DEVELOPMENT BANK OF ETHIOPIA

Annual Report

FOR THE YEAR ENDED JUNE 30, 2014

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Development Bank of Ethiopia

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Beir Printing Press 0911 51 38 68

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MISSION, VISION AND VALUES

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 funds from domestic and foreign sources while ensuring its sustainability.

The Bank earnestly believes that these highly valued objectives can best be served through continutous 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

DEVELOPMENT BANK OF ETHIOPIA

Ownership of the Bank

Development Bank of Ethiopia is a specialized state owned development financial institution established in 1909.

Mandate

- The current major mandate of the Bank is the provision of development credit to viable priority projects along with technical support through mobilizing resources from domestic and foreign sources.
- The priority areas of the Bank are:
  - Commercial Agriculture,
  - Agro-processing industries,
  - Manufacturing and extractive industries.

Capital of the Bank

- Authorized and paid-up capital as at June 30, 2014 is Birr 3 billion and Birr 1.8 billion respectively.

Human Resource

- The total number of employees as at June 30,2013/14 stood at 1210. Out of the total, 713 (59%) employees were professionals and high level supervisors, 210 (17%) were administration and semi professional, 209 (18%) were manual and custodian and the remaining 78 (6%) employees were technician and skilled.

Outreach

- During the reporting period, DBE has five regional offices, 15 branches and 20 sub-branches across the Nation. Headquarters of the Bank is found in Addis Ababa, the Capital of the Country, the Seat of the African Union and a number of international organizations.

GOVERNANCE AND ORGANIZATIONAL STRUCTURE

Development Bank of Ethiopia (DBE) is a specialized state owned development financial institution, which 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. The two top bodies (Public Financial Enterprises Agency /PEFA/and BOM) are, among others, responsible for issuing major policies of the Bank, approval of its strategic and operational plans as well as close and regular monitoring of the Bank's operations.

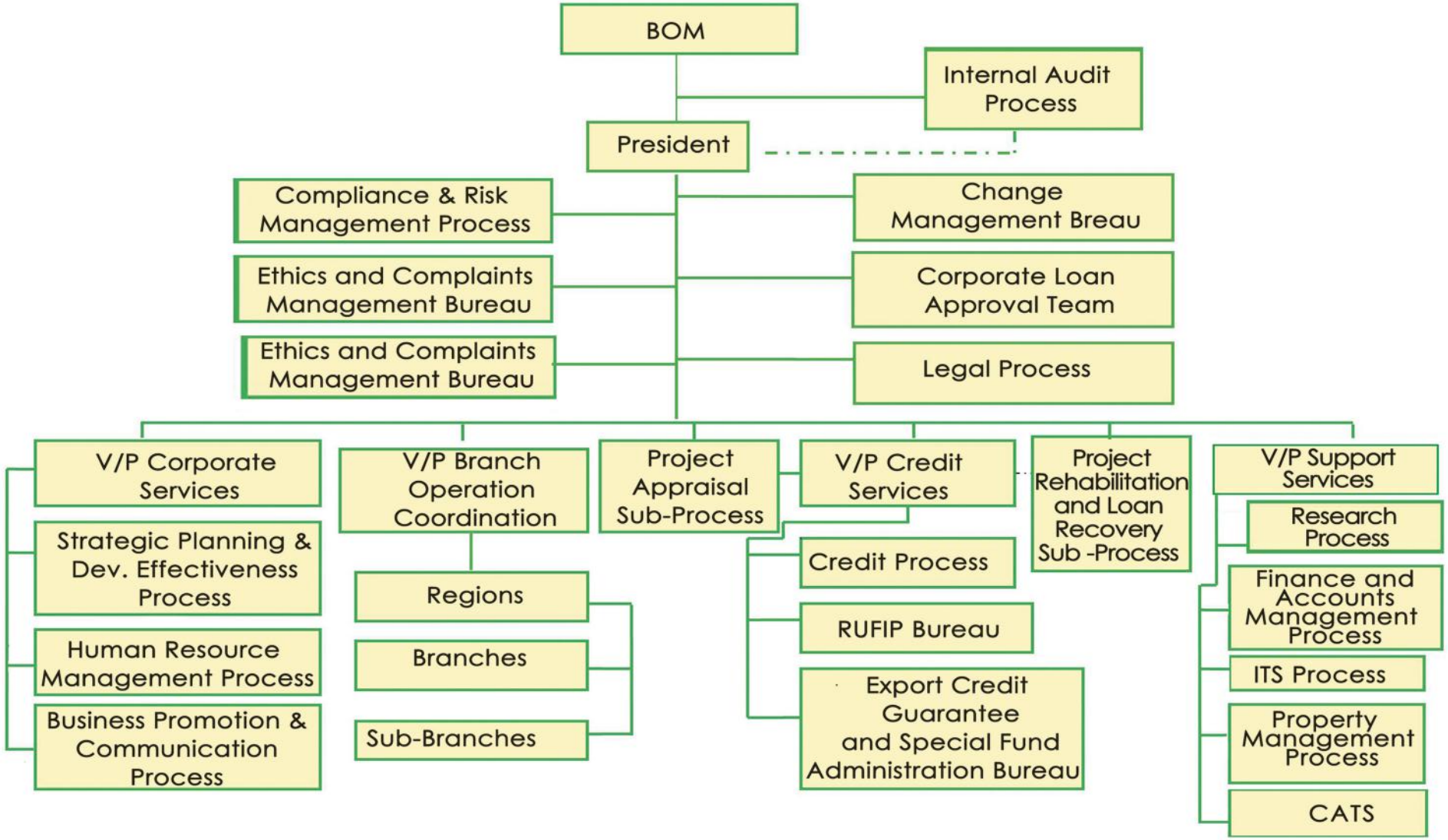
The top Executive Management Committee (EMC), which consists of the President and four Vice Presidents, is a direct responsible body to oversee the overall operations of the Bank. The President chairs the EMC and acts as an official representative of the Bank.

A Management Committee comprised of twenty four management members is, on the other hand, responsible for the day-to-day management of the Bank's operational activities. The Bank also has five regional offices, 15 branches and 20 sub branches.

Pertaining to good governance, the Bank's management is structured in transparent way and those decisions taken and their enforcement are done in a manner that follows rules and regulations with developed policies and procedures.

The Bank's BOM has established separate Compliance and Risk Management and Internal Audit Committees for the effective implementation of policies and procedures. Ethical Conduct and Complaint Management is also part of DBE's culture. It has established Ethics and Compliant Management Office under the direct supervision of the President.

DEVELOPMENT BANK OF ETHIOPIA ORGANIZATIONAL CHART



Board of Management

H.E Ato Ahmed Abtew
Chairperson

H.E. Ato Redwan Hussein
Member

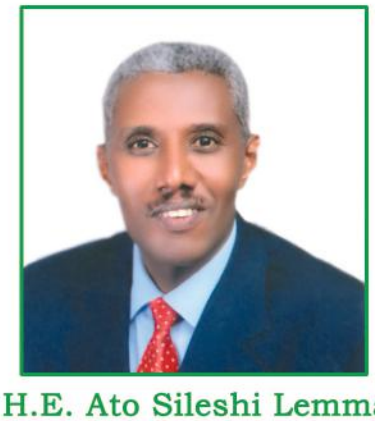
H.E. Ato Yakob Yala
Member

H.E. Ato Ayana Zewdie
Member

H.E Ato Tolosa Shagi
Member

H.E. Ato Alem W/Gerima
Member

H.E.
Ato Abdulaziz Mohammed
Member



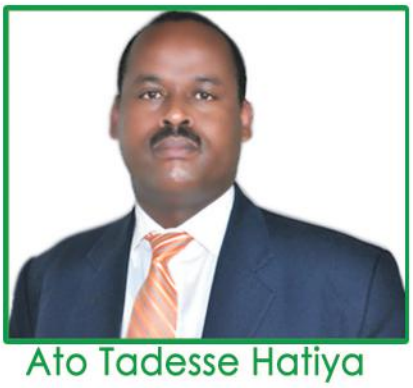
H.E. Ato Sileshi Lemma
Member

H.E. Ato Wasihun Abate
Member

EXECUTIVE MANAGEMENT MEMEBERS

Ato Esayas Bahre
President

Ato Dereje Awgechew
V/P Corporate Services



Ato Tadesse Hatiya
V/P Credit Services

Ato Teka Yibrah
V/P Support Services

Ato Tiruneh Mitafa
V/P Branch Operation
Coordination

MESSAGE FROM THE PRESIDENT

It is a great pleasure for me to present the Annual Report of the Development Bank of Ethiopia for the year ended June 30, 2014 as of a fast-moving year for the Bank in particular and for Ethiopia in general.

