



Annual Report
2010/11



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COMMERCIAL BANK OF ETHIOPIA

Marching towards Attaining a world - Class Repute

Profile

- Established in 1942.
- The first bank to introduce Automated Teller Machine (ATM) to Ethiopia.
- Introduced Western Union Money Transfer Services to Ethiopia.
- Had 380 branches across the country by June 2011.
- Plays a catalytic role in the economic progress and development of the country.
- Combines wide capital base with 10,753 talented and committed employees.
- Has about 2.8 million account holders.
- Strong correspondent relationship with 40 renowned foreign banks and a SWIFT bilateral key arrangement with 712 others.
- Leading African bank with assets of Birr 114.2 billion as at 30th June 2011.

Vision

To Become a World-Class commercial Bank by the year 2025

Mission

We are committed to realizing the needs of stakeholders through enhanced financial intermediation globally, and supporting national development priorities by deploying highly motivated, skilled and disciplined employees as well as state-of-the-art technology. We strongly believe that winning the public confidence is the basis of our success.

Values

1. Corporate Citizenship

- We value the importance of our role in national development endeavors and step up for the commitment.
- We abide by the laws of Ethiopia and other countries in which we do business.
- We care about the welfare of the society and the environment.

2. Customer Satisfaction

- We strive to excel in our business and satisfy customers.

3. Quality Service

- We are committed to offering quality service to customers and aspire to be branded as quality service providers in the minds of our customers and the general public.

4. Innovation

- We encourage new ideas that can improve customers' experiences and the performance of the Bank.

5. Teamwork

- We recognize the importance of teamwork for our success.
- We respect diversity of viewpoints.

6. Integrity

- We are committed to the highest ideals of honor and integrity.

7. Employees

- We recognize our employees as valuable organizational resources.

8. Public Confidence

- We understand that the sustainability of our business depends on our ability to maintain and build up public confidence.

COMMERCIAL BANK OF ETHIOPIA



● **H.E Ato Bereket Simon**
Board Chairman



● **H.E Ato Abay Tsehaye**
Board Member



● **Ato Fikru Dessalegn**
Board Member



● **Dr. Wolday Amha**
Board Member



● **Dr. Mesfin Belachew**
Board Member

BOARD OF DIRECTORS



• **Ato Nebiyou Samuel**
Board Member



• **Wzo. Genet Abera**
Board Member



• **Ato Getachew Negera**
Board Member



• **Ato Esayas Kebede**
Board Member



• **Ato Alemayehu Hunde**
Board Secretary

COMMERCIAL BANK OF ETHIOPIA



● **Ato Bekalu Zefele**
President



● **Ato Abay Mehari**
Credit Management
Vice President



● **Ato Deribe Asfaw**
Customer Accounts and
Transaction Services
Vice President



● **Ato Mohammed Nuredin**
Trade Services
Vice President



● **Ato Yehuala Gessesse**
Credit Appraisal and
Portfolio Management
Vice President

THE PROCESS COUNCIL



● **Wzo. Melika Bedri**
Information Systems
Vice President



● **Ato Seifu Bogale**
Human Resource
Management
Vice President



● **Ato Belay Gofru**
Finance
Vice President



● **Ato Endale Gebru**
Facilities Management
Vice President



● **Ato Yishak Mengesha**
Chief Business Development
Officer



● **Ato Mulugeta Alemayehu**
Chief Risk and Compliance
Management Officer



● **Ato Solomon Alula**
Chief Internal Auditor



● **Wzo Meseret Asfaw**
Director Office of Strategy
Management

KEY FIGURES

As at 30 June (in Millions Birr)	2011	2010	Percentage Change
Total Income	6,994.20	4,494.20	55.6
Interest Income	4,081.50	2,742.80	48.8
Non-Interest Income	2,912.70	1,751.40	66.3
Total Expense	2,756.10	1,686.10	63.5
Interest Expense	1,117.20	744.1	50.1
Non-Interest Expense	1,638.90	942	74.0
Profit Before Tax	4,238.10	2,808.10	50.9
Net Profit for the Year	2,862.90	1,968.30	45.5
Total Assets	114,265.10	74,187	54.0
Outstanding Loans and Advances (incl. bonds)	74,615.50	50,849.90	46.7
Liabilities	108,003.60	68,632	57.4
Total Deposits	85,159.90	54,678	55.7
Capital and Reserve	6,261.50	5,532.70	13.2
Number of Branches	380	220	72.7
Number of Employees	10,753	8,726	23.2

Message of the President

I am very pleased and greatly honored to announce to all stakeholders the historic achievements of the Commercial Bank of Ethiopia (CBE) during the fiscal year 2010/11. The gross profit of the Bank reached an all-time high of 4.2 billion Birr. This is an unprecedented level of profit in CBE's 69 years existence.

The Ethiopian economy continued to perform strongly for the eighth successive year. The overall GDP grew by 11.4%, mainly driven by the good agricultural production, local and foreign investment in the construction sector, agro-processing and manufacturing as well as large government investments in infrastructure and social services. This high growth performance was achieved despite challenges such as high inflation.

The CBE, which is the leading player in the domestic banking industry, has seized the opportunities provided by the favorable economic growth and consequently, the total income of the Bank reached Birr 7 billion, which was up by Birr 2.5 billion (55.6%) when compared with the performance of the previous year. At the end of the fiscal year being reviewed, the total assets of the Bank stood at Birr 114.2 billion, while total deposit reached 85.2 billion Birr, thus reflecting a 55.7% growth over the preceding year's deposit level. On the other hand, the overall expense of the Bank reached Birr 2.8 billion, showing an increase of 63.5% largely due to the substantial business expansion successfully achieved by the CBE during the fiscal year.

The Bank has demonstrated its commitment to reaching out large potential customers and the public by opening 160 additional branches across the country during 2010/11 F.Y. The opening of these branches enables the bank to widen its customer base and scale up deposit mobilization efforts.

The CBE has also been undertaking two major projects that are expected to bring about transformation in its service delivery and overall performance. These are Information Technology (IT) and Human Resources Development (HRD) projects. The Card Banking component of the IT project has already entered the implementation phase while the integrated core banking solution is well underway and would be finalized during the first half and Go-Live by the second half of 2011/12 F.Y.

The CBE concluded an agreement with the Frankfurt School of Finance and Management for the development of its HRD strategy on January 1, 2011. The grand objective of this strategy is to enhance the professional quality of the staff and service standards of the Bank to a world-class level. The strategy document prepared as per the agreed schedule is expected to enter implementation phase during the 2011/12 F.Y.

By and large, 2010/11 F.Y was a very successful year for the CBE. As usual, our customers who continued to prefer our services have been the key driver for the successes registered during the year under review. I would, therefore, like to extend my deepest appreciations and gratitude to our esteemed customers.

At this juncture, I would also like to take this opportunity to sincerely thank the Board of Directors of the CBE for the visionary leadership provided, and the employees of the Bank for their continued persistency in their commitments and dedication of their entire energy and skill to the service of their bank.

With the continuing support of our esteemed customers and the commitment of the staff, I am very confident that we will have no difficulty in achieving higher achievements in the years to come and in realizing our vision of becoming a world-class commercial bank by the year 2025.



Bekalu Zeleke
President

1. Macro Economic Highlights

1.1. Global Economy

The global economy showed recovery, with relatively modest growth in the developing countries and rather weaker performance of the developed economies. Emerging Asian countries, Central and Eastern Europe, the Commonwealth of Independent States, Latin America and sub-Saharan Africa managed to perform better than the developed countries. Unemployment remains high in many advanced economies, with the United States and the Euro area registering close to 9% and 10%, respectively.

World trade of goods and services expanded by almost 12 percent, of which the large share in trade of manufactured goods went to the Asian economies, and continues to lead the recovery. Commodity-exporting developing countries experienced a strong recovery in the value of exports, owing to a significant upturn in primary commodity prices, but did not see much growth in volume of exports.

The projected global growth for 2011/12 is 4½ percent, with the advanced economies growing at about 2½ percent and the emerging and developing economies at 6½ percent. Growth of world trade is expected to be moderate at around 7% in 2011 and 2012 with emerging economies continuing to see robust trade growth.

1.2 The Ethiopian Economy

The Ethiopian economy continued to perform well for the eighth successive year. In 2010/11, GDP grew by 11.4%, mainly supported by the expansion of the agricultural production, local and foreign investments in the construction, agro-processing and other manufacturing sectors as well as large government investments in infrastructure and social services. Growth rates of agriculture, industry and service sectors were 9%, 15%, and 12.5%, respectively, and made the major contributions to the overall high GDP growth.

The export sector also witnessed a robust growth during the fiscal year under review. Overall export value was 2,747.1 billion USD, registering a substantial growth of over 37.1 percent against the total export revenue of 2,003.1 billion USD in the previous year. The export of coffee, sesame and gold showed substantial growth during the year, largely because of supply increase and better world prices for the commodities. The effort to diversify export by including flower and promoting high yielding products like oilseeds and pulses during the past decade has also contributed to the rise in export value. Consequently, the share of coffee has declined from about 57% during the 90s to around 31% in 2010/11.

Monetary policy was somewhat expansionary. Broad money supply reached Birr 145.1 billion as at the end of 2010/11 due to the respective increases in all its components. This indicated a growth rate of 39.3 percent compared with the preceding year.

Inflation was a challenge to the Ethiopian economy in 2010/11. The annualized moving average general inflation rate climbed to 18.1%, which was significantly higher than the corresponding annual average rate of 2.8 % recorded in 2010. Food inflation rate increased by 15.7% compared with the preceding year, while nonfood inflation rate increased to 21.8% in 2011 compared with the 18.2% recorded in 2010.

On the whole, the Ethiopian economy has shown good performance, with positive effects on the performance of the financial sector in general and that of the Commercial Bank of Ethiopia in particular.

2.Highlights of the CBE

2.1. Financial Position

2.1.1 Net Interest Income

The net-interest income of the Bank rose to Birr 2.96 billion in 2010/11, up by 48.3% from the 2 billion Birr in 2009/10, mainly due to a higher growth of interest income than interest expenses.

The aggregate interest income grew by 48.8% to Birr 4,081.5 million in 2010/11. The growth was largely attributed to the increase in the overall disbursement of loans and advances. Interest expense also made substantial increase (50.1%) owing to the large expansion in the deposit base of the bank, including interest bearing deposits.

2.1.2 Net Interest Margin

The net interest margin for the year 2010/11 jumped from the 3.4% in the preceding fiscal to 4%.

