various types of risks such as Credit Risk, Operational Risk, Liquidity Risk, Market Risk, Interest Rate Risk and Foreign Exchange Rate Risk. The Bank has given due consideration to proper monitoring and control of the Bank's assets through an effective risk management program. It is doing well to manage these risks effectively. With the intention of minimizing and avoiding the occurrence of the above risks, the Bank is developing a culture of integrity and high ethical standards. The Risk and Compliance Management Department of the Bank is managing these risks properly and on a timely basis by adopting a planned and systematic approach of identification, evaluation and close control of all operational and non-operational risks.

7. INFORMATION TECHNOLOGY

During the financial year under consideration, all branches were able to provide modern banking service using the T24 Core Banking Solution. One Widow Service operation is also an important outcome of the information technology implementation program that is being used in the Bank. In order to enhance the application of modern banking technology and provide competitive service through a wide range of card banking services, the Bank has acquired Visa and MasterCard membership. New bank products and services are also on the pipe line.

Annual General Shareholders' Meeting in session





8. BRANCH EXPANSION

During the period under consideration, the Bank has opened 17 additional branches at different parts of the country bringing the total number of branches to 88, out of which 48 are in Addis Ababa and the remaining 40 in the regional towns.

9. FUTURE PLANS

Some of the bank's future plans are the following:

- Standardization and image building along with extensive branch network through modern banking technologies.
- Provide extensively payment card service through Automatic Teller Machines (ATM), Point of Sale (POS), branches and other service stations.
- Introduce new banking products and services in order to meet customers' demand and increase customer base of the Bank.
- Continue the construction of office buildings in Addis Ababa and the regional towns.

10. VOTE OF THANKS

The Board of Directors would like to express its heartfelt gratitude to customers, shareholders, Management and the staff as well as the National Bank of Ethiopia, who contributed to the satisfactory performance of the Bank during the financial year 2013/14.

Tafesse Bogale

Chairman, Board of Directors

30 September, 2014

Management Meeting in session



AUDITORS' REPORT

A.W. Thomas L.P.
Chartered Certified Accountants
(Authorized Auditors - የተፈቀደ ለሥራ ስራተኞች)

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NIB INTERNATIONAL BANK SHARE COMPANY

We have audited the financial statements of NIB International Bank Share Company for the year ended 30 June 2014 which comprise the Balance Sheet, the Profit and Loss Account, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the financial statements in accordance with applicable laws, regulations and generally accepted accounting principles. Their responsibilities include designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and generally accepted auditing standards and to express an opinion on these financial statements based on our audit and whether the financial statements are properly prepared in accordance with the relevant provisions of the 1960 Commercial Code of Ethiopia and the Banking Business Proclamation No. 592/2008. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

P.O.Box 1162, Addis Ababa Ethiopia
Telephone 251 (0)11 552 5575, Fax: 251 (0)11 552 4855
E-mail: thomas@ethionet.et/awthomaslp@gmail.com
Partners: A.W. Thomas, Melaku Abeje and Seid Abdela



Basis of audit opinion

We conducted our audit in accordance with generally accepted auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion,

- the financial statements present fairly, in accordance with generally accepted accounting principles, the state of the company's affairs as at 30 June 2014 and its result for the year then ended;
- the financial statements have been properly prepared in accordance with the relevant provisions of the 1960 Commercial Code of Ethiopia, the Banking Business Proclamation No. 592/2008 and the directives of the National Bank of Ethiopia.
- the information given in the Directors' Report is consistent with the financial statements.

We have no comment to make on the report of your directors in so far as it relates to these financial statements and pursuant to Article 375 of the 1960 Commercial Code of Ethiopia, recommend approval of the above-mentioned financial statements.



A.W. Thomas L.P.
Chartered Certified Accountants
(Auditors of Nib International Bank S.C.)

