



ANNUAL REPORT 2009



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www.zemenbank.com



V I S I O N & M I S S I O N

The vision of Zemen Bank is to bring a new dynamism to the financial sector and the banking business in Ethiopia.

Zemen Bank is:

Proudly Ethiopian, professional, dynamic, world-class, inspirational and totally customer focused.

Our Values include:

Upholding the highest standards, being progressive, proud and innovative.

Our Personality is:

To be challenging, spirited, provocative, ambitious and successful and to be friendly and courteous in all our relationships.

To our Customers:

We offer a professional partnership, trust and outstanding levels of service.

Zemen Bank stands for innovation and excellence in everything we do.




BOARD OF DIRECTORS



Zemen BANK
Ermyas T. Amelga
Board Chairman



Zemen BANK
Teclé Alemneh
Board Director



Zemen BANK
Tameru Wondm Agegnehu
Board Director



Zemen BANK
Wubetu Workneh
Board Director



Zemen BANK
Dr. Tsegaye Habte
Board Director



Zemen BANK
Ermias Eshetu
Board Director



Zemen BANK
Eskinder Desta
Board Director

SENIOR MANAGEMENT*



Zemen BANK
Teclé Alemneh
President/CEO



Zemen BANK
Helaway Tadesse
Senior Vice President



Zemen BANK
Ermias Eshetu
V.P. Marketing



Zemen BANK
Melaku Kebede
V.P. Technology



Zemen BANK
Meseret Wondim
Controller



Zemen BANK
Million Alemu
Legal Counselor



Zemen BANK
Solomon Mamo
Finance Department Manager



Zemen BANK
Firehiwot Birke
Branch Manager



Zemen BANK
Aduagna Mekonnen
H.R Department Manager

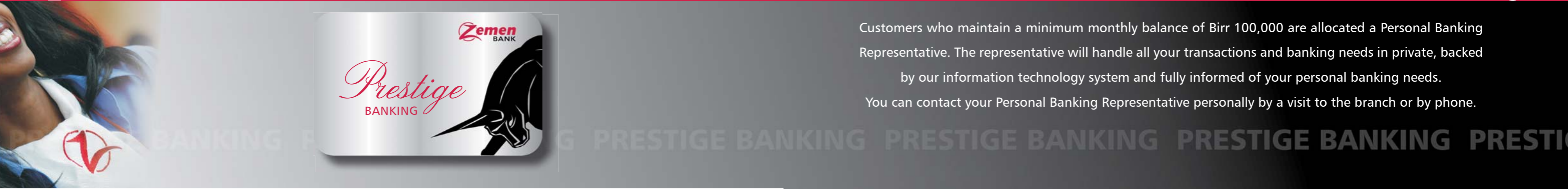


Zemen BANK
Dagim Mulatu
Credit Department Manager



Zemen BANK
Binyam Abraham
International Banking Department Manager

* some of the appointments above are pending NBE's approval.



Zemen BANK
Prestige
BANKING

BANKING PRESTIGE BANKING PRESTIGE BANKING PRESTIGE BANKING PRESTIGE BANKING

Customers who maintain a minimum monthly balance of Birr 100,000 are allocated a Personal Banking Representative. The representative will handle all your transactions and banking needs in private, backed by our information technology system and fully informed of your personal banking needs. You can contact your Personal Banking Representative personally by a visit to the branch or by phone.

.... CHAIRMAN'S STATEMENT CONTINUED

now well-positioned to benefit from the expected jump in the country's export earnings that should follow the recovery in global trade and investment. Although our ability to extend credit will remain limited due to the central bank's anti-inflationary policies, we expect a strong increase in our net interest income (as our loan book continues to expand) and an even larger increase in income from international banking activities, which are showing remarkable growth in recent months. Further supporting our financial performance will be the respected brand name that we have built as one of the industry's more innovative and dynamic players.

For our valued customers, we will continue to provide—with personalized service—all the regular banking services commonly available in the industry, be it accepting deposits, providing loans, or offering international banking services linked to export and import activities. Even more, however, the year ahead will deliver the convenience of multi-channel banking services that have been promised since the launch of Zemen Bank, including ATMs, Internet Banking, SMS, and Call Center Banking. All these services are now up and running and will provide clients with tremendous ease and convenience on many fronts. To name a few examples: cash withdrawals are now available 24 hours/7 days a week from our ATMs; individuals can get instant account information by phone; and business clients can easily download their daily or weekly transaction records from the comfort of their offices. These technology-based services are only the start of our ambitions in this area and we aim to leverage our technological advantage to bring even more innovation and convenience in the coming years, including (pending regulatory approval) facilities such as express remittance services, automated payroll services, money transfers using mobile phones, and bill payment services. In short, we

see a bright future in technology-based banking and plan to successfully deliver our promises to our shareholders and our customers by being at the very forefront of this field in the years ahead.

