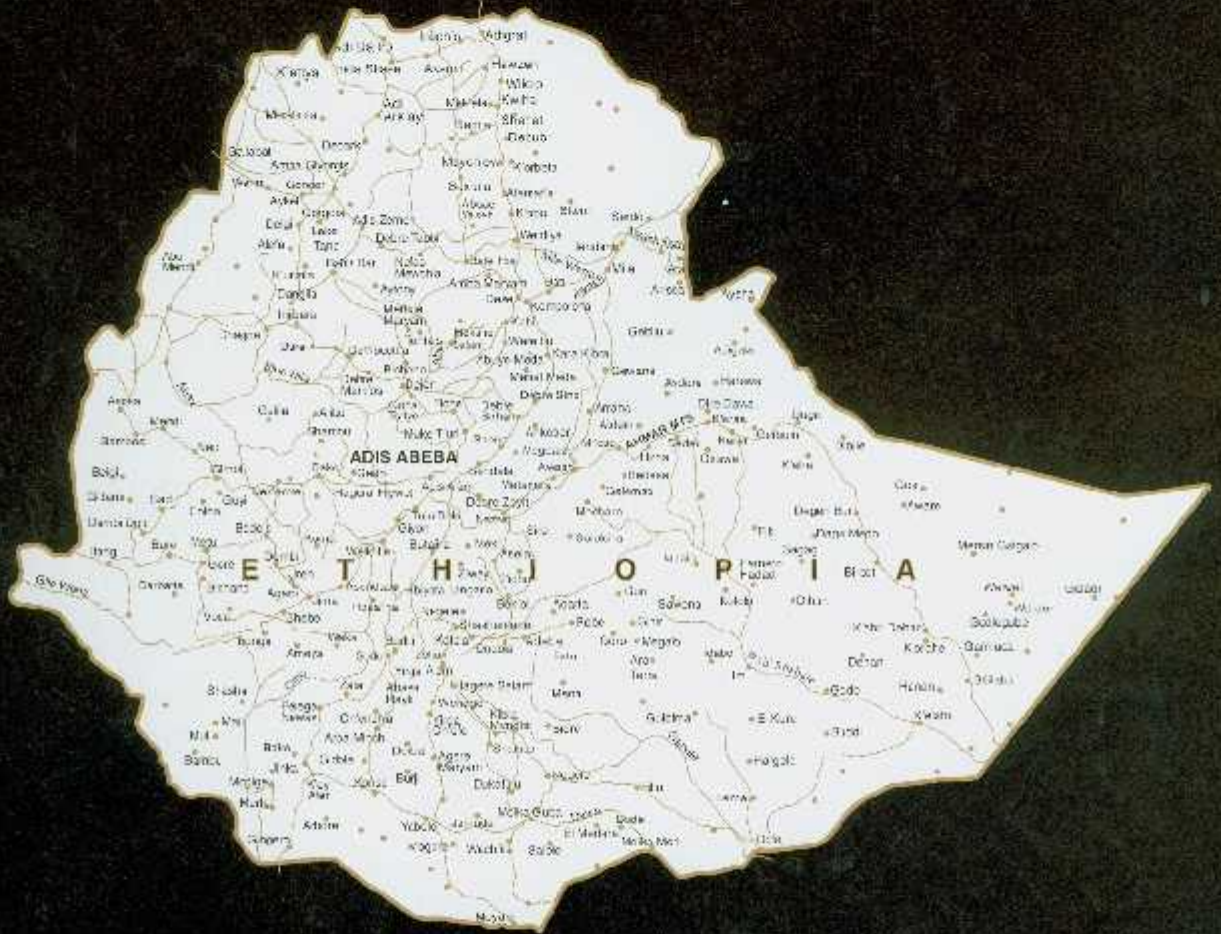


**Annual Report 2011/12**



**የኢትዮጵያ ንግድ ባንክ**  
**COMMERCIAL BANK OF ETHIOPIA**

SERVING YOU AT YOUR DOORSTEPS!



*More than 600 Branches Nationwide!*

የኢትዮጵያ ንግድ ባንክ



Commercial Bank of Ethiopia

Annual Report 2011/12

*Working to Become a World Class Commercial Bank*



የኢትዮጵያ ንግድ ባንክ  
Commercial Bank of Ethiopia



# Contents

Key Figures	8
Message of the President	10
<b>1. Macroeconomic Highlights</b>	<b>12</b>
<b>1.1. Global Economy</b>	<b>12</b>
<b>1.2. The Ethiopian Economy</b>	<b>12</b>
<b>2. Highlights of the CBE</b>	<b>13</b>
<b>2.1. Financial Position</b>	<b>13</b>
<b>2.1.1. Net Interest Income</b>	<b>13</b>
<b>2.1.2. Net Interest Margin</b>	<b>13</b>
<b>2.1.3. Non-Interest Income</b>	<b>14</b>
<b>2.1.4. Total Expenses</b>	<b>14</b>
<b>2.1.5. Operating Profit</b>	<b>14</b>
<b>2.1.6. Earning Capacity</b>	<b>14</b>
<b>2.2. Balance Sheet Analysis</b>	<b>15</b>
<b>2.2.1. Asset Structure</b>	<b>15</b>
<b>2.2.2. Loan Portfolio</b>	<b>15</b>
<b>2.2.3. Liabilities</b>	<b>17</b>
<b>2.2.4. Capital Adequacy</b>	<b>18</b>
<b>2.3. International Banking</b>	<b>19</b>
<b>2.4. Human Resources</b>	<b>20</b>
<b>2.5. Business Development</b>	<b>20</b>

# 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 Zeleke**  
President



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



**Ato Abay Mehari**  
Credit Management  
Vice President



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



**Ato Mohammed Nureddin**  
Trade Services  
Vice President



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

## The Process Council



**Ato Endale Gebru**  
Facilities Management  
Vice President



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



**Ato Belay Gorfu**  
Finance Vice President



**Ato Samuel Tadesse**  
Chief Officer - Legal and  
Loan Recovery



**Ato Yishak Mengesha**  
Chief Business  
Development Officer



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



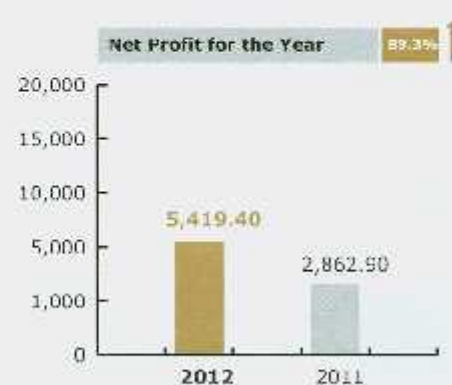
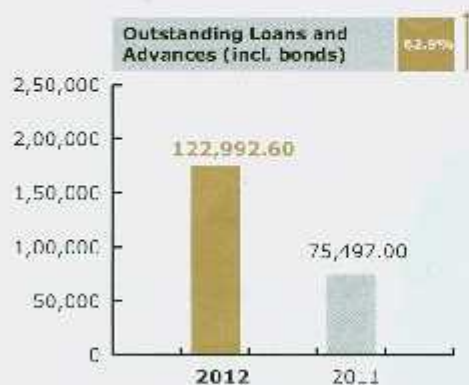
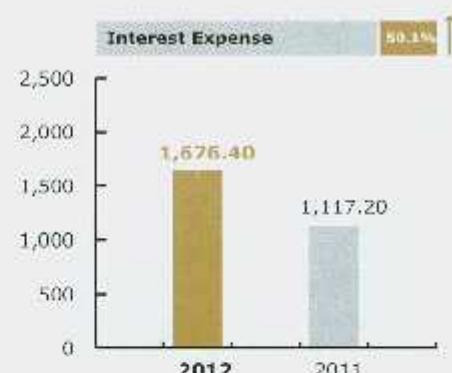
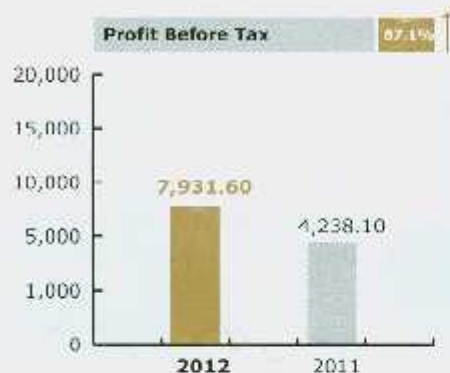
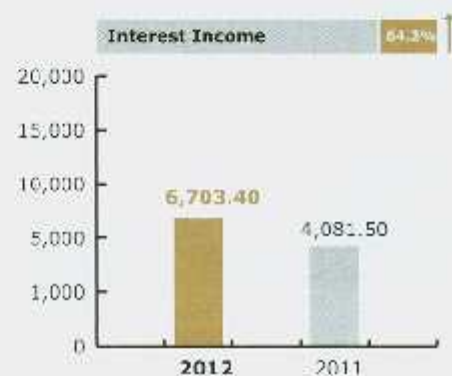
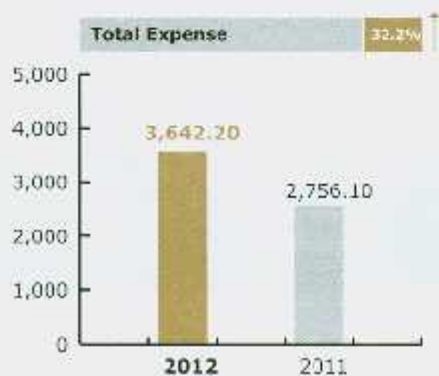
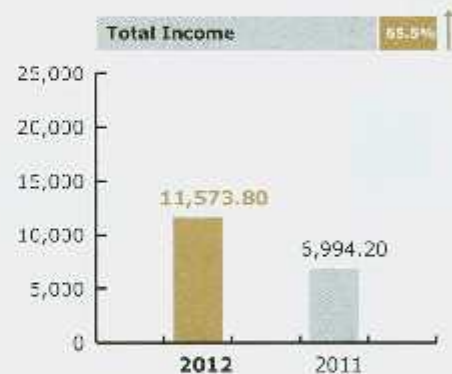
**Ato Solomon Alula**  
Chief Internal Auditor