Addis Ababa
30 September 2014

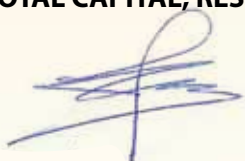
NIB INTERNATIONAL BANK SHARE COMPANY

BALANCE SHEET

AS AT 30 JUNE 2014

Currency: Ethiopian Birr

	Notes		2013
ASSETS			
Cash and Bank Balances			
Cash on hand	3	853,237,120	693,208,212
Reserve account with NBE	4	398,190,920	333,190,920
Payment and settlement account with NBE	4	135,256,622	170,754,408
Issue account with NBE	5	423,589,401	-
Deposits with local banks	6	23,502,595	550,299,047
Deposits with foreign banks		<u>82,210,166</u>	<u>357,393,752</u>
		1,915,986,824	2,104,846,339
Other Assets	7	452,580,551	362,821,611
Treasury Bills		-	150,000,000
Government Bonds (NBE Bills)	8	2,686,108,058	1,911,097,058
Investments in Shares	9	65,877,700	62,451,000
Loans and Advances	10	5,407,739,082	4,429,319,286
Fixed Assets	2(d),11	<u>218,991,052</u>	<u>124,008,321</u>
TOTAL ASSETS		<u>10,747,283,267</u>	<u>9,144,543,615</u>
LIABILITIES			
Deposits			
Demand deposits		2,511,484,656	2,123,659,349
Saving deposits		4,547,006,840	3,980,683,317
Fixed deposits		<u>864,801,680</u>	<u>550,871,375</u>
		7,923,293,176	6,655,214,041
Margins held on letters of credit		240,191,819	304,998,148
Other liabilities	12	518,593,137	426,095,720
Provisions for tax	28	<u>100,848,107</u>	<u>92,306,387</u>
TOTAL LIABILITIES		<u>8,782,926,239</u>	<u>7,478,614,296</u>
CAPITAL AND RESERVES			
Share Capital	13(i)	1,201,027,500	999,399,000
Legal reserve		463,126,570	384,684,562
Special reserve	14	1,500,000	1,400,000
Retained earnings	15	64,076,930	66,445,093
Profit and loss account		<u>234,626,028</u>	<u>214,000,664</u>
		1,964,357,028	1,665,929,319
TOTAL CAPITAL, RESERVES AND LIABILITIES		<u>10,747,283,267</u>	<u>9,144,543,615</u>



Tafesse Bogale
Chairman, Board of Directors



NIB INTERNATIONAL BANK SHARE COMPANY PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2014

Currency: Ethiopian Birr

	Notes		2013
INCOME			
Interest income	16	694,089,326	570,518,514
Commission income	17	82,098,113	70,775,399
Service charge	18	165,635,580	128,724,194
Gain on foreign currency transactions and translations	19	73,710,673	65,828,988
Dividend Income	20	2,849,059	2,100,928
Other income	21	<u>20,515,412</u>	<u>13,240,241</u>
		<u>1,038,898,163</u>	<u>851,188,264</u>
EXPENSES			
Interest expense	22	229,802,244	184,948,395
Salaries and benefits		193,652,825	140,070,315
Administrative and general expense	23	186,362,409	134,126,606
Provision for doubtful debts		14,108,041	13,101,009
Audit fee		<u>356,500</u>	<u>368,000</u>
		<u>624,282,019</u>	<u>472,614,325</u>
NET PROFIT BEFORE TAXATION		414,616,144	378,573,939
PROVISION FOR TAXATION	28	<u>(100,848,107)</u>	<u>(92,306,387)</u>
NET PROFIT AFTER TAXATION		313,768,037	286,267,552
LESS: TRANSFER TO LEGAL RESERVE		(78,442,009)	(71,566,888)
TRANSFER TO SPECIAL RESERVE		<u>(100,000)</u>	<u>(100,000)</u>
		235,226,028	214,600,664
LESS: DIRECTORS' ALLOWANCE		<u>(600,000)</u>	<u>(600,000)</u>
SURPLUS FOR THE YEAR		<u>234,626,028</u>	<u>214,000,664</u>
Earnings per share	30	<u>143</u>	<u>147</u>

NIB INTERNATIONAL BANK SHARE COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