More generally, I believe we have succeeded in creating the foundation for what will be a major new institution on the Ethiopian business landscape. It will distinguish itself on many fronts including its grand vision, its bold innovation, its aggressive business strategy, its performance excellence, its value creation and, most importantly, its profitability.

Finally, I would like to conclude by extending my heartfelt thanks and appreciation to the following:

- Our 2800 shareholders who believed in us in the face of all challenges and adversity;
- Our many corporate and individual customers who have trusted us with their business;
- Our exceptionally talented, dedicated, and hardworking staff;
- Our inspired, competent, and professional management team;
- eVentive LLC without whose partnership Zemen Bank would not be Zemen Bank;
- Our many other partners and supporters who have contributed greatly to our budding success.

Thank you and best wishes for a great year for us all.

Ermyas T. Amelga
Chairman of the Board of Directors
21 November 2009

INAUGURATION 25 JANUARY 2009



INTERNATIONAL BANKING



Zemen Bank, with its global expertise, technological sophistication and range of correspondent banks, as well as SWIFT communication media, provides a full array of international banking services.



INTERNATIONAL BANKING INTERNATIONAL BANKING INTERNATIONAL BANKING INTERNATIONAL BANKING INTERNATIONAL BANKING

DIRECTORS' REPORT

The Board of Directors is pleased to present the following overview of Zemen Bank's performance during its first nine months of operations (October 2, 2008 to June 30, 2009). The review below covers five distinct areas: (i) banking operations; (ii) financial performance; (iii) technology-based banking services; (iv) human resources; and (v) the outlook for the period ahead.

Banking Operations

Zemen Bank has shown a strong start in the three key areas that are critical for any commercial banking operations, namely collecting deposits, providing loans, and securing foreign exchange to be able to offer international banking services. Indeed, by our calculations, our first nine-month performance in all three areas is at the top range of what has been seen so far from the first year performance of other private banks in Ethiopia.

Deposit Mobilization

The Bank successfully mobilized Birr 278 million in a period of nine months—all from just a single branch. This level of deposits is the highest amount collected by any private bank in its first year of operation; the best record for a nine-month period so far was only Birr 135 million. [GRAPH 1]

The Bank collected deposits from a total of around 1700 corporate and individual clients. Large institutional depositors include multinationals, employee credit associations, insurance companies, utilities, and industry associations. With respect to individuals, Zemen Bank's deposit mobilization efforts are concentrated on high-value depositors and include three types of accounts targeted to different client segments: (i) a Basic checking/saving account (which requires a minimum deposit of Birr 25,000 to avoid monthly fees); (ii) a Prestige checking/saving account (Birr 100,000 minimum deposit to avoid monthly fees), and (iii) a Z-Club checking/saving account (Birr 500,000 minimum deposit to avoid monthly fees).

Reflecting the distinctive client base targeted above, the average size of Zemen Bank's deposits is about Birr 163,000 per depositor. This figure is roughly

ten times the average level at other private banks, consistent with our business model of targeting high-value deposits. [GRAPH 2]

The composition of the Bank's deposits is favorably tilted towards longer-term deposits held in the form of time deposits which are locked in at the Bank for periods of six, twelve, or twenty-four months. In fact, as of June 2009, around 50 percent of Zemen Bank deposits were comprised of time deposits held for such extended maturities—the highest percentage observed in the Ethiopian banking industry. While collecting such deposits entails some extra costs (since the interest rates paid on time deposits are slightly higher than the rates offered on savings deposits), the longer maturity of time deposits provides the Bank with a comfortable base of long-term funds on which it can extend longer-term loans. With this approach, the Bank is making a contribution to a long-standing problem observed in the banking industry, namely the limited availability of medium- and long-term bank loans. [GRAPH 3]

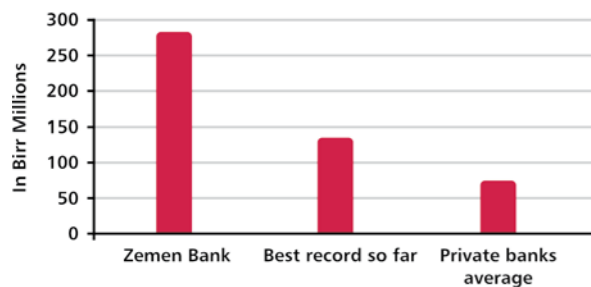
Lending

Total lending by Zemen Bank reached Birr 189 million (excluding loan loss provisions) in our first nine months of operations, which has translated