Net Interest Income		(Mn. Birr)	
	2010/11	2009/10	% Change
Interest Income:	4,081.5	2,742.8	48.8
Loans and advances	2,150.8	1,521.7	41.3
Government bonds	31.2	35.2	-11.4
Treasury bills	0.56	7.8	-92.8
Placements with other banks	5.8	1.4	314.3
Coupon bonds	659.5	488.4	35
Corporate bond	1,233.6	688.3	79.2
Interest expense:	1,117.2	744.1	50.1
Customers' deposits	1,112	741.2	50
Deposits from other banks	0.3	0.11	172.7
Interest on fund received	-	0.45	
Other	4.7	2.36	99.2
Net interest income	2,964.3	1,998.7	48.3
Net interest margin (%)	4.0	3.4	17.6



Courtesy of Heifer Industrial Engineering, Malawi

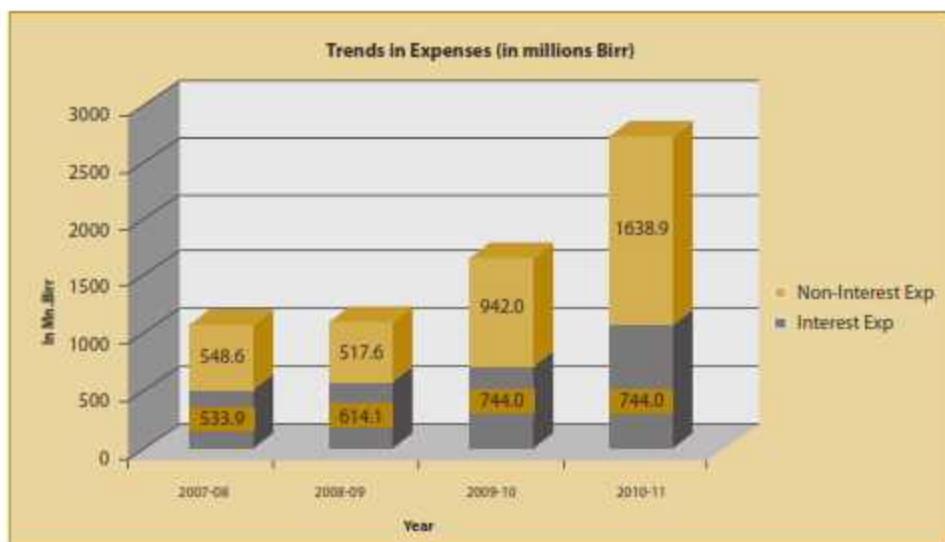
The CBE gives priority to support the manufacturing Sector

2.1.3. Non-Interest Income

Non-interest income accounted for 41.6% of the total income. During the year under review, total non-interest income was Birr 2.9 billion, 66.3% higher than the previous year. This was mainly due to the surge in income from service charges. Consequently, non-interest income continued to contribute considerably to the total income of the Bank.

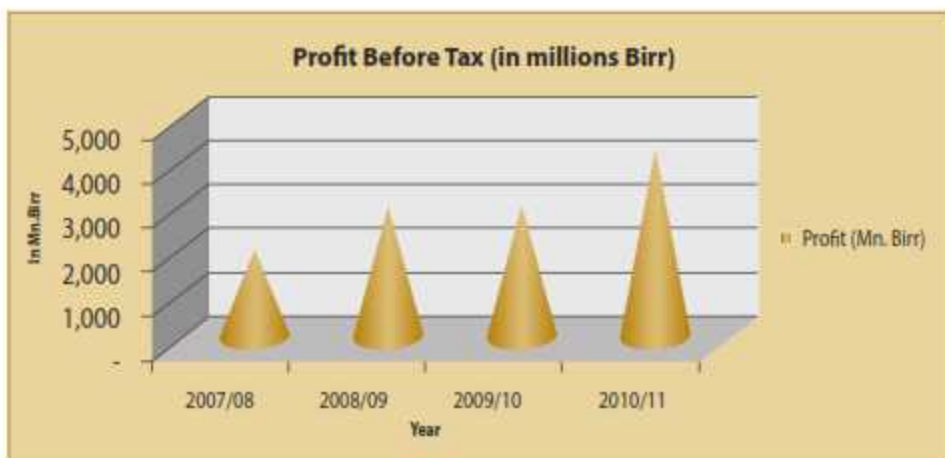
2.1.4 Total Expenses

In the fiscal year under review, the total expenses of the Bank reached Birr 2,756 million, showing a close to Birr 1,070 million (63.5%) increase over the preceding fiscal year. Both interest and non interest expenses made substantial contributions, owing to mainly the large deposit base expansion and the opening of 160 branches during the fiscal year.



2.1.5 Operating Profit

The total income of the Bank for the fiscal year 2010/11 stood at Birr 7 billion, registering a growth of 55.6% compared with Birr 4.5 billion in the preceding year. This was mainly explained by the remarkable growth in interest and non-interest incomes. The total expenses of the Bank went up from Birr 1,686.1 million in 2009/10 to Birr 2,756.1 million in 2010/11, largely due to the 74% increase in non-interest expenses. The operating profit of the Bank witnessed robust growth for the successive year and reached Birr 4.2 billion. This is a 50.9% growth compared with the preceding fiscal year. The net profit of the Bank stood at about Birr 2.9 billion, showing a 45.5% growth against the previous fiscal year.



2.1.6 Earning Capacity

Return on Assets (RoA) increased from 3.8% in 2009/10 to 4.4% in 2010/11, indicating large and continued improvement on asset utilization of the bank. Return on Equity (RoE), on the other hand, increased from 51% in 2009/10 to 71% in 2010/11. The high level of RoA and RoE also indicated the continued robustness of the Bank in its profitability.



2.2. Balance Sheet Analysis

2.2.1 Asset Structure

The total asset of the Bank grew by 54%, and reached Birr 114.2 billion during the fiscal year under review. The major account categories that pushed the asset balance up were coupon and corporate bonds, placement with other banks as well as loan and advance to customers.

Moreover, the asset quality of the Bank has been showing successive improvements over recent years. The Non Performing Loans (NPLs) ratio shrank to 0.86%, mainly as a result of the reduction of NPLs stock and to some extent due to increased level of outstanding loans. The continued high domestic economic performance has notably led to a general improvement in the loan repayment capacities of customers.

2.2.2 Loan Portfolio

At the end of the fiscal year 2010/11, the total outstanding loans and advances of the Bank rose by 46.7%, reaching 74.6 billion Birr. While outstanding loans to customers grew by about 50%, loans to the corporate sector went up by 44%.

Outstanding Loans and Advances by Sector (Mn. Birr)

Particulars	2010/11	2009/10	% Change
Loans to customers	33,974.5	22,599	50.3
Agriculture	7,836.8	4,354	80
Manufacturing	8,587.8	3,599	138.6
Domestic trade	3,393.6	3,440	-1.3
Foreign trade	10,345.8	7,770	33.2
Building and Construction	3,481.6	3,245	7.3
Personal	328.9	190	73.1
Loans to banks	243.3	262	-7.1
Bonds	40,397.7	27,988.9	44.3
Total outstanding loans	74,615.5	50,849.9	46.7

The amount of fresh loans disbursed to the various economic sectors during the review year was Birr 35.9 billion. This constituted an increase of 86.4% when compared with the level in the preceding year.

Trends in Loans Disbursement, by Sector (Mn. Birr)

Particulars	2010/11	2009/10	% Change
Agriculture	7,521	3,737	101.3
Manufacturing	5,520	1,585	248.3
Domestic trade	1,370	1,348	1.6
Export	672	791	-15
Import	1,324	436	203.7
Building and Construction	191	1,121	-83
Personal	71	65	9.2
Disbursement to Banks	89	0	
Mortgage Loans	1,022	1,268	-19.4
Bond Disbursement	18,167	8,936	103.3
Total loans disbursement	35,947	19,287	86.4



Courtesy of Ben Tsegaye Business & Industry PLC, Gersira

The CBE plays its role in the development of the agriculture Sector

Trends in Loans Collection by Sector (Mn. Birr)

Particulars	2010/11	2009/10	% Change
Collection from Customers	9,610	8,641	11.2
Agriculture	4,451	2,984	49.2
Manufacturing	1,086	540	101.1
Domestic trade	1,635	1,749	-6.5
Export	780	627	24.4
Import	1,080	1,521	-29
Building and Construction	514	1,166	-55.9
Personal	64	54	18.5
Other projects	-	-	
Collection from banks	153	145	5.5
Mortgage Loans	393	193	103.6
Bond Collection	7,424	1,254	492
Total loans collection	17,580	10,233	71.8



Courtesy of S.A. Begenesh PLC

The CBE is at the forefront of financing the export sector

The total loan collection of 2010/11 reached Birr 17.6 billion, showing an increase of 71.8% over the preceding fiscal year. This large increase was attributed mainly to the large loan collections from disbursement effected during the year under review.

2.2.3 Liabilities

The total liabilities of the Bank exceeded that of the previous year by 57.4%, reaching Birr 108 billion during the year under review. The opening of 160 branches to mobilize deposits across the country in the fiscal year, together with the public confidence it has won in the close to 7 decades of its operation, and the favorable business environment have helped the Bank to command a large deposit base. During 2010/11, the Bank's total deposit reached Birr 85.2 billion, registering a growth of 55.7% compared with that of the preceding year. This level of additional deposit is the highest in the Bank's history.

Demand deposits increased by 65.1% when compared with the level in the preceding fiscal year. Similarly, savings deposit grew by 42.1% to reach Birr 31.1 billion, and fixed time deposit by 57.4% to reach Birr 1.56 billion. The ratio of demand deposits to total deposit stood at 61.6%, slightly higher than the 58.2% level in the previous year. On the other hand, the share of savings and fixed time deposit were 36.5% and 1.8%, respectively.

Deposit at Year-end (Mn. Birr)

Particular	2010/11	2009/10	Growth (%)
Demand Deposit	52,498.9	31,798	65.1%
Savings Deposit	31,096.2	21,886	42.1%
Fixed Time Deposit	1,564.8	994	57.4%
Total Deposit	85,159.9	54,678	55.7%

2.2.4 Capital Adequacy

CBE's capital and reserve increased from Birr 5.5 billion in 2009/10 to Birr 6.3 billion in 2010/11. The risk weighted capital adequacy ratio stood at 11.5%, somewhat lower than the previous year but still well above the 8% minimum requirement. The growth in capital and reserve further reflected the Bank's continued financial strength.

Capital and Reserve (Mn. Birr)

Particular	2010/11	2009/10
Paid-up Capital	4,000	4,000
Reserve	2,232	1,530
Retained Earnings	60	9
Capital Adequacy Ratio	11.5	17.4

2.3. International Banking

Having maintained good and long lasting business relationship with many prominent banks around the world, the CBE has continued to earn a significant income and profit from its foreign banking operations. In 2010/11 F.Y, the aggregate income earned from foreign banking operations stood at Birr 2.7 billion, surpassing the level recorded in the preceding year by 50%.



The value of the letters of guarantee issued and settled in 2010/11 F.Y rose by 107% and 2.6%, respectively. Compared with the preceding year, the import letters of credit opened and settled during the reporting year went up by 83.3% and 59%, respectively. On the other hand, the value of export documents negotiated on a collection basis and at sight grew by 67% and 123.6%, respectively. The value of the export letters of credit received also went up by 93.5% during the year being reviewed.

Selected Performance Indices of the Foreign Banking Operations (Mn. Birr)

Particulars	2010/11	2009/10	% change
Import L/C Opened	34,413	18,468	86.3
Import L/C Settled	26,299	16,537	59
Export L/C Received	9,131	4,717	93.5
Export Doc. Negot. on Collection	2,056	1,231	67
Export L/C Negot. at Sight	9,275	4,147	123.6
IBC-Received	3,930	3,368	16.6
IBC-Settled	3,786	2,912	30
Guarantees Issued	8,553	4,117	107
Guarantees Settled	5,483	5,342	2.6
Total	102,926	60,839	69.2

2.4. Human Resources

Cognizant of the fact that strengthening human resources is central to organizational success, the CBE concluded an agreement for the development of its human resources development strategy with the Frankfurt School of Finance and Management on January 1, 2011. The strategy document was prepared as per the agreed schedule and is expected to enter the implementation phase in the coming fiscal year.