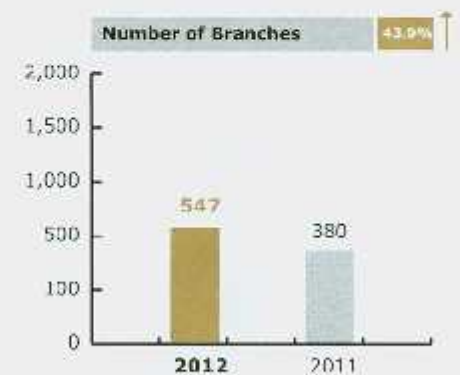
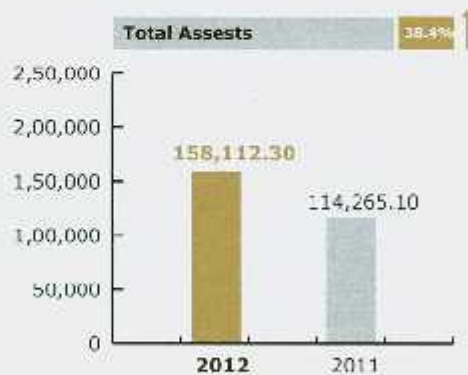
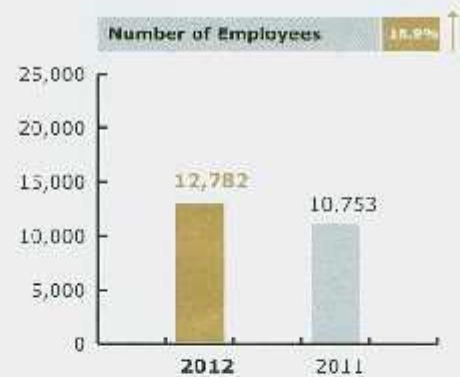
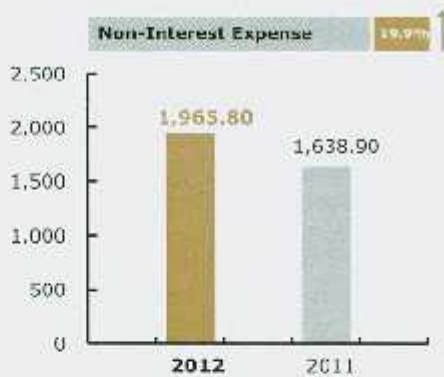
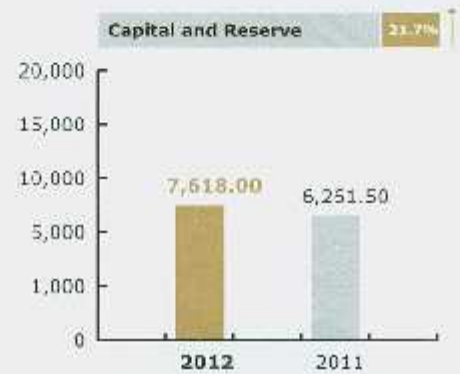
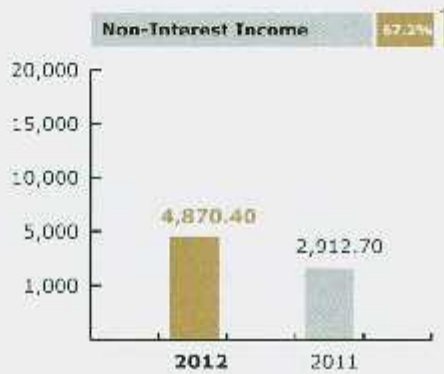
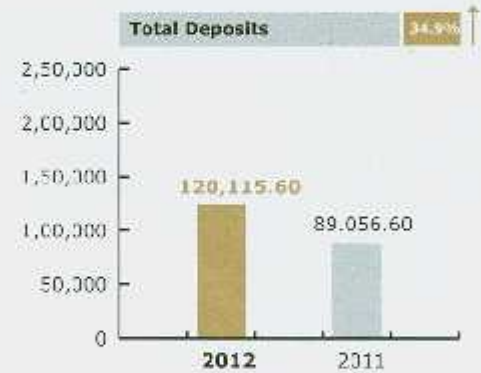
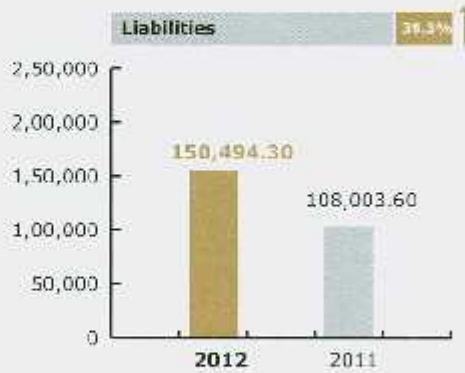


**Wzo Meseret Asfaw**  
Director Office of  
Strategy Management



# Key Figures





# Message of the President



During the fiscal year 2011/12, the gross profit of the Commercial Bank of Ethiopia reached an all-time high of 7.9 billion Birr. This is an unprecedented level of profit in CBE's 70 years existence.

The total income of the Bank was Birr 11.8 billion, up by Birr 4.5 billion (65.5%) when compared with the performance of the previous year. At the end of the fiscal year, the total assets of the Bank stood at Birr 158.1 billion, while the total deposit reached 120.1 billion Birr, thus reflecting a 34.9% growth over the preceding year's deposit level.

On the other hand, the overall expense of the Bank reached Birr 3.6 billion, showing an increase of 32.2%, mainly due to the substantial increase in interest expense followed by salaries and benefits. Growth in general expense was related to the expansion of CBE.

The Bank has demonstrated its commitment to reach large potential customers and the public by opening 167 additional branches across the country in the fiscal year. The opening of the branches enabled the Bank to increase its customer base to about 3.9 million and scale up deposit mobilization efforts.

Achieving service excellence and high business growth are the key objectives of the Commercial Bank of Ethiopia. To this end, the CBE has implemented 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.

Card banking and core banking solutions which are the components of the major IT projects have successfully been implemented during the year under review. The T-24 core banking system went live on May 2, 2012 with a total of 37 modules and interfaces going operational up until the close of the fiscal year, and the subsequent rollout to 105 branches. The CBE plans to expand the core banking solutions to 145 more branches in 2012/13; and the number of branches connected to the system will reach 250 by the end of the next FY.

The Human Resources Development strategy has been the other initiative the bank has been implementing since 2011. Following the agreement concluded with the Frankfurt School of Finance and Management (FSFM) for the development of CBE's HRD strategy, the strategy document was prepared and its implementation has been

underway in the fiscal year under review. First round developmental training was delivered to management groups of the Bank based on the competency framework developed by the FSFM.

By and large, 2011/12 FY was a very successful year for CBE. As usual, customers who continued to prefer our services were the key drivers for the successes registered during the year under review. I would, therefore, like to extend my deepest appreciation and gratitude to our esteemed customers.

I would also like to take this opportunity to sincerely thank the Board of Directors of the CBE for the visionary leadership they provided, and the employees of the Bank for their continued commitment and dedication.

With the continuing patronage of our esteemed customers and the commitment of the staff, I am very confident that we will have no difficulty in achieving far better results in the years to come.

**BEKALU ZELEKE**

President

# 1. Macroeconomic Highlights

## 1.1 Global Economy



According to the World Economic Outlook (IMF, October 2012), with recovery suffering new setbacks and growth projections marked down, world economy has deteriorated further. The key reason for this is the inability of the policies of the major advanced economies to rebuild confidence in medium-term prospects. The global economic growth thus remained subdued in 2012, with most regions expanding at a pace below potential. The global economy grew at about 3.3% in 2012, down from that of 2011 which saw a 3.8 % growth. The crisis in Euro-area remains the most obvious threat to the world economy. Advanced economies

were projected to grow by 1.3% in 2012, compared with 1.6% the preceding year and 3.0% in 2010. Growth in emerging and developing countries also dropped slightly and was expected to reach 5.3% in 2012; against the recorded 6.2% in 2011. This low growth and uncertainty in advanced economies is affecting emerging markets and developing economies through both trade and financial channels on top of country-specific weaknesses.

Growth in volume of world trade was projected to slump to 3.2% in 2012 from 5.8 % in 2011. The price of oil remained high in the global market and widely fluctuated owing to economic and political uncertainties linked with major suppliers. A weak global economic outlook suggested that the nonfuel commodity prices are unlikely to improve.

## 1.2 The Ethiopian Economy

In 2011/12 FY, the overall economic growth of Ethiopia was 11%. Increased crop production of smallholder farmers during the main harvest season, efforts to diversify towards irrigation, continued high investments including public investment in infrastructure and other large agro-processing projects as well as foreign direct investment are the major drivers of the high growth performance of the economy. Large public investments and supports to promote micro- and small-scale industries also continued to be important sources of employment in the economy.

Efforts to maintain macroeconomic stability through monetary policies, market interventions and increased supply as well as distributions of basic commodities have contributed to recent improvement in inflation rate. A notable improvement in the domestic market is the significant fall in the price of construction materials such as iron and cement.

On the whole, despite some challenges, the Ethiopian economy has shown good performance with positive effects on the performance of the financial sector in general and 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 5.03 billion in 2011/12, up by 69.9% from the 2.96 billion Birr in 2010/11, mainly due to higher growth of interest income than interest expense.

The aggregate interest income grew by 64.2% to Birr 6.7 billion during the year in review. This high growth was largely attributed to the increase in the overall disbursement of loans and advances. Interest expense also increased by Birr 0.56 billion 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 jumped from 4% in 2010/11 to 4.6% in the year being reviewed.

##### Net Interest Income (Mn. Birr)

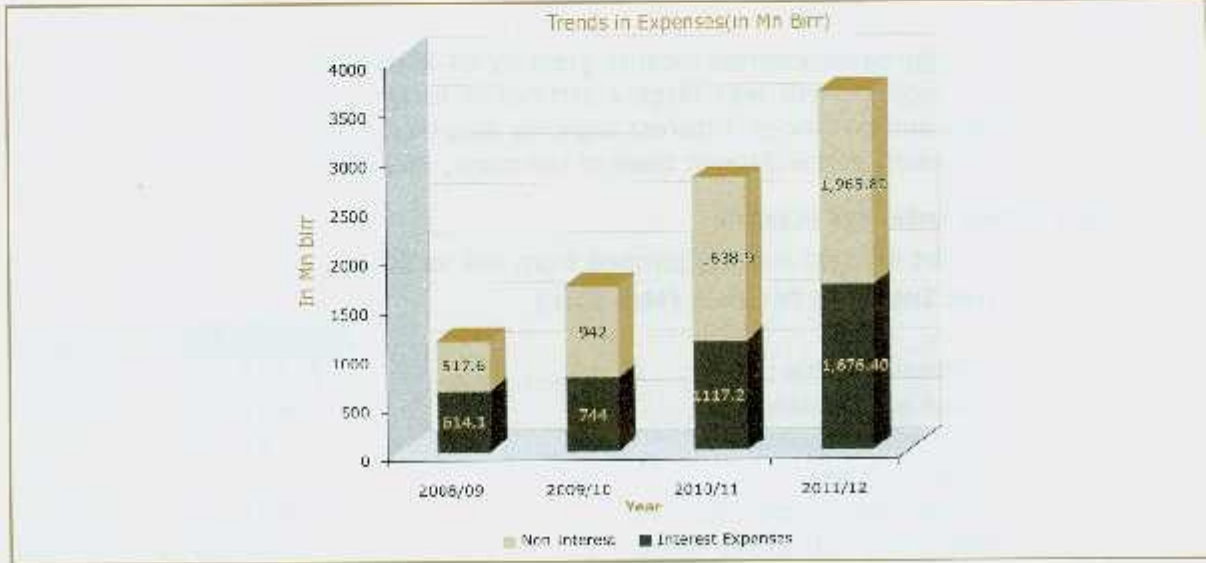
	2011/12	2010/11	% Change
Interest Income	<b>6,703.40</b>	4,081.50	64.2
Loans and advances	<b>3,607.80</b>	2,150.80	67.7
Government bonds	<b>27.70</b>	31.20	-11.2
Treasury bills		0.50	
Coupon and corporate bonds	<b>3,053.10</b>	1,893.20	61.3
Placement with other banks	<b>14.80</b>	5.80	155.2
Interest expense	<b>1,676.40</b>	1,117.20	50.1
Customers' deposits	<b>1,662.60</b>	1,112	49.5
Deposits from other banks	<b>0.2</b>	0.3	-33.3
Other	<b>13.6</b>	4.7	189.4
Net interest income	<b>5,027.00</b>	2,964.30	69.6

#### 2.1.3. Non-Interest Income

Non-interest income accounted for 42% of the total income. During the year under review, total non-interest income was Birr 4.8 billion, depicting a 67.2 % increase over 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**

The total expenses of the Bank reached Birr 3.6 billion, showing a 32.2% growth compared with the level in the preceding fiscal year. Interest expense which is linked to deposit base expansion of the Bank made major contributions to the overall expenses growth during the year under review.