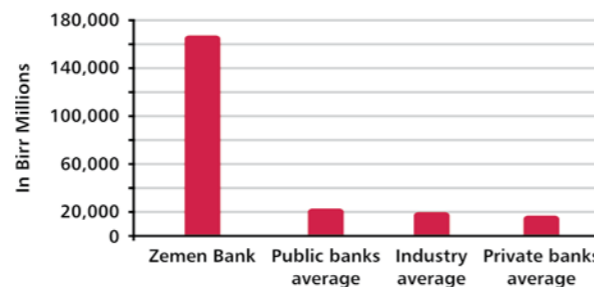
into a loan-to-deposit ratio stood of around 68 percent at year-end. By comparison, the average loan-to-deposit ratio among private banks was somewhat lower at 63 percent. Our lending has been provided to a total of 177 borrowers. As with our deposit mobilization performance, the lending provided by Zemen Bank in its first nine months of operations is the highest amount lent by any private bank during a comparable period. [GRAPH 4]

Our lending is distributed across a broad range of sectors but is very favorably tilted towards exporters, who comprise the single largest category of loans (36 percent of total) and help the Bank earn additional income through foreign exchange services. Other large lending categories include domestic trade and services (24 percent), building and construction (15 percent), imports (12 percent) and industry (10 percent). [GRAPH 5]

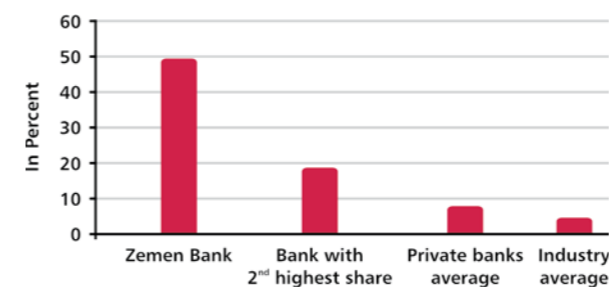
Deposits Collected In First Nine Months Of Operations GRAPH 1



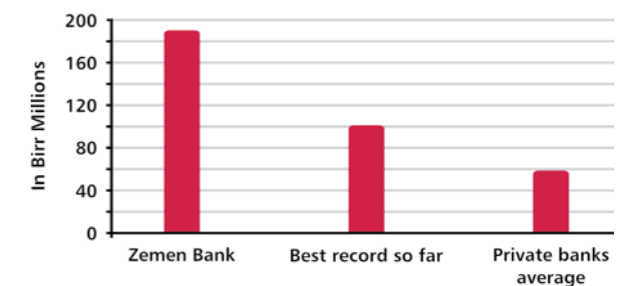
Average Deposit Size GRAPH 2



Share of Time Deposits in Total Deposits GRAPH 3



Loans Provided in First Nine Months of Operations GRAPH 4



Distribution of Lending By Sector GRAPH 5



MULTI-CHANNEL BANKING



ATM Outlets: Access your account and cash with an ATM card.
Internet Banking: You can check your balances, transfer funds and pay your bills on line with just a click of a mouse, 24 hours a day.
SMS Banking: Check your balance and transfer funds by SMS.
Call Center Banking: Interactive voice response and live customer service support 24 hours a day - Zemen never sleeps!



FINANCED PROJECTS



a roses



Kobil



PAYROLL SERVICES

PAYROLL			
NAME	SALARY	DATE	DATE
Daniel Assefa	5000.00 Birr	11/11/2009	
Tilahun Ayalew	5000.00 Birr	11/11/2009	
Mariam	5000.00 Birr	11/11/2009	
Abem Negem	5000.00 Birr	11/11/2009	
Dereje Gebre	5000.00 Birr	11/11/2009	
Cabale	5000.00 Birr	11/11/2009	
Nestor Hailu	5000.00 Birr	11/11/2009	
Daniel Assefa	5000.00 Birr	11/11/2009	
Daniel Assefa	5000.00 Birr	11/11/2009	
Daniel Assefa	5000.00 Birr	11/11/2009	
Daniel Assefa	5000.00 Birr	11/11/2009	
Daniel Assefa	5000.00 Birr	11/11/2009	
Daniel Assefa	5000.00 Birr	11/11/2009	
Daniel Assefa	5000.00 Birr	11/11/2009	

SOCIAL ACTIVITIES



Great Ethiopian Run 2008



Great Ethiopian Run 2008



WFP Run to prevent world hunger



Art exhibition at Zemen Bank to support Addis Village Charity



WFP Run to prevent world hunger

For business customers, Zemen Bank offers the option to subscribe to Zemen Payroll and Provident Fund management services. The services allow for a simple but secure registration process to set up employee salary and provident funds. Every month, the system will accept amendments and automatically credit employee salary to their relevant accounts. All employees are then able to use their Zemen Payroll ATM card to access funds through our branch or ATM outlets.