Meanwhile, the CBE has continued its efforts towards strengthening its human capacity by providing various on-and off-the-job training, recruiting additional new and trained employees as well as retaining existing staff through devising different incentives and benefit packages. Accordingly, the Bank recruited 2,473 permanent employees during the year under review. The staff strength of CBE was thus raised to 10,753 by the end of the F.Y.

With the objective of enhancing the expertise and professionalism of its employees, a total of 9,705 employees were offered various training programs, including technical, induction and management, and knowledge sharing as well as training on core banking solutions.

As the success of the Bank highly depends on the quality of its human resources, large emphasis will continue to be placed on recruiting qualified professionals and training the existing staff. In doing so, the Bank is committed to ensuring that its workforce is equipped with the appropriate managerial and technical knowledge.

2.5. Business Development

The CBE has aggressively expanded its branch network, and a total of 160 branches were opened during 2010/11 fiscal year alone. Many of its existing branches also expanded their services via opening additional windows. Consequently, the customer base grew significantly, reaching 2.8 million at the end of June 2011. In addition, 42 ATMs went operational at the end of June 2011 within the major city branches, hotels, airport and commercial centers in Addis Ababa, providing 24/7 services for both domestic and VISA ATM card holders.

Apart from increased accessibility, impressive progress was also registered during the fiscal year with respect to the IT projects such as card banking and integrated banking solution, and the installation of infrastructures. The mobile top up and bill payment services have been on testing phases. Certification of international VISA card acquired via POS terminals and pilot production has also been underway. As the card banking project is now completed, full implementation is expected to take place during the early 2011/12 F.Y. The core banking solution is also scheduled to go live starting the second half of the coming year.



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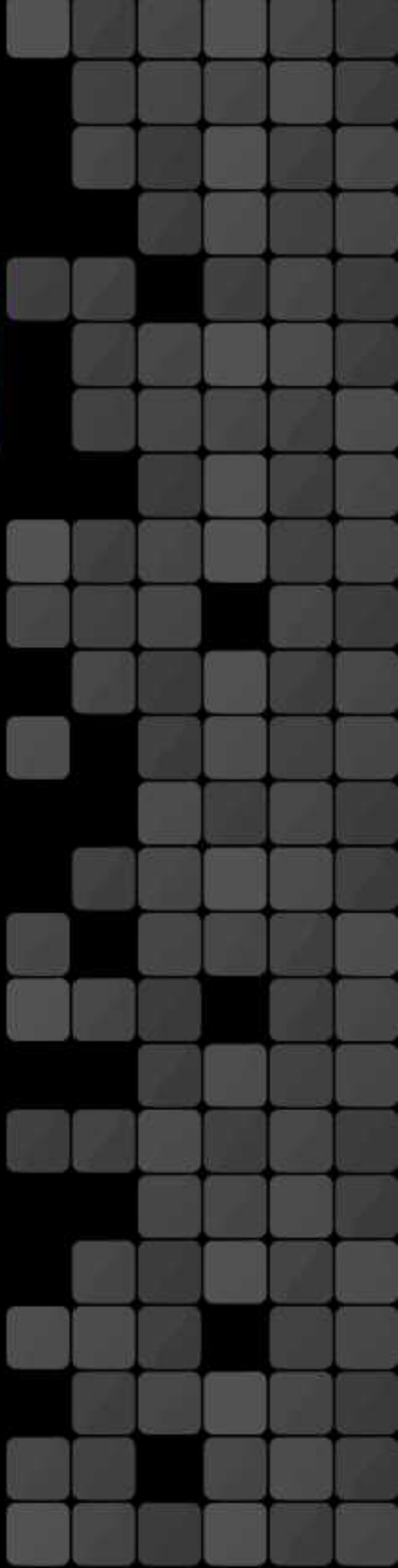
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*A Bank with lots of choices to
receive money from abroad*





Auditor's Report
2010/11





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AUDIT SERVICES CORPORATION

ፖ.ሣ.ቁ. } 5720
P. O. Box }

ስልክ } 551 52 22
Tel. }

ፋክስ ቁ. } 551 30 83
Fax No. }

አዲስ አበባ ADDIS ABABA

INDEPENDENT AUDITORS' REPORT ON THE
FINANCIAL STATEMENTS OF
COMMERCIAL BANK OF ETHIOPIA

We have audited the financial statements of Commercial Bank of Ethiopia and of the Group set out on pages 2 to 38 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 11. These financial statements are the responsibility of the Bank's directors. Our responsibility is to express an independent opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. These Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In forming our opinion, we have considered the matter described in note 28(b)(ii) to the financial statements concerning the unaudited accounts of CBE Southern Sudan Limited-Juba Branch for the period from 1 January 2011 to 30 June 2011. In view of the significance of this, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

In our opinion, the financial statements present fairly the financial positions of Commercial Bank of Ethiopia and of the Group at 30 June 2011 and the results of its operations and cash flows of the Bank and of the Group for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Audit Services Corporation

21 November 2011

COMMERCIAL BANK OF ETHIOPIA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2011

	Notes	Birr	2010 Birr
ASSETS			
Cash and bank balances	2	16,317,588,181	10,910,150,663
Investments in Government securities	3	2,668,155,488	4,818,302,962
Coupon bonds with Development Bank of Ethiopia and regional states	4	10,797,721,409	11,368,882,454
Corporate bonds	5	29,600,000,000	16,600,000,000
Placements with other banks	6	14,532,049,260	3,287,389,410
Loans and advances to banks	7	243,309,643	262,315,797
Loans and advances to customers	8(a)	33,092,573,459	22,154,912,732
Other advances	9	1,763,379,248	1,155,577,090
Investment in associates	1b(ii), 11(a)	2,905,058	2,905,058
Other investments	12	2,768,051	2,768,051
Other assets	13	4,657,289,470	3,026,352,631
Property and equipment	14	<u>767,451,003</u>	<u>621,170,497</u>
		<u>114,645,190,270</u>	<u>74,230,727,345</u>
LIABILITIES			
Deposits due to other banks	15	625,969,564	872,194,081
Customers' deposits	16	84,799,319,294	54,677,663,884
Taxation	17	1,369,892,367	830,925,110
State dividend payable	18	2,108,590,542	1,475,666,807
Other liabilities	19	<u>19,380,037,537</u>	<u>10,801,305,088</u>
		<u>108,283,809,304</u>	<u>68,657,754,970</u>
NET ASSETS		<u>6,361,380,966</u>	<u>5,572,972,375</u>
MINORITY INTEREST		<u>2,109,226</u>	<u>1,671,935</u>
CAPITAL AND RESERVES			
Capital	20	4,000,000,000	4,000,000,000
Legal reserve	21	2,232,941,000	1,529,695,764
Retained earnings		60,257,375	9,112,882
Gain on currency fluctuation from investment in foreign subsidiary - Juba		<u>39,943,361</u>	<u>10,176,909</u>
		<u>6,333,141,736</u>	<u>5,548,985,555</u>
DEFERRED TAX LIABILITY	1f, 22	<u>26,130,004</u>	<u>22,414,885</u>
		<u>6,361,380,966</u>	<u>5,572,972,375</u>


Vice President Finance

Addis Ababa, 21 November 2011




President

The notes on pages 9 to 38 form an integral part of these financial statements.

COMMERCIAL BANK OF ETHIOPIA
BANK STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2011

	Notes	Birr	2010 Birr
ASSETS			
Cash and bank balances	2	15,882,038,589	10,803,250,278
Investments in Government securities	3	2,668,155,488	4,818,302,962
Coupon bonds with Development Bank of Ethiopia and regional states	4	10,797,721,409	11,388,882,454
Corporate bonds	5	29,600,000,000	16,600,000,000
Placements with other banks	6	14,379,480,254	3,302,660,858
Loans and advances to banks	7	243,309,643	262,315,797
Loans and advances to customers	8(a)	33,092,573,459	22,154,912,732
Other advances	9	1,763,379,248	1,155,577,090
Investment in subsidiary	10	226,698,055	74,635,555
Investment in associates	1b(ii),11(b)	1,050,000	1,050,000
Other investments	12	2,768,051	2,768,051
Other assets	13	4,847,021,235	3,005,678,896
Property and equipment	14	760,904,008	616,876,665
		<u>114,265,099,439</u>	<u>74,186,911,338</u>
LIABILITIES			
Deposits due to other banks	15	660,008,826	881,369,340
Customers' deposits	16	84,499,915,481	54,646,211,788
Taxation	17	1,357,363,278	828,888,944
State dividend payable	18	2,108,590,542	1,475,666,807
Other liabilities	19	19,377,673,722	10,799,772,860
		<u>108,003,551,849</u>	<u>68,631,909,739</u>
NET ASSETS		<u>6,261,547,590</u>	<u>5,555,001,599</u>
CAPITAL AND RESERVES			
Capital	20	4,000,000,000	4,000,000,000
Legal reserve	21	2,231,328,958	1,528,465,443
Retained earnings		4,241,827	4,241,827
		<u>6,235,570,785</u>	<u>5,532,707,270</u>
DEFERRED TAX LIABILITY	1f,22	25,976,805	22,294,329
		<u>6,261,547,590</u>	<u>5,555,001,599</u>

The notes on pages 32 to 61 form an integral part of these financial statements.

COMMERCIAL BANK OF ETHIOPIA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	CBE Birr	CN Birr	SSJ Birr	Total Birr	2010 Birr
INTEREST INCOME	1e, 23	4,081,381,987	159,933	913	4,081,542,833	2,742,815,001
INTEREST EXPENSE	24	(1,116,640,672)	-	(571,047)	(1,117,211,719)	(744,127,508)
NET INTEREST INCOME/(LOSS)		2,964,741,315	159,933	(570,134)	2,964,331,114	1,998,687,493
IMPAIRMENT LOSSES ON:-						
LOANS AND ADVANCES		(458,073,934)	-	-	(458,073,934)	-
SUNDRY DEBTORS		(176,660,896)	-	-	(176,660,896)	(5,161,756)
ACQUIRED PROPERTY		(3,468,658)	-	-	(3,468,658)	(3,252,553)
		(638,203,488)	-	-	(638,203,488)	(10,514,309)
NET INTEREST INCOME/(LOSS) AFTER IMPAIRMENT LOSSES ON LOANS AND ADVANCES, SUNDRY DEBTORS AND ACQUIRED PROPERTY		2,326,537,827	159,933	(570,134)	2,326,127,626	1,988,173,184
GAIN ON FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS	25	948,317,969	-	42,349,049	990,667,018	502,624,350
NON INTEREST INCOME	1e, 26	1,859,114,178	24,051,236	38,649,080	1,921,814,494	1,248,763,845
NON INTEREST EXPENSES	27	(961,670,163)	(12,558,262)	(26,449,434)	(1,000,677,859)	(931,463,418)
PROFIT BEFORE TAX		4,172,499,811	11,652,907	53,978,561	4,238,131,279	2,808,097,961
INCOME TAX EXPENSE	28	(1,361,045,754)	(3,481,181)	(10,086,782)	(1,374,613,717)	(839,428,160)
PROFIT AFTER TAX		2,811,454,057	8,171,726	43,891,779	2,863,517,562	1,968,669,801
MINORITY INTEREST		-	(537,291)	-	(537,291)	(346,660)
PROFIT FOR THE YEAR		2,811,454,057	7,634,435	43,891,779	2,862,980,271	1,968,323,141

The notes on pages 32 to 61 form an integral part of these financial statements.

