ዘመን ባንክ
Zemen
BANK

ANNUAL REPORT 2023

Driving the Future Financial
Services Experience

ዘመን ባንክ
Zemen
BANK

Zemen Bank's New Headquarters:

Elevating Banking to New Heights!

VISION

"Become a home of distinctive financial solutions and service excellence"

CONTENTS

Mission:

"Deliver unique financial experience, engaging work environment and sustainable value for all our stakeholders using empowered workforce and technology, in a socially responsible manner"

BOARD OF DIRECTORS

Ermias Eshetu
Board Chairman

Eneye Bemir
Deputy Board Chairperson

Abebe Dinku (Prof.)
Board Of Directors

Ashenafi Embeza
Board Of Directors

Bizuneh Bekele
Board Of Directors

Mieraf Sheweye
Board Of Directors

Sinafikish Tekle
Board Of Directors

Tilaye Kassahun (Dr.)
Board Of Directors

Wondwossen Mulugeta (Dr.)
Board Of Directors

EXECUTIVE MANAGEMENTS

Dereje Zebene
CEO

Meseret Wondim
Chief Officer - Finance

Amha Tadesse
Chief Officer - Information

Addis Woldecherkos
Chief Officer - Credit

Asrat Tadesse
Chief Officer - Retail Banking

Tewahido Taffese
Chief Officer - Strategy & Marketing

Michael Tsegaye
Chief Officer - Wholesale Banking

Takele Dibekulu Demisse
Deputy Chief Officer - Human Capital

Elias Kinfegebriel
Deputy Chief Officer - Estate Management

SENIOR MANAGEMENTS

Abel Melaku
Director - Treasury & Investment

Aklilu Sisay
Director -Branch Management

Ayele Tibebu
Director - Procurement & Contract Management

Biniyam Abreham
Director - Trade Service

Birhanu Beyene
Director - Legal Service

Dereje Mihretu
Director - Corporate Banking

Eskatnaf Bayu
Director - Cyber & IT Security

Fekadu Mihretu
Director - Omni Channel Services

Fikru Tabor
Director - Risk & Compliance Management

Girum Tariku
Director - Marketing & Corporate Communication

Habte Reji
Director -Database Management & Analytics

Haileyesus Mezgebu
Director - Innovation and IT Projects

Kassahun Merawi
Director - Engineering & Building Management

Lemma Alemayehu
Director - Finance & Investor's Relation

Marta Gebremeskel
Director - Fund Management and Remittance

Mechal Bedada
Director -Property & Logistics Management

CORE VALUES ARE:

SENIOR MANAGEMENTS

Meheret Asmare
Director -Security Services

Mesfin Berhan
Director - Credit Appraisal

Nuru Mustefa
Director - Performance Management & Employee Service

Phylipos Mitiku
Director - Core Banking & Software Development

Seble Tilahun
Director - SME Banking

Seyfesilassie Meaza
Director - Digital Channel Management

Tesfahun Demele
Director - Strategy Implementation & Change Management

Tewodros Beyene
Director - Research & Business Development

Tesfaye Birru
Executive Assistant to the CEO

Thomas Getachew
Director - Talent Acquisition, Development & Management

Tigist Wondimagegnehu
Director - Credit Portfolio Management

Yohannes Getachew
Director - Internal Audit

Zewdu Ayenew
Director - IT Infrastructure Management

Relationship Driven, Socially Oriented, Ethical and Accountable, Committed to Diversity, Committed to Responsible Finance Professionalism.

CHAIRMAN'S STATEMENT

Year ended 30 June 2023

Dear Shareholders,

On behalf of the Board of Directors, it is a great honor to present to you Zemen Bank's 2022/23 Annual Report. This fiscal year has been a period of many milestones, including most notably the inauguration of our new Headquarters building. In May 2023, Zemen Bank's HQ building was colorfully inaugurated, adding a significant grace to Addis Ababa's beautiful skyline and to the city's emerging Financial District. Our new building strengthens the Bank's assets, generates additional revenue, optimizes our cost structure, creates an attractive working space, and displays our Bank's distinctive brand.

Furthermore, during the concluded fiscal year, the Bank implemented its new Five-year strategic plan developed with the support of PwC Kenya. The implementation of the strategic plan was conducted carefully under the oversight of the Board of Directors and the Executive Management of the Bank. The new strategy supports the Bank's management to strategically compete within Ethiopia's dynamic finance sector and puts in place a work plan in light of the upcoming liberalization of the sector.

Dear Esteemed Shareholders,

The global economic atmosphere during the past few years has been affected by various factors including the COVID-19 global pandemic. Such phenomena also impacted continental and national economic prospects.

It is no secret that the prolonged war between Russia and Ukraine, and the tightening of monetary policy around the world to contain the high inflation, less favorable credit conditions, and high energy prices, have all had the effect of reducing economic growth, especially in emerging economies.

These factors have limited global economic growth to shrink and grow moderately only at 2.1 percent compared to the 3.1 percent growth recorded in 2022. Nonetheless, the World Bank projects a slight increase in growth rate for 2024 and beyond.

Sub-Saharan Africa's growth is also projected to slow to 3.2 percent in 2023, as external headwinds affect the emerging economies and reflecting the impacts of lower FDI and persistent inflation.

Corporate Banking (CB)

Dear Shareholders,

During the concluded fiscal year, Ethiopia was affected by a number of climatic, political, and macroeconomic shocks that severely affected economic activity across various sectors. According to the World Bank's report, Ethiopia's economic growth is projected to slow from 6.4 percent in 2022 to 6.0 percent in 2023, before rising to 6.6 percent in 2024.

Inflation continues to be a major challenge in the economy, and has recently resulted in significant monetary policy measures from the NBE. The latest Ethiopian Statistics Service report indicates that, in June 2023, the year-on-year general inflation rate in Ethiopia reached 29.3 percent, down from 30.8 percent in the previous month of May 2023. Year-on-year, level food and non-food inflation increased by 28 percent and 31.4 percent, respectively.

During the concluded fiscal year, the Ethiopian Birr depreciated by 5 percent against a basket of major hard currencies—relatively a lower rate compared to the previous year's record of 19 percent. By 30th June 2023, the economy has generated USD 3.61 billion from merchandise exports, exhibiting a shortfall of USD 1.57 billion (31%) and 0.5 billion (12.2%) compared to the plan and last year's same period respectively. In terms of FDI, Ethiopia has attracted USD 3.31 billion in total but the risk of internal and external debt distress remains high.

The total public sector debt (domestic plus external) stood at USD 60.6 billion as of March 31,2023, which is up by 6 percent (USD 3.1 billion) compared to the 30th June 2022 balance of USD 57.38 billion. Similarly, the country's foreign currency reserve has deteriorated to around one month of import cover, per IMF data, presenting significant economy-wide challenges.

The just concluded year has also been a year where NBE has amended policies, such as the Establishment and Operation of Treasury Bonds, effective on the 1st of November 2022, which instructed all commercial banks to purchase 20 percent Treasury Bond of the National Bank of Ethiopia linked to fresh disbursement of loans and advances.

Dear Esteemed Shareholders

Despite these macroeconomic challenges, I am pleased to announce that our Bank has managed to close the 2022/23 financial year with remarkable results across all performance measures.

During the concluded financial period, Zemen Bank earned a gross profit of Birr 2.75 billion, which is a 28.1 percent increase when compared to the same period last year—this puts Zemen in the leading pack among private Banks in Ethiopia in terms of profit growth for the fiscal year.

With regard to the our financial returns, Zemen Bank continues to be among the leaders in the industry. The Bank's Earning per Share (EPS) stood at 43 percent, representing a sizeable return to our shareholders despite capital growth of Birr 1.3 billion during the fiscal year. Both Average Return on Assets (AROA) and Average Return on Equity (AROE) similarly stood above the private and peer banks' averages. These results reflect the relentless effort and commitment of the Bank's staff, exceptional leadership from the management, the loyalty of our valued customers, and the support of our respected shareholders.

Concerning the use of technology and service accessibility, significant efforts have also been made to increase engagement on digital channels rather than the physical expansion of branches. The Board of Directors and Management firmly believe that digitization is the way forward in Ethiopia's financial landscape as it is an era of digital transformation for the whole nation.

Dear Esteemed Shareholders

As mentioned above, the implementation of our new 5-year Strategic Plan will aid the bank in realizing its new vision of becoming the "Home of Distinctive Financial Solutions and Service Excellence." In pursuit of this vision, we are strengthening the performance culture among the staff and management and are deploying a bank-wide balanced scorecard system that has been fully cascaded down to the individual staff level.

The Bank has continued its investment in training and development to retain and hire high-caliber staff. We are also working hard to put in place a world-class leadership culture across the Bank. The scorecard methods that have been installed to set critical Key Performance Indicators across the organization for each staff will strengthen our performance-based culture and thereby enhance bank-wide productivity.

During the concluded fiscal year, the Bank has increased its digital channel expansion initiatives (ATMs, POS, etc) in more strategic and targeted areas that would aid the bank's objective of generating more resources and minimizing costs.

Our Marketing endeavors will continue in a manner that would maintain and enhance our strong brand to attain the growth of our market share in all strategic segments of our business. Our Bank will focus on the development and optimization of its product and service offerings, and the improvement of our customer experience across channels while accelerating innovative digital solutions to meet the evolving needs of our esteemed customers more strategically.

Zemen will continue its strong focus on enhancing operational efficiency and improving financial resilience—through a capital increase plan aimed at addressing regulatory requirements and positioning ourselves as a resilient and regionally competitive bank.

Finally, yet importantly, our Bank will remain committed to observing and adhering to the highest standards of corporate governance and business ethics while continuing to fulfill its corporate social responsibilities.

In closing, and on behalf of the Board of Directors, I would like to extend my sincere thanks to our esteemed customers for their confidence, trust, and loyalty to our Bank; our shareholders for their unwavering commitment and support and the entire management team and staff for their dedication to our Bank. I would like also to express my sincere appreciation to the National Bank of Ethiopia for its support and guidance, and all other stakeholders and partners for their contributions to the growth of our Bank.

Thank you.

Ermias Eshetu
Chairperson, Board of Directors

ዘመን ባንክ አ.ማ.
Addis Ababa, Ethiopia
Zemen BANK
No 01
P.O.Box 28119 code 1000
Zemen Bank S. C.

MESSAGE FROM THE CEO

Year ended 30 June 2023

Dear Esteemed Shareholders
Its' my honor and privilege to present to you the 2022/23 performance report of Zemen Bank.

Each year extends both opportunities and challenges for the Banking industry—and the 2022/23 fiscal year was no exception. Despite the economy registering a moderate growth of a little over 6 percent, the inflation has hit as high as 29.3 percent and remains a major challenge to stabilize the economy. Foreign exchange shortage, local currency liquidity crunch, declining export as well as import performances were added to the list of challenges of the financial system in the period under review. Export and import performances have recorded a declining performance from the preceding year with a 12 percent and 6 percent decline respectively.

On the other hand, total deposit in the financial industry has crossed the 2 trillion birr mark while total credit has reached 1.8 trillion birr which has exhibited expansion of private sector access to credit.

Despite the economic turbulences caused by various global and national occurrences, through the firm commitment and dedication of the entire management team and staff, as well as the confidence of our customers in our business journey, I am happy to announce that Zemen bank has once again recorded commendable results across all performance measures.

During the concluded fiscal year, the Bank registered a gross profit of Birr 2.76 billion which is a 28.4% increase from last year performance. Deposit, Loan and foreign exchange grew by 38 %, 48.6% and 5% respectively. Moreover, the Bank's NPL ratio stood at 1.09% indicating a high asset quality and a figure much lower from the 5% regulatory requirement as well as previous year record of 1.5%.

The Bank continues to expand its service delivery channels—both through branches and digital means. At the end of 2022/23 budget year, our branch network reached 102 across the nation. We will continue to carry out a moderate branch expansion that is mindful of the digitization opportunities taking place in the country. Zemen bank is currently expanding its digital channels and has so far deployed over 200 ATMs and 312 POS devices across various merchant locations and branches. Furthermore, we have invested and avail state-of-the-art and secured internet and mobile banking solutions to our customers.

Dear Esteemed Shareholders,

In an effort to remain a strong player within Ethiopia's financial sector, increase our market share, and deliver sustainable return to our shareholders, the Bank has fully implemented a new Five-year strategic plan and draw a ten year road map after contracting PWC Kenya. This strategy will allow the management navigate through the dynamic financial sector and remain a competitive player. The completion of the Bank's new Head Quarter building signals the new height our Bank reached as well as future prospects solidifying the confidence of our stakeholders. Our new HQ further plays a key role in creating a smooth work environment for staffs and customers.

During the current year, the Bank's paid-up capital grew by Birr 1.3 billion and reached the 5 billion birr minimum capital requirement well ahead of the central's bank deadline. The confidence of our shareholders to further raise this capital to birr 15 billion was demonstrated strongly by subscribing additional capital of birr 9 billion to make the total subscribed capital birr 14.17 billion by 31st October 2023.

Human capital development and boosting staff capacity remains to be one of our priority areas—during the year under review 2,285 trainees have participated in different training and development programs. We have also intensified our marketing activities to reach targeted market/customer thereby building our brand and supporting our sales.

Dear Respected shareholders

Going forward, the years ahead are also expected to come up with yet another challenges and opportunities requiring proactive business strategies from the BoDs and Management. The transformation of the financial sector, prospects of liberalization and mainly the Government of Ethiopia endeavor to digitize the economy will be areas of focus for us. We will continue our investment on technology and skill as well as work on various initiatives that will allow us deliver unique and customized value propositions to our customers. We will remain mindful of regulatory requirements as well as international laws by strengthening our Risk and Compliance activities. Further ahead, guided by the newly implemented corporate strategy and the continued strong support and leadership from our Board of Directors, our Bank shall keep its growth momentum strengthening customer service, human capital development and investment in technology that redefines its future growth as well as put Zemen in a position to overcome future challenges.

Dear Esteemed shareholders

Finally, I seize this opportunity to express my heartfelt gratitude and thanks to our beloved customers for their trust and confidence on us, for BoDs for their commitment & leadership and to the entire Zemen's family for their relentless effort, dedication, passion and commitment to deliver the best service to our esteemed customers and that undoubtedly led to the remarkable performance registered during the year. My sincere appreciation also goes to the National Bank of Ethiopia for their support and guidance as well as our shareholders and partners for their contribution towards the successful results of our Bank.

Thankyou!

Dereje Zebene
CEO

ARE YOU IN A HURRY? USE ZEMEN'S CASH ACCEPTING MACHINES.

PERSONAL BANKING

Personal Banking

As a zemen Bank Personal Banking customer, you will earn Interest rate of 7% computed daily. To qualify a minimum monthly balance of Birr 5,000 is required.

DIRECTORS' REPORT

Fiscal Year 2022/23

Zemen Bank's Board of Directors is pleased to present the 2022/23 Annual Report to shareholders, clients, and other stakeholders of the Bank. In what follows, we present an overview of our overall reports of the just completed fiscal year and outline briefly our plans for the period ahead.

Macroeconomic Developments

The 2022/23 financial year has had its share of challenges due to local and global phenomena. The continued conflict between Russia and Ukraine, the pandemic's overlapping negative shocks, and a contractionary monetary policy by the National Bank of Ethiopia (mainly to manage inflation) have all contributed to extending the global economy's unwarranted state. World Bank's 2023 Economic Prospects report predicts that global growth will drop from 3.1 percent in 2022 to 2.1 percent in 2023 before increasing to 2.4 percent in 2024.

For the entire year of 2023, advanced economies' growth is projected to slow significantly down to 0.7 percent. This is primarily caused by tightening financial policies, increasing interest rates, deteriorating labor markets, and persistently rising energy prices. Nonetheless, due to a recovery in the Eurozone, growth is predicted to pick up to 1.2 percent in 2024. Global inflation will progressively decrease as countries around the world experience slower economic development, the labour market weakens, and commodity prices remain constant. Core inflation is anticipated to continue above central banks' targets in several nations during 2024 due to the slow pace of economic improvement. The average annual rate of headline inflation worldwide on April 23 was 7.2 percent, down from a record of 9.4 percent in July 2022.