A U D I T O R S ' R E P O R T

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EXTERNAL AUDITORS' REPORT

We have audited the financial statements of Zemen Bank S.C. for the period from 1 October 2008 to 30 June 2009 which comprise the Balance sheet, the Profit and Loss Account, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the financial statements in accordance with applicable laws, regulations and generally accepted accounting principles. Their responsibilities include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and generally accepted auditing standards and to express an opinion on these financial statements based on our audit and whether the financial statements are properly prepared in accordance with the relevant provisions of the Commercial Code of Ethiopia and the Banking Business Proclamation No. 592/2008. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if

information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with generally accepted auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Without qualifying our opinion we draw attention

to Note 1.2 to the financial statements regarding restrictions placed by the National Bank of Ethiopia on the banking operations of Zemen Bank S.C. These restrictions are still in place and if the bank is unable to have the restrictions removed then this situation creates uncertainty about the extent of its current business operations in comparison with the basic business strategy described in the 'mission and objectives' set out in the prospectus to subscribers.

Opinion

In our opinion:

- the financial statements present fairly, in accordance with generally accepted accounting principles, the state of the company's affairs as at 30 June 2009 and its result for the period from 1 October 2008 to 30 June 2009;
- the financial statements have been properly prepared in accordance with the relevant provisions of the Commercial Code of Ethiopia, the Banking Business Proclamation No. 592/2008 and the directives of the National Bank of Ethiopia.
- the information given in the Directors' Report is consistent with the financial statements.

We have no comment to make on the report of your directors in so far as it relates to these financial statements and pursuant to Article 375 of the 1960 Commercial Code of Ethiopia, recommend approval of the above-mentioned financial statements.




A.W. Thomas & Co.
Addis Ababa
Chartered Certified Accountants
28 September 2009
(Auditors of the Zemen Bank S.C.)



With the launch of our multi-channel banking services, Zemen Debit Cards are now available for all account holders at Zemen Bank. The additional convenience of having a Zemen Debit Card allows customers to access their account much easily through the Call Center, branch, online or via ATM outlets.

ZEMEN BANK S.C.
BALANCE SHEET
 AS AT 30 JUNE 2009
 In Ethiopian Birr

ASSETS		June 30, 2009	Sept. 30, 2008
Cash and balances with other banks			
Cash on hand	4	7,634,420	10,000
Deposits with local commercial banks		6,917,408	43,794,337
Deposits with foreign banks		126,085,022	-
Deposits with National Bank of Ethiopia	5	80,756,093	15,000,000
		<u>221,392,943</u>	<u>58,804,337</u>
Items in course of collection from other banks	6	4,853,697	-
Loans and advances to customers	7	186,759,803	-
Other assets	8	18,931,816	23,531,909
Fixed assets	3.1,9	20,318,570	15,147,388
Intangible assets	3.2,11	10,341,854	7,542,137
TOTAL ASSETS		<u><u>462,598,683</u></u>	<u><u>105,025,771</u></u>
LIABILITIES			
Customers' deposits			
Demand		40,536,456	-
Saving		96,653,186	-
Fixed		140,658,154	-
		<u>277,847,796</u>	<u>-</u>
Margin held on letters of credit		72,690,172	-
Other liabilities	12	21,544,966	11,360,758
TOTAL LIABILITIES		<u><u>372,082,934</u></u>	<u><u>11,360,758</u></u>
SHAREHOLDERS' FUNDS			
Share capital	13	99,657,675	93,665,013
Retained earnings (deficit)		(9,141,926)	-
		<u>90,515,749</u>	<u>93,665,013</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u><u>462,598,683</u></u>	<u><u>105,025,771</u></u>


 Ermyas T. Amelga
 Chairman of the Board

The accompanying notes are an integral part of the financial statements.

ZEMEN BANK S.C.
PROFIT AND LOSS ACCOUNT
 FOR THE PERIOD FROM 1 OCTOBER 2008 TO 30 JUNE 2009
 In Ethiopian Birr

INCOME	Notes	June 2009	To Sept 2008
Interest income			
Loans and advances		4,523,013	-
Foreign deposits		44,215	-
Local deposit		22,880	-
Total interest income		4,590,108	-
Interest expense			
Interest paid on deposits		(2,908,012)	-
		<u>1,682,096</u>	<u>-</u>
Less: Provision for doubtful loans and advances	3.7	(1,973,773)	-
		<u>(291,677)</u>	<u>-</u>
Other income			
Service income	14	7,346,544	-
Commissions		21,682	-
Gain on foreign exchange		3,058,573	-
Sundry income	15	2,990,628	-
		<u>13,417,427</u>	<u>-</u>
EXPENSES			
Salaries and benefits	16	5,492,203	-
Rent		3,798,043	-
Depreciation and amortization		5,115,899	-
General and administrative	17	7,761,531	-
Directors' remuneration		-	-
Audit fee and expenses		100,000	-
		<u>(22,267,676)</u>	<u>-</u>
NET LOSS		<u><u>(9,141,926)</u></u>	<u><u>-</u></u>

The accompanying notes are an integral part of the financial statements.



