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**Development
Bank of Ethiopia**

Annual Report

For the Year Ended June 30, 2013



Mission

"The Development Bank of Ethiopia is a specialized financial institution established to promote the national development agenda through development finance and close technical support to viable projects from the priority areas of the government by mobilizing fund from domestic and foreign sources while ensuring its sustainability.

The Bank earnestly believes that these highly valued objectives can best be served through continuous capacity building, customer focus and concern to the wider environment".

Vision

"100% Success for All Financed Projects by 2020"

Values

- Commitment to Mission
- Customer focus
- Integrity
- Team work
- High value to employees
- Learning organization
- Concern to the environment

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Ownership of the Bank

The Development Bank of Ethiopia is a state owned development finance institution, established in 1909.

Mandate

The current key mandate of the Bank is the provision of development credit to viable priority projects along with technical support by mobilizing resources from domestic and foreign sources.

The priority areas of the Bank are:

- Commercial Agriculture projects,
- Agro-processing industries,
- Manufacturing and extractive industries

Capital of the Bank

Authorized and paid-up capital as at June 30, 2013 stood at Birr 3 billion and Birr 1.8 billion respectively.

Human Resource

The total number of employees as at June 30, 2013 stood at 1147. Out of the total staff 656 (57%) employees were professionals and high level supervisors, 199 (17%) were administration and semi professional, 217 (19%) were manual and custodian and the remaining 75(7%) employees were technician and skilled.

Outreach

The Bank has 5 Regional Offices, 15 Branches and 20 Sub-branches throughout Ethiopia with its Head Office located in Addis Ababa, the capital city of the country and the seat of African Union (AU).



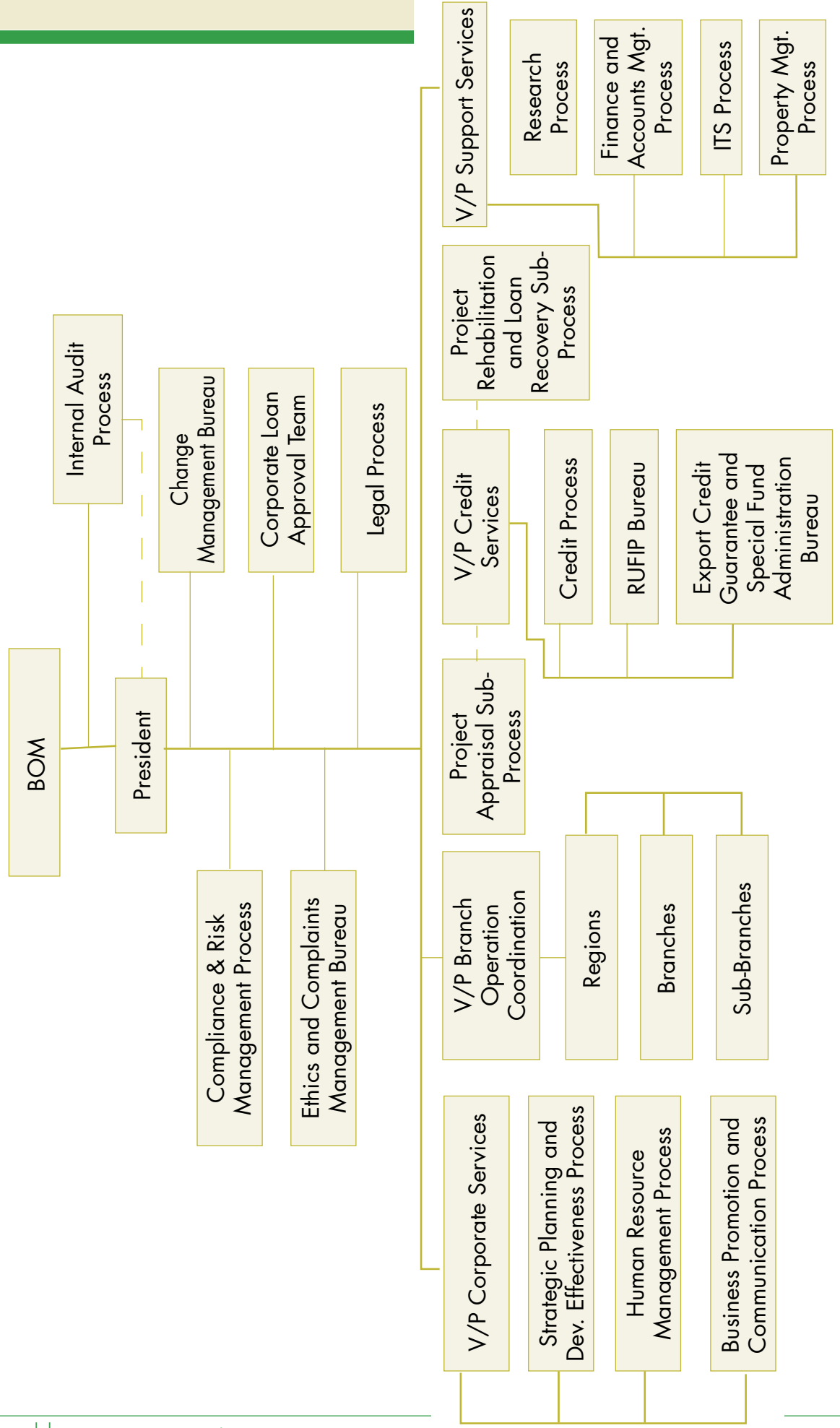
Governance and Organizational Structure

The Development Bank of Ethiopia (DBE) is a state owned development finance institution. DBE is supervised by the Public Financial Enterprises Agency. A Board of Management (BOM) consisting of nine senior government officials administers the Bank. The President of the Bank also attends the regular meetings of the BOM as a non-voting member. These two apex bodies (PEFA and BOM) are, among others, responsible for issuing major policies of the Bank, approval of its strategic and operational plans as well as the close and regular monitoring of the Bank's operations.

Overseeing the operations of the Bank is the direct responsibility of the top Executive Management Committee (EMC), which consists of the President and four Vice Presidents. The President chairs the EMC and acts as the official representative of the Bank. A Management Committee comprised of twenty five members is, on the other hand, responsible for the day-to-day management of the Bank's operational activities. The Bank also has 5 Regional Offices, 15 Branches and 20 Sub branches.

Pertaining to good governance the Bank's management is structured in transparent way and that decision taken and their enforcement are done in a manner that follows rules and regulations with developed policies and procedures. For effective implementation of policies and procedures the Bank has established Compliance and Risk management and Internal Audit Processes. Ethical conduct and complaint management is also part of DBE culture. It has established Ethics and Compliant management Office under the direct supervision of the President.

