

Annual Report

For the Year Ended June 30, 2015



የኢትዮጵያ ልማት ባንክ
**DEVELOPMENT
BANK OF ETHIOPIA**

የልማት አጋርዎ!
**Your Development
Partner!**

ታላቁ የኢትዮጵያ ህዳሴ ግድብ በንድ

Grand Ethiopian Renaissance Dam Bond



፳፭ ትላቁ የኢትዮጵያ ህዳሴ ግድብ በንድ
Grand Ethiopian Renaissance Dam Bond

የላሳፍ መጠን%
Interest Rate

የላሳፍ ቦታ
P.A.

የላሳፍ ቁጥር
Sr. № 0000013 HA

፳፭ ሺህ ሳር ትግን
THIRTY FIVE BIRR COUPON

፲ ትላቁ የኢትዮጵያ ህዳሴ ግድብ በንድ
Grand Ethiopian Renaissance Dam Bond

የላሳፍ መጠን%
Interest Rate

የላሳፍ ቦታ
P.A.

የላሳፍ ቁጥር
Sr. № 0001710 HC

፲ ሺህ ሳር ትግን
ONE BIRR COUPON

፲፫ ትላቁ የኢትዮጵያ ህዳሴ ግድብ በንድ
Grand Ethiopian Renaissance Dam Bond

የላሳፍ መጠን%
Interest Rate

የላሳፍ ቦታ
P.A.

የላሳፍ ቁጥር
Sr. № 0001411 HD

፲፫ ሺህ ሳር ትግን
THREE HUNDRED BIRR COUPON

፭፻ ትላቁ የኢትዮጵያ ህዳሴ ግድብ በንድ
Grand Ethiopian Renaissance Dam Bond

የላሳፍ መጠን%
Interest Rate

የላሳፍ ቦታ
P.A.

የላሳፍ ቁጥር
Sr. № 0041634 HE

፭፻ ሺህ ሳር ትግን
FIVE HUNDRED BIRR COUPON

፵፻ ትላቁ የኢትዮጵያ ህዳሴ ግድብ በንድ
Grand Ethiopian Renaissance Dam Bond

የላሳፍ መጠን%
Interest Rate

የላሳፍ ቦታ
P.A.

የላሳፍ ቁጥር
Sr. № 0002311 HG

፵፻ ሺህ ሳር ትግን
FIVE HUNDRED BIRR COUPON

፵፻ ትላቁ የኢትዮጵያ ህዳሴ ግድብ በንድ
Grand Ethiopian Renaissance Dam Bond

የላሳፍ መጠን%
Interest Rate

የላሳፍ ቦታ
P.A.

የላሳፍ ቁጥር
Sr. № 0002101 HH

፵፻ ሺህ ሳር ትግን
FIVE HUNDRED BIRR COUPON

፲፫ ትላቁ የኢትዮጵያ ህዳሴ ግድብ በንድ
Grand Ethiopian Renaissance Dam Bond

የላሳፍ መጠን%
Interest Rate

የላሳፍ ቦታ
P.A.

የላሳፍ ቁጥር
Sr. № 0020499 HI

፲፫ ሺህ ሳር ትግን
TEN THOUSAND BIRR COUPON

፭፻፲፫ ትላቁ የኢትዮጵያ ህዳሴ ግድብ በንድ
Grand Ethiopian Renaissance Dam Bond

የላሳፍ መጠን%
Interest Rate

የላሳፍ ቦታ
P.A.

የላሳፍ ቁጥር
Sr. № 0005549 IJ

፭፻፲፫ ሺህ ሳር ትግን
FIFTY THOUSAND BIRR COUPON

፲፫፻፲፫ ትላቁ የኢትዮጵያ ህዳሴ ግድብ በንድ
Grand Ethiopian Renaissance Dam Bond

የላሳፍ መጠን%
Interest Rate

የላሳፍ ቦታ
P.A.

የላሳፍ ቁጥር
Sr. № 0004002 HK

፲፫፻፲፫ ሺህ ሳር ትግን
ONE HUNDRED THOUSAND BIRR COUPON

፳፻፲፫ ትላቁ የኢትዮጵያ ህዳሴ ግድብ በንድ
Grand Ethiopian Renaissance Dam Bond

የላሳፍ መጠን%
Interest Rate

የላሳፍ ቦታ
P.A.

የላሳፍ ቁጥር
Sr. № 0000957 HL

፳፻፲፫ ሺህ ሳር ትግን
THIRTY THOUSAND BIRR COUPON

፵፻፲፫ ትላቁ የኢትዮጵያ መንግሥት የቀጠበ በንድ ኩፖን
Ethiopian Government Saving Bond Coupon

የላሳፍ መጠን%
Interest Rate

የላሳፍ ቦታ
P.A.

የላሳፍ ቁጥር
Sr. № 0000506 II

፵፻፲፫ ሺህ ሳር ትግን
THIRTY THOUSAND BIRR COUPON

፵፻፲፫ ትላቁ የኢትዮጵያ መንግሥት የቀጠበ በንድ ኩፖን
Ethiopian Government Saving Bond Coupon

የላሳፍ መጠን%
Interest Rate

የላሳፍ ቦታ
P.A.

የላሳፍ ቁጥር
Sr. № 0000506 II

፵፻፲፫ ሺህ ሳር ትግን
THIRTY THOUSAND BIRR COUPON

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 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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DEVELOPMENT BANK OF ETHIOPIA

Ownership of the Bank

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

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 industries and
 - Mining and Extractive industries.

Capital of the Bank

- Authorized and paid-up capital as at June 30, 2015 is Birr 3 billion and Birr 1.8 billion respectively.

Human Resource

The total number of employees as at June 30, 2015 was 1,341. Out of the total, 820 (61.1%) employees were professionals and high level supervisors, 219 (16.3%) were semi-professional, administrative and clerical, 216 (16.1%) were manual and custodian and the remaining 86 (6.4%) employees were technician and skilled staffs.

Outreach

During the reporting period, DBE has five regional offices, 15 branches and 20 sub-branches across the Nation. Headquarter of the Bank is found in Addis Ababa, the Capital of Ethiopia and the African Union (AU) too.

Governance and Organizational Structure

Development Bank of Ethiopia (DBE) is a specialized

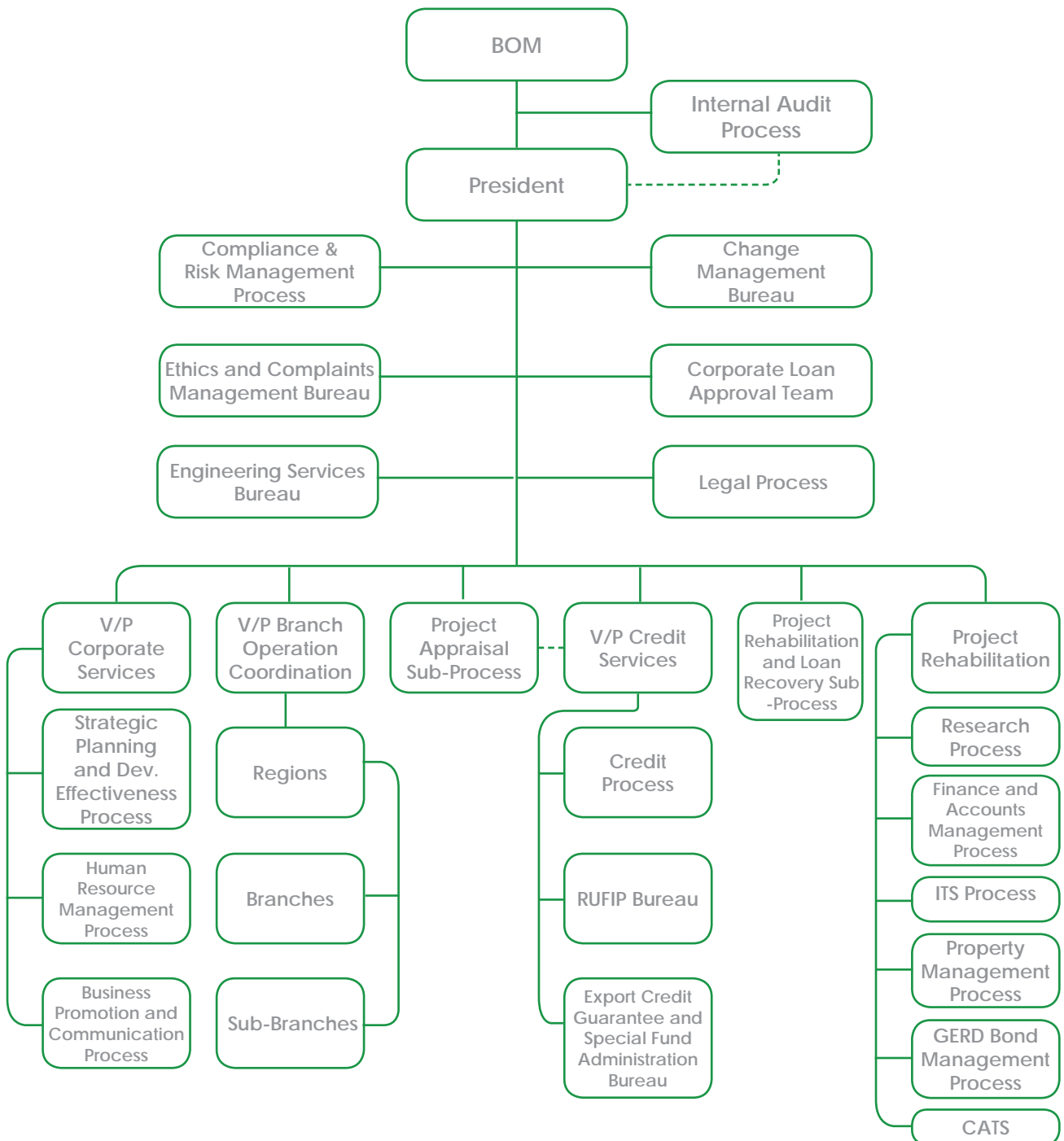
state owned development financial institution, which is supervised by the Public Financial Enterprises Agency (PFEA). A Board of Management (BOM), consisting of nine senior government officials, administers the Bank. The President of the Bank also attends the regular meetings of the BOM as a non-voting 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 Executive Management Committee (EMC), which consists of the President and four Vice Presidents, is the 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 nine 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.