Currency: Ethiopian Birr

	<u>Notes</u>	<u>2013</u>	
Net cash inflow from operating activities	24	438,087,541	44,865,580
Net cash (outflow) inflow from investing activities	25	(688,285,565)	(588,846,616)
Net cash (outflow) inflow from financing activities	26	(12,372,164)	(147,684,453)
Effect of exchange rate changes on cash and cash equivalents		<u>73,710,673</u>	<u>65,828,988</u>
(Decrease) Increase in cash and cash equivalents		(188,859,515)	(625,836,501)
Cash and cash equivalents at the beginning of the year		<u>2,104,846,339</u>	<u>2,730,682,840</u>
Cash and cash equivalents at the end of the year		<u>1,915,986,824</u>	<u>2,104,846,339</u>



NIB INTERNATIONAL BANK SHARE COMPANY

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. ESTABLISHMENT

The bank is a privately-owned company established in 1999 in accordance with the Licensing and Supervision of Banking Business Proclamation No. 84/1994 of Ethiopia, now superseded by Proclamation No. 592/2008, to undertake commercial banking activities.

The bank obtained its license from the National Bank of Ethiopia on 26 May 1999 and started normal business activities in the month of October 1999. It operates through its head office in Addis Ababa and 88 branches, and 3 agency offices for foreign exchange transactions in and outside Addis Ababa.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the historical cost convention, generally accepted accounting principles and the laws and regulations of Ethiopia including the Commercial Code of Ethiopia 1960, the Banking Business Proclamation No. 592/2008 and the directives of the National Bank of Ethiopia. The principal accounting policies are set out below:

- a) Foreign currencies
 - i) Foreign exchange transactions during the year are expressed in Birr at the actual rates prevailing on the transaction dates.
 - ii) Foreign currencies on hand and correspondent banks' balances are translated monthly at selling exchange rates for notes and for transactions respectively.
- b) Interest income and interest expense are accounted for on the accrual basis.
- c) Provision for doubtful debts.

Loans and advances are financial instruments originated by the bank by providing money to borrowers. The loans and advances are stated at cost less provisions for doubtful debts/impairment losses. Impairment losses comprise specific provisions against debts identified as bad and doubtful and general provisions against losses which are likely to be present in any loans and advances portfolio.

The provision is computed pursuant to the National Bank of Ethiopia, Asset Classification and Provisioning Directive No. SBB 43/2008 and is maintained at a level adequate to cover possible losses. Management determines the adequacy of the provision based upon reviews of individual advances and loans and other related factors e.g., considering interest that can be recognised following reinstatement of unpaid past due loans and advances and pursuant to the directives of the National Bank of Ethiopia.

NIB INTERNATIONAL BANK SHARE COMPANY

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

d) Fixed assets

- i) Depreciation is provided according to the income tax proclamation pooling system at the following rates applied on the book values of each group of assets determined by adding additions to and deducting disposal proceeds from respective opening balances except for buildings and intangible assets:

Buildings	5 %	Straight-line basis
Computers	25 %	
Other assets	20 %	
- Vehicles		
- Office equipment		
- Furniture and fittings		
User rights on lease	10 %	Straight-line basis

- ii) Fixed assets in store are not depreciated.

e) Leasehold land

Leasehold land is recognized as an asset based on the lease agreement and the un-paid balance is shown under other liabilities.

3. CASH ON HAND

		<u>2013</u>
Local currency	841,175,336	609,374,001
Foreign currency	<u>12,061,784</u>	<u>83,834,211</u>
	<u>853,237,120</u>	<u>693,208,212</u>

4. RESERVE ACCOUNT WITH NATIONAL BANK OF ETHIOPIA

As per the NBE directive number SBB/55/2013 – Reserve requirement, banks are required to open two separate accounts with the NBE.

- i) Reserve account – to maintain the reserve balance which amounts to 5% of all Birr and foreign currency deposit liabilities held by the Bank. The Bank cannot withdraw from the reserve account without the prior approval of the NBE.
- ii) Payment and settlement account - to carry out all day-to-day transactions of the bank through NBE.

As at 30 June 2014 the bank had Birr 398,190,920 on its reserve account with the NBE and Birr 135,256,622 on its payment and settlement account.