The Development Bank of Ethiopia concluded the just ended fiscal year by making a significant change towards the set goal. As a result, our Bank, as one of the major strategic and policy based financial institutions of the country, has been accomplishing its duties and responsibilities under a clearly articulated mission of upholding the development objectives of the country.

The on-going Growth and Transformation Plan (GTP) of the country for the last four years is one of the developed policies and strategies geared towards the eradication of poverty in Ethiopia. The overall objective of the GTP is to sustain the rapid, broad-based and equitable economic growth in the country so as to ensure the vision of becoming a middle income nation by 2025.

The country is expected to maintain at least an average real GDP growth rate of 11% at the end of the GTP implementation period. The GDP annual average growth rate for almost the last four years was over 10%. The agriculture, industry and service sectors annual average growth rate was 7%, 16.9% and 11%, respectively.

This indicates that the country has achieved a robust growth in both macro-economic conditions and sectoral level output and is coming closer to meet the intended growth rate aimed at the year 2014/15 F.Y. The registered result is also by far better than the 5 % economic growth rate that Sub-Saharan Countries have registered.

In this regard, DBE is one of the financial institutions mandated in providing project finance and technical support for viable projects under the sectors of agriculture, agro processing, manufacturing, mining and energy so as to support the socio-economic development of the country and contribute to the realization of the GTP of the country at large. This can be witnessed by the observed operational performance of the Bank in the last four consecutive years, the credit operations result in loan approval, disbursement and collection is Birr 29.08 Billion, 19.14 Billion and 9.09 Billion, respectively. Like that of the credit performance of the Bank, the financial performance of the Bank is favorable which is 3% more from the target set by the Bank in the fiscal year under review.

In line with this, DBE has continued to assist the development endeavors of the country through availing financial and technical assistance to viable projects in accordance with government policies during the previous one year. The Bank has registered remarkable results in credit operations and other business areas in the year 2013/2014. Concerning credit operations, total loan approvals, disbursements and collections during the year amounting to Birr 7.42 billion, Birr 5.47 billion and Birr 3.05billion respectively. Out of the total loans approved by the Bank, the lion share was absorbed by the industrial sector.

In the 2013/2014 fiscal year, the Bank has earned a total income of Birr 2.04 billion which is 92% of the planned target. Compared to the previous same year, this year total income increased by 25%. Moreover, from the total income, 69% (Birr 1,411.4 million) gained from interest earned on loan and advance, 14% (Birr 284.4 million) is from interest earned on Treasury bill while the remaining 17% was derived from gain on currency fluctuation and other income.

In order to improve the knowledge and skills of its human resource, the Bank has offered different training opportunities in various disciplines for its employees locally and abroad.
In general, the overall performance of the Bank in the year under review was encouraging. 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, stakeholders and more importantly the employees of the Bank.

Thank You!

Esayas Bahre, President

AN OVERVIEW OF THE ETHIOPIAN ECONOMY

The Ethiopian economy continued to register remarkable growth. Real GDP expanded by 10.3 percent in 2013/14, compared to the GTP target of 11.2 percent for 2013/14. This economic growth has also been impressive compared with the 5.4 percent growth estimated for Sub-Saharan Africa in 2014.

This remarkable growth was mainly attributed to service sector (51.7 percent), agricultural sector (21.9 percent) and industrial sector (26.4 percent). Nominal GDP per capita went up to USD 631.5 from USD 557.6 in the preceding year.

Similarly, real per capita GDP increased by 3.0 percent to USD 377.1 against the preceding year.

All in all, Ethiopian economy registered average annual growth rate of 10.1 percent during the GTP period of 2010/11-2013/14. In line with, the single digit inflation policy target and the Growth and Transformation Plan of the country, the Ethiopian economy is projected to grow by 11.4 percent in 2014/15 in contrast to 4.0 and 5.8 percent growth projected by IMF for the world and SSA respectively.

The agricultural sector showed a moderate growth rate of 5.4 percent in 2013/14 as crop production increased by 6.6 percent, in general and grain crop production by 8.8 percent in particular. Of the total 251.5 million quintals of grain production, cereal production alone constituted 85.8 percent while pulses and oil seeds comprised 14.2 percent.

The growth in agricultural output was mainly attributed to productivity improvements supported by favorable and conducive agricultural development policies and by better productive safety net programs through rehabilitation of the environment by strengthening soil and water conservations.

The share of agriculture in Ethiopian economy during the F.Y 2013/14 was 39.9 percent which went down by 1.9 percentage compared with the preceding year. Likewise, the sector's contribution to GDP growth rate was down by 9.0 percentages compared to 21.9 percent against the previous year witnessing the structural shift of the economy from agriculture to service sector.

On the other hand, the growth rate of the industrial sector was 21.2 percent which was about 2.8 percentages lower than a year earlier. The share of industry in total domestic output was 14.2 percent; 1.3 percentage point up over the preceding year. The sector contributed 26.4 percent to the overall economic growth during the

The share of industrial sector in GDP was very low, despite its faster growth than the other two sectors. This calls for enhancing investment in manufacturing sector taking into account the country's competitive advantages.

Manufacturing sector expanded by 11.3 percent and it contributed about 30.8 percent to industrial output growth and 4.4 percent to real GDP growth. Construction industry, on the other hand, contributed more than half i.e. (53.1 percent) to industrial sector growth and 7.6 percent to GDP growth; implying that construction sector is currently the leading industry due to expanding in the construction of roads, railways, dams and residential houses in the country. Meanwhile, mining & quarrying and electricity and water contribute 8.8 and 7.4 percent to industrial growth, respectively.

Similarly, the service sector was relatively the dominant sector in Ethiopia after it overtook the agricultural sector in 2010/11. Its year- on-year growth was 11.9 percent which was 2.9 percentage point higher than last year. The share of service sector in GDP was about 45.9 percent and its contribution to GTP was about 51.7 percent in 2013/14.

The significant contribution of the sector to GDP had become gripping due to the massive contribution and growth of the major sub-sectors.

Whole sale and retail trade services which expanded by14.5 percent were the major contributors (34.9 percent) to service sector growth followed by real estate, renting and business activities sub-sector which grew annually by 3.9 percent and contributed 17 percent to the sector's growth. Similarly, hotels and restaurants contributed 9.8 percent to the service sector, followed by transport and communication (10.1 percent) and public administration and defense (10.2 percent).

Besides, a total of 163 projects were licensed with a combined investment capital of Birr 5.6 billion during the fiscal year under discussion. Private investment projects constituted 99.4 percent of the total licensed projects. Out of the total private investment projects, 128 were domestic with a capital of Birr 628 million while 34 projects were foreign with total capital of Birr 2.5 billion. The investment projects licensed during the fiscal year are expected to create job opportunities for about 3,936 permanent and 6,425 casual workers.

In general, the Ethiopian economy is expected to record double digit growth in 2014/15 supported mainly by improved macroeconomic stability and weather conditions.

Source: Annual Report of National Bank of Ethiopia for the Year 2013/14.

I. The Bank's Operational Performance Highlights for F.Y.

1.1 OVERALL CREDIT OPERATION

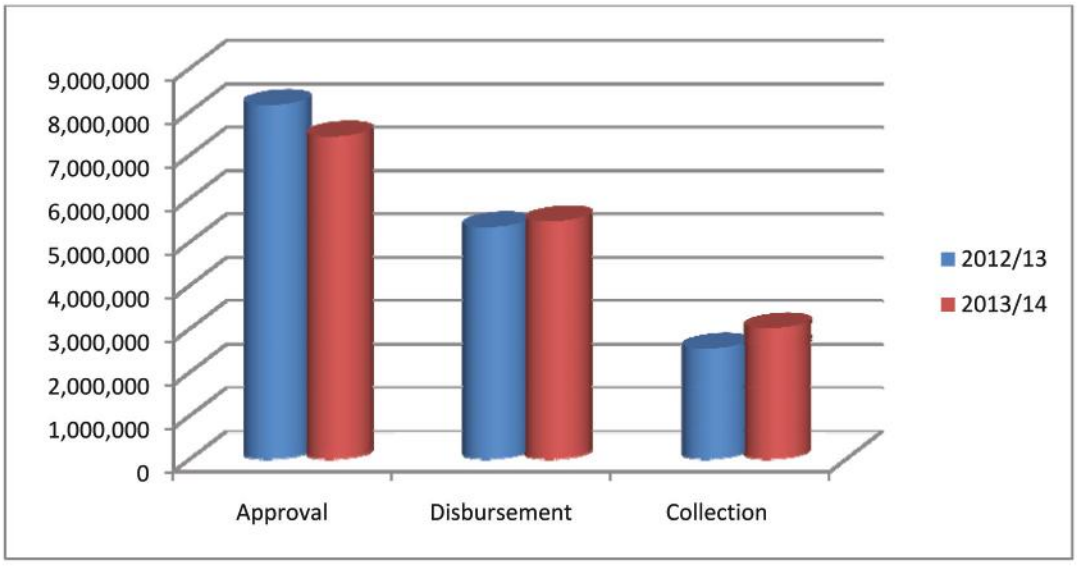
During the fiscal year ended June 30, 2014, the Bank approved over Birr 7.42 Billion and disbursed Birr 5.47 billion for various projects. With regard to collection, a total of Birr 3.05 billion was collected in the same fiscal year. Detail performance data are shown on table 1 below.