The Bank's management is structured in transparent way and the decisions made and their enforcement is carried out in a manner that follows rules and regulations within the existing policies and procedures.

The Bank's BOM has established separate Compliance and Risk Management and Internal Audit Committees that checks 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
Chairman



H.E. Ato Abdulaziz Mohammed
Member



H.E. Ato Redwan Hussein
Member



H.E. Ato Tolosa Shagi
Member



H.E. Ato Yakob Yala
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 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

It is a great opportunity for me to present the Annual Report of the Development Bank of Ethiopia for the year ended June 30, 2015 as of a special year for the Bank in particular and 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 first GTP with almost a Trillion Birr budget and spending more than 60 percent of it on developmental sectors such as agriculture, education, health care, water and road development; is directed towards achieving the Millennium Development Goals (MDGs). Under the framework of MDGs, Ethiopia's long term vision is sustaining rapid, broad-based and equitable economic growth anchored on the experiences that have been drawn from implementing pro-poor and pro-growth developmental policies and strategies undertaken since 1994. The aim of the GTP-I was overhauling the economy by radically altering the agriculture sector and boosting industry through expanded investment in the sector, thereby to move from subsistence farming to commercially oriented, large scale production, including for export.

Ethiopia has recorded a rapid economic performance of 10.2 percent in 2014/15, continuing the double digit growth trend of the last decade with a broad contribution of all sectors. Accordingly, industry grew by 21.6 percent, services 10.2 percent and agriculture 6.4 percent. Their contributions to the annual growth were 3.0 per cent, 4.7 percent and 2.5 percent, respectively.

The financial sectors have great contribution for the development objective of the country. In this regard, with a distinguished feature, DBE is one of the most contributors of the financial institutions in Ethiopia.

DBE, as a policy Bank, is entrusted to serve as a tool for the country's development through availing medium and long term credit to agriculture, industry, mining and energy and small and medium enterprises (SMEs). This can be ensured by the observed operational performance of the Bank in the last five consecutive years, the credit operations result in loan approval, disbursement and collection is Birr 39.3 Billion, 26.8 Billion and 12.82 Billion, respectively.



Ato Esayas Bahre
President

MESSAGE FROM THE PRESIDENT

“

DBE, as a policy Bank, is entrusted to serve as a tool for the country's development through availing medium and long term credit to agriculture, industry, mining and energy and small and medium enterprises (SMEs).

”

The financial performance in total income, expenses and net profit is 102%, 106% and 88% of the target, respectively. Thus, the registered performance should be sustainable in the remaining period to accomplish the strategic target of the Bank.

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 year.

The Bank has registered remarkable results in credit operations and other business areas in the year 2014/2015. Concerning the reporting period credit operations such as total loan approval, disbursement and collection was amounted to Birr 9.69 billion, Birr 6.8 billion and Birr 4.09 billion respectively. Out of the total loan approved by the Bank, the lion share was absorbed by the industrial sector.

In the 2014/2015 fiscal year, the Bank has earned a total income of Birr 2.6 billion which is 102% of the planned target. The total income of this year is increased by 29% compared to the previous year.

Moreover, as of June 30, 2015, projects financed by DBE have created job opportunities for 79,281 individuals on permanent and temporary basis. In addition to this, the newly approved 370 projects which are implemented during the year are assumed to create employment opportunities for 25,433 individuals. Out of which, 14,301 are temporary and 11,132 are permanent employees. Besides, projects financed by RUFIP also have created significant employment opportunity in the country. This shows how much the Bank is playing its role in reducing unemployment rate of the country.

With respect to tax revenue and foreign exchange generation, the yearly financed projects are expected to generate about Birr 2.4 Billion tax revenue and Birr 1.7 Billion foreign currency in projects life-time.

On the other hand, to improve the knowledge and skills of its human resource development program, the Bank has offered different training opportunities in various disciplines for its employees inside and outside the Country.

The last five years improvement strategy implemented by the Bank has registered remarkable achievements, which can be a foundation for the design of the next five year strategic plan. Based on the past



In the **2014/2015** fiscal year, the Bank has earned a total income of Birr **2.6 billion** which is **102%** of the planned target. The total income of this year is increased by **29%** compared to the previous year.



performance results and the strategic directions designed in the GTP- II to continue supporting the development agenda of the country, DBE has designed a growth strategy to play a pivotal role in financing, agriculture, industry, SMEs and other priority area projects of the government. To this end, the Bank has planned to approve Birr 112 Billion, to disburse Birr 104 Billion and to collect Birr 40 billion, over the next five years.

Following the given responsibility by the Government to finance capital goods Small and Medium Enterprises (SMEs) along with technical support in the GTP2 period, the Bank has been working aggressively to increase the number of its district offices from five to 12 and its branches from 35 to 150 across the Country. Unlike the previous years, the Bank has revised its credit policy to encourage and extensively promote local investors.

Generally, 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, stakeholders and more notably employees of the Bank.

Thank You!

Esayas Bahre, President ■

AN OVERVIEW OF THE ETHIOPIAN ECONOMY

The Ethiopian economy has continued to register a notable growth. In 2014/15 Fiscal Year, the real GDP grew by 10.2 percent relative to 11.2 percent growth target set in the first GTP for the fiscal year. The growth of the economy has also been remarkable compared to the 4.4 percent growth estimated for Sub-Saharan Africa (SSA) in 2015 (World Economic Outlook Update, July 2015).

This growth was mainly attributed to service sector (10.2 percent), agricultural sector (6.4 percent) and industrial sector (21.6 percent). Nominal GDP per capita went up to USD 691 from USD 639.6 and real per capita GDP to USD 418.



In general, the Ethiopian economy recorded 10.1 percent average growth rate per annum during the GTP period. Besides, the Ethiopian economy is projected to grow by 11 percent in 2015/16.

In the reporting year, the agricultural sector depicted a moderate growth rate of 6.4 percent mainly due to 7.2 percent increase in crop production, in general and 7.5 percent expansion in grain crop production in particular. The total grain production reached 270.4 million quintals, of which cereal production accounted for 87.3 percent while pulses and oil seeds comprised 12.7 percent.

The growth in agricultural output was mainly attributed to improved productivity supported by favorable and conducive agricultural development policies and better productive safety net programs.

The share of agriculture in GDP in 2014/15 Fiscal Year went down to 38.8 percent from 40.1 percent a year earlier. Likewise, the sector's contribution to GDP growth rate rose to 24.5 percent compared with 22.3 percent last year.

On the other hand, the industrial sector showed 21.6 percent growth; over the previous year and accounted for 15.2 percent of the GDP. The sector contributed 29.4 percent to the overall economic growth during the fiscal year. This indicates that despite its rapid growth relative to agriculture and service sectors, the share of industrial sector in GDP was very low. Calling for enhanced investment in manufacturing sector taking into account the country's competitive advantage.