ZEMEN BANK S.C.
STATEMENT OF CASH FLOWS
 FOR THE PERIOD FROM 1 OCTOBER 2008 TO 30 JUNE 2009
 In Ethiopian Birr

	June 2009	Sept 2008
Cash flows from operating activities		
Operating loss before provision for taxation	(9,141,926)	-
Adjustments for:		
Depreciation and amortization	5,115,899	128,082
Interest income from foreign deposits	(44,215)	-
	(4,070,242)	128,082
(Increase) in items in course of collection	(4,853,697)	-
Decrease (increase) in other assets	4,600,092	(23,531,909)
(Increase) in loans and advances to customers	(186,759,803)	-
Increase in demand deposits	40,536,456	-
Increase in saving deposits	96,653,186	-
Increase in fixed deposits	140,658,154	-
Increase in margin held on letters of credit	72,690,172	-
Increase in other liabilities	10,184,208	11,360,758
Net cash inflow (outflow) from operating activities	169,638,526	(12,043,069)
Cash flows from investing activities		
Purchase of fixed assets	(9,215,702)	(15,275,470)
Investment in intangible assets	(3,871,095)	(7,542,137)
Interest income received on foreign deposits	44,215	-
Net cash received from (used in) investing activities	(13,042,582)	(22,817,607)
Cash flows from financing activities		
Proceeds from issue of share capital	5,992,662	93,665,013
Net cash received from (used in) financing activities	5,992,662	93,665,013
Net increase in cash and cash equivalents	162,588,606	58,804,337
Cash and cash equivalents, opening balance	58,804,337	-
Cash and cash equivalents, closing balance	221,392,943	58,804,337

The accompanying notes are an integral part of the financial statements.

ZEMEN BANK S.C.
NOTES FORMING PART OF THE
FINANCIAL STATEMENTS
 FOR THE PERIOD FROM 1 OCTOBER 2008 TO 30 JUNE 2009
 In Ethiopian Birr

1. BACKGROUND AND IMPORTANT EVENTS

1.1 Zemen Bank is a privately owned commercial bank established in 2008 in accordance with the "licensing and supervision of banking business proclamation No. 84/1994" of Ethiopia to undertake commercial banking activities.

The founding shareholders of the company as specified in the company's share issue prospectus are Ermyas T. Amelga and Teclé Alemneh who are entitled to founders' preferential share dividends.

1.2 The bank obtained its licence from the National Bank of Ethiopia (NBE) on 17 June 2008 and started its business activities on 2 October 2008, in accordance with the NBE's letter of 29 September 2008.

The bank's operational strategy is based mainly on the provision of unique banking products with multi-channel banking from one branch in Addis Ababa. The NBE's aforesaid letter authorizing the start of the bank's operations stated the following: "We need time to assess risks related to the products and verify that an appropriate risk management system has been put in place. In the meantime we understand that the bank is incurring substantial overhead cost that may negatively affect its short-term profitability. Thus, there appears a need to commence operation as soon as possible. To balance these two conflicting interests, the NBE hereby authorizes Zemen Bank to start its operation initially by accepting deposits and granting fully collateralized loans. Please be informed that the NBE will shortly communicate to the Bank its decisions as to the other banking products". These restrictions on the Zemen Bank's operations are still in place, but the directors are fully confident that the viability and profitability of the bank is not affected by this temporary restriction.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the historical cost convention and Generally Accepted Accounting Principles (GAAP). The Bank maintains its accounting records in accordance with Ethiopian banking and accounting regulations. These financial statements have been prepared from those accounting records and adjusted as necessary in order to comply with GAAP. The financial statements have been prepared on the going concern basis.

The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Fixed assets

Fixed assets are stated at cost, less depreciation. Depreciation is applied on a reducing balance method using the following annual rates:

The accompanying notes are an integral part of the financial statements.



ZEMEN BANK S.C.
**NOTES FORMING PART OF THE
 FINANCIAL STATEMENTS**
 FOR THE PERIOD FROM 1 OCTOBER 2008 TO 30 JUNE 2009
 In Ethiopian Birr

Computer hardware	25%
Furniture and fixtures	20%
Office and other equipment	20%
Motor vehicles	20%

3.2 Intangible assets

Expenditure incurred before the commencement of operations is treated as pre-operational costs and amortized on the straight-line method for an expected useful life of 5 years.

Costs incurred for the acquisition of banking software and SWIFT implementation software are treated as intangible assets and amortize on a straight-line basis over an expected useful life of 10 and 5 years respectively.

3.3 Interest income and expenses

Interest income and interest expenses are accounted for on the accrual basis.

3.4 Other income

All other income is accounted for at the time of completion of related banking transactions

3.5 Conversion of foreign currencies

(i) Foreign currencies denominated transactions are converted into Birr at the prevailing rates of exchange and realized foreign exchange gains or losses are reflected in the profit and loss account.