According to World Bank projections, Sub-Saharan Africa's growth would decelerate to 3.2 percent in 2023 due to external obstacles, persistent inflation, higher borrowing costs, and rising insecurity.

Domestically, the continued shortage of foreign exchange, high inflation, droughts, political unrest, and conflicts have all put a strain on Ethiopia's economy during the concluded fiscal year. World Bank predicts Ethiopia's GDP will decline to 6 percent in 2023 (compared to 6.4 percent growth in 2022) before rising to 6.6 percent in 2024. Nonetheless, the economy registered a modest growth of 7.2 percent in 2022/23 with agriculture and industry being dominant by contributing the lion's share.

The major macroeconomic concern facing the Ethiopian economy continues to be inflation. According to the most recent report from the Ethiopian Statistics Services Agency, the country's headline inflation rate reached 29.3 percent in June 2023. The country's food and non-food inflation rates rose by 28 percent and 31.4 percent, respectively.

Y-O-Y, the depreciation of the Ethiopian Birr against major hard currencies during the just-completed fiscal year was 5 percent, a far slower devaluation than the 19 percent depreciation seen the year before.

During the year in review, Ethiopia's export revenue stood at USD 3.64 billion having a shortfall of USD 1.57 billion (31 percent) and USD 0.48 billion (11.7 percent) compared to the target and the same period last year, respectively. Despite the Macro Challenges, the economy attracted USD 3.31 billion in FDI during the concluded fiscal year. Moreover, remittance inflow of over USD 3.8B has been received during the concluded fiscal year.

Developments in the Financial Sector

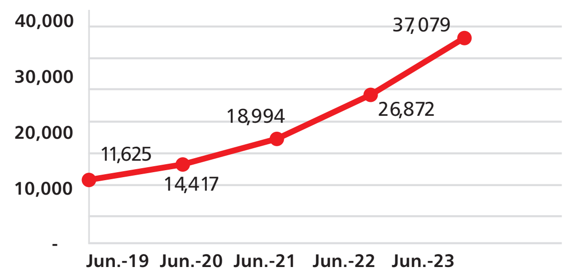
Looking at other financial sector developments, in a bid to tackle inflation, NBE has introduced a 20 Percent bill purchase requirement for all fresh loans and advnaces. This policy while allowing NBE to draw liquidity out of the Banking system it has on the other hand created challenge on the Banks to service their obligations and sustain the growth of loans and advances.

As part of plans to liberalise the financial sector, the Council of Ministers, during this fiscal year, approved the entry of foreign banks into the Ethiopian market and announced that it will issue up to five banking licenses to foreign investors in the coming few years. This will further boost competition in the financial sector and may create consolidation amongst existing banks. The formation of capital market which has progressed well during the fiscal year in review is also expected to ramp up capital mobilization within the financial system.

Zemen Bank's Financial Performance

During the 2022/23 fiscal year, Zemen Bank once again registered commendable growth across all of its core business operations. Continued growth in deposit mobilization, lending, and international as well as local banking operations aided the Bank in registering a gross profit of ETB 2.76 billion, a 28.4 percent increase from the same period last year. Asset and Capital as well as other non-financial performance measurement areas are also at their highest levels.

Deposit Trend 2019-2023 CHART 1



Deposit

At the end of June 2023, the Bank's overall deposit reached Birr 37.08 billion, up by Birr 10.21 billion (38 percent) from the same period last year.

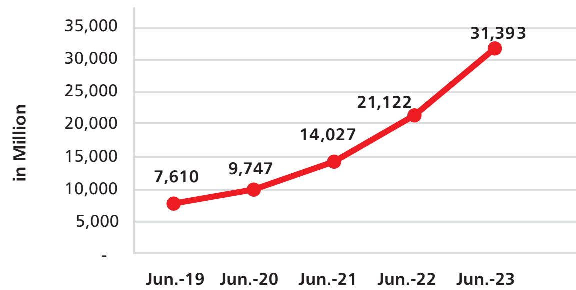
The deposit growth was supplemented by 41,186 new bank accounts that were opened during the recently ended fiscal year, bringing the total number of accountholders to 179,955. / CHART 1/

Loans and Advances

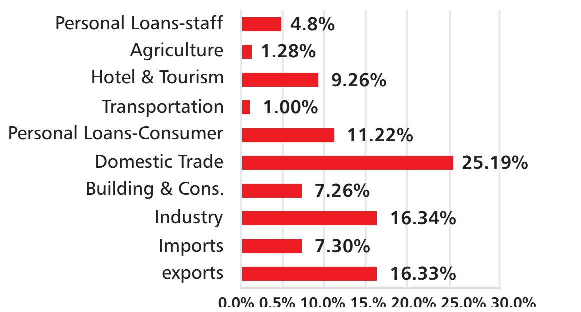
The strong growth in deposits has positively contributed to resource deployment and raised the Bank's total earning asset to Birr 31.39 billion. During the reviewed period, Zemen Bank has disbursed additional loans of Birr 10.27 billion (up by 48.6 percent) towards meeting the growing demand for credit to different sectors of the economy. /CHART 2/

The bank extended loans and advances to various sectors of the economy. Of these, Domestic Trade and Services took the lion's share of 25.19 percent, Industry 16.34 percent, Exports 16.33 percent,

Net Loan and Advances Trend 2019 - 2023 CHART 2



Loan Book Composition CHART 3



Prestige Banking

Prestige Banking Customers are allocated a Personal Banking Representative and earn 7.25% on their savings. To qualify, the minimum monthly balance is Birr 100,000

Consumer 11.22 percent, Hotel and Tourism 9.26 percent, Import 7.30 percent, and Building and Construction 7.26 percent. While the rest sectors in aggregate accounted for 7.11 percent of the total outstanding loan book balance. / CHART 3 /

The Bank has made concerted efforts to maintain high asset quality. To this end, as of 30 June 2023, the Bank's non-performing loan ratio stood well below the regulatory requirement as compared to last year's same period. The Non-Performing-Loans (NPLs) ratio as of 30th June 2023, stood at 1.09 percent, which is significantly below the NBE's 5 percent limit.

International Banking

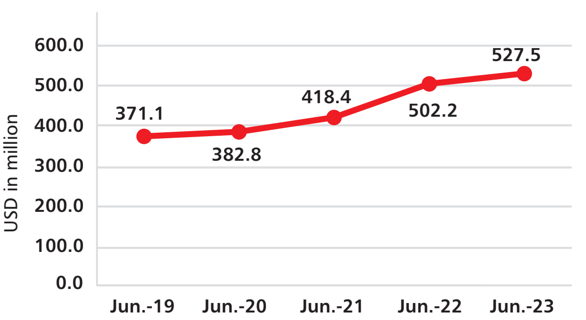
International Banking operation continues to be one of the strongest operational areas resulting in the mobilization of a cumulative USD 527.5 million during the year in review. Compared with a year before the same period, it showed an increase of USD 25 Million or (5 percent). Moreover, in the reviewed period, Zemen has surrendered USD 257.50 million to the NBE. / CHART 4/

Financial Performance

Total Asset

The Bank has managed to grow its Asset base by 36.1 percent compared to last year's same period.

Forex Inflow Trend 2019 - 2023 CHART 4

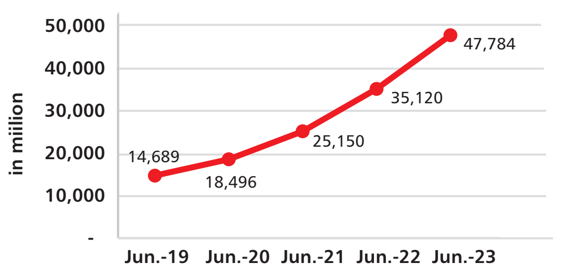


Overall Assets reached Birr 47.78 billion at the end of June 2023. This is attributed primarily to the increment observed in earning assets, Loans and Advances (contributing 48.6 percent). Loans and Advances make up the majority of the Bank's assets, accounting for 65.7 percent; followed by Deposits with foreign banks (9.21 percent) and Deposits with NBE, which accounted for 8.23 percent. Moreover, in line with the Bank's prudent liquidity management practices, the Bank's liquidity ratio (liquid assets to deposit) was well above the regulatory requirement of 15 percent standing at 24.03 percent at the end of June 2022/23. / CHART 5 /

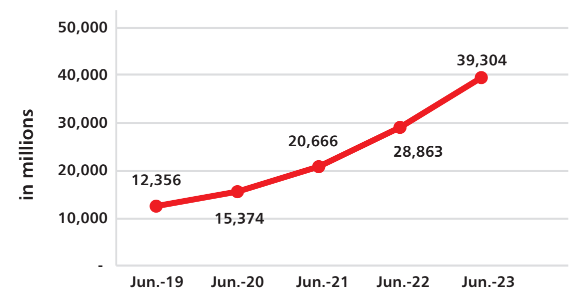
Total Liability

The liability side increased by 36.18 percent as compared to last year's record, mainly due to the increment exhibited in customers' deposits, & stood at Birr 39.3 billion as of June 30, 2023. / CHART 6 /

Total Asset Trend 2019 – 2023 CHART 5



Liability Trend 2019 - 2023 CHART 6



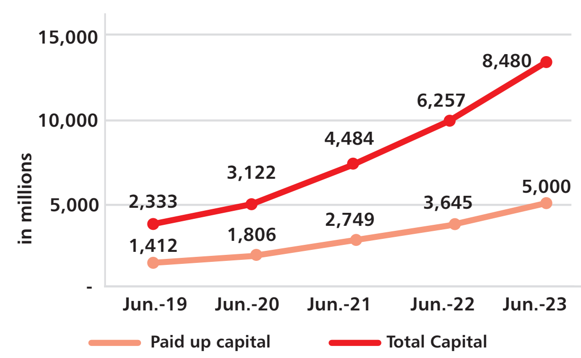
Capital

Due to the surge in primary capital components, the Bank's total capital reached Birr 8.48 billion as of 30 June 2023, representing a growth rate of 35.53 percent when compared to last year's position. Moreover, the bank's paid-up capital has reached Birr 5 billion, showing an increment of Birr 1.36 billion (37.2 percent) as compared to last year. Besides, the capital adequacy of the bank stood at 27.8 percent, which is far more than the minimum regulatory requirement of 8 percent, showing that the bank is well capitalized to withstand external shocks. / CHART 7 /

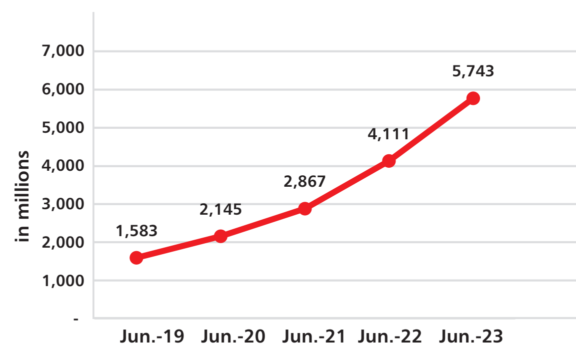
Income

The Bank's total income reached Birr 5.74 billion at the end of June 2023. This translates to an astounding 39.7 Percent increment—and further a 95 percent achievement of the set annual plan. / CHART 8 /

Capital Trend 2019 - 2023 CHART 7



Income Trend 2019 - 2023 CHART 8



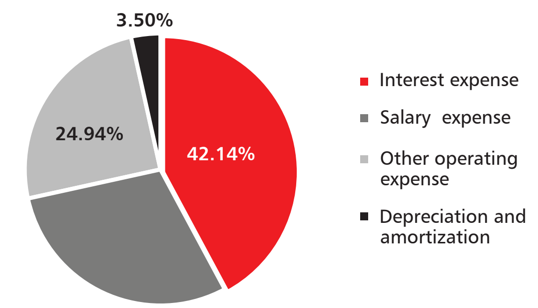
Out of the total income generated during the period, income from interest took the highest share of Birr 3.99 billion (69.6 percent), followed by service charges and commission income of Birr 1.32 billion (23.1 percent), which is mainly sourced from foreign exchange-related operations, & other income accounted Birr 421.9 million (7.3 percent). / CHART 9 /

Expenditure:

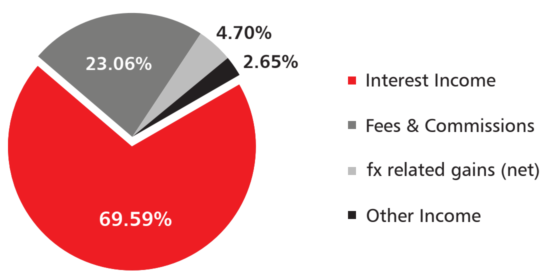
The aggregate expense of the Bank during the reviewed fiscal year stood at Birr 3.24 billion, which is higher by Birr 1.15 billion (55 percent) from the same period last year but lower by 4 percent from the plan set for the period.

In terms of composition, the larger share went to interest expense with Birr 1.37 billion (42.1 percent); followed by salary and benefit expense Birr 954.29 million (29.4 percent), general expenses Birr 808.52 million (24.9 percent), & depreciation and amortization of Birr 113.34 million (3.5 percent). / CHART 10 /

Income Composition CHART 9



Expenditure Composition CHART 10



Z-Club Banking

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(7.5%), free cash delivery/collection services, and the privilege of using our dedicated office setup floor, including use of our conference rooms with free internet services, for your business needs..

Earning

During the period under review, Zemen earned a gross profit of Birr 2.76 billion (before depreciation and provision), which is a significant growth from last year's performance by Birr 604.25 million; translating to a 28.1 percent increase and indicating an achievement of 94 percent against the plan set for the fiscal year. Similarly, the current period net profit of Birr 1.81 billion exceeded that of last year by Birr 336.8 million (22.8 percent). / CHART 11 /

Financial Soundness Indicators

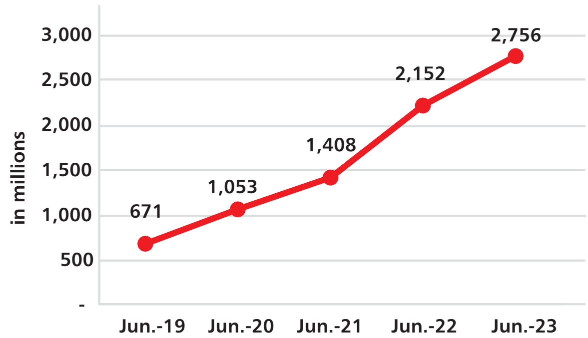
In all three (EPS, ROAA & ROAE) major areas of financial performance and managerial efficiency measurements, Zemen remains steadfast.