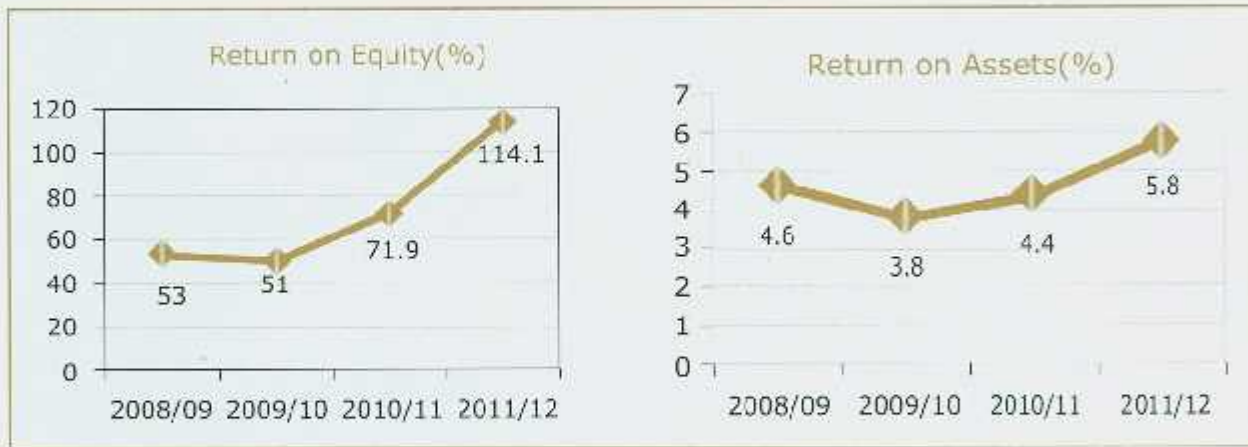
**2.1.5. Operating Profit**

The total income of the Bank for 2011/12 stood at Birr 11.6 billion, registering a growth of 65.5% compared with Birr 6.99 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 on the other hand, went up from Birr 2.75 billion in 2010/11 to Birr 3.6 billion in 2011/12 largely due to the 50.1% increase in interest expenses. The operating profit of the Bank has successively increased over the years to reach Birr 7.9 billion in 2011/12. This is a big jump (87.1%) compared with the preceding fiscal year. The net profit of the Bank stood at about Birr 5.4 billion in 2011/12 FY, showing 89.3% growth against the previous fiscal year.



**2.1.6 Earning Capacity**

Return on Assets (RoA) increased from 4.4% in 2010/11 to 5.8% in 2011/12, indicating large and continued improvement on asset utilization of the Bank. Return on Equity (RoE) on the other hand, increased from 71.9% in 2010/11 to 114 % in 2011/12. The high level of RoA and RoE explain 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 38.4%, and reached Birr 158.1 billion during the fiscal year under review. The major account categories that pushed the asset balance up were loan and advance to customers, investments, other assets, and property and equipment.

Moreover, the asset quality of the Bank has shown successive improvements over recent years. The Non-Performing Loans (NPLs) ratio shrank to 0.61%, 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, the total outstanding loans and advances of the Bank (including bonds) rose by 62.9%, reaching 123 billion Birr. Outstanding loans to customers grew by about 71%.

#### Outstanding Loans and Advances by Sector (Mn. Birr)

	2011/12	2010/11	% Change
Loans to customers*	<b>56,465.40</b>	33,092.60	70.63
Agriculture	<b>13,551.80</b>	7,836.80	72.93
Manufacturing	<b>18,673.70</b>	8,587.80	117.44
Domestic trade	<b>5,310.30</b>	3,393.60	56.48
Foreign trade	<b>14,949.20</b>	10,345.80	44.50
Building and Construction	<b>4,635.50</b>	3,481.60	33.14
Personal Loan	<b>719.10</b>	328.90	118.64
Loans to banks( Financial Institutions)	<b>487.70</b>	243.30	100.45
Receivables-EGTE	<b>3,987.10</b>	1,763.00	126.15
Bonds(Coupon & Corporate)	<b>62,052.40</b>	40,397.70	53.60
Total outstanding loans	<b>122,992.60</b>	75,496.60	62.91

\*Net of provision for impairment losses





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

Courtesy of Lusi Agriculture development PLC

The amount of fresh loans disbursed to the various economic sectors during the reporting year was Birr 60.9 billion. This constituted an increase of 61.4% when compared with the level in the preceding year.

#### **Trends in Loans Disbursement (Mn. Birr)**

	<b>2011/12</b>	2010/11	% Change
Loans and Bonds Disbursement	55,441.00	35,947	54.23
Loans	31,940.00	17,780	79.64
Bonds	23,501.00	18,167	29.36
Pre-shipments(Net Increase)	2,170.00		
Receivable-EGTE	3,263.00	1,763	85.08
<b>Total disbursements</b>	<b>60,874.00</b>	<b>37,710</b>	<b>61.43</b>

The total loan collection, on the other hand, reached Birr 20.5 billion, showing an increase of 16.6% over the preceding fiscal year. This increase was attributed mainly to the large loan collections from disbursements effected during the year under review.



The CBE gives priority to support the Construction Sector

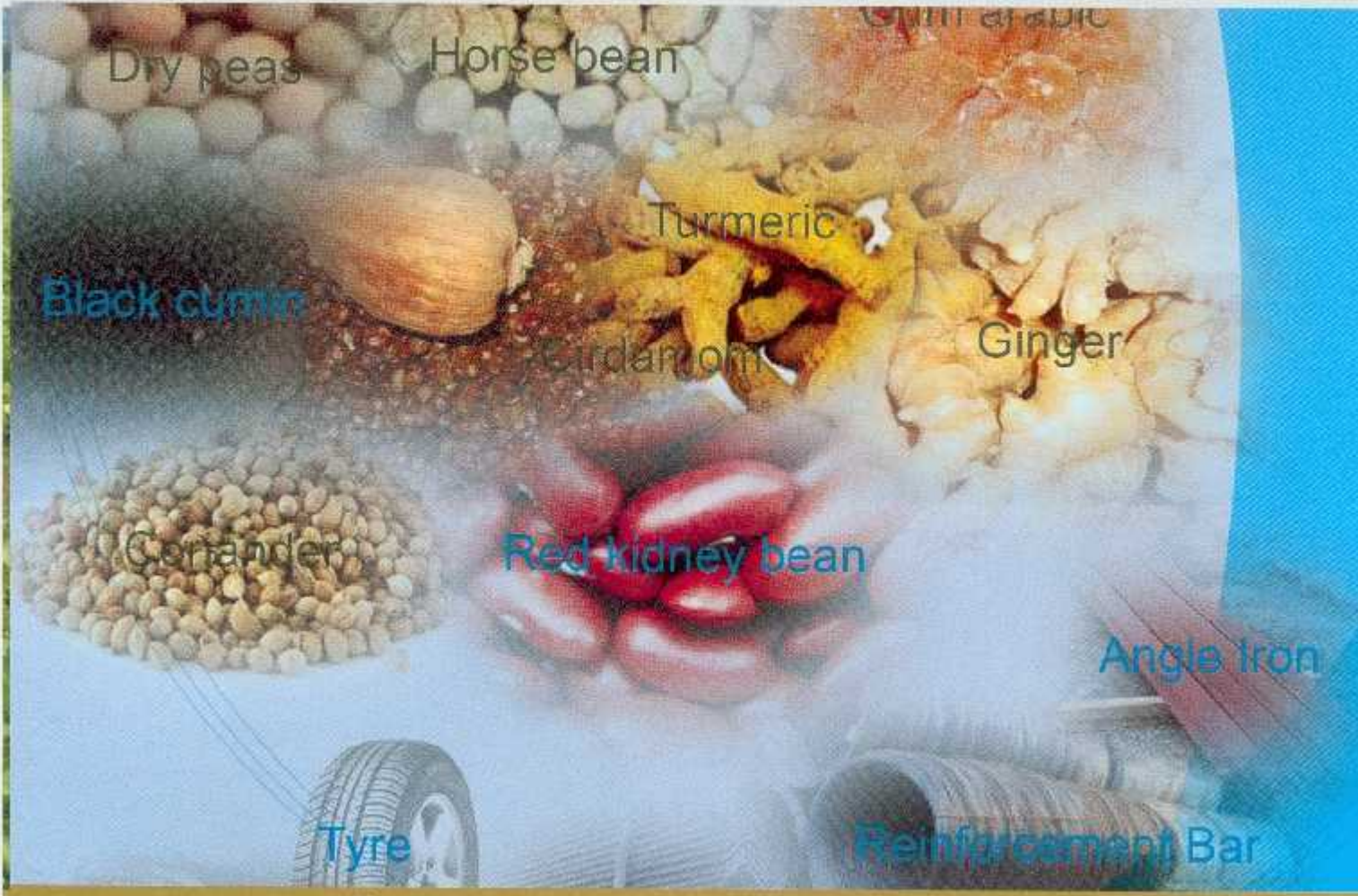
Courtesy of Sunshine Construction PLC

#### Trends in Loans Collection (Mn. Birr)

	2011/12	2010/11	% Change
Term loan collection	14,643	10,156	44.2
Bonds collection	4,822	7,424	-35.0
DBE and Housing	2,855		
EEPCO	1,682		
Government Bonds	285		
Sub-total	19,465	17,580	10.7
Receivables-EGTE	1040	0	
Total loans collection	20,505	17,580	16.6

#### 2.2.3 Liabilities

The total liabilities of the Bank exceeded that of the previous year by 39.3%, reaching Birr 150.4 billion during the year under review. The opening of 167 branches to mobilize deposits across the country, coupled with the favorable business environment, has helped the Bank to command a large deposit base. During 2011/12, the Bank's total deposit reached Birr



The CBE is at the forefront of financing the export sector

Courtesy of GUNA TRADING HOUSE PLC

120.1 billion, registering a growth of 34.9% compared with that of the preceding year. This level of deposit was the highest in the Bank's history.

Demand deposits increased by 34% when compared with the level in the preceding fiscal year. Similarly, savings deposit grew by 35.1% to reach Birr 42.1 billion, and fixed time deposit by 42.6% to reach Birr 7.4 billion. The ratio of demand deposits to total deposit stood at 58.8%, slightly lower than the 59.2% level in the previous year. On the other hand, the share of savings and fixed time deposit were 35% and 6.2%, respectively.

**Deposit at Year-end (Mn. Birr)**

	2011/12	2010/11	Growth (%)
Demand Deposit	70,618.80	52,697.30	34.01
Savings Deposit	42,087.00	31,163.20	35.05
Fixed Time Deposit	7,409.80	5,196.10	42.60
Total Deposit	120,115.60	89,056.60	34.88

**2.2.4 Capital Adequacy**

CBE's capital and reserve increased from Birr 6.3 billion in 2010/11 to Birr 7.6 billion in 2011/12. The risk weighted capital adequacy ratio stood at 9.68%, 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.



The CBE gives priority to support the manufacturing Sector

Courtesy of Ethiopian Sugar Corporation

### 2.3. International Banking

The CBE has continued to earn significant income and profit from its foreign banking operations as a result of its healthy and long lasting business relationship with many prominent banks around the world. The overall income earned from foreign banking operations stood at Birr 3.9 billion, surpassing the level recorded in the preceding year.



Compared with the preceding year, the import letters of credit opened and settled during the reporting year went up by 2.4% and 109.2%, respectively. On the other hand, the value of export documents negotiated on a collection basis grew by 72.23%, while export documents negotiated at sight dropped by 4.2%. The value of guarantees issued plummeted to 93.5% during the year under review.