(ii) Year-end balance of foreign currencies on hand and with correspondent banks are converted into Birr at the closing buying rates on the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Off-setting

Financial assets and liabilities are off-set and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recorded amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.7 Provisions for doubtful debts

Provisions are recorded when the bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are maintained at a level adequate to cover possible losses. Management determines the adequacy of the provision based upon reviews of individual credits and other related factors, and pursuant to the Directives of the National Bank of Ethiopia.

The accompanying notes are an integral part of the financial statements.

ZEMEN BANK S.C.
**NOTES FORMING PART OF THE
 FINANCIAL STATEMENTS**
 FOR THE PERIOD FROM 1 OCTOBER 2008 TO 30 JUNE 2009
 In Ethiopian Birr

4. CASH ON HAND	June 2009	Sept 2008
Local currency	6,459,360	10,000
Foreign currency	1,175,060	-
	7,634,420	10,000

5. DEPOSITS WITH NATIONAL BANK OF ETHIOPIA

Statutory reserve balance	45,000,000	-
Payment and settlement account	35,756,093	15,000,000
	80,756,093	15,000,000

6. ITEMS IN COURSE OF COLLECTION FROM OTHER BANKS

Outward bills purchased	2,158,763	-
Outward documentary bills purchased	2,694,934	-
	4,853,697	-

7. LOANS AND ADVANCES TO CUSTOMERS

Manufacturing	18,331,426	-
Domestic trade and services	46,039,653	-
Export	68,191,514	-
Import	23,223,592	-
Building and construction	29,061,339	-
Personal	2,116,625	-
Staff loans	1,769,427	-
Less: Provision for doubtful debts and advances	(1,973,773)	-
	186,759,803	-

The accompanying notes are an integral part of the financial statements.



ZEMEN BANK S.C.
**NOTES FORMING PART OF THE
 FINANCIAL STATEMENTS**
 FOR THE PERIOD FROM 1 OCTOBER 2008 TO 30 JUNE 2009
 In Ethiopian Birr

8. OTHER ASSETS	June 2009	Sept 2008
Debtors		
- shareholders receivables	-	380,000
- commission receivables	57,555	66,856
- eVentive LLC	-	1,321,317
- Access Capital S.C. (Note 8.1)	13,178,049	12,792,427
- Access Real Estate S.C.	-	25,000
- United System Integrated	-	39,584
- others	12,914	6,465
	<u>13,248,518</u>	<u>14,631,649</u>
Prepayments		
- office rent	2,846,584	6,278,611
- others	1,836,499	1,834,219
	<u>4,683,083</u>	<u>8,112,830</u>
Supplies stock		
- stationery	106,653	-
- bank slips	-	2,340
- check books	524,904	528,627
- uniforms	-	85,414
- sundry materials	21,330	-
- office and other equipment in stock	147,938	171,049
- computers and accessories in stock	199,210	-
- revenue stamps	180	-
	<u>1,000,215</u>	<u>787,430</u>
	<u>18,931,816</u>	<u>23,531,909</u>

8.1 Receivable from Access Capital S.C.

8.1.1 Some subscribers erroneously deposited share subscriptions amounting to Birr 7,914,159 in an Access Capital S.C. account. In addition, commission of Birr 4,706,319 was also deposited as per the Custodian agreement concluded with Access Capital Services S.C. The outstanding balance of both the aforesaid share subscriptions and commission is Birr 12,620,478.

8.1.2 The Bank is leasing an 8 storey building located at Kazainches for 5 years covering the period from 8 June 2008 up to 7 June 2013 at a monthly rental of Birr 393,191.40 before 15% VAT. Access Capital S.C. has rented the 7th floor (362.60m²) and part of the 8th floor (90.03m²) with a monthly charge of Birr 27,157, before VAT. A total of Birr 557,571 is charged to Access Capital S.C. for the period from November 2006 up to 30 June 2009, for rent, security and building operations.

The accompanying notes are an integral part of the financial statements.

ZEMEN BANK S.C.
**NOTES FORMING PART OF THE
 FINANCIAL STATEMENTS**
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9. FIXED ASSETS	Balance 30.9.2009	Additions	Balance 30.6.2009
Cost			
Computer hardware and software	8,447,009	2,022,806	10,469,815
Furniture and fixtures	3,375,744	3,194,959	6,570,703
Office and other equipment	721,717	1,174,083	1,895,800
Motor vehicles	2,731,000	2,823,855	5,554,855
	<u>15,275,470</u>	<u>9,215,702</u>	<u>24,491,173</u>
Accumulated depreciation			
Computer hardware and software	68,272	1,950,289	2,018,561
Furniture and fixtures	51,034	977,950	1,028,984
Office and other equipment	8,776	283,054	291,830
Motor vehicles	-	833,228	833,228
	<u>128,082</u>	<u>4,044,521</u>	<u>4,172,603</u>
Net Book value	<u>15,147,388</u>		<u>20,318,570</u>

10. INFORMATION TECHNOLOGY

10.1 The bank has invested considerably in Information Technology as part of its distinctive business strategy of offering technology-based products and services. To implement its Information Technology strategy, the Bank's Board has given approval to a Technology Platform Recommendation Report (TPRR) that lays out a multi-year program for the acquisition of hardware and software. This multi-year program proposes an estimated cost of USD 4,241,183 (Birr 41,885,500) for the Bank's IT projects. Up to 30 June 2009, Birr 24,270,544 has been spent for hardware, software, and IT support costs.