Earning Per Share (EPS) - at the end of June 2023, the Bank's profit after taxes stood at Birr 1.81 billion, translating to an earnings per share of 43 Percent. Zemen Bank's EPS continues to be one of the most competitive in the industry and has averaged 41.4 percent over the past five years. / CHART 12 /

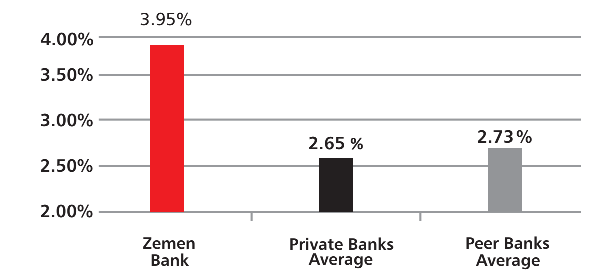
Return on Average Assets (ROAA) - Zemen's ROAA for the just concluded fiscal year was 4.37 percent, whereas its ROA computed for the past five years was an average of 3.95 percent. This is also another parameter where the Bank has achieved a remarkable performance when compared to the peer banks and an industry average of 2.65 percent and 2.73 percent, respectively. / CHART 13 /

Return on Average Equity (ROAE) - - The Bank's ROE, or rate of return against average capital, for the just-completed year was 29.4 percent. The average ROE over the preceding five years stood at 28.59 percent. / CHART 14 /

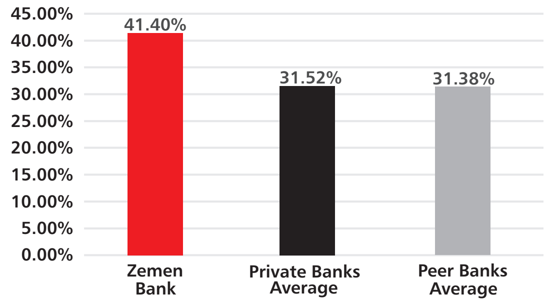
Gross Profit Trend 2019 - 2023 CHART 11



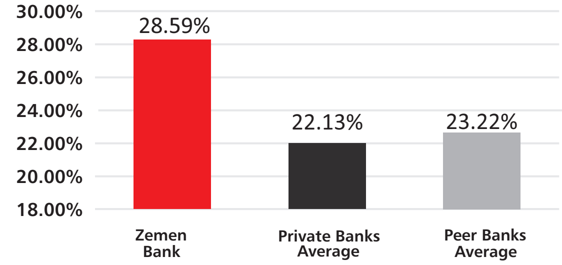
Average Return on Asset (AROA) CHART 13



Average Earning Per Share (EPS) CHART 12



Average Return on Equity (AROE) CHART 14



Proposal on Dividend Payout

After making appropriate tax, legal reserve and Board remuneration deductions from the gross profit, a net profit of Birr 1, 352 .66 Million has been transferred to retained earnings.

The Board of Directors proposes 3% (Birr 40.58 million) to be retained by the Bank and the remaining amount of Birr 1,312.08 Million to be distributed to shareholders in the form of dividend payments. Based on the year-average paid-up capital of the Bank, the proposed dividend per share has reached 31.1 Percent.

Other Business Developments

Zemen's success during the past fiscal year was not only limited to financial parameters—rather it has been reflected across all operational activities.

In May of this year, Zemen colorfully inaugurated its headquarters building located on Ras Abebe Argary Street. Our new HQ is an indication of years of commitment by the shareholders, the trust that the Bank has among its customers, and the efforts of the Management and staff of the Bank. Zemen Bank's new HQ is also an important addition to the beautiful skyline of Addis Ababa.

The Bank also implemented its new 5-year strategic plan during the concluded fiscal year. This strategy was developed by an international consultant PwC, and was successfully cascaded across all the Bank's work units. The progress made on other major areas of operational units is also described below:

Human Capital Development

The Bank continues to put its emphasis on hiring the most talented and seasoned employees, in keeping with its strategic goal of acquiring competent professionals from the market with strong commitment and capabilities. In this regard, 320 new employees were hired during the concluded fiscal year, while 156 promotions, 137 transfers and reshuffles, and 228 assignments to other roles were carried out. The total number of employees as of 30 June 2023, reached 1,568.

The bank's staff in various roles have received ongoing training to properly implement the Bank's Human Capital development plan. As a result, 2,369 employees have taken part in various training and development initiatives, such as the Young Graduate Trainee Programme, Education and Certifications, Short-term Abroad, Local, and Online Trainings.

In addition, the Bank created annual employee awards, which were given to branches for exemplary performance in their positions as leaders and groups as part of developing organizational culture throughout the Bank to inspire customer service leaders at all levels.

Branch and Customer base Expansion

By June 30, 2023, the number of branches within the banking sector reached 10,232, an increase of 2,435 (31.2 percent) compared to the same time last year. Private banks account for 8,306 of the total reported branches (81 percent) while the remaining CBE's branch network reached 1,926 (19 percent). In the just-completed fiscal year, Zemen opened 23 new branches across the country, bringing the total number to 102 branches. The moderate expansion of the branch network is in line with the Bank's strategy, cost model and is mindful of the technology disruption entering the Ethiopian market.

Omni-Channel Banking

ATMs- During the concluded fiscal year, the Bank deployed 100 ATMs at different locations bringing the total number of ATMs to 200. This contributed to the convenience for customers by providing (24/7) service, reducing branch operational load, and other factors. More than 1.3 million local card transactions were handled during the review period, resulting in withdrawals of Birr 2,591.3 million, and 50,812 international card transactions generating USD 6.3 million for the Bank.

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.

POS: As of 30 June 2023, there were 312 POS devices deployed at different merchant locations. Over 155,320 international card transactions were processed through POS devices last year which generated a total of USD 8.96 million. On the other hand, over 40,465 local card transactions were concluded with a monetary value of Birr 177 million.

Doorstep Banking

The Bank continues to provide Doorstep Banking service to a select few of its high-value clients requiring service at their doorstep. During the concluded fiscal year, 19 customers have used the Bank's doorstep banking services, an increase of 6 when compared to the same period last year. Accordingly over 3,487 journeys were made in the past year to collect Birr 1,219.3 million in cash and Birr 266.8 million in checks. On-site payments for over 224,991 employees working for various corporate clients were made with Birr amounting 779.05 million.

Internet and Mobile Banking Service: As of 30 June 2023, there were 74,825 customers using Internet and mobile banking services. About 46,235 new subscribers were added during the review period and a total of 94,116 transactions amounting to Birr 2,385.5 Million have been carried out through Internet and mobile banking services.

Information Technology

Several projects have been carried out over the review period as part of the Bank's new strategic direction, excellence in digital and technology enablement, to strengthen the IT service management practices, optimize E-channel service performance by maintaining newly added E-Channel products and services, and improve internal processes and system through software & digital platform developments.

On top of that, several IT projects were put into place to enhance consumers' digital experiences by developing software and digital platforms and taking advantage of prospective cooperation opportunities with financial technology providers and card schemes. Among the projects that were commissioned were the TeleBirr incoming transfer service, the API Integration with ET's online air ticket purchase, and the Safaricom Prepaid top-up services.

Risk Management and Compliance

In order to comply with applicable national and international regulations, prudent risk management practice has become an essential component of the Bank's day-to-day operations. Through periodic reviews of various risk programs, loan reviews, and the creation of new risk management systems, financial and non-financial risks were assessed and mitigated. Through the weekly CTR/STR report, customer profile rating, due diligence on international banking service and credit, and improved AML / CTF system performance, the bank also ensured compliance with regulatory directives, proclamations as well as internal policy and procedure.

Corporate Governance

The National Bank of Ethiopia and other relevant governmental bodies have established high standards of corporate governance and commercial ethics for the financial sector. The Bank remains dedicated to following and upholding these standards. Accordingly, the Board of Directors, during the concluded financial year established several sub-committees, including Audit, Risk & Compliance, Human Resources, and Strategy and Budget, to oversee the proper implementation of good Corporate Governance practice in the Bank's business endeavors.

Corporate Social Responsibility

Zemen has a long history of participating in charitable initiatives. During the concluded fiscal year as part of the larger corporate social responsibility program and along with the inauguration of the new Head Quarter, Zemen Bank has donated Birr 128 million to 21 different charity organizations.

INTERNATIONAL BANKING

Way Forward

The long-term, sustainable business strategies that Zemen Bank will continue to prioritize are those that will boost market share, preserve brand recognition, and ensure long-term shareholder value. The Bank leverages its internal resources and gained knowledge to accomplish this to fulfill its strategic goals. Therefore, the bank recognizes the significance of exerting more effort to perform the following important tasks.

Human Capital Development

The new corporate strategy and planned outlet expansion will necessitate the hiring of additional personnel for various work units. As the Bank recognizes the critical need for a more qualified workforce, it will place the appropriate emphasis on training and skill development to produce customer-oriented, motivated, committed, and competent employees.

New Business Development

To adapt to changing client needs and preferences, exploit and maintain a competitive edge, and stay up-to-date with the most recent technological trends in the financial and banking space, Zemen will continue to innovate and upgrade its information technology capabilities. Additionally, the Bank will adopt focused marketing and promotional approaches to drive awareness of new products and services in order to keep its current clientele and draw in new ones.

Accelerate Digitization

Today, innovative financial products and services and digital finance are spreading rapidly in Ethiopia as it leads to much lower costs and greater competition in the financial services sector. On top of that, its adoption and growth are becoming imperative for creating a digital economy. It is also expected to be widely disseminated especially in light of the entry of non-bank financial actors and telecom companies playing a significant role in shaping Ethiopia's financial services ecosystem and bringing financial inclusions. Therefore, as a pioneer and an important player in the industry, Zemen will continue to strategically invest in new IT projects through in-house digital platform developments and leveraging strategic partnerships with financial technology companies and telcos to continue offering competitive customer experiences.

Explore Viable Business Opportunities

New business prospects in Ethiopia's financial sector will eventually arise as a result of several positive measures that have been undertaken by the Government of Ethiopia in recent years. In this context, the bank will constantly explore and strive to venture into viable business areas that are anticipated to provide a steady source of income and create portfolio diversification and long-term value to shareholders.

Adapt to the Changing Financial Landscape

The government plans to open up the financial services sector to foreign competition in the near future. Ethiopia is also to embark on the establishment of a stock market and a formal security exchange. Both developments will bring opportunities and challenges to commercial banks. Therefore, Zemen will adopt strategies that would help the Bank to position itself to compete in some cases and create partnerships in other circumstances to ensure long-term growth and sustainable shareholders' value.

CUSTOMER SNAPSHOTS

Emirates

A world-class airline

Unilever

Unilever

flydubai

flydubai

SherEthiopia

Ethiopia's biggest flower exporter

IATA

International Air Transport Association

Ambasáid na hÉireann
Embassy of Ireland

NOKIA

Saudia

Carvico

The Pleasure of Challenge

HEINEKEN

HEINEKEN

Mortage Loans

Corporate Loans

Personal Loans

CUSTOMER SNAPSHOTS

Intrnational Community School

The world's biggest brand

Corbetti Geothermal

Creating Markets, Creating Opportunities

Hilina Enriched Foods PLC

Embassy of the Kingdom of the Netherlands

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.

31.4B
LOANS TO CUSTOMERS

43 %
EARNINGS PER SHARE FOR THE YEAR

37.2%
Paid-up capital growth from previous year

$527.5M
IN FOREX INFLOWS

$47.8B
TOTAL ASSET

28.1%
Gross profit growth from previous year

48.6%
Loans & Advances growth from previous year

22.8 %
Net Income growth from previous year

5B
PAID UP - CAPITAL

38%
Deposit growth from previous year

37.1B
TOTAL DEPOSIT

DOORSTEP BANKING

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

SHAREHOLDERS’ MEETING
05 November 2022

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.

AUDITORS' REPORT

ZEMEN BANK S.C.

DIRECTORS, PROFESSIONAL ADVISERS AND REGISTERED OFFICE

FOR THE PERIOD ENDED 30 JUNE 2022

Country of incorporation and domicile	Ethiopia
Nature of business and principal activities	The Bank's principal activity is commercial banking.

Directors *(as of June 30, 2023)*

Ermias Eshetu	Board Chairperson	(Appointed June 2021)
Eneye Bemir	Board Deputy Chairperson	(Appointed June 2021)
Mieraf Shewaye	Non-Executive Director	(Appointed Feb 2018)
Abebe Dinku (Prof.)	Non-Executive Director	(Appointed Feb 2018)
Wondwossen Mulugeta (Dr.)	Non-Executive Director	(Appointed June 2021)
Ashenafi Embeza	Non-Executive Director	(Appointed June 2021)
Bizuneh Bekele	Non-Executive Director	(Appointed June 2021)
Sinafikish Tekle	Non-Executive Director	(Appointed June 2021)
Tilaye Kassahun (Dr.)	Non-Executive Director	(Appointed June 2021)

Executive Management *(as of June 30, 2023)*

Dereje Zebene	President/CEO	(Appointed Apr 2018)
Meseret Wondim	Chief Officer - Finance	(Appointed Aug 2016)
Amha Tadesse	Chief Officer - Information	(Appointed Nov 2017)
Addis Woldecherkos	Chief Officer - Credit	(Appointed March 2020)
Asrat Tadesse	Chief Officer - Retail Banking	(Appointed March 2020)
Tewahido Taffese	Chief Officer - Strategy & Marketing	(Appointed Jan 2023)
Takele Dibekulu Demisse	Deputy Chief Officer - Human Capital	(Appointed Apr 2023)
Elias Kinfegebriel	Deputy Chief Officer - Estate Management	(Appointed Oct 2022)
Michael Tsegaye	A/Chief Officer - Wholesale Banking	(Appointed Oct 2022)
Dereje Mihretu	Director - Corporate Banking	(Appointed Oct 2022)
Fikru Tabor	Director - Risk & Compliance Management	(Appointed Mar 2021)
Aklilu Sisay	Director -Branch Management	(Appointed May 2019)
Lemma Alemayehu	Director - Finance & Investor's Relation	(Appointed May 2019)
Haileyesus Mezgebu	Director - Innovation & IT Projects	(Appointed Apr 2016)
Phylipos Mitiku	Director - Core Banking & Software Development	(Appointed Aug 2016)
Biniyam Abreham	Director - Trade Service	(Appointed Aug 2016)
Birhanu Beyene	Director - Legal Service	(Appointed Feb 2019)
Yohannes Getachew	Director - Internal Audit	(Appointed Aug 2016)

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

ZEMEN BANK S.C.

DIRECTORS, PROFESSIONAL ADVISERS AND REGISTERED OFFICE

FOR THE PERIOD ENDED 30 JUNE 2022

Kassahun Merawi	Director - Engineering & Building Management	(Appointed Apr 2017)
Abel Melaku Asfaw	Director - Treasury & Investment	(Appointed Oct 2022)
Eskatnaf Bayou Asmare	Director - Cyber & IT Security	(Appointed Oct 2022)
Fekadu Mihretu W/Gebriel	Director - Omni Channel Services	(Appointed Oct 2022)
Marta Gebremeskel Meressa	Director - Fund Management & Remittance	(Appointed Oct 2022)
Seble Tilahun Tariku	Director - SME Banking	(Appointed Oct 2022)
Seyfesilassie Meaza Amare	Director - Digital Channel Management	(Appointed Oct 2022)
Tesfahun Demele Abebe	Director - Strategy Implementation & Change Management	(Appointed Oct 2022)
Tewodros Beyene Belew	Director - Research & Business Development	(Appointed Oct 2022)
Thomas Getachew W/mariam	Director - Talent Acquisition, Development & Management	(Appointed Oct 2022)
Tigist Wondimagegnehu Tilahun	Director - Credit Portfolio Management	(Appointed Oct 2022)
Nuru Mustefa Ahmed	Director - Performance Management & Employee Service	(Appointed May 2023)
Zewdu Ayenew Dires	Director - IT Infrastructure Management	(Appointed Oct 2022)
Habte Reji Gizaw	Director -Database Management & Analytics	(Appointed Mar 2023)
Girum Tariku Agonafir	Director -Marketing & Corporate Communication	(Appointed Mar 2023)
Mesfin Berhan Dessalegn	Director - Credit Appraisal	(Appointed Apr 2023)
Mechal Bedada Heye	A/Director -Property & Logistics Management	(Appointed Jan 2023)
Meheret Asmare Wubye	A/Director -Security Services	(Appointed Oct 2022)
Ayele Tibebu Bezabhi	A/Director - Procurement & Contract Management	(Appointed Oct 2022)
Tesfaye Birru W/Tsadik	Executive Assistant to the President/CEO	(Appointed Oct 2022)

Registered office
Lideta Subcity, Woreda 07, House No. New, Ras Abebe Aregay Road,
P. O. Box. 1212Addis Abeba, Ethiopia

Actuaries
QED Actuaries and Consultants (Pty) Ltd
P. O. Box 413313, Craighall 2024
1st floor, the Bridle, Hunts End Office park, 38 wierda Road West, Wierda vally
Email: craigfalconer@qedacturial.com
Sandton, Johannsburg, 2196
South Africa

Independent Auditors
HST General Partnership,
Charted Certified Accountants and Authorized Auditors
Mina Building, 5th floor, Wollo Sefer
P.O.Box 1608
Addis Ababa, Ethiopia

Tax Identification Number
0004806547

Business Registration Number
MT/AA/3/0052748/2014

Bankers
Principal Bank - National Bank of Ethiopia
Correspondent Banks
Citibank N.A New York
Citibank London
Commerz Bank
ABN Amro Bank
Skandinaviska Enskilda Banken
CAC International Bank
African Export-Import Bank (Afrexim Bank)

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

ZEMEN BANK S.C.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2023

The Directors submit their report together with the financial statements for the period ended 30 June 2023, to the shareholders of Zemen Bank Share Company (''the Bank"). This report discloses the financial performance and state of affairs of the Bank.