Table 1: Operational Performance of the Bank during the fiscal year ended June 30, 2014

Birr '000

Sr. No.	Item	Agriculture		Industry		Mining & Energy		Micro Finance Sector		Service		Consumer		Total		% Change
		2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	
1	Approval	1,357,832	2,046,272	5,806,501	3,609,061	-	23,671	941,884	1,655,429	45,714	49,371	-	40,601	8,151,931	7,424,405	(9)
2	Disbursement	1,202,900	1,110,527	3,169,604	3,542,633	-	95,719	926,232	607,333	13,329	72,450	23,531	43,212	5,335,595	5,471,875	3
3	Collection	519,598	572,273	1,737,940	2,024,895	44,659	32,261	96,583	233,579	141,170	127,644	-	17,190	2,539,950	3,007,841	20

Floriculture industry, Financed by DBE



Credit Perfomance

1.2 Loan Approval

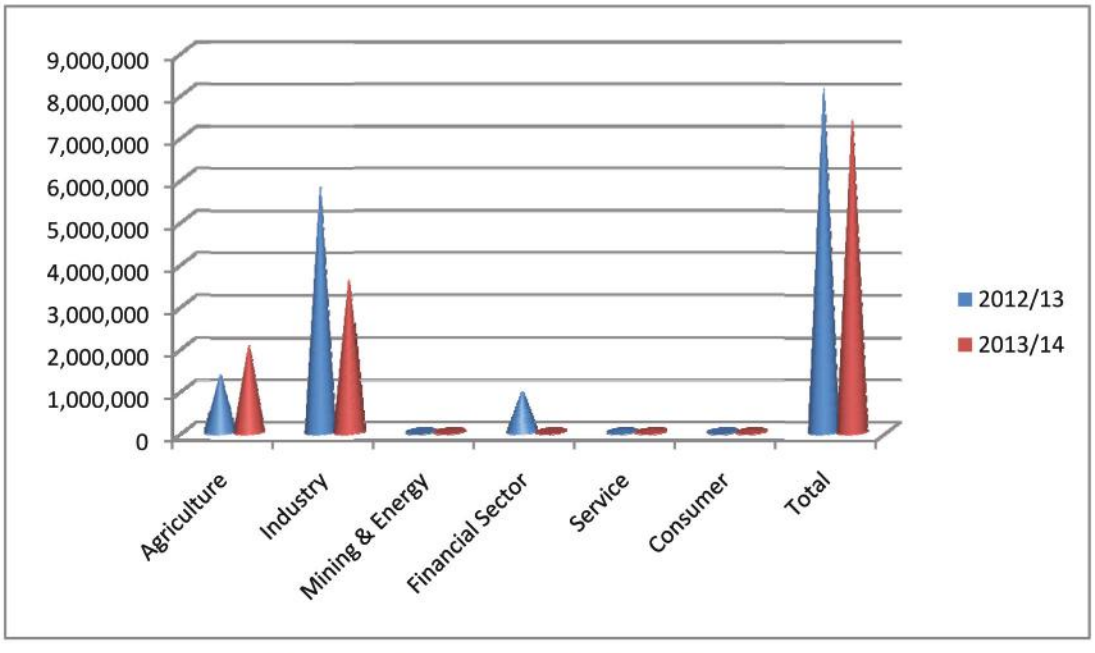
1.2.1 Loan Approval by Economic Sector

During the reporting fiscal year, the Bank approved Birr 7.42 billion. Of which Birr 2.05 billion was approved to agriculture sector, while Birr 3.61 billion to the manufacturing, Birr 0.02 billion to mining and energy, and Birr 1.66 billion to micro-finance institutions. The remaining Birr 0.05 billion and Birr 0.02 billion was to the service and consumer loans respectively. The details are shown in table 2 .

Table 2: Loan Approval by Economic Sectors

000 Birr

Sector	2012/13	2013/14	% Change
1. Agriculture			
Public Enterprises	-	-	-
Cooperative	118,602	146,239	(23)
Private	1,239,230	1,900,033	(53)
Sub-total	**1,357,832**	**2,046,272**	(51)
2. Industry	-	-	-
Public Enterprises	-	70,777	-
Private	5,806,501	3,538,284	(39)
Micro-Enterprises	-	-	-
Sub-total	**5,806,501**	**3,609,061**	(38)
3. Mining and Energy			
Public Enterprises	-	-	-
Cooperative		-	-
Private	-	23,671	-
Sub-total	-	**23,671**	-
4. Financial Service			
Public Enterprises	-	-	-
Microfinance	941,884	1,655,429	(76)
Sub-total	**941,884**	**1,655,429**	(76)
5. Service			
Public Enterprises	-	-	-
Cooperative	-	-	-
Private	45,714	49,371	(8)
Sub-total	**45,714**	**49,371**	(8)
6. Consumer			
Private		40,601	-
Sub-total	-	**40,601**	-
Total	**8,151,931**	**7,424,405**	(9)



Loan Approval Performance

1.2.2 Loan approval by Social Sector

In the year 2013/14, 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

"000 Birr

Sector	2012/13	2013/14
Public Enterprise	-	70,777
Cooperative	118,602	146,239
Private	7,091445	5,551,960
RUFIP/Microfinance	941,884	1,655,429
Total	**8,151,931**	**7,424,405**

1.3 Loan Disbursement

1.3.1 Loan disbursemet by Economic sector

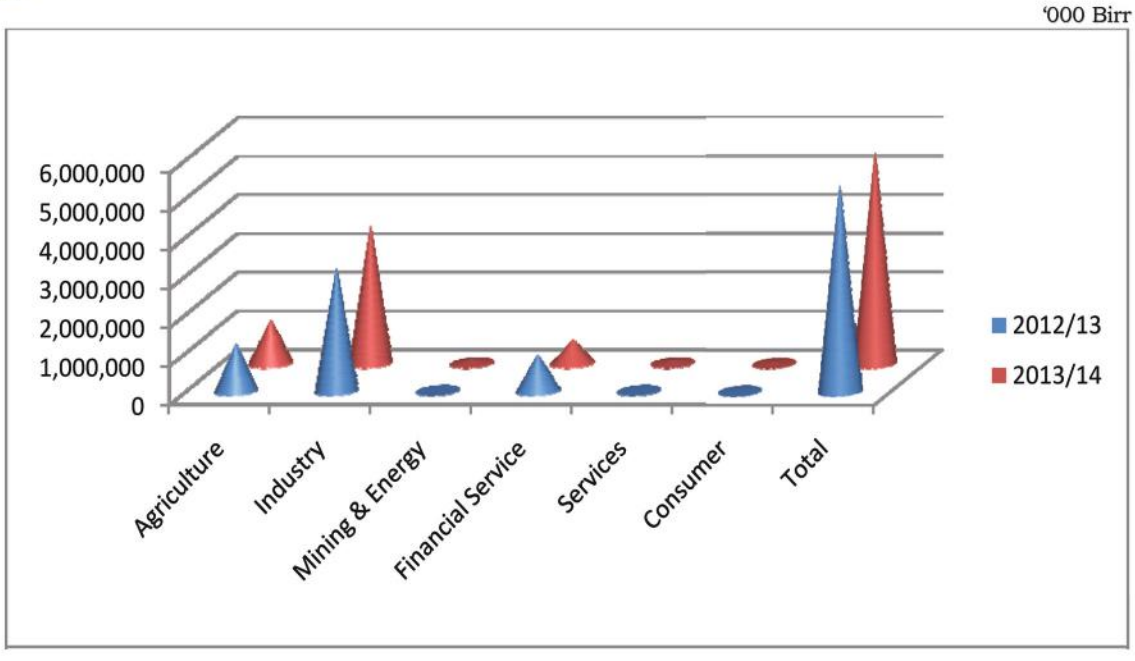
In the reporting period, the Bank disbursed Birr 5.47 billion. An assessment of the sectoral distribution of annual disbursement revealed that, out of the total disbursement; Birr 1.11 billion was disbursed to agriculture sector, while Birr 3.54 billion to industry, Birr 0.1 billion for mining and energy and Birr 0.95 billion was disbursed to the business sectors of private and micro-finance institutions. The remaining Birr 0.12 billion disbursement was to service and consumers.