5. ISSUE ACCOUNT WITH NATIONAL BANK OF ETHIOPIA (NBE)

After the NBE implemented a new C.O.R.E banking system, deposits made by outlying branches of NIB at agent-issue holding branches of CBE will be directly reflected on and credited to "issue account with NBE", the operation of which is controlled by NIB head office. This move has reduced the balance of deposits with local banks for a significant amount of this was representing deposits at issue-holding branches of Commercial Bank of Ethiopia (CBE). As at 30 June 2014 the issue account balance amounted to Birr 423,589,401.



NIB INTERNATIONAL BANK SHARE COMPANY

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

6. DEPOSITS WITH LOCAL BANKS

Currency: Ethiopian Birr
2013

Current account	-	151,070,243
ECX account with other banks	1,002,595	1,002,804
Fixed time deposits	22,500,000	398,226,000
	23,502,595	550,299,047

7. OTHER ASSETS

Acquired properties	33,020,215	22,907,055
Uncleared effects, local	100,776,177	-
Uncleared effects, foreign	58,564,713	85,756,373
Stationery stock	8,362,243	8,655,963
Other stock items	13,445,265	5,685,882
Prepaid rents	81,006,729	69,331,269
Withholding tax receivable	440,000	-
Other advances	119,413,482	148,277,198
Cheque books and revenue stamps	733,794	219,708
Accrued interest (Treasury bills, NBE bills & Fixed Time Deposits)	42,687,491	27,038,851
	458,450,109	367,872,299
Less: Provision for doubtful debts	(5,869,558)	(5,050,688)
	452,580,551	362,821,611

7.1 Other advances

Other Advances	12,599,368	16,029,968
Advance paid for procurement of vehicles	-	31,330,508
Deposits for rent for branches under establishment	16,834,250	4,889,670
Advance payment computerization C.O.R.E. banking system *	17,613,205	73,510,236
Headquarters building project advance	42,604,780	22,516,816
ATM inter-operability account	3,356,580	-
Automatic transfer system-suspense	26,405,299	-
	119,413,482	148,277,198

* After November 2013, except for Awbare branch, all branches implemented the new T24 C.O.R.E. banking system. Currently Birr 17,613,205 is an advance for additional modules for mobile banking and other services not yet implemented.

NIB INTERNATIONAL BANK SHARE COMPANY NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8. GOVERNMENT BONDS (NBE BILLS)

In accordance with NBE directive No. MAF/NBE Bills/001/2012, a private bank is required to purchase NBE bills that amount to 27% of the bank's loan disbursements at an interest rate of 3%. The bills have a maturity of 5 years and accordingly the bank has purchased up to 30 June 2014 NBE bills amounting to Birr 2,686,108,058. (2013, Birr 1,911,097,058).

Currency: Ethiopian Birr
2013

9. INVESTMENTS IN SHARES

	No. of Subscribed shares	No. of paid shares	Par Value of shares		
Nib Insurance Company S.C.	135,000	135,000	50	6,750,000	6,298,000
Agar Micro Finance S.C.	25,000	21,017	100	2,101,700	1,627,000
Premier Switch Solutions S.C.	53,596	44,996	1,000	44,996,000	44,996,000
Zebidar Hulegeb Industrial S.C.	30,000	14,000	500	7,000,000	4,500,000
EthSwitch S.C.	5,032	5,030	1,000	<u>5,030,000</u>	<u>5,030,000</u>
				<u>65,877,700</u>	<u>62,451,000</u>

10. LOANS AND ADVANCES

Domestic trade and services	851,841,144	759,049,235
Imports	580,702,322	518,172,091
Building and construction	801,146,559	878,380,955
Manufacturing	1,406,412,486	1,175,874,904
Transportation	38,591,977	104,382,693
Hotels and tourism	479,555,336	249,858,235
Agricultural	111,116,964	112,285,011
Exports	1,097,526,779	714,104,910
Personal	135,526,632	30,884,419
Mines, power and water	<u>21,079,935</u>	<u>-</u>
	5,523,500,134	4,542,992,453
Less: Provision for doubtful loans and advances (Notes 10.2)	<u>(115,761,052)</u>	<u>(113,673,167)</u>
	<u>5,407,739,082</u>	<u>4,429,319,286</u>

10.1 The Bank is a party in various legal proceedings in relation to loans and advances, the ultimate resolution of which is not expected to have a materially adverse effect on the financial position of the bank or the results of its operations.



