



ANNUAL REPORT 2016



Financial Solutions from A to Z
ሰዳኝ ታችኛ... ዘመን ደኝ ታችኛ





VISION

The vision of Zemen Bank is to be "Ethiopia's Five-Star Bank".

CONTENTS

BOARD OF DIRECTORS	4
SENIOR MANAGEMENT	5
CHAIRMAN'S STATEMENT	6
SHAREHOLDERS' MEETING	11
DIRECTORS' REPORT	12
CUSTOMER SNAPSHOTS	20
AUDITORS' REPORT	25

Mission:

To deliver our clients the most distinctive banking experience in Ethiopia through a mix of local Know-how and world-class standards.

To ensure for our staff an engaging, rewarding, and attractive work environment alongside a best-in-industry compensation scheme.

To provide our shareholders satisfactory returns on a sustainable basis.

Our value Include:

Upholding the highest standards, being progressive and innovative

BOARD OF DIRECTORS



Amare Habe
Board Chairman



Million Habte
Board Deputy Chairman



Emawayish Addisu
Board Director



Bezuwork Mamo
Board Director



Kbreab Afework
Board Director



Neway Berhanu
Board Director



Kolleye Tessema
Board Director



Mikre Ayalew
Board Director

SENIOR MANAGEMENT



Tsegay Tetemke
President / CEO



Helaway Tadesse
Senior Vice President



Sebhat Belayneh
Vice President-Finance &
International Banking



Adamseged Belay
Legal Counsellor



Elias Kinfegebriel
Manager HR &
Support Services



Adugna Mekonnen
Manager New
Business Development,
Planning & Research



Asrat Tadesse
Manager-CRM
Department



Ojeuna Mekconenn
Manager- Marketing Department



Shimelis Legesse
Manger- Core Banking Application
and Administration



Gadissa Mamo
Manager Finance



Solomon Mamo
Manager Credit Appraisal



Firehiwot Birke
Manager
Main Branch



Meseret Wondim
Manager
Internal Audit



Nebyou Tekola
Manager Domestic
Banking Operations



Tesfaye Boru
Manager Risk &
Portfolio Management



Tesfaye Salilew
Manager Infrastructure
& Channel Management

CHAIRMAN'S STATEMENT

Year ended 30 June 2016

It is with great pleasure I present to you the 2015/16 Annual report on behalf of Zemen Bank's elected board of directors. I am pleased to report the 2015/16 fiscal year has been concluded with the bank reaching its highest levels since the banks founding over eight years ago.

As before, the results reflect extensive work done to satisfy the demanding needs of major corporate customers and many retail clients with equally high standards and expectations. We believe the bank has gone a long way to meet and exceed such expectations, even while we strive for continued improvements in our ability to provide tailored banking products, technology - based service channels and top customer services.

With respect to the concluded 2015/16 financial year, as most readers will be aware the macroeconomic setting in Ethiopia presented a mix of opportunities and challenges. The demand for banking services especially Loans remained high as strong expansion seen across multiple economic sectors resulted in 9.6 percent real GDP growth for the economy and a slight growth rate of 1.4 percent For the manufacturing sub sector. At the same time on the foreign trade front while imports rose by 21 percent, export has in general fallen by 6 percent year on year; thus contributing to a tighter foreign exchange condition at banks during most of the year.

"...Revenue was raised by 40 percent from last year and profit after tax has risen by 33 percent"

Despite the challenges stated above I am pleased to report Zemen bank managed to record growth in all areas of activities. Revenue was raised by 40 percent from last year and profit after tax has risen by 33 percent. These results were helped by a 44 percent increase in deposits and much larger increase in our lending operations which was 52 percent for the year. This has helped turn around the stagnant growth in lending in previous years. In addition to our strong performance in credit intermediations activities, our foreign exchange activities showed a stronger performance this year compared to previous year. Export performance is



PERSONAL BANKING



back on track with growth of 27 percent on previous year despite the nationwide decline in export for the year. In other key measures the bank reflects a more diversified credit portfolio and with respects to loan to equity the bank has gross NPL of 4.76 percent which is below regulatory requirement.

Beyond the financial figures I am also pleased to report that the FY 2015/16 has been a year when Zemen has continued to grow and broaden its outreach to customers through multiple served delivery channels. To continue our expansion to key regional cities Zemen has opened a second branch in Hawasa as well as new banking centers in CMC, Arada and Bisrate Gebriel in addition to existing branches. Furthermore we continue to grow our alternative banking channels through deployment of new ATMs and improved internet banking system and mobile banking options (using both IVR and SMS channels) and continued growth in our highly valued and corporate-focused services such as door step banking.

- **Corporate Governance:** In line with the regulatory standards Zemen bank has been working on diligently to put in place strong standards of corporate governance at both board and management level. In this context as per NBE directive and Basel principles the board has focused in squarely on key areas of responsibility naming setting out new strategy and policies for the effective governance of the bank's operations. The board and management have worked diligently to deliver a new strategy plan to strengthen the oversight function in key areas naming management performance, risk, loan review and IT.
- **New Strategy Plan:** In FY2015/16 Zemen bank Embarked on setting out the new strategy to take the bank through to 2020 in line with the growth and transformational plan of the country. To this end the board of directors and management have consulted key stakeholders customers, staff, shareholders and wider public - to set a new direction and vision which in turn

has refined many aspects of the banks mix of product offerings and customer base as well as the banks operational structure and systems.

Though the direction has changed, the core values of the bank has remained intact which is to deliver industry leading customer service and to ensure our shareholders satisfactory and sustainable returns with a vision to becoming 'Ethiopia's Five Star Bank' through 'Local knowledge and international Standards'

- **Headquarters Building:** Following the completion of the pile foundation in late 2015, Zemen bank issued a bid for the construction off 3B+G+32 state of the art building. The interest for this bid was overwhelming however three companies that submitted BID documents were assessed. After careful consideration and visit to china to assess the quality of work, the contract was finally awarded to China WU YI CO.LTD on 19th August 2016 with negotiation and discount. The total project cost stands at – 1.24 billion birr. The construction is expected to begin on October 10 and is estimated to take 1095 construction days. Once completed the Zemen bank Headquarter will be one of the tallest buildings in the country.

To conclude I would like to extend my sincere thanks to our valued customers, management, staff and shareholders for their solid commitment and dedication to Zemen bank . I invite our key stakeholders to continue to engage with us as we set on course to implementing our strategy to 2020. Thank you and best wishes to us all in the coming year.

Chairman of the Board
Zemen Bank



Personal Banking

As a Zemen Bank Personal Banking customer, you will earn an interest rate of 5.5% compared to the 5.0% interest rate currently offered in the market. To qualify, a minimum monthly balance of Birr 25,000 is required.



**MULTI-CHANNEL BANKING
NOW AVAILABLE
AT ZEMEN BANK**

- ATM Outreach**
Access your funds anytime, anywhere.
- Internet Banking**
Manage your account from the comfort of your home.
- SMS Banking**
Receive alerts and manage transactions via text.
- Call Center Banking**
Speak to a representative for any banking need.



Zemen
BANK

Head Office: Addis Ababa, Ethiopia
Branches: Bishoftu, Bahir Dar, Gondar, Harar, Mekele, Dire Dawa, Jijiga, Jimma, Kersa, Lalibela, Shashane, Tsegede, Yirgalem, Zewidie, Ziway, and others.

8

PRESTIGE BANKING





Prestige Banking

Prestige Banking Customers are allocated a Personal Banking Representative and earn 5.60% on their savings. To qualify, the minimum monthly balance is Birr 100,000.

40% AVERAGE ANNUAL EARNINGS PER SHARE OVER PAST 5 YEARS

51M BIRR WITHDRAWN FROM ATMS EVERY MONTH

7500 INTERNET BANKING USERS EVERY MONTH

\$302M IN FOREX INFLOWS

33% PROFIT INCREASE

3.4B LOANS TO CUSTOMERS

5.5B DEPOSITS MOBILIZED

1,150 EXPORT IMPORT TRANSACTIONS PER MONTH

1.6M GOVERNMENT BILLS PURCHASED

67M TAXES PAID

248M BIRR FROM VISA CARD AND MASTERCARD USER

44% DEPOSIT INCREASE FROM PREVIOUS YEAR

18,300 EMPLOYEES USING PAYROLL SERVICES

10

Z-CLUB BANKING



SHAREHOLDERS' MEETING (03 December, 2015)



Z-Club

Z-Club offers the highest level of banking services available. A specialist Personal Banker is assigned to you to help with all your financial needs. To qualify, you should maintain a minimum monthly balance of Birr 500,000. The Z-Club account brings with it the most preferential interest rates (6.0%), free cash delivery/collection services (limit of two per month), and the privilege of using our dedicated mezzanine floor, including use of our conference rooms with free internet services, for your business needs.

DIRECTORS' REPORT

Fiscal Year 2015/16

Zemen Bank's Board of Directors is pleased to present the 2015/16 Annual Report to its esteemed shareholders, clients, and partners. In what follows, we present an overview of our overall results during the just completed fiscal year and outline briefly our plans for the period ahead.

Financial Performance

Zemen Bank Completed the 2015/16 fiscal year with continued growth and better performance in most areas of activity, and hits the highest levels of revenues and profits since the Bank's founding over eight years ago. The bank's lending, international and domestic activities aided pre-tax profit to reach Birr 270 million reflecting gross revenue of Birr 703 million that was outweighed by Birr 433 million interest and other expenses. Profit-after-tax rose from Birr 153 million to 203 million, equivalent to a growth rate of 33 percent.

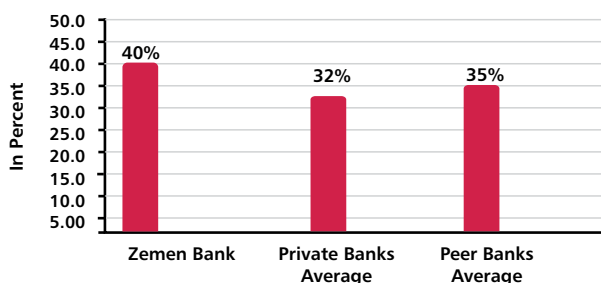
Looking at our capital and our total assets, the bank's profit performance has assured a satisfactory result on rate of return. The bank's net profit-after-tax result of Birr 203 million translate into a return on average equity of 23 percent as well as a return on average assets of 3.3 percent. The paid-up capital of our shareholders has reached Birr 650 million during the year; the net income outturn is equivalent to earnings per share of 36.7 percent. This earnings per share is higher than the

prior year performance by 4 percentage point and above the industry average earnings per share. In the year 2015/16, the average earning per shares in peer banks and all private banks have reached 35 percent and 32 percent, respectively. With earnings per share averaging 40 percent per year during the past five full fiscal years that the Bank has been in operation, the profit performance of Zemen Bank shows a strong overall track record.