Organizational Chart, Development Bank of Ethiopia



Board of Management



H.E. Ato Ahmed Abtew

Chairman



H.E. Ato Redwan Hussein

Member



**H.E. Ato Abdulaziz
Mohammed**

Member



H.E. Ato Yakob Yala

Member



H.E. Ato Tolosa Shagi

Member



H.E. Ato Ayana Zewdie

Member



H.E. Ato Sileshi Lemma

Member



**H.E. Ato Alem
W/Gerima**

Member



**H.E. Ato Wasihun
Abate**

Member

Executive Management Mememebers



Ato Esayas Bahre
President



Ato Dereje Awgechew
V/P Corporate Services



Tadesse Hatiya
V/P Credit Services



Ato Teka Yibrah
V/P Support Services



Ato Tiruneh Mitafa
*V/P Branch Operation
Coordination*

Senior Management Members



Ato Gedion Mekonnen
Manager, Credit Process



Ato Getachew Wakie
Manager, Internal Audit Process



Ato Taye Jiru
Manager, Project Rehabilitation and Loan Recovery Sub-Process



Ato Natnaiel Hailu
Manager, Project Appraisal Sub-Process



Wzo Almaz Tilahun
Manager, Compliance and Risk Management Process



Ato Getachew Mengistu
Loan Approval Team Chairman



Ato Teshome Alemayehu
Manager, Strategic Planning and Development Effectiveness Process



Ato Getnet Temechew
Manager, Legal Process



Ato Getachew Kebede
Manager, Human Resource Management Process



Ato Berhanu Taye Tola
Manager, Business Promotion and Communication Process



Ato Dereje Daba
Manager, Research Process



Ato Samson Getachew
Manager, Information Technology Services Process



Ato Tirfu Adhanom
Manager, Finance and Accounts Management Process



Ato Yohannes Belachew
Manager, International Banking Process



Ato Getachew Seyoum
Manager, Property Management Process



Ato Frew Kassa
Manager, GERD Bond Process

Senior Management Mememebers



Ato Bahiru Haile
*Director, Rural Financial
Intermediation Program (RUFIP)*



Ato Getahun Chekol
*Manager, Ethics and Compliant
Management Bureau*



Ato Yilma Abebe
*Manager, Change
Management Bureau*



Wro. Yemenzwork Girefie
*Manager, Export Credit Guarantee
and Special Fund Administration
Bureau*



Eng. Seyoum Desta
Chief Engineer



Ato Kedir Beshir
Executive Assistant



Ato Bekabil Berhanu
Executive Assistant



Ato Workashe Chema
Executive Assistant



Ato Nejib Kamil
Manager, South Region



Ato Teshome Abebe
Manager, West region



Ato Tsehaye Taye
Manager, Northwest Region



Ato Hadush G/Egziabher
Manager, North Region



Dr. Behailu Kassaye
Manager, Central Region

Message from the President



I am delighted to present the Annual Report of the Development Bank of Ethiopia (DBE) for the year ended June 30, 2013 an eventful year for the Bank and Ethiopia.

The Development Bank of Ethiopia concluded the just ended fiscal year by making a significant leap towards the goal set for it. To this end, our Bank as one of the major strategic and policy based financial institutions of the country, has been accomplishing its task under a clearly articulated mission of upholding the development objectives of the country.

As the third year that marked the implementation of GTP, Ethiopia again witnessed remarkable

achievement of a double digit economic growth that has brought about noteworthy increase in the income and life improvement of the people. Indeed, this successive economic growth registered for consecutive years, has benefited the nation's population and has direct effect on infrastructure development, job creation, and expansion of education and health facilities among others.

Over the last one year, as it has been doing for over hundred years, DBE has remained dedicated to assisting the development endeavors of the country through availing financial and technical assistance to viable projects in accordance with government policies.

DBE continued to extensively provide financial and technical support to government priority economic sectors i.e commercial agriculture, agro-processing, manufacturing and extractive industries.

In line with this objective, the Bank has registered encouraging results in credit operations and other business areas in the year 2012/2013. Concerning credit operations, total loan approvals, disbursements and collections during

the year amounted to Birr 8.15 billion, Birr 5.34 billion and Birr 2.54 billion respectively. Out of the total loans approved by the Bank the lion share was absorbed by the industrial sector.

In the 2012/2013 fiscal year, the Bank has earned a total income of Birr 1.64 billion. When compared with last year, this year total income increased by 15%. Moreover, from the total income, 69% gained (Birr 1.11 billion) from interest earned on loan and advance, 15% (Birr 243.8 million) is from interest earned on treasury bill while the remaining 16% was derived from gain on currency fluctuation and other income.

In order to bolster its human resource development program, the Bank has provided various training opportunities in various disciplines for its employees, locally and abroad.

In conclusion, the overall performance of the Bank, in the year under review was satisfactory. Obviously, this achievement of the Bank was realized as a result of the concerted efforts exerted by the members of the Board of Management (BOM), Management members of the Bank at different levels, collaborators and more importantly the employees of the Bank.

Thank you

Esayas Bahre, President

I. An Overview of the Ethiopian Economy

The Ethiopian economy continued to grow and the overall economic performance reflected the rapid expansion of the country. Real GDP continued to grow on average by 10.9 percent in the past decade. During the F.Y 2012/13, the real GDP revealed a remarkable growth of 9.7 percent compared to the 5.6 percent forecast for sub-Saharan Africa countries. The growth was mainly contributed by the service sector (46.1 percent), agricultural sector (31.2 percent) and industrial sector (23.8 percent). Nominal GDP per capita went up to USD 550 from USD 510 in the preceding year, registering a 7.8 percent increase. Real per capita GDP increased by 1.6 percent to USD 359 against the preceding year.

This strong economic expansion has placed Ethiopia among the fast growing African and other developing economies. Service sector expanded by 9.9 percent while agriculture and industry sectors registered 7.1 and 18.5 percent growth rates, respectively reflecting the fact that the economic growth in Ethiopia was broad based and undergoing structural changes.

The share of agriculture to Ethiopian economy during the F.Y 2012/13 was 42.7 percent. The sector contributed 31.2 percent to GDP growth rate and grew by 7.1 percent in comparison with the 4.9 percent growth recorded in the preceding year. This was due to a high increase in crop production which improved from 5 percent to 8.2 percent as compared to previous year performance and contributing about 26 percent to GDP growth and 80 percent to agriculture growth.

Agriculture continued to play a significant role in the Ethiopian economy so far in terms of employment, export earnings, source of raw materials and domestic market although its share slightly declined from 43.7 percent in 2011/12 to 42.6 percent in 2012/13. Meanwhile, the share of service sectors went up marginally from 44.8 percent to 45.0 percent and that of industry from 11.5 percent to 12.4 percent.

The growth in agricultural output was mainly attributed to productivity improvements supported by favorable conditions and conducive agricultural development policies. In 2012/13, the total cultivated land area was expanded by 1.6 percent to 12.3 million hectares. As a result, the total agricultural crop production was enhanced by 5.8 percent and reached 231.3 million quintals. Productivity was improved slightly to 18.8 quintal per hectare compared to 18.1 quintal per hectare in the preceding year.

Similarly, the industrial sector had achieved 18.5 percent growth showing an improvement of 1.5 percentage points against the preceding year. The sector had contributed 23.6 percent to the overall economic growth. Manufacturing contributed about 21 percent to industrial output growth and 4.6 percent to real GDP growth during the period.

The construction sector of the industry contributed 15 percent to GDP growth and 68 percent to industrial sector growth; implying that currently it is sector is currently the leading sub components in the industry due to expansion in the construction of roads, dams and housing infrastructures. Manufacturing output grew by 10.8 percent in 2012/13.

On the other hand, the service sector was relatively the dominant economy in Ethiopia. The share of service sector was about 45 percent of the overall economy representing a principal contribution of about 46.1 percent to the GDP growth in 2012/13 with 9.9 percent of its sectoral growth. The widespread service work during the period was whole sale and retail trade; constituting 15.7 percent of the whole economy followed by 'real estates, renting and business activities' comprising 8.5 percent.

Besides, a total of 7,011 investment projects with an aggregate capital of Birr 112.1 billion were approved in 2012/13. The number of domestic investment projects reached 6,273 which accounts for more than 89.5 percent of the total projects approved during the review period, whereas foreign projects reached 722 (10.5 percent). The capital performance for foreign investor projects during the review period found to be about 19.5 percent higher than the same period last year.

Regarding to investment capital, domestic private projects which made up Birr 34.8 billion while foreign investment projects accounted for Birr 49.5 billion of the total approved investment capital while the remaining was carried out by the Government.

When the projects fully go operational, the approved investment projects are expected to create job opportunities for 381, 589 individuals in permanent and casual levels respectively.

Overall, the Ethiopian economy is expected to record double digit growth in 2013/14 supported mainly by improved macroeconomic stability and weather conditions.