Commercial farm financed by DBE

Table 4: Loan Disbursement by economic sector

000 Birr

Sector	2012/13	2013/14	% change
1.Agriculture			
Public Enterprises	389,101	-	(100)
Cooperative	71,697	122,985	(72)
Private	742,101	987,543	33
Sub-total	**1,202,899**	**1,110,527**	**(8)**
2.Industry			
Public Enterprises	-	359,969	-
Private	3,169,604	3,182,664	0
Micro-Enterprises	-	-	-
Sub-total	**3,169,604**	**3,542,633**	**(12)**
3. Mining and Energy			
Public Enterprises	-	-	-
Cooperative	-	-	-
Private	-	95,719	-
Sub-total	-	**95,719**	
4. Financial Service			
Public Enterprises	29,976	101,333	(238)
Microfinance	896,256	506,001	(44)
Sub-total	**926,232**	**607,333**	**(34)**
5. Service			
Public Enterprises	-	-	-
Cooperative	-	-	-
Private	13,329	72,450	(444)
Sub-total	**13,329**	**72,450**	**(444)**
6. Consumer			
Private	23,531	43,212	(84)
Sub-total	**23,531**	**43,212**	**(84)**
Total	**5,335,595**	**5,471,875**	**(3)**



Loan disbursement performance

1.3.2 Loan Disbursement by Social Sector

During the year ended June 30, 2014, the Bank disbursed Birr 5.47 billion. Out of which, Birr 4.38 Billion, Birr 461.3 million, Birr 506 million, and Birr 122.9 million, was disbursed to public enterprises, micro-finance, and cooperatives respectively. This shows that the Bank has played a crucial role pertaining to private sector in line with the government agenda.

Table 4: Loan Disbursement by Social sector

Sector	2012/13	2013/14
Public enterprise	419,077	461,302
Cooperative	71,697	122,985
Private	3,948,565	4,381,588
RUFIP	896,256	506,001
Total	5,335,595	5,471,876

1.4 Loan Collection

1.4.1 Loan Collection by Economic sector

In the reporting year, the Bank collected nearly Birr 3.05 billion. With regard to sectoral distribution, Birr 2.07 Billion (67.8%) was collected from manufacturing, Birr 574.6 million (18.8%) from agriculture and Birr 233.58 million (7.7%) from the financial services provided to public enterprises and micro-finance institutions, Birr 32.26 million (1.1%) was collected from mining and energy sector. The remaining Birr 128.56 million (4.2%) and Birr 17.19 million (0.6%) from the previously given service loans and consumer loans. While the share of Microfinance was Birr 191.9 million (5.7%).

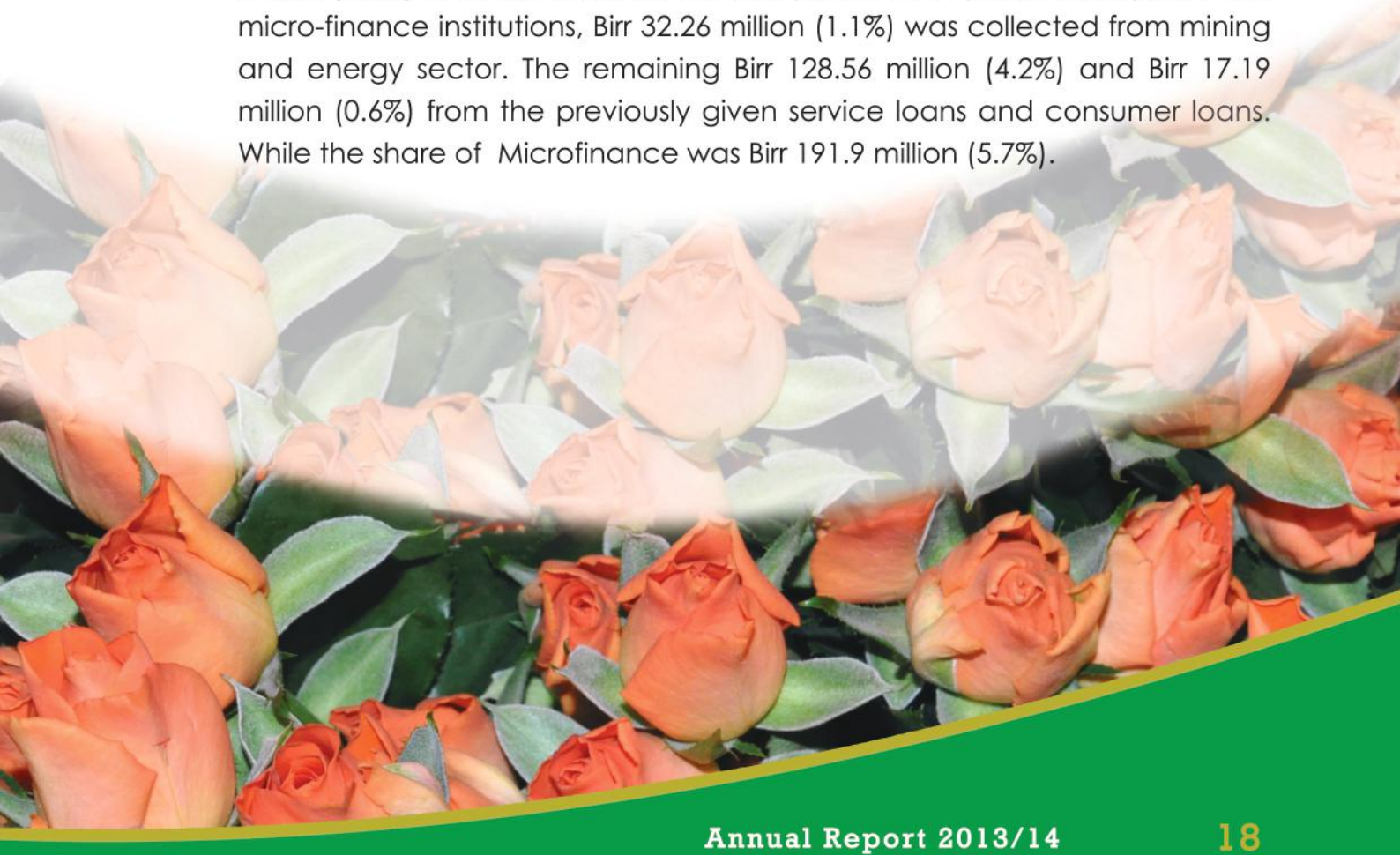
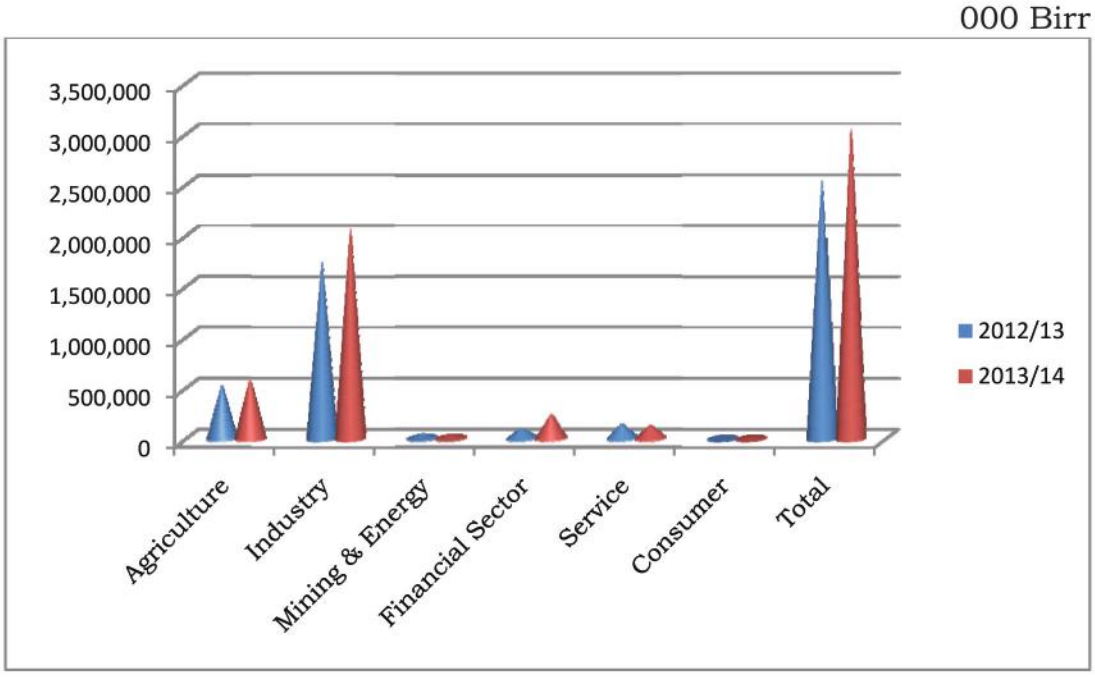