COMMERCIAL BANK OF ETHIOPIA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Capital Birr	Legal reserve Birr	Retained earnings Birr	Gain on currency fluctuation on investment In foreign subsidiary Birr	Total equity Birr
Balance at 30 June 2009	4,000,000,000	1,037,560,542	15,772,770	-	5,053,333,312
Transfer to capital CN	-	-	(7,181,000)	-	(7,181,000)
Net profit for the year-	-	-	1,968,323,141	-	1,968,323,141
Transfer to legal reserve	-	492,135,222	(492,135,222)	-	-
Transfer to state dividend	-	-	(1,475,666,807)	-	(1,475,666,807)
Gain on currency fluctuation on investment	-	-	-	10,176,909	10,176,909
Balance at 30 June 2010	4,000,000,000	1,529,695,764	9,112,882	10,176,909	5,548,985,555
Net profit for the year	-	-	2,862,980,271	-	2,862,980,271
Transfer to legal reserve	-	703,245,236	(703,245,236)	-	-
Transfer to state dividend	-	-	(2,108,590,542)	-	(2,108,590,542)
Gain on currency fluctuation on investment	-	-	-	29,766,452	29,766,452
Balance at 30 June 2011	<u>4,000,000,000</u>	<u>2,232,941,000</u>	<u>60,257,375</u>	<u>39,943,361</u>	<u>6,333,141,736</u>

The notes on pages 32 to 61 form an integral part of these financial statements.

COMMERCIAL BANK OF ETHIOPIA
BANK STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Capital Birr	Legal reserve Birr	Retained earnings Birr	Total equity Birr
Balance at 30 June 2009	4,000,000,000	1,036,576,508	4,241,827	5,040,818,335
Net profit for the year	-	-	1,967,555,742	1,967,555,742
Transfer to legal reserve	-	491,888,935	(491,888,935)	-
Transfer to state dividend	-	-	(1,475,666,807)	(1,475,666,807)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2010	4,000,000,000	1,528,465,443	4,241,827	5,532,707,270
Net profit for the year	-	-	2,811,454,057	2,811,454,057
Transfer to legal reserve	-	702,863,515	(702,863,515)	-
Transfer to state dividend	-	-	(2,108,590,542)	(2,108,590,542)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2011	<u>4,000,000,000</u>	<u>2,231,328,958</u>	<u>4,241,827</u>	<u>6,235,570,785</u>

The notes on pages 32 to 61 form an integral part of these financial statements.

COMMERCIAL BANK OF ETHIOPIA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Birr	Birr	2010 Birr
Cash flow from operating activities	29(a)		12,823,037,277	6,253,924,051
Cash flow from investing activities				
Purchase of property and equipment		(240,337,415)		(287,429,236)
Proceeds on disposal of property and equipment		909,952		4,289,334
Investment in subsidiary-CN		-		(7,181,000)
Gain on foreign currency fluctuation from investment in foreign subsidiary-SSJ		30,035,649		10,176,909
Net cash outflow from investing activities			(209,391,814)	(280,143,993)
Cash flow from financing activities				
Dividend paid to Ministry of Finance and Economic Development			(1,475,666,807)	(1,951,523,551)
Increase in cash and cash equivalents	29(b)		11,137,978,656	4,022,256,507
Cash and cash equivalents at 30 June 2010	29(b)		6,290,472,489	2,268,215,982
Cash and cash equivalents at 30 June 2011	29(b)		17,428,451,145	6,290,472,489

The notes on pages 32 to 61 form an integral part of these financial statements.

COMMERCIAL BANK OF ETHIOPIA
BANK STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Birr	Birr	2010 Birr
Cash flow from operating activities	30(a)		12,460,480,748	<u>6,223,259,531</u>
Cash flow from investing activities				
Purchase of property and equipment		(237,032,401)		(284,151,348)
Proceeds on disposal of property and equipment		905,952		4,286,134
Investment in subsidiary - CBE - SSJ		(152,062,500)		(63,234,555)
" " " " - CN		-		<u>(7,181,000)</u>
Net cash outflow from investing activities			(388,188,949)	<u>(350,280,769)</u>
Cash flow from financing activities				
Dividend paid to Ministry of Finance and Economic Development			(1,475,666,807)	<u>(1,951,523,551)</u>
Increase in cash and cash equivalents	30(b)		10,616,624,992	3,921,455,211
Cash and cash equivalents at 30 June 2010	30(b)		<u>6,189,668,293</u>	<u>2,268,213,082</u>
Cash and cash equivalents at 30 June 2011	30(b)		<u>16,806,293,285</u>	<u>6,189,668,293</u>

The notes on pages 32 to 61 form an integral part of these financial statements.

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES

The following are the major accounting policies adopted by the Bank. These policies are consistent with those applied in the preceding year.

a) Basis of preparation

- i) These financial statements have been prepared in compliance with International Financial Reporting Standards. They are prepared under the historical cost convention.
- ii) All amounts in the financial statements are expressed in Birr.

b) Consolidation principles

i) Subsidiary

Subsidiaries are enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain economic benefits from its activities. The financial statements of subsidiary are included in the consolidated financial statements from the date control commences until the date control ceases.

The consolidated financial statements incorporate the financial statements of the Bank and of its subsidiaries for the year ended 30 June 2011. The subsidiaries are shown in note 10.

All inter-company balances and transactions are eliminated on consolidation.

ii) Associates

Associates are enterprises in which the Bank has significant influence, and are neither subsidiaries nor joint ventures. The Bank's investment in associates is accounted for in the consolidated financial statements using the equity method. The Bank's associates are shown in note 11.

c) Valuation of assets and liabilities

- i) Assets and liabilities denominated in foreign currencies are translated into Birr at the exchange rates ruling at the date of statement of financial position.
- ii) All major financial assets are measured at fair value.

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

c) Valuation of assets and liabilities (continued)

iii) Impairment losses on loans and advances

Loans and advances are shown at the gross amount adjusted for any provision for impairment losses. A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of the loan. The amount of the provision is the difference between the carrying amount and the estimated recoverable amount.

In addition, a general provision is made based on management's assessment of the inherent risk in the loans and advances portfolio.

When a loan is deemed uncollectible, it is written off against the related provision for impairment. Subsequent recoveries are credited to the provision for loan losses in the income statement.

iv) Property and equipment

Buildings, fixtures, fittings and office equipment, motor vehicles, computers, accessories and software are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets.

	%
Buildings	5
Fixtures, fittings and office equipment	10
Motor vehicles	20
Computers and accessories	10
Computer software	20

Gains and losses on disposal of property and equipment are determined by comparing the proceeds on disposal and the carrying amount of the respective item and are taken into account in determining operating profit.

v) Stocks

Stocks are stated at cost less any provision for impairment.

d) Recognition of financial assets and financial liabilities.

The Bank recognizes a financial asset or a financial liability on its statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when, and only when, the control over the contractual rights is lost. A financial liability is derecognized when, and only when, it is extinguished.

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

e) Income recognition

Income is recognized in the period in which it is earned. When a lending account becomes non-performing, interest is suspended and excluded from income until it is received. However, it is computed and shown in the memorandum account.

f) Deferred income tax

Deferred tax is provided, using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

g) Employee benefits

Bank employees are eligible for retirement benefits under a defined contribution plan. Contributions to the defined contribution plan are charged to the income statement as incurred.

h) Trust Funds

The Bank and its subsidiaries act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Assets held in trust are not included in the statement of financial position of the Bank and its subsidiaries.

i) Abbreviations

CBE stands for Commercial Bank of Ethiopia, CN stands for Commercial Nominees Private Limited Company and SSJ stands for CBE - Southern Sudan Limited.

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

2. CASH AND BANK BALANCES

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2010 Birr
Group and Company					
Cash on hand	2,222,923,851	7,900	136,785,177	2,359,716,928	1,545,067,670
Balances with NBE and SSJ					
- Cash reserve with NBE	12,125,565,000	-	-	12,125,565,000	8,650,000,000
- Payment and settlement account with NBE and SSJ	<u>1,533,549,738</u>	<u>-</u>	<u>298,756,515</u>	<u>1,832,306,253</u>	<u>715,082,993</u>
	<u>15,882,038,589</u>	<u>7,900</u>	<u>435,541,692</u>	<u>16,317,588,181</u>	<u>10,910,150,663</u>

The cash reserve is non-interest earning and is based on the value of deposits as adjusted for National Bank of Ethiopia requirements. At 30 June 2011, the cash reserve requirement was 15% of the eligible deposits. These funds are not available to finance the Bank's day-to-day operations.

3. INVESTMENTS IN GOVERNMENT SECURITIES

	Birr	2010 Birr
Group and Company		
Treasury bills		
Maturing within 90 days	-	1,497,297,280
Maturing after 90 days	<u>-</u>	<u>-</u>
	<u>-</u>	<u>1,497,297,280</u>
Government bonds		
Maturing within 90 days	273,659,463	-
Maturing after 90 days and within one year	150,750,597	36,058,329
Maturing after one year	2,243,745,428	3,030,525,479
Overdue	-	254,421,874
	<u>2,668,155,488</u>	<u>3,321,005,682</u>
	<u>2,668,155,488</u>	<u>4,818,302,962</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

4. COUPON BONDS WITH DEVELOPMENT BANK OF ETHIOPIA AND REGIONAL STATES

Group and Company

Represent non-negotiable 6% secured bonds bought from Development Bank of Ethiopia (DBE). Interest is to be repaid by DBE semi-annually while the principal is to be repaid over a period of ten years. The Bank has also bought non-negotiable 6% secured bonds from five regional states and two city governments. Interest is to be repaid semi-annually while the principal is to be repaid over a period of 10 years from date of issuance. Both interest and principal have one year grace period.

	Birr	2010 Birr
Development Bank of Ethiopia		
Overdue	46,433,999	
Maturing within 90 days	55,565,970	
Maturing after 90 days and within one year	164,821,151	256,297,292
Maturing after one year	1,642,317,235	3,845,305,835
	1,807,138,386	4,203,603,096
Coupon bonds with regional states		
Maturing after one year	8,990,583,023	7,185,279,358
	10,797,721,409	11,388,882,454

5. CORPORATE BONDS

Group and Company

Represent non-negotiable 6% secured bonds worth Birr 29,600,000,000 bought from Ethiopian Electric Power Corporation. Interest is to be repaid semi-annually while the principal is to be repaid over a period of ten years after a grace period of one to three years.