Source: Extracted from the Annual Report of National Bank of Ethiopia for the Year 2012/13.

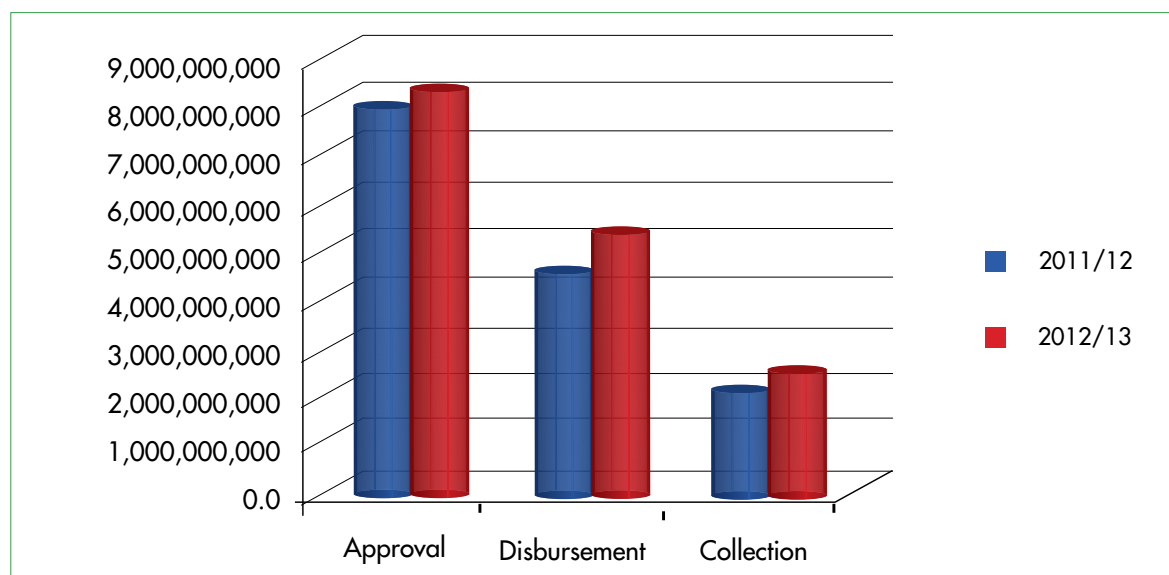
II. The Bank's Operational Highlights for F.Y. 2012/2013

2.1 OVERALL CREDIT OPERATION

During the fiscal year, which ended June 30, 2013, the Bank approved close to Birr 8.15 billion and disbursed 5.3 billion Birr for various projects respectively. With regard to collection, a total of Birr 2.54 billion was collected.

Birr '000

Sr No	Item	Agriculture		Industry		Other Businesses		Total		
		2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	% change
1	Approval	1,583,674	1,357,832	5,577,324	5,806,501	811,686	987,598	7,972,684	8,151,931	2.25
2	Disbursement	1,086,295	1,202,900	3,196,012	3,169,604	258,789	963,091	4,541,095	5,335,595	17
3	Collection	450,909	519,598	1,435,453	1,737,940	268,829	282,411	2,155,191	2,539,949	18



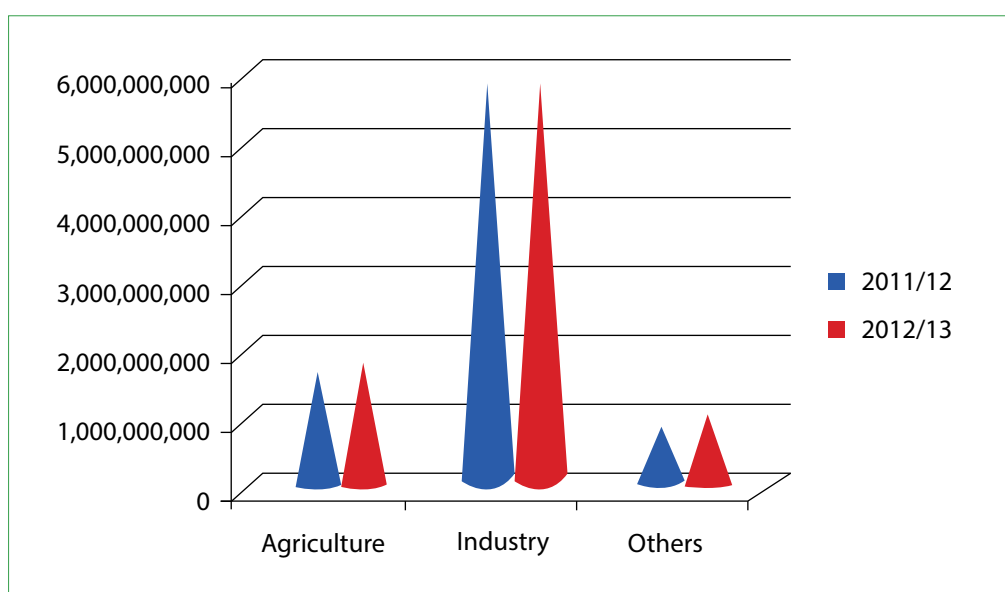
2.1.1 Loan Approval

During the reporting fiscal year, the Bank approved Birr 8.15 billion. Loan approvals to agriculture, industry and other sectors stood at Birr 1.35 billion, Birr 5.8 billion and Birr 987.5 million respectively. Details are shown in table 2 below.

Birr '000

Sector	2011/12	2012/13	% change
1. Agriculture			
Public Enterprises	-	-	-
Cooperative	204,308	118,602	(42)
Private	1,379,366	1,239,230	(10)
Sub-total	1,583,674	1,357,832	(14)
2. Industry			
Public Enterprises	-	-	-
Private	5,577,324	5,806,501	4
Micro-Enterprises	-	-	-
Sub-total	5,577,324	5,806,501	4
3. Others			
Public Enterprises	-	-	-
Private	677,271	45,714	(93)
RUFIP	134,415	941,884	601
Sub-total	811,686	987,598	22
Total	7,972,684	8,151,931	2.25





2.1.1.1 Loan approval by Social Sector

During the period under review, the lion share of approval was made for private investments; this indicates the focus of the Bank to support the private sector which is the engine of the economic development of the country.

Table 3 Loan approval by social sector

Birr '000		
Sector	2011/12	2012/13
Cooperative	204,308	118,602
Private	7,633,961	7,091,445
RUFIP	134,415	941,884
Total	7,972,684	8,151,931

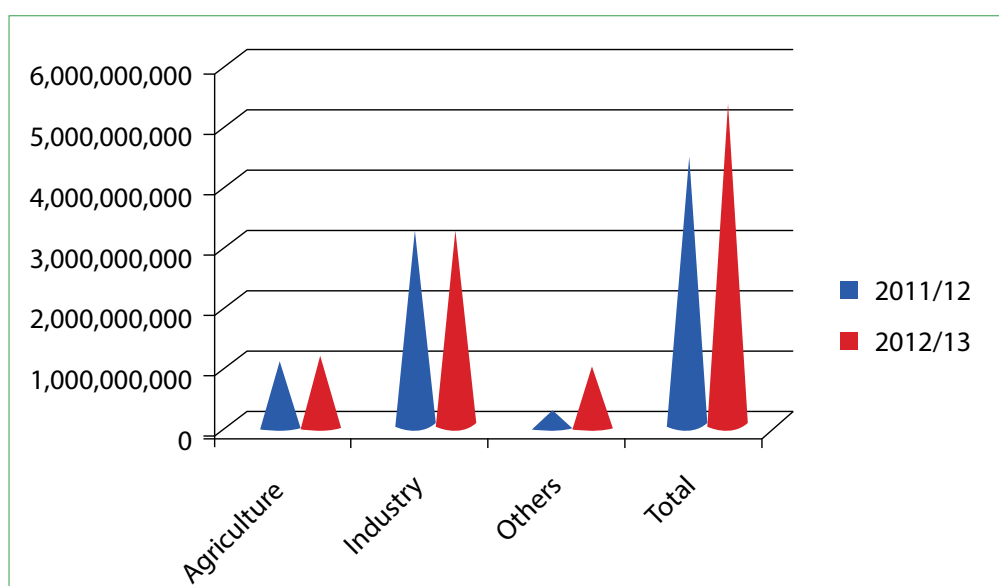
2.2.1 Loan Disbursement

In the reporting period, the Bank disbursed Birr 5.34 billion. An assessment of the sectoral distribution of annual disbursement revealed that, out of the total disbursement, Birr 1.2 billion was disbursed to agriculture, while Birr 3.17 billion and Birr 963 million was disbursed to industry and other business sector projects, respectively.