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

Particulars	2011/12	2010/11	% Change
Import L/C Opened	35,238	34,413	2.40
Import L/C Settled	55,020	26,299	109.21
Export Doc. Negot. on Collection	3,541	2,056	72.23
Export L/C Negot. at Sight	8,889	9,275	-4.16
IBC-Received	4,414	3,930	12.32
IBC-Settled	14,851	3,786	292.26
Guarantees Issued	560	8,553	-93.45
Total	122,513	102,926	19.03

#### 2.4. Human Resources

Cognizant of the fact that strengthening of the human resources is central to organizational success, 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 approved by the Board of Directors. Implementation continued in the year under review, during which the consultant developed detailed competency gaps on the basis of which training curriculum have been developed.

In addition, the Bank provided various on-the-job and off-the-job training and recruited additional new employees and trained them. Accordingly, a total of 9,705 employees were offered with various training programs and special emphasis was given on recruiting qualified professionals. In the reporting period, it recruited 2,511 permanent employees, raising the workforce of CBE to 12,782 by the end of the FY. It also retained the existing staff through devising different incentives and benefit packages.

#### 2.5. Business Development

The 2011/12 financial year saw the opening of additional 167 branches, bringing the Bank's branch network to 547. Many of the existing branches also expanded their services by opening additional windows. Consequently, the customer base grew significantly, reaching 3.9 million at the end of June 2011/12. In addition, 50 ATMs were installed at the end of June 2011 in 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 with respect to the implementation of IT projects such as card banking and integrated core banking solutions, and the installation of infrastructure during the fiscal year. The piloting of mobile top up and bill payment services has been launched and commercialization of mobile top up is underway.

The T-24 core banking system went live on May 2, 2012 with a total of 37 modules and interfaces being operational, bringing the total number of branches using the system to 105. In addition to the implementation of the first phase modules and interfaces, currently second phase modules and interfaces are at present being developed by the IT project Office and consultants.

The Commercial Bank of Ethiopia will continue to expand its branch networks, roll out its T24 core banking solutions across more than 250 branches, fully implement its card banking, and introduce mobile and internet banking. It firmly believes that expanding customer base is the key to its success, in addition to achieving service excellence. CBE, therefore, plans to increase its customer base to 5.7 million in the FY 2012/13 from the 3.9 million in the fiscal year under review.



ዘርፈ ብዙ የዓለም አቀፍ የገንዘብ መቀበያ አማራጮች ያሉት ባንክ !

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



The cover features a vertical split design. The left side is white, and the right side is a textured gold color. The title is centered on the white background, flanked by horizontal gold lines above and below. The gold background has a subtle, embossed pattern.

**Auditor's Report  
2011/12**





የሂሳብ ምርመራ አገልግሎት ኮርፖሬሽን  
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 39 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 our opinion, the financial statements present fairly the financial positions of Commercial Bank of Ethiopia and of the Group at 30 June 2012 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*

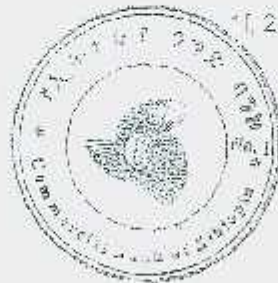
21 January 2013

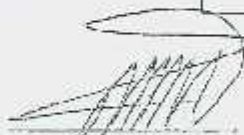
COMMERCIAL BANK OF ETHIOPIA  
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AT 30 JUNE 2012

	Notes	Birr	2011 Birr
<b>ASSETS</b>			
Cash and bank balances	2	15,592,790,370	16,317,588,181
Investments in Government securities	3	2,437,032,618	2,668,165,488
Coupon bonds	4	13,152,381,741	10,797,721,409
Corporate bonds	5	45,900,000,000	29,600,000,000
Government saving bonds- Renaissance Dam	6	10,000,000	-
Placements with other banks	7	9,707,738,619	14,532,043,200
Loans and advances to banks	8	487,717,304	243,303,643
Loans and advances to customers	9(a)	58,465,441,769	33,092,573,459
Other advances	10	3,987,103,006	1,763,379,248
Investment in associates	1b(i), 12(a)	2,905,058	2,905,058
Other investments	13	38,562,897	2,788,051
Other assets	14	7,312,249,107	4,857,289,470
Property and equipment	15	910,509,395	767,451,303
		<u>158,004,428,984</u>	<u>114,645,180,270</u>
<b>LIABILITIES</b>			
Deposits due to other banks	16	3,531,063,659	625,969,564
Customers' deposits	17	116,504,458,255	88,430,687,764
Taxation	18	2,482,673,419	1,369,892,367
State dividend payable	19	4,064,564,723	2,108,590,542
Other liabilities	20	24,414,045,485	15,748,689,037
		<u>151,078,808,541</u>	<u>108,283,809,304</u>
NET ASSETS		<u>7,727,622,443</u>	<u>6,361,380,966</u>
MINORITY INTEREST		<u>3,201,834</u>	<u>2,109,226</u>
<b>CAPITAL AND RESERVES</b>			
Capital	21	4,000,000,000	4,000,000,000
Legal reserve	22	3,583,484,212	2,232,641,000
Retained earnings		64,428,813	60,257,375
Gain on currency fluctuation from investment in foreign subsidiary - Juba		43,755,225	39,943,361
		<u>7,691,668,250</u>	<u>6,333,141,736</u>
DEFERRED TAX LIABILITY	11, 23	<u>27,772,369</u>	<u>28,150,004</u>
		<u>7,727,622,443</u>	<u>6,361,380,966</u>

  
 Vice President Finance

Addis Ababa, 21 January 2013



  
 President

The notes on pages 9 to 39 form an integral part of these financial statements.

**COMMERCIAL BANK OF ETHIOPIA**  
**BANK STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2012**

	Notes	Birr	2011 Birr
<b>ASSETS</b>			
Cash and bank balances	2	<b>14,644,785,542</b>	15,882,038,589
Investments in Government securities	3	<b>2,437,032,618</b>	2,668,155,488
Coupon bonds	4	<b>13,152,381,741</b>	10,797,721,409
Corporate bonds	5	<b>48,900,000,000</b>	29,600,000,000
Government saving bond- Renaissance Dam	6	<b>10,000,000</b>	-
Placements with other banks	7	<b>9,661,119,404</b>	14,379,480,254
Loans and advances to banks	8	<b>487,717,304</b>	243,309,643
Loans and advances to customers	9(a)	<b>56,465,441,769</b>	33,092,573,459
Other advances	10	<b>3,987,103,006</b>	1,763,379,248
Investment in subsidiary	11	<b>226,698,055</b>	226,698,055
Investment in associates	1b(ii),12(b)	<b>1,050,000</b>	1,050,000
Other investments	13	<b>8,516,353</b>	2,768,051
Other assets	14	<b>7,275,894,316</b>	4,847,021,235
Property and equipment	15	<b>854,565,685</b>	760,904,008
		<b>158,112,305,793</b>	114,265,099,439
<b>LIABILITIES</b>			
Deposits due to other banks	16	<b>3,558,938,405</b>	660,008,826
Customers' deposits	17	<b>116,032,276,863</b>	88,131,263,981
Taxation	18	<b>2,469,833,255</b>	1,357,363,278
State dividend payable	19	<b>4,064,564,723</b>	2,108,590,542
Other liabilities	20	<b>24,368,705,025</b>	15,746,325,222
		<b>150,494,318,271</b>	108,003,551,849
<b>NET ASSETS</b>			
		<b>7,617,987,522</b>	6,261,547,590
<b>CAPITAL AND RESERVES</b>			
Capital	21	<b>4,000,000,000</b>	4,000,000,000
Legal reserve	22	<b>3,586,183,866</b>	2,231,328,958
Retained earnings		<b>4,241,827</b>	4,241,827
		<b>7,590,425,693</b>	6,235,570,785
<b>DEFERRED TAX LIABILITY</b>			
	1f,23	<b>27,561,829</b>	25,976,805
		<b>7,617,987,522</b>	6,261,547,590

The notes on pages 32 to 57 form an integral part of these financial statements.

**COMMERCIAL BANK OF ETHIOPIA**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	CBE Birr	CN Birr	SSJ Birr	Total Birr	2011 Birr
INTEREST INCOME	1e, 24	6,703,273,523	180,855	157	<b>6,703,454,535</b>	4,081,542,833
INTEREST EXPENSE	25	(1,674,560,618)	-	(1,840,412)	<b>(1,676,401,030)</b>	(1,117,211,719)
NET INTEREST INCOME/(LOSS)		5,028,712,905	180,855	(1,840,255)	<b>5,027,053,505</b>	2,964,331,114
IMPAIRMENT LOSSES ON:-						
LOANS AND ADVANCES		(500,976,908)	-	-	<b>(500,976,908)</b>	(458,073,934)
SUNDRY DEBTORS		-	-	-	-	(176,660,856)
ACQUIRED PROPERTY		(154,917)	-	-	<b>(154,917)</b>	(3,458,658)
		(501,131,825)	-	-	<b>(501,131,825)</b>	(638,203,488)
NET INTEREST INCOME/(LOSS) AFTER IMPAIRMENT LOSSES ON LOANS AND ADVANCES, SUNDRY DEBTORS AND ACQUIRED PROPERTY		4,527,581,080	180,855	(1,040,255)	<b>4,525,921,680</b>	2,326,127,626
GAIN ON FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS	26	1,386,791,626	-	64,934,226	<b>1,451,725,852</b>	990,867,018
NON INTEREST INCOME	1e, 27	3,367,901,095	42,319,240	8,452,588	<b>3,418,672,923</b>	1,921,814,494
NON INTEREST EXPENSES	28	(1,391,435,891)	(18,769,366)	(54,525,161)	<b>(1,464,730,418)</b>	(1,000,677,889)
PROFIT BEFORE TAX		7,890,837,910	23,730,729	17,021,398	<b>7,931,590,037</b>	4,238,131,279
INCOME TAX EXPENSE	29	(2,471,418,279)	(7,113,113)	(18,914,685)	<b>(2,497,446,082)</b>	(1,374,613,717)
PROFIT AFTER TAX		5,419,419,631	16,617,611	(1,893,287)	<b>5,434,143,955</b>	2,863,517,562
MINORITY INTEREST		-	(1,092,608)	-	<b>(1,092,608)</b>	(537,291)
PROFIT FOR THE YEAR		5,419,419,631	15,525,003	(1,893,287)	<b>5,433,051,347</b>	2,862,980,271

The notes on pages 32 to 57 form an integral part of these financial statements.

**COMMERCIAL BANK OF ETHIOPIA**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	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 2010	4,000,000,000	1,529,695,764	9,112,882	10,176,909	<b>5,548,985,555</b>
Net profit for the year	-	-	2,862,980,271	-	<b>2,862,980,271</b>
Transfer to legal reserve	-	703,245,236	(703,245,236)	-	-
Transfer to state dividend	-	-	(2,108,590,542)	-	<b>(2,108,590,542)</b>
Gain on currency fluctuation on investment	-	-	-	29,766,452	<b>29,766,452</b>
Balance at 30 June 2011	4,000,000,000	2,232,941,000	60,257,375	39,943,361	<b>6,333,141,736</b>
Net profit for the year	-	-	5,433,051,347	-	<b>5,433,051,347</b>
Taxation on dividend paid from SSJ to CBE	-	-	(8,791,974)	-	<b>(8,791,974)</b>
Transfer to legal reserve	-	1,355,523,212	(1,355,523,212)	-	-
Transfer to state dividend	-	-	(4,064,564,723)	-	<b>(4,064,564,723)</b>
Gain on currency fluctuation on investment	-	-	-	3,811,864	<b>3,811,864</b>
Balance at 30 June 2012	4,000,000,000	3,588,464,212	64,428,813	43,755,225	<b>7,696,648,250</b>

The notes on pages 32 to 57 form an integral part of these financial statements.