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued) 30 JUNE 2011

6. PLACEMENTS WITH OTHER BANKS

a) These are made up of:-

	CBE Birr	SSJ Birr	Total Birr	2010 Birr
Group and Company Due within 90 days Placement with:-	9,392,177,493	283,661,860	9,675,839,353	3,287,389,410
EXIM Bank of China	4,856,209,907	-	4,856,209,907	-
SSJ	<u>131,092,854</u>	<u>(131,092,854)</u>	<u>-</u>	<u>-</u>
	<u>14,379,480,254</u>	<u>152,569,006</u>	<u>14,532,049,260</u>	<u>3,287,389,410</u>

b) The deposit with the EXIM Bank of China represents USD 284,368,041 kept in a blocked account as CBE is the administrator of the total loan of USD 499,222,780, granted by EXIM Bank of China to the Ethiopian Electric Power Corporation (EEPCCO) and Muger Cement Enterprise (MCE). The said loans are repayable by EEPCCO and MCE to CBE in Birr over a period of ten years. As a result of the above blocked account, the National Bank of Ethiopia (NBE) has deposited Birr 3,631,348,500 with CBE and same is shown as payable to NBE under the other liabilities account (note 19).

7. LOANS AND ADVANCES TO BANKS

Group and Company	Birr	2010 Birr
Construction and Business Bank Share Company	12,386,124	18,118,036
Development Bank of Ethiopia	-	66,654,192
Micro Financial Institutions	<u>230,923,519</u>	<u>177,543,569</u>
	<u>243,309,643</u>	<u>262,315,797</u>

8. LOANS AND ADVANCES TO CUSTOMERS

Group and Company	Birr	2010 Birr
a) Term and merchandise loans	28,923,623,798	19,755,819,680
Overdrafts	2,039,818,395	1,667,134,549
Advances on import and export bills	2,876,432,788	1,005,381,040
Loans and advances in legal	<u>134,631,189</u>	<u>170,741,392</u>
	33,974,506,170	22,599,076,661
Less: Provision for impairment losses	<u>(881,932,711)</u>	<u>(444,163,929)</u>
	<u>33,092,573,459</u>	<u>22,154,912,732</u>
Repayable on demand	8,164,323,870	2,251,244,997
Within one year	8,264,102,147	10,572,819,318
One to five years	7,040,371,966	4,229,849,530
Over five years	<u>9,623,775,476</u>	<u>5,100,998,887</u>
	<u>33,092,573,459</u>	<u>22,154,912,732</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

8. LOANS AND ADVANCES TO CUSTOMERS (continued)

b) Movement in provision for impairment losses

	Birr	2010 Birr
At 30 June 2010	444,163,929	649,363,367
Additional provision made during the year (see (c))	458,073,934	-
Amounts written off during the year	<u>(20,305,152)</u>	<u>(205,199,438)</u>
At 30 June 2011	<u>881,932,711</u>	<u>444,163,929</u>

c) Of late, the loans that the Bank has been giving out have increased drastically and the outstanding loan balances have reached Birr 33 billion currently, thereby increasing the risk of full repayment of the loans and advances eventually. In order to mitigate future losses in this respect, the management of the Bank decided to increase the provision for loans and advances by Birr 458,073,934 and raised the total provision to Birr 881,932,711 in the year under review, which is actually in excess of the minimum level of the provision that would be required as per the directive of the National Bank of Ethiopia by Birr 412,119,384.

d) Type of loans and advances

	Birr	2010 Birr
Agriculture	7,836,769,106	4,354,093,521
Manufacturing	8,587,774,404	3,599,296,770
Domestic trade and services	3,393,588,801	3,439,825,596
Foreign trade	10,345,821,001	7,769,705,181
Building and construction	3,481,588,773	3,245,656,594
Personal loans	<u>328,964,085</u>	<u>190,498,999</u>
	<u>33,974,506,170</u>	<u>22,599,076,661</u>

e) Interest on non performing loans and advances

In accordance with guidelines issued by the National Bank of Ethiopia, when an account becomes non-performing, interest is not recognized. Such interest is held in a memorandum account off the statement of financial position. As at 30 June 2011 such interest amounted to Birr 172,476,000 (2010 : Birr 229,344,993).

9. OTHER ADVANCES

The advance held in the name of Ethiopian Grain Trade Enterprise (EGTE) represents zero margin letter of credit opened in the name of EGTE for import of wheat on behalf of the Ethiopian Government. As per the letter from the Ministry of Finance and Economic Development (MoFED), the repayment of the advance has been guaranteed by MoFED.

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

10. INVESTMENT IN SUBSIDIARY

		Birr	2010 Birr
Commercial Nominees Private Limited Company	93.425%	11,401,000	11,401,000
CBE Southern Sudan Limited - Juba Branch	100.00%	<u>215,297,055</u>	<u>63,234,555</u>
		<u>226,698,055</u>	<u>74,635,555</u>

- i) Commercial Bank of Ethiopia opened a fully owned subsidiary in the name of CBE Southern Sudan Limited - Juba Branch in the capital city of Southern Sudan with a total paid up capital of USD 15,000,000
- ii) The interest in the above undertaking is carried at cost.

11. INVESTMENT IN ASSOCIATES

a) Group

		Birr	2010 Birr
Specialized Financial and Promotional Institution	49.875%	2,120,021	2,120,021
Universal Investors Company	32.35%	<u>785,037</u>	<u>785,037</u>
		<u>2,905,058</u>	<u>2,905,058</u>

The interest in the above undertakings represent the Group's share of the net assets of the associated companies, under the equity method, in accordance with IAS 28. The associates are incorporated in Ethiopia.

b) Company

		Birr	2010 Birr
Specialized Financial and Promotional Institution	49.875%	200,000	200,000
Universal Investors Company	32.35%	<u>850,000</u>	<u>850,000</u>
		<u>1,050,000</u>	<u>1,050,000</u>

The interests in the above undertakings are carried at cost. The associates are incorporated in Ethiopia.

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

12. INVESTMENTS

	Birr	2010 Birr
Group and Company		
Unquoted equity investments:		
African Export Import Bank	2,438,000	2,438,000
Gelately Hankey and Company	85,937	85,937
SWIFT Company	<u>244,114</u>	<u>244,114</u>
	<u>2,768,051</u>	<u>2,768,051</u>

13. OTHER ASSETS

Group	Birr	2010 Birr
Balance due from Commercial Bank of Eritrea	1,137,234,170	1,114,935,461
Undeared effects	1,579,169,958	764,322,450
Interest receivable	726,679,451	498,843,546
Acquired properties	202,648,343	212,964,983
Stationery and other supplies	125,884,756	93,901,030
Staff imprests and prepayments	119,170,264	82,766,617
Other receivables	1,035,785,378	292,174,756
Ethiopian Millennium commemorative silver and gold coins	2,192,795	2,605,277
Core banking system software under installation	<u>137,815,030</u>	-
	5,066,580,145	3,062,514,120
Less: Provision for doubtful debts	<u>(209,290,675)</u>	<u>(36,161,489)</u>
	<u>4,857,289,470</u>	<u>3,026,352,631</u>
Company		
Balance due from Commercial Bank of Eritrea (II-below)	1,137,234,170	1,114,935,461
Undeared effects	1,579,169,958	764,322,450
Interest receivable	726,679,451	498,843,546
Acquired properties (I-below)	202,648,343	212,964,983
Stationery and other supplies	125,815,955	93,836,295
Staff imprests and prepayments	114,338,391	70,346,229
Other receivables	1,030,417,817	283,986,144
Ethiopian Millennium commemorative silver and gold coins	2,192,795	2,605,277
Core banking system software under installation	<u>137,815,030</u>	-
	5,056,311,910	3,041,840,385
Less: Provision for doubtful debts	<u>(209,290,675)</u>	<u>(36,161,489)</u>
	<u>4,847,021,235</u>	<u>3,005,678,896</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

13. OTHER ASSETS (continued)

- i) Acquired properties represent properties that have been pledged as collateral, which have been acquired by the Bank in accordance with Ethiopian Law. Such properties are held with a view to disposal, subject to the set reserve price.
- ii) The Government of Ethiopia has guaranteed the repayment of the balance due from Commercial Bank of Eritrea if this amount will not have been settled by 30 June 2010. The guaranteed amount is Birr 1,230,978,839. However, the guarantee period has been extended to June 2015 based on the letter of the Ministry of Finance and Economic Development dated 30 Nehassie 2002 (5 September 2010), ref. 100-02-00/1.
- iii) The movement in the provision for doubtful debts is as follows:-

	Birr
Balance at 30 June 2010	36,161,489
Additional provision made during the year	<u>176,660,896</u>
	212,822,385
Less: Write-off of debtors accounts	<u>3,531,710</u>
	<u>209,290,675</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

14. PROPERTY AND EQUIPMENT

a) The movements in property and equipment are as follows:-

	30 June 2010 Birr	Balance at Additions Birr	Disposals/ Transfers/ Adjustments Birr	Balance at 30 June 2011 Birr
Group				
COST				
Buildings	313,702,625	4,228,698	4,008,743	321,940,066
Motor vehicles	260,837,173	75,310,445	(1,188,474)	334,959,144
Computers and accessories	142,813,794	39,083,849	(31,350)	181,866,293
Fixtures, fittings & equipment	226,749,164	53,362,425	(75,664)	280,035,925
Work in progress	140,849,977	68,351,998	(5,042,019)	204,159,956
	<u>1,084,952,733</u>	<u>240,337,415</u>	<u>(2,328,764)</u>	<u>1,322,961,384</u>
DEPRECIATION				
Buildings	177,560,514	13,315,113	(82)	190,875,545
Motor vehicles	101,180,750	48,673,755	(1,188,467)	148,666,038
Computers and accessories	48,479,053	14,738,000	(8,430)	63,208,623
Fixtures, fittings & equipment	136,561,919	16,201,112	(2,856)	152,760,175
	463,782,236	92,927,980	(1,199,835)	555,510,381
NET BOOK VALUE	<u>621,170,497</u>			<u>767,451,003</u>
Company				
COST				
Buildings	313,702,625	4,228,698	4,008,743	321,940,066
Motor vehicles	259,620,415	72,544,122	(1,188,474)	330,976,063
Computers and accessories	141,223,982	38,841,471	(31,350)	180,034,103
Fixtures, fittings & equipment	223,057,265	53,066,112	(66,874)	276,056,503
Work in progress	140,849,977	68,351,998	(5,042,019)	204,159,956
	<u>1,078,454,264</u>	<u>237,032,401</u>	<u>(2,319,974)</u>	<u>1,313,166,691</u>
DEPRECIATION				
Buildings	177,560,514	13,315,113	(82)	190,875,545
Motor vehicles	100,458,891	48,251,513	(1,188,467)	147,521,937
Computers and accessories	47,899,964	14,556,232	(8,430)	62,447,766
Fixtures, fittings & equipment	135,658,230	15,759,205	-	151,417,435
	461,577,599	91,882,063	(1,196,979)	552,262,683
NET BOOK VALUE	<u>616,876,665</u>			<u>760,904,008</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

14. PROPERTY AND EQUIPMENT (continued)

b) The cost and accumulated depreciation of the fully depreciated old tower building which was sold to the National Bank of Ethiopia during the year ended 30 June 2007 has not yet been removed from the property and equipment account due to difficulty in determining the value of the said building separately as it is shown in the accounts in lump sum along with the adjacent circular building. Consequently, the full proceed from the sale of the building amounting to Birr 34,337,465 was shown as gain on disposal of property and equipment during the year ended 30 June 2007. Now that a separate title deed has been received for the circular building, the relevant adjustment is expected to be passed the following year.