Table 4 Loan Disbursement by economic sector for the year ended June 30, 2013

Birr '000

Sector	2011/12	2012/13	% change
1. Agriculture			
Public Enterprises	306,188	389,101	27
Cooperative	169,059	71,697	(58)
Private	611,048	742,101	21
Sub-total	1,086,295	1,202,900	11
2. Industry			
Public Enterprises	35,550	-	(100)
Private	3,160,462	3,169,604	0
Micro-Enterprises	-	-	-
Sub-total	3,196,012	3,169,604	(1)
3. Others			
Public Enterprises	46,123	29,976	(35)
Private	141,458	36,860	(74)
RUFIP	71,207	896,256	1,159
Sub-total	258,789	963,091	272
Total	4,541,095	5,335,595	17



2.2.1.1 Loan Disbursement by Social Sector

An assessment of loan disbursement by sector shows that, out of the total disbursement Birr 3.94 billion was disbursed to the private sector, while Birr 71.6 million was disbursed to cooperatives. The share of public enterprises and RUFIP is Birr 419 million and 896.2 million respectively.

Table 5 Loan disbursement by social sector

Birr '000

Sector	2011/12	2012/13
Public enterprise	387,861	419,077
Cooperative	169,059	71,697
Private	3,912,968	3,948,565
RUFIP	71,207	896,256
Total	4,541,095	5,335,595

2.2.3 Loan Collection

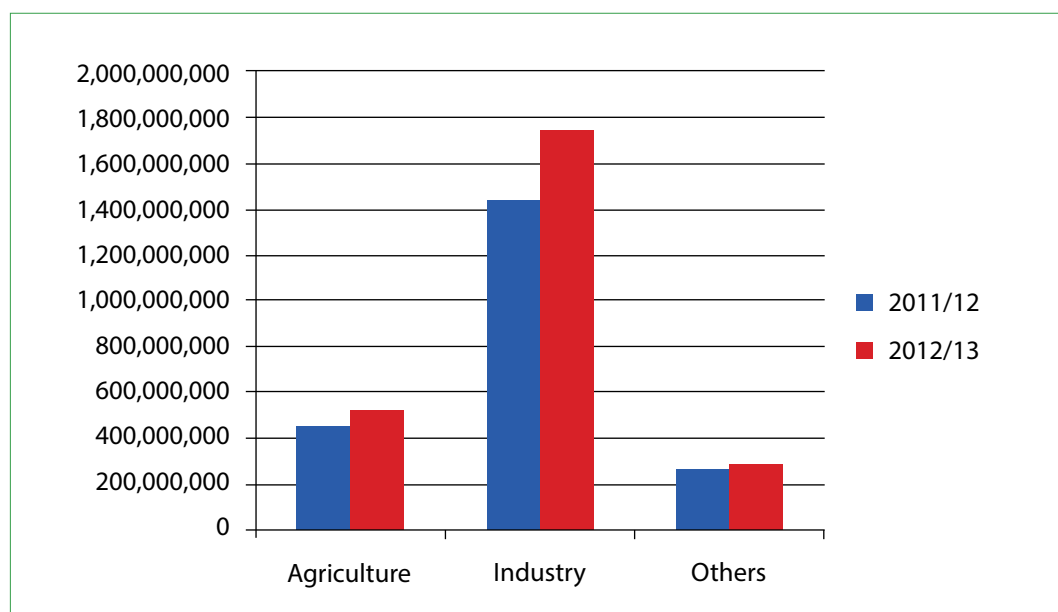
During the year under review, the Bank collected nearly Birr 2.54 billion. With regards to sectoral distribution, out of the total collection made during the year, Birr 520 million (20%) was collected from the agricultural sector, while Birr 1,738 billion (68%) and Birr 186 million (7%) was collected from the industrial and other business sector projects, respectively while the share of RUFIP was Birr 97 million (4%).



Table 6 Loan collection by economic sector for the year Ended June 30, 2013

Birr '000

Sector	2011/12	2012/13	% change
1. Agriculture			
Public Enterprises	-	-	
Cooperative	124,481	173,061	39
Private	326,428	346,537	6
Sub-total	450,909	519,598	15
2. Industry			
Public Enterprises	15,026	-	(100)
Private	1,420,256	1,737,940	22
Micro-Enterprises	172	-	(100)
Sub-total	1,435,453	1,737,940	21
3. Others			
Public Enterprises	33,058	44,659	35
Private	168,553	141,170	(16)
RUFIP	67,217	96,583	44
Sub-total	268,829	282,411	5
Total	2,155,191	2,539,949	18



2.2.3.1 Loan Collection by Social Sector

Out of the total collection of the fiscal year, the biggest share was from the private sector which accounted for Birr 1.9 billion while cooperatives and RUFIP accounted for Birr 124.4 million and Birr 67.2 million respectively while public enterprises accounted for Birr 48 million.

Table 7 Loan collection by social sector

Birr '000		
Sector	2011/12	2012/13
Public enterprise	48084	44,659
Cooperative	124,481	173,061
Private	1915237	2,225,647
RUFIP	67,217	96,583
Micro-Enterprises	172	-
Total	2155191	2,539,950

2.2.4 Loan Position

2.2.4.1 Outstanding Balance by Sector

The Bank's total outstanding loan as at June 30, 2013 is Birr 18.88 billion. This is 92% of the planned target. The total loans advances represent 57% of the total assets of the Bank. Out of the total loan portfolio of the Bank, the respective share of Head office and Region is Birr 16.86 billion (89%) and Birr 2 billion (11%) respectively



2.2.5 Socio-Economic Benefit

From existing total projects that are financed by the Bank an employment opportunities for 48,915 individuals on permanent and temporary basis is created as of June 30, 2013. During the year under review newly approved projects are assumed to create employment opportunities for 40,953 (31,424 temporary and 9,529 permanent) individual employees. This shows the Bank is playing its role in reducing unemployment rate of the country. With respect to tax revenue and foreign exchange generation, these projects are expected to generate annually Birr 5.5 billion and Birr 2.6 Billion, respectively.

III PCMU-RUFIP

In the fiscal year of 2012/13, the Bank has approved Birr 941.8 million.

The cumulative amount of loan disbursement during the year has reached Birr 896 million. The reason for this over achievement is that the program has approved outsized loan for the program year one from the total program year's allocation amount by considering the demand of MFIs, RUSACCOs and unions. For the fiscal year under review, the Bank has collected a total amount of Birr 96.6 from nineteen MFIs and twelve RUSACCOs unions in the budget year target.



IV Special Fund Administration and Export Credit Guarantee

4.1 EXPORT CREDIT GUARANTEE SCHEME

During the fiscal year under review, the actual performance stood at Birr 259.55 million. In addition to provision of export guarantee the Bank recently manages different funds including Rural Electrification Fund. The total outstanding loan balance of Rural Electrification as at June 30,2013 was about Birr 15.1 million.