NIB INTERNATIONAL BANK SHARE COMPANY NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Currency: Ethiopian Birr
2013

10.2. Provisions

Balance 1, July 2013	113,673,167	100,572,158
Less: Loans written-off	(11,201,286)	-
	102,471,881	100,572,158
Add: Current year provision	13,289,171	13,101,009
Balance, 30 June 2014	115,761,052	113,673,167

11. FIXED ASSETS

COST	Balance at 1-Jul-2013	Additions	Disposals	Balance at 30-Jun-14
Leasehold land	23,783,207	9,591,652	-	33,374,859
Fixed assets stock	12,897,851	(4,319,653)	-	8,578,198
Vehicles	51,830,566	33,651,729	-	85,482,295
Computers hardware & software	50,706,058	75,309,897	-	126,015,955
Office equipment	26,298,958	14,856,758	-	41,155,716
Furniture and fittings	33,706,609	12,986,641	-	46,693,250
User rights on lease	2,000,000	-	-	2,000,000
Buildings	21,412,433	119,961	-	21,532,394
	<u>222,635,682</u>	<u>142,196,985</u>	<u>-</u>	<u>364,832,667</u>
DEPRECIATION				
Vehicles	31,664,500	10,763,558	-	42,428,058
Computers hardware & software	30,645,376	23,842,645	-	54,488,021
Office equipment	13,313,593	5,568,425	-	18,882,018
Furniture and fittings	17,839,126	5,770,825	-	23,609,951
User rights on lease	1,400,000	200,000	-	1,600,000
Buildings	3,764,766	1,068,801	-	4,833,567
	<u>98,627,361</u>	<u>47,214,254</u>	<u>-</u>	<u>145,841,615</u>
NET BOOK VALUE	124,008,321			218,991,052

11.1 The Bank acquired in 2005/2006 leasehold land of 2,800 m² at Birr 3,500/m² for its Addis Ababa head office building for 50 years, and Birr 2,395,484 was paid. The Bank paid Birr 1,159,390 for re-settlement compensation in the year to 30 June 2011 and this is treated as a payment on account of lease liabilities. The formal lease agreement was signed on 1 July 2010 and the bank agreed to pay the remaining Birr 6,245,125 with an annual lease rental of Birr 312,256 for 20 years, commencing from 1 July 2012. However, on 20 September 2012 the Bank made another lease contract which will replace the previous one. In this revised agreement the Bank expanded the area by 882.4m² at Birr 3,281.06/m² for 55 years and Birr 579,041 (10% of total value Birr 2,895,207) was paid. The Bank was granted a two year grace period to 20 September 2014. The Bank agreed to pay the remaining Birr 8,561,282 for the increased area with an annual lease rental of Birr 285,376 for 30 years.

NIB INTERNATIONAL BANK SHARE COMPANY

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

The Bank also acquired on 12 June 2013 leasehold land of 1.980m² for its Hawassa branch office building for 70 years and Birr 1,108,800 was paid. The Bank agreed to pay the remaining Birr 9,979,200 with an annual lease rental of Birr 255,877 for 40 years commencing from 12 June 2014.

On 18 November 2013 the Bank acquired new leasehold land of 2,353m² for its Dukem branch office building for 70 years at a cost of Birr 9,591,651 and paid Birr 3,836,660. The Bank agreed to pay the remaining Birr 5,754,991 with an annual lease payment of Birr 575,499 for 10 years

Currency: Ethiopian Birr
2013

12. OTHER LIABILITIES

Leasehold land liabilities	24,040,596	18,541,483
Guarantee deposits	10,656,768	11,744,367
Cash Payment Orders issued	260,099,681	220,190,925
Cheques and claims in-transit	33,846,484	34,414,797
Exchange commission payable	11,134,576	8,625,270
Current accounts blocked	37,049,670	36,631,725
Accrued interest	39,253,857	19,743,503
Telegraphic transfers payable	13,788,611	32,802,050
Board of directors allowance	600,000	600,000
Tax payable	10,560,835	6,518,195
Share subscription payable	5,465,271	17,094,687
Other accruals	16,520,273	11,883,893
Others	55,576,515	290,096
Un-cleared effects local	-	7,014,729
	<u>518,593,137</u>	<u>426,095,720</u>