Table 6: Loan collection by economic sector

000 Birr

Sector	2012/13	2013/14	% Change
1. Agriculture			
Public Enterprises	-	-	
Cooperative	173,061	121,308	(30)
Private	346 537	453 312	(31)
Sub-total	**519,598**	**574,620**	**11**
2. Industry			
Public Enterprises	-	93,319	-
Private	1,737,940	1,973,981	(14)
Sub-total	**1,737,940**	**2,067,300**	(19)
3. Mining and Energy			
Public Enterprises	44,659)	-	(100
Cooperative	-	1,699	-
Private	-	30,562	-
Sub-total	**44,659**	**32,261**	**(28)**
4. Financial Service			
Public Enterprises	-	41,583	-
Microfinance	96,583	191,996	(99)
Sub-total	**96,583**	**233,579**	**(142)**
5. Service			
Public Enterprises	-	-	-
Cooperative	-	-	-
Private	141,170	128,602	(9)
Sub-total	**141,170**	**128,602**	(9)
6. Consumer			
Private	-	17,190	-
Sub-total	-	**17,190**	-
Total	**2,539,950**	**3,053,551**	**(20)**



Loan Collection by Economic Sector

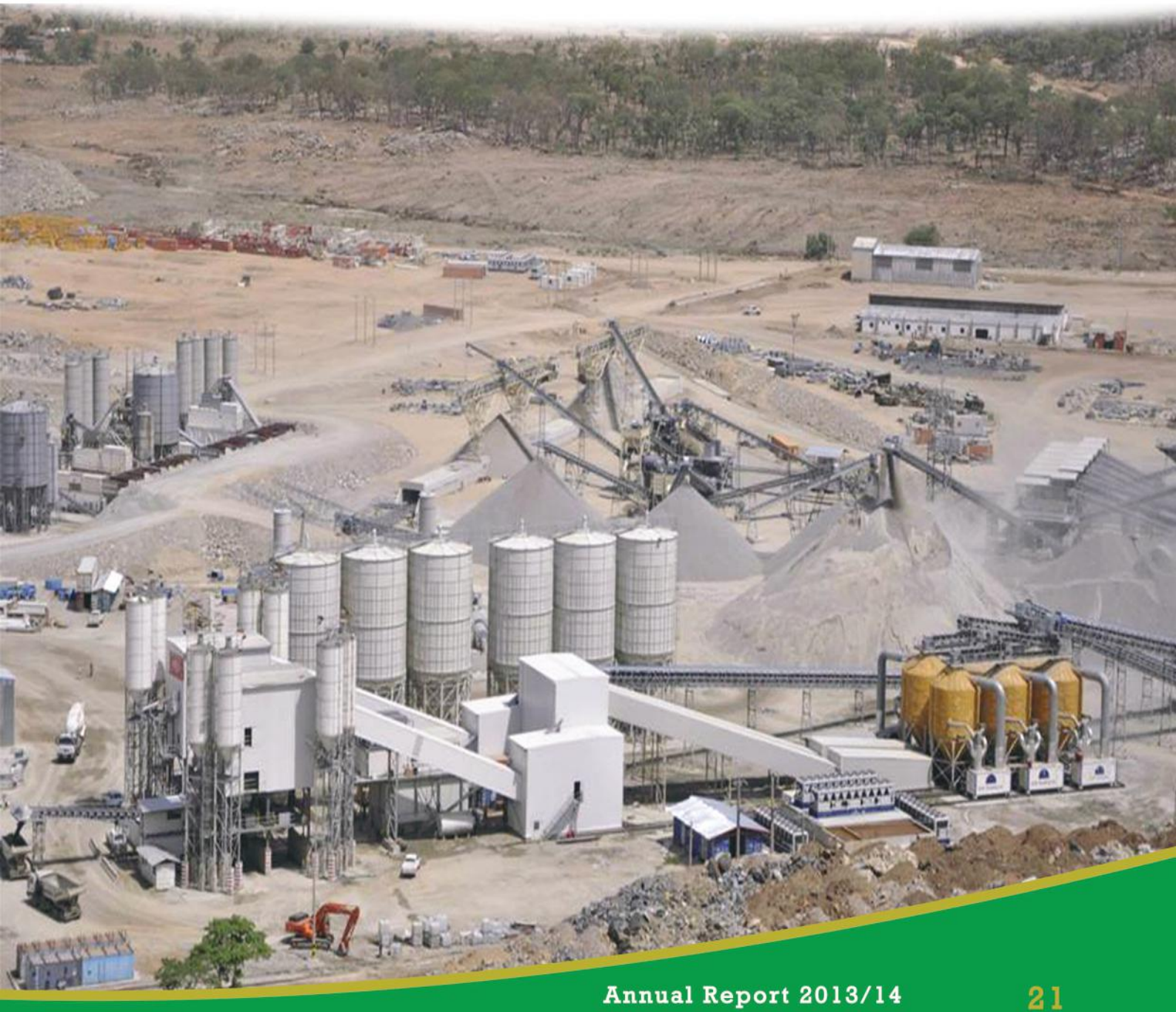
A Manufacturing Industry Financed by DBE

1.4.2 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 2.6 billion ,cooperatives Birr 123 million , microfinance Birr 191.9 million and public enterprises accounted for Birr 134.9 million. This shows that the biggest collection was made from the private sector.

Table 7: Loan Collection by Social Sector

Sector	2012/2013	2013/2014
Public Enterprise	44,659	134,902
Cooperative	173,061	123,007
Private	2,225,647	2,603,647
Microfinance	96,583	191,996
Total	2,539,950	3,053,551



2. Loan Portfolio

2.1 Loan Outstanding Balance by Sector

The Bank's total outstanding loan as at June 30, 2014 was Birr 22.5 billion. The total loans and advance 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 Regions was Birr 19.89 billion (88%) and Birr 2.62 billion (12%) respectively.

2.2 Rural Financial Intermediation Program (RUFIP)

In the reporting period, loan approvals by RUFIP amounted to Birr 1.65 billion. The cumulative amount of loan disbursement during the year has reached Birr 506 million.

The reason for this over achievement was that the programme had been approved outsized loan for the programmed year one from the total program year's allocation amount by considering the demand of MFIs, RUSACCOs and Unions.

In the fiscal year, Birr 42.98 million was approved for 450 Rural Electrification Projects (REP). The disbursement and collection from REF projects was Birr 89.09 million and Birr 641 thousand, respectively. Furthermore, the Rural Electrification commission collection was Birr 2.6 million.

2.3 Special Fund Administration and Export Credit Guarantee

Export Credit Guarantee Scheme

The Bank has earned guarantee fee of Birr 1.5 million from Export Credit Guarantee scheme and the country secured foreign currency of Birr 812.1 million (USD 41.52 million) from pre-shipment export guarantee issuance. Furthermore, during the fiscal year under review, the principal ECG outstanding loans amount to Birr 240.9 million was settled by 14 beneficiaries. In addition, financial guarantee of Birr 97.6 million was given to 11 clients during the year under review.

2.4 Socio - Economic Benefit

The existing projects that are financed by the Bank have created employment opportunities for 64,002 individuals on permanent and casual levels as of June 30, 2014. During the year under review the newly approved 346 projects are assumed to create employment opportunities for 22,466 people (16,513 permanent and 5,953 casual levels). This shows that how the Bank is playing significant role in reducing unemployment rate of the country.

With regard to tax revenue and foreign exchange. These financed projects are expected to generate Birr 1.07 billion and Birr 6.19 Billion per annum respectively. Besides to this, RUFIP also created a great number of job opportunities.