V Human Resource Management Activities

5.1 HUMAN RESOURCE MANAGEMENT

The Bank's human resource philosophy is to support its short and long term goals and objectives through the development of an application of policies and practices that assure the recruitment and retention of skilled and motivated workforce. In pursuit of this objective, additional staffs were recruited during the year to meet the Bank's staffing requirements.

The Bank recognizes the need for a skilled, agile and committed work force. These essential properties of a work force are vital in transforming the Bank into a progressive development financial institution that will stimulate the growth of the country. The Bank has also identified the need to retain developed talent



and reduce professional attrition rate through improved organizational alignment in its five year strategic objective so that the valuable experience and expertise within the Bank is not lost. The retention of this talented work force will eventually provide a boost to the Bank for continued success in services offered, and propel the Bank onto new opportunities and challenges.

During the fiscal year the bank has filled job position for 161 employees from both internal and external sources. This was 88% of the planned target. All in all, as of June 30, 2013 the total man power balance of Bank stood 1,147. The Bank's manpower stock by occupational category can be classified further 656 (57%) professional and high level supervisor, 199 (17%) semi professional, administrative and clerical, 75(7%) technical and skilled while the remaining 217 (19%) are manual and custodian.

The following table indicates the manpower progress of the fiscal year ended June 30, 2013.

Table 15 Manpower progress Report of June 30, 2013

		Birr '000		
Particulars	Professional Category	2011/2012	2012/13	Change
Public Enterprises	Professional and High Level supervisor (PHLS)	594	656	10.4
	Semi Professional, Administrative and clerical (SPAC)	191	199	4.18
	Technical and Skilled (TS)	70	75	7.14
	Manual and Custodian (MC)	225	217	-3.5
Total		1080	1,147	6.2

5.2 TRAINING AND EDUCATION

5.2.1 Training

The increased business levels transaction during the period under review necessitated additional investment in the Bank's human resource capacity. In addition to the recruitment of new staff, the Bank continued to bolster its capacity by investing in human resource development programs to enhance core competencies, technical skills and knowledge at all levels.

Capacity development is one of the Bank's strategic focus areas which is planned to be performed in the strategic period. Accordingly, during the fiscal year under review, 1355 employee were trained in various local and foreign training program.

VI. Research activities in the Bank

The Research Process is a Process that handles all the tasks of availing research information and data mainly for the core Processes of the Bank namely the Credit Process, Appraisal sub process, Project Rehabilitation and Loan recovery sub process and Regional Offices.

The Research Process has five mandates, namely the commodity study, model bankable project preparation, cross cutting project supporting data, the civil cost development and the machinery ,equipments, furniture and fixture. All the outputs of the five versions also have updating works periodically ad also intended to serve the Approval Team, Compliance & Risk Management Process, Regions and Branches.

With the current credit demand from different sectors/commodity the output of research has to be compiled, updated and disseminated. Accordingly, in the reporting period various new commodity studies and updating have been carried out.

VII Financial Management

The 2012/13 fiscal year was the third year of the Bank's Strategic Plan (2010/11-2015/16) in which the Bank registered strong financial performance, which is discussed here under.

7.1 Income and Expenses

7.1.1 Income

During the year the Bank has earned a total income of birr 1.64 billion. When compared with last year, the current year's total income has increased by 15%.Moreover, from the total income, 69% gained (Birr 1.11 billion) from interest earned on loan and advance, 15% (Birr 243.8 million) is from interest earned on treasury bill while the remaining 16% was derived from gain on currency fluctuation and other income.

7.1.2 Expenses

Even if the Bank continued to enforce cost control measures as an integral part of its financial management activities, total expense of the year under review stood at Birr 949.3 million. Interest and charge represent 75% of the total expense. In comparison with the previous year, this year expenses have increased by 40%. The major reasons attributed to this increment is interest expense and some price like of on general expenses.

7.1.3 Profit/ Loss

During the fiscal year the Bank earned a net profit of birr 491 million, which is 36% higher over that of the previous year.

7.1.4 Foreign Exchange

During the year under review the Bank generated Birr 2.6 billion from foreign exchange in different currencies. The Bank has witnessed a 60% increment over that of the previous year.

7.1.5 Grand Renaissance / Hidase Bond

During the fiscal year, the Bank in actual terms has collected Birr 1.37 billion. Out of the total collection renaissance bond Birr 134.2 million (10%) is mobilized by DBE head office and Regional offices while the remaining 90% is mobilized by its agent Commercial Bank of Ethiopia (CBE).



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**AUDIT SERVICES
CORPORATION**

DEVELOPMENT BANK OF ETHIOPIA
INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS
30 JUNE 2013



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**INDEPENDENT AUDITORS' REPORT
TO THE SUPERVISING AUTHORITY OF
DEVELOPMENT BANK OF ETHIOPIA**

We have audited the accompanying financial statements of Development Bank of Ethiopia, which comprise the balance sheet as at 30 June 2013, and the profit and loss account, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility for the Financial Statements

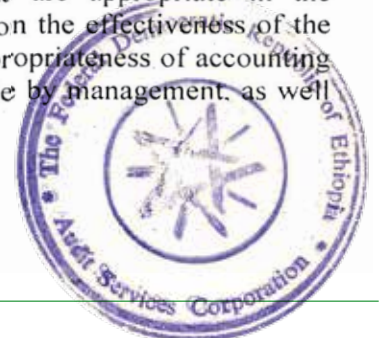
The Bank's President is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles and in the manner required by the Commercial Code of Ethiopia of 1960, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

ASB



**INDEPENDENT AUDITORS' REPORT
TO THE SUPERVISING AUTHORITY OF
DEVELOPMENT BANK OF ETHIOPIA (continued)**

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Development Bank of Ethiopia as at 30 June 2013, and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting principles and the requirements of the Commercial Code of Ethiopia of 1960.

Audit Services Corp

8 July 2014



DEVELOPMENT BANK OF ETHIOPIA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 Ethiopian Birr	2012 Ethiopian Birr
INTEREST INCOME	3	1,375,182,581	1,195,407,296
INTEREST EXPENSE	4	<u>718,941,041</u>	<u>511,342,661</u>
NET INTEREST INCOME		656,241,540	684,064,635
OTHER INCOME	5	<u>259,550,897</u>	<u>227,110,971</u>
		<u>915,792,437</u>	<u>911,175,606</u>
OPERATING EXPENSES			
Staff emoluments	6	94,396,705	78,344,731
Administrative and general expenses	7	97,639,725	45,461,073
Depreciation		18,087,858	17,927,445
Provision for doubtful accounts		90,529,847	296,042,142
Bad debts written off		17,426,655	19,915,202
Board fees		133,500	243,000
Audit fee		<u>288,250</u>	<u>292,628</u>
		<u>318,502,540</u>	<u>458,226,221</u>
PROFIT BEFORE TAX		597,289,897	452,949,385
Income tax expense	8 (a)	<u>104,644,153</u>	<u>91,978,096</u>
PROFIT FOR THE YEAR		<u>492,645,744</u>	<u>360,971,289</u>