**COMMERCIAL BANK OF ETHIOPIA**  
**BANK STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	Capital Birr	Legal reserve Birr	Retained earnings Birr	Total equity Birr
Balance at 30 June 2010	400,00,00,000	152,84,65,443	42,41,827	<b>553,27,07,270</b>
Net profit for the year	-	-	281,14,54,057	<b>281,14,54,057</b>
Transfer to legal reserve	-	70,28,63,515	-70,28,63,515	-
Transfer to state dividend	- i	- i	-210,85,90,542	<b>(2,108,590,542)</b>
Balance at 30 June 2011	400,00,00,000	223,13,28,958	42,41,827	<b>623,55,70,785</b>
Net profit for the year	-	-	541,94,19,631	<b>541,94,19,631</b>
Transfer to legal reserve	-	135,48,54,908	-135,48,54,908	-
Transfer to state dividend	-	- i	(4,064,564,723)	<b>(4,064,564,723)</b>
Balance at 30 June 2012	4,000,000,000	358,61,83,866	4,241,827	<b>7,590,425,693</b>

The notes on pages 32 to 57 form an integral part of these financial statements.

**COMMERCIAL BANK OF ETHIOPIA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	Birr	Birr	2011 Birr
Cash flow from operating activities	30(a)		<b>(5,073,807,962)</b>	12,823,037,277
Cash flow from investing activities				
Purchase of property and equipment		(252,150,951)		(240,337,415)
Proceeds on disposal of property and equipment		1,363,319		909,952
Taxation paid on dividend received from Southern Sudan Juba		(8,791,974)		-
Investment in others		(35,794,946)		-
Dividend received		1,106,781		-
Gain on foreign currency fluctuation from investment in foreign subsidiary-SSJ		4,133,326		30,035,649
Net cash outflow from investing activities			<b>(290,134,445)</b>	(209,391,814)
Cash flow from financing activities				
Dividend paid to Ministry of Finance and Economic Development			<b>(2,108,590,542)</b>	(1,475,666,807)
(Decrease) /increase in cash and cash equivalents	30(h)		<b>(7,472,532,949)</b>	11,137,978,656
Cash and cash equivalents at 30 June 2011	30(b)		<b>17,428,451,145</b>	6,290,472,489
Cash and cash equivalents at 30 June 2012	30(b)		<b>9,955,918,196</b>	17,428,451,145

**The notes on pages 32 to 57 form an integral part of these financial statements.**

**COMMERCIAL BANK OF ETHIOPIA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	Birr	Birr	2011 Birr
Cash flow from operating activities	31(a)		<b>(5,437,307,842)</b>	12,480,480,748
Cash flow from investing activities				
Purchase of property and equipment		(201,246,318)		(237,032,401)
Proceeds on disposal of property and equipment		1,363,319		905,952
Investment in subsidiary - CBE - SSI		-		(152,062,500)
Investment in others		(5,748,301)		-
Dividend received		78,658,806		-
Net cash outflow from investing activities			<b>(126,972,494)</b>	(388,188,949)
Cash flow from financing activities				
Dividend paid to Ministry of Finance and Economic Development			<b>2,108,590,542)</b>	(1,475,666,807)
(Decrease) /increase in cash and cash equivalents	31(b)		<b>(7,672,870,878)</b>	10,616,624,992
Cash and cash equivalents at 30 June 2011	31(b)		<b>16,806,293,285</b>	6,189,668,293
Cash and cash equivalents at 30 June 2012	31(b)		<b>9,133,422,407</b>	16,806,293,285

The notes on pages 32 to 57 form an integral part of these financial statements.



**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2012**

**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 except for the change in depreciation rate stated under note 1(c) iv.

**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 subsidiaries 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 2012. The subsidiaries are shown in note 11.

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 12.

**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.
- 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.

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

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. The depreciation rates have been changed during the year under review as shown below

	<b>2011</b> %	%
Buildings	<b>5</b>	5
Fixtures, fittings and office equipment	<b>10</b>	20
Motor vehicles	<b>20</b>	20
Computers and accessories	<b>10</b>	25
Computer software	<b>20</b>	25

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.

**e) Income and expense 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. Expense is recognized in the period in which it is incurred.

**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.

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

**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.

**2. CASH AND BANK BALANCES**

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2011 Birr
Group and Company					
Cash on hand	2,208,448,270	76,000	96,161,539	<b>2,304,685,809</b>	2,359,716,928
Balances with NBE and SSJ					
- Cash reserve with NBE	10,242,169,900	-	-	<b>10,242,169,900</b>	12,125,565,000
- Payment and settlement account with NBE and SSJ	2,194,167,372	-	651,767,289	<b>2,845,934,661</b>	1,832,306,253
	14,644,785,542	76,000	747,928,828	<b>15,392,790,370</b>	16,317,588,181

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 2012, the cash reserve requirement was 10%(2011-15%) of the eligible deposits. These funds are not available to finance the Bank's day-to-day operations.

**3. INVESTMENTS IN GOVERNMENT SECURITIES**

	Birr	2011 Birr
Group and Company		
Government bonds		
Maturing within 90 days	<b>142,236,502</b>	273,659,463
Maturing after 90 days and within one year	<b>176,142,010</b>	150,750,597
Maturing after one year	<b>2,118,654,106</b>	2,243,745,428
	<b>2,437,032,618</b>	2,668,155,488

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

**4. COUPON BONDS**

**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	2011 Birr
Development Bank of Ethiopia		
Maturing after 90 days and within one year	168,353,810	164,821,151
Maturing after one year	1,768,128,399	1,642,317,235
	<b>1,936,482,209</b>	1,807,138,386
Coupon bonds with regional states		
Maturing after one year	11,215,899,532	8,990,583,023
	<b>13,152,381,741</b>	10,797,721,409

**5. CORPORATE BONDS**

**Group and Company**

Represent non-negotiable 6% secured bonds worth Birr 48,900,000,000 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.

**6. GOVERNMENT SAVING BONDS**

**Group and Company**

Represent interest free bonds worth Birr 10,000,000 bought from Ministry of Finance and Economic Development on behalf Ethiopian Electric Power Corporation for Construction of the Great Renaissance Dam to be repaid after five years on 12 June 2016 (5 Sene 2008).

**7. PLACEMENTS WITH OTHER BANKS**

a) These are made up of:-

	CBE Birr	SSJ Birr	Total Birr	2011 Birr
Group and Company				
Due within 90 days	4,127,396,537	48,355,212	4,175,751,749	9,675,839,353
Placement with:-				
EXIM Bank of China	5,531,983,870	-	5,531,983,870	4,856,209,907
SSJ	1,738,997	(1,738,997)	-	-
	9,661,119,404	46,616,215	9,707,735,619	14,532,049,260

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

- b) The deposit with the EXIM Bank of China represents USD 308,914,767 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 (EEPCO) and Muger Cement Enterprise (MCE). The said loans are repayable by EEPCO 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 5,443,971,200 with CBE and same is shown as term deposits under the customers deposit account (Note 17).

**8. LOANS AND ADVANCES TO BANKS**

Group and Company	Birr	2011 Birr
Construction and Business Bank Share Company	<b>6,660,802</b>	12,386,124
Micro Financial Institutions	<b>481,056,502</b>	230,923,519
	<b>487,717,304</b>	243,309,643

**9. LOANS AND ADVANCES TO CUSTOMERS**

Group and Company	Birr	2011 Birr
Term and merchandise loans	<b>49,626,651,244</b>	29,058,254,987
Overdrafts	<b>2,666,016,799</b>	2,039,818,395
Advances on import and export bills	<b>5,546,885,662</b>	2,876,432,788
	<b>57,839,553,705</b>	33,974,506,170
Less: Provision for impairment losses	<b>(1,374,111,936)</b>	(881,932,711)
	<b>56,465,441,769</b>	33,092,573,459
Repayable on demand	<b>9,076,324,435</b>	8,164,323,870
Within one year	<b>6,202,347,350</b>	8,264,102,147
One to five years	<b>3,864,535,793</b>	7,040,371,966
Over five years	<b>37,322,234,191</b>	9,623,775,476
	<b>56,465,441,769</b>	33,092,573,459

**Movement in provision for impairment losses**

	Birr	2011 Birr
At 30 June 2011	<b>881,932,711</b>	444,163,929
Additional provision made during the year (see (c) below)	<b>500,976,908</b>	458,073,934
Amounts written off during the year	<b>(8,797,683)</b>	(20,305,152)
At 30 June 2012	<b>1,374,111,936</b>	881,932,711

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

- c) Of late, the loans that the Bank has been giving out have increased drastically and the outstanding loan balances have reached Birr 58 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 500,976,908 and raised the total provision to Birr 1,374,111,936 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 822,290,000.

**d) Type of loans and advances**

	Birr	2011 Birr
Agriculture	<b>13,551,798,561</b>	7,836,769,106
Manufacturing	<b>18,673,722,430</b>	8,587,774,404
Domestic trade and services	<b>5,310,343,051</b>	3,393,588,801
Foreign trade	<b>14,949,127,436</b>	10,345,821,001
Building and construction	<b>4,635,453,113</b>	3,481,588,773
Personal loans	<b>719,109,114</b>	328,964,085
	<b>57,839,553,705</b>	33,974,506,170

**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 2012 such interest amounted to Birr 174,147,001 (2011: Birr 172,476,000).

**10. 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.

**11. INVESTMENT IN SUBSIDIARY**

		Birr	2011 Birr
Commercial Nominees Private Limited Company	93.425%	<b>11,401,000</b>	11,401,000
CBE Southern Sudan Limited - Juba Branch	100.00%	<b>215,297,055</b>	215,297,055
		<b>226,698,055</b>	226,698,055

- 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.

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

**12. INVESTMENT IN ASSOCIATES**

Group		Birr	2011 Birr
Specialized Financial and Promotional Institution	49.875%	<b>2,120,021</b>	2,120,021
Universal Investors Company	32.35%	<b>785,037</b>	785,037
		<b>2,905,058</b>	2,905,058

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.

Company		Birr	2011 Birr
Specialized Financial and Promotional Institution	49.875%	<b>200,000</b>	200,000
Universal Investors Company	32.35%	<b>850,000</b>	850,000
		<b>1,050,000</b>	1,050,000

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

**13. INVESTMENTS**

	CBE Birr	SSJ Birr	Total Birr	2011 Birr
Group and Company				
Unquoted equity investments				
African Export Import Bank	3,156,301	-	<b>3,156,301</b>	2,438,000
Gelately Hankey and Company	85,937	-	<b>85,937</b>	85,937
SWIFT Company	244,113	-	<b>244,113</b>	244,114
Ethswitch Share Company	5,030,000	-	<b>5,030,000</b>	-
Investment in Consortium Fund (i below)	-	30,046,644	<b>30,046,644</b>	-
	<b>8,516,353</b>	<b>30,046,644</b>	<b>38,562,997</b>	2,768,051

- i) Investment in Consortium Fund represents a deposit made by CBE Southern Sudan Limited in a fund established by the Government of Southern Sudan to finance the purchase of sorghum from abroad. Accordingly, the subsidiary has paid Sudanese Pounds 5,000,000 or 50% of the Consortium Fund upon the letter of guarantee approved by the Ministry of Finance and Economic Planning of Southern Sudan as a security in its capacity as a guarantor for the contributory payment to the consortium which remain valid until 31 March 2013.