15. DEPOSITS DUE TO OTHER BANKS

Group and Company	CBE Birr	SSJ Birr	Total Birr	2010 Birr
Payable to other banks	625,969,564	-	625,969,564	872,194,081
Payable to CBE - SSJ	<u>34,039,262</u>	<u>(34,039,262)</u>	-	-
	<u>660,008,826</u>	<u>(34,039,262)</u>	<u>625,969,564</u>	<u>872,194,081</u>

16. CUSTOMERS' DEPOSITS

Group	Birr	2010 Birr
Payable on demand		
Private sector and retail customers	19,178,676,859	11,127,046,798
Local and Central Government	19,643,220,648	13,045,508,045
Public enterprises and agencies	<u>13,249,463,972</u>	<u>7,625,142,501</u>
	<u>52,071,361,479</u>	<u>31,797,697,344</u>
Savings deposits		
Private sector and retail customers	29,781,307,009	20,727,710,397
Public enterprises and agencies	<u>1,381,868,597</u>	<u>1,158,167,595</u>
	<u>31,163,175,606</u>	<u>21,885,877,992</u>
Term deposits		
Private sector and retail customers	1,245,628,578	669,743,660
Public enterprises and agencies	<u>319,153,631</u>	<u>324,344,898</u>
	<u>1,564,782,209</u>	<u>994,088,548</u>
	<u>84,799,319,294</u>	<u>54,677,663,884</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

16. CUSTOMERS' DEPOSITS (continued)

	Birr	2010 Birr
Company		
Payable on demand		
Private sector and retail customers	18,946,197,147	11,112,421,489
Local and Central Government	19,643,220,648	13,045,508,045
Public enterprises and agencies	<u>13,249,462,433</u>	<u>7,625,142,501</u>
	<u>51,838,880,228</u>	<u>31,783,072,035</u>
Savings deposits		
Private sector and retail customers	29,714,384,447	20,710,883,610
Public enterprises and agencies	<u>1,381,868,597</u>	<u>1,158,167,595</u>
	<u>31,096,253,044</u>	<u>21,869,051,205</u>
Term deposits		
Private sector and retail customers	1,245,628,578	669,743,660
Public enterprises and agencies	<u>319,153,631</u>	<u>324,344,888</u>
	<u>1,564,782,209</u>	<u>994,088,548</u>
	<u>84,499,915,481</u>	<u>54,646,211,788</u>

17. INCOME TAX

i) The movement in the account is as follows:-

	Tax on rental income Birr	Tax on other operations Birr	Total Birr
Group			
Balance as at 30 June 2010	857,805	830,067,305	830,925,110
Add: Tax expense of current year	<u>1,091,719</u>	<u>1,370,076,075</u>	<u>1,371,167,794</u>
	<u>1,949,524</u>	<u>2,200,143,380</u>	<u>2,202,092,904</u>
Less: Payments made during the year:			
- Direct payments	857,805	831,041,319	831,899,124
- Withholding tax	-	<u>301,413</u>	<u>301,413</u>
	<u>857,805</u>	<u>831,342,732</u>	<u>832,200,537</u>
	<u>1,091,719</u>	<u>1,368,800,648</u>	<u>1,369,892,367</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

17. INCOME TAX (continued)

	Tax on rental income Birr	Tax on other operations Birr	Total Birr
Company			
Balance at 30 June 2010	857,805	828,031,139	828,888,944
Add: Tax expense of current year (note 17(ii))	<u>1,091,719</u>	<u>1,356,271,559</u>	<u>1,357,363,278</u>
	1,949,524	2,184,302,698	2,186,252,222
Less: Payments made during the year - Direct payments	<u>857,805</u>	<u>828,031,139</u>	<u>828,888,944</u>
	<u>1,091,719</u>	<u>1,356,271,559</u>	<u>1,357,363,278</u>

- ii) The tax for rental income of Addis Ababa City is shown separately as detailed below since same is to be paid to the Addis Ababa City Government as per Article 53(1) of the Revised Charter Proclamation No. 311/2003 of the Addis Ababa City Government while the rent tax for all other regions is included in the tax expense for other operations as the regions are not yet authorized to collect rent tax.

	Birr	Birr
Rental income		4,367,234
Expenses		
Depreciation	673,149	
Insurance	11,497	
Land and building tax	<u>43,523</u>	
		<u>728,169</u>
		3,639,065
		x 30%
Tax expense (note 17(i))		<u>1,091,719</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

18. STATE DIVIDEND PAYABLE

	Birr	2010 Birr
Balance as at 30 June 2010	1,475,666,807	1,951,523,551
Current year appropriation	2,108,590,542	1,475,666,807
	3,584,257,349	3,427,190,358
Less: Payment to Ministry of Finance and Economic Development	<u>1,475,666,807</u>	<u>1,951,523,551</u>
	<u>2,108,590,542</u>	<u>1,475,666,807</u>

19. OTHER LIABILITIES

	Birr	2010 Birr
Group		
Margin accounts and deposits for guarantees	4,317,347,470	2,795,580,173
Interbranch clearing	6,878,899,565	5,610,437,956
Bills payable	878,072,692	631,660,646
Blocked accounts	2,105,495,524	207,936,758
Exchange commission payable to National Bank of Ethiopia (NBE)	853,702,368	445,052,727
Accrued leave pay	62,284,175	48,924,345
Taxes payable	24,746,546	12,571,966
Pension contribution payable	4,272,119	2,134,590
Payable to NBE (Note 6b)	3,631,348,500	-
Miscellaneous payables and accruals	<u>623,868,578</u>	<u>1,047,005,927</u>
	<u>19,380,037,537</u>	<u>10,801,305,088</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

19. OTHER LIABILITIES (continued)

	Birr	2010 Birr
Company		
Margin accounts and deposits for guarantees	4,314,660,713	2,795,443,499
Interbranch accounts	6,880,497,636	5,610,437,956
Bills payable	878,072,692	631,660,646
Blocked accounts	2,105,495,524	207,936,758
Exchange commission payable to National Bank of Ethiopia	853,702,368	445,052,727
Accrued leave pay	62,284,175	48,924,345
Taxes payable	24,437,390	12,133,137
Pension contribution payable	4,272,119	2,134,589
Payable to NBE (note 6b)	3,631,348,500	-
Miscellaneous payables and accruals	<u>622,902,605</u>	<u>1,046,049,203</u>
	<u>19,377,673,722</u>	<u>10,799,772,860</u>

20. CAPITAL

- a) The capital of the Bank has been increased to Birr 4,000,000,000 during the year ended 30 June 2007 through a special bond issued by the Ministry of Finance and Economic Development (MoFED) with a value of Birr 2,500,000,000 to be paid to the Bank in ten equal annual installments starting from 1 July 2008 and by transfer from profits appropriations.
- b) The Bank is wholly owned by the Federal Government of Ethiopia. Assigned capital represents capital allocated to the Bank and is not repayable to the Government in whole or part thereof, as long as the Bank continues trading. There are no shares and no par value.

21. LEGAL RESERVE

	Group Birr	Company Birr
Balance at 30 June 2010	1,529,695,764	1,528,465,443
Current year appropriation	<u>703,245,236</u>	<u>702,863,515</u>
	<u>2,232,941,000</u>	<u>2,231,328,958</u>

The legal reserve is a statutory reserve to which not less than 25% of the net profit shall be transferred each year until such reserve equals the capital of the Bank and thereafter 10% of the net profit shall be transferred each year.

22. DEFERRED TAX LIABILITY

	Birr	2012 Birr
Difference in tax base of property and equipment and their value for accounting purposes:-		
Group	<u>26,130,004</u>	<u>22,414,885</u>
Company	<u>25,976,805</u>	<u>22,294,329</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

23. INTEREST INCOME

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2010 Total Birr
Loans and advances	2,150,773,361	-	-	2,150,773,361	1,521,687,734
Government bonds	31,165,519	-	-	31,165,519	35,181,967
Treasury bills	563,022	-	-	563,022	7,837,913
Placements with other banks	5,707,075	-	913	5,867,921	1,448,684
Coupon bonds	659,562,051	-	-	659,562,051	468,397,980
Interest earned on corporate bond	1,233,610,959	-	-	1,233,610,959	688,260,723
	<u>4,081,381,987</u>	<u>159,933</u>	<u>913</u>	<u>4,081,542,833</u>	<u>2,742,815,001</u>

24. INTEREST EXPENSE

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2010 Total Birr
Customers' deposits	1,111,673,953	-	571,047	1,112,245,000	741,209,694
Deposits from other banks	271,204	107,319	-	-	107,319
Interest on fund received	-	-	-	-	453,452
Other	4,695,515	-	-	4,695,515	2,357,043
	<u>1,116,640,672</u>	<u>-</u>	<u>571,047</u>	<u>1,117,211,719</u>	<u>744,127,508</u>

25. GAIN ON FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2010 Total Birr
Gain on foreign currency transactions	853,190,147	-	42,349,049	895,539,196	502,624,350
Gain on currency devaluation (windfall profit)	381,311,290	-	-	381,311,290	-
	<u>1,234,501,437</u>	<u>-</u>	<u>42,349,049</u>	<u>1,276,850,486</u>	<u>502,624,350</u>
Less: Tax on windfall profit as per Proclamation No. 681/2009 (75%)	285,983,468	-	-	285,983,468	-
	<u>948,517,969</u>	<u>-</u>	<u>42,349,049</u>	<u>990,867,018</u>	<u>502,624,350</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENT (continued)
30 JUNE 2011

26. NON INTEREST INCOME

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2010 Total Birr
Write back of creditors accounts	2,907,919	-	-	2,907,919	36,358,216
Commission income	642,790,049	-	35,821,180	678,611,229	511,806,745
Service and transaction fees	1,024,099,031	23,950,547	2,798,867	1,050,848,445	521,457,928
Rental income	12,281,115	-	-	12,281,115	11,721,125
Dividend income	-	-	-	-	7,181,000
Collection from provision held	13,241,562	-	-	13,241,562	11,159,397
Gain(loss) on disposal of property and equipment	883,027	(1,934)	-	881,093	4,204,014
Other income	162,911,475	102,623	29,033	163,043,131	144,875,420
	<u>1,859,114,178</u>	<u>29,051,236</u>	<u>38,849,080</u>	<u>1,921,814,494</u>	<u>1,248,763,845</u>