12.1 Others

Customers loan deposit accounts	8,603,458	-
Retention re-construction work	498,683	-
ATM Inter-operability account	2,852,793	-
Money transfer payable	2,650,863	-
Rent payable	5,904,630	-
Over-collection on sale of acquired property	8,611,454	-
Export blocked account	3,360,375	-
Blocked account in relation to leasehold land	4,323,760	-
Others	18,770,499	290,096
	<u>55,576,515</u>	<u>290,096</u>



NIB INTERNATIONAL BANK SHARE COMPANY

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Currency: Ethiopian Birr

13. SHARE CAPITAL

2013

The authorized share capital of Nib International Bank Share Company is Birr 2 Billion comprising 4,000,000 ordinary shares of Birr 500 each, of which the following amount is:

Subscribed and fully paid	<u>1,201,027,500</u>	<u>999,399,000</u>
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14. SPECIAL RESERVE

The Bank has a special reserve of Birr 1,500,000 against fidelity risk in accordance with Article 21 (7) of the Banking Business Proclamation No 592/2008.

15. RETAINED EARNINGS

Opening balance, 1 July 2013	66,445,093	39,746,306
Less: Prior period adjustment in relation to tax payment for non-deductible expenses	<u>(2,368,163)</u>	-
	64,076,930	39,746,306
Add: Transfer of surplus for 2012/2013 * (15.1)	214,000,664	213,975,740
Transfer from share premium accounts	-	<u>16,000,000</u>
	278,077,594	269,722,046
Less: Dividend paid	<u>(214,000,664)</u>	<u>(203,276,953)</u>
	<u>64,076,930</u>	<u>66,445,093</u>

15.1 As per the AGM held in November 2013 all profit of Birr 214,000,644 for 2012/13 fiscal year was declared as dividend. Accordingly, during the year dividends re-invested by existing shareholders amounting to Birr 185,032,000 and unpaid/ pending dividend amounting to Birr 5,465,271 is shown as dividend payable.

16. INTEREST INCOME

		2013
Loan and advances	614,502,441	501,539,256
Treasury bills	2,073,020	10,972,889
Government bond (NBE Bills)	67,796,353	47,122,896
Deposits with domestic banks	9,630,688	10,691,089
Interest on correspondent bank accounts	<u>86,824</u>	<u>192,384</u>
	<u>694,089,326</u>	<u>570,518,514</u>

NIB INTERNATIONAL BANK SHARE COMPANY NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Currency: Ethiopian Birr

17. COMMISSION INCOME

2013

Telegraphic Transfers and drafts	5,011,041	9,766,133
Certified Payment Orders	1,607,954	1,547,788
L/C opening, confirmations and extensions	45,470,665	41,952,400
Letters of guarantee issued	21,515,344	14,586,634
Other commissions	<u>8,493,109</u>	<u>2,922,444</u>
	<u>82,098,113</u>	<u>70,775,399</u>

18. SERVICE CHARGES

Service charges – local	652,752	420,865
Service charges - foreign	<u>164,982,828</u>	<u>128,303,329</u>
	<u>165,635,580</u>	<u>128,724,194</u>

19. GAIN ON FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS

Gain on foreign currency dealings	191,888,045	102,483,336
Loss on foreign currency dealings	<u>(118,177,372)</u>	<u>(36,654,348)</u>
	<u>73,710,673</u>	<u>65,828,988</u>

20. DIVIDEND INCOME

Nib Insurance Company S.C.	2,374,349	1,676,272
Agar Microfinance S.C.	<u>474,710</u>	<u>424,656</u>
	<u>2,849,059</u>	<u>2,100,928</u>

21. OTHER INCOME

L/C opening charges	2,715,878	871,191
Telecommunications	1,841,208	4,362,926
Estimation fees	480,258	562,200
Cash surplus	443,262	808,876
Sundry income	13,592,308	6,026,718
Miscellaneous	<u>1,442,498</u>	<u>608,330</u>
	<u>20,515,412</u>	<u>13,240,241</u>