Manufacturing sector increased by 15.8 percent and constituted about 31.8 percent of industrial output growth and 4.6 percent of real GDP growth. Construction industry, on the other hand, contributed more than half (56.1 percent) to industrial sector growth and 8.5 percent to GDP growth. This implies that construction sector is currently the leading industry due to expansion in construction of roads, railways, dams and residential houses. Meanwhile, electricity and water and mining and quarrying contributed 6.5 and 5.6 percent to industrial growth, respectively.

Similarly, the service sector has also become relatively a dominant sector in Ethiopia since it overtook the agricultural sector in 2010/11.

During 2014/15, its growth rate was 10.2 percent; and its share in GDP rose to about 46.6 percent. Its contribution to GDP growth was about 46.1 percent in the same period.

The significant contribution of the sector to GDP was gripping due to the expansion of whole sale and retail trade services which expanded by 9.9 percent followed by real estate, renting and business activities (4.1 percent), hotels and restaurants (11.3 percent), transport and communication (10.3 percent) and public administration and defense (10.7 percent).

Moreover, a total of 407 projects were licensed in 2014/15. All of which are entered to operational stage. The projects started operation with investment capital of Birr 4.1 billion showing 173.5 and 640 percent annual growth in total investment capital and number of projects, respectively. All the investment projects were private. Out of the total private investment projects for the year, 362 (89 percent) were established by local investors with a capital of Birr 1.5 billion; whereas 45 projects were foreign having Birr 2.6 billion as capital. The average capital per project for domestic investment projects was Birr 4.2 million and that of foreign was Birr 57.9 million; implying that foreign investment projects were more of capital intensive than domestic investment projects. The investment projects have created job opportunities for about 11,227 permanent and 10,505 casual workers.

Annual average national headline inflation at the end of the fiscal year was 7.6 percent, 0.5 percentage points lower than the previous year level. This was due to the slowdown in non-food inflation by 2.7 percentage points which outweighed a 1.5 percentage point increase in food and non-alcoholic beverages.

Overall, supported mainly by improved macroeconomic stability and weather conditions, the Ethiopian economy has recorded double digit growth in 2014/15.

Source: Extracted from the Annual Report of National Bank of Ethiopia for the Year 2014/15. ■

I. The Bank's Operational Performance Highlights for F.Y. 2014/2015

1.1 Overall Credit Operation

During the fiscal year ended June 30, 2015, the Bank approved over Birr 9.69 Billion and disbursed Birr 6.8 billion for various projects. With regard to

collection, a total of Birr 4.09 billion was collected in the same fiscal year. Details are shown in the Table 1.

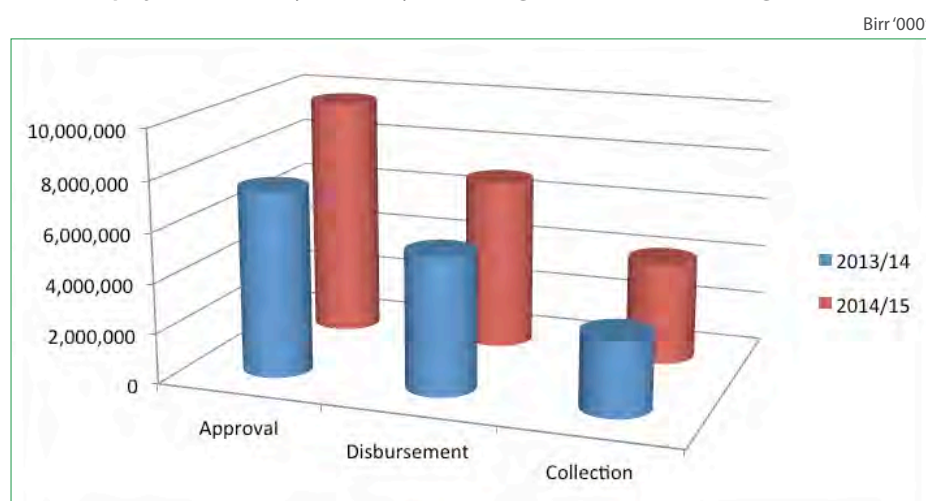
Table 1: Summary of Credit Operation by the Bank during the fiscal year ended June 30, 2015

Birr '000'

Sr. No.	Item	Agriculture		Industry		Mining & Energy		Financial sector		Service		Consumer		Total		% Change
		2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	
1.	Approval	2,046,272	3,270,000	3,609,061	5,630,000	23,671	184,191	1,655,429	537,147	49,371	7,469	40,601	55,943	7,424,405	9,685,518	30
2.	Disbursement	1,110,527	1,890,000	3,542,633	4,020,000	95,719	84,000	607,333	711,000	72,450	72,000	43,212	64,000	5,471,875	6,842,852	25
3.	Collection	572,273	544,030	2,024,895	2,820,000	32,261	47,790	233,579	403,620	127,644	242,940	17,190	30,990	3,007,841	4,087,324	34



One of the projects financed by DBE, Vineyard Farming, found in the Oromia Region.



Operational Performance of the Bank during 2014/15



One of the steel factory financed by DBE

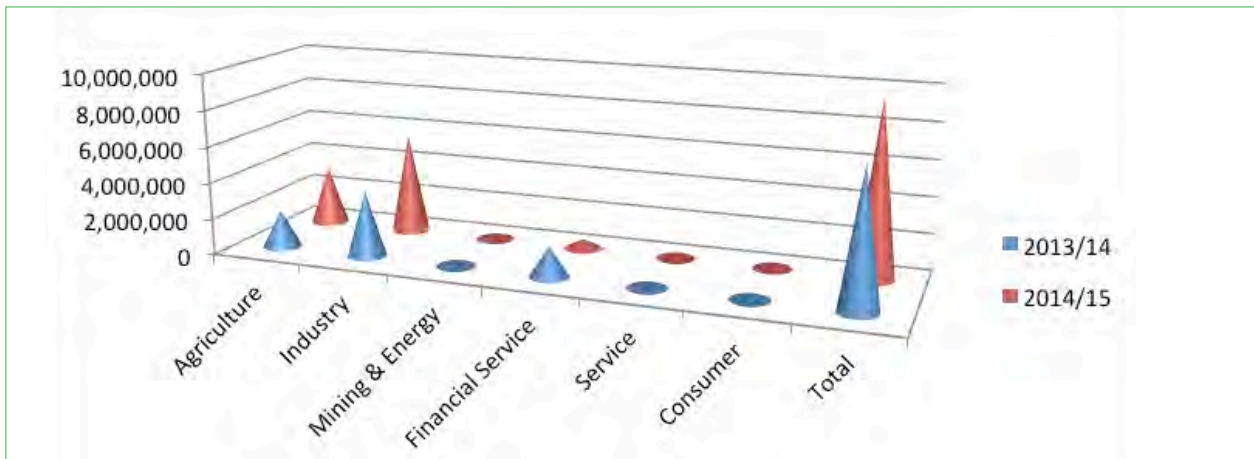
1.2 Loan Approval

1.2.1 Loan Approval by Economic Sector

During the reporting fiscal year, the Bank approved Birr 9.69 Billion. Of which Birr 3.27 Billion was approved to agriculture sector, while Birr 5.63 Billion to the manufacturing, Birr 0.18 Billion to mining and energy and Birr 0.54 Billion to financial

services. The remaining Birr 0.01 Billion and Birr 0.06 Billion was to the service and consumer loans respectively. The details are shown in the following graph and table 2.

Birr '000'



Loan Approval Performance

Table 2: Loan Approval by Economic Sector

Birr'000'

Sector	2013/14	2014/15	% Change
1. Agriculture			
Public Enterprises	-	54,947	-
Cooperative	146,239	174,480	19
Private	1,900,033	3,042,283	60
Sub-total	2,046,272	3,271,710	60
2. Industry			
Public Enterprises	70,777	7,272	(90)
Private	3,538,284	5,621,786	59
Micro-Enterprises	-	-	-
Sub-total	3,609,061	5,629,058	56
3. Mining and Energy			
Public Enterprises	-	-	-
Microfinance	-	148,172	-
Private	23,671	36,019	52
Sub-total	23,671	184,191	678
4. Financial Service			
Public Enterprises	-	-	-
Microfinance	1,655,429	537,147	68
Sub-total	1,655,429	537,147	68
5. Service			
Public Enterprises	-	-	-
Cooperative	-	-	-
Private	49,371	7,469	(85)
Sub-total	49,371	7,469	(85)
6. Consumer			
Private	40,601	55,943	38
Sub-total	40,601	55,943	38
Total	7,424,405	9,685,518	30

1.2.2 Loan approval by Social Sector

In the year 2014/15, 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	2013/14	2014/15
Public Enterprise	70,777	62,219
Cooperative	146,239	174,480
Private	5,551,960	8,763,500
RUFIP/Microfinance	1,655,429	685,319
Total	7,424,405	9,685,518

1.3 Loan Disbursement

1.3.1. Loan Disbursement by Economic Sector

In the reporting period, the Bank disbursed Birr 6.84 Billion. An assessment of the sectoral distribution of annual disbursement revealed that, out of the total disbursement; Birr 1.89 Billion was disbursed to agriculture sector, while Birr 4.02 Billion to industry, Birr 84 Million for mining and energy and Birr 711 Million was disbursed to financial services. The remaining Birr 72 Million and 64 Million disbursements were to service sectors and consumers respectively.