The management and implementation of the Bank's IT services, including strategic advisory services in this area, has been outsourced to eVentive LLC. The initial relationship between the Bank and eVentive LLC was based on a Memorandum of Understanding (MOU) signed on 23 July 2008 between the main promoter of Zemen Bank S.C. and eVentive LLC. The Board of Directors accepted in principle the MOU by its resolution dated 3 April 2008. Subsequently, the Bank signed a more formal agreement to outsource its information technology services with Off-Shoring 2.0 Technology (the local affiliate of eVentive LLC) on April 1, 2009.

10.2 Offshoring 2.0 Technology Services PLC charges a resource fee and an IT operation management fee for the IT services provided to the Bank. The charges for these services are based on IT performance indicators, time-sheets and payrolls of the staff members involved respectively. Birr 2,748,787 has been paid to Offshoring 2.0 Technology Services for the services provided during the nine months ended 30 June 2009.

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11. INTANGIBLE ASSETS	June 2009	Sept 2008
11.1 Capitalized expenditure		
The balance of Birr 5,365,743 represents pre-operational costs after deduction of commission on share subscriptions and deposit interest income on share proceeds as shown below:		
Balance as at 30.9.08	5,365,743	5,365,743
Less: Amortization	(804,861)	-
	<u>4,560,882</u>	<u>5,365,743</u>
11.2 Computer software		
Cost	2,397,617	-
Less: Amortization	(179,821)	-
	<u>2,217,796</u>	<u>-</u>
11.3 SWIFT implementation software		
Cost	577,968	-
Less: Amortization	(86,695)	-
	<u>491,273</u>	<u>-</u>
11.4 Software under development *		
	<u>3,071,903</u>	<u>2,176,394</u>
	<u>10,341,854</u>	<u>7,542,137</u>
* The amount of Birr 3,071,903 represents the payment to CR2 limited Ireland, APACS limited and Off-Shoring 2.0 Technology Services PLC, for Automatic Teller Machine (ATM) software, online and telephone banking software and onsite professional services.		
30.9.2008		
12. OTHER LIABILITIES		
Payable to Ermyas T. Amelga (Note 12.1)	8,290,043	8,290,043
Tax payables	247,622	-
CPO payables	6,224,103	-
Exchange payable to NBE	1,229,776	-
Provident fund	1,124,884	-
Accruals	738,774	-
Subscribers payables (Note 12.2)	1,112,320	1,987,700
Other liabilities	1,465,671	1,083,015
Un-cleared effects I	1,111,773	-
	<u>21,544,966</u>	<u>11,360,758</u>

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12.1 Payable to Ermyas T. Amelga	June 2009	Sept 2008
During the period to 30 September 2008 Ermyas T. Amelga paid pre-operating expenditure and other related costs totalling Birr 12,290,043 at 30 June 2008 on behalf of Zemen Bank S.C. The Bank at its 1st Board meeting dated 9 January 2008 approved the costs incurred by Ermyas T. Amelga up to 31 December 2007, amounting to Birr 6,709,979 and by its 12th resolution dated 26 June 2008 the board approved payment of Birr 4,000,000 as partial settlement: this amount was paid on 30 June 2008.		
Expenses and advances paid by Ermyas T. Amelga	12,290,043	12,290,043
Payment to Ermyas T. Amelga	(4,000,000)	(4,000,000)
	<u>8,290,043</u>	<u>8,290,043</u>
12.2 Subscribers payable		
The subscribers' payable of Birr 1,112,320 relates to subscribers who had not finalized the legal requirements of the registration process.		
13. SHARE CAPITAL		
The Zemen Bank S.C. has an authorized capital of Birr 300,000,000 comprising 300,000 ordinary shares of Birr 1,000 each. Out of this, the bank's subscribed capital was Birr 149,576,000 which is divided into 149,576 ordinary registered shares with a par value of Birr 1,000 each. The paid-up capital of the bank as at 30 June 2009 amounted to Birr 99,657,675.		
14. SERVICE INCOME		
Service charges - foreign	7,336,764	-
Service charges - local	9,780	-
	<u>7,346,544</u>	<u>-</u>
15. SUNDRY INCOME		
Loan processing fee	2,871,933	-
Overdraft protection fee	13,710	-
Balance maintenance fee	72,050	-
SWIFT charge	4,400	-
Documentation fee	1,348	-
Miscellaneous	27,187	-
	<u>2,990,628</u>	<u>-</u>