3. Human Resource Management Activities

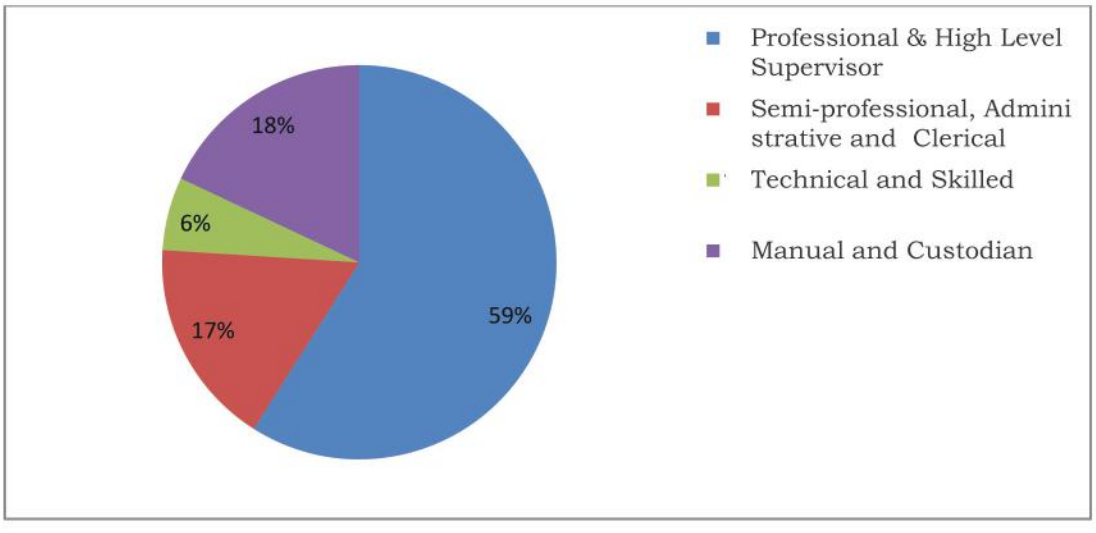
3.1 Human Resource Management

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 competencies 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 skilled work force will eventually provide a boost to the Bank for continued success in services offered, and propel the Bank into new opportunities.

During the fiscal year, the Bank has filled job position for 237 employees from both internal and external sources. As of June 30, 2014, the total manpower balance of the Bank stood 1,210. The Bank's manpower stock by occupational category can be classified further as 713 (59%) professional and high level supervisor, 210 (17%) semi professional, administrative and clerical, 78(6%) technical and skilled while the remaining 209 (18%) are manual and custodian. The following table indicates composition of human resource development of the fiscal year ended June 30, 2014.

	Professional and Semi-Professional High Level Supervisor	Semi-professional Administrative and Clerical	Technical and Skilled	Manual and Custodian	Total
No. of Employees	713	210	78	209	1210
% Share	59%	17%	6%	18%	100%



Composition of Human Resource Development as of June 30, 2014

3.2 Training and Education

The increased business levels transaction during the period under review required additional investment in the Bank's human resource capacity. In addition to the recruitment of new staff, the Bank continued to improve 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 have planned to be performed in the strategic period. Accordingly, during the fiscal year under review, 1,917 trainees participated in various local and foreign training programmes.

4. Research Activities in the Bank

The Research Unit of the Bank handles all the tasks of availing research information and data mainly for the core Units of the Bank namely the Credit Process, Appraisal Sub Process, Project Rehabilitation and Loan Recovery Sub Process and Regional Offices.

The Research Unit is one of the key support organs of the Bank and has five mandates, namely the commodity study preparation, model bankable project preparation, cross cutting project supporting data establishment, the civil cost development, and the machinery, equipments, furniture and fixture data organization. All the outputs have updating works periodically and also intended to serve the Approval Team, Compliance and Risk Management Process, Regions and Branches.

To satisfy the cur¬rent credit demand from different sectors/commodity the output of research has been compiled, updated and disseminated. Accordingly, in the reporting period, various new commodity studies and updating have been carried out.

5. Financial Management

The 2013/14 fiscal year was the fourth year of Five Year Corporate Plan (2010/11-2015/16) in which the Bank registered strong financial performance, discussed here under.

5.1 Income and Expenses

5.1.1 Income

During the year, the Bank has earned a total income of Birr 2.04 Billion which is 92% of the Plan. When compared with last year, this year total income increased by 25%. The increase was largely due to growth in the overall disbursement of loan and advances. Moreover, from the total income, 69% gained (Birr 1.4 Billion) from interest earned on loan and advance, 14% (Birr 284.4 Million) is from interest earned on Treasury bill while the remaining 17% was derived from gain on currency fluctuation and other income.

5.1.2 Expenses

The 2013/14 fiscal year was the fourth year of Five Year Corporate Plan (2010/11-2015/16) in which the Bank registered strong financial performance, discussed here under. the total expense. In comparison with the previous year, this year expense has been increased by 20%. The major reasons attributed to this increment are interest expense and some price hike of on general expenses.

5.1.3 Profit/ Loss

During the fiscal year, the Bank earned a net profit of Birr 527.4 million, which is 85% of the annual target Birr 617.9 million. The performance compared with previous year has increased by 7%.

5.1.4 Currency Generation

During the year under review, the Bank generated Birr 3.2 billion from foreign transaction and exchange in different currencies. When compared with last year same period, this year performance in export earnings increased by 22%.

The export proceeds and currency purchase is planned to be Birr 2.86 Billion while the actual performance is Birr 3.2 Billion which is 113% of the planned target. Out of which Birr 2.64 Billion is export proceed and Birr 578.93 million from investment in client's capital account. When compared with the preceding year performance of 2.64 Billion it has increased by 22%.

5.1.5 Grand Renaissance Dam Bond/Hidase Bond

During the fiscal year, the Bank collected Birr 1.07 billion from the selling of Renaissance Dam Bond which is 130% of the plan target. Such performance has been contributed due to increase awareness of the public on the third anniversary of the laying of the foundation of Grand Ethiopian Renaissance Dam (GERD) which has resulted due to airing of various media promotional works.

During the year under review, the Bank has also participated on national programs of third year's anniversary of Grand Ethiopian Renaissance Dam.

From the total yearly sales of Hidase Bond, the share of CBE, Fund Management, Micro Finance Institutions and Regional offices is Birr 931.9 million (87%), Birr 82.6 million (8%) ,Birr 35 million (3%), and Birr 23.1 million (2%) respectively.

6. Concern to the Environment

In the environment of livelihood inhabitants the activities of humans threaten the Earth's ability to sustain future generations and the way society obtains its resources has caused irreversible changes that are degrading the natural resources that support life on Earth. Hence, the concern to the environment has been given due attention globally.

In line with this, one of the core values of the Development Bank of Ethiopia is also providing due concern to environment issues in its financed projects so as to utilize scarce resources for maintaining sustainable development for future generation while supporting the economic development of the country.

Pertaining to this, the Bank has prepared the environmental policy/guideline and hence is providing financial support for projects based on the guideline's evaluation of project environmental impact assessment. In line with this, the bank has started carbon financing agreement in its project financing related to market development and renewable energy projects. Thus, experience sharing regarding financing of environmentally friendly projects and project financing which makes energy efficient is necessary that accounts on energy efficiency at project commencement and implementation as well.

Moreover, the Bank should further look for environment policy support with responsible stakeholders and unit that handles project environmental impact assessments.

Audit Report

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AUDIT SERVICES
CORPORATION

DEVELOPMENT BANK OF ETHIOPIA
INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS
30 JUNE 2014

የሂሳብ ምርመራ አገልግሎት ኮርፖሬሽን
AUDIT SERVICES CORPORATION

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አዲስ አበባ ADDIS ABABA

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 2014, 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.

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

**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 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Commercial Code of Ethiopia of 1960.

Audit Services Corporation

3 June 2015

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

DEVELOPMENT BANK OF ETHIOPIA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 Ethiopian Birr	2013 Ethiopian Birr
INTEREST INCOME	3	1,696,319,571	1,375,182,581
INTEREST EXPENSE	4	873,114,167	718,941,041
NET INTEREST INCOME		823,205,404	656,241,540
OTHER INCOME	5	345,082,085	259,550,897
		1,168,287,489	915,792,437
OPERATING EXPENSES			
Staff emoluments	6	153,362,651	94,396,705
Administrative and general expenses	7	81,724,676	97,639,725
Depreciation		29,346,267	18,087,858
Provision for doubtful accounts		259,754,398	90,529,847
Bad debts written off		3,442,795	17,426,655
Board fees		172,450	133,500
Audit fee		363,000	288,250
		528,166,237	318,502,540
PROFIT BEFORE TAX		**640,121,252**	**597,289,897**
Income tax expense	8 (a)	107,129,210	104,644,153
PROFIT FOR THE YEAR		**532,992,042**	**492,645,744**