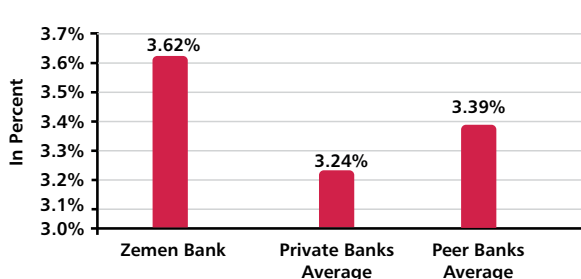
Zemen Bank's results continue to be supported by a distinctive business model that is focused on corporate clients and technologically-driven banking services delivered via multiple channels (such as Branches, ATMs, Internet Banking, Foreign Exchange Bureaus, and Banking Kiosks). This business model has allowed for a lean operating set-up as well as a favorable structure in the Bank's revenue, expenditure, and balance sheet, as described below:

Revenues: The Bank collected gross revenue of Birr 703 million during the year, a 40 percent increase from the previous fiscal year's outturn of

Earning Per Share: Five-Year Average GRAPH 1



Return on Assets: Five-Year Average GRAPH 2



12



Birr 502 million. The two largest revenue sources for the bank are interest income on our loans (Birr 367 million or 52 percent of total revenue) and fees derived mainly from trade operations (Birr 194 million or 27.6 percent of total revenue). A third revenue source, gains from foreign exchange (FX) related operations, provided Birr 122.4 million or about one-sixth of or 17 percent of total revenues. In a very positive development, the Bank's revenue structure is now more diversified than a few years and much less susceptible to a slowdown in any one particular line of activity, such as credit or international banking.

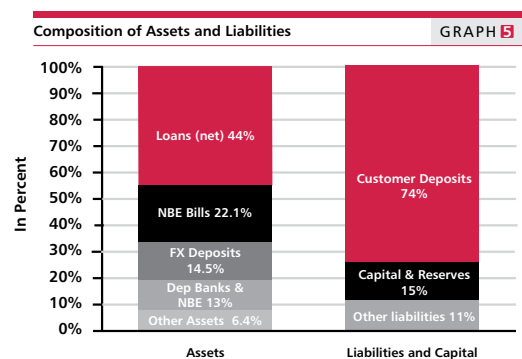
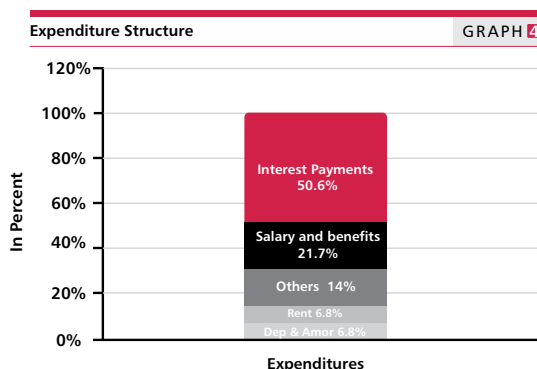
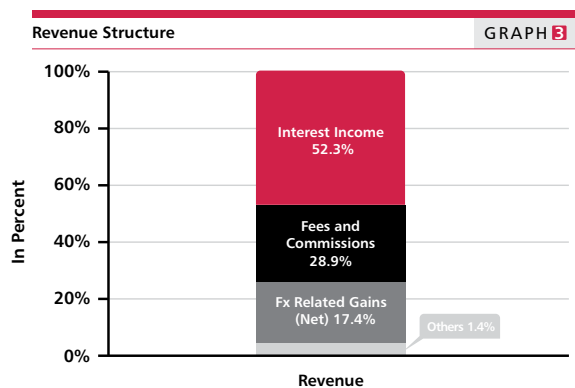
Expenditure: The Bank's operational expenses were dominated by spending on interest payments (Birr 207 million), administrative items including, salaries and benefits (Birr 96 million), depreciation and amortization (Birr 28 million) and rent (Birr 28 million). The Bank has also set aside a loan provision expense of Birr 24 million. The Bank's cost-to-income ratio (which is a key measure of efficiency used in the banking sector and reflects operating costs relative to operating income) declined somewhat from 33 percent to 29 percent, and still remains at the very low end of industry norms, as does the cost-to-assets ratio of just 2.7 percent.

Balance Sheet: The Bank's balance sheet expanded by 52 percent during the year, rising from Birr 4.7 to just under 7.4 billion. On the liability and capital side, the largest items on the Bank's balance sheet are

customer deposits (Birr 5.5 billion) and shareholder funds (Birr 650 million). The counterpart to these funds collected from customers and shareholders are four main assets: loans and advances after provisions (Birr 3.5 billion); NBE Bills (1.6 billion); deposits at local banks and NBE (Birr 0.96 billion); and foreign exchange deposits at foreign banks (Birr 1.1 billion). The Bank continues to have one of the highest capital ratios in the industry, with a capital adequacy ratio of 27 percent of risk-weighted assets, or three times the regulatory requirement. Moreover, in line with our prudent liquidity management practices, the Bank's liquidity ratio (liquid assets to deposit) was well above the regulatory requirement of 15 percent throughout the year and stood at 40 percent at end-June 2016.

Dividend Payout Proposal

Based on the financial results of the fiscal year, Birr 151.3 million has been transferred to retained earnings reflecting several notable deductions to the



Debit Card

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.

Bank's pre-tax profits. First, reflecting a 25 percent effective tax rate (due to several tax-exempt earnings such as interest on NBE Bills), a tax deduction of Birr 67.39 million reduces the net profit after tax to Birr 203 million. This figure, in turn, is subject to two deductions on account of Legal Reserves (Birr 51 million) and Directors remuneration (Birr 0.7 million). The remaining figure amounts to Birr 151.3 million and is the sum transferred to retained earnings in FY 2015/16. The Board of Directors proposes that the full amount of retained earnings be transferred to shareholders in the form of dividend payments. Based on the year-average paid-up capital of the Bank, the proposed dividend to shareholders amounts to near 27.4 percent per share.

Banking Operations

Zemen Bank has continued to show strong and rapid growth in the three key areas of commercial banking operations—collecting deposits, providing loans, and securing the foreign exchange funds needed to facilitate trade related services.

Deposits:

Zemen Bank boosted its deposit base by 44 percent, with total deposits mobilized reaching Birr 5.5 billion at end-June 2016 from Birr 3.8 billion a year earlier. The registered growth rate of 44 percent is

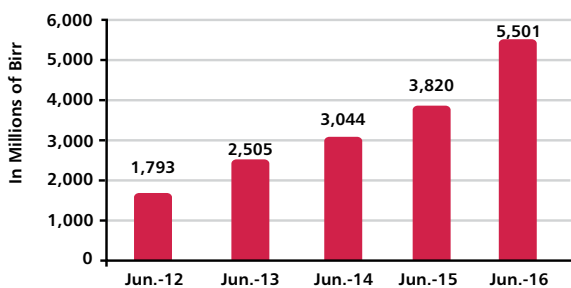
higher than the overall deposit growth rate seen at private banks, which helps our bank to increase its market share from 3.21 percent to 3.7 percent. Zemen Bank continued to offer competitive interest rates on its deposits and remains the only bank that pays interest to its savers on the basis of the average daily account balance during a given month rather than using the lowest account balance of that month. Corporate deposits continue to make up the majority (nearly two-thirds) of the deposit base, although retail deposit accounts have shown strong double-digit gains in recent years.

The composition of deposits is broadly in line with the Bank's strategic objectives: savings deposits make-up the largest share (49 percent), followed by checking deposits (28.4 percent) and time deposits (22.2 percent).

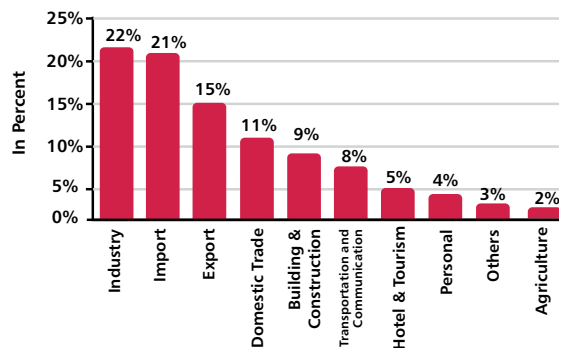
Credit:

The Bank's lending books has continued to show a strong growth of 52 percent this past fiscal year, with gross loans rising from Birr 2,208 million to Birr 3,403 million. The bank's structure system of credit operations—including separate departments for customer relationship management and for credit appraisal—has contributed to this above-target performance and thus helped reverse the relatively slow loan growth seen in the two prior years. Regarding the composition of loans, Zemen Bank continues to have a high share of its

Deposit Trends:2012-16 GRAPH 6



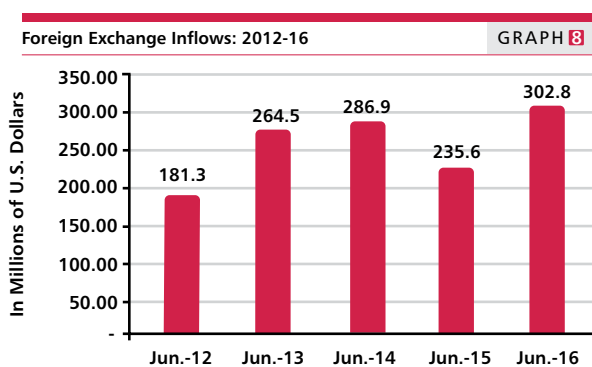
Loan Book Composition GRAPH 7



loans devoted to sectors accorded high national priority, with the five largest categories comprising: Manufacturing (22%), Imports (21%), Exports (15%), Domestic Trade and Services (11%) and Building & Construction (9%). With respect to loan quality, the Bank's gross NPL ratio is now 4.76 percent, which is below the regulatory requirement (5 percent).

International Banking:

The Bank's foreign exchange inflow has restored compared to the previous year and has moved in a good track during FY 2015/16. The average FX inflow per month has reached \$25 million and amounted to \$ 302 million for the fiscal year, representing a 27 percent increase from the prior fiscal year. The increase has been driven by the export, which is grown by 36 percent during the year. In terms of activity levels, the International Banking Department handled close to 1,430 export, import, and transfer transactions per month and completed a total of about 17,165 transactions during the course of the year. The Bank has expanded its correspondent banking and Relationship Management Application (RMA) with 97 banks covering over 34 countries, including active correspondent account relationships with many global financial institutions. Zemen Bank also continues to provide foreign currency accounts to around 901 qualified customers, such as foreign investors, embassies, international organizations, and the diaspora.



Multi-channel banking services:

Zemen Bank's banking services continue to be delivered via a range of banking channels, all tailored to the demands and preferences of particular client segments. Accordingly, based on their needs, our customers use service points that may include either our physical outlets or our technology-aided channels such as ATMs, internet banking, and mobile banking services. To provide a snapshot of our activities in these multiple service delivery channels:

- In the 2015/16 FY, our banking facilities have reached four in Addis Ababa and will further be expanded in the coming years- **Main Branch (MB) and the Bole Banking Center (BBC)** have shown moderate growth in activity, driven by a 37 percent increase in the number of deposit accounts at the two locations last year. In line with the rising number of accountholders, there was a 28 percent growth in the value of cash and cheque transactions during the year. Total customer transactions in MB and BBC reached a record high of over 418,743 for the year, equivalent to around 1,506 customer transactions on a typical business day. In the fiscal year we have opened two new branches in Addis Ababa: Arada and CMC. The two new branches have shown a good prospect and they have mobilized Birr 165 million deposits during the fiscal year.
- **Regional Banking Centers** the number of Branches, in the large cities outside Addis Ababa, has reached seven Hawassa, Adama, Dire Dawa, Mekelle, Bahr Dar, Gondar and Humera during the FY 2015/16 and the collected total deposit reached Birr 137.2 million.
- **Sub-Branches** continued to provide a limited set of services to specific corporate customers (e.g., Embassy of Sweden, Embassy of the

International Banking

Zemen Bank, in partnership with several correspondent banks abroad, can offer the full array of international banking services that you require:

- ▶ Import and Export letters of credit
- ▶ Foreign cash and check-related services
- ▶ Remittance services to send/receive funds
- ▶ International wires and transfers
- ▶ Dollar/Euro accounts to eligible savers

Netherlands, Sher Ethiopia PLC, and Emirates Airlines) as well as to the broader public (e.g. at the Main Post Office and Wabe Shebelle Hotel). Including all of the above, the Bank now has physical facilities providing banking services at a total of 16 locations.