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

**14. OTHER ASSETS**

Group	Birr	2011 Birr
Balance due from Ministry of Finance and Economic Development (MoFED)	<b>1,159,978,853</b>	1,137,234,170
Uncleared effects	<b>3,217,680,833</b>	1,579,169,958
Interest receivable	<b>1,978,103,727</b>	726,679,451
Acquired properties	<b>145,012,634</b>	202,648,343
Stationery and other supplies	<b>170,716,715</b>	128,669,944
Staff imprests and prepayments	<b>170,592,797</b>	118,577,871
Other receivables	<b>439,704,924</b>	1,035,785,378
Core banking system software under installation	<b>239,590,626</b>	137,815,030
	<b>7,521,381,109</b>	5,066,580,145
Less: Provision for doubtful debts	<b>(209,132,002)</b>	(209,290,675)
	<b>7,312,249,107</b>	4,857,289,470

Company	Birr	2011 Birr
Balance due from MoFED (ii-below)	<b>1,159,978,853</b>	1,137,234,170
Uncleared effects	<b>3,217,680,833</b>	1,579,169,958
Interest receivable	<b>1,978,103,727</b>	726,679,451
Acquired properties (i-below)	<b>145,012,634</b>	202,648,343
Stationery and other supplies	<b>155,706,191</b>	128,008,750
Staff imprests and prepayments	<b>163,747,344</b>	114,338,391
Other receivables	<b>425,206,110</b>	1,030,417,817
Core banking system software under installation	<b>239,590,626</b>	137,815,030
	<b>7,485,026,318</b>	5,056,311,910
Less: Provision for doubtful debts	<b>(209,132,002)</b>	(209,290,675)
	<b>7,275,894,316</b>	4,847,021,235

- 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. The guaranteed amount is Birr 1,230,978,839 and the guarantee period is valid up 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 2011	209,290,675
Less: Write-off of debtors accounts	158,673
	209,132,002



**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

**15. PROPERTY AND EQUIPMENT**

Group	Balance at 30 June 2011	Additions	Disposals/ Transfers/ Adjustments	Balance at 30 June 2012
	Birr	Birr	Birr	Birr
<b>COST</b>				
Buildings	321,940,066	2,812,776	24,544,308	<b>349,297,150</b>
Motor vehicles	334,959,144	1,162,745	(944,412)	<b>335,177,477</b>
Computers and accessories	181,866,293	49,785,627	(11,430)	<b>231,640,490</b>
Fixtures, fittings & equipment	280,035,925	62,303,685	(24,065,624)	<b>318,273,986</b>
Work in progress	204,159,956	136,086,118	(54,440,339)	<b>285,805,735</b>
	<b>1,322,961,384</b>	<b>252,150,951</b>	<b>(54,917,497)</b>	<b>1,520,194,838</b>
<b>DEPRECIATION</b>				
Buildings	190,875,545	13,154,990	(26,409,031)	<b>177,621,504</b>
Motor vehicles	148,666,038	52,777,594	(1,683,953)	<b>199,759,679</b>
Computers and accessories	63,208,623	19,963,927	(4,571)	<b>83,167,979</b>
Fixtures, fittings & equipment	152,760,175	19,713,573	(23,337,467)	<b>149,136,281</b>
	<b>555,510,381</b>	<b>105,610,084</b>	<b>(51,435,022)</b>	<b>609,685,443</b>
<b>NET BOOK VALUE</b>	<b>767,451,003</b>			<b>910,509,395</b>
Company				
<b>COST</b>				
Buildings	321,940,066	2,812,776	24,544,308	<b>349,297,150</b>
Motor vehicles	330,976,063	-	(944,412)	<b>330,031,651</b>
Computers and accessories	180,034,103	48,973,881	(11,430)	<b>228,996,554</b>
Fixtures, fittings & equipment	276,056,503	59,867,852	(24,065,624)	<b>311,858,731</b>
Work in progress	204,159,956	89,591,808	(54,440,339)	<b>239,311,425</b>
	<b>1,313,166,691</b>	<b>201,246,317</b>	<b>(54,917,497)</b>	<b>1,459,495,511</b>
<b>DEPRECIATION</b>				
Buildings	190,875,545	13,154,989	(26,409,031)	<b>177,621,503</b>
Motor vehicles	147,521,937	52,043,749	(1,683,953)	<b>197,881,733</b>
Computers and accessories	62,447,766	19,741,983	(4,571)	<b>82,185,178</b>
Fixtures, fittings & equipment	151,417,435	19,161,444	(23,337,467)	<b>147,241,412</b>
	<b>552,262,683</b>	<b>104,102,165</b>	<b>(51,435,022)</b>	<b>604,929,826</b>
<b>NET BOOK VALUE</b>	<b>760,904,008</b>			<b>854,565,685</b>

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

**16. DEPOSITS DUE TO OTHER BANKS**

Group and Company	CBE Birr	SSJ Birr	Total Birr	2011 Birr
Payable to other banks	3,531,063,659	-	<b>3,531,063,659</b>	625,969,564
Payable to CBE - SSJ	27,874,746	(27,874,746)	-	-
	<b>3,558,938,405</b>	<b>(27,874,746)</b>	<b>3,531,063,659</b>	<b>625,969,564</b>

**17. CUSTOMERS' DEPOSITS**

Group	Birr	2011 Birr
Payable on demand		
Private sector and retail customers	<b>24,065,351,855</b>	19,178,676,859
Local and Central Government	<b>27,361,398,350</b>	19,643,220,648
Public enterprises and agencies	<b>15,660,939,628</b>	13,249,463,972
	<b>67,087,689,833</b>	<b>52,071,361,479</b>
Savings deposits		
Private sector and retail customers	<b>40,474,681,221</b>	29,781,307,009
Public enterprises and agencies	<b>1,612,324,510</b>	1,381,868,597
	<b>42,087,005,731</b>	<b>31,163,175,606</b>
Term deposits		
National Bank of Ethiopia (note 7b)	<b>5,443,971,200</b>	3,631,348,500
Private sector and retail customers	<b>1,467,324,246</b>	1,745,628,578
Public enterprises and agencies	<b>498,368,245</b>	319,153,631
Local Government	<b>100,000</b>	-
	<b>7,409,763,691</b>	<b>5,196,130,709</b>
	<b>116,584,459,255</b>	<b>88,430,667,794</b>

	Birr	2011 Birr
Company		
Payable on demand		
Private sector and retail customers	<b>23,696,649,630</b>	18,946,197,147
Local and Central Government	<b>27,361,398,350</b>	19,643,220,618
Public enterprises and agencies	<b>15,660,939,628</b>	13,249,452,433
	<b>66,718,987,608</b>	<b>51,838,880,228</b>
Savings deposits		
Private sector and retail customers	<b>40,291,201,054</b>	29,714,384,447
Public enterprises and agencies	<b>1,612,324,510</b>	1,381,868,597
	<b>41,903,525,564</b>	<b>31,096,253,044</b>

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

**17. CUSTOMERS' DEPOSITS (Continued)**

	Birr	2011 Birr
Term deposits		
National Bank of Ethiopia	<b>5,443,971,200</b>	3,631,348,500
Private sector and retail customers	<b>1,467,324,246</b>	1,245,628,578
Public enterprises and agencies	<b>498,368,245</b>	319,153,631
Local Government	<b>100,000</b>	-
	<b>7,409,763,691</b>	5,196,130,709
	<b>116,032,276,863</b>	88,131,263,981

**18. INCOME TAX**

The movement in the account is as follows:-

Group	Tax on rental income Birr	Tax on other operations Birr	Total Birr
Balance as at 30 June 2011	1,091,719	1,368,800,648	<b>1,369,892,367</b>
Adjustment on opening balance	-	(282,232)	<b>(282,232)</b>
Add: Tax expense of current year	527,025	2,495,867,800	<b>2,496,394,825</b>
	1,618,744	3,864,386,216	<b>3,866,004,960</b>
Less: Payments made during the year:			
- Direct payments	1,091,719	1,381,663,433	<b>1,382,755,152</b>
- Withholding tax	-	576,389	<b>576,389</b>
	1,091,719	1,382,239,822	<b>1,383,331,541</b>
	527,025	2,482,146,394	<b>2,482,673,419</b>

Company	Tax on rental income Birr	Tax on other operations Birr	Total Birr
Balance at 30 June 2011	1,091,719	1,356,271,559	<b>1,357,363,278</b>
Add: Tax expense of current year (note 18(ii))	527,025	2,469,306,230	<b>2,469,833,255</b>
	1,618,744	3,825,577,789	<b>3,827,196,533</b>
Less: Payments made during the year			
- Direct payments	1,091,719	1,356,271,559	<b>1,357,363,278</b>
	527,025	2,469,306,230	<b>2,469,833,255</b>

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.

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

	Birr	Birr
Rental income		2,144,359
Expenses		
Depreciation	342,555	
Insurance	7,158	
Land and building tax	37,897	
		387,610
		1,756,749
		×30%
Tax expense (note 18(i))		527,025

**19. STATE DIVIDEND PAYABLE**

	Birr	2011 Birr
Balance as at 30 June 2011	<b>2,108,590,542</b>	1,475,666,807
Current year appropriation	<b>4,064,564,723</b>	2,108,590,542
	<b>6,173,155,265</b>	3,584,257,349
Less: Payment to Ministry of Finance and Economic Development	<b>2,108,590,542</b>	1,475,666,807
	<b>4,064,564,723</b>	2,108,590,542

**20. OTHER LIABILITIES**

	Birr	2011 Birr
Group		
Margin accounts and deposits for guarantees	<b>2,937,500,644</b>	4,317,347,470
Interbranch clearing	<b>13,052,108,855</b>	6,878,899,565
Bills payable	<b>1,078,883,075</b>	878,072,692
Blocked accounts	<b>479,991,701</b>	2,105,495,524
Payable to National Bank of Ethiopia (NBE)	<b>4,699,186,936</b>	853,702,368
Accrued leave pay	<b>76,899,242</b>	62,284,175
Taxes payable	<b>46,044,390</b>	24,746,546
Pension contribution payable	<b>5,105,036</b>	4,272,119
Uncleared effect foreign SSJ	<b>8,104,668</b>	-
Miscellaneous payables and accruals	<b>2,030,220,938</b>	623,868,578
	<b>24,414,045,485</b>	15,748,689,037



**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

	Birr	2011 Birr
Company		
Margin accounts and deposits for guarantees	2,912,848,172	4,314,660,713
Interbranch accounts	13,052,108,855	6,880,497,636
Bills payable	1,078,883,075	878,072,692
Blocked accounts	479,991,701	2,105,495,524
Payable to National Bank of Ethiopia	4,699,186,936	853,702,368
Accrued leave pay	76,899,242	62,284,175
Taxes payable	37,170,348	24,437,390
Pension contribution payable	5,105,036	4,272,119
Miscellaneous payables and accruals	2,026,511,660	622,902,605
	<b>24,368,705,025</b>	<b>15,746,325,222</b>

### 21. 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 instalments 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.

### 22. LEGAL RESERVE

	Group Birr	Company Birr
Balance at 30 June 2011	2,232,941,000	2,231,328,958
Current year appropriation	1,355,523,212	1,354,854,908
	3,588,464,212	3,586,183,866

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.