22. INTEREST EXPENSE

Saving Deposits	166,617,174	149,040,057
Time Deposits	60,554,933	35,908,338
Loan from NBE	<u>2,630,137</u>	<u>-</u>
	<u>229,802,244</u>	<u>184,948,395</u>



NIB INTERNATIONAL BANK SHARE COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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23. ADMINISTRATIVE AND GENERAL EXPENSES

		<u>2013</u>
Office rent	58,316,139	43,304,249
Advertising	4,862,704	2,519,287
Depreciation and amortization	47,214,255	20,212,244
Stationery and printing	10,898,149	10,899,491
Communications	8,455,355	5,211,266
Maintenance	6,731,576	5,972,193
Insurance	8,356,698	9,442,162
Fuel	5,625,904	4,680,144
Bank charges	2,600,792	5,901,643
Consultancy	2,375,203	2,663,748
Membership fee	164,667	1,818,202
Perdiem and travel	2,313,523	1,498,873
Transportation	2,125,729	2,128,320
General Assembly and meeting	1,383,004	1,383,024
Entertainment	3,116,453	7,853,251
Directors fee	342,200	369,600
Utility charges	1,326,398	929,028
Car and representation allowance	1,599,078	1,346,697
Property transfer fee	1,072,670	-
Meeting, workshop and seminar	4,362,749	-
ATM card costs	2,969,817	-
ATM transactions and card personalization fees	3,637,508	-
Others	<u>6,511,838</u>	<u>5,993,184</u>
	<u>186,362,409</u>	<u>134,126,606</u>

NIB INTERNATIONAL BANK SHARE COMPANY NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Currency: Ethiopian Birr

24. CASH FLOWS FROM OPERATING ACTIVITIES

2013

Net profit before tax	414,616,144	378,573,939
Depreciation and amortization	47,214,254	20,212,244
Provision for doubtful loans and others	14,108,041	13,101,009
Provision written off	(11,201,286)	-
Investment income	(82,349,120)	(70,887,802)
Gain on foreign currency transactions and translations net	(73,710,673)	(65,828,988)
Directors' allowance paid	(600,000)	(600,000)
Loss on disposal of fixed assets	-	103,278
Operating profit before change in operating assets and liabilities	308,077,360	274,673,680
Net (increase) decrease in loans and advances to banks and customers	(980,507,681)	(834,092,747)
Net increase in deposits by banks and customers	1,268,079,135	817,087,232
Net increase (decrease) in other assets	(90,577,810)	(23,186,107)
Increase in other liabilities (net of directors allowance) and margins held on letters of credits	27,691,087	(86,371,028)
Net cash (outflow) inflow from operating activities before profit tax	532,762,091	148,111,030
Profit tax paid	(94,674,550)	(103,245,450)
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	<u>438,087,541</u>	<u>44,865,580</u>

25. CASH FLOWS FROM INVESTING ACTIVITIES

Interest on treasury bills	2,073,020	10,972,886
Interest on deposit with other banks	9,630,688	10,691,089
Redemption of treasury bills	150,000,000	100,000,000
Investment in NBE bills	(775,011,000)	(699,816,000)
Interest on NBE bills	67,796,353	47,122,896
Investment in shares	(3,426,700)	(22,203,000)
Income from investment in shares	2,849,059	2,100,929
Purchase of fixed assets	(142,196,985)	(37,715,416)
	<u>(688,285,565)</u>	<u>(588,846,616)</u>



NIB INTERNATIONAL BANK SHARE COMPANY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
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26. CASH FLOWS FROM FINANCING ACTIVITIES

2013

Sales of new shares	201,628,500	55,592,500
Dividend paid	(214,000,664)	(203,276,953)
	<u>(12,372,164)</u>	<u>(147,684,453)</u>