- Our **ATMs** continue to be a highly valued banking channel for many of our customers with about Birr 1.66 million in cash withdrawals on a typical day. For the year as a whole, the number of ATM users reach 313, 830, around Birr 606 million has been withdrawn from our ATMs, or an average of Birr 50.5 million in cash withdrawals per month, up 21 percent from the previous year. On peak occasions, over Birr two million in cash is withdrawn per day at Zemen Bank ATMs, indicative of our continuous internal efforts to widen their reach and minimize their downtimes. Through a collaboration with Dashen Bank under the “Q-Link” network, customers of Zemen and Dashen Banks are both able to benefit from a total network of more than 200 ATMs at locations throughout Addis Ababa and several regional cities.

The world’s two largest card networks, VISA and MASTERCARD, both continue to be accessible at our ATMs, allowing a very wide pool of international cardholders to access local currency funds from the convenience of a local ATM.

- **Internet Banking:** Our Internet facilities are utilized by around 1,636 registered users and they have transacted more than Birr 190 million in 2015-16, providing a very convenient channel to our corporate and personal clients. Since its launch, our customers have

accessed our internet banking facilities over 200,000 times to fulfill their banking needs, including for retrieving account balances and loan statements. A recently improved Internet Banking software now offers a truly world-class package of online banking tools, with enhanced features such as simplified corporate payroll payments, an optional system of multiple persons to initiate /authorize transactions, and an ability to transfer funds to accountholders located at other banks.

- **Mobile Banking:** Zemen Bank completed two phone-based service offerings that allow users to access their bank account records over their mobile phones. Our SMS Banking system allows such access via text messages (SMS Banking available at *844#) while the other allows information retrieval via voice based prompts at a dedicated phone line (IVR Banking available at 8700). These facilities allow customers to check balances, review transaction activity, and make fund transfers over the phone.
- Our **Doorstep Banking** services are helping numerous local and foreign companies improve their cash and treasury management thanks to our convenient cash delivery and pick-up services. Close to 2,850 Doorstep Banking related trips involving transactions totaling Birr 1,342.4 million (up 122 percent from last year) have been completed as part of our dedicated service to large corporate businesses with very high cash turnover.
- Our **Corporate Payroll Services** have been serving near 18,263 employees on a monthly basis, with beneficiaries ranging from field workers at several large commercial farms to the staffs of embassies, international organizations, and foreign investors within

ON LINE BANKING



Addis Ababa. A total of more than Birr 235.3 million (up 22 percent from last year) has been paid out as part of our corporate payroll services during the course of the year.

Human Resources and Administration:

To fully support the rapid growth of the many operational activities noted above, the Bank continued the upgrading and strengthening of its staff capabilities. In this regard, the Bank's staff headcount has been raised from 434 to 565 during the fiscal year, with a continued focus placed on recruiting the most talented and experienced professionals available in the market. Training of staff continues to be accorded special attention, with 647 staff receiving training in the areas of credit appraisal, project finance, risk management, new product development, trade finance, international banking, and Anti-Money Laundering. A tailored customer service training program developed by top trainers from the US continues to be in place with the aim of making our client services in this area among the best in the industry.

Risk Management:

A fully separate Risk Department continues to lead the Bank's work on risk identification, monitoring, and mitigation, including coverage of risks related to credit, liquidity, markets, foreign exchange, operations, and strategy. Beyond quarterly Risk Reports presented independently to the Board of Directors, the work of the Risk Department has also included Loan Review Reports, IT Risk Reports, and Compliance Reports particularly as they related to AML/CFT. Regular compliance and reporting requirements to the Financial Intelligence Center (FIC) have also been handled throughout the year. Credit risks continue to be given close attention, with regular analysis done in this area via case-by case loan file reviews, a credit scoring system to evaluate borrower risks, and the use of Value-at-Risk models to forecast required provisioning levels.

The task of regularly identifying and mitigating risks is further supported by a Senior Management-level Asset-Liability Committee (ALCO) as well as by the Board of Directors' Risk Committee and Loan Review Committee.

Outlook for the year ahead

The 2015-16 was the first year that the country has started the implementation of the Second Growth and Transformation Plan (GTPII) that sets new directions and priorities for the banking industry as well as the economy as a whole. Hopefully, as prior year the plan will provide the Bank with an opportunity to continue and to take long-term view of its own mission, strategy, and operations in the context of the rapidly changing business, economic, and regulatory environment. In the year ahead, the following major tasks are envisaged:

- **New Strategy Plan for the Next Five Years:** Zemen bank has prepared and made operational the new strategy plan that help to continue effort to maintain the bank's dynamism, progressiveness, innovativeness and other missions. The New strategy plan will continue to articulate the Bank's key priorities and objective up until the end of 2020.
- **Boosting Resource Mobilization:** the Bank's recent performance in mobilizing deposits and foreign exchange has been encouraged and this should be maintained in the coming new FY. For this, the bank will give a strong emphasis that further uphill the level of those resources through various mechanisms and incentives.
- **Additional Banking Centers:** will continue to be expanded at a moderate pace for the coming fiscal year. Three additional banking facilities-to be located in key business

Online Banking

You can check account and loan balances, transfer funds, access daily exchange rates, and (soon) pay your bills online with just a click of a mouse from anywhere and at anytime.

districts are planned in Addis Ababa for 2017. Elsewhere, three new locations are planned for this year, which will add to our existing banking centers in Bahr Dar, Gondar, Humera, Hawassa, Adama, Dire Dawa, and Mekelle. As before, each of these regional banking centers will continue our past practice of delivering corporate-focused banking services via a menu of alternative banking channels and with high standards of customer service.

- **Agent Banking:** In line with regulatory initiatives in this area, and to support the Bank's broadening reach, Zemen Bank will begin the use of third-party agents that can serve the bank's customers for basic banking transactions. Accordingly, a pilot scheme in this connection will be commenced in FY 2016/17, and a much more substantial scaling-up to be rolled out in subsequent years.
- **Capital Increase:** The Board of Directors will propose a Birr 200,000,000 increase in the paid-up capital base at the Annual General Meeting of Shareholders in December 2016. This 30 percent increase will raise our paid-up capital to Birr 850 million and is intended to be broadly in line with growth in the Bank's balance sheet. The higher capital base will also provide the Bank with greater flexibility in its lending and foreign exchange operations.
- **Headquarters Building:** Following the completion of the pile foundation in late 2015, Zemen bank issued a bid for the construction of a 3B+G+32 state of the art building. The interest for this bid was overwhelming however three companies that submitted BID document were assessed.

After careful consideration and visit to china to assess the quality of work, the contract was finally awarded to China WU YI CO.LTD on 19th August 2016 with negotiation and discount of up to 50m Birr. The total project cost stands at Birr 1.24 Billion.

The construction is expected to begin on October 10 and is estimated to take 1095 construction days. Once completed the Zemen Bank's Headquarter will be one of the tallest buildings in the Ethiopia.

- **Equity Investments:** Zemen Bank remains committed to undertaking selected equity investments and has in this connection already signed Letters of Intent with several promising prospective cases. A new NBE Directive limits the Bank's degree of participation in this area, but still allows for banks to undertake equity investments of up to 10 percent of their capital. Our equity investments will be guided by a Board-approved policy framework and will also be reviewed in a case-by-case basis by the Board of Directors.

In conclusion, Zemen Bank will in FY 2016/17 continue efforts to achieve more than the last year performance in the area of deposit mobilization, credit and FX inflow, and putting in place the main foundations for its long-term growth. Once again, we will remain committed to delivering distinctive banking services to our customers and satisfactory profits and dividends to our shareholders.

Mortgage Loans



Corporate Loans



Personal Loans





Bank in **Comfort** from anywhere, anytime.

Whether you're working hard or out relaxing, we are at your service.

Luxury (n): something desirable or costly but difficult to obtain. It is often said that true luxury is the luxury of having free time... something hard to achieve in today's busy world. Zemen Bank's state-of-the-art services, including 24 hour access to cash through ATM, extended banking hours, internet and Phone Banking, are all designed to give you just one thing - THE LUXURY OF TIME.

Mortgage Loans

Zemen Bank's mortgages can make your dreams of owning a home come true. Zemen Bank Home Loans are designed for those with steady incomes and the ability to cover at least 30 percent of the cost of the homes.

Corporate Loans

Zemen Bank's corporate lending services can finance businesses that need: Term loans to establish/expand operations, Machinery/vehicles/equipment loans, Export or import financing, Merchandise loans, Short-term lines of credit, Project finance loans

Personal Loans

Zemen Bank offers personal loans to individuals with full-time employment or with other steady income sources.

CUSTOMER SNAPSHOTS



Reykjavik Geothermal



A dominant industrial producer



Turkish Airlines



Mama Fresh Enjera



Unilever



Ethiopia's biggest flower exporter



Great Abyssinia



Kifiya Financial Technology



Luna Export Slaughter House



The world's biggest brand

20

DOORSTEP BANKING



Save time, avoid risk and make your banking easier through Z-Doorstep Banking service!

CUSTOMER SNAPSHOTS



Verde Beef Processing PLC

TECNO | mobile

Ethiopia's leading mobile phone assembler



Ethiopia's largest wine producer



International Air Transport Association



HEINEKEN



HYUNDAI

MARATHON MOTORS
Hyundai's exclusive dealer



MTN



A world-class airline

Tiger Brands



An African consumer goods giant



Radisson BLU

DoorStep Banking

Check, CPO, Cash collection and delivery services

Z-Doorstep Banking service is a solution that renders CPO, cash, and check collection services to a specified address without compromising the safety of your money. Zemen Bank will pick up your money and deposit it into your account while issuing deposit slips on site. Furthermore, your money will earn a high interest rate each day at Zemen Bank while deposited in a saving account. Delivery and pick up orders can be placed via email, fax, telephone.

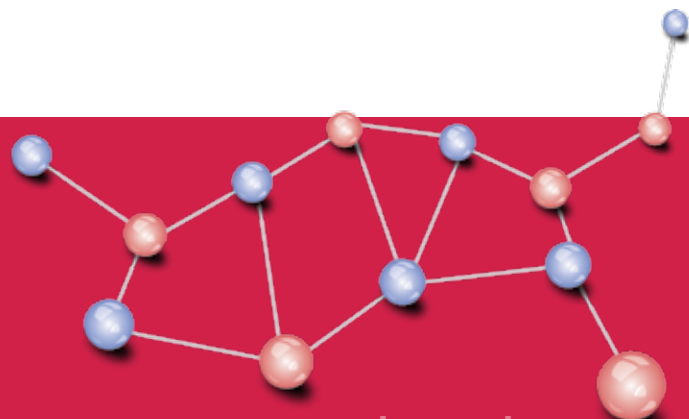


“For top performance off-the-field... my choice

- Athlete

DEPOSITS | LOANS | FOREX | CORPORATE BANKING | ATMS

“We’ve got you linked!”



www.zemenbank.com

www.zemenbank.com



is Zemen Bank.
/ Entrepreneur Haile Gebreselassie

INTERNET BANKING



+ 251 11 553 90 40
Financial Solutions from A to Z
ሰዳኝ ታችን... ዘመናዊ ታችን

www.zemenbank.com

Welcome to Ethiopia's largest ATM network!