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

**23. DEFERRED TAX LIABILITY**

	Birr	2011 Birr
Difference in tax base of property and equipment and their value for accounting purposes:-		
Group	<b>27,772,359</b>	26,130,004
Company	<b>27,561,829</b>	25,976,805

**24. INTEREST INCOME**

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2011 Total Birr
Loans and advances	3,607,813,163	-	-	<b>3,607,813,163</b>	2,150,773,361
Government bonds	27,677,089	-	-	<b>27,677,089</b>	31,165,519
Treasury bills	-	-	-	-	563,022
Placements with other banks	14,649,209	180,855	157	<b>14,830,221</b>	5,867,921
Coupon bonds	696,596,642	-	-	<b>696,596,642</b>	659,562,051
Interest earned on corporate bond	2,356,537,420	-	-	<b>2,356,537,420</b>	1,233,610,959
	<b>6,703,273,523</b>	180,855	157	<b>6,703,454,535</b>	4,081,542,833

**25. INTEREST EXPENSE**

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2011 Total Birr
Customers' deposits	1,660,770,191	-	1,840,412	<b>1,662,610,603</b>	1,112,245,000
Deposits from other banks	146,077	-	-	<b>146,077</b>	271,204
Other	13,644,350	-	-	<b>13,644,350</b>	4,695,515
	<b>1,674,560,618</b>	-	1,840,412	<b>1,676,401,030</b>	1,117,211,719

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

**26. GAIN ON FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS**

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2011 Total Birr
Gain on foreign currency transactions	1,386,791,626	-	64,934,226	<b>1,451,725,852</b>	895,539,196
Gain on currency devaluation (windfall profit)	-	-	-	-	381,311,290
	1,386,791,626		64,934,226	<b>1,451,725,852</b>	1,276,850,486
Less: Tax on windfall profit as per Proclamation No. 693/2009 (75%)	-	-	-	<b>285,983,468</b>	
	1,386,791,626	-	64,934,226	<b>1,451,725,852</b>	990,867,018

**27. NON INTEREST INCOME**

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2011 Total Birr
Write back of creditors accounts	2,223,881	-	-	<b>2,223,881</b>	2,907,919
Commission income	2,217,353,075	-	82,557,495	<b>2,299,910,570</b>	678,611,229
Service and transaction fees	704,256,581	42,239,360	3,366,760	<b>749,862,701</b>	1,050,848,445
Rental income	9,677,304	-	-	<b>9,677,304</b>	12,281,115
Dividend income	78,658,806	-	(77,552,024)	<b>1,106,782</b>	-
Collection from provision held	35,350,896	-	-	<b>35,350,896</b>	13,241,562
Gain on disposal of property and equipment	1,349,033	-	-	<b>1,349,033</b>	881,093
Other income	319,031,519	79,880	80,357	<b>319,191,756</b>	163,043,131
	3,367,901,095	42,319,240	8,452,588	<b>3,418,672,923</b>	1,921,814,494



**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

**28. NON INTEREST EXPENSES**

a) These are made up of:-

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2011 Total Birr
Salaries and employee benefits	854,713,811	8,061,565	10,708,037	<b>873,483,413</b>	601,203,814
Depreciation	104,102,165	763,159	722,191	<b>105,587,515</b>	92,916,925
Postage and telecommunication	53,357,056	388,757	434,070	<b>54,179,883</b>	47,036,583
Occupancy expenses	69,909,160	1,614,296	5,167,128	<b>76,690,584</b>	45,981,470
Stationery and office supplies	53,996,939	613,868	372,983	<b>54,983,790</b>	30,160,489
Travel costs	22,709,160	339,531	1,180,765	<b>24,229,456</b>	12,198,453
Service charge	21,475,325	4,683,046	29,701,444	<b>55,862,815</b>	30,061,482
Advertising and publicity	27,011,519	309,059	13,752	<b>27,334,330</b>	12,812,780
Motor vehicle running costs	7,783,226	418,597	126,031	<b>8,327,854</b>	8,200,911
Legal and consultancy fees	10,721,281	173,913	165,097	<b>11,060,291</b>	3,193,194
Repairs and maintenance	18,558,849	121,840	307,118	<b>18,987,807</b>	13,759,722
Insurance	7,249,644	221,655	2,502,939	<b>9,974,238</b>	8,962,809
Water and electricity	11,560,175	39,657	555,136	<b>12,154,968</b>	8,242,357
Board fees	292,250	47,895	-	<b>340,145</b>	231,150
Audit fee (note b below)	-	17,000	260,477	<b>277,477</b>	536,648
Direct write off of sundry debtors	3,652	-	-	<b>3,652</b>	17,314
Land and building tax	1,188,392	-	-	<b>1,188,392</b>	1,468,744
Electronic data processing	2,584,181	-	340,922	<b>2,925,103</b>	3,163,939
Service charge for bank guarantee	-	424,379	-	<b>424,379</b>	177,610
Other expenses	124,219,106	531,149	1,964,071	<b>126,714,326</b>	80,351,465
	<b>1,391,435,891</b>	<b>18,769,366</b>	<b>54,525,161</b>	<b>1,464,730,418</b>	<b>1,000,677,859</b>

b) Unlike the previous years, no accrual has been made for audit fee payable by CBE as management believes that since the audit of a particular year's accounts are usually carried out in the subsequent year end since the audit fee is also paid in the subsequent year, it is better to recognize the audit fee expense in the subsequent year as and when it is paid.

c) The average number of employees during the year was:

	CBE	CN	SSJ	Total	2011 Total
Management	1,139	-	5	<b>1,144</b>	868
Unionisable	11,643	359	39	<b>12,041</b>	10,187
	<b>12,782</b>	<b>359</b>	<b>44</b>	<b>13,185</b>	<b>11,055</b>

d) Included in salaries and are contributions to the pension and provident fund for employees. During the year, the Group and Company expensed Birr 31,712,528 in contributions payable (2011 - Birr 19,996,785).

**COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2012**

**28. NON INTEREST EXPENSES**

a) These are made up of:-

Salaries and employee benefits

Depreciation

Postage and telecommunication

Occupancy expenses

Stationery and office supplies

Travel costs

Service charge

Advertising and publicity

Motor vehicle running costs

Legal and consultancy fees

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

**29. TAX EXPENSE****MAJOR COMPONENTS OF TAX EXPENSE**

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2011 Birr
Current tax Current tax expense	2,469,833,255	7,055,787	18,914,685	<b>2,495,803,727</b>	1,370,898,597
Deferred tax expense relating to the origination and reversal of temporary differences	1,585,024	57,331	-	<b>1,642,355</b>	3,715,120
Tax expense	<b>2,471,418,279</b>	<b>7,113,118</b>	<b>18,914,685</b>	<b>2,497,446,082</b>	<b>1,374,613,717</b>

**EXPLANATION OF THE RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT**

	CBE Birr	CN Birr	SSJ Birr	Total Birr	2011 Birr
Accounting profit	7,890,837,910	23,730,729	17,021,398	<b>7,931,590,037</b>	4,238,131,279
Tax at various applicable rates (note (i) below)	2,367,251,373	7,119,219	18,914,685	<b>2,393,285,277</b>	1,265,332,597
Add: Tax effect of tax disallowed expenses					
- Provision for doubtful debts	150,293,072	-	-	<b>150,293,072</b>	123,635,815
- Entertainment	768,154	45,155	-	<b>813,309</b>	886,958
- Penalty	6,000	-	-	<b>6,000</b>	9,480
- Donation	3,000	-	3,000	-	-
	<b>2,518,318,599</b>	<b>7,167,374</b>	<b>18,914,685</b>	<b>2,544,400,658</b>	<b>1,389,864,850</b>
Less: Tax effect of tax exempted income:					
- Interest income	(12,697,409)	(54,256)	-	<b>(12,751,665)</b>	(11,278,665)
- Dividend income	(23,597,642)	-	-	<b>(23,597,642)</b>	-
- Collection from provision held	(10,605,269)	-	-	<b>(10,605,269)</b>	(3,972,468)
	<b>(46,900,320)</b>	<b>(54,256)</b>	<b>-</b>	<b>(46,954,576)</b>	<b>(15,251,133)</b>
	<b>2,471,418,279</b>	<b>7,113,118</b>	<b>18,914,685</b>	<b>2,497,446,082</b>	<b>1,374,613,717</b>

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

- i) The tax rates applied are 30% for CBE and CN while for SSJ, it is 20%.
- 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 18,914,685 based on the audited accounts for the year ended 30 June 2012.

**30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**

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

	Birr	Birr	2011 Birr
Profit before taxat on	7,931,590,037		4,238,131,279
Gain on disposal of property and equipment	(1,349,033)		(881,093)
Depreciation	105,610,083		92,927,980
Adjustment to fixed assets	3,468,189		1,100,069
Adjustment on profit tax of previous year	(12,596)		-
Dividend income	(1,106,781)		-
		<b>8,038,199,899</b>	<b>4,331,278,235</b>
Decrease/(Increase) in operating assets			
Government saving bond-Renaissance Dam	(10,000,000)		-
Government bonds	231,122,869		652,850,194
Coupon bonds with DBE and regional states	(2,354,660,332)		591,161,045
Corporate bonds with EEPCO	(19,300,000,000)		(13,000,000,000)
Loans and advances to banks	(244,407,660)		19,006,154
Loans and advances to customers	(23,372,868,310)		(10,937,660,727)
Other advances	(2,223,723,757)		(607,802,159)
Other assets	(2,454,959,637)		(1,830,936,839)
Cash held with NBE - cash reserve	1,181,672,597		(4,263,045,948)
		<b>(48,547,824,231)</b>	<b>(29,376,428,280)</b>
Increase/(decrease) in operating liabilities			
Customers' deposits	28,153,791,462		30,121,655,410
Other liabilities	8,665,356,449		8,578,732,449
		<b>36,819,147,911</b>	<b>38,700,387,859</b>
Taxation paid		<b>(1,383,331,541)</b>	<b>(832,200,537)</b>
Cash (outflow) /inflow from operating activities		<b>(5,073,807,962)</b>	<b>12,823,037,277</b>

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

## b) Analysis of cash and cash equivalents

	2012 Birr	2011 Birr	Change Birr	2011 Change Birr
Cash in hand	2,304,685,810	2,359,716,928	(55,031,118)	814,649,258
Investment in treasury bills	-	-	-	(1,497,297,280)
Balances with National Bank of Ethiopia	822,793,137	863,898,006	(41,104,869)	120,964,054
Balances with Bank of Southern Sudan-Juba	651,767,289	298,756,515	353,010,774	208,778,258
Placements with other banks	9,707,735,619	14,532,049,260	(4,824,313,641)	11,244,659,849
Deposits due to other banks	(3,531,063,659)	(625,969,564)	(2,905,094,095)	246,224,517
	9,955,918,196	17,428,451,145	(7,472,532,949)	11,137,978,656

**31. NOTES TO THE BANK STATEMENT OF CASH FLOWS**

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

	Birr	Birr	2011 Birr
Profit before taxation	7,890,837,910		4,172,499,811
Gain on disposal of property and equipment	(1,349,033)		(883,027)
Depreciation	104,102,165		91,882,063
Adjustment to fixed assets	3,468,189		1,100,069
Dividend income received	(78,658,805)		-
		<b>7,918,400,425</b>	4,264,598,916
Decrease/(Increase) in operating assets			
Government saving bond-Renaissance Dam	(10,000,000)		-
Government bonds	231,122,869		652,850,194
Coupon bonds with DBE and regional states	(2,354,660,332)	<b>591,161,045</b>	
Corporate bonds with EEPCO	(19,300,000,000)		(13,000,000,000)
Loans and advances to banks	(244,407,660)		19,006,154
Loans and advances to customers	(23,372,868,310)		(10,937,660,727)
Other advances	(2,223,723,757)		(607,802,159)
Other assets	(2,428,873,082)		(1,841,342,339)
Cash held with NBE - cash reserve	1,181,672,597		(4,263,045,948)
		<b>(48,521,737,675)</b>	(29,386,833,780)
Increase/(decrease) in operating liabilities			
Customers' deposits	27,901,012,883		29,853,703,694
Other liabilities	8,622,379,802		8,577,900,862
		<b>36,523,392,685</b>	38,431,604,556
Taxation paid		(1,357,363,277)	(828,888,944)
Cash flow from operating activities		<b>(5,437,307,842)</b>	12,480,480,748

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

b) Analysis of cash and cash equivalents

	2012 Birr	2011 Birr	Change Birr	2011 Change Birr
Cash in hand	2,208,448,270	2,222,923,850	<b>(14,475,580)</b>	694,778,307
Investment in treasury bills	-	-	-	(1,497,297,280)
Balances with National Bank of Ethiopia	822,793,137	863,898,006	<b>(41,104,869)</b>	120,964,054
Placements with other banks	9,661,119,404	14,379,480,254	<b>(4,718,360,850)</b>	11,076,819,396
Deposits due to other banks	(3,558,938,404)	(660,008,825)	<b>(2,898,929,579)</b>	221,360,515
	9,133,422,407	16,806,293,285	<b>(7,672,870,878)</b>	10,616,624,992

- 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.