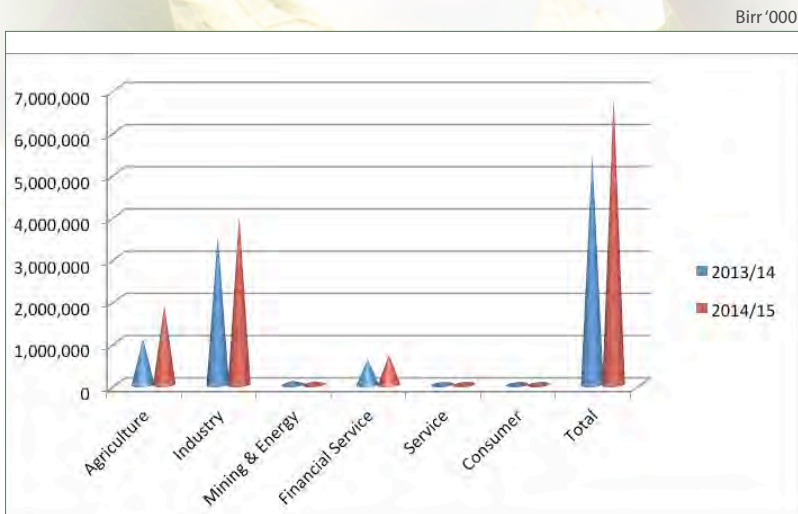


A Pharmaceutical PLC financed by DBE

Table 4: Loan disbursement by economic sector

Birr '000'

Sector	2013/14	2014/15	% change
1.Agriculture			
Public Enterprises	-	-	-
Cooperative		187,488	52
Private	987,543	1,702,104	72
Sub-total	1,110,527	1,889,593	70
2.Industry			
Public Enterprises	359,969	413,128	15
Private	3,182,664	3,589,294	13
Cooperative	-	20,294	-
Sub-total	3,542,633	4,022,716	14
3. Mining and Energy			
Public Enterprises	-	25,000	-
Cooperative	-	-	-
Private	95,719	58,986	(38)
Sub-total	95,719	83,986	12
4. Financial Service			
Public Enterprises	101,333	-	(100)
Microfinance	506,001	710,811	40
Sub-total	607,333	710,811	17
5. Service			
Public Enterprises	-	61,653	-
Cooperative	-	-	-
Private	72,450	10,326	(86)
Sub-total	72,450	71,979	(1)
6. Consumer			
Private	43,212	63,768	48
Sub-total	43,212	63,768	48
Total	5,471,875	6,842,852	25

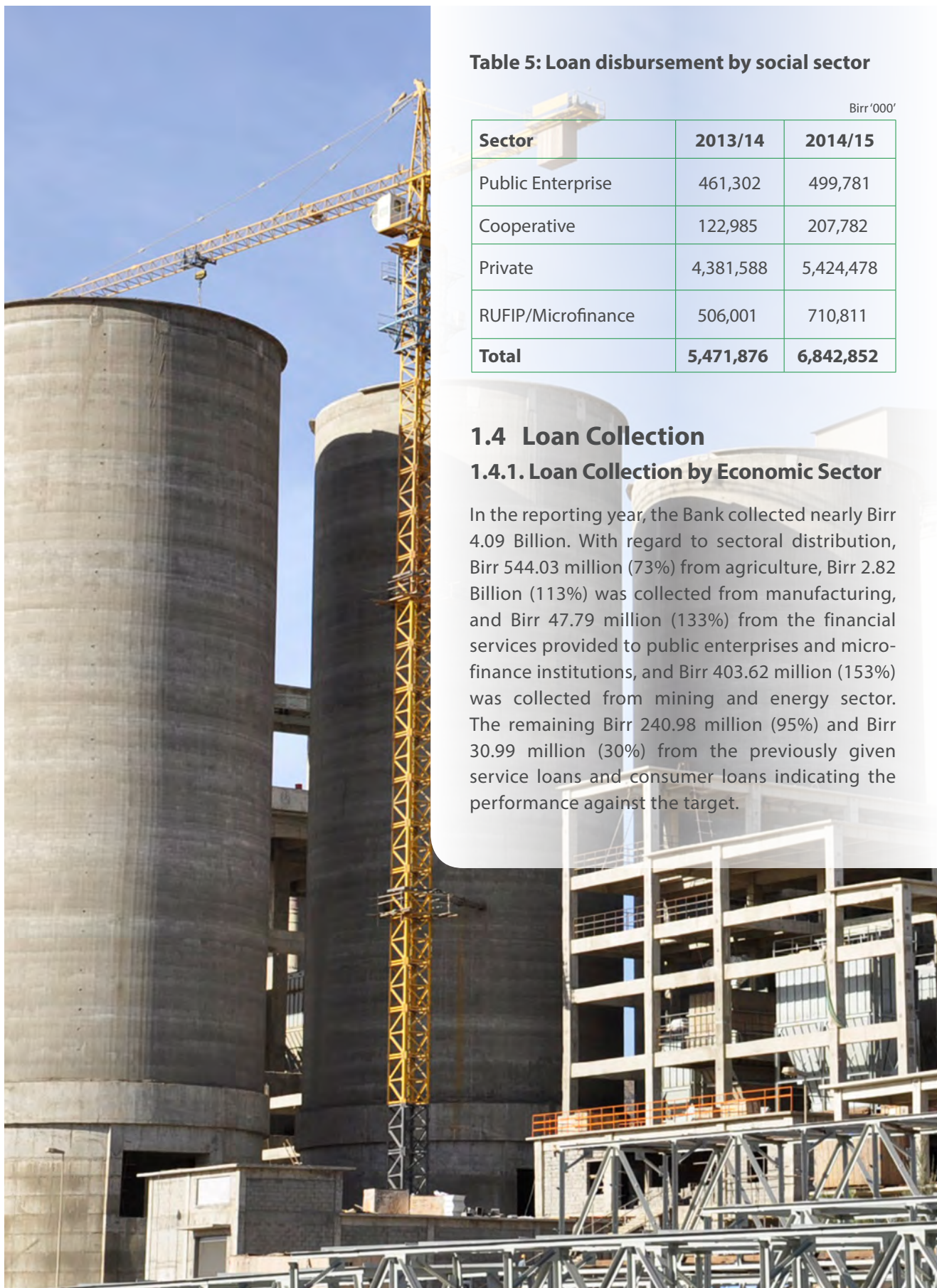


1.3.2 Loan Disbursement by Social Sector

During the year ended June 30, 2015, the Bank disbursed Birr 6.84 Billion. Out of which, Birr 5.42 Billion, Birr 499.78 million, Birr 207.78 million, and Birr 710.8 million, was disbursed to private owned companies, public enterprises, cooperatives and micro-finance, respectively. This shows that the Bank has played a crucial role pertaining to private sector in line with the government agenda.



A vineyard produce financed by DBE



A cement factory financed by DBE

Table 5: Loan disbursement by social sector

Birr '000'

Sector	2013/14	2014/15
Public Enterprise	461,302	499,781
Cooperative	122,985	207,782
Private	4,381,588	5,424,478
RUFIP/Microfinance	506,001	710,811
Total	5,471,876	6,842,852

1.4 Loan Collection

1.4.1. Loan Collection by Economic Sector

In the reporting year, the Bank collected nearly Birr 4.09 Billion. With regard to sectoral distribution, Birr 544.03 million (73%) from agriculture, Birr 2.82 Billion (113%) was collected from manufacturing, and Birr 47.79 million (133%) from the financial services provided to public enterprises and micro-finance institutions, and Birr 403.62 million (153%) was collected from mining and energy sector. The remaining Birr 240.98 million (95%) and Birr 30.99 million (30%) from the previously given service loans and consumer loans indicating the performance against the target.