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

DEVELOPMENT BANK OF ETHIOPIA
BALANCE SHEET
AS AT 30 JUNE 2014

	Notes	2014 Ethiopian Birr	2013 Ethiopian Birr
ASSETS			
Cash on hand and bank balances with National Bank of Ethiopia		933,623,264	347,291,133
Deposits with local banks		225,139,041	301,183,202
Deposits with foreign banks		1,886,681,034	1,370,165,621
		3,045,443,339	2,018,639,956
Treasury bills		11,266,060,727	9,588,985,921
Ethiopian Government bonds	9	71,542,808	80,075,276
Loans and advances	10	19,984,280,299	16,631,296,157
Property, plant and equipment	11	166,186,071	170,733,779
Property held for sale		70,530,879	80,962,801
Other assets	12	1,119,667,154	950,693,950
		35,723,711,277	**29,521,387,840**
EQUITY AND LIABILITIES			
SHORT TERM LIABILITIES			
Customers' deposits	13	617,999,738	673,987,429
Current maturity of long term borrowings	14	55,557,342	76,622,596
Other liabilities	15	4,762,589,043	3,576,103,372
Current tax liabilities	8 (d)	96,875,437	92,914,895
		5,533,021,560	**4,419,628,292**
LONG TERM LIABILITIES			
Long term borrowings	14	26,607,845,568	22,056,200,049
Deferred tax liability	16	6,769,896	5,996,560
		26,614,615,464	**22,062,196,609**
CAPITAL AND RESERVES			
CAPITAL	17		
Authorized Birr 3,000,000,000			
Paid up		1,800,000,000	1,800,000,000
Donated capital		3,519,272	-
LEGAL RESERVE	18	466,326,825	333,078,815
ACCUMULATED PROFIT		1,306,228,156	906,484,124
TOTAL EQUITY		**3,576,074,253**	**3,039,562,939**
TOTAL EQUITY AND LIABILITIES		**35,723,711,277**	**29,521,387,840**

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

DEVELOPMENT BANK OF ETHIOPIA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Capital Ethiopian Birr	Donated Capital Ethiopian Birr	Legal reserve Ethiopian Birr	Accumulated profit Ethiopian Birr	Total Ethiopian Birr
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
Donation received		3,519,272			3,519,272
Profit for the year				532,992,042	532,992,042
Transfer to legal reserve			133,248,010	(133,248,010)	-
Balance at 30 June 2014	**1,800,000,000**	**3,519,272**	**466,326,825**	**1,306,228,156**	**3,576,074,253**

The Federal Democratic Republic of Ethiopia • Audit Services Corporation •

DEVELOPMENT BANK OF ETHIOPIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	2014 Ethiopian Birr	2013 Ethiopian Birr
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	532,992,042	492,645,744
Adjustments for		
Income tax expense recognized in profit or loss	107,129,210	104,644,153
Gain on foreign exchange recognized in profit or loss	(140,001,855)	(105,757,939)
Domestic interest recognized in profit or loss	(284,632,331)	(244,405,694)
Discount on bonds recognized in profit or loss	1,286,751	18,327,239
Provisions against other assets recognized in profit or loss	263,197,193	107,956,333
Depreciation of non-current assets	30,521,758	20,142,357
Gain on disposal of property, plant and equipment	(829,045)	-
	509,663,723	393,552,193
Movements in operating assets		
(Increase) decrease in other assets	(242,032,905)	221,753,053
Increase in loans and advances	(3,659,703,791)	(3,933,025,364)
(Decrease) increase in deposits	(55,987,691)	57,000,917
Increase (decrease) in other liabilities	1,183,817,591	(178,857,829)
Cash used in operations	**(2,264,243,073)**	**(3,439,577,030)**
Gain on foreign exchange received	140,001,855	105,757,939
Income tax paid	(99,727,252)	(83,219,130)
Net cash used by operating activities	**(2,223,968,470)**	**(3,417,038,221)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Domestic deposit interest received	411,646,410	330,976,872
Payments for property, plant and equipment	(22,454,783)	(43,495,408)
Proceeds from sale of property, plant and equipment	829,050	-
Payments for purchase of Government bonds	(18,758,946)	-
Proceeds from redemption of Government bonds	26,004,663	52,009,325
Net cash generated by investing activities	**397,266,394**	**339,490,789**
CASH FLOWS FROM FINANCING ACTIVITIES		
Investments in treasury bills	1,065,248,441	(1,872,985,921)
Proceeds from borrowings	5,662,681,499	6,818,499,830
Repayment of borrowings	(1,132,101,234)	(1,259,054,067)
Net cash generated from financing activities	**5,595,828,706**	**3,686,459,842**
Increase in cash and cash equivalents	**3,769,126,630**	**608,912,410**
Cash and cash equivalents at the beginning of the year	2,018,639,956	1,409,727,546
Cash and cash equivalents at the end of the year	**5,787,766,586**	**2,018,639,956**
Cash and cash equivalents comprise		
Cash on hand and bank balances with National Bank of Ethiopia	933,623,264	347,291,133
Deposits with banking institutions	2,111,820,075	1,671,348,823
Treasury bills, maturing within 3 months	2,742,323,247	-
	5,787,766,586	**2,018,639,956**

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

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.

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

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 Bank'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 Bank 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

Treasury bills are stated at cost plus accrued interest.

i) Ethiopian Government bonds

Ethiopian Government bonds are measured at amortised cost using the effective interest method.

j) 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 31and 90 days	3
Between 91and 180 days	20
Between 181and 360 days	65
More than 360 days	100

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Tangible assets

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.

	%
Buildings	5
Computer installations	25
Other assets	20

l) 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.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances at the National Bank of Ethiopia, deposit accounts with other banks 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.

n) 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.

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

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

		2014 Ethiopian Birr	2013 Ethiopian Birr
3	**INTEREST INCOME**		
	Industrial loans	1,030,882,171	949,494,779
	Treasury bills	284,371,190	243,863,733
	Service loans	211,636,400	118,363,222
	Agricultural loans	169,168,669	62,918,886
	Miscellaneous	261,141	541,961
		1,696,319,571	**1,375,182,581**
4	**INTEREST EXPENSE**		
	Domestic loans	518,945,413	417,236,925
	Government Saving Bonds	254,765,453	193,890,878
	International loans	50,282,353	31,900,768
	Coupon bonds	29,284,932	56,235,482
	Time deposits	19,428,898	19,384,856
	Saving accounts	407,118	292,132
		873,114,167	**718,941,041**
5	**OTHER INCOME**		
	Services	157,696,773	129,708,538
	Gain on foreign exchange	140,001,855	105,757,939
	Bad debts collected	18,758,946	169
	Gain on disposal of assets awaiting sale	11,185,392	15,758,402
	Rent	6,012,871	4,533,563
	Miscellaneous	11,426,248	3,792,286
		345,082,085	**259,550,897**

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

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

		2014 Ethiopian Birr	2013 Ethiopian Birr
6	**STAFF EMOLUMENTS**		
	Salaries and wages	97,507,995	60,724,542
	Allowances	24,148,171	13,214,549
	Pension contributions	7,568,732	3,819,908
	Travelling and per diem	5,640,057	5,286,433
	Medical	5,535,041	3,780,289
	Training and education	4,533,806	4,682,059
	Uniforms	1,183,014	1,240,072
	Miscellaneous	7,245,835	1,648,853
		153,362,651	**94,396,705**

7	**ADMINISTRATIVE AND GENERAL EXPENSES**		
	Repairs and maintenance	17,886,028	7,904,862
	Cost related to property held for sale	13,041,815	4,773,075
	Printing of saving bonds	10,919,074	28,553,617
	Insurance	5,359,369	3,797,706
	Loss on bond and share dealing	4,951,322	25,658,127
	Printing and stationery	4,140,193	3,311,775
	Communications	3,119,685	3,011,523
	Technical and feasibility studies	2,621,249	2,370,324
	Subscriptions and publications	2,398,213	337,962
	Communications	2,360,024	6,209,657
	Security and cleaning	2,039,646	-
	Advertisement and publicity	1,473,597	1,800,024
	Utilities	1,383,265	1,264,677
	Licences and taxes	1,215,071	528,868
	Penalty	1,195,651	-
	Entertainment	952,703	1,662,567
	Consultancy	771,524	1,280,958
	Bank charges	579,240	1,210,600
	Rent	381,652	337,090
	Rent tax expense		1,423,100
	Miscellaneous	4,935,355	2,203,213
		81,724,676	**97,639,725**