Q-Link is the one network that serves the largest number of ATM users across Ethiopia. Customers of Dashen Bank, Zemen Bank and those with internationally issued VISA labeled cards can now utilize any of the ATMs with a Q-Link sign appearing on them, providing the convenience of accessing a combined network of more than 100 ATMs in Addis Ababa and beyond.

www.zemenbank.com www.zemenbank.com



Earn Interest Every day...

Deposit your money at Zemen Bank and earn interest every day!

Why wait a full month to earn interest on your deposits when you can earn additional income every day? Zemen Bank calculates interest on your deposits daily, allowing you to earn more for all the things you want to do with your money.

So make a decision today and enjoy Zemen Bank's other distinctive services, including 24 hour ATM access, Phone Banking, Internet Banking, Debit Cards and more!

MODERN BANKING SERVICES

Zemen Bank is all about giving customers choices and conveniences, Accordingly, we provide our customers with the option of banking at a branch, over the phone, via an ATM, through the internet, or even at your doorstep. The options are there, the choice is yours!

We welcome you to visit our impeccably furnished Branch, always fully staffed to minimize the transaction times at our counters. Indeed, all our branch transactions are electronic and we strive to complete your visit in just 5 minutes.





AUDITORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES	27
INDEPENDENT AUDITORS' REPORT	28
PROFIT OR LOSS ACCOUNT	29
BALANCE SHEET	30
STATEMENT OF CHANGES IN EQUITY	31
STATEMENT OF CASH FLOWS	32
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	33



ATMs

Our ATMs allow customers to perform their basic banking activities such as cash withdrawals and balance inquiries 24 hours a day, 7 days a week.

On line Banking

You can check account and loan balances, transfer funds, access daily exchange rates, and (soon) pay your bills online with just a click of a mouse from anywhere and at anytime.

Call Center 00251 (0)11 550 1111

Customers can check balances or make account enquiries over the phone. Customers are also able to access current interest rates, forex rates and transfer funds.

Mobile Banking

Zemen's Mobile Banking Service enables customers to check their balances and, most importantly, send/receive funds via their mobile phones by simply dialing *844#.



“ WE SPEAK . . .
MANY CURRENCIES ! ”

*Visit us for a full range of
international banking services.*



ZEMEN BANK SHARE COMPANY STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Commercial Code of Ethiopia 1960 and the Banking Business Proclamation No. 592/2008 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the bank as at the end of the financial year and of the operating results of the bank for that year. The directors are also required to ensure that the bank keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the bank. They are also responsible for safeguarding the assets of the bank.

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with The Accounting Policies of the Bank and the requirement of the Commercial Code of Ethiopia 1960 and the Banking Business Proclamation No. 592/2008 and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with The Accounting Policies of the Bank and the requirement of the Commercial Code of Ethiopia 1960 and the Banking Business Proclamation No. 592/2008. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial controls.

Nothing has come to the attention of the directors to indicate that the bank will not remain a going concern for at least the next twelve months from the date of this statement



Amare Habe
Chairman of the
Board of Directors



Tsegay Tetemke
President/CEO

30 September 2016



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ZEMEN BANK S.C.

Report on financial statements

We have audited the accompanying financial statements of Zemen Bank Share Company, set out on pages 29 to 64 which comprise the statement of financial position as at 30 June 2016, and the statement of profit and loss and other comprehensive income, 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 notes..

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with The Accounting Policies of the Bank and the requirements of the Commercial Code of Ethiopia 1960 and the Banking Business Proclamation No. 592/2008 and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the Bank's preparation of financial statements that give a true and fair

view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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 give a true and fair view of the state of financial affairs of the Bank as at 30 June 2016 and of its statement of profit or loss and other comprehensive income and cash flows for the year then ended in accordance with The Accounting Policies of the Bank.

As required by the commercial code of Ethiopia, based on our audit we report as follows:

- i) Pursuant to Article 375(1) of the Commercial Code of Ethiopia, 1960 and based on our reviews of the board of directors' report, we have not noted any matter that we may wish to bring to your attention.
- ii) Pursuant to article 375 (2) of the commercial code of Ethiopia we recommend the financial statements be approved.



A handwritten signature in black ink, appearing to read "Degefa Lemessa".

Degefa Lemessa Authorized Auditors Limited
Partnership Chartered Certified Accountants
P.O. Box 8118 Addis Ababa, Ethiopia

30 September 2016

ZEMEN BANK S.C.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2016
 In Ethiopian Birr

	Note	2016	2015
INTEREST INCOME	5	367,057,544	262,573,649
INTEREST EXPENSE	6	(206,731,382)	(136,711,363)
NET INTEREST INCOME		160,326,162	125,862,286
Fees and commission income	7	211,286,693	152,005,287
Gains on foreign exchange dealings & fluctuations (net)	8	122,377,291	83,338,900
Other income	9	2,629,851	4,062,874
OPERATING INCOME		496,619,997	365,269,347
Operating expenses	10	(202,951,686)	(164,344,716)
Impairment losses on loans and advances	16	(23,617,004)	-
PROFIT BEFORE TAXATION		270,051,307	200,924,631
TAXATION CHARGE	11	(67,285,996)	(47,237,229)
PROFIT FOR THE YEAR		202,765,311	153,687,402
Board of Directors' remuneration	32	(747,619)	(411,918)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		202,017,692	153,275,484
EARNINGS PER SHARE (of ETB 1000 each)	12	367	320



ZEMEN BANK S.C.
STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2016
 In Ethiopian Birr

	Note	2016	2015
ASSETS			
Cash and balances with National Bank of Ethiopia and other banks	13	1,934,610,971	959,328,247
Cash reserve with NBE	13	274,000,000	195,000,000
Government securities	14	1,632,434,000	1,357,543,887
Investment in government Bond		1,000,000	-
Loans and advances to customers	15	3,253,942,050	2,156,690,020
Investment in equity shares	16	11,789,000	11,371,000
Other assets	17	158,099,935	92,685,813
Property, plant and equipment	18	70,180,159	61,487,849
Intangible assets	19	30,991,951	33,024,285
Leasehold land	20	7,083,551	7,209,545
TOTAL ASSETS		7,374,131,617	4,874,340,646
LIABILITIES			
Customer deposits	21	5,486,917,395	3,819,454,452
Due to financial institutions	22	2,326,183	3,805,076
Other liabilities	23	176,820,682	144,122,164
Finance lease obligation	24	5,846,062	6,047,650
Margins held on letters of credit	25	632,961,645	88,886,280
Tax payable	11 (b)	67,238,678	47,168,110
TOTAL LIABILITIES		6,372,110,645	4,109,483,732
SHAREHOLDERS' FUNDS			
Share capital	26	650,000,000	500,000,000
Share premium		425,000	425,000
Retained earnings		151,326,364	114,853,634
Legal reserve	27	200,269,608	149,578,280
TOTAL SHAREHOLDERS' FUNDS		1,002,020,972	764,856,914
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		7,374,131,617	4,874,340,646

The financial statements on pages 29 to 64 were approved and authorised for issue by the board of directors on 30 September 2016 and were signed on its behalf by:



Amare Habe
Chairman of the Board of Directors




Tsegay Tetemke
President /CEO

ZEMEN BANK S.C.
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

	Share Capital	Share premium	Legal reserve	Retained earnings	Total
At 1 July 2014	449,576,000	425,000	111,156,430	95,854,115	657,011,545
Issue of new shares	50,424,000	-	-	-	50,424,000
Profit for the year-2015	-	-	-	153,275,484	153,275,484
Transfer to legal reserve	-	-	38,421,850	(38,421,850)	-
Dividends declared-2014	-	-	-	(95,854,115)	(95,854,115)
At 30 June 2015	500,000,000	425,000	149,578,280	114,853,634	764,856,914
At 1 July 2015	500,000,000	425,000	149,578,280	114,853,634	764,856,914
Issue of new shares	150,000,000	-	-	-	150,000,000
Profit for the year - 2016	-	-	-	202,017,692	202,017,692
Transfer to legal reserve	-	-	50,691,328	(50,691,328)	-
Dividends declared - 2015	-	-	-	114,853,634)	(114,853,634)
At 30 June 2016	650,000,000	425,000	200,269,608	151,326,364	1,002,020,972

ZEMEN BANK S.C.
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2016
 In Ethiopian Birr

	Note	2016	2015
Cash flows from Operating Activities			
Cash generated from/ (used in) operating activities	28(a)	1,298,735,232	177,790,578
Tax paid	11(b)	(47,168,110)	(36,540,037)
Advance profit tax paid	11(b)	(47,317)	(69,119)
Net cash generated from/ (used in) operating activities		1,251,519,804	141,181,422
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(28,338,366)	(46,966,582)
Acquisition of intangible assets	19	(6,123,462)	(14,702,897)
Proceeds from sale of property, plant and equipment		-	3,733,403
Purchase of government security		(274,890,113)	(410,462,000)
Investment in government bond		(1,000,000)	-
Purchase of equity shares	16	(418,000)	6,340,000)
Net cash used in investing activities		(310,769,943)	(474,738,076)
Cash flow from financing activities			
Settlement of finance lease obligation		(201,588)	-
Proceeds from issue of shares		150,000,000	50,424,000
Director's share on profit paid		(411,918)	(450,000)
Dividends paid		(114,853,634)	(95,854,115)
Net cash generated from financing activities		34,532,860	(45,880,115)
Increase (decrease) in cash and cash equivalents		975,282,721	(379,436,769)
Cash and cash equivalents at the beginning of the year		959,328,247	1,338,765,017
Cash and cash equivalents at the end of the year	28(b)	1,934,610,971	959,328,247

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
In Ethiopian Birr

1. REPORTING ENTITY

Zemen Bank Share Company was established in Addis Ababa in 2008 and registered as a share company in accordance with the provisions of the Licensing and Supervision of Banking Business Proclamation no. 84/94 and the Commercial Code of Ethiopia of 1960

The Bank's principal activity is commercial banking.

The registered address of the Bank is Addis Ababa, Ethiopia and has four Branches, seven corporate units and 5 Kiosks.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements of ZEMEN BANK S.C have been prepared in accordance with the Accounting policies of the Bank and local regulatory requirements as issued by the National Bank of Ethiopia and the commercial code of Ethiopia of 1960 have also been considered in the preparation of the Financial Statements.

(b) Basis of measurement

The financial statements have been prepared on the historical cost convention.