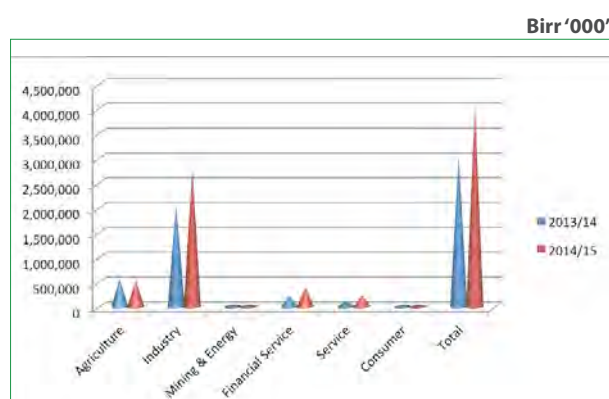
Annual Report

For the Year Ended June 30, 2015

Table 6: Loan collection by economic sector

Birr '000'			
Sector	2013/14	2014/15	% Change
1. Agriculture			
Public Enterprises	-	-	-
Cooperative	121,308	90,553	(25)
Private	453,312	4,534,721	0
Sub-total	574,620	5,440,275	(5)
2. Industry			
Public Enterprises	93,319	1,068,331	14
Private	1,973,981	2,694,783	37
Cooperative		16,351	-
Sub-total	2,067,300	2,808,278	36
3. Mining and Energy			
Public Enterprises	-	-	-
Cooperative	1,699	8,273	387
Private	30,562	39,514	29
Sub-total	32,261	47,787	48
4. Financial Service			
Public Enterprises	41,583	95,825	130
Microfinance	191,996	307,793	60
Sub-total	233,579	403,619	73
5. Service			
Public Enterprises	-	138,312	-
Cooperative	-	39	-
Private	128,602	104,585	(19)
Sub-total	128,602	240,980	89
6. Consumer			
Private	17,190	30,990	80
Sub-total	17,190	30,990	80
Total	3,053,551	4,087,324	34

Loan collection by economic sector



1.4.2 Loan Collection by Social Sector

Out of the total collection of the fiscal year, the biggest share came from the private sector which accounted for over Birr 3.32 billion, cooperatives Birr 0.106 Billion, microfinance Birr 0.316 Billion and public enterprises accounted for Birr 0.341 Billion. This shows that the biggest collection was made from the private sector.

Table 7: Loan collection by social sector

Birr '000'		
Sector	2013/2014	2014/2015
Public Enterprise	134,902	340,970
Cooperative	123,007	106,943
Private	2,603,647	3,323,344
RUFIP/Microfinance	191,996	316,066
Total	3,053,551	4,087,324



A milk processing factory financed by DBE

2. Loan Portfolio

2.1 Loan Outstanding Balance by Sector

The Bank's total outstanding loan as at June 30, 2015 was Birr 27.36 Billion. Out of the total loan portfolio of the Bank the respective share of agriculture, manufacturing, mining and energy, financial service, service and consumer was Birr

4.26 Billion (15.57%), 19.03 Billion (69.55%), 0.17 Billion (0.64%), 3 Billion (11.11%), 0.75 Billion (2.77%) and 0.1 Billion (0.37%) respectively. The total loans and advances represent 59% of the total assets of the Bank.

Table Summary of Loan Portfolio by Sector

Birr '000'

Sr. No.	Sector	Public Enterprise	Cooperative	Private	Micro Enterprise	Total	Percentage Share
	Agriculture	-	134,348	4,125,057	-	4,259,405	15.57%
	Manufacturing	3,033,626	1,723	15,994,036	-	19,029,385	69.55%
	Mining and Energy	-	-	173,879	-	173,879	0.64%
	Financial Service	-	-	-	3,041,181	3,041,181	11.11%
	Service	307,650	-	450,248	-	757,898	2.77%
	Consumer	-	-	100,719	-	100,719	0.37%
Total						27,362,467	100%

In terms of operational unites, of the total loan portfolio of the Bank, the respective share of Head Office and Regions was Birr 22.82 Billion (83.40%) and Birr 4.54 Billion (16.6%), respectively.

2.2 Rural Financial Intermediation Program (RUFIP)

In the reporting period, loan approvals by RUFIP amounted to Birr 0.30 Billion. The cumulative amount of loan disbursement and collection during the year has reached Birr 0.29 Billion and Birr 0.22 Billion, respectively.

The reason for this 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 Micro-finance institutions (MFIs), Rural Saving and Credit Cooperatives (RUSACCOs) and Unions.

2.3 Socio - Economic Benefit

The existing projects that are financed by the Bank have created employment opportunities for 79,281 individuals on permanent and temporary bases as of June 30, 2015.

During the year under review, the newly approved 370 projects are assumed to create employment opportunities for 25,433 (14,301 temporary and 11,132 permanent) individuals.

With respect to tax revenue and foreign exchange generation, the yearly financed projects are expected to generate about Birr 2.4 Billion tax revenue and Birr 1.7 Billion foreign currency.

Besides to this, projects supported by RUFIP also create significant job opportunities.

2.4. Special Fund Administration and Export Credit Guarantee

2.4.1 Export Credit Guarantee Scheme

The Bank has earned guarantee fee of Birr 1.1 million from Export Credit Guarantee scheme and the country secured foreign currency of Birr 999.5 million (USD 50 million) from pre-shipment export guarantee issuance. During the fiscal year, financing banks settled Birr 214.2 million collected from seven ECG beneficiaries. In addition, financial guarantee of Birr 249.6 million was given to five financing banks during the year under review. Furthermore, the principal ECG outstanding loans amount to Birr 221.1 million as at the end of fiscal year.

3. Human Resource Management Operations

3.1 Human Resource Management

The Bank's human resource management 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.

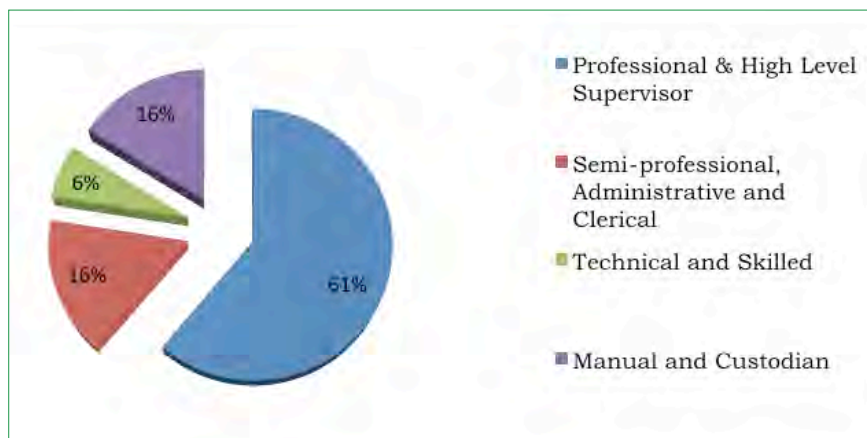
The Bank recognizes the need for skilled, agile and committed work force. These essential competencies of a work force are vital in transforming the Bank into a progressive development financial institution that will stimulate the growth of the country. The Bank has also identified the need to retain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

As of June 30, 2015, the total human power balance of the Bank was 1,341 which is 102% of the planned target. When the Bank's manpower stock is categorized by occupational category, 820(61.1%) professional and high level supervisor, 219 (16.3%) semi-professional, administrative and clerical, 86(6.4%) technical and skilled while the remaining 216 (16.1%) are manual and custodian.

The following table indicates composition of human resource development of the fiscal year ended June 30, 2015.

Table 8: Composition of Human Resource

	Professional and High Level Supervisor	Semi-professional Administrative and Clerical	Technical and Skilled	Manual and Custodian	Total
No. of Employees	820	219	86 6.4%	216	1,341
% Share	61.1%	16.3%	6.4%	16.1%	100%



Composition of Human Resource Development as of June 30, 2015



Induction and training program provided to new employees



3.2 Training and Education

The increased business level 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 been planned to be performed in the strategic period.

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 need updating works periodically and also intended to serve the Approval Team, Compliance

and Risk Management Process, Regions and Branches.

To satisfy the current 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 2014/15 fiscal year was the final year of a Five Year Corporate Strategic Plan (2010/11-2014/15) in which the Bank registered strong financial performance, discussed here under.