**32. 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	2011 Birr
Letters of credit and acceptances	4,918,747,563	17,400,116,630
Guarantees and performance bonds	81,631,894	13,250,245,398
	5,000,379,457	30,650,362,028

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.

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

### 33. TRUST FUNDS

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

	Birr	2011 Birr
Group		
Cash held on behalf of National Bank of Ethiopia	<b>6,153,273,124</b>	1,002,159,337
Trust Funds	<b>28,508,363</b>	31,003,445
	<b>6,181,781,487</b>	1,033,162,782
Company		
Cash held on behalf of National Bank of Ethiopia	<b>6,153,273,124</b>	1,002,159,337
Trust Funds	<b>28,508,363</b>	31,003,445
	<b>6,181,781,487</b>	1,033,162,782

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.

### 34. 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.

Included in loans and advances is Birr 719,109,115, (2011 - Birr 328,964,086) advanced to employees. Loans to employees are non-interest bearing.

Interest paid during the year on deposit balances from related companies through shareholding is Birr 180,855 (2011 - Birr 159,932). All transactions with related parties are at arm's length.

### 35. STAFF COSTS

During the year, staff costs for the group and company amounted to Birr 898,753,085 (2011 - Birr 617,898,939) and are included in the various major expense categories.

### 36. PERFORMANCE INDICATORS

The capital adequacy ratio as at 30 June 2012 revealed a percentage of 9.68% 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 0.86% in the preceding year to 0.61% in the current year.

**COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
30 JUNE 2012**

**37. 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 2012 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
<b>Assets</b>						
Cash and balances with NBE	3,779,246,235	-	-	-	11,613,544,135	15,392,790,370
Investment in Government securities	-	142,236,502	176,142,010	2,000,010,623	118,643,483	2,437,032,618
Coupon bonds	-	414,079,362	1,225,210,719	8,819,967,366	2,693,129,294	13,152,381,741
Corporate bonds	-	-	-	12,450,000,000	36,450,000,000	48,900,000,000
Government saving bonds Renaissance Dam	-	-	-	-	10,000,000	10,000,000
Placements with other banks	9,691,348,252	16,387,367	-	-	9,707,735,619	9,707,735,619
Loans and advances to banks	-	-	3,268,379	3,392,423	481,056,502	487,717,304
Loans and advances to customers	9,076,324,435	5,528,544,807	673,802,543	3,864,535,793	37,322,234,191	56,465,441,769
Other advances	-	-	-	3,987,103,006	-	3,987,103,006
Investment in associates	-	-	-	-	2,905,058	2,905,058
Other investments	-	-	-	-	38,562,997	38,562,997
Other assets	-	3,217,680,833	170,716,715	2,763,872,706	1,159,978,853	7,312,249,107
Property and equipment	-	-	-	-	910,509,395	910,509,395
<b>Total assets</b>	<b>22,546,918,922</b>	<b>9,318,928,871</b>	<b>2,249,140,366</b>	<b>33,888,876,917</b>	<b>90,800,563,908</b>	<b>158,804,428,984</b>
<b>Liabilities</b>						
Deposits due to other banks	3,531,063,659	-	-	-	-	3,531,063,659
Customers' deposits	67,087,689,833	42,087,005,731	7,409,763,691	-	-	116,584,459,255
Taxation	-	2,482,673,419	-	-	-	2,482,673,419
State dividend payable	-	4,064,564,723	-	-	-	4,064,564,723
Other liabilities	-	21,476,544,841	2,937,500,644	-	-	24,414,045,485
<b>Total liabilities</b>	<b>70,618,753,492</b>	<b>70,110,788,714</b>	<b>10,347,264,335</b>	<b>33,888,876,917</b>	<b>90,800,563,908</b>	<b>151,076,806,541</b>
Net liquidity gap as at 30 June 2012	(48,071,834,570)	(60,791,859,843)	(8,098,123,969)	-	-	7,727,622,443
Net liquidity gap as at 30 June 2011	(26,504,343,159)	(44,389,347,721)	757,665,436	29,606,259,140	46,091,147,270	6,361,380,966



**COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
30 JUNE 2012**

**38. INTEREST RATE RISK ANALYSIS**

The table below summarises the exposure 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.

	Effective Interest Rate Birr	On demand Birr	Due within 3 months Birr	Due between 3 and 12 months Birr	Due between 1 and 3 years Birr	Due after 5 years Birr	Non interest bearing Birr	Total Birr
<b>Assets</b>								
Cash and balances with NBE	-	-	-	-	-	-	15,392,730,370	15,392,730,370
Investment in Government securities	2.72	-	342,236,502	176,142,009	2,000,010,623	118,643,464	-	2,437,032,618
Coupon bonds	5.40	-	414,079,362	1,225,210,719	8,819,452,367	2,693,129,293	-	13,152,381,741
Corporate bonds	5.40	-	-	-	12,450,000,000	36,150,000,000	-	48,000,000,000
Government saving bonds	-	-	-	-	-	-	10,000,000	10,000,000
Recessance Bill	0.84	-	-	-	-	-	-	9,707,735,619
Placements with other banks	0.70	9,691,348,252	16,387,367	3,268,379	3,392,423	481,058,502	-	487,717,304
Loans and advances to banks	5.40	-	-	-	-	-	-	56,465,441,769
Loans and advances to customers	-	9,076,324,433	5,528,544,807	672,802,543	3,864,535,793	37,322,234,191	3,987,103,006	3,987,103,006
Other advances	-	-	-	-	-	-	2,905,058	2,905,058
Investment in associates	-	-	-	-	-	-	38,562,997	38,562,997
Other investments	-	-	-	-	-	-	7,312,249,107	7,312,249,107
Other assets	-	-	-	-	-	-	910,509,395	910,509,395
Property and equipment	-	-	-	-	-	-	27,654,119,933	158,804,428,984
<b>Total assets</b>		18,767,672,687	5,101,248,038	2,078,423,650	27,237,901,206	77,065,063,470	-	158,804,428,984
<b>Liabilities</b>								
Deposits due to other banks	-	-	-	-	-	-	3,531,063,659	3,531,063,659
Customers' deposits	4.74	67,067,609,300	42,087,005,731	7,409,763,691	-	-	2,482,673,419	116,584,459,255
Taxation	-	-	-	-	-	-	4,064,564,723	2,482,673,419
State dividend payable	-	-	-	-	-	-	24,414,045,485	4,064,564,723
Other liabilities	-	-	-	-	-	-	34,492,347,286	24,414,045,485
<b>Total liabilities</b>		67,067,609,300	42,087,005,731	7,409,763,691	-	-	-	151,076,806,541
On statement of financial position								
interest sensitivity gap at 30 June 2012		(48,320,017,146)	(35,985,757,693)	(5,331,340,041)	27,137,901,206	77,065,063,470	(6,630,227,353)	7,727,622,443
On statement of financial position								
interest sensitivity gap at 30 June 2011		(29,400,745,044)	(27,427,344,703)	4,949,128,149	26,027,879,307	31,385,572,256	225,691,001	6,361,380,966

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

**39. FOREIGN CURRENCY RISK**

The table below analyses the currencies to which the group is exposed at 30 June 2012

	USD Birr	GBP Birr	EURO Birr	OTHER Birr	TOTAL Birr
<b>At 30 June 2012</b>					
<b>Assets</b>					
Cash and balances with National Bank of Ethiopia	283,712,506	11,749,587	56,676,978	115,605,685	467,744,756
Investment in government securities	-	-	-	-	-
Coupon bonds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Placements with other banks	6,035,416,965	58,121,071	(431,975,866)	234,095,123	5,895,657,293
Loans and advances to banks	-	-	-	-	-
Loans and advances to customers (net)	-	-	-	-	-
Other advances	-	-	-	-	-
Investment in associates	-	-	-	-	-
Other investments	-	-	-	-	-
Other assets	3,283,165,604	1,736,046	18,093,144	1,573,718	3,304,568,512
Property and equipment	-	-	-	-	-
Total foreign currency assets	9,602,295,075	71,606,704	(357,205,744)	351,274,525	9,667,970,561
<b>Liabilities</b>					
Deposits due to other banks	124,832,010	18,132	159,929	-	125,010,071
Customers' deposits	9,007,565,059	35,213,477	268,569,863	57,111	9,311,405,510
Taxation	-	-	-	-	-
State dividend payable	-	-	-	-	-
Other liabilities	878,892,514	-	21,506,431	-	900,398,945
Total foreign currency liabilities	10,011,289,583	35,231,609	290,236,223	57,111	10,336,814,526
Off statement of financial position net notional position	14,281,539,279	54,788,219	2,853,282,109	177,549,856	17,367,159,463
Foreign currency exposure at 30 June 2012	(14,690,533,787)	(18,413,124)	(3,500,724,076)	173,667,559	(18,036,003,428)
<b>As at 30 June 2011</b>					
Total foreign currency assets	15,111,949,977	221,879,978	750,234,587	323,991,726	16,408,056,268
Total foreign currency liabilities	3,444,945,794	20,813,251	369,732,944	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	56,467,715	(1,292,705,386)	258,783,046	1,842,025,997

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

**40. 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 date of statement of financial position 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.

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.

**COMMERCIAL BANK OF ETHIOPIA**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30 JUNE 2012**

**40. RISK MANAGEMENT DISCLOSURES (Continued)**

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.

**41. OTHER CONTINGENT LIABILITIES**

The Bank is defendant for a total amount of about Birr 15.5 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.

**42. CAPITAL COMMITMENTS**

	Birr	2011 Birr
Group and company	<b>313,284,908</b>	166,369,811

**43. 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 547 branches in various parts of the country.

**44. COMPARATIVES**

In order to facilitate comparison, certain of the 2011 figures have been rearranged in these financial statements.

**45. AUTHORIZATION**

The President of the Bank authorized the issue of these financial statements on 21 January 2013.

# NOTES

---

Lined area for taking notes, consisting of multiple horizontal ruling lines.



*Save More Earn More!*



**የኢትዮጵያ ንግድ ባንክ**  
**Commercial Bank of Ethiopia**

Gambela Street, P.O.Box 255, Addis Ababa, Ethiopia  
Tel: 251-11-551 50 84, Telegram: ethiobank SWIFT Code: CBEETAA  
Fax: 251-11-551 45 22, 551 70 22, 553 38 58, 551 70 66  
E-mail: [Cbe\\_cop@combanketh.com](mailto:Cbe_cop@combanketh.com)  
Website: <http://www.combanketh.com>