27. NON INTEREST EXPENSES

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2010 Total Birr
Salaries and employee benefits	550,604,083	5,990,279	4,972,301	561,566,663	431,165,024
Depreciation	91,882,063	620,612	414,250	92,916,925	59,293,646
Postage and telecommunication	46,598,513	308,512	129,558	47,036,583	37,510,089
Occupancy expenses	40,400,782	1,386,387	4,194,301	45,981,470	28,304,000
Stationery and office supplies	29,561,199	465,823	133,467	30,160,489	21,660,688
Travel costs	11,847,925	138,822	211,706	12,198,453	13,110,466
Service charge	13,539,411	2,595,697	13,926,174	30,061,282	6,250,129
Advertising and publicity	12,648,028	149,535	15,217	12,812,780	9,305,170
Motor vehicle running costs	16,525,951	198,679	76,338	16,800,968	11,311,674
Legal and consultancy fees	3,013,482	-	179,712	3,193,194	2,980,694
Repairs and maintenance	4,963,985	80,475	115,204	5,159,664	7,520,058
Insurance	8,098,704	199,197	664,908	8,962,809	4,131,360
Water and electricity	7,719,049	41,363	481,945	8,242,357	6,607,091
Board fees	176,000	53,150	-	231,150	411,700
Audit fee	431,250	15,000	90,398	536,648	414,319
Direct write off of sundry debtors	17,314	-	-	17,314	4,312,111
Land and building tax	1,468,744	-	-	1,468,744	930,392
Electronic data processing	2,643,485	-	520,454	3,163,939	2,667,219
Impairment loss on government guarantee	-	-	-	-	116,044,618
Penalty on delayed payment of taxes	-	-	-	-	47,963,512
Service charge for bank guarantee	-	177,610	-	177,610	177,610
Other expenses	119,526,195	136,921	323,501	119,986,617	119,363,848
	<u>961,670,163</u>	<u>12,558,262</u>	<u>26,449,434</u>	<u>1,000,677,859</u>	<u>931,463,418</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

27. NON INTEREST EXPENSES (continued)

The average number of employees during the year was:

	CBE	CN	SSJ	Total	2010 Total
Management	666	-	2	668	717
Unionisable	<u>9,887</u>	<u>290</u>	<u>10</u>	<u>10,187</u>	<u>8,283</u>
	<u>10,753</u>	<u>290</u>	<u>12</u>	<u>11,055</u>	<u>9,000</u>

Included in other expenses are contributions to the pension and provident fund for employees. During the year, the Group and Company expensed Birr 19,996,785 in contributions payable (2010 - Birr 15,890,152).

28. TAX EXPENSE

a) MAJOR COMPONENTS OF TAX EXPENSE

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2010 Birr
Current tax expense	1,357,363,278	3,448,537	10,066,782	1,370,898,597	831,105,406
Deferred tax expense relating to the origination and reversal of temporary differences	<u>3,682,476</u>	<u>32,644</u>	-	<u>3,715,120</u>	<u>6,322,754</u>
Tax expense	<u>1,361,045,754</u>	<u>3,481,181</u>	<u>10,066,782</u>	<u>1,374,613,717</u>	<u>839,428,160</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

28. TAX EXPENSE (continued)

b) EXPLANATION OF THE RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2010 Birr
Accounting profit	4,172,499,811	11,652,907	53,978,561	4,238,131,279	2,812,256,294
Tax at various applicable rates (note (i) below)	1,251,749,943	3,495,872	10,086,782	1,265,332,597	843,676,888
Add: Tax effect of tax disallowed expenses:					
- Provision for doubtful debts	123,635,815	-	-	123,635,815	-
- Entertainment	853,669	33,289	-	886,958	204,906
- Penalty for delay in tax payment	9,480	-	-	9,480	14,389,054
	1,376,248,907	3,529,161	10,086,782	1,399,864,850	858,270,848
Less: Tax effect of tax exempted income:					
- Interest income	(11,230,685)	(47,980)	-	(11,278,665)	(13,340,569)
- Dividend income	-	-	-	-	(2,154,300)
- Collection from provision held	(3,972,468)	-	-	(3,972,468)	(3,347,819)
	<u>(15,203,153)</u>	<u>(47,980)</u>	<u>-</u>	<u>(15,251,133)</u>	<u>(18,842,688)</u>
	<u>1,361,045,754</u>	<u>3,481,181</u>	<u>10,086,782</u>	<u>1,374,613,717</u>	<u>839,428,160</u>

- i) The tax rates applied are 30% for CBE and CN while for SSJ, it is 35% for the period from 1 July 2010 to 31 December 2010 and 15% for the period from 1 January 2011 to 30 June 2011;
- ii) The fiscal year end of SSJ is 31 December while that of CBE is 30 June. The tax indicated above in the name of SSJ includes Birr 3,846,122 based on the audited accounts for the year ended 31 December 2010 while the remaining Birr 6,240,660 represents provision for taxation made for the period from 1 January 2011 to 30 June 2011 as the accounts for the said period have not yet been audited by external auditors.

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a) Reconciliation of profit before taxation to cash flow from operating activities

	Birr	Birr	2010 Birr
Profit before taxation	4,238,131,279		2,808,097,961
Gain on disposal of property and equipment	(881,093)		(4,204,014)
Depreciation	92,927,980		59,310,455
Adjustment to fixed assets	<u>1,100,069</u>		<u>(431,133)</u>
		4,331,278,235	<u>2,862,773,269</u>
Decrease/(Increase) in operating assets			
Treasury bills more than 90 days	-		1,667,733,538
Government bonds	652,650,194		421,264,662
Coupon bonds with DBE and regional states	591,161,045		(3,358,900,967)
Corporate bonds with EEPCC	(13,000,000,000)		(4,800,000,000)
Loans and advances to banks	19,006,154		171,750,469
Loans and advances to customers	(10,937,660,727)		(3,856,201,549)
Other advances	(607,802,159)		368,346,326
Other assets	(1,830,936,639)		305,870,113
Cash held with NBE - cash reserve	<u>(4,263,045,948)</u>		<u>(1,763,252,931)</u>
		(29,376,428,280)	<u>(10,843,390,339)</u>
Increase/(decrease) in operating liabilities			
Customers' deposits	30,121,655,410		12,369,077,393
Other liabilities	<u>8,578,732,449</u>		<u>2,651,715,456</u>
		38,700,387,659	<u>15,020,792,849</u>
Taxation paid		<u>(632,200,537)</u>	<u>(786,251,728)</u>
Cash flow from operating activities		<u>12,823,037,277</u>	<u>6,253,924,051</u>

b) Analysis of cash and cash equivalents

	2011 Birr	2010 Birr	Change Birr	2010 Change Birr
Cash in hand	2,359,716,928	1,545,067,670	814,649,258	533,855,050
Investment in treasury bills	-	1,497,297,280	(1,497,297,280)	1,497,297,280
Balances with National Bank of Ethiopia	863,898,006	742,933,952	120,964,054	(235,777,318)
Balances with Bank of Southern Sudan-Juba	298,756,515	89,978,257	208,778,258	89,978,257
Placements with other banks	14,532,049,260	3,287,389,411	11,244,659,849	1,837,329,471
Deposits due to other banks	<u>(625,969,564)</u>	<u>(872,194,081)</u>	<u>246,224,517</u>	<u>299,573,767</u>
	<u>17,428,451,145</u>	<u>6,290,472,489</u>	<u>11,137,978,656</u>	<u>4,022,256,507</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued) 30 JUNE 2011

30. NOTES TO THE BANK STATEMENT OF CASH FLOWS

a) Reconciliation of profit before taxation to cash flow from operating activities

	Birr	Birr	2010 Birr
Profit before taxation	4,172,499,811		2,804,754,844
Gain on disposal of property and equipment	(883,027)		(4,201,334)
Depreciation	91,882,063		58,632,637
Adjustment to fixed assets	<u>1,100,069</u>		<u>431,133</u>
		4,264,598,916	<u>2,858,755,014</u>
Decrease/(Increase) in operating assets			
Treasury bills more than 90 days	-		1,667,733,538
Government bonds	652,850,194		421,264,662
Coupon bonds with DBE and regional states	591,161,045		(3,358,900,967)
Corporate bonds with EEPDO	(13,000,000,000)		(4,800,000,000)
Loans and advances to banks	19,006,154		171,750,469
Loans and advances to customers	(10,937,660,727)		(3,856,201,549)
Other advances	(607,802,159)		368,346,326
Other assets	(1,841,342,339)		301,405,664
Cash held with NBE - cash reserve	<u>(4,263,045,948)</u>	(29,386,833,780)	<u>(1,763,252,931)</u>
			<u>(10,847,854,788)</u>
Increase/(decrease) in operating liabilities			
Customers' deposits	29,853,703,694		12,328,569,097
Other liabilities	<u>8,577,900,862</u>		<u>2,668,677,490</u>
Taxation paid		38,431,604,556	<u>14,997,246,587</u>
		<u>(828,888,944)</u>	<u>(784,887,282)</u>
Cash flow from operating activities		<u>12,480,480,748</u>	<u>6,223,259,531</u>

b) Analysis of cash and cash equivalents

	2011 Birr	2010 Birr	Change Birr	2010 Change Birr
Cash in hand	2,222,923,850	1,528,145,543	694,778,307	516,935,823
Investment in treasury bills	-	1,497,297,280	(1,497,297,280)	1,497,297,280
Balances with National Bank of Ethiopia	863,898,006	742,933,952	120,964,054	(235,777,318)
Placements with other banks	14,379,480,254	3,302,660,858	11,076,819,396	1,852,600,918
Deposits due to other banks	<u>(660,008,825)</u>	<u>(881,369,340)</u>	<u>221,360,515</u>	<u>290,398,508</u>
	<u>16,806,293,285</u>	<u>6,189,668,293</u>	<u>10,616,624,992</u>	<u>3,921,455,211</u>

c) Some items on the statement of financial position that do not involve actual movements in cash have been excluded from the statement of cash flows.

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

31. OFF STATEMENT OF FINANCIAL POSITION CONTINGENCIES AND COMMITMENTS

Group and company

In the ordinary course of business, the Group conducts business involving guarantees, acceptances and performance bonds. These facilities are offset by corresponding obligations of third parties. At the year-end the contingencies were as follows:

	Birr	2012 Birr
Letters of credit and acceptances	17,400,116,630	12,096,062,331
Guarantees and performance bonds	<u>13,250,245,398</u>	<u>14,498,690,567</u>
	<u>30,650,362,028</u>	<u>26,594,752,918</u>

Nature of contingent liabilities

Letters of credit commit the Bank to make payment to third parties, on production of documents, which are subsequently reimbursed by the customers.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented and reimbursement by the customer is almost immediate.

Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customers default.

32. TRUST FUNDS

Assets held in trust by the Bank and its subsidiary are as follows:-

	Birr	2012 Birr
Group		
Cash held on behalf of National Bank of Ethiopia Trust Funds	1,002,159,337	1,789,652,400
	<u>31,003,445</u>	<u>21,155,793</u>
Company	<u>1,033,162,782</u>	<u>1,810,808,193</u>
Cash held on behalf of National Bank of Ethiopia Trust Funds	1,002,159,337	1,789,652,400
	<u>31,003,445</u>	<u>21,155,793</u>
	<u>1,033,162,782</u>	<u>1,810,808,193</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

32. TRUST FUNDS (continued)

The Bank provides custodial services to the National Bank of Ethiopia (NBE) at various branches across the country, whereby the Bank holds cash on behalf of NBE.

The Bank and its subsidiary (CN) are involved in trust activities in which they hold and invest assets on behalf of various institutions, donor-sponsored projects, and pension funds.

33. RELATED PARTY TRANSACTIONS

Related parties are considered to be other entities that exercise significant influence over the Bank's financial and operating decisions or entities over which the Bank is able to exercise significant influence in their financial and operating decisions. However, as per the provisions of IAS 24 related parties do not include the government, government departments or agencies.