27. MEMORANDUM ACCOUNTS

1) Contingent liabilities		
Guarantees issued to customers	<u>900,872,252</u>	<u>984,945,194</u>
2) Contingent assets		
Interest on loans and advances under litigation	2,573,107	7,729,893
Accrued interest income on NPL	<u>46,252,575</u>	<u>50,524,914</u>
	<u>48,825,682</u>	<u>58,254,807</u>
3) Unutilized overdraft balance	<u>419,297,641</u>	<u>679,956,773</u>
4) Overdraft and loan facilities approved but not disbursed	<u>781,193,840</u>	<u>303,167,228</u>
5) Commitments		
Letters of credit	593,078,000	698,551,404
Less: margin held	(240,191,819)	(304,998,148)
	<u>352,886,181</u>	<u>393,553,256</u>
Inward bills for collection	<u>145,817,019</u>	<u>10,944,772</u>
Outward bills for collection	<u>4,594,322</u>	<u>110,079,563</u>
Memorandums on export letters of credit	<u>(214,214,911)</u>	<u>(268,909,712)</u>

NIB INTERNATIONAL BANK SHARE COMPANY NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Currency: Ethiopian Birr

28. PROFIT TAX

2013

Profit as per profit and loss account	414,616,144	378,573,939
Add: Representation allowance in excess of 10% of salary	30,362	80,968
Add: Entertainment	3,116,453	-
Loss on disposal of fixed assets	-	103,278
General provision on debts	818,870	-
Less: Depreciation as per tax directive	(47,214,254)	(20,234,350)
Add: Depreciation as per ledger	<u>47,214,254</u>	<u>20,212,244</u>
	418,581,829	378,736,079
Less: Interest on bank deposits at foreign banks *	(86,824)	(192,384)
Investment income from Nib Insurance S.C.	(2,849,059)	(2,100,928)
Interest on treasury bills	(2,073,020)	(10,972,889)
Interest income on NBE bills	(67,796,353)	(47,122,896)
Interest on local deposits	<u>(9,630,688)</u>	<u>(10,691,089)</u>
Taxable profit	<u>336,145,885</u>	<u>307,655,893</u>
	30%	30%
	100,843,766	92,296,768
* Tax on Birr 86,823.56@5%	<u>4,341</u>	<u>9,619</u>
Provision for tax	<u>100,848,107</u>	<u>92,306,387</u>

The Bank's tax liabilities have not been formally assessed by the tax authority since 2003.

29. CAPITAL COMMITMENTS

The Bank has signed an agreement for the foundation of its Head Office building (co-owned with NIB Insurance S.C.) for Earth Works and Excavation Works at an expected cost of Birr 66,598,132 excluding travel and accommodation costs, of which 60% will be covered by the Bank and 40% by the Insurance Company. Recently the allocation rate has been amended to 75% and 25% for the Bank and the Insurance respectively. No commitment or contract has yet been made for the erection of the building.

The Bank has signed with Temenos an agreement for new banking software and hardware and as at 30 June 2014 the bank has implemented the T-24 C.O.R.E banking software and Birr 66,787,149 was capitalized in relation to modules implemented by the Bank. Birr 17,613,205 is still waiting for implementation in relation to mobile banking and other related modules.



NIB INTERNATIONAL BANK SHARE COMPANY NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30. EARNINGS PER SHARE

The earnings per share for the year are calculated on the basis of the average number of shares outstanding during the period.

31. EMPLOYEES' BENEFITS SCHEME

Regarding the Bank's provident fund scheme, the Bank contributes 13% of basic salary while employees contribute 7% and these contributions are held for each individual in saving accounts at the Bank for employees who are not members of the National Pension Scheme. For those employees who joined the National Pension Scheme the bank settles the required contribution to the Private Employees' Pension Administration and the excess amount is deposited to the employee's individual bank accounts. All other employees' benefits are in accordance with the Labour Proclamation No. 377/2003 and Labour Amendment Proclamation No. 494/2006.

32. CORPORATE GOVERNANCE ISSUES

During the year to 30 June 2014, the National Bank of Ethiopia (NBE) performed a special examination with regard to complaints that certain Nib International Bank S.C. officials and directors had disregarded laid-down procedures relating to some corporate governance and administrative issues. The NBE gave instructions to the Board of Directors of Nib International Bank S.C. concerning these corporate governance issues, and the NBE instructions are now being followed by the Board and by the concerned bank officials.



Nib International Bank Branch Network