Incorporation

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.

Principal activities

The Bank's principal activity is commercial banking.
There have been no material changes to the nature of the Bank's business from the prior year

Share capital

	30 June 2023	30 June 2022
	Number of Shares	
Issued, and subscribed		
Ordinary Shares, with par value of ETB 1,000 each	5,000,000	3,644,654
Paid up capital		
Ordinary Shares, with par value of ETB 1,000 each	5,000,000	3,644,654

Results and dividends

The Bank's results for the year ended June 30,2023 are set out on page 38. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Interest income	3,996,963	2,433,361
Profit / (loss) before tax	2,501,041	2,019,491
Tax (charge) / credit	(687,927)	(543,219)
Profit / (loss) for the year	1,813,114	1,476,272
Other comprehensive income / (loss) net of taxes	94,074	42,165
Total comprehensive income / (loss) for the year	**1,907,187**	**1,518,437**

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

ZEMEN BANK S.C.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2023

Events after the reporting period

The Directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

Going Concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Directors believe that the Bank has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The Directors have satisfied themselves that the Bank is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Directors are not aware of any new material changes that may adversely impact the Bank. The Directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Bank.

7. Date of authorisation for issue of financial statements

The Financial Statements have been authorised for issue by the Board of Directors on October 26, 2023. No authority was given to any one to amend the financial statements after the date of issue.

Acknowledgements

Thanks and appreciation are extended to all of our shareholders, staffs and customers for their continued support of the Bank.

The Financial Statement set out on pages 38 to 120, which have been prepared on the going concern basis, were approved by the Board of Directors.

Signed on behalf of the Board of Directors By:

Ermias Eshetu

Ermias Eshetu
Chairman of Board of Directors
October 26, 2023

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

ZEMEN BANK SHARE COMPANY STATEMENT OF DIRECTORS' RESPONSIBILITIES AND APPROVAL

For the Year Ended June 30, 2023

The Commercial Code of Ethiopia and the Banking Business Proclamation No.592/2008 require the directors to prepare the financial statements that represent the state of affairs of the Bank at the end of the financial year and the operating results of the Bank for that year. The Commercial Code of Ethiopia and the Banking Business Proclamation No.592/2008 also requires the Directors to ensure that the Bank keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank. The Directors are also responsible for safeguarding the assets of the Bank. The external auditors are engaged to express an independent opinion on the financial statements.

The Directors are responsible for the preparation and fair presentation of these financial statements that give a true and fair view of the statement of financial position of the Bank at the reporting date and its comprehensive income in accordance with International Financial Reporting Standards and the manner required by the Commercial Code of Ethiopia and the Banking Business Proclamation No.592/2008, and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The responsibilities include;

a) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to error or fraud;

b) selecting suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied; and

c) keeping proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank.

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 International Financial Reporting Standards, Banking Business Proclamation, Commercial code of Ethiopia and the relevant directives issued by the National Bank of Ethiopia.

The Directors are 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 profit or loss and other comprehensive income.

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

The financial statements and the notes on pages 38 to 120 were approved and authorised for issue by the Board of Directors on October 26, 2023 and were signed on its behalf by:

Signed on behalf of the Board of Directors By:

Ermias Eshetu
Chairman of Board of Directors

ዘመን ባንክ አ.ማ.
Addis Ababa, Ethiopia
Zemen BANK
No 01
P.O.Box 28119 code 1000
Zemen Bank S. C.

Dereje Zebene
President /CEO

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

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ZEMEN BANK SHARE COMPANY

Opinion

We have audited the financial statements of Zemen Bank Share Company (the Bank) set out on pages 8 to 59, which comprise the statement of financial position as at June 30, 2023 , statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Zemen Bank Share Company as at June 30, 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the provisions of the Licensing and Supervision of Banking Business Proclamation and the Commercial Code of Ethiopia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1, 3 and 4A) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Ethiopia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Ethiopia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit losses on loans and advances at amortized cost

Loans and advances to customers compromise a significant portion of the Bank's total assets. The estimation of Expected Credit Losses (ECL) on loans and advances requires management judgement in the assumptions that are applied in the models used to calculate ECL.

The policies for estimating ECL are explained in notes 1.7 c (i) and 4.3.5 of the financial statements.

The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include:

- The assumptions applied in deriving the probabilities of default (PD), loss given default (LGD) and exposures at default (EAD) for the various segments.
- The judgements made to determine the staging of facilities in line with IFRS 9. In particular, the identification of the Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used. Specific assumptions have been applied by management in determining the staging, PD and LGD for certain segments of the loan record.
- The relevance of forward-looking information used in the models.
- For certain individually assessed loans and advances, judgement is exercised in the consideration of quantitative and qualitative factors.

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

Due to the significant impact of management judgements applied in calculating the ECL, we designate this as a key audit matter in our audit.

How our audit address the key audit matter

- We obtained the Bank's methodology for determining ECL, including enhancements in the year, and evaluated this against the requirements of IFRS 9.
- We tested how the Bank extract loan status applied in classifying the loans balance into the three stages required by IFRS 9. For a sample of loans, we checked loan status applied in the model. In addition, we assessed the qualitative information applied by the Bank in determining the appropriate staging.
- We obtained an understanding of the basis used to determine the probabilities of default. We tested the completeness and accuracy of the historical data used in derivation of PDs and LGDs and recalculated the same on a sample basis.
- We reviewed the approach used to estimate LGD at each point during the life of the exposure including time to realization and the recovery rate calculations. In addition, for secured facilities, we agreed the collateral values used in the ECL model to internal valuer reports.
- We tested, on a sample basis, the reasonableness of EAD for both on and off-balance sheet exposures.
- For forward-looking information, we assessed the appropriateness of the model, including assumptions applied; we corroborated the data using publicly available information; and assessed the reasonableness of the weightings applied to different scenarios to reflect the impact of current developments.
- We assessed whether the disclosure in the financial statements on the key judgements and assumptions were adequate.

Other Information

The other information comprises the information included in the Annual Report for the year ended June 30, 2023, which includes the Directors' Report as required by the provisions of the Licensing and Supervision of Banking Business Proclamation and the Commercial Code of Ethiopia. The other information does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

The financial statement of Zemen Bank Share Company for the year ended 30 June 2022 were audited by another auditor who expressed an unqualified opinion on those financial statements on 30 September 2022.

Responsibilities of the Directors' for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the provisions of the Licensing and Supervision of Banking Business Proclamation and the Commercial Code of Ethiopia, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Commercial Code of Ethiopia and based on our audit, we report as follows:

(i) Pursuant to Article 349 (1) of the commercial Code of Ethiopia 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 349 (2) of the commercial code of Ethiopia we recommend the financial statements for approval.

The engagement partner on the audit resulting in this independent auditors' report is Solomon Melaku.

Solomon Melaku Partner
HST General Partnership, Chartered Certified Accountants and Authorized Auditors
(Auditors' of Zemen Bank Share Company)

Addis Ababa
October 26, 2023

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

ZEMEN BANK S.C.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2023(In Ethiopian Birr)

	Notes	30 June 2023 ETB'000	30 June 2022 ETB'000
Interest income	5	3,996,963	2,433,361
Interest expense	6	(1,366,195)	(938,259)
Net interest income		**2,630,768**	**1,495,102**
Fee and commission income	7	1,324,450	1,158,174
Fee and commission expense	7	(17,300)	(2,697)
Net fees and commission income		**1,307,150**	**1,155,477**
Other operating income	8	421,981	519,572
Total operating income		**4,359,900**	**3,170,151**
Loan impairment charge	9	(141,725)	(61,284)
Impairment losses on other assets	10	(237)	(1,921)
Net operating income		**4,217,937**	**3,106,946**
Personnel expenses	11	(954,293)	(649,461)
Amortisation and impairment of intangible assets	19	(32,224)	(24,713)
Depreciation and impairment of property, plant and equipment	20	(81,119)	(44,685)
Other operating expenses	12	(649,261)	(368,597)
Profit before taxation		**2,501,041**	**2,019,491**
Income tax expense	13a	(687,927)	(543,219)
Profit after taxation		**1,813,114**	**1,476,272**
Other comprehensive income (OCI)			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	26	(18,127)	(5,032)
Deferred tax (liability)/asset on remeasurement gain or loss	13	5,438	1,510
Remeasurement fair value gain/(loss) on equity investments	16	152,518	65,267
Deferred tax (liability)/asset on remeasurement gain or loss	13	(45,755)	(19,580)
		94,074	**42,165**
Total comprehensive income for the year		**1,907,187**	**1,518,437**
Basic and diluted earnings per share	28	**430**	**455**

The accounting policies on pages 42 to 66, and the notes on pages 67 to 120, form an integral part of the financial statements.

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

ZEMEN BANK S.C.

STATEMENT OF FINANCIAL POSITION

FOR THE PERIOD ENDED 30 JUNE 2023

	Notes	30 June 2023 ETB'000	30 June 2022 ETB'000
ASSETS			
Cash and cash equivalents	14	8,914,774	8,047,196
Loans and advances to customers	15	31,393,240	21,121,625
Investments at fair value	16	302,537	130,584
Investment securities	16	3,313,028	2,453,938
Other assets	17	1,314,747	1,497,492
Right of use asset	18	466,590	276,458
Intangible assets	19	167,965	167,914
Property, plant and equipment	20	1,911,637	1,424,574
Total assets		**47,784,520**	**35,119,781**
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits due to other banks	21	205,679	-
Deposits from customers	22	36,873,291	26,872,333
Current income tax	13c	698,153	532,817
Other liabilities	23	1,228,465	1,353,944
Borrowings	24	77,827	-
Lease liabilities	25	95,439	37,470
Deferred tax	13d	68,878	38,787
Retirement benefit obligations	26	56,741	27,556
Total liabilities		**39,304,473**	**28,862,907**
EQUITY			
Share capital	27b	5,000,000	3,644,654
Share premium	27c	906	794
Special reserve	27d	61,150	32,243
Retained earnings	29	1,352,661	1,070,615
Legal reserve	30	1,697,642	1,244,363
Regulatory reserve	31	217,270	210,096
Other reserves	32	150,418	54,109
Total equity		8,480,047	6,256,874
Total equity and liabilities		**47,784,520**	**35,119,781**

The accounting policies on pages 42 to 66, & the notes on pages 67 to 120, form an integral part of the financial statements. The financial statements and the notes on pages 38 to 120 were approved and authorised for issue by the Board of Directors on October 26, 2023 and were signed on its behalf by:

Ermias Eshetu
Chairperson of Board of Directors

Dereje Zebene
President/CEO

ZEMEN BANK S.C.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2023

	Share capital	Share premium	Special reserve	Retained earnings	Regulatory reserve	Other reserve	Legal reserve	Total
	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000
Balance as at 1 July 2021	**2,749,315**	**794**	**14,500**	**657,169**	**174,838**	**11,945**	**875,295**	**4,483,856**
Profit for the period	-	-		1,476,272	-	-	-	1,476,272
Other comprehensive income:								
Re-measurement gains on defined benefit plans (net of tax)	-	-		-	-	(3,522)	-	(3,522)
Fair value adjustment	-	-		-	-	45,687	-	45,687
Dividends paid	-	-		(657,169)	-	-	-	(657,169)
Proceeds from issue of shares	895,339	-		-	-	-	-	895,339
Transfer to legal reserve	-	-		(369,068)	-	-	369,068	-
Transfer to regulatory risk reserve	-	-		(35,257)	35,257	-	-	-
Special reserve	-	-	17,744	-	-	-	-	17,744
Directors share on profits	-	-		(1,332)	-	-	-	(1,332)
Total comprehensive income for the period	**895,339**	**-**	**17,744**	**413,446**	**35,257**	**42,165**	**369,068**	**1,773,018**
Balance as at 30 June 2022	**3,644,654**	**794**	**32,244**	**1,070,615**	**210,095**	**54,109**	**1,244,363**	**6,256,874**
Balance as at 1 July 2022	3,644,654	794	32,244	1,070,615	210,095	54,109	1,244,363	6,256,874
Profit for the period	-	-	-	1,813,114	-	-	-	1,813,114
Other comprehensive income:								
Re-measurement gains on defined benefit plans (net of tax)	-	-		-	-	(12,689)	-	(12,689)
Fair value adjustment	-	-		-	-	106,762	-	106,762
Prior year fair value adjustment						2,235		2,235
Dividends paid	-	-		(1,070,615)	-	-	-	(1,070,615)
Proceeds from issue of shares	1,355,346	112		-	-	-	-	1,355,458
Transfer to legal reserve	-	-		(453,278)	-	-	453,278	-
Transfer to regulatory risk reserve	-	-		(7,174)	7,174	-	-	-
Special reserve	-	-	28,907	-	-	-	-	28,907
Total comprehensive income for the period	**1,355,346**	**112**	**28,907**	**282,046**	**7,174**	**96,309**	**453,278**	**2,223,172**
Balance as at 30 June 2023	**5,000,000**	**906**	**61,150**	**1,352,661**	**217,270**	**150,418**	**1,697,642**	**8,480,046**
Notes	27	27	27d	29	31	32	30	

The accounting policies on pages 42 to 66, and the notes on pages 67 to 120, form an integral part of the financial statements.

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

ZEMEN BANK S.C.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

	Notes	30 June 2023 ETB'000	30 June 2022 ETB'000
Cash flows from operating activities			
Cash generated from operations	33	2,664,779	2,459,522
Income tax paid	13c	(532,817)	(360,835)
Net cash inflow from operating activities		**2,131,962**	**2,098,687**
Cash flows from investing activities			
Purchase of investment securities	16	(859,090)	334,531
Purchase of intangible assets	19	(89,765)	(113,168)
Purchase of property, plant and equipment	20	(570,467)	(468,932)
Purchase of additional equity investments	16	(17,170)	(3,875)
Change in ROU	17	(190,132)	(1,903)
Proceeds from sale of property, plant and equipment	33	40,274	1,741
Net cash (outflow)/inflow from investing activities		**(1,686,351)**	**(251,606)**
Cash flows from financing activities			
Proceeds from issues of shares	26	1,355,346	895,339
Proceeds from shares Premium	26	112	-
Proceeds from borrowings	23	77,827	-
Change in lease liabilities	25	57,969	(56,341)
Dividend paid	28	(1,070,615)	(657,169)
Net cash inflow from financing activities		**420,639**	**181,829**
Total cash movement for the year		**866,250**	**2,028,911**
Cash and cash equivalents at the beginning of the year	14	8,048,523	6,019,612
Cash and cash equivalents at the end of the year	14	**8,914,774**	**8,048,523**

The accounting policies on pages 42 to 66, and the notes on pages 67 to 120, form an integral part of the financial statements.

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

Corporate information

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.

Joseph Tito Street
P.O.Box 1212 Kirkos
Sub City
Addis Ababa, Ethiopia

The Bank is principally engaged in the provision of diverse range of financial products and services to a wholesale, retail and SME clients base in Ethiopian market.

1 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements for the period ended June 30, 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by national regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements for the period ended June 30, 2023 are prepared in accordance with IFRS.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept, except for the following:-

- Equity investment measured at fair value

All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (ETB' 000).

1.2 Significant accounting judgements and source of estimation uncertainty

The preparation of the Bank's financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from the estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimates are revised and future period affected.