Federal Democratic Republic of Ethiopia Audit Services Corporation

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

	2014 Ethiopian Birr	2013 Ethiopian Birr
8 TAXATION		
(a) Profit and loss account - Income tax expense		
Current taxation		
based on the adjusted profit for		
the year at 30%	106,342,817	101,342,539
in respect of prior years	-	(1,799,851)
Tax on foreign deposit interest	13,057	27,098
Current tax	**106,355,874**	**99,569,786**
Deferred tax in respect to the current year	779,336	5,100,794
Deferred tax in respect to prior years	(6,000)	(26,427)
	107,129,210	**104,644,153**
(b) Tax expense computation		
Net profit before taxation	640,121,252	597,289,897
Add: Disallowed expenses		
Accounting depreciation	30,521,757	20,246,656
Penalty	1,195,651	-
Entertainment	952,703	1,662,567
Donations	22,388	264,340
	32,692,499	22,173,563
Less: Allowed expenses		
Tax depreciation	32,290,496	37,233,109
Less: Income taxed at source or exempt		
Interest on treasury bills	284,371,190	243,863,733
Foreign deposit interest	261,141	541,961
Interest on local banks	585,819	-
Gain on disposal of property, plant and equipment	829,050	16,193
	286,047,200	244,421,887
Taxable profit	**354,476,055**	**337,808,464**
Income tax at 30%	106,342,817	101,342,539
Tax on foreign deposit interest	13,057	27,098
Deferred taxation	773,336	5,074,367
Adjustments recognized in the current year in relation to current tax of prior years	-	(1,799,851)
Tax expense	**107,129,210**	**104,644,153**

The Federal Democratic Republic of Ethiopia Audit Services Corporation

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

	2014 Ethiopian Birr	2013 Ethiopian Birr
Net profit before taxation	640,121,252	597,289,897
Tax at the applicable rate of 30%	192,036,376	179,186,969
Tax effect of expenses not deductible for tax purposes	9,807,750	6,652,069
Tax effect of temporary differences recognized as deferred tax liabilities	779,336	5,100,794
Tax effect of income taxed at source or exempt	(95,488,252)	(84,469,401)
Adjustments recognized in the current year in relation to prior years	(6,000)	(1,826,278)
Tax expense	**107,129,210**	**104,644,153**

(d) Balance sheet - Tax payable

At the beginning of the year	92,914,895	89,759,785
Transfer to other liabilities	(2,668,080)	(14,995,397)
	90,246,815	74,764,388
Paid during the year	(99,727,252)	(83,219,130)
Current year tax payable	106,355,874	101,369,637
	96,875,437	**92,914,895**

(e) Current tax rate

The current tax rate is 30%.

9 ETHIOPIAN GOVERNMENT BONDS

Non-interest bearing bond	-	7,905,200
Non-interest bearing bond maturing in equal annual instalments from January 2015 to January 2018	57,736,060	72,170,076
Non-interest bearing bond maturing in equal annual instalments from February 2016 to February 2025	13,806,748	-
	71,542,808	**80,075,276**

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

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

	2014 Ethiopian Birr	2013 Ethiopian Birr
10 LOANS AND ADVANCES		
Industrial	15,324,708,653	13,332,206,126
Agriculture	2,575,793,199	1,861,230,929
Other business	3,498,079,677	2,628,117,860
Staff	73,715,213	46,654,975
	21,472,296,742	**17,868,209,890**
Less: Provision for impairment	1,488,016,443	1,236,913,733
	19,984,280,299	**16,631,296,157**

11 PROPERTY, PLANT AND EQUIPMENT

	Balance at 30 June 2013 ETB	Additions ETB	Disposals ETB	Balance at 30 June 2014 ETB
COST				
Buildings	106,290,477	1,438,149	-	107,728,626
Motor vehicles	131,111,758	5,397,862	(221,116)	136,288,504
Computer installations	65,229,175	6,609,862	-	71,839,037
Furniture and office equipment	20,468,987	7,709,720	-	28,178,707
Assets in store and in transit	19,594,655	4,818,462	-	24,413,117
	342,695,052	**25,974,055**	**(221,116)**	**368,447,991**
DEPRECIATION				
Buildings	94,899,086	2,683,097	-	97,582,183
Motor vehicles	42,296,214	21,612,263	(221,111)	63,687,366
Computer installations	24,387,376	4,997,870	-	29,385,246
Furniture and office equipment	10,378,597	1,228,528	-	11,607,125
	171,961,273	**30,521,758**	**(221,111)**	**202,261,920**
NET BOOK VALUE	**170,733,779**			**166,186,071**

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

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

		2014 Ethiopian Birr	2013 Ethiopian Birr
12	**OTHER ASSETS**		
	Accrued interest on loans	1,085,371,521	955,734,871
	Accounts receivable and prepayments	47,985,872	11,188,740
	Equity investment	5,030,000	5,030,000
	Uncleared effects	1,684,772	40,390,750
	Bills and notes receivable	-	12,708,979
		1,140,072,165	1,025,053,340
	Total provisions	20,405,011	74,359,390
		1,119,667,154	**950,693,950**

13	**CUSTOMERS' DEPOSITS**		
	Time deposits	363,156,960	363,156,960
	Demand deposits	199,513,911	184,148,578
	Retentions payable on letters of credit	41,574,046	115,717,599
	Savings deposits	13,754,821	10,964,293
		617,999,738	**673,987,429**

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

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

		Ethiopian Birr
14	**LONG TERM BORROWINGS**	
	Balance at 30 June 2013	22,132,822,645
	Additional loans during the year	5,662,681,499
		27,795,504,144
	Less: Repayments	1,132,101,234
		26,663,402,910
	Less: Repayable within 12 months	55,557,342
	Balance at 30 June 2014	**26,607,845,568**

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	20,257,000,000
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	2,882,343,010
Ministry of Finance and Economic Development	
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	231,000,310
Loan on-lent from European Investment Bank, bearing interest at the rate of 2.5% per annum and repayable by March 2014	181,887,013
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	2,504,752,849
Loan on-lent from China Development Bank, bearing interest at the rate of 2.9465% per annum and repayable by May 2022	494,321,250
Other interest-free advances from Ethiopian funds	112,098,478
	26,663,402,910

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

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

	2014 Ethiopian Birr	2013 Ethiopian Birr
15 OTHER LIABILITIES		
Other payables	3,930,174,603	3,030,096,951
Accrued interest on loans	711,102,696	441,190,477
Export Credit Guarantee Fund	100,063,877	96,127,605
Accrued charges	21,247,867	8,688,339
	4,762,589,043	**3,576,103,372**

16 DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted rate, currently at 30%. The deferred tax liability at year end is attributable to the difference between the tax basis of property, plant and equipment and its carrying value for financial reporting purposes.

Movement on the deferred tax account is as follows		
At 30 June 2012	5,996,560	922,193
Adjustments	(6,000)	(26,427)
Charge to profit or loss (note 8 (a)	779,336	5,100,794
	6,769,896	**5,996,560**

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 32,721,232 for the purchase of various capital items.

22 CONTINGENT LIABILITIES

The Bank has contingent liabilities, not provided for in these financial statements, of Birr 43,262,500 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 3 June 2015.

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

Senior Management Members

1. Ato Gedion Mekonnen, Manager, Credit Process
2. Ato Getachew Wakie, Manager, Internal Audit Process
3. Ato Taye Jiru Manager, Project Rehabilitation and Loan Recovery Sub-Process
4. Ato Natnael Hailu, Manager, Project Appraisal Sub-Process
5. W/ro Almaz Tilahun, Manager, Compliance and Risk Management Process
6. Ato Getachew Mengistu, Chairman, Loan Approval Team
7. Ato Teshome Alemayehu, Manager, Strategic Planning and Development Effectiveness Process
8. Ato Getnet Temechew, Manager, Legal Process
9. Ato Getachew Kebede, Manager, Human Resource Management Process
10. Ato Berhanu Taye Tola, Manager, Business Promotion and Communication Process
11. Ato Dereje Daba, Manager, Research Process
12. Ato Samson Getachew, Manager, Information Technology Services Process
13. Ato Tirfu Adhanom, Manager, Finance and Accounts Management Process
14. Ato Yohannes Belachew, Manager, International Banking Process
15. Ato Getachew Seyoum, Manager, Property Management Process
16. Ato Frew Kassa, Manager, GERD Bond Process
17. Ato Bahiru Haile Director, Rural Financial Intermediation Program (RUFIP)
18. Ato Getahun Chekol, Manager, Ethics and Compliant Management Bureau
19. Ato Yilma Abebe, Manager, Change Management Bureau
20. W/ro Yemenzwork Girefie, Manager, Export Credit Guarantee and Special Fund Administration Bureau
21. Eng.Seyoum Desta,Chief Engineer
22. Ato Kedir Beshir, Executive Assistant
23. Ato Bekabil Berhanu, Executive Assistant
24. Ato Workashe Chema, Executive Assistant
25. Ato Nejib Kamil, Manager, South Region
26. Ato Teshome Abebe, Manager, West Region
27. Ato Tsehay Taye Manager, Northwest Region
28. Ato Hadush G/Egziabher, Manager, North Region
29. Dr. Behailu Kassaye, Manager, Central Region