(c) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the bank operates ("the functional currency"). These financial statements are presented in Ethiopian Birr (ETB), which is the Bank's functional and presentation currency. Except as indicated, financial information, presented in ETB has been rounded to the nearest digit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interest income and expense

Interest income and expense for all interest bearing financial instruments are recognised within profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instruments (or, where appropriate, a shorter period) to the carrying amount of the financial instruments. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and commissions paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. When a loan account becomes non-performing, interest is suspended until it is realised

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
In Ethiopian Birr

Interest income includes interest on loans and advances, placements with other banks and investments in government securities, and is recognized in the period in which it is earned

Fees and commission income

In the normal course of business, the Bank earns fees and commission income from a diverse range of services to its customers.

Fees and commission income, including account servicing fees, letters of credit opening fees, syndication fees among other service fees and commissions are recognised as the related services are performed, except letter of credit and guarantees issued where services are recognized up on opening the letter of credit and up on issuing the guarantee. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is calculated in accordance with Income Tax Proclamation 286/2002 on the straight-line basis for buildings and on the written down value for other assets. The annual depreciation rates generally in use are:

Buildings	5%
Motor vehicles	20%
Computer hardware and software	25%
Other office equipment	20%
Furniture and fittings	20%

Intangible assets

Intangible assets comprise the cost of purchased computer software programs and other costs to bring the asset to the usable state. Expenditure is capitalised and amortised using the straight line method over estimated useful lives, of five years.

Properties held for sale

Properties held for sale is immovable properties acquired through a foreclosure and available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. They are stated at the lower of the carrying amounts and at their fair value less cost to sell.

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
In Ethiopian Birr

Foreign currencies

i) Functional and presentation currency

The financial statements of the Bank are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The financial statements are presented in Ethiopian (ETB), which is the Bank's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions that are denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised through profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Financial instruments

i) Recognition

A financial asset or liability is recognised when the Bank becomes party to the contractual provisions of the instrument.

ii) Classification and Measurement

Financial assets

The bank classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans, advances and receivables; held- to- maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
In Ethiopian Birr

from the financial assets have expired or where the bank has transferred substantially all risks and rewards of ownership.

Loans, advances and receivables

Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and advances are recognized when cash is advanced to borrowers. Loans, advances and receivables are carried at amortised cost using the effective interest method.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs, other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale. Held-to-maturity investments are carried at amortised cost using the effective interest method.

Impairment and uncollectability of financial assets

At the end of each reporting period, all financial assets are subject to review for impairment. If it is probable that the bank will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance account. The amount of the loss incurred is included in profit or loss for the period.

If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised directly in other comprehensive income is removed from equity and recognised in profit or loss for the period even though the financial asset has not been derecognised.

The bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment together with financial assets with similar risk characteristics.

Objective evidence that financial assets are impaired can include observable data that comes to the attention of the bank about the following loss events:

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
In Ethiopian Birr

- Significant financial difficulty of the borrower
- default or delinquency by a borrower,
- restructuring of a loan or advance by the bank on terms that the bank would not otherwise consider,
- indications that a borrower or issuer will enter bankruptcy,
- the disappearance of an active market for a security, or
- other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that is, on the basis of the bank's grading process that considers asset type, industry, geographical location, collateral types, past due status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Assets carried at amortised cost

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risks and rewards of ownership.

Financial liabilities

Debt and equity instruments are classified, as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

After initial recognition, the bank measures all financial liabilities including customer deposits and borrowings other than liabilities held for trading at amortised cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

Interest-bearing borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
In Ethiopian Birr

transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Derecognition of financial liability

Financial liabilities are derecognised and the consideration paid and payable is recognized in profit or loss.

Provisions

Provisions are recognised 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.

Legal reserve

The legal reserve which is a statutory reserve to which no less 25% of the net profits after taxation shall be transferred each year until such fund is equal to the capital. When the legal reserve account equals the capital of the bank, the amount to be transferred to the legal reserve account shall be 10% percent of the annual net profit.

Taxation

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

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.

Retirement benefit costs

Staff retirement benefits are provided to some permanent employees by way of a provident fund to which the Bank and these employees contribute 15% and 7% of the individual monthly salaries, respectively. Other employees are included in a statutory pension scheme to which the Bank and these employees contribute 11% and 7% of the individual monthly salaries.

Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are generally written by the Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default. These obligations are accounted for as off balance sheet transactions and disclosed as contingent liabilities.

Leases

Leases of property where the bank assumes substantially all the benefits and risks of ownership are classified as finance leases. All other leases are classified as operating leases.

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
In Ethiopian Birr

Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charge are included in other long-term payables. The interest element of the finance charge is charged to the profit or loss over the lease period. The property acquired under finance leasing contracts is depreciated over the useful life of the asset.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Lease hold land

Payments made to acquire leasehold land are treated as prepaid operating and amortized over the term of the lease.

Dividends

Dividends are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been ratified at the Annual General Meeting.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advances..

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Ethiopian Birr at the rates of exchange ruling at the reporting date. Transactions in foreign currencies during the year are translated at the rates ruling at the dates of the transactions. Exchange gains and losses are dealt with in the profit or loss.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

4 CRITICAL JUDGEMENTS IN APPLYING THE BANK'S ACCOUNTING POLICIES

In the process of applying the bank's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
In Ethiopian Birr

(i) Critical accounting judgements in applying the bank's accounting policies

Classification of leases of land as finance or operating leases

At the inception of each lease of land, the bank considers the substance rather than the form of the lease contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

The company also considers indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease. Examples of such indicators include:

- If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

Impairment losses on loans and advances

The bank reviews its loan portfolios to assess impairment regularly. In determining whether an impairment loss should be recorded in the profit or loss, the bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans, before a decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a bank, or national or local economic conditions that correlate with defaults on assets in the bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

5. INTEREST INCOME	2016	2015
Loans and advances	319,310,299	217,696,088
National Bank of Ethiopia bills– Held to maturity	46,322,411	33,521,419
Deposits with local banks	1,216,636	11,355,935
Treasury bills	-	-
Deposits with foreign banks	208,198	207
	<u>367,057,544</u>	<u>262,573,649</u>
6. INTEREST EXPENSE		
Interest on savings deposits	138,811,091	118,522,364
Interest on fixed time deposits	61,253,653	18,165,629
Interest on demand deposit	53,463	23,370
Interest on short term borrowings	6,613,175	-
	<u>206,731,382</u>	<u>136,711,363</u>
7. FEES AND COMMISSION INCOME		
Service charge-foreign	194,135,128	141,083,493
Balance maintenance fee	2,738,362	2,203,993
Loan processing fee	4,498,779	4,315,734
Commission on VISA	1,502,240	1,399,881
Commission Letters of guarantee issued	5,061,276	1,136,101
Service charge-local	1,076,663	1,186,690
Commission on Cashiers Payment Order	477,085	314,825
Commission on MasterCard	680,156	291,825
Telephone, telex and fax	1,115,304	63,064
Fee on prepaid cards	1,600	9,680
Commission on sundries	100	-
	<u>211,286,693</u>	<u>152,005,287</u>
8. GAINS ON FOREIGN EXCHANGE DEALINGS		
Gains on foreign currency dealings arose from trading in foreign currency transactions and also on the translation of foreign currency monetary assets and liabilities.		
9. OTHER INCOME		
Sundry income	2,629,851	1,754,678
Gain on disposal of assets	-	2,308,196
	<u>2,629,951</u>	<u>4,062,874</u>

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

10 OPERATING EXPENSES	2016 (ETB)	2015 (ETB)
Salaries and benefits (note 10(a))	95,953,972	73,770,952
Office rent	27,878,631	23,733,041
Depreciation & amortization	27,801,852	24,676,789
VISA charges	5,989,113	6,043,342
Master card charge	4,099,536	3,941,926
Licences and inspection fees	6,021,077	6,283,492
IT service provider	2,918,523	2,148,292
Stationery and printing	2,654,139	2,475,183
Fuel and lubricants	1,623,724	1,413,829
Communications	3,834,113	4,212,247
Insurance	1,586,825	1,862,175
Advertising and publicity	5,573,470	3,602,701
Repair and maintenance	2,112,703	1,610,400
Inauguration	3,052,206	1,793,572
Per diems	1,662,604	1,474,055
Sundries	1,077,373	1,021,053
Correspondent charges	2,008,743	754,486
Entertainment	845,174	545,237
Bank service charges	607,219	283,444
Electricity and water	477,222	398,316
Cleaning supplies	779,338	791,387
Audit fees	149,500	250,000
Directors' transport allowance (note 33)	204,000	190,000
Donations and contributions	952,218	527,355
Membership subscription	163,467	165,278
Land leased expense	1,005,474	-
Amortization	125,993	125,993
Penalty	30,000	214,169
Bad debt expense	1,763,477	-
	<u>202,951,686</u>	<u>164,344,716</u>
10 (a). STAFF COST		
Salary and benefits	87,170,243	66,996,846
Pension and provident fund	8,783,729	6,774,106
	<u>95,953,972</u>	<u>73,770,952</u>

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2016
 In Ethiopian Birr

11. TAXATION	2016	2015
(a) Taxation charge		
Current taxation based on the taxable profit for the year at 30%	<u>67,285,996</u>	<u>47,237,229</u>
Accounting profit before taxation	<u>270,051,307</u>	<u>200,924,631</u>
Tax at the applicable rate of 30%	81,015,392	60,277,389
Tax effect of expenses not deductible for tax purposes:		
Entertainment	253,552	163,571
Donation	285,665	158,206
Non-deductible representation	36,150	37,070
Penalty	9,000	64,251
Tax effect of income taxed at lower rates/exempt for tax purposes:		
Interest income (taxed at source)	(364,991)	(3,406,781)
Interest income-foreign (taxed at different rate)	(62,459)	(62)
Interest on National bank of Ethiopia bills (exempt)	(13,896,723)	(10,056,426)
Interest income-foreign (taxed at different rate)	10,410	11
Taxation charge for the year	<u>67,285,996</u>	<u>47,237,229</u>
(b) Tax payable		
At the beginning of the year	47,168,110	36,540,037
Taxation charge for the year	67,285,996	47,237,229
Tax paid during the year	(47,168,110)	(36,540,037)
Advance profit tax paid	(47,317)	(69,119)
At the end of the year	<u>67,238,678</u>	<u>47,168,110</u>

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

12. EARNINGS PER SHARE

	2016	2015
Profit attributable to owners of the Bank (ETB)	202,765,311	153,687,402
Weighted average number of shares during the year	552,282	478,631
Earnings per share (of ETB 1,000 each)	367.14	320.10

Weighted average number of shares is based on the number of the days to year end the shares were held by the bank from the payment date for the paid up capital.

13. CASH AND BANK BALANCES

Cash on hand (note 13.1)	173,525,234	164,815,959
Balances with National Bank of Ethiopia		
- Payment and settlement account	671,748,096	316,378,398
Balances with domestic banks	14,047,535	33,951,828
Balances with foreign banks	1,075,290,106	444,182,064
	1,934,610,971	959,328,247

13.1 Cash in hand (in the account of Zemen Bank) includes Birr 11,289,600 in blocking account in the name of Addis Ababa City Administration Land Administration and building permit Authority in connection with the lease land.

13.2 The cash ratio requirement balance is non-interest bearing and is based on the value of customer deposits as adjusted by the National Bank of Ethiopia requirements; as per directive No SBB/55/2013. As at 30 June 2016, the cash ratio requirement was 5% (2015 - 5%) of all eligible deposits. These funds are not available to finance the Bank's day to day operations.