5.1 Income and Expenses

5.1.1 Income

During the year under review, the Bank has earned gross income before various expenses, interest and income tax Birr 2.61 Billion which is 102% of the Plan. As compared to the previous year performance, this year gross income showed 29% increment. The lion share of the income (Birr 2.04 Billion) was derived from interest earned on loans and advances, followed by interest earned on Treasury Bill Purchase (Birr 0.385 Billion) and the rest Birr 0.185 Billion was came from foreign currency fluctuation and other income.



The Grand Renaissance Dam site found in Benishangul - Gumuz Region

5.1.2 Expenses

Even if the Bank continued to enforce cost control measures as an integral part of its financial management activities, the total expense of the year under review showed 6% overage variance compared to the planned target. This variance was mostly coming from interest and charges increment of the year due to over interest bearing fund being mobilized and price hike on general expenses. This year total expense was increased by 16% compared to the previous year total expense balance.

5.1.3 Profit/ Loss

During the fiscal year, the Bank earned a net profit of Birr 678 million, which is 88% of the annual target Birr 775,165 million. The profit/loss performance of the year compared to the previous year was showed 21% improvement.

5.1.4 Currency Generation

During the year under review, the Bank generated Birr 1.86 Billion from foreign transaction.

The yearly export proceeds plan is Birr 4 Billion while the actual performance is Birr 1.87 Billion (61.07 USD & 29.88 Euro) which is 47% of the planned target. The export proceed collected during the year is mainly in horticulture followed by investments and Textile sectors.

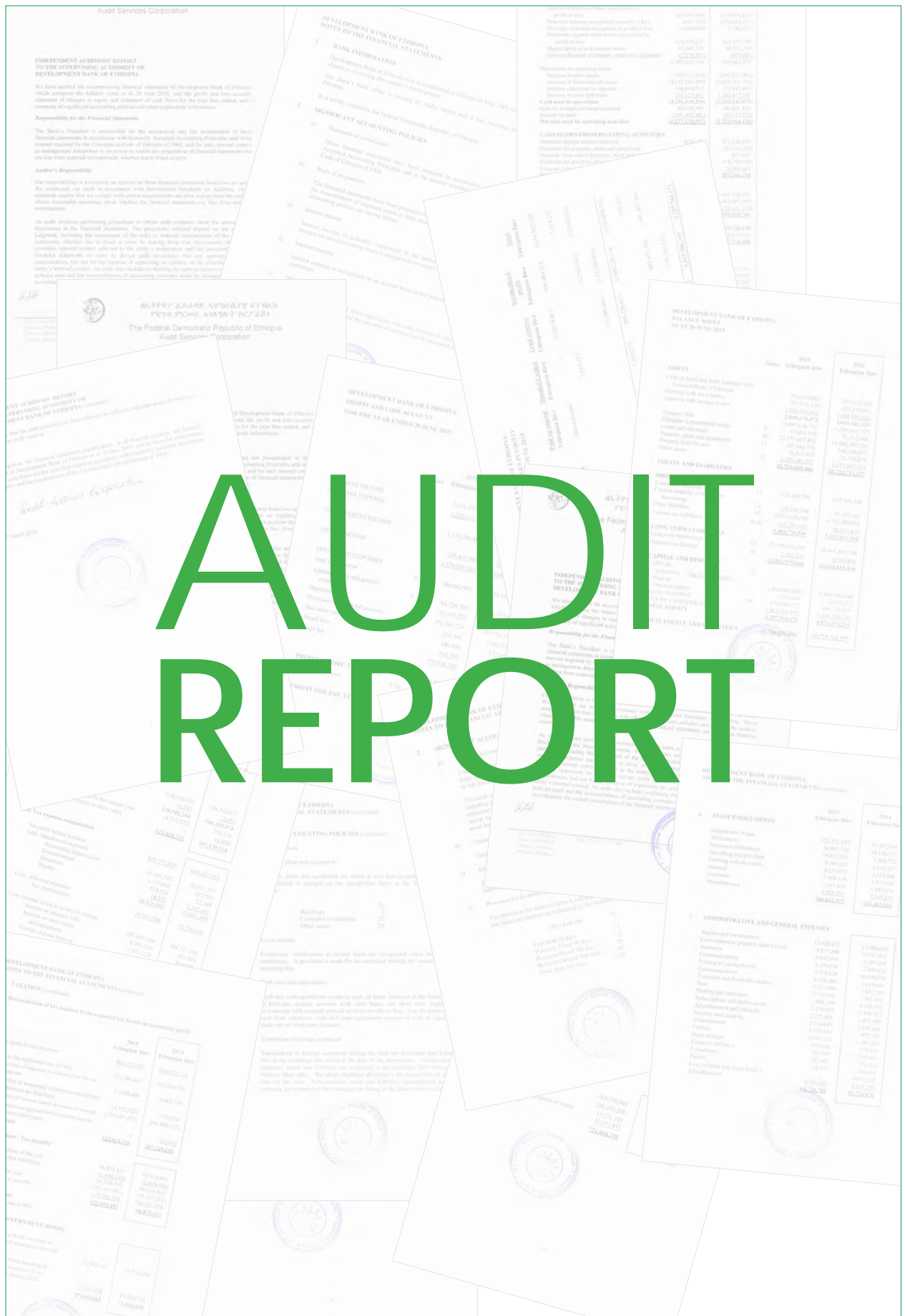
The foreign currency sale during the year under review was Birr 3.24 Billion (116.91 USD, 0.02 GBP & 32.11 Euro). The sale of foreign currency is mainly for textile followed by cable and flower commodities. It showed 8% increment as compared with the preceding year same period sales performance of Birr 3 Billion.

5.1.5 Grand Renaissance Dam Bond/ Hidase Bond

During the year ended June 30, 2015, DBE has mobilized Birr 1.3 Billion from sale of GERD Bond, which is 130% of the planned target. Such performance has been contributed due to increase awareness of the public on the fourth anniversary of the laying of the foundation of Grand Ethiopian Renaissance Dam (GERD).

6. Concern to the Environment

One of the core values of the Development Bank of Ethiopia is known by financing environment friendly projects which support the economic development of the country. During this time it is a must to pay due attention to environmental issues through optimal use of scarce resources for maintaining sustainable development for future generation by conserving the environment. Environment is the global issue which needs due concern and DBE has engaged on this task by asking the investors certifications from concerned governmental organ about environmental impact of the specific project. The starting point of the evaluation of the environmental assessment of the project is the fact that it should meet all the country's and DBE's environmental policy and guideline requirements or has identified and agreed to an action plan to achieve compliance in specific time frame. Pertaining to this, the Bank has prepared and approved its environmental policy/ guideline which will enable the Bank to play its role in addressing environmental issues of the nation.





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The Federal Democratic Republic of Ethiopia
Audit Services Corporation

**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 2015, 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.

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**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 2015, 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 Corporation

17 March 2016



DEVELOPMENT BANK OF ETHIOPIA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 Ethiopian Birr	2014 Ethiopian Birr
INTEREST INCOME	3	2,441,192,395	1,696,319,571
INTEREST EXPENSE	4	<u>1,070,411,932</u>	<u>873,114,167</u>
NET INTEREST INCOME		1,370,780,463	823,205,404
OTHER INCOME	5	<u>205,419,901</u>	<u>345,082,085</u>
		<u>1,576,200,364</u>	<u>1,168,287,489</u>
OPERATING EXPENSES			
Staff emoluments	6	186,042,997	153,362,651
Administrative and general expenses	7	64,736,703	81,724,676
Depreciation		47,193,222	29,346,267
Provision for doubtful accounts		471,944,226	259,754,398
Bad debts written off		261,561	3,442,795
Board fees		186,000	172,450
Audit fee		<u>563,550</u>	<u>363,000</u>
		<u>770,928,259</u>	<u>528,166,237</u>
PROFIT BEFORE TAX		805,272,105	640,121,252
Income tax expense	8 (a)	<u>123,834,719</u>	<u>107,129,210</u>
PROFIT FOR THE YEAR		<u>681,437,386</u>	<u>532,992,042</u>