Other disclosures relating to the Bank's exposure to risks and uncertainties includes:

- Capital management (note 4.8)
- Financial risk management (note 4.1)
- Sensitivity analyses disclosures (note 4.6.1)

Critical Judgements in applying accounting policies

The critical judgment made by the management in applying the accounting policies, apart from those involving estimation, that have the most significant effect on the amounts recognized in the financial statements, are outlined as follows;

Critical Judgements in determining the lease term

The critical judgments made by the management consider all facts and circumstances that create economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or period after termination options) are only included on the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated)

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is with in the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of escerising extension and termination options was not material.

Operating lease commitments - Bank as lessee

The Bank recognised rent expenses as operating lease if

- The lease has low value or
- The lease term is 12 month or less (Short term)

Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVTOCL is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as the expected life of the instrument, determination of the significant increase in credit risk, selection of appropriate macro-economic variables and other forward–looking information, establishing groups of similar assets for the purpose of measuring ECL, determining LGDs of individual assessed loan account, etc.

The expected credit loss allowance on loan and advances is disclosed in more detail in notes 4.3, and 15a.

Fair value of financial statement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank.

All financial instruments are initially recognized as fair value, which is the transaction price. Subsequent to initial recognition, some of the Bank's financial instruments are carried at fair value. The fair values of quoted financial instruments in active markets are based on current prices with no subjective judgment. If the market for financial instruments doesn't exist or is not active, the Bank establishes fair value by using valuation techniques.

These include the use of recent arm's-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data.

The fair value for the majority of the Bank's financial instruments is based on observable market prices or derived from observable market parameters. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment testing

The fair value for the majority of the Bank's financial instruments is based on observable market prices or derived from observable market parameters. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on Bank's replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Defined benefit plans

The cost of the defined benefit pension plan (severance pay) and the present value of these defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Uncertain tax positions

Significant judgment is required in determining the Bank's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Bank is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

1.3 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Bank, earns income from interest on loans given domestic trade and services, building and construction, manufacturing, agriculture, hotel and tourism, transportation, import, export and consumer loans. Other incomes includes service charge on letter of credits and commission on performance guarantees.

1.3.1 Interest and similar income and expense

For all the government bills measured at amortised cost and interest bearing financial assets classified as available– for–sale interest income or expense is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate (EIR), but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and Interest and similar expense for financial liabilities. Once the

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

recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1.3.2 Net interest income

a. *Effective interest rate and amortised cost*

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability

b. *Amortised cost and gross carrying amount*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 July 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

c. Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improve.

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

d. *Presentation*

Interest income and expense presented in the statement of profit or loss and OCI include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest on debt instruments measured at FVOCI calculated on an effective interest basis;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

1.3.3 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income are recognised as the related services are performed.

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 expenses relates mainly to transaction and service fees are expensed as the services are received.

1.3.4 Dividend income

This is recognised when the Bank's right to receive the payment is established, which is generally when the shareholders approve and declare the dividend.

1.3.5 Foreign exchange revaluation gains or losses

These are gains and losses arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. This amount is recognised in the income statement and it is further broken down into realised and unrealised portion.

The monetary assets and liabilities include financial assets and liabilities within the foreign currencies deposits received and held on behalf of third parties etc.

1.4 Foreign currency translation

a) ***Functional and presentation currency***

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The functional currency and presentation currency of the Bank is the Ethiopian Birr.

b) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Bank's functional currency are recognised in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

1.5 Tax

(a) Current income tax

Taxes for current and prior periods, to the extent unpaid, are recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.6 Financial instruments

Financial instruments held by the Bank are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the Bank, as applicable, are as follows:

Financial assets and financial liabilities

a. Recognition and initial measurement

The Bank shall initially recognise loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) shall be recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability shall be measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

b. Classification and subsequent measurement

i) *Financial assets*

On initial recognition, a financial asset shall be classified either as measured at either amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

The Bank shall measure a financial asset at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument shall be measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

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

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition, an equity investment that is held for trading shall be classified at FVTPL. However, for equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All other financial assets that do not meet the classification criteria at amortised cost or FVOCI, above, shall be classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (note 1.8).

Business model assessment

The Bank shall make an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

How the performance of the portfolio is evaluated and reported to the Bank's management;

The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets shall not be reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Assessment of whether contractual cash flows are solely payments of principal & interest

For the purposes of this assessment, 'principal' shall be defined as the fair value of the financial asset on initial recognition. 'Interest' shall be defined as the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

ii) *Financial liabilities*

The Bank shall classify its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

A financial guarantee is an undertaking/commitment that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.
Financial guarantees issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of: the amount of the obligation under the guarantee, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

c. Impairment

At each reporting date, the Bank shall assess whether there is objective evidence that financial assets (except equity investments), other than those carried at FVTPL, are impaired.

The Bank shall recognise loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- lease receivables;
- Financial guarantee contracts issued; and
- loan commitments issued.
- No impairment loss shall be recognised on equity investments.

The Bank shall measure loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

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

Loss allowances for lease receivables shall always be measured at an amount equal to lifetime ECL.

12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL is the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

i) *Measurement of ECL*

ECL is a probability-weighted estimate of credit losses. It shall be measured as follows:

- For financial assets that are not credit-impaired at the reporting date (stage 1 and 2):as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- For financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;
- For undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- For financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

- significant financial difficulty of the issuer or the borrower.
- a breach of contract – e.g. a default or past-due event;
- a lender having granted a concession to the borrower
- for economic or contractual reasons relating to the borrower's financial difficulty that the lender would not otherwise consider.
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization.
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

For purposes of IFRS 9 there will generally be no difference between credit impaired and non-performing financial loans as defined by the regulator, accordingly for financial loans from customers in the Northern Ethiopia, the Bank applied the requirements of the National Bank loan staging and presented those loans based on the loan status atthe beginning of the conflict.However, the Bank also assessed whether a significant increase in credit risk occurred and consequently has applied lifetime ECL that results from all possible default events over the expected life of those financial instruments.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

ECL = PD x LGD x EAD

In applying the IFRS 9 impairment requirements, an entity needs to follow one of the approaches below:

- The general approach
- The simplified approach

The Simplified Approach:

The simplified approach is applied for trade receivables or contract assets resulting from transactions in the scope ofIFRS 15 Revenue from customer contracts or lease receivables resulting from transactions in the scope of IFRS 16 Leases. The Bank has therefore applied the general approach.

The General Approach:

Under the general approach, at each reporting date, an entity recognizes a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition.

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss. Essentially, an entity must make the following assessment at each reporting date:

Stage 1 – For credit exposures where there have not been significant increases in credit risk since initial recognition, an entity is required to provide for 12-month ECLs, i.e., the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date (12-month ECL as per formula below).

ECL12m = PD12m x LGD12m x EAD12m x D12m

Stage 2 – For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime (LT) ECLs, i.e., ECLs that result from all possible default events over the expected life of a financial instrument (ECL LT as per formula below).

ECL LT = LTST=1 PDt x LGDt x EADt x Dt

Stage 3 – For credit exposures that are credit impaired and in default. Similar to stage 2 assets a loss allowance is required for lifetime ECLs. However, the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate.

Where: D – discounting factor and t – time

ii) *Restructured financial assets*

Where the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then the Bank shall assess whether the financial asset should be derecognised and ECL are measured as follows:

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

iii) *Credit-impaired financial assets*

At each reporting date, the Bank shall assess whether financial assets carried at amortised cost, debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets').

A financial asset shall be considered 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition shall be considered to be credit-impair unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more shall be considered credit-impaired even when the regulatory definition of default is different.

iv) *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for ECL shall be presented in the statement of financial position as follows:

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- For loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

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

- For debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance shall be disclosed and is recognised in the fair value reserve.

v) ***Write-off***

Loans and debt securities shall be written off (either partially or in full) when there is no reasonable expectation of recovering the amount in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment shall be carried out at the individual asset level.

Recoveries of amounts previously written off shall be included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

vi) ***Non-integral financial guarantee contracts***

The Bank shall assess whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately.

Where the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset shall be treated as a transaction cost of acquiring it. The Bank shall consider the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

Where the Bank determines that the guarantee is not an integral element of the debt instrument, then it shall recognise an asset representing any prepayment of guarantee premium and a right to compensation for credit losses.

d. Derecognition

i) ***Financial assets***

The Bank shall derecognise a financial asset when:

- The contractual right to the cash flows from the financial asset expires, or
- It transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI shall be recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI shall not be recognised in profit or loss on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank shall be recognised as a separate asset or liability.

ii) Financial liabilities

The Bank shall derecognise a financial liability when its contractual obligations are discharged or cancelled, or expire.

e. Modifications of financial assets and financial liabilities

i) *Financial assets*

If the terms of a financial asset are modified, then the Bank shall evaluate whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset shall be deemed to have expired. In this case, the original financial asset shall be derecognised (see (1.3)) and a new financial asset shall be recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification shall be accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs shall be included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it shall first consider whether a portion of the asset should be written off before the modification takes place.

Where the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank shall first recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and shall be amortised over the remaining term of the modified financial asset.

Where such a modification is carried out because of financial difficulties of the borrower, then the gain or loss shall be presented together with impairment losses. In other cases, it shall be presented as interest income calculated using the effective interest rate method.

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

ii) *Financial liabilities*

The Bank shall derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms shall be recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid shall include non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

Where the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability shall be recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

f. Offsetting

Financial assets and financial liabilities shall be offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses shall be presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

g. Designation at fair value through profit or loss

i) Financial assets

At initial recognition, the Bank may designate certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

ii) *Financial liabilities*

The Bank shall designate certain financial liabilities as at FVTPL in either of the following circumstances:

- The liabilities are managed, evaluated and reported internally on a fair value basis; or
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

1.7 Leases

The Bank assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Bank has the right to substantially obtain all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

The Bank as a lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Bank is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense (note 14) on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However, as an exception to the preceding paragraph, the Bank has elected not to separate the non-lease components for leases of land and buildings.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Bank under residual value guarantees;
- the exercise price of purchase options, if the Bank is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option; and - penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made.

Interest charged on the lease liability is included in finance costs.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Bank will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised iscount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets
Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date; - any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Bank incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

When the Bank incurs an obligation for the costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognised in the Statement of Financial Position in Provisions.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

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

However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

The useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Measurement and recognition of leases as a lessee

At lease commencement date, the Bank recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Bank also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank incremental borrowing rate. i.e. The minimum saving interest rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments and amounts expected to be payable certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.
When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of- use asset is already reduced to zero.

The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Extension options for leases

When the bank has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. The extension of lease payments have not been included in the lease liabilities as it is not reasonably certain the extension option will be exercised.

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

1.8 Cash and cash equivalents

Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central Banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

1.9 Property, plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in income statement as incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset class	Estimated Useful Life in years	Residual Value
Buildings	50	5%
Motor vehicles	10	5%
Computer hardware	7	1%
Computer software	6	0%
Other office equipment		
Short lived	5	1%
Medium lived	10	1%
Lift and roofing	15	1%
Long lived	20	1%
Furniture and fittings		
Medium lived	10	1%

The Bank commences depreciation when the asset is available for use.

Capital work-in-progress is not depreciated as these assets are not yet available for use. They are disclosed when reclassified during the year.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognised.

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

1.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented as a separate line item in the income statement. Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

- Computer software – 6 years
- Capitalised expenditure – 6 years
- SWIFT software – 6 years

1.11 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

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

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

1.12 Impairment of non-financial assets

The Bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Bank bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

1.13 Other assets

Other assets are generally defined as claims held against other entities for the future receipt of money. The other assets in the Bank's financial statements include the following:

(a) Prepayment

Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially capitalized in the reporting period in which the payment is made and subsequently amortised over the period in which the service is to be enjoyed.

(b) *Other receivables*

Other receivables are recognised upon the occurrence of event or transaction as they arise and cancelled when payment is received. The Bank's other receivables are rent receivables and other receivables from debtors.

1.14 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Bank's management determines the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets. For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

1.15 Employee benefits

The Bank operates various short term and post-employment schemes, including both defined benefit and defined contribution pension plans and post employment benefits.

(a) Short term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

(b) Defined contribution plan

The Bank operates two defined contribution plans;

i) pension scheme in line with the provisions of Ethiopian pension of private organisation employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank respectively;

ii) provident fund contribution, funding under this scheme is 4% by the Bank;

Both schemes are based on the employees' salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

(c) Defined benefit plan

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

1.15 Employee benefits

(c) Defined benefit plan

The cost of the defined benefit pension plan, long service awards, gratuity scheme and post-employment medical benefits and the present value of these defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognised immediately in income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(d) Termination benefits

Termination benefits are payable to employees when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

1.16 Provisions

Provisions are recognised when:

- the Bank has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity has a detailed formal plan for the restructuring, identifying at least:

- The business or part of a business concerned
- the location, function, and approximate number of employees who will be compensated for terminating their service;

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

- the expenditures that will be undertaken; and - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

1.17 Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

1.18 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2 Change in Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year. There is no change in accounting policy because of new or revised standards.

IAS 1 - Presentation of Financial Statements (Amendment)

IAS 1 “Presentation of Financial Statements” sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)

IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

The amendment is effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

IAS 12 - Income Taxes (Amendment)

IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

The amendment is effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

IFRS 16 - Lease (Amendment)

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The amendment is effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

3 New Standards and Interpretations Effected This Year

IAS 16 - Property, Plant and Equipment (Amendment)

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.

The Bank has adopted the amendment for the first time in the 2023 financial statements. The impact of the amendment is not material.

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets (Amendment)

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).

The Bank has adopted the amendment for the first time in the 2023 financial statements. The impact of the amendment is not material.

4 Financial Risk Management

4.1 Introduction

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk. It is also subject to country risk and various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank's strategic planning process.

4.1.1 Risk management structure

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 and a Credit Committee (ALCO) 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.

4.1.2 Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected regions. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk mitigation

Risk controls and mitigants, identified and approved for the Bank, are documented for existing and new processes and systems. The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently audited as part of the review process.

4.2 Financial instruments by category

The Bank's financial assets are classified into the following measurement categories: Amortised Cost, Fair value through profit and loss and Fair value through other comprehensive income and the financial liabilities are classified into other liabilities at amortised cost.

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

The Bank's classification of its financial assets is summarised in the table below:

30 June 2023	Notes	Fair value through Other Comprehensive Income ETB'000	Amortised Cost ETB'000	Total ETB'000
Cash and cash equivalents	14	-	8,914,774	8,914,788
Loans and advances to customers	15	-	31,393,240	31,393,255
Investments at fair value	16	302,537	-	302,553
Investment securities	16	-	3,313,028	3,313,044
Other assets	17	-	1,314,747	1,314,764
		302,537	**44,935,789**	**45,238,404**

30 June 2022	Notes	Fair value through Other Comprehensive Income ETB'000	Amortised Cost ETB'000	Total ETB'000
Cash and cash equivalents	14	-	8,047,196	8,047,196
Loans and advances to customers	15	-	21,121,625	21,121,625
Investments at fair value	16	130,585	-	130,585
Investment securities	16	-	2,453,938	2,453,938
Other assets	17	-	1,497,492	1,497,492
		130,585	**33,120,252**	**33,250,836**

4.3 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and other financial assets.

4.3.1 Management of credit risk

Credit risk is the risk of financial loss of the bank if the customers or counter party to a financial instrument fails to meet its contractual obligations, and arises principally the banks loans and advances to customers and other financial assets.

Exposure to credit risk is managed through periodic analysis of the ability of borrowers and potential borrowers to determine their capacity to meet principal and interest thereon, and restructuring such limits as appropriate. Exposure to credit risk is also mitigated, in part, by obtaining collateral, commercial and personal guarantees.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to term of the financial instrument and economic sectors.

The National Bank of Ethiopia (NBE) sets credit risk limit for a single borrower, one related party and all related parties do not exceed 25%, 15% and 35% of Bank's total capital amount as of the reporting quarterly period, respectively.