14. GOVERNMENT SECURITIES

Bills held to maturity at 3% p.a

- maturing during the year ended 30 June 2016	-	216,483,887
- maturing during the year ended 30 June 2017	174,200,000	174,200,000
- maturing during the year ended 30 June 2018	338,233,000	338,233,000
- maturing during the year ended 30 June 2019	218,165,000	218,165,000
- maturing during the year ended 30 June 2020	410,462,000	410,462,000
- maturing during the year ended 30 June 2021	491,374,000	-
	1,632,434,000	1,357,543,887

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

15. LOANS AND ADVANCES TO CUSTOMERS	2016	2015
Export	523,475,382	380,075,856
Import	700,580,943	431,307,241
Building and construction	311,453,920	258,252,304
Manufacturing	739,497,531	471,637,472
Domestic trade	386,745,483	282,881,048
Transport and communication	262,368,664	164,450,371
Agriculture	70,525,901	46,492,347
Personal	126,056,605	92,784,394
Hotel and tourism	167,990,171	74,632,877
Others	114,789,239	76,609,143
Financial Institutions	-	2,818,986
Mines, Power, and Water Resource	352,733	1,025,502
	<u>3,403,836,573</u>	<u>2,282,967,540</u>
Less: Provision for doubtful debts and advances	(149,894,523)	(126,277,520)
	<u>3,253,942,050</u>	<u>2,156,690,020</u>
15. (a) MATURITY OF GROSS LOANS AND ADVANCES (NET OF PROVISIONS)		
Maturing		
Within three month	810,237,549	410,113,625
Within 3-12 months	818,095,216	561,272,773
Above one year	1,775,503,808	1,311,581,142
	<u>3,403,836,573</u>	<u>2,282,967,540</u>
Less: Provision for impairment losses	(149,894,523)	(126,277,520)
	<u>3,253,942,050</u>	<u>2,156,690,020</u>
15(b). IMPAIRMENT LOSS ON LOANS AND ADVANCES		
At the beginning of the year	126,277,520	126,277,520
Provisions in the year	23,617,003	-
Written off in the year	-	-
	<u>149,894,523</u>	<u>126,277,520</u>

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

16. INVESTMENT IN EQUITY SHARES	2016	2015
Ethio Switch Share Company 11,371 shares of Birr 1,000 each par value	11,371,000	11,371,000
First Leasing Capital 418 shares of Birr 1,000 each par value	418,000	-
	11,789,000	11,371,000
17. OTHER ASSETS		
Prepayments	101,453,662	55,238,388
Interest receivable	23,006,878	17,802,279
Prepaid interest	13,489,530	-
Miscellaneous	3,365,426	3,441,373
Stocks	8,745,411	8,301,521
Outward bills purchased	8,439,403	7,901,529
Claim on HO and Branches	1,374,744	723
Inter Branch	(15,999)	-
	159,859,054	92,685,813
Less:- Provision for impairment receivable	(1,759,120)	-
	158,099,934	92,685,813

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2016
 In Ethiopian Birr

18. PROPERTY, PLANT AND EQUIPMENT	Motor vehicles	Computers	Office Equipment	Total
COST				
At 1 July 2014	17,915,881	30,832,282	24,078,129	72,826,292
Additions	27,498,152	13,554,351	5,914,079	46,966,582
Disposals	(4,516,835)	(29,489)	(229,465)	(4,775,789)
At 30 June 2015	<u>40,897,198</u>	<u>44,357,143</u>	<u>29,762,743</u>	<u>115,017,084</u>
At 1 July 2015	40,897,198	44,357,143	29,762,743	115,017,084
Additions	5,427,562	14,126,359	8,784,445	28,338,366
Disposals	-	-	-	-
At 30 June 2016	<u>46,324,760</u>	<u>58,483,503</u>	<u>38,547,188</u>	<u>143,355,451</u>
DEPRECIATION				
At 1 July 2014	9,439,066	18,389,822	12,054,808	39,883,696
Additions	6,927,491	6,496,639	3,571,993	16,996,123
Disposals	(3,179,321)	(19,234)	(152,029)	(3,350,584)
At 30 June 2015	<u>13,187,236</u>	<u>24,867,227</u>	<u>15,474,772</u>	<u>53,529,235</u>
At 1 July 2015	13,187,236	24,867,227	15,474,772	53,529,235
Additions	6,627,505	8,404,069	4,614,483	19,646,057
Disposals	-	-	-	-
At 30 June 2016	<u>19,814,740</u>	<u>33,271,296</u>	<u>20,089,256</u>	<u>73,175,292</u>
Net Book Value				
2016	<u>26,510,019</u>	<u>25,212,207</u>	<u>18,457,932</u>	<u>70,180,158</u>
2015	<u>27,709,962</u>	<u>19,489,916</u>	<u>14,287,971</u>	<u>61,487,849</u>

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2016
 In Ethiopian Birr

19. INTANGIBLE ASSETS

	Computer software	Capitalized expenditure	SWIFT software	Software Under progress	Total
COST					
At 1 July 2014	26,767,750	8,379,290	577,968	16,306,636	52,031,644
Additions	21,027,250	-	-	-	21,027,250
Deduction	-	-	-	(6,324,353)	(6,324,353)
At 30 June 2015	<u>47,795,000</u>	<u>8,379,290</u>	<u>577,968</u>	<u>9,982,283</u>	<u>66,734,541</u>
At 1 July 2015	47,795,000	8,379,290	577,968	9,982,283	66,734,541
Additions	9,581,178	-	-	(3,457,716)	6,123,462
Deduction	-	-	-	-	-
At 30 June 2016	<u>57,376,178</u>	<u>8,379,290</u>	<u>577,968</u>	<u>6,524,567</u>	<u>72,858,003</u>
DEPRECIATION					
At 1 July 2014	17,072,331	8,379,290	577,968	-	26,029,589
Additions	7,680,667	-	-	-	7,680,667
At 30 June 2015	<u>24,752,998</u>	<u>8,379,290</u>	<u>577,968</u>	<u>-</u>	<u>33,710,256</u>
At 1 July 2015	24,752,998	8,379,290	577,968	-	33,710,256
Additions	8,155,795	-	-	-	8,155,795
At 30 June 2016	<u>32,908,793</u>	<u>8,379,290</u>	<u>577,968</u>	<u>-</u>	<u>41,866,051</u>
Net Book Value					
2016	<u>24,467,385</u>	<u>-</u>	<u>-</u>	<u>6,524,567</u>	<u>30,991,952</u>
2015	<u>23,042,002</u>	<u>-</u>	<u>-</u>	<u>9,982,283</u>	<u>33,024,285</u>

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

20. LEASEHOLD LAND

Present value at inception	2016	2015
At the beginning of the year	<u>7,559,562</u>	<u>7,559,562</u>
Amortisation		
At the beginning of the year	350,017	224,025
Current year	125,993	125,992
	<u>476,010</u>	<u>350,017</u>
Net book value	<u><u>7,083,562</u></u>	<u><u>7,209,545</u></u>

The Bank has leased land from City Government of Addis Ababa for 60 years for the construction of the Bank's future headquarters for which lease payments are made annually. The Bank may transfer the leasehold right or use it as collateral or capital contribution to the extent of the lease amount already paid. The land is amortized over the lease life of 60 years.

21. CUSTOMER DEPOSITS

Payable on demand

Private sector	1,025,954,523	738,070,185
Non-resident foreign currency accounts	335,527,552	194,296,884
Retention	92,029,102	51,342,244
Non-resident non-transferable Birr accounts	9,538,172	7,550,133
Non-resident diaspora	29,379,148	19,694,462
Public agencies and enterprises	47,278,906	3,444,713
Cooperatives and associations	8,599,525	6,304,998
Non-resident transferable Birr accounts	490,613	555,011

Total payable on demand

<u>1,548,797,541</u>	<u>1,021,258,630</u>
----------------------	----------------------

Savings deposits

Private sector	2,546,989,160	2,164,332,387
Cooperatives and associations	127,145,421	109,633,505
Provident fund	23,849,907	9,051,740
Public agencies and enterprises	1,716,453	2,149,543
Non-resident repatriable Birr accounts	14,781,268	11,715,392

Total saving deposit

<u>2,714,482,209</u>	<u>2,296,882,567</u>
----------------------	----------------------

Fixed time deposits

Cooperatives and associations	1,219,747,478	498,497,034
Public agencies and enterprises	3,890,167	2,834,222

Total fixed time deposit

<u>1,223,637,645</u>	<u>501,313,256</u>
----------------------	--------------------

Total customer deposit

<u><u>5,486,917,395</u></u>	<u><u>3,819,454,452</u></u>
-----------------------------	-----------------------------

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

	2016	2015
CUSTOMER DEPOSITS - MATURITY ANALYSIS		
Repayable:		
Within three months	2,987,830,410	1,704,543,186
Within 3-12 months	1,614,077,289	1,279,457,112
Above one year	885,009,695	835,454,152
	5,486,917,395	3,819,454,451
<p>The bank applies interest rates in conformity with the NBE directives. The minimum interest rate on saving deposit accounts as at 30 June 2016 as per the directive was 5% (2015 - 5%).</p>		
22. DUE TO FINANCIAL INSTITUTIONS		
Payable on demand	29,501	39,187
Dashen Vestro Account	2,296,682	3,765,889
	2,326,183	3,805,076
23. OTHER LIABILITIES		
Cashier payment orders	101,688,150	62,746,948
Blocking payable	-	36,494,866
Accrual	19,708,907	19,263,849
Miscellaneous	18,672,096	6,610,602
Dividend payable	9,003,841	5,923,656
Exchange payable to National Bank of Ethiopia	18,858,334	4,479,850
Taxes and stamp duty charges	2,924,758	6,055,683
Old drafts outstanding	4,396,528	1,804,891
Directors share on profit	747,619	411,918
Pension and similar obligation	464,072	329,901
Payable to shareholders	137,450	-
Incoming transfer	218,929	-
	176,820,682	144,122,164
24. FINANCE LEASE OBLIGATIONS		
Amounts payable under the lease agreement		
Amount payable within 1 year	201,588	201,588
Amount payable after 1 year	5,644,474	5,846,062
Total minimum lease payments	5,846,062	6,047,650

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

	2016	2015
Analysis by cash flow:		
At the beginning of the year	6,047,650	6,047,650
Financing repaid	(201,588)	-
	5,846,062	6,047,650
At the end of the year		

A finance lease obligation is in respect of leasehold land. It is obligation payable within thirty years with annual instalments of Birr 201,588 plus interest. The obligation bears interest at the rate of 9.5% per annum.

25. MARGIN HELD ON LETTER OF CREDIT

These represents cash deducted from customers account for new letters of credit issued/opened on behalf of customers and placed under other payables to serve as collateral against the letters of credit issued.

26. SHARE CAPITAL

Authorised:

650,000 ordinary shares of Birr 1000 each (2015 – 500,000)	650,000,000	500,000,000
Issued and fully paid:		
650,000 shares of Birr 1000 each (2015 – 500,000)	650,000,000	500,000,000

The movement in share capital is as follows:

At 1 July 2014	449,576	449,576,000
Issue of ordinary shares	50,424	50,424,000
	500,000	500,000,000
At 30 June 2015		
At 1 July 2015	500,000	500,000,000
Issue of ordinary shares	150,000	150,000,000
	650,000	650,000,000
At 30 June 2016		

28. LEGAL RESERVE

The legal reserve is a statutory reserve to which no less 25% of the net profits after taxation shall be transferred each year until such fund is equal to the capital. When the legal reserve account equals the capital of the bank, the amount to be transferred to the legal reserve account shall be 10% percent of the annual net profit.