**DEVELOPMENT BANK OF ETHIOPIA
BALANCE SHEET
AS AT 30 JUNE 2015**

	Notes	2015 Ethiopian Birr	2014 Ethiopian Birr
ASSETS			
Cash on hand and bank balances with			
National Bank of Ethiopia		756,010,882	933,623,264
Deposits with local banks		757,511,179	225,139,041
Deposits with foreign banks		<u>1,295,656,412</u>	<u>1,886,681,034</u>
		2,809,178,473	3,045,443,339
Treasury bills		13,087,636,772	11,266,060,727
Ethiopian Government bonds	9	57,604,013	71,542,808
Loans and advances	10	23,773,017,832	19,984,280,299
Property, plant and equipment	11	192,043,770	166,186,071
Property held for sale		75,047,055	70,530,879
Other assets	12	<u>1,709,481,571</u>	<u>1,119,667,154</u>
		<u>41,704,009,486</u>	<u>35,723,711,277</u>
EQUITY AND LIABILITIES			
SHORT TERM LIABILITIES			
Customers' deposits	13	724,604,250	617,999,738
Current maturity of long term			
borrowings	14	121,303,108	55,557,342
Other liabilities	15	2,916,428,036	4,762,589,043
Current tax liabilities	8 (d)	<u>122,393,455</u>	<u>96,875,437</u>
		3,884,728,849	5,533,021,560
LONG TERM LIABILITIES			
Long term borrowings	14	33,559,553,295	26,607,845,568
Deferred tax liability	16	<u>2,022,371</u>	<u>6,769,896</u>
		<u>33,561,575,666</u>	<u>26,614,615,464</u>
CAPITAL AND RESERVES			
CAPITAL	17		
Authorized <u>Birr 3,000,000,000</u>			
Paid up		1,800,000,000	1,800,000,000
Donated capital		3,712,604	3,519,272
LEGAL RESERVE	18	636,686,172	466,326,825
ACCUMULATED PROFIT		<u>1,817,306,195</u>	<u>1,306,228,156</u>
TOTAL EQUITY		<u>4,257,704,971</u>	<u>3,576,074,253</u>
TOTAL EQUITY AND LIABILITIES		<u>41,704,009,486</u>	<u>35,723,711,277</u>



DEVELOPMENT BANK OF ETHIOPIA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	<u>Paid up capital</u> Ethiopian Birr	<u>Donated Capital</u> Ethiopian Birr	<u>Legal reserve</u> Ethiopian Birr	<u>Accumulated profit</u> Ethiopian Birr	<u>Total</u> Ethiopian Birr
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
Donation received		193,332			193,332
Profit for the year				681,437,386	681,437,386
Transfer to legal reserve			170,359,347	(170,359,347)	-
Balance at 30 June 2015	1,800,000,000	3,712,604	636,686,172	1,817,306,195	4,257,704,971



**DEVELOPMENT BANK OF ETHIOPIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015 Ethiopian Birr	2014 Ethiopian Birr
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	681,437,386	532,992,042
Adjustments for		
Income tax expense recognized in profit or loss	123,834,719	107,129,210
Gain on foreign exchange recognized in profit or loss	(65,650,594)	(140,001,855)
Domestic interest recognized in profit or loss	(626,130)	(284,632,331)
Discount on bonds recognized in profit or loss	(4,160,668)	1,286,751
Provisions against other assets recognized in profit or loss	422,729,435	263,197,193
Depreciation of non-current assets	47,161,747	30,521,758
Gain on disposal of property, plant and equipment	(2,078,501)	(829,045)
	1,202,647,394	509,663,723
Movements in operating assets		
Increase in other assets	(593,512,354)	(242,032,905)
Increase in loans and advances	(4,212,285,207)	(3,659,703,791)
Increase (decrease) in deposits	106,604,512	(55,987,691)
Increase in other liabilities	255,127,445	1,183,817,591
Cash used in operations	(3,241,418,210)	(2,264,243,073)
Gain on foreign exchange received	65,650,594	140,001,855
Income tax paid	(101,407,981)	(99,727,252)
Net cash used by operating activities	(3,277,175,597)	(2,223,968,470)
CASH FLOWS FROM INVESTING ACTIVITIES		
Domestic deposit interest received	626,130	411,646,410
Payments for property, plant and equipment	(72,973,005)	(22,454,783)
Proceeds from sale of property, plant and equipment	2,225,392	829,050
Payments for purchase of Government bonds	-	(18,758,946)
Proceeds from redemption of Government bonds	18,099,463	26,004,663
Net cash generated by investing activities	(52,022,020)	397,266,394
CASH FLOWS FROM FINANCING ACTIVITIES		
Net investments in treasury bills	(2,436,705,846)	1,065,248,441
Proceeds from borrowings	5,605,142,122	5,662,681,499
Repayment of borrowings	(690,633,326)	(1,132,101,234)
Net cash generated from financing activities	2,477,802,950	5,595,828,706
(Decrease) increase in cash and cash equivalents	(851,394,667)	3,769,126,630
Cash and cash equivalents at the beginning of the year	5,787,766,586	2,018,639,956
Cash and cash equivalents at the end of the year	4,936,371,919	5,787,766,586
Cash and cash equivalents comprise		
Cash on hand and bank balances with		
National Bank of Ethiopia	756,010,882	933,623,264
Deposits with banking institutions	2,053,167,591	2,111,820,075
Treasury bills, maturing within 3 months	2,127,193,446	2,742,323,247
	4,936,371,919	5,787,766,586



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 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 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	65
More than 360 days	100



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.

	<u>%</u>
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.



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

	2015 Ethiopian Birr	2014 Ethiopian Birr
3 INTEREST INCOME		
Industrial loans	1,510,167,879	1,030,882,171
Treasury bills	385,603,168	284,371,190
Agricultural loans	271,053,792	169,168,669
Service loans	265,649,299	211,636,400
Miscellaneous	<u>8,718,257</u>	<u>261,141</u>
	<u>2,441,192,395</u>	<u>1,696,319,571</u>
4 INTEREST EXPENSE		
Domestic loans	690,028,376	518,945,413
Government Saving Bonds	292,994,659	254,765,453
International loans	67,538,309	50,282,353
Time deposits	19,428,897	19,428,898
Coupon bonds	-	29,284,932
Saving accounts	<u>421,691</u>	<u>407,118</u>
	<u>1,070,411,932</u>	<u>873,114,167</u>
5 OTHER INCOME		
Services	104,347,174	157,696,773
Gain on foreign exchange	65,650,594	140,001,855
Rent	7,646,771	6,012,871
Gain on disposal of assets awaiting sale	2,705,845	11,185,392
Bad debts collected	63,778	18,758,946
Miscellaneous	<u>25,005,739</u>	<u>11,426,248</u>
	<u>205,419,901</u>	<u>345,082,085</u>



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

	2015 Ethiopian Birr	2014 Ethiopian Birr
6 STAFF EMOLUMENTS		
Salaries and wages	122,351,549	97,507,995
Allowances	26,897,720	24,148,171
Pension contributions	10,637,531	7,568,732
Travelling and per diem	9,340,025	5,640,057
Training and education	6,274,652	4,533,806
Medical	5,968,119	5,535,041
Uniforms	1,747,810	1,183,014
Miscellaneous	<u>2,825,591</u>	<u>7,245,835</u>
	<u>186,042,997</u>	<u>153,362,651</u>
7 ADMINISTRATIVE AND GENERAL EXPENSES		
Repairs and maintenance	11,920,473	17,886,028
Costs related to property held for sale	9,837,408	13,041,815
Insurance	6,642,444	5,359,369
Communications	4,376,656	2,360,024
Printing of saving bonds	3,714,838	10,919,074
Communications	3,438,480	3,119,685
Technical and feasibility studies	3,327,986	2,621,249
Rent	3,114,160	381,652
Printing and stationery	3,081,199	4,140,193
Subscriptions and publications	2,330,925	2,398,213
Advertisement and publicity	2,275,601	1,473,597
Security and cleaning	2,014,647	2,039,646
Entertainment	1,127,643	952,703
Utilities	1,094,312	1,383,265
Bank charges	819,246	579,240
Licences and taxes	543,567	1,215,071
Consultancy	292,402	771,524
Penalty	18,571	1,195,651
Loss on bond and share dealing	-	4,951,322
Miscellaneous	<u>4,766,145</u>	<u>4,935,355</u>
	<u>64,736,703</u>	<u>81,724,676</u>