DEVELOPMENT BANK OF ETHIOPIA
BALANCE SHEET
AS AT 30 JUNE 2013

		2013 Ethiopian Birr	2012 Ethiopian Birr
ASSETS	Notes		
Cash on hand and bank balances with			
National Bank of Ethiopia		347,291,133	374,997,328
Deposits with local banks		301,183,202	235,673,999
Deposits with foreign banks		<u>1,370,165,621</u>	<u>799,056,219</u>
		2,018,639,956	1,409,727,546
Treasury bills		9,588,985,921	7,716,000,000
Ethiopian Government bonds	9	80,075,276	150,411,840
Loans	10	16,631,296,157	12,788,904,791
Property, plant and equipment	11	170,733,779	147,380,728
Property held for sale		80,962,800	70,394,859
Other assets	12	<u>950,693,950</u>	<u>1,200,337,279</u>
		<u>29,521,387,839</u>	<u>23,483,157,043</u>
EQUITY AND LIABILITIES			
SHORT TERM LIABILITIES			
Customers' deposits	13	673,987,429	616,986,512
Current maturity of long term			
borrowings	14	76,622,596	41,023,689
Other liabilities	15	3,576,103,371	3,630,606,207
Current tax liabilities	8 (d)	<u>92,914,895</u>	<u>89,759,785</u>
		<u>4,419,628,291</u>	<u>4,378,376,193</u>
LONG TERM LIABILITIES			
Long term borrowings	14	22,056,200,049	16,556,941,462
Deferred tax liability	16	<u>5,996,560</u>	<u>922,193</u>
		<u>22,062,196,609</u>	<u>16,557,863,655</u>
CAPITAL AND RESERVES			
CAPITAL	17		
Authorized <u>Birr 3,000,000,000</u>			
Paid up		1,800,000,000	1,800,000,000
LEGAL RESERVE	18	333,078,815	209,917,379
ACCUMULATED PROFIT		<u>906,484,124</u>	<u>536,999,816</u>
TOTAL EQUITY		<u>3,039,562,939</u>	<u>2,546,917,195</u>
TOTAL EQUITY AND LIABILITIES		<u>29,521,387,839</u>	<u>23,483,157,043</u>



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

	<u>Capital</u> Ethiopian Birr	<u>Special reserve</u> Ethiopian Birr	<u>Legal reserve</u> Ethiopian Birr	<u>Accumulated profit</u> Ethiopian Birr	<u>Total</u> Ethiopian Birr
Balance at 30 June 2011	1,800,000,000	19,659,466	119,381,018	269,858,646	2,208,899,130
Profit for the year				360,971,289	360,971,289
Transfer to legal reserve			90,242,822	(90,242,822)	-
Adjustments		(19,659,466)	293,539	(3,587,297)	(22,953,224)
Balance at 30 June 2012	1,800,000,000	-	209,917,379	536,999,816	2,546,917,195
Profit for the year				492,645,744	492,645,744
Transfer to legal reserve			123,161,436	(123,161,436)	-
Balance at 30 June 2013	1,800,000,000	-	333,078,815	906,484,124	3,039,562,939



DEVELOPMENT BANK OF ETHIOPIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	2013 Ethiopian Birr	2012 Ethiopian Birr
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	492,645,744	360,971,289
Adjustments for		
Income tax expense recognized in profit or loss	104,644,153	91,978,096
Gain on foreign exchange recognized in profit or loss	(105,757,939)	(24,563,630)
Domestic interest recognized in profit or loss	(244,405,694)	(151,345,396)
Discount on bonds recognized in profit or loss	18,327,239	-
Provisions against other assets recognized in profit or loss	107,956,333	254,776,711
Depreciation of non-current assets	<u>20,142,357</u>	<u>19,828,420</u>
	393,552,193	551,645,490
Movements in operating assets		
Decrease (increase) in other assets	221,753,053	(884,714,499)
Increase in loans and advances	(3,933,025,364)	(3,048,570,988)
Increase (decrease) in deposits	57,000,917	(80,664,877)
(Decrease) increase in other liabilities	(178,857,829)	2,617,777,578
Cash used in operations	(3,439,577,030)	(844,527,296)
Gain on foreign exchange received	105,757,939	24,563,630
Income tax paid	(83,219,130)	(77,727,537)
Net cash used by operating activities	<u>(3,417,038,221)</u>	<u>(897,691,203)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Domestic deposit interest received	330,976,872	64,774,218
Payments for property, plant and equipment	(43,495,408)	(51,278,020)
Redemption of Ethiopian Government bonds	<u>52,009,325</u>	-
Net cash generated by investing activities	<u>339,490,789</u>	<u>13,496,198</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Investments in treasury bills (net of proceeds)	(1,872,985,921)	(6,122,134,936)
Proceeds from borrowings	6,818,499,830	7,427,919,411
Repayment of borrowings	(1,259,054,067)	(481,115,831)
Net cash generated from financing activities	<u>3,686,459,842</u>	<u>824,668,644</u>
Increase (decrease) in cash and cash equivalents	608,912,410	(59,526,361)
Cash and cash equivalents at the beginning of the year	<u>1,409,727,546</u>	<u>1,469,253,907</u>
Cash and cash equivalents at the end of the year	<u>2,018,639,956</u>	<u>1,409,727,546</u>
Cash and cash equivalents comprise		
Cash on hand and bank balances with		
National Bank of Ethiopia	347,291,133	374,997,328
Deposits with banking institutions	<u>1,671,348,823</u>	<u>1,034,730,218</u>
	<u>2,018,639,956</u>	<u>1,409,727,546</u>



DEVELOPMENT BANK OF ETHIOPIA

NOTES TO THE FINANCIAL STATEMENTS

1. BANK INFORMATION

Development Bank of Ethiopia was re-established in Ethiopia in May 2005 with the main objective of serving the country's development.

The Bank's head office is located in Addis Ababa and it has branches throughout Ethiopia.

It is wholly owned by the Federal Democratic Republic of Ethiopia.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with generally accepted accounting principles and in the manner required by the Commercial Code of Ethiopia of 1960.

b) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for the measurement of impaired assets at their recoverable amounts. The principal accounting policies are set out below.

c) Interest income

Interest income is generally recognized in the period in which it is earned. Interest on non-performing loans is recognized on receipt.

d) Interest expense

Interest expense is recognized on an accrual basis in the period when it is due to customers.

e) Other income

Other income is recognized when significant risks and rewards of ownership are transferred to the recipient and the amounts of revenue can be measured reliably.



DEVELOPMENT BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

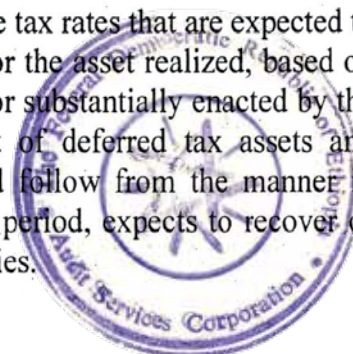
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported in the profit and loss account because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax legislation that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company, as at the end of the reporting period, expects to recover or settle the carrying amount of these assets and liabilities.



DEVELOPMENT BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. They are initially measured at fair value.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

h) Treasury bills and Ethiopian Government bonds

Treasury bills and Ethiopian Government bonds are stated at their face value.

i) Provision for doubtful debts

The provision for doubtful debts is calculated at the following rates based on past-due loans and interest, less net recoverable values, as is directed by the National Bank of Ethiopia.

Days past due	%
Less than 30 days	1
Between 31 and 90 days	3
Between 91 and 180 days	20
Between 181 and 360 days	50
More than 360 days	100



DEVELOPMENT BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Tangible assets

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged on the straight-line basis at the following rates per annum.

	<u>%</u>
Buildings	5
Computer installations	25
Other assets	20

(ii) Capital work in progress

Capital work in progress is included under property, plant and equipment and comprises costs incurred on ongoing capital works. These costs include material, transport and labour.

k) Leave accrual

Employees' entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave at the reporting date.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current and deposit accounts and short term, highly liquid investments with maturity periods of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and at banks net of short-term finances.

m) Translation of foreign currencies

Transactions in foreign currencies during the year are translated into Ethiopian Birr at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rates ruling at the balance sheet date. Resultant exchange differences are recognized in profit or loss for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate ruling at the date of the transaction.