Credit management is conducted as per the risk management policy and guideline approved by the Board of Directors and the Risk Management Committees. Such policies are reviewed and modified periodically based on changes and expectations of the markets where the Bank operates, regulations, and other factors.

In measuring credit risk of Financial assets at amortized cost to various counter parties, the Bank considers the character and capacity of the obligor to meet contractual obligation, current exposures to the counter party/obligor and its likely future development, credit history of the counter party/obligor; and likely recover ratio in case of default obligations – value of collateral and other solutions.

In the estimation of credit risk, the Bank estimates the following parameters:

a) Probability of Default (PD)

This is the probability that an obligor or counterparty will default over a given period, usually one year. This can be calculated on portfolio by portfolio basis or collectively depending on availability of historical data.

b) Loss Given Default (LGD)

Loss Given Default is defined as the portion of the loan determined to be irrecoverable at the time of loan default (1– recovery rate). The Bank methods for estimating LGD includes both quantitative and qualitative factors.

c) Exposure at Default (ED)

This represents the amount that is outstanding at the point of default. Its estimation includes the drawn amount and expected utilisation of the undrawn commitment at default.

4.3.2 Credit related commitments risks

The Bank holds collateral against loans and receivables to customers in the form of bank guarantees and property. 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.

4.3.3 Maximum exposure to credit risk before collateral held or credit enhancements

a) Types of credit exposure

The Bank's maximum exposure to credit risk at June 30, 2022 and June 30, 2023, respectively, is represented by the net carrying amounts in the statement of financial position.

	Note	30 June 2023 ETB'000	30 June 2022 ETB'000
Cash and cash equivalents	14	8,914,774	8,047,196
Loans and advances to customers	15	31,393,240	21,121,625
Investments at fair value	16	302,537	130,585
Investment securities	16	3,313,028	2,453,938
Other assets	18	1,314,747	1,497,492
		45,238,326	33,250,836
Credit risk exposures relating to off balance sheets are as follows:			
Loan commitments		5,879,929	4,495,658
Letter of credit and other credit related obligations	36b	3,318,863	1,307,544
		9,198,793	5,803,202
		54,437,118	**39,065,492**

(b) Loans and advances to customer at amortized cost ,

(i) Gross loans and receivables to customers per sector is analysed as follows:

	30 June 2023 ETB'000	30 June 2022 ETB'000
Domestic Trade and Service	8,010,456	4,184,767
Industry	5,194,022	4,949,752
Export	5,198,123	4,082,590
Personal Loans - Customers	3,586,927	1,680,793
Building and construction	2,309,744	1,428,982
Import	2,323,494	1,464,919
Hotel and Tourism	2,945,333	2,301,122
Personal Loans - Staffs	1,528,501	931,252
Agriculture	410,222	317,179
Transportation	319,072	71,200
	31,825,894	**21,412,554**

(ii) Gross loans & advances to customers per IFRS 9 impairment standard is analysed as follows:

	30 June 2023 ETB'000	30 June 2022 ETB'000
Performing	30,638,175	20,489,434
Under Performing	842,359	625,254
Non Performing	345,360	297,866
	31,825,894	**21,412,554**

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

The above table represents a worst case scenario of credit risk exposure of the Bank as at the reporting dates without taking account of any collateral held or other credit enhancements attached.

Management is confident in its ability to continue to control and effectively manage the credit risk exposure in the Bank's loan and advances portfolio.

4.3.4 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

The loans and advances and loss allowance for loans and advances to customers also includes the loss allowances for letter of credit and financial guarantee contracts. Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 1.6. (c), (i)

i) *Loans and advances to customers at amortized cost*

30 June 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Stage 1 – Pass	30,638,175	-	-	30,638,175
Stage 2 – Special mention	-	842,359	-	842,359
Stage 3 - Non performing	-	-	345,360	345,360
Total gross exposure	**24,131,182**	**811,766**	**391,352**	**31,825,894**
Loss allowance	(159,568)	(18,133)	(254,942)	(432,642)
	23,971,614	**793,633**	**136,410**	**31,393,252**

30 June 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Stage 1 – Pass	20,489,434	-	-	20,489,434
Stage 2 – Special mention	-	625,254	-	625,254
Stage 3 - Non performing	-	-	297,866	297,866
Total gross exposure	**20,489,434**	**625,254**	**297,866**	**21,412,554**
Loss allowance	(60,852)	(5,815)	(224,237)	(290,903)
	20,428,582	**619,440**	**73,629**	**21,121,651**

(ii) Off balance sheet items

30 June 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Stage 1 – Pass	215,273	-	-	215,273
Stage 2 – Special mention	-	-	-	-
Stage 3 - Non performing	-	-	-	-

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

Total gross exposure	**215,273**	-	-	**215,273**
Loss allowance	(12)	-	-	(12)
	215,261	-	-	**215,261**

30 June 2022	Stage 1	Stage 2	Stage 3	Total
Stage 1 – Pass	370,084	-	-	370,084
Stage 2 – Special mention	-	-	-	-
Stage 3 - Non performing	-	-	-	-
Total gross exposure	**370,084**	-	-	**370,084**
Loss allowance	(26)	-	-	(26)
	370,058	-	-	**370,058**

(iii) Other financial assets (debt instruments)

30 June 2023		Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	8,917,446	(2,673)	8,914,774
Investment securities (debt instruments)	12 Month ECL	3,313,194	(166)	3,313,028
Other receivables and financial assets	Lifetime ECL	17,184	(1,503)	15,681
Emergency staff loans	Lifetime ECL	134,856	(7)	134,850
		12,382,681	**(4,348)**	**12,378,333**

30 June 2022		Gross exposure	Loss allowance	Net carrying amount
Cash & balances with banks	12 Month ECL	8,049,831	(2,635)	8,047,196
Investment securities (debt instruments)	12 Month ECL	2,454,061	123)	2,453,938
Other receivables and financial assets	Lifetime ECL	42,234	(1,349)	40,886
Emergency staff loans	Lifetime ECL	86,210	(3)	86,207
		10,632,336	**(4,109)**	**10,628,227**

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

i) Loans and advances to corporate customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For credit-impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

ii) Investment securities designated as at FVT

At 30 June 2023, the Bank had no exposure to credit risk of the investment securities designated as at FVTPL.

4.3.5 Amounts arising from ECL

i) Inputs, assumptions and techniques used for estimating impairment

See accounting policy in note 1.7.(c)

ii) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bankconsiders reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).
- the Bank uses three criteria for determining whether there has been a significant increase in credit risk:
- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due,

iii) Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data;

a. Term loan exposures

Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance

Data from credit reference agencies, press articles, changes in external credit ratings

Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities Internally collected data on customer behaviour – e.g. utilisation of credit card facilities Affordability metrics

b. Overdraft exposures

- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Utilisation of the granted limit
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions

iv) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

v) *Determining whether credit risk has increased significantly*

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant differs for different types of lending.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank’s credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable; -exposures are not generally transferred directly from 12-month ECL measurement to credit- impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

vi) *Definition of default*

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank.
- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.
- Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes

vii) *Incorporation of forward-looking information*

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

For each segment, the Bank formulates three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside and one downside. For each sector, the base case is aligned with the macroeconomic model's information value output, a measure of the predictive power of the model, as well as base macroeconomic projections for identified macroeconomic variables for each sector. The upside and downside scenarios are based on a combination of a percentage error factor of each sector model as well as simulated optimistic and pessimistic macroeconomic projections based on a measure of historical macroeconomic volatilities.

External information considered includes economic data and forecasts published by Fitch Solutions, an external and independent macroeconomic data body. This is in addition to industry – level, semi – annual NPL trends across statistically comparable sectors.

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk for each of the Bank's economic sectors is summarized below:.

Sector/Product	**Macroeconomic factors**				
Agriculture, Personal loans and Staff loans	Goods exports, USD	Services imports, USD			
Domestic Trade & Services	Real GDP, LCU (2010 prices)	Goods imports, USD			
Building & Construction and Manufacturing & Production	Real GDP, LCU (2010 prices)	Goods imports, USD			
Export and Import	Consumer price index inflation, 2010=100, eop	Goods imports, USD	Current account balance, USD	Import cover months	Real GDP per capita, USD (2010 prices)

The economic scenarios used as at 30 June 2023 included the following key indicators for Ethiopia for the years 2022 to 2024:

Macro-economic factor	2022	2023	2024
Consumer price index inflation, 2010=100, ave	584	763	935
Exports of goods and services, USD	7,949	9,396	10,689
Government domestic debt, LCU	1,311,530	1,601,205	1,831,600
LCU/USD, ave	48	53	57
Nominal GDP, LCU	4,907,655	6,324,877	8,013,282
Private final consumption, LCU	3,602,073	4,706,091	5,637,460
Total domestic demand, LCU	5,199,565	6,554,527	7,774,860
Savings, LCU	1,058,363	1,139,738	1,333,876
Population	119,344,463	122,292,044	125,261,131
Consumer price index inflation, 2010=100, eop	591	757	893
M1, LCU	463,645	519,050	584,105
M2, LCU	1,450,580	1,669,935	1,932,335
Current expenditure, LCU	396,721	510,010	596,728
Goods imports, USD	14,996	15,798	16,433
Goods exports, USD	4,022	4,137	4,393
Current account balance, USD	(4,482)	(4,804)	4,748)
Import cover months	2	2	2
Total household spending, LCU	4,197,597	5,494,617	6,584,552
Nominal GDP, USD	100,847	115,100	130,089
Real GDP, LCU (2010 prices)	979,927,000,000	1,031,006,500,000	1,097,146,000,000
Real GDP, USD (2010 prices)	68,005,149,345	71,549,973,629	76,139,934,488
Real GDP per capita, USD (2010 prices)	549	567	589
Nominal GDP, USD (PPP)	315,978,796,495	358,557,612,057	394,406,827,578
Private final consumption, USD	74,903	87,766	99,434
Private final consumption per capita, USD	-	-	-
Government final consumption, LCU	406,173	487,844	566,298
Government final consumption, USD	8,490	9,106	9,990
Exports of goods and services, LCU	382,338	503,898	605,981
Exports of goods and services per capita, USD	-	-	-
Imports of goods and services, LCU	740,831	887,821	1,004,879
Imports of goods and services, USD	15,481	16,575	17,735

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

Total domestic demand, USD	108,379	122,279	137,135
Total domestic demand per capita, USD	-	-	-
Unemployment, % of labour force, ave	3	3	3
Real effective exchange rate index	25	15	10
LCU/USD, eop	52	55	58
Total revenue, LCU	63,207	476,482	648,397
Total revenue, USD	7,576	8,877	11,412
Total expenditure, LCU	523,143	681,893	857,966
Total expenditure, USD	10,869	12,721	15,114
Current expenditure, USD	8,225	9,525	10,522
Budget balance, LCU	(159,936)	(205,411)	(209,569)
Budget balance, USD	(3,293)	(3,844)	(3,702)
Services imports, USD	5,858	6,267	6,697
Services exports, USD	5,202	5,569	5,898
Total reserves ex gold, USD	2,955	3,160	3,649
Total external debt stock, USD	35,573	40,112	44,667
Long-term external debt stock, USD	33,809	38,315	42,836

Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analysing semi – annual historical data over the past 5 years.

Scenario probability weightings

As at June 2023

	Upside	Median/ Central	Downside
Cluster 1	9%	91%	0%
Cluster 2	0%	100%	0%
Cluster 3	48%	52%	0%
Cluster 4	9%	91%	0%

As at June 2022

	Upside	Median/ Central	Downside
Cluster 1	0%	97%	3%
Cluster 2	3%	94%	3%
Cluster 3	4%	91%	4%
Cluster 4	2%	94%	3%

Viii) *Modified financial assets*

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of: its remaining lifetime PD at the reporting date based on the modified terms; with the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank's Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

ix) *Measurement of ECL*

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period.

The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for overdrafts that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grading;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;

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

- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

4.3.6 Statement of prudential adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the National Bank of Ethiopia (NBE) directives. This is at variance with the expected credit loss model required by IFRS under IFRS 9. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

The proclamation 'Financial Reporting Proclamation No.847/2014 stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.

However, Banks would be required to comply with the following:

(a) Provisions for loans recognised in the income statement should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under the NBE Directives and the expected impact/changes in other reserves should be treated as follows:

- Prudential provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve (retained earnings) account to a "regulatory risk reserve".

- Prudential provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account

(b) The non-distributable reserve should be classified under Tier 1 as part of the core capital.
During the period ended 30 June 2023, their is transferred amount to the regulatory risk reserve. This amount represents the difference between the provisions for credit and other known losses as determined under the NBE Directives, and the impairment reserve as determined in line with IFRS 9 as at year end.

	30 June 2023 ETB'000	30 June 2022 ETB'000
Total impairment based on accounting policies	432,654	290,929
Total impairment based on NBE Directives	561,031	417,477
Transfer to regulatory risk reserve	**128,377**	**126,548**

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

As per the requirements of IFRS , banks should recognize interest income on the written down amount of the loan after the impairment loss, on an accrual basis, using the EIR. However, As per the requirement of National Bank of Ethiopia, banks should derecognized interest income on impaired exposures, special attention should be paid to impaired exposures with a higher number of days past due (e.g. more than 90 days past due).

To comply with the directive of the NBE, the Bank has reversed the suspended interest on impaired loans from retained earning account and transferred to Regulatory Risk reserve account as the amount is non- distributable to the shareholders.

	30 June 2023	30 June 2022
	ETB'000	ETB'000
Write back suspended interest net of tax	88,893	118,805

4.3.7 Credit concentrations

The Bank monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at 30 June 2023 and 30 June 2022. The Bank concentrates all its financial assets in Ethiopia.

		Industry	Import and Export	Domestic Trade and Service	Others
30 June 2023	**Note**	**ETB'000**	**ETB'000**	**ETB'000**	**ETB'000**
Cash & cash equivalents	14	-	-	-	8,914,774
Loans and receivables	15	5,194,027	7,521,617	8,010,456	11,099,794
Investments at fair value	16	-	-	-	302,537
Investment securities	16	-	-	-	3,313,028
Other assets	18	-	-	-	1,314,747
Loan Commitment		-	-	-	5,879,929
		5,194,027	**7,521,617**	**8,010,456**	**30,824,809**

		Industry	Import and Export	Domestic Trade and Service	Others
30 June 2022	**Note**	**ETB'000**	**ETB'000**	**ETB'000**	**ETB'000**
Cash & cash equivalents	14	-	-	-	8,047,196
Loans and receivables	15	4,949,752	5,547,508	4,184,767	6,730,527
Investments at fair value	16	-	-	-	130,585
Investment securities	16	-	-	-	2,453,938
Other assets	18	-	-	-	1,497,492
Loan Commitment		-	-	-	4,495,658
		4,949,752	**5,547,508**	**4,184,767**	**23,355,398**

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

4.3.8 Collateral held and their financial effect

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. Staff loans are secured to the extent of the employee's continued employment in the Bank.

The Bank may take collateral in the form of a first charge over real estate, liens and guarantees. The Bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on creditworthiness, the Bank aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.

For impaired loans, the Bank obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

The fair value of the collaterals are based on the last revaluations carried out by the Bank's in-house engineers. The valuation technique adopted for properties is in line with the Bank's valuation manual and the revalued amount is similar to fair values of properties with similar size and location.

The fair value of the collaterals are based on the last revaluations carried out by the Bank's in-house engineers. The valuation technique adopted for properties is in line with the Bank's valuation manual and the revalued amount is similar to fair values of properties with similar size and location.

The fair value of collaterals other than properties such as share certificates, cash, NBE bills etc. as disclosed at the carrying amount as management is of the opinion that the cost of the process of establishing the fair value of the collateral exceeds benefits accruable from the exercise.