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

28. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2016	2015
Profit before taxation	270,051,307	200,512,713
Depreciation and amortization (note 19, 20 and 21)	27,927,845	24,802,781
Provision for impairment losses on loans and advances(note 16)	23,617,003	-
Provision for doubtful debts	1,759,120	-
Acquired property	-	8,320,023
Loss on disposal of property, plant and equipment	-	-
Gain on disposal of property, plant and equipment	-	(2,308,196)
Working capital changes:		
Balances with National Bank of Ethiopia		
- Cash ratio requirement	(79,000,000)	(40,000,000)
Loans and advances to customers	(1,120,869,033)	(853,007,900)
Other assets	(67,173,241)	7,923,410
Customer deposits	1,667,462,943	788,583,749
Due to other financial institutions	(1,478,893)	1,546,120
Other liabilities	32,362,817	37,895,551
Margins held on letters of credit	544,075,365	3,522,327
Cash generated from/(used in) operating activities	<u>1,298,735,232</u>	<u>(177,790,578)</u>

(b) Analysis of the balances of cash and cash equivalents

Cash on hand (note 13)	173,525,234	164,815,958
Balances with National Bank of Ethiopia (note 13)	671,748,096	316,378,398
Placements and balances due from banking institutions		
- Domestic banks (note 13)	14,047,535	33,951,828
- Foreign banks (note 13)	1,075,290,106	444,182,064
	<u>1,934,610,971</u>	<u>959,328,247</u>

For the purposes of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
In Ethiopian Birr

29 . CAPITAL MANAGEMENT

The National Bank of Ethiopia sets and monitors capital requirements for the bank.

The bank's objectives when managing capital are:

- To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders.
- To maintain a strong capital base to support the current and future development needs of the business.
- To comply with the capital requirements set by the National Bank of Ethiopia (NBE).

Capital adequacy and use of regulatory capital are monitored by management employing techniques based on the guidelines developed by the National Bank of Ethiopia for supervisory purposes. The required information is filed with the National Bank of Ethiopia on a monthly basis.

With effect from 19 September 2011, the National Bank of Ethiopia requires that:

- a) The minimum paid up capital required to obtain a banking business license shall be Birr 500 million, which shall be fully paid in cash and deposited in a bank in the name and to the account of the bank under establishment.
- b) As per NBE directive, the Commercial Banks are required to maintain a capital to risk weighted assets ratio of 8% at all time. The bank's capital to risk weighted asset as at 30 June 2016 is 27%..

The bank is also required to maintain a legal reserve which is a statutory reserve to which no less 25% of the net profits after taxation shall be transferred each year until such fund is equal to the capital. When the legal reserve account equals the capital of the bank, the amount to be transferred to the legal reserve account shall be 10% percent of the annual net profit

The bank had met all the above requirements by the National Bank of Ethiopia as at 30 June 2016 and 30 June 2015. The make-up of the bank's capital is as presented in the statement of changes in equity.

The bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

There have been no material changes in the bank's management of capital during the period.

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
In Ethiopian Birr

30. FINANCIAL RISK MANAGEMENT

The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks

Risk management framework

Risk management is one component of all core banking processes of the Bank. In its day-to-day activities the Bank is exposed to various types of banking risks, the most important of which are credit risk, liquidity risk, foreign exchange risk, interest rate risk and operational risk. The Bank has established a comprehensive risk management system in line with internationally accepted risk management principles and best practices with the necessary adoption to suit its core business activity.

The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. The President has established the Assets and liabilities (ALCO) and a Credit Committee which are responsible for developing and monitoring the bank's risk management policies in their specified areas.

The Bank's risk management and control is based on the following key principles

- The board of directors approves the risk management policies of the Bank and ensures their implementation.
- The management is responsible for implementing the policies in a manner that limits risks associated with each risk exposure.
- Appropriate and effective internal control exists to safeguard assets and to ensure compliance with relevant laws, regulations and institutional policies.
- The risk management and monitoring is supported by a management information system that supplies timely and consolidated reports on the financial conditions, operating performance and risk exposure of the Bank.
- The Independent Risk Management and Compliance Department is established to review compliance with the approved risk management policies and various risk related committees are established which are responsible for the implementation of the risk management policies.

(i) Credit risk

Management of credit risk

Credit risk is the financial exposure resulting from a bank's dependence on another party to discharge an obligation as agreed and cause the bank to incur a financial loss. The Bank has established a credit risk management system on the basis of maximizing the return on its assets while keeping its credit exposure within acceptable limits. The Bank regularly reviews its credit portfolio quality, provisioning requirements and customer exposure.

A credit risk management committee is responsible for implementing the credit risk management policy of the Bank. The Bank's loans and advances are diversified in various sectors as shown in note 15 to the financial statements.

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2016
 In Ethiopian Birr

Concentrations of assets, liabilities and off balance sheet items

Details of significant concentrations of the bank's assets, liabilities and off balance sheet items by industry groups are as detailed below:

(a) Advances to customers- gross

	2016	%	2015	%
Import	700,580,943	21	431,307,241	19
Domestic trade and services	386,745,483	11	282,881,048	12
Manufacturing	739,497,531	22	471,637,472	21
Export	523,475,382	15	257,548,059	11
Building construction	311,453,920	9	258,252,304	11
Staff loans	114,789,239	3	76,609,143	3
Transport	262,368,664	8	164,450,371	7
Personal	126,056,605	4	92,784,394	4
Agriculture	70,525,901	2	169,020,143	7
Hotel and tourism	167,990,171	5	74,632,877	5
Financial institution	-	-	2,818,986	-
Mines, power and water resource	352,733	-	1,025,502	-
	<u>3,403,836,573</u>	<u>100</u>	<u>2,282,967,540</u>	<u>100</u>

(b) Customer deposits

Private Enterprises	3,572,943,683	65	2,902,402,572	76
Institutions and individuals	1,913,973,712	35	917,051,880	24
	<u>5,486,917,395</u>	<u>100</u>	<u>3,819,454,452</u>	<u>100</u>

(c) Off balance sheet items – (letters of credit and guarantees)

Commitment on letter of credits net of margin held	312,838,071	69	244,641,408	91
Letter of guarantee and performance bond	141,630,413	31	23,611,910	9
	<u>454,468,484</u>	<u>100</u>	<u>268,253,318</u>	<u>100</u>

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

Maximum exposure to credit risk before collateral held

	2016	%	2015	%
<i>On-balance sheet</i>				
Government securities				
- held to maturity	1,632,434,000	23	1,357,543,887	28
Placements with other banks	1,761,085,738	24	989,512,289	20
Loans and advances to customers	3,403,836,574	47	2,282,967,540	47
	<u>6,797,356,311</u>	<u>94</u>	<u>4,630,023,716</u>	<u>95</u>
<i>Off-balance sheet items:</i>				
Letter of credit and Bank guarantees	454,468,484	6	268,253,318	5
	<u>7, 251,824,795</u>	<u>100</u>	<u>4,898,277,034</u>	<u>100</u>

The above table represents a worst case scenario of credit risk exposure to the bank at 30 June 2015 and 30 June 2016, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the balance sheet.

As shown above, 47% of the total maximum exposure is derived from loans and advances to customers (2015: 47%) and 23% represents investments in government securities (2015: 28%).

Loans and advances to customers are secured by collateral in the form of mortgage interests over property, other registered securities over assets, and guarantees.

The bank does not perceive any significant credit risk on the following financial assets:

- Investments in Government securities and balances with National Bank of Ethiopia.
- Deposits and balances due from banking institutions.

Investments in Government securities are deemed to be adequately secured by the Government of the Federal Democratic Republic of Ethiopia that has no history of default.

The credit risk on the deposits and balances due from banking institutions is considered to be low because the counterparties are banks with no history of default.

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

Classification of loans and advances

	Gross amounts	Impairment allowances	Net amounts	%
2016				
Neither past due nor impaired (Pass Loan)	3,119,868,144	31,198,681	3,088,669,463	95%
Past due but not impaired (Special Mention)	121,891,541	3,656,746	118,234,795	4%
Impaired (NPL)	162,076,887	115,039,096	47,037,792	1%
	<u>3,403,836,572</u>	<u>149,894,523</u>	<u>3,253,942,050</u>	<u>100%</u>
2015				
Neither past due nor impaired (Pass Loan)	2,021,280,627	20,212,806	2,001,067,821	93%
Past due but not impaired (Special Mention)	158,168,439	4,771,619	153,396,820	7%
Impaired (NPL)	103,518,474	101,293,095	2,225,379	-
	<u>2,282,967,540</u>	<u>126,277,520</u>	<u>2,156,690,019</u>	<u>100%</u>

No other financial assets are either past due or impaired.

Loans and advances that are neither past due nor impaired

The bank classifies loans and advances under this category for those exposures that are up to date and in line with contractual agreements. Such loans would have demonstrated financial conditions, risk factors and capacity to repay that are acceptable. These exposures will normally be maintained largely within approved product programs and with no signs of impairment or distress. These exposures are categorised as pass accounts in line with National Bank of Ethiopia (NBE) directives and a provision at 1 % is made and appropriated from revenue reserves to statutory reserves.

Loans and advances that are past due but not impaired

These are loans and advances where contractual interest or principal payments are past due by less than 90 days but the bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the bank. These exposures are categorised as special mention accounts in line with National Bank of Ethiopia (NBE) directives and a collective impairment allowance of 3% made to cover losses which have been incurred but have not yet been identified.

Impaired loans and advances

Impaired loans and advances are those for which the bank determines that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. These exposures are categorised as substandard, doubtful and loss accounts in line with National Bank of Ethiopia (NBE) directives and a collective impairment allowance of 20%, 50% and 100% respectively made to cover losses which have been incurred but have not yet been identified.

According to the National Bank of Ethiopia directives, loans and advances overdue by above 90 days are considered non-performing.

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
In Ethiopian Birr

Allowances for impairment

The bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for banks of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The bank writes off a loan/security balance (and any related allowances for impairment losses) when credit determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

Collateral held

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property and other registered securities over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over deposits and balances due from banks. Collateral usually is not held against government securities, and no such collateral was held at 30 June 2016 and 30 June 2015.

(ii) Liquidity risk

Liquidity risk arises in the general funding activities of the bank and the management of positions. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Bank has a reasonable funding base. Funds are raised mainly from customers' deposits.

An asset and liability management committee is responsible for managing funding mismatches and attaining the desired level of liquidity in the manner described in the risk management policy.