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16. SALARIES AND BENEFITS

	June 2009	Sept 2008
Salaries	3,781,150	-
Representation allowances	225,741	-
Overtime	15,248	-
Transport allowances	295,391	-
Mobile telephone allowances	51,872	-
Provident fund	562,260	-
Medical expense	90,900	-
Training and education	25,447	-
Laundry allowance	28,900	-
Uniforms	117,256	-
Leave pay	298,038	-
	5,492,203	-

17. GENERAL AND ADMINISTRATIVE EXPENSES

Security and janitorial services	385,478	-
Telephone, fax and internet	451,623	-
Stationery and printing	358,636	-
Advertisements	857,767	-
License and registration fee	511,113	-
Maintenance and repair	282,263	-
Inauguration expense	573,793	-
Utilities	146,010	-
Temporary ATM card printing	303,633	-
IT service provider fee	2,748,787	-
SWIFT and other charges	199,796	-
Consultancy	254,833	-
Fuel and lubricants	118,675	-
Insurance	90,256	-
Sundries	407,189	-
Entertainment	41,679	-
Donation	30,000	-
	7,761,531	-

18. CONTINGENT AND MEMORANDUM ITEMS

18.1 The Bank requested and obtained an independent legal opinion regarding the correct interpretation and application of certain contract documents made between Access Bank S.C. (now Zemen Bank S.C.) and Access

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Capital Services S.C. for a Consultancy Agreement and a Custodian Agreement. Accordingly, it is considered by the Board of Directors that an amount of Birr 4,487,280 commission claimed by Access Capital S.C. is not payable by the Bank. However, the claim of Birr 4,487,280 has not been formally waived by Access Capital S.C. but this claim is not included in the actual liabilities of the bank.

18.2 Guarantees issued to customers

810,100	-
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18.3 Commitments

Letters of credit	82,131,471	-
Less: margins held on letters of credit	(72,690,168)	-
	9,441,303	-
Inward bills for collection	236,605	-
	9,677,908	-
Overdrafts	Nil	Nil
Loans	74,052,973	-

19. EMPLOYEE BENEFIT SCHEMES

The Bank contributes 15% of basic salary while employees contribute 7%. All other employee benefits are in accordance with the Labour Proclamation No. 377/2003 and Amendment No. 494/2006.

20. RELATED PARTY TRANSACTIONS

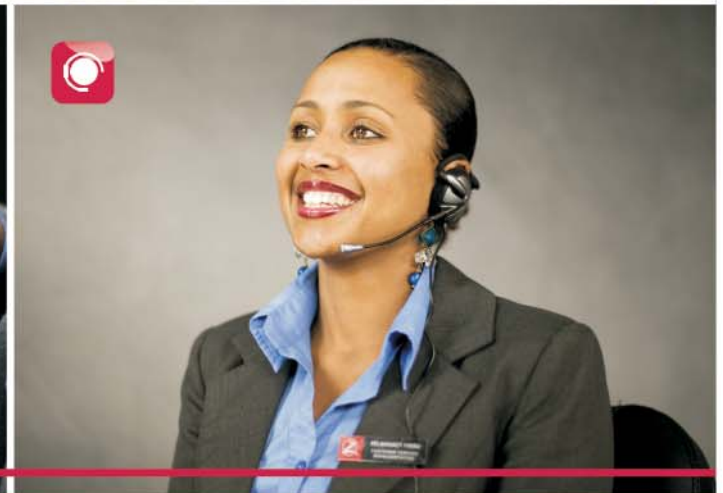
The main promoter concluded a "Memorandum of Understanding" with eVentive LLC on 23 July 2007 for providing IT services to the Bank. The CEO of eVentive LLC Yemiru Chanyalew was approved as a member of the Board on 22 January 2008 and the Bank secured its license in June, 2008. Even though the signing of a formal contract with eVentive was under process the Board raised the issue of conflict of interest on the membership of Yemiru Chanyalew who subsequently submitted his resignation to the Board. The resignation of Yemiru Chanyalew was accepted by the Board on 19 December 2008.

A consultancy agreement signed between Access Capital S.C. and Access Bank (now Zemen Bank) on 15 March 2007 i.e. when the Bank was under formation is not recognized by Zemen Bank Board. The purpose of the agreement was for facilitating the sale of shares, and to advise and assist in managing in general the sale of shares offered by the Bank.

Related party	Description of transaction	
eVentive LLC	- Amount paid for IT consultancy services as per Memorandum of Understanding:- - For the pre-operating period ending 30 September 2008	2,216,760

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Zemen Bank is the first bank in Ethiopia to offer **MULTI-CHANNEL BANKING** making our services more secure, convenient and efficient.



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