The Bank holds collateral against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Nature of securities in respect of loans and receivables

30 June 2023	**Secured against Building**	**Cash**	**Machinery**	**Vehicles**	**Others**
	ETB'000	**ETB'000**	**ETB'000**	**ETB'000**	**ETB'000**
DTS	5,845,897	170,752	13,009	353,532	586,172
Building and Construction	2,072,960	28,620	23,008	91,477	3,314
Consumer	2,810,385	10,186	-	610,846	13,223
Hotel and tourism	2,824,243	3,267	-	39,617	-
Industry	2,636,229	1,029,251	700,475	37,758	743,452
Export	1,973,549	183,006	5,760	86,638	203,897
Import	1,964,100	-	-	74,833	3,760
Personal Staff Loan	1,158,088	-	-	325,846	105

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

Agriculture	73,073	126,293	-	10,414	82,331
Transport and Communication	80,107	1,258	480	134,102	14,680
	21,438,631	**1,552,633**	**742,732**	**1,765,063**	**1,650,934**

30 June 2022	**Secured against Building**	**Cash**	**Machinery**	**Vehicles**	**Others**
	ETB'000	**ETB'000**	**ETB'000**	**ETB'000**	**ETB'000**
DTS	3,116,776	195,623	-	198,459	406,065
Industry	2,523,341	1,144,050	265,566	30,511	1,153,746
Hotel and tourism	2,114,826	3,312	-	33,795	-
Building and Construction	1,085,356	-	28,829	43,147	4,808
Consumer	1,223,670	4,960	-	263,459	16,191
Export	1,521,406	86,502	5,808	85,495	221,779
Import	1,439,279	25,200	-	25,538	693
Personal Staff Loan	678,638	-	-	165,469	-
Agriculture	58,780	153,736	-	-	92,263
Transport and Communication	46,223	1,261	5,303	12,523	-
	13,808,295	**1,614,644**	**305,507**	**858,395**	**1,895,546**

4.4. Financial assets and financial liabilities

4.4.1 Classification of financial assets and financial liabilities

The following table shows the original measurement categories and amounts in accordance with IFRS 9 for the Bank's financial assets and financial liabilities as at 30 June 2023.

				30 June 2023
	Classification under IFRS 9	**Original carrying amount under IFRS 9**	**Loss Allowance**	**New carrying amount under IFRS 9**
	ETB'000	**ETB'000**	**ETB'000**	**ETB'000**
Financial assets				
Loans and advances to customers	Amortised cost	31,825,894	(432,654)	31,393,240
Cash and balances with banks	Amortised cost	8,917,446	(2,673)	8,914,774

Investment securities: Loans and receivables	Amortised cost	3,313,360	(166)	3,313,194
Other financial assets at amortised cost	Amortised cost	1,266,247	(9,653)	1,256,594
Investment securities at FVOCI	FVOCI	302,537	-	302,537
		45,625,483	**(445,146)**	**45,180,338**
Financial liabilities				
Deposits from customers	Amortised cost	26,872,333	-	26,872,333
Other financial liabilities (ECL on guarantees)	Amortised cost	2,338,748	(1)	2,338,747
		29,211,081	**(1)**	**29,211,080**

4.5 Liquidity risk

Liquidity risk is the risk that the Bank cannot meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms.

Liquidity risk management in the Bank is solely determined by Asset and Liability Committee, which bears the overall responsibility for liquidity risk. The main objective of the Bank's liquidity risk framework is to maintain sufficient liquidity in order to ensure that we meet our maturing obligations.

4.5.1 Management of liquidity risk

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

The Bank has incurred indebtedness in the form of borrowings. The Bank evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Bank devises strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Bank's reputation.

4.5.2 Maturity analysis of financial liabilities

The table below analyses the Bank's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.

30 June 2023	Note	Up to 1 month ETB'000	Up to 3 months ETB'000	up to 12 months ETB'000	Over 1 year ETB'000
Customer deposits	22	12,319,090	9,528,056	8,328,104	5,827,721
Due to financial institutions	21	-	-	205,679	-
Margins held	22	-	870,320	-	-
Other liabilities	23	580,492	187,013	236,584	224,377
Profit tax payable	13	-	-	725,129	-
		12,899,581	**10,585,389**	**9,495,497**	**6,052,098**

30 June 2022		Up to 1 month ETB'000	Up to 3 months ETB'000	up to 12 months ETB'000	Over 1 year ETB'000
Customer deposits	22	8,406,818	7,462,569	6,330,413	3,813,814
Due to financial institutions	21	-	-	-	-
Margins held	22	-	858,719	-	-
Other liabilities	23	624,032	150,473	185,206	394,232
Profit tax payable	13	-	-	532,817	-
		9,030,850	**8,471,762**	**7,048,436**	**4,208,046**

4.6 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.

4.6.1 Management of market risk

The main objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk is monitored by the risk management department on regularly, to identify any adverse movement in the underlying variables.

(i) 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 table below sets out information on the exposures to fixed and variable interest instruments.

30 June 2023	Note	Fixed ETB'000	Floating ETB'000	Non-interest bearing ETB'000	Total ETB'000
Assets					
Cash and balances with banks	14	-	-	8,914,774	8,914,774
Loans and receivables	15	-	31,393,240	-	31,393,240
Investment securities	16	302,537	-		302,537
		302,537	**31,393,240**	**8,914,774**	**40,610,551**
Liabilities					
Deposits due to other banks	21	-	205,679	-	205,679
Deposits from customers	22	-	20,340,323	16,532,968	36,873,291
Other liabilities	23	-	-	1,228,465	1,228,465
		-	**20,546,002**	**17,761,434**	**38,307,436**

30 June 2022		Fixed ETB'000	Floating ETB'000	Non-interest bearing ETB'000	Total ETB'000
Assets					
Cash and balances with banks	14	-	-	8,047,196	8,047,196
Loans and receivables	15	-	21,121,625	-	21,121,625
Investment securities	16	130,585	-	-	130,585
		130,585	**21,121,625**	**8,047,196**	**29,299,406**

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

Liabilities					
Deposits due to other banks	21	-	-		-
Deposits from customers	22	-	15,596,418	11,275,916	26,872,333
Debt securities issued		-	-	-	-
Other liabilities	23	-		1,353,944	1,353,944
		-	**15,596,418**	**12,629,860**	**28,226,277**

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate non–trading financial assets and financial liabilities held at June 30, 2023 and June 30, 2022. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

	Increase (decrease) in basis points	**Sensitivity of profit or loss**	**Sensitivity of equity**
		ETB'000	**ETB'000**
30 June 2023	**10%**	**263,077**	**263,077**
30 June 2022	**10%**	**149,510**	**149,510**

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Bank is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The Bank's foreign currency bank accounts act as a natural hedge for these transactions. Management has set up a policy to manage the Bank's foreign exchange risk against its functional currency.

The table below summarises the impact of increases/decreases of 10% on equity and profit or loss arising from the Bank's foreign denominated borrowings and cash and bank balances.

Foreign currency denominated balances

	Note	**30 June 2023 ETB'000**	**30 June 2022 ETB'000**
Financial assets			
Cash and bank balances	14	4,410,717	3,670,398
Customer deposits	22	3,494,961	2,344,575
Margins held	22	151,001	113,087
		3,645.962	**2,457,662**
Net foreign currency exposure		**764,755**	**1,212,736**

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

Sensitivity analysis for foreign exchange risk

The sensitivity analysis for currency rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date.

The sensitivity of the Bank's earnings to fluctuations in exchange rates is reflected by varying the exchange rates at 10% as shown below:

	30 June 2023	30 June 2022
	ETB'000	ETB'000
Impact on profit or loss		
10% change in exchange rates	76,476	121,274

4.7 Operational risks

a) Requirements for appropriate segregation of duties, including the independent authorization of transactions b) Requirements for the reconciliation and monitoring of transactions,

c) Compliance with regulatory and other legal requirements , d) Documentation of controls and procedures ,

e) Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified,

f) Requirements for the reporting of operational losses and proposed remedial action, g) Development of contingency plans,

h) Training and professional development, i) Ethical and business standards ,

j) Risk mitigation, including insurance where this is effective.

Compliance with bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the bank.

4.8 Capital management

The Bank's objectives when managing capital are to comply with the capital requirements set by the National Bank of Ethiopia, safeguard its ability to continue as a going concern, and to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

4.8.1 Capital adequacy ratio

According to the Licensing & Supervision of Banking Business Directive No SBB/50/2011 of the National Bank of Ethiopia, the Bank has to maintain capital to risk weighted assets ratio of 8% at all times, the risk weighted assets being calculated as per the provisions of Directive No SBB/9/95 issued on August 18, 1995.

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base.

Capital includes capital contribution, retained earnings, legal reserve and other reserves to be approved by the National Bank of Ethiopia.

	Note	30 June 2023 ETB'000	30 June 2022 ETB'000
Capital			
Capital contribution	27	5,000,906	3,645,448
Retained earnings	29	1,334,363	1,070,615
Legal reserves	31	1,691,542	1,244,363
		8,026,811	**5,960,426**
Risk weighted assets			
Risk weighted balance for on-balance sheet items		24,438,920	14,929,322
Credit equivalents for off-balance Sheet Items		4,552,666	3,052,828
		28,991,586	**17,982,149**
Total regulatory capital		**37,018,397**	**23,942,575**
Risk-weighted Capital Adequacy Ratio (CAR)		28%	33%
TIER 1 CAR Minimum required capital		8%	8%
Excess		**20%**	**25%**

4.9 Fair value of financial assets and liabilities

4.9.1 Financial instruments not measured at fair value - Fair value hierarchy

The following table summarises the carrying amounts of financial assets and liabilities at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

30 June 2023	Carrying amount ETB'000	Level 1 ETB'000	Level 2 ETB'000	Level 3 ETB'000	Total ETB'000
Financial assets					
Investments at fair value	302,537	-	302,537	-	302,537
	302,537	**-**	**302,537**	**-**	**302,537**

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

30 June 2022	Carrying amount ETB'000	Level 1 ETB'000	Level 2 ETB'000	Level 3 ETB'000	Total ETB'000
Financial assets					
Investments at fair value	130,585	-	130,585	-	130,585
	130,585	**-**	**130,585**	**-**	**130,585**

4.9.2 Valuation technique using significant unobservable inputs – Level 3

The Bank has no financial asset measured at fair value on subsequent recognition.

4.9.3 Transfers between the fair value hierarchy categories

During the three reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

4.9.4 Offsetting financial assets and financial liabilities

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.

		30 June 2023 ETB'000	30 June 2022 ETB'000
5	**Interest income**		
	Interest on term loans	3,045,206	1,785,707
	Interest on overdrafts and others	692,019	435,781
	Interest on investment securities	222,001	172,468
	Interest on deposit with local banks	21,197	30,874

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

Interest on merchandise loans	12,582	8,366
Interest on deposits with foreign banks	3,959	22
Interest on bills	-	144
	3,996,963	**2,433,361**

6 Interest expense

Interest on savings deposit	1,059,885	739,014
Interest on time deposit	300,595	193,063
Interest on medium term borrowings	5,551	6,082
Interest on demand deposit	164	99
	1,366,195	**938,259**

7 Net fees and commission income

Fee and commission income		
Commissions on letter of credit	987,914	931,553
Service charge	204,183	139,409
Commissions on letter of guarantee	52,984	30,968
Other fees and commission income	28,731	24,866
Loan processing fee	28,582	15,259
Balance maintenance fee	11,863	10,138
Commission on Mastercard	7,452	3,459
Commission on VISA transactions	2,371	2,176
Overdraft protection fee	370	347
	1,324,450	1,158,174
Fee and commission expense	(17,300)	(2,697)
Net fees and commission income	**1,307,150**	**1,155,477**

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

		30 June 2023	30 June 2022
		ETB'000	ETB'000
8	**Other operating income**		
	Gain on foreign exchange	269,697	447,843
	Sundry income	133,002	51,738
	Postage and processing fees	19,282	19,991
		421,981	**519,572**
9	**Loan impairment charge**		
	Loans and receivables - charge for the year (note 15a)	141,725	61,284
	Loans and receivables - reversal of provision (note 15a)	-	-
		141,725	**61,284**
10	**Impairment losses on other assets**		
	Other assets - charge for the year (note 17)	237	1,921
	Other assets - reversal of impairment losses (note 17)	-	-
		237	**1,921**
11	**Personnel expenses**		
	Salaries and wages	468,934	339,626
	Bonus	151,088	132,834
	Transport	109,271	42,277
	Other staff expenses	104,750	42,599
	Pension costs – Defined contribution plan	68,952	49,975
	Staff allowances	40,240	37,015
	Defined benefit expense	11,058	5,134
		954,293	**649,461**

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

12 Other operating expenses

Other expenses	116,287	71,819
Depreciation - ROU	113,189	93,087
Donations	112,603	12,280
License fees	74,160	60,188
Mastercard	38,957	21,986
Advertisement	27,544	23,465
Visa	24,441	18,148
Stationery	23,936	9,193
Prior period adjustment on lease (note 12.1)	12,400	-
Internet	11,916	8,501
Additional tax paid (note 12.2)	17,665	-
Consultancy	10,991	6,911
Lease charge	10,852	4,360
Correspondent charges	9,982	12,493
Fuel	9,911	4,454
Rent	6,866	3,829
Maintenance	6,630	3,806
EthSwitch Charge	5,061	2,805
Board expenses	4,240	3,698
Entertainment	3,869	2,818
Insurance	2,615	1,853
Cleaning supplies	1,512	1,319
Board remuneration	1,350	-
Telephone	885	1,003
Audit fee	762	454
Bank charges	638	127
	649,261	**368,597**

12.1 Prior period adjustment

In prior years, right of use asset and related lease liability were incorreclty computed. As a result, to correct the error, a net expense of ETB 12.4 million has been charged in the current year.

12.2 Tax assessment

In the current year, the bank has been assessed by the Ministry of Revenue for the years ended 2021 and 2022. Following this, the bank has paid an additional profit tax of ETB 17.66 million.

		30 June 2023 ETB'000	30 June 2022 ETB'000
13	**Company income and deferred tax**		
13a	**Income tax expense**		
	Income tax expense (note 13b)	698,153	536,978
	Deferred income tax/(credit) to profit or loss (note 13d)	(10,226)	6,241
	Total charge to profit or loss	**687,927**	**543,219**

13b Reconciliation of effective tax to statutory tax

The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Note	30 June 2023 ETB'000	30 June 2022 ETB'000
Profit before tax			
IFRS Accounting profit		2,501,041	2,019,491
Tax calculated at statutory tax rate of 30 %		750,312	605,847
Add : disallowed expenses			
Entertainment	12	1,810	1,125
Donation	12	153	369
Representation allowance	12	85	-
Bad debt Expense	10	71	576
Penalty	12	60	1,991
Board remuneration	12	405	-
Current service cost (severance pay)	26	3,317	1,540
Non accrued interest as per NBE	4	3,054	-
Provision for loans and advances for accounting purpose	15	42,517	18,385
Depreciation and amortization for IFRS accounting purpose	19,20	34,003	20,819
Income tax paid	12	5,300	-

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

Prior year ROU depreciation and finance lease cost	12	3,720	-
ROU depreciation and finance lease cost	12	37,212	29,234
Provision for annual leave	11	7,506	4,046
Below market interest	11	4,466	1,978
		143,680	**80,064**
Less :			
Depreciation and amortization for tax purpose		32,166	23,951
Provision for loans and advances for tax	4	34,453	27,530
Gain on disposal of fixed assets	8	9,617	970
Interest income taxed at source-foreign at different rate	5	1,188	7
Dividend income taxed at source	8	3,369	1,591
Non accrued Interest as per IFRS	5	6,623	-
Interest income taxed at source-NBE bills	5	11,360	10,041
Interest income taxed at source-Treasury bills	5	47,670	40,513
Interest income taxed at source-Government bond	5	7,571	1,186
Interest income taxed at source-Local deposit (5%)	5	6,359	9,262
Interest income taxed at source- foreign at different rate (10%)	5	(396)	(2)
Office rent expense		35,861	33,884
		195,840	**148,933**
		698,153	**536,978**

13c Current income tax

Balance at the beginning of the year	532,817	345,607
Charge for the year:	698,153	536,978
Prior year income tax paid (deferred tax)		
WHT Not utilised	-	(4,161)
Payment during the year	(532,817)	(345,607)
Balance at the end of the year	**698,153**	**532,817**

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

13d Deferred income tax

Deferred income tax assets/liabilities are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets/liability of ETB 68,878 and ETB 38,787 for the Bank have not been recognised as at June 30, 2023 and June 30, 2022 respectively because it is not probable that future taxable profits will be available against which they can be utilised.