- i) Included in loans and advances is Birr 328,964,086, (2010 - Birr 190,498,998) advanced to employees. Loans to employees are non-interest bearing.
- ii) Interest paid during the year on deposit balances from related companies through shareholding is Birr 159,932 (2010 - Birr 131,076). All transactions with related parties are at arm's length.

34. STAFF COSTS

During the year, staff costs for the group and company amounted to Birr 624,092,953 (2010 - Birr 474,066,582) and are included in the various major expense categories.

35. PERFORMANCE INDICATORS

The capital adequacy ratio as at 30 June 2011 revealed a percentage of 11.47% which is in excess of the required ratio of 8% as per the directives of the National Bank of Ethiopia. The non-performing loans ratio has decreased from 1.74% in the preceding year to 0.86% in the current year.

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

36. MATURITIES OF ASSETS AND LIABILITIES - LIQUIDITY RISK

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 30 June 2011 to the contractual maturity date:

	On demand Birr	Due within 3 months Birr	Due between 3 and 12 months Birr	Due between 1 and 5 years Birr	Due after 5 years Birr	Total Birr
Assets						
Cash and balances with NBE	3,522,371,449	-	-	-	12,795,216,732	16,317,588,181
Investment in Government securities	-	273,059,463	150,750,597	1,672,129,132	57,161,296	2,068,155,488
Coupon bonds with ZBE and regional rates	-	330,917,814	1,198,579,986	4,858,960,645	4,409,256,964	10,797,721,409
Corporate bonds with EPSCO	14,506,292,565	25,756,685	-	12,450,000,000	17,150,000,000	29,800,000,000
Placements with other banks	-	-	-	-	-	14,532,049,260
Loans and advances to banks	-	-	5,974,559	6,411,564	230,923,520	243,309,643
Loans and advances to customers	8,164,223,870	3,105,496,931	5,159,605,216	7,040,371,966	9,623,775,476	33,092,572,459
Other advances	-	-	-	1,763,329,248	-	1,763,329,248
Investment in associates	-	-	-	-	2,905,058	2,905,058
Other investments	-	-	-	-	2,769,051	2,769,051
Other assets	-	1,579,169,959	125,884,757	2,015,000,585	1,137,234,170	4,857,289,470
Property and equipment	-	-	-	-	767,451,003	767,451,003
Total assets	26,192,987,884	5,315,000,961	6,639,795,115	29,806,259,140	46,691,147,270	114,845,190,270
Liabilities						
Deposits due to other banks	62,596,564	-	-	-	-	62,596,564
Customers' deposits	52,071,361,479	31,163,175,616	1,564,782,209	-	-	84,799,319,294
Taxation	-	1,369,892,367	-	-	-	1,369,892,367
State dividend payable	-	2,106,590,542	-	-	-	2,106,590,542
Other liabilities	-	15,062,690,067	4,317,347,470	-	-	19,380,037,537
Total liabilities	52,667,310,043	49,704,349,582	5,882,129,679	29,806,259,140	46,691,147,270	108,283,079,304
Net liquidity gap as at 30 June 2011	(26,504,343,159)	(44,389,347,721)	(757,655,436)	29,806,259,140	46,691,147,270	6,161,360,966
Net liquidity gap as at 30 June 2010	(24,485,926,292)	(22,659,248,759)	(1,819,170,994)	24,566,654,772	26,332,391,665	5,572,972,372

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued) 30 JUNE 2011

37. INTEREST RATE RISK ANALYSIS

The table below summarises the exposure to interest rate risks. Included in the table below are the group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Assets	Effective interest Rate %	On demand Birr	Due within 3 months Birr	Due between 3 and 12 months months Birr	Due between 1 and 5 years Birr	Due after 5 years Birr	Non Interest bearing Birr	Total Birr
Cash and balances with ABE	-	-	-	-	-	-	-	14,317,588.81
Investments in Government securities	2.72	-	273,659,460	130,730,597	1,672,129,132	571,816,296	-	2,668,155,488
Cooperation bonds with DBC and regional banks	5.40	-	330,917,834	1,136,579,896	4,858,966,645	4,409,256,964	-	10,797,721,409
Corporate bonds with EFOP	5.40	-	-	-	12,430,000,000	13,350,000,000	-	29,660,000,000
Placements with other banks	0.70	-	26,756,695	-	-	-	-	14,532,049,260
Loans and advances to banks	5.40	-	-	9,974,559	6,411,564	230,821,510	-	343,308,643
Loans and advances to customers	7.04	8,164,323,870	3,106,496,921	5,136,605,216	7,040,371,966	9,623,775,476	-	31,091,573,469
Other advances	-	-	-	-	-	-	1,763,379,248	1,763,379,248
Investment in associates	-	-	-	-	-	-	2,905,058	2,905,058
Other investments	-	-	-	-	-	-	2,768,051	2,768,051
Other assets	-	-	-	-	-	-	4,857,289,470	4,857,289,470
Property and equipment	-	-	-	-	-	-	767,451,003	767,451,003
Total assets		22,570,616,435	3,736,830,903	6,513,910,358	6,027,879,307	31,965,572,266	23,711,381,011	114,645,198,270
Liabilities								
Deposits due to other banks	-	-	-	-	-	-	625,969,364	625,969,364
Customer deposits	4.74	32,071,361,479	31,165,175,006	1,564,782,209	-	-	-	64,799,318,694
Taxation	-	-	-	-	-	-	1,369,892,367	1,369,892,367
State funded payable	-	-	-	-	-	-	2,108,590,942	2,108,590,942
Other liabilities	-	-	-	-	-	-	19,380,037,537	19,380,037,537
Total liabilities		32,071,361,479	31,165,175,006	1,564,782,209	-	-	23,484,490,010	108,283,608,304
On statement of financial position								
Interest sensitivity gap at 30 June 2011		(29,490,745,044)	(27,427,344,703)	4,949,128,149	26,027,879,307	31,965,572,266	(206,891,001)	6,361,360,866
On statement of financial position: Interest sensitivity gap at 30 June 2010		(28,863,976,175)	(12,966,819,466)	4,276,415,220	22,357,863,983	16,058,441,813	(3,611,036,995)	5,572,973,275

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

38. FOREIGN CURRENCY RISK

The table below analyses the currencies to which the group is exposed at 30 June 2011.

	USD Birr	GBP Birr	EURO Birr	OTHER Birr	TOTAL Birr
At 30 June 2011					
Assets					
Cash and balances with National Bank of Ethiopia	628,678,653	16,158,530	104,361,992	75,730,624	824,929,799
Investment in government securities	-	-	-	-	-
Coupon bonds with OSE and regional states	-	-	-	-	-
Corporate bonds with EERCO	-	-	-	-	-
Placements with other banks	13,205,848,772	201,608,875	630,839,707	237,457,783	14,275,755,137
Loans and advances to banks	-	-	-	-	-
Loans and advances to customers (net)	-	-	-	-	-
Other advances	-	-	-	-	-
Investment in associates	-	-	-	-	-
Other investments	-	-	-	-	-
Other assets	1,277,422,552	4,112,573	15,032,888	10,803,319	1,307,371,332
Property and equipment	-	-	-	-	-
Total foreign currency assets	15,111,949,977	221,879,978	750,234,587	321,991,726	16,408,056,268
Liabilities					
Deposits due to other banks	69,992,546	413,424	120,641	-	70,526,611
Customers' deposits	2,832,257,932	20,399,827	345,197,447	54,899	3,197,910,105
Taxation	-	-	-	-	-
State dividend payments	-	-	-	-	-
Other liabilities	542,695,316	-	24,414,856	-	567,110,172
Total foreign currency liabilities	3,444,945,794	20,813,251	369,733,944	54,899	3,835,546,888
Off statement of financial position net notional position	8,847,523,561	144,599,011	1,673,207,029	65,153,781	10,730,483,382
Foreign currency exposure at 30 June 2011	2,819,480,622	56,467,716	(1,292,705,386)	258,783,046	1,842,025,998
As at 30 June 2010					
Total foreign currency assets	4,273,770,557	59,562,456	97,979,487	92,341,037	4,523,653,537
Total foreign currency liabilities	1,801,386,112	12,686,168	282,587,993	7,674,555	2,104,334,828
Off statement of financial position net notional position	4,818,012,474	54,298,590	1,047,805,000	64,650,040	5,984,766,104
Foreign currency exposure at 30 June 2010	(2,345,628,029)	(7,422,302)	(1,232,413,506)	20,016,442	(3,565,447,395)

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

39. RISK MANAGEMENT DISCLOSURES

This section provides details of the Group's exposure to risk and describes the methods used by management to control risk. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk.

A) Risks

i) Credit risk

The Group's credit exposure at the balance sheet date from financial instruments held or issued for trading purposes is represented by fair value of instruments with a positive fair value at that date, as recorded on the statement of financial position.

The risk that counter-parties to trading instruments might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and to the volatility of the fair value of trading instruments.

To manage the level of credit risk, the Group deals with counter-parties of good credit standing, enters into master agreements whenever possible, and when appropriate, obtains collateral.

The Group also monitors concentrations of credit risk by industry and type of customer in relation to the Group loans and advances to customers by carrying a balanced portfolio. The Group has a significant exposure to individual customers or counter parties.

ii) Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

39. RISK MANAGEMENT DISCLOSURES (continued)

The Group has access to a diverse funding base. Funds are raised mainly from deposits and state capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy.

In addition the Group holds a portfolio of liquid assets as part of its liquidity risk management strategy.

iii) Market risk

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Group's business strategies. The Group does not have any significant interest rate risk exposures.

Currency risk

The Group is exposed to currency risk through transactions in foreign currencies. The Group's transactional exposures give rise to foreign currency gains and losses that are recognized in the income statement. In respect of monetary assets and liabilities in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

B) Risk measurement and control

Interest rate, currency, credit, liquidity and other risks are actively managed by independent risk control group to ensure compliance with the Group's risk limits. The Group's risk limits are assessed regularly to ensure their appropriateness given the Group's objectives and strategies and current market conditions. A variety of techniques are used by the Group in measuring the risks inherent in its trading and non-trading positions.

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

40. OTHER CONTINGENT LIABILITIES

- The Bank is defendant for a total amount of about Birr 54.7 million in respect of legal actions brought by different organizations and individuals which are contested by the Bank. It is difficult to assess the probable outcome of these cases at the moment.
- The Ethiopian Revenues and Customs Authority(ERCA) has instructed banks to register for and pay value added tax(VAT) on the sale of property they held as collateral. However, as in the case of most banks, payment has not been effected so far on the ground that the sale of properties to reclaim debt was considered a normal banking transaction and not a profit making endeavor. It is not possible to determine the amount of liability involved and to assess the outcome of this dispute.

41. CAPITAL COMMITMENTS

	Birr	2010 Birr
Group and company	<u>166,369,811</u>	<u>71,129,468</u>

42. ESTABLISHMENT

The Bank is established as a limited liability public enterprise under the proclamation of the Federal Democratic Republic of Ethiopia. Its principal place of business is in Addis Ababa, Ethiopia and has 380 branches in various parts of the country.

43. AUTHORIZATION

The President of the Bank authorized the issue of these financial statements on 21 November 2011.