DEVELOPMENT BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2013 Ethiopian Birr	2012 Ethiopian Birr
3 INTEREST INCOME		
	949,494,778	829,939,122
Industrial loans	243,863,733	147,262,061
Treasury bills	118,363,222	108,490,016
Service loans	62,918,886	105,632,762
Agricultural loans	541,961	4,083,335
Miscellaneous	<u>1,375,182,581</u>	<u>1,195,407,296</u>
4 INTEREST EXPENSE		
	417,236,926	53,509,429
Domestic loans	193,890,878	71,819,933
Government Saving Bonds	56,235,482	69,709,072
Coupon bonds	31,900,768	310,762,717
International loans	19,384,856	5,349,088
Time deposits	292,132	192,421
Saving accounts	<u>718,941,041</u>	<u>511,342,661</u>
5 OTHER INCOME		
Services	129,708,538	124,577,568
Gain on foreign exchange	105,757,939	24,563,630
Gain on disposal of assets awaiting sale	15,758,402	32,198,135
Rent	4,533,563	5,581,462
Bad debts collected	169	24,002,806
Miscellaneous	3,792,286	16,187,370
	<u>259,550,897</u>	<u>227,110,971</u>



DEVELOPMENT BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2013 Ethiopian Birr	2012 Ethiopian Birr
6 STAFF EMOLUMENTS		
Salaries and wages	60,724,542	54,430,707
Allowances	13,214,549	6,138,432
Travelling and per diem	5,286,433	2,939,387
Training and education	4,682,059	3,268,638
Pension contributions	3,819,908	1,125,061
Medical	3,780,289	3,443,903
Uniforms	1,240,072	941,937
Miscellaneous	<u>1,648,853</u>	<u>6,056,666</u>
	<u>94,396,705</u>	<u>78,344,731</u>
7 ADMINISTRATIVE AND GENERAL EXPENSES		
Printing of saving bonds	28,553,617	9,731,530
Loss on bond and share dealing	25,658,128	-
Repairs and maintenance	7,904,862	5,373,958
Commission	6,209,657	6,594,011
Cost related to property held for sale	4,773,075	-
Insurance	3,797,706	2,888,870
Printing and stationery	3,311,775	2,191,342
Communications	3,011,523	3,021,366
Technical and feasibility studies	2,370,324	2,943,266
Advertisements and publicity	1,800,024	2,522,329
Entertainment	1,662,567	1,599,193
Rent tax expense	1,423,100	-
Consultancy fees	1,280,958	152,714
Utilities	1,264,677	1,053,710
Bank charges	1,210,600	1,492,885
Licences and taxes	528,868	270,768
Subscriptions and publications	337,962	1,852,812
Rent	337,090	275,138
Donations and contributions	264,340	523,000
Sports	50,723	1,089,173
Miscellaneous	<u>1,888,150</u>	<u>1,885,010</u>
	<u>97,639,725</u>	<u>45,461,073</u>



DEVELOPMENT BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2013 Ethiopian Birr	2012 Ethiopian Birr
8 TAXATION		
(a) Profit and loss account - Income tax expense		
Current taxation based on the adjusted profit for the year at 30%	101,342,539	91,000,437
in respect of prior years	(1,799,851)	-
Tax on foreign deposit interest	27,098	94,278
Current tax	99,569,786	91,094,715
Deferred tax in respect to the current year	5,100,794	776,752
Deferred tax in respect to prior years	(26,427)	106,630
	104,644,153	91,978,096
(b) Tax expense computation		
Net profit before taxation	597,289,897	452,949,385
Add: Disallowed expenses		
Accounting depreciation	20,246,656	20,147,198
Entertainment	1,662,567	1,599,193
Donations	264,340	523,000
	22,173,563	22,269,391
Less: Allowed expenses		
Tax depreciation	37,233,109	22,402,179
Less: Income taxed at source or exempt		
Interest on treasury bills	243,863,733	147,262,061
Foreign deposit interest	541,961	1,885,556
Gain on disposal of property, plant and equipment	16,193	334,191
	244,421,887	149,481,808
Taxable profit	337,808,464	303,334,789
Income tax at 30%	101,342,539	91,000,437
Tax on foreign deposit interest	27,098	94,278
Deferred taxation	5,074,367	883,382
Adjustments recognized in the current year in relation to current tax of prior years	(1,799,851)	-
Tax expense	104,644,153	91,978,096



DEVELOPMENT BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)

8 TAXATION (continued)

(c) Reconciliation of tax expense to the expected tax based on accounting profit

	2013 Ethiopian Birr	2012 Ethiopian Birr
Net profit before taxation	<u>597,289,897</u>	<u>452,949,385</u>
Tax at the applicable rate of 30%	179,186,969	135,884,816
Tax effect of expenses not deductible for tax purposes	6,652,069	6,680,817
Tax effect of temporary differences recognized as deferred tax liabilities	5,100,794	883,382
Tax effect of income taxed at source or exempt	(84,469,401)	(51,470,919)
Adjustments recognized in the current year in relation to prior years	<u>(1,826,278)</u>	=
Tax expense	<u>104,644,153</u>	<u>91,978,096</u>

(d) Balance sheet - Tax payable

At the beginning of the year	89,759,785	76,392,607
Transfer to other liabilities	<u>(14,995,397)</u>	=
	74,764,388	76,392,607
Paid during the year	(83,219,130)	(77,727,537)
Current year tax payable	<u>101,369,637</u>	<u>91,094,715</u>
	<u>92,914,895</u>	<u>89,759,785</u>

(e) Current tax rate

The current tax rate is 30%.

9 ETHIOPIAN GOVERNMENT BONDS

Non-interest bearing bond maturing in November 2013	7,905,200	23,715,600
Non-interest bearing bond maturing in January 2018	<u>72,170,076</u>	<u>126,696,240</u>
	<u>80,075,276</u>	<u>150,411,840</u>



DEVELOPMENT BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2013	2012
	Ethiopian Birr	Ethiopian Birr
10 LOANS AND ADVANCES		
Industrial	13,332,206,126	10,701,478,210
Agriculture	1,861,230,929	1,540,822,080
Other business	2,628,117,860	1,756,473,011
Staff	<u>46,654,975</u>	<u>39,558,313</u>
	17,868,209,891	14,038,331,614
Less: Provision for impairment	<u>1,236,913,733</u>	<u>1,249,426,823</u>
	<u>16,631,296,157</u>	<u>12,788,904,791</u>

11 PROPERTY, PLANT AND EQUIPMENT

	Balance at	Additions	Balance at
	30 June 2012	Transfers	30 June 2013
COST			
Buildings	106,069,770	220,707	106,290,477
Motor vehicles	64,268,602	66,843,156	131,111,758
Computer installations	49,193,875	16,035,300	65,229,175
Furniture and office equipment	13,459,753	7,009,235	20,468,987
Constructions in progress	<u>66,207,645</u>	<u>(46,612,990)</u>	<u>19,594,655</u>
	<u>299,199,644</u>	<u>43,495,408</u>	<u>342,695,052</u>
DEPRECIATION			
Buildings	90,183,088	4,715,998	94,899,086
Motor vehicles	33,553,677	8,742,537	42,296,214
Computer installations	18,982,473	5,404,904	24,387,377
Furniture and office equipment	<u>9,099,679</u>	<u>1,278,918</u>	<u>10,378,597</u>
	<u>151,818,916</u>	<u>20,142,357</u>	<u>171,961,273</u>
NET BOOK VALUE	<u>147,380,728</u>		<u>170,733,779</u>



DEVELOPMENT BANK OF ETHIOPIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2013 Ethiopian Birr	2012 Ethiopian Birr
12 OTHER ASSETS		
Accrued interest on loans	955,734,871	828,182,483
Uncleared effects	40,390,750	45,031,458
Bills and notes receivable	12,708,979	12,708,979
Accounts receivable and prepayments	11,188,740	360,883,474
Equity investment	<u>5,030,000</u>	=
Total loans	1,025,053,340	1,246,806,393
Total provisions	<u>74,359,390</u>	<u>46,469,114</u>
	<u>950,693,950</u>	<u>1,200,337,279</u>