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

	2015 Ethiopian Birr	2014 Ethiopian Birr
8 TAXATION		
(a) Profit and loss account - Income tax expense		
Current taxation		
based on the adjusted profit for		
the year at 30%	128,550,937	106,342,817
Tax on foreign deposit interest	<u>31,307</u>	<u>13,057</u>
Current tax	128,582,244	106,355,874
Deferred tax in respect to the current year	(4,747,525)	779,336
Deferred tax in respect to prior years	-	(6,000)
	<u>123,834,719</u>	<u>107,129,210</u>
(b) Tax expense computation		
Net profit before taxation	<u>805,272,105</u>	<u>640,121,252</u>
Add: Disallowed expenses		
Accounting depreciation	47,161,747	30,521,757
Entertainment	1,127,643	952,703
Donations	518,924	22,388
Penalty	<u>18,571</u>	<u>1,195,651</u>
	<u>48,826,885</u>	<u>32,692,499</u>
Less: Allowed expenses		
Tax depreciation	<u>29,253,208</u>	<u>32,290,496</u>
Less: Income taxed at source or exempt		
Interest on treasury bills	385,603,168	284,371,190
Interest on local banks	8,092,126	585,819
and equipment	2,021,234	829,050
Foreign deposit interest	<u>626,131</u>	<u>261,141</u>
	<u>396,342,659</u>	<u>286,047,200</u>
Taxable profit	<u>428,503,123</u>	<u>354,476,055</u>
Income tax at 30%	128,550,937	106,342,817
Tax on foreign deposit interest	31,307	13,057
Deferred taxation	<u>(4,747,525)</u>	<u>773,336</u>
Tax expense	<u>123,834,719</u>	<u>107,129,210</u>



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

	2015	2014
	Ethiopian Birr	Ethiopian Birr
Net profit before taxation	<u>805,272,105</u>	<u>640,121,252</u>
Tax at the applicable rate of 30%	241,581,632	192,036,376
Tax effect of expenses not deductible for tax purposes	14,648,066	9,807,750
Tax effect of temporary differences recognized as deferred tax liabilities	(4,747,525)	779,336
Tax effect of income taxed at source or exempt	(127,647,453)	(95,488,252)
Adjustments recognized in the current year in relation to prior years	=	<u>(6,000)</u>
Tax expense	<u>123,834,719</u>	<u>107,129,210</u>

(d) Balance sheet - Tax payable

At the beginning of the year	96,875,437	92,914,895
Transfer to other liabilities	<u>(1,656,245)</u>	<u>(2,668,080)</u>
	95,219,192	90,246,815
Paid during the year	(101,407,981)	(99,727,252)
Current year tax payable	<u>128,582,244</u>	<u>106,355,874</u>
	<u>122,393,455</u>	<u>96,875,437</u>

(e) Current tax rate

The current tax rate is 30%.

9 ETHIOPIAN GOVERNMENT BONDS

Non-interest bearing bond maturing in three equal annual instalments through January 2018	43,302,045	57,736,060
Non-interest bearing bond maturing in ten equal annual instalments from February 2016 to February 2025	<u>14,301,968</u>	<u>13,806,748</u>
	<u>57,604,013</u>	<u>71,542,808</u>



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

	2015 Ethiopian Birr	2014 Ethiopian Birr
10 LOANS AND ADVANCES		
Industrial	17,523,538,138	15,324,708,653
Agriculture	4,082,934,009	2,575,793,199
Other business	3,926,550,244	3,498,079,677
Staff	<u>100,419,738</u>	<u>73,715,213</u>
	25,633,442,129	21,472,296,742
Less: Provision for impairment	<u>1,860,424,297</u>	<u>1,488,016,443</u>
	<u>23,773,017,832</u>	<u>19,984,280,299</u>

11 PROPERTY, PLANT AND EQUIPMENT

	Balance at 30 June 2014 ETB	Additions ETB	Disposals ETB	Balance at 30 June 2015 ETB
COST				
Buildings	107,728,626	3,309,093	-	111,037,719
Motor vehicles	136,288,504	5,457,843	(1,514,784)	140,231,563
Computer installations	71,839,037	12,891,803	(37,817)	84,693,023
Furniture and office equipment	28,178,707	3,588,491	-	31,767,198
Assets in store and in transit	<u>24,413,117</u>	<u>47,919,107</u>	<u>-</u>	<u>72,332,224</u>
	<u>368,447,991</u>	<u>73,166,337</u>	<u>(1,552,601)</u>	<u>440,061,727</u>
DEPRECIATION				
Buildings	97,582,183	1,451,105	-	99,033,288
Motor vehicles	63,687,366	31,785,594	(1,397,763)	94,075,197
Computer installations	29,385,246	10,169,852	(7,947)	39,547,151
Furniture and office equipment	<u>11,607,125</u>	<u>3,755,196</u>	<u>-</u>	<u>15,362,321</u>
	<u>202,261,920</u>	<u>47,161,747</u>	<u>(1,405,710)</u>	<u>248,017,957</u>
NET BOOK VALUE	<u>166,186,071</u>			<u>192,043,770</u>



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

	2015 Ethiopian Birr	2014 Ethiopian Birr
12 OTHER ASSETS		
Accrued interest on loans	1,677,660,944	1,085,371,521
Accounts receivable and prepayments	28,407,686	47,985,872
Uncleared effects	16,139,889	1,684,772
Equity investment	11,376,000	5,030,000
	1,733,584,519	1,140,072,165
Total provisions	<u>24,102,948</u>	<u>20,405,011</u>
	<u>1,709,481,571</u>	<u>1,119,667,154</u>

13 CUSTOMERS' DEPOSITS

Time deposits	363,156,960	363,156,960
Demand deposits	296,143,208	199,513,911
Retentions payable on letters of credit	13,231,185	41,574,046
Savings deposits	<u>52,072,897</u>	<u>13,754,821</u>
	<u>724,604,250</u>	<u>617,999,738</u>



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

	Ethiopian Birr
14 LONG TERM BORROWINGS	
Balance at 30 June 2014	26,663,402,910
Transfer from other liabilities	<u>2,102,944,697</u>
	28,766,347,607
Additional loans during the year	<u>5,605,142,122</u>
	34,371,489,729
Less: Repayments	<u>690,633,326</u>
	33,680,856,403
Less: Repayable within 12 months	<u>121,303,108</u>
Balance at 30 June 2015	<u>33,559,553,295</u>
<hr/>	
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, 2018 - Birr 3,200,000,000, 2019 - Birr 3,750,000,000, and 2020 - Birr 3,100,000,000	23,357,000,000
<hr/>	
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	6,136,881,059
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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 59 semi-annual instalments of Birr 20,645,966 commencing July 2022	1,218,112,046
<hr/>	
Loan on-lent from International Development Association, bearing interest at the rate of 1.5% per annum and repayable in 44 semi-annual instalments of Birr 18,928,173 commencing June 2022	832,839,617
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Loan on-lent from China Development Bank, bearing interest at the rate of 2.9465% per annum and repayable by May 2022	519,288,750
<hr/>	
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	<u>1,616,734,931</u>
	<u>33,680,856,403</u>



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

	2015 Ethiopian Birr	2014 Ethiopian Birr
15 OTHER LIABILITIES		
Other payables	1,892,066,157	3,930,174,603
Accrued interest on loans	934,326,882	711,102,696
Export Credit Guarantee Fund	83,116,075	100,063,877
Accrued charges	<u>6,918,922</u>	<u>21,247,867</u>
	<u>2,916,428,036</u>	<u>4,762,589,043</u>

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 2014	6,769,896	5,996,560
Adjustment	-	(6,000)
(Credit) charge to profit or loss (note 8 (a))	<u>(4,747,525)</u>	<u>779,336</u>
	<u>2,022,371</u>	<u>6,769,896</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 11% and 7% of the employee's basic salary, respectively.

21 COMMITMENTS

The Bank has commitments, not provided for in these financial statements, of Birr 58,779,442 for the purchase of various capital items.

22 CONTINGENT LIABILITIES

The Bank has contingent liabilities, not provided for in these financial statements, of Birr 43,747,890 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 17 March 2016.



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

Distribution of Branch Offices

Central Region Office	Western Region Office	Northern Region Office	North Western Region Office	Southern Region Office
Addis Ababa	Jimma	Mekelle	Bahir Dar	Hawassa
1. Addis Ababa 2. Adama 3. DireDawa	Branch Offices 1.Jimma 2.Nekemite 3.Assosa 4.Gambella	Branch Office 1.Mekelle 2.Humera	Branch Offices 1.Bahir Dar 2.Gondar 3.Dessie	Branch Offices 1.Hawassa 2.Dilla 3.Wolayita Sodo
Sub Branch Offices-CRO 1.Ambo 2.Fiche 3.DebreBerhan 4.Woliso 5.Harar 6.Chiro 7.Batu 8.Assela	Sub Branch Offices-WRO 1.Mettu 2.Mizan Teferi 3.Shambu 4. Gimbi 5.DembiDollo 6.Agaro	Sub Branch Offices-NRO 1.Ebdasesellassie	Sub Branch Offices-NWRO 1.DebreMarkos	Sub Branch Offices- SRO 1.Yirgalem 2.Hosainna 3.Gobba 4.Aleta Wondo



Produce of a floriculture industry financed by DBE



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