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

Contractual maturities of assets and liabilities

The maturity profile of assets and liabilities based on the remaining periods at 30 June 2016 was as follows:

At 30 June 2016	Up to 3 months	3-12 months	Over 1 years	Total
FINANCIAL ASSETS				
Cash and bank balances	1,934,610,971	-	-	1,934,610,971
Cash reserve with NBE	3,430,000		270,570,000	274,000,000
Government securities	35,166,000	139,034,000	1,458,234,000	1,632,434,000
Loans and advances	810,237,549	818,095,216	1,775,503,808	3,403,836,573
Other assets	10,143,878	12,863,001	-	23,006,879
Investments in equity shares	-	-	11,789,000	11,789,000
Investment in government bond	-	-	1,000,000	1,000,000
	<u>2,793,588,398</u>	<u>969,992,217</u>	<u>3,517,096,808</u>	<u>7,280,677,423</u>
FINANCIAL LIABILITIES				
Customer deposits	2,987,830,410	1,614,077,289	885,009,695	5,486,917,395
Due to financial institutions	1,326,183	-	1,000,000	2,326,183
Other liabilities	158,592,809	18,227,873	-	176,820,682
Margins held	632,961,645	-	-	632,961,645
Profit tax payable	-	67,238,678	-	67,238,678
Finance lease obligation	-	201,588	5,644,473	5,846,061
	<u>3,780,711,047</u>	<u>1,699,745,428</u>	<u>891,654,169</u>	<u>6,372,110,643</u>
Net excess liquidity/ (liquidity gap)	<u>(987,122,649)</u>	<u>(729,753,211)</u>	<u>2,625,442,640</u>	<u>908,566,780</u>
At 30 June 2015				
Total financial assets	1,581,425,239	789,919,320	2,464,012,142	4,835,356,701
Total financial liabilities	1,925,943,133	1,341,238,877	842,300,214	4,109,482,224
Net excess liquidity/ (liquidity gap)	<u>(344,517,894)</u>	<u>(551,319,557)</u>	<u>1,621,711,928</u>	<u>725,873,977</u>

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
In Ethiopian Birr

(iii) Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing the return on risk. Overall responsibility for managing market risk rests with the Board of Directors. The President is responsible for the development of detailed risk management policies (subject to review and approval by the Board of Directors) and for the day to day implementation of those policies.

a) Currency risk

Foreign exchange risk results from changes in exchange rates between a bank's domestic currency and other currencies. Foreign exchange risks are controlled by maintaining balances in major currencies whose exchange rates against the reporting currency have always been appreciating. The Bank settles foreign exchange transactions of customers at the exchange rate prevailing on the date of the transactions. Hence, customers bear the cost of any increase in the exchange rates. Exchange rates are controlled by the National Bank of Ethiopia and do not fluctuate significantly.

The bank operates wholly within Ethiopia and its assets and liabilities are reported in the local currency. The bank's currency risk is managed within the National Bank of Ethiopia exposure guidelines of 15% of core capital.

The exchange rates used for translating the major foreign currency balances as at year end were as follows:

	2016	2015
US Dollar	21.8004	20.5659
GB Pound	29.2845	32.2823
Euro	24.1614	22.8528

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 30 June 2016 and 30 June 2015. Included in the table are the Bank's financial instruments, categorized by currencies that are subject to foreign currency exposure.

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2016
 In Ethiopian Birr

	ETB	USD	GBP	Euro	SEK	Others	Total
At 30 June 2016							
Financial Assets							
Cash and bank balances	851,573,263	881,576,398	7,353,230	186,500,613	7,531,422	76,045	1,934,610,971
Financial liabilities							
Customer deposits	5,026,091,427	332,643,721	5,405,221	122,777,027	-	-	5,486,917,395
Margins held	609,023,308	9,805,222	-	14,133,115	-	-	632,961,645
	<u>5,635,114,735</u>	<u>342,448,943</u>	<u>5,405,221</u>	<u>136,910,141</u>			<u>6,119,879,040</u>
Net foreign currency exposure	(4,783,541,471)	539,127,455	1,948,009	49,590,472	7,531,422	76,045	(4,185,268,068)
At 30 June 2015							
Net foreign currency exposure	(2,933,767,180)	85,253,557	(120,866,911)	210,143,682	5,157,774	66,593	(2,754,012,485)
Foreign currency risk stress test							
The table below summarizes the estimated impact of a 10% decline/appreciation of the Ethiopian Birr against the three major currencies traded by the Bank i.e. US Dollar, British Pound and Euro.							
			2016	2015			
10% appreciating/ depreciation of the Ethiopian Birr			11,573,997	8,600,121			

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

b) Interest rate risk

Interest rate risk is a risk resulting from changes in interest rates. It is the probability that the rising and falling of interest rates will adversely affect the Bank's interest margin or the value of its net worth. The Bank often revises its lending rate across segments of the credit portfolio based on the changes in the cost of funds, reserve requirements and the perceived risk in each credit portfolio segment to keep the overall profitability.

The asset and liability management committee is responsible for managing rate-sensitive assets and liabilities and the effects of rate, volume and mix changes in order to preserve and optimize the interest return.

The impact that an immediate hypothetical increase or decrease in interest rates of 10% applied at the beginning of the year would have on the profit for the year assuming a growing balance sheet and current interest rate risk profile would be as follows:

	2016	2015
10% increase in interest rates	<u>16,032,616</u>	<u>12,586,229</u>
10% decrease in interest rates	<u>(16,032,616)</u>	<u>(12,586,229)</u>

The model does not take into account any corrective action in response to interest rate movements, particularly in adverse situations.

31 . CONTINGENCIES AND COMMITMENTS INCLUDING OFF BALANCE SHEET ITEMS

(a) Contingent liabilities

In the ordinary course of business, the Bank conducts business involving guarantees and acceptances. These facilities are offset by corresponding obligations of third parties. At the year end, the contingencies were as follows:

Commitment on letters of credit net of margin	312,838,071	244,641,408
Letters of guarantee and performance bonds	141,630,413	23,611,910
Pending law suits	6,835,552	38,875,672
	<u>461,304,036</u>	<u>307,128,990</u>

Letters of credit commit the bank to make payments to third parties, on production of documents, and the amounts are subsequently reimbursed by customers.

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In Ethiopian Birr

(b) Letters of guarantee

Letters of guarantee are issued by the Bank, on behalf of customers, to guarantee performance by customers to third parties. The Bank will only be required to meet these obligations in the event of default by the customers.

The pending lawsuits relate to claims by customers and former employees against the bank in the normal course of business. The amounts claimed have not been provided in the financial statements since the directors, based on advice received from the bank's legal advisors, are of the opinion that no significant claims will crystallise.

The bank holds collateral, letters of undertaking or other security in respect of the guarantee issued.

	2016	2015
Other commitments		
Undrawn loans and advances	535,747,578	626,587,622
Capital expenditure approved but not incurred	22,136,545	12,718,803
	557,884,123	639,306,425

(c) Memorandum accounts

This relates to off balance sheet items as follows:

IBC	52,608,231	62,615,593
Foreign Bank Cheques on collection (OBP)	2,736,418	6,786,034
Export cash against document (ODBP)	5,702,985	1,115,494
Accrued interest on loans under litigation and non-performing loans	56,483,293	38,921,352
	117,530,927	109,438,473

32. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Loans and advances at 30 June	9,879,423	8,493,428
Customers' deposits at 30 June	3,211,055	4,504,991
Interest income for the year	473,795	495,258
Interest expense for the year	175,133	116,375

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
In Ethiopian Birr

Key management compensation

Directors' remuneration:

Allowances (charged to profit and loss account)	204,000	190,000
Board of directors remuneration	747,619	411,918
	<u>951,619</u>	<u>601,918</u>

Annual Board compensation is determined and approved at the Annual General meeting of the shareholders of the Bank. Zemen Bank made an accrual of 100,000 for each director according to NBE Directive No. SBB/63/2016 that states annual board compensation shall not exceed Birr 100,000. The Bank also paid a maximum of Birr 4,000 monthly allowance to each director according to the above directive starting from June 2016 which was birr 2,000 before.

33 RETIREMENT BENEFIT OBLIGATIONS

Staff retirement benefits are provided to some permanent employees by way of a provident fund to which the Bank and these employees contribute 15% and 7% of the individual monthly salaries, respectively. Other employees are included in a statutory pension scheme to which the Bank and these employees contribute 11% and 7% of the individual monthly salaries, respectively. For the year ended 30 June 2016 the Bank contributed ETB 8,783,729 (30 June 2015 - ETB 6,774,105) which has been charged to the profit or loss.

34 EVENTS AFTER THE REPORTING PERIOD

No significant post balance sheet events have come to the attention of the Directors that require disclosure in the financial statements.

35 PROPOSED DIVIDENDS

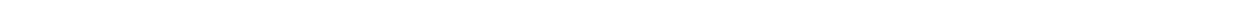
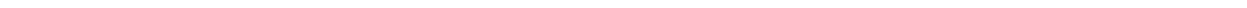
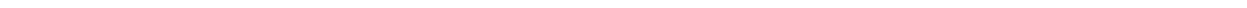
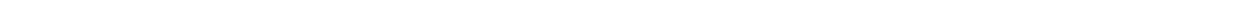
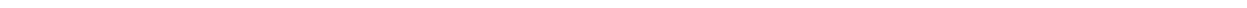
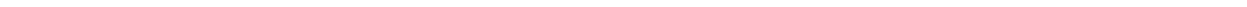
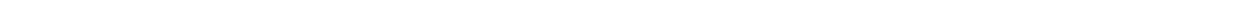
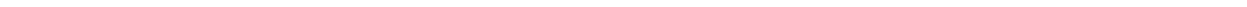
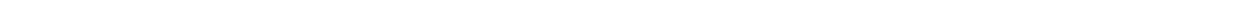
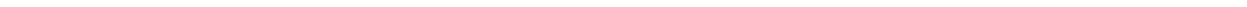
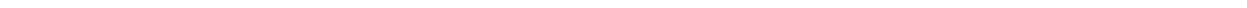
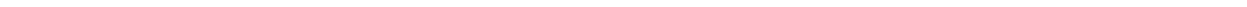
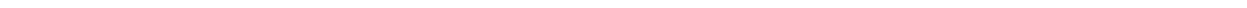
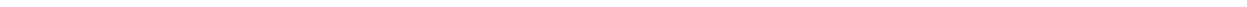
Proposed dividends are not accounted for until they have been ratified at the Annual General Meeting. The dividend proposal to be presented to the Annual General meeting had not been determined at the date of approval of these financial statements.

36. CURRENCY

The financial statements are presented in Ethiopian Birr (ETB)

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

NOTES



NOTES



A series of horizontal dashed lines for writing notes.



የአለም አቀፍ ሺዛ ካርዶችን **VISA** ዘና ብለው በዘመን ባንክ ይጠቀሙ...
 ለስጦታ፣ ለደሞዝና ለቅድመ ክፍያ የሚውሉ አዳዲስ የካርዶች
 ግልጋሎቶቻችንንም ይሞክሩ!!

Welcoming all VISA and MASTERCARD holders ...

Zemen Bank ATMs now accept VISA and MASTERCARDS, Thus conveniently tying you up with your local bank account wherever it may be. Also available from Zemen Bank ... pre-paid gift cards for your ease and convenience throughout Ethiopia.



Zemen Bank S.C www.zemenbank.com
 info@zemenbank.com Tel: 251 11 550-11-11
 Fax: 251 11 553-90-42 P O Box: 1212
 Kazanchis, Joseph Tito Street, Addis Ababa, Ethiopia



www.zemenbank.com
info@zemenbank.com

Zemen Bank S. C.

Tel +251 11 553 90 40

Fax +251 11 553 90 42

P.O. Box 1212, Kazanchis,
Addis Ababa Ethiopia