13 CUSTOMERS' DEPOSITS

Time deposits	363,156,960	363,156,960
Demand deposits	184,148,578	149,085,236
Retentions payable on letters of credit	115,717,599	97,044,269
Savings deposits	<u>10,964,293</u>	<u>7,700,047</u>
	<u>673,987,429</u>	<u>616,986,512</u>



DEVELOPMENT BANK OF ETHIOPIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Ethiopian Birr 2013
14 LONG TERM BORROWINGS	
Balance at 30 June 2012	16,597,965,151
Additional loans during the year	<u>6,818,499,830</u>
	23,416,464,981
Less: Repayments	<u>1,259,054,067</u>
Reclassified to other liabilities	<u>24,588,269</u>
	22,132,822,645
Less: Repayable within 12 months	<u>76,622,596</u>
	<u>22,056,200,049</u>
National Bank of Ethiopia	
Loans, bearing interest at the rate of 3% per annum and repayable in 2016 - Birr 10,070,000,000, 2017 - Birr 3,237,000,000 and 2018 - Birr 3,200,000,000	16,507,000,000
Commercial Bank of Ethiopia	
Bonds, bearing interest at the rate of 6% per annum and repayable in variable semi-annual instalments from January 2014 through February 2022	650,000,000
Ethiopian Government Saving Bonds	
Bonds, bearing interest at rates of 0, 5.5, and 6% per annum and repayable in periods of between 1 and 5 years	2,595,076,789
Ministry of Finance and Economic Development	
Loan on-lent from African Development Fund, bearing interest at the rate of 2% per annum and repayable in 16 semi-annual instalments of Birr 26,262,933 each from December 2013 through June 2021	427,086,930
Loan on-lent from International Fund for Agricultural Development, bearing interest at the rate of 1.5% per annum and repayable in 82 semi-annual instalments of Birr 2,957,079 through September 2039	236,914,467
Loan on-lent from European Investment Bank, bearing interest at the rate of 2.5% per annum and repayable by March 2014	192,226,412
Loans on-lent from international funds, bearing interest at rates of 1.5 and 2% per annum and repayable in various semi-annual instalments through March 2044	1,215,145,452
Loan on-lent from China Development Bank, bearing interest at the rate of 2.9465% per annum and repayable by May 2022	195,184,983
Other interest-free advances from Ethiopian funds	<u>114,187,611</u>
	<u>22,132,822,644</u>



DEVELOPMENT BANK OF ETHIOPIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2013 Ethiopian Birr	2012 Ethiopian Birr
15 OTHER LIABILITIES		
Other payables	3,030,096,950	3,270,681,722
Accrued interest on loans	441,190,477	261,772,368
Export Credit Guarantee Fund	96,127,605	93,011,075
Accrued charges	8,688,339	5,141,042
	<u>3,576,103,371</u>	<u>3,630,606,207</u>

16 DEFERRED TAX LIABILITY

using the enacted rate, currently at 30%. The deferred tax liability at year end is

Movement on the deferred tax account is as follows

At 30 June 2012	922,193	2,153,463
Adjustments	(26,427)	(2,114,651)
Charge to profit or loss (note 8 (a))	<u>5,100,794</u>	<u>883,381</u>
	<u>5,996,560</u>	<u>922,193</u>

17 CAPITAL

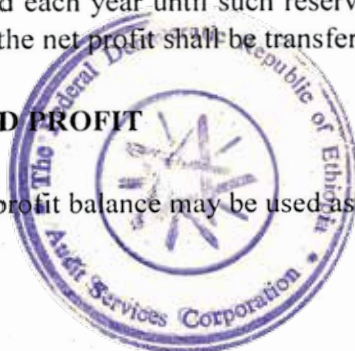
The Bank is wholly owned by the Federal Democratic Republic of Ethiopia.

18 LEGAL RESERVE

The legal reserve is a statutory reserve to which not less than 25% of the net profits 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.

19 ACCUMULATED PROFIT

The accumulated profit balance may be used as the owner resolves.



DEVELOPMENT BANK OF ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (continued)

20 RETIREMENT BENEFIT OBLIGATIONS

The Bank makes contributions to a statutory defined pension scheme to which the employer and employee make contributions of 8% and 6% of the employee's basic salary, respectively.

21 COMMITMENTS

The Bank has commitments, not provided for in these financial statements, of Birr 10,962,727 for the purchase of various capital items.

22 CONTINGENT LIABILITIES

Birr 4,873,262 in respect of legal actions brought by different organizations and individuals which are contested by the Bank. It is not possible to assess the outcome of these cases.

23 INCORPORATION

The Bank is incorporated and domiciled in Ethiopia. It is subject to the Banking Business Proclamation No. 592/2008.

24 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Ethiopian Birr.

25 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period which should be reported in these financial statements.

26 DATE OF AUTHORIZATION

The Bank's President authorized the issue of these financial statements on 8 July 2014.



Distribution of Branch offices

	Branch Offices	Sub Branch Offices
Central Region Office /Addis Ababa/	Addis Ababa Adama Dire Dawa	Ambo Fiche DebreBirhan Woliso Harar Chiro Batu Assela
Western Region Office /Jimma/	Jimma Nekemite	Mettu Mizan Teferi Shambu Gimbi Dembidollo Agaro
Northern Region Office /Mekelle/	Mekelle	Endasellassie
North Western Region Office /Bahir Dar/	Bahir Dar Gondar Dessie	DebreMarkos
Southern Region Office /Hawassa/	Hawassa Dilla Wolayita Soddo	Yirgalem Hosa'inna Gobba Aleta Wondo

Major Projects Financed by the DBE

DBE is instrumental in the full or partial financing of most of the major investment projects in the country. The types of projects financed by the Bank are also from sectors as diverse as the agricultural, industrial and service sectors. Few of the projects financed by the Bank to date are cited below.

A. Agriculture Sector Projects

- Bebeka, Tepi and Limmu Coffee Plantation Enterprises
- Gumero Tea Plantation and Processing Factory
- Most of the Cooperative and State Farm Coffee Processing Stations
- Most of the Floriculture Farms in the country

B. Industrial Sector Projects

- Adama Development
- Adamitulu Pesticide Formulation Factory
- Addis Tyre Factory
- Akaki Food Complex
- Almeda Textile Mills
- Arba Minch Textile Mills
- Assela Malt Factory
- AYKA Addis Investment Group
- Bahir Dar Textile Mills
- Bebeka, Tepi and Limmu Coffee Plantation Enterprises
- Bethel Teaching Hospital


- Burayu Packaging Factory
- Dashen Brewery
- Derba Cement Enterprise
- Dire Dawa Food Complex
- Ethio-Japan Nylon Textiles
- Ethiopia Tannery
- Fincha Sugar Estate and Factory
- Gumero Tea Plantation and Processing Factory
- Harar Brewery
- Hawassa Textile Mills
- Kenticha Tantalum Mining
- Kebire Garment Factory
- Kombolcha Textile Mills
- Legedembi Gold Mine
- Melkasa Aluminum Sulphate Factory
- Mama Dairy Products Industry/Sebeta Agro-Industry
- Messobo Cement Enterprise
- Mojo Edible Oil and Solvent Extraction Factory
- Most of the Cooperative and State Farm Coffee Processing Stations
- Muger Cement Enterprise
- Several Bottled and Mineral water factories
- Several Pharmaceutical Industries, etc

- Several Star denominated Hotels in Addis Ababa
- Tabor Ceramics
- Tendaho Sugar Estate and Factory (On-going)
- Yekatit Exercise Book Factory
- Zeway Caustic Soda and Soda Ash Factory

C. Other projects (Previously financed)

- Several Star rated Hotels in Addis Ababa
- Bethel Teaching Hospital
- Dembel city center





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