	30 June 2023 ETB'000	30 June 2022 ETB'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	68,878	38,787
To be recovered within 12 months	-	-
	68,878	**38,787**

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss ("P/L), in equity and other comprehensive income are attributable to the following items:

Deferred income tax assets/(liabilities):	30 June 2022 ETB'000	Credit/ (charge) to P/L ETB'000	Credit/ (charge) to equity ETB'000	30 June 2023 ETB'000
PPE and Intangible Asset	(16,471)	1,837	-	(14,634)
ROU Depreciation and Finance Lease cost	(3,125)	5,071	-	1,946
Gain/Loss on equity investment	(27,457)	-	(45,755)	(73,213)
Post employment benefit obligation	8,267	3,317	5,438	17,022
Deferred liabilities	**(38,787)**	**10,226**	**(40,317)**	**(68,878)**

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

Deferred income tax assets/(liabilities):	30 June 2021	Credit/ (charge) to P/L	Credit (charge) to equity	30 June 2022
	ETB'000	ETB'000	ETB'000	ETB'000
PPE and Intangible Asset	(13,339)	(3,131)	-	(16,471)
ROU Depreciation and Finance Lease cost	1,525	(4,650)	-	(3,125)
Gain/Loss on equity investment	(7,877)	-	(19,580)	(27,457)
Post employment benefit obligation	5,217	1,540	1,510	8,267
	(14,475)	**(6,241)**	**(18,071)**	**(38,787)**

PPE and intangible asset	30 June 2023	30 June 2022
	ETB'000	ETB'000
Carrying amount	2,076,888	470,420
Less: Tax written-down value	(2,028,109)	(415,518)
Total timing difference	48,779	54,903
Deferred tax liability	**14,634**	**16,471**

Retirement benefit obligation

Carrying amount	56,741	27,556
Less: Tax written-down value	-	-
Timing difference	56,741	27,556
Deferred tax asset on retirement benefit obligation	**17,022**	**8,267**

Equity investment

Carrying amount	244,043	91,525
Less: Tax written-down value	-	-
Timing difference	244,043	91,525
Deferred tax asset on retirement benefit obligation	**73,213**	**27,457**

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

	30 June 2023 ETB'000	30 June 2022 ETB'000
14 Cash and cash equivalents		
Balances with foreign banks	4,401,517	3,645,998
Cash reserve with NBE	2,570,000	1,819,062
Balances with National Bank of Ethiopia-payment and settlement account	1,362,770	2,007,414
Cash on hand	379,369	264,126
Balances with domestic banks	203,790	313,231
Less: Loss allowance	(2,673)	(2,635)
	8,914,774	**8,047,196**
Maturity analysis		
Current	6,344,774	6,228,134
Non-Current	2,570,000	1,819,062
	8,914,774	**8,047,196**

Cash and cash equivalents in the statement of cash flows are the same as on the statement of financial position as the Bank had no bank overdrafts at the end of each reporting period.

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

14a Impairment allowance on cash and cash equivalents

A reconciliation of the allowance for impairment losses for cash and cash equivalents is as follows:

	30 June 2023 ETB'000	30 June 2022 ETB'000
Balance at the beginning of the year	2,635	286
Charge/(reversal) for the year	38	2,349
Balance at the end of the year	**2,673**	**2,635**

15 Loans and advances to customers

	30 June 2023 ETB'000	30 June 2022 ETB'000
Domestic trade and service	8,010,456	4,184,767
Export	5,198,123	4,082,590
Industry	5,194,022	4,949,752
Personal Loans - Customers	3,586,927	1,680,793
Hotel and tourism	2,945,333	2,301,122
Import	2,323,494	1,464,919
Building and construction	2,309,744	1,428,982
Personal loans - staffs	1,528,501	931,252
Agriculture	410,222	317,179
Transportation	319,072	71,200
	31,825,894	21,412,554
Less: Impairment allowance (note 15a)	(432,654)	(290,929)
-	**31,393,240**	**21,121,625**

Maturity analysis

	30 June 2023 ETB'000	30 June 2022 ETB'000
Current	8,390,633	7,186,786
Non-Current	23,435,261	14,225,769
	31,825,894	**21,412,554**

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

15a Impairment allowance on loans and advances to customers

A reconciliation of the allowance for impairment losses for loans and receivables by class, is as follows:

Loss allowance for impairment	As at 30 June 2022	Charge for the year	As at 30 June 2023
	ETB'000	ETB'000	ETB'000
Export loans	114,053	114,257	228,310
Import loans	51,998	7,741	59,739
Industry loans	31,684	4,514	36,198
DTS loans	29,914	31,724	61,638
Agriculture loans	21,422	1,022	22,444
Consumer loans	17,642	(11,175)	6,467
Hotel loans	14,143	(4,747)	9,396
Building and construction loans	5,686	(2,194)	3,492
Transport loans	3,854	(808)	3,046
Staff loans	533	1,391	1,924
Total	**290,929**	**141,725**	**432,654**

Loss allowance for impairment	As at 30 June 2021	Charge for the year	As at 30 June 2022
	ETB'000	ETB'000	ETB'000
Export loans	157,718	(43,665)	114,053
Import loans	33,242	18,756	51,998
DTS loans	10,883	19,031	29,914
Agriculture loans	9,399	12,023	21,422
Industry loans	5,930	25,754	31,684
Hotel loans	4,972	9,171	14,143
Building and construction loans	3,400	2,286	5,686
Transport loans	2,063	1,790	3,854
Consumer loans	1,624	16,018	17,642
Staff loans	414	119	533
Total	**229,645**	**61,284**	**290,929**

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

		30 June 2023	30 June 2022
16	**Investments**	**ETB'000**	**ETB'000**
	Investments at fair value through OCI		
	At the beginning of the year	130,584	61,443
	Additions	17,199	3,875
	Transfer from Revaluation surplus	154,753	65,267
	Less: individual allowance for impairment	-	
	At the end of the year	**302,537**	**130,584**
	Investments at amortized cost		
	NBE Bills (Treasury Bill)	2,929,330	2,305,612
	Ethiopian Government bonds	383,864	148,449
		3,313,194	**2,454,061**
	Less: individual allowance for impairment	(166)	(123)
		3,313,028	**2,453,938**
	Maturity analysis		
	Current	2,929,330	2,436,196
	Non-Current	686,400	148,449
		3,615,730	**2,584,645**

The Bank holds equity investments in Eth-switch as of 30 June 2023 is 5.53% (30 June 2022: 5%) and measured at fair value, First Capital Leasing as of 30 June 2023 is 1% (30 June 2022: 1%) and NICE S.C.

		30 June 2023	30 June 2022
		ETB'000	**ETB'000**
17	**Other assets**		
	Financial assets		
	Sundry Debtors	1,180,210	1,407,286
	Prepaid staff asset	73,387	53,739
	Uncleared effects-foreign	8,594	13,527

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

Claim on HO and Branches	4,056	134
Uncleared effects-local	-	6
	1,266,247	1,474,692
Less: Specific impairment allowance (note 18a)	(9,653)	(9,496)
	1,256,594	**1,465,196**
	-	-
Non-financial assets		
Inventory	58,153	32,296
	58,153	32,296
Gross amount	**1,314,747**	**1,497,492**
Maturity analysis		
Current	220,892	193,430
Non-Current	1,093,855	1,213,856
	1,314,747	**1,407,286**

The make up of sundry debtors is as shown hereunder:

Prepayments	743,106	1,042,437
Staff emergency loan	134,856	86,210
Prepaid interest	127,445	124,823
Suspended interest	117,166	95,089
Others	40,452	16,492
Recivables	17,184	42,234
	1,180,210	**1,407,286**

17a Impairment allowance on other assets

A reconciliation of the allowance for impairment losses for other assets is as follows:

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

	30 June 2023 ETB'000	30 June 2022 ETB'000
Balance at the beginning of the year	9,496	20,951
Charge/(reversal) for the year (note 10)	157	(11,454)
Balance at the end of the year	**9,653**	**9,496**

17b Inventory

A breakdown of the items included within inventory is as follows:

Stationary stock account	38,118	10,531
Other stock	6,662	4,406
Uniform stock	5,670	3,420
Computers - stock	4,249	3,540
Debit Cards, CPOs, Drafts and CDTs	3,412	3,094
Office Equipment-Stock	42	7,304
	58,153	**32,296**

18 Right of Use Asset

	30 June 2023 ETB'000	30 June 2022 ETB'000
Right of use asset	466,590	276,458
	466,590	**276,458**

The Bank assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank incremental borrowing rate. i.e. The minimum saving interest rate.

	Computer software ETB'000	Software under progress ETB'000	Total ETB'000
19 Intangible Assets			
Cost:			
As at 1 July 2021	174,492	24,258	207,707
Acquisitions	67,869	45,299	113,168
Transfer from property, plant and equipment	-	(30,810)	30,810)
As at 30 June 2022	**242,361**	**38,746**	**290,065**
As at 1 July 2022	242,361	38,746	289,486
Acquisitions	68,307	21,458	89,765
Transfer from property, plant and equipment	-	(57,489)	(57,489)
As at 30 June 2023	**310,668**	**2,715**	**321,762**
Accumulated amortisation and impairment losses			
As at 1 July 2021	88,481	-	97,438
Amortisation for the year	24,713	-	24,713
As at 30 June 2022	**113,194**	**-**	**122,151**
As at 1 July 2022	113,194	-	121,573
Amortisation for the year	32,224	-	32,224
As at 30 June 2023	**145,417**	**-**	**153,797**
Net book value			
As at 30 June 2022	**129,167**	**38,746**	**167,914**
As at 30 June 2023	**165,250**	**2,715**	**167,965**

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

20 Property, plant and equipment

	Work in progress	Building	Motor vehicle	Computers	Office equipment	Total
	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000
Cost:						
As at 1 July 2021	809,105	-	96,288	141,517	133,971	1,180,881
Additions	274,215	55,124	45,994	58,495	35,104	468,932
Disposals	-	-	(861)	(508)	(993)	(2,362)
Transfer	-	-	-	(1,039)	(3,208)	(4,248)
As at 30 June 2022	**1,083,320**	**55,124**	**141,421**	**198,465**	**164,874**	**1,643,204**
As at 1 July 2022	1,083,320	55,124	141,421	198,465	164,874	1,643,204
Additions	88,900	1,665	335	199,338	280,228	570,467
Adjustment	-	-	-	1,385	4,548	5,933
Disposals	-	-	(28,212)	-	-	(28,212)
Transfer	(1,172,221)	1,172,221	-	-	-	-
As at 30 June 2023	**-**	**1,229,009**	**113,543**	**399,189**	**449,651**	**2,191,392**
Accumulated depreciation						
As at 1 July 2021	-	-	43,861	74,858	56,825	175,545
Charge for the year	-	23	11,316	18,172	15,174	44,685
Disposals	-	-	(194)	(423)	(982)	(1,599)
As at 30 June 2022	**-**	**23**	**54,982**	**92,607**	**71,018**	**218,630**
As at 1 July 2022	-	23	54,982	92,607	71,018	218,630
Charge for the year	-	14,760	10,696	24,659	31,004	81,119
Disposals	-	-	(19,994)	-	-	(19,994)
As at 30 June 2023	**-**	**14,783**	**45,684**	**117,265**	**102,022**	**279,755**
Net book value						
As at 30 June 2022	**1,083,320**	**55,100**	**86,439**	**105,859**	**93,856**	**1,424,574**
As at 30 June 2023	**-**	**1,214,225**	**67,859**	**281,923**	**347,629**	**1,911,637**

Impairment

Upon impairment review, the net book value of property, plant and equipment do not exceed its recoverable value as at the end of the reporting period. Thus, the management is of the opinion that allowance for impairment is not required.

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

		30 June 2023 ETB'000	30 June 2022 ETB'000
21	**Deposits due to other banks**		
	Balances due to other banks	205,679	-
		205,679	**-**
	Maturity analysis		
	Current	205,679	-
	Non-Current	-	-
		205,679	**-**
22	**Deposits from customers**		
	Savings deposits	17,201,956	12,713,587
	Demand deposits	15,662,648	10,417,197
	Time deposits	2,326,735	2,174,731
	Other deposits	870,320	858,719
	Retention deposits	811,632	708,101
		36,873,291	**26,872,333**
	Maturity analysis		
	Current	15,869,432	10,216,380
	Non-Current	21,003,859	16,655,953
		36,873,291	**26,872,333**
23	**Other liabilities**		
	Financial liabilities		
	Cashier payment orders	112,711	138,777
	Accrued leave	54,683	31,042
	Dividend payable	44,803	38,182
	Old drafts outstanding	24,346	20,483
	Exchange payable to National Bank of Ethiopia	17,689	33,186
	Directors Share on Profit	1,350	1,332
		255,582	263,003

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

Non-financial liabilities		
Miscellaneous	664,516	827,067
Unearned income	82,321	83,174
Taxes and stamp duty charges	74,465	48,331
Provision for Bonus	151,581	132,369
	972,883	1,090,941
Gross amount	**1,228,465**	**1,353,944**
Maturity analysis		
Current	774,528	647,234
Non-Current	453,937	706,710
	1,228,465	**1,353,944**

24 Borrowings

Borrowings	77,827	-
	77,827	**-**

The Bank has obtained medium term loan from Development Bank of Ethiopia. The loan bears interest rate of 7% per annum.

25 Lease liability

Lease liability	95,439	37,470
	95,439	**37,470**

The lease liability is in respect of outstanding lease obligation towards the right of use asset of branch and office spaces and land. The outstanding obligation is repayable in accordance to the terms stipulated in
the rent agreements. The obligation is discounted at a rate of 7% for office lease and 11.5% for lease land.

	30 June 2023	**30 June 2022**
26 Retirement benefit obligations	**ETB'000**	**ETB'000**
Defined benefits liabilities:		
Retirement benefit obligation	56,741	27,556

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

Liability in the statement of financial position	**56,741**	**27,556**
Income statement charge included in personnel expenses:		
Current service cost	11,058	5,134
Total defined benefit expenses	**11,058**	**5,134**
Remeasurements for:		
Remeasurement loss	18,127	5,032
Total pension prize	**18,127**	**5,032**

The income statement charge included within personnel expenses includes current service cost, interest cost, past service costs on the defined benefit scheme.

Below are the details of movements and amounts recognised in the financial statements:

		30 June 2023 ETB'000	30 June 2022 ETB'000
a)	**Liability recognised in the financial position**	**56,741**	**27,556**
b)	**Amount recognised in the profit or loss**		
	Current service cost	3,634	2,213
	Interest cost	7424	2921
		11,058	**5,134**
c)	**Amount recognised in other comprehensive income:**		
	Remeasurement (gains)/losses arising from changes in the economic assumptions	1,505	1,211)
	Remeasurement (gains)/losses arising from experience	16,622	6,243
		18,127	**5,032**

The movement in the defined benefit obligation over the years is as follows:

	30 June 2023 ETB'000	30 June 2022 ETB'000
At the beginning of the year	27,556	17,390
Remeasurement losses	18,127	5,032

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

Interest cost	7,424	2,921
Current service cost	3,634	2,213
At the end of the year	**56,741**	**27,556**

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

Discount Rate (p.a)	20.60%	23.80%
Average Rate of Inflation (p.a)	15.10%	17%
Salary Increase Rate	17.10%	19%
Net Pre-retirement rate	**2.99%**	**3.77%**

ii) Mortality in Service

Mortality rates are commonly set with reference to standard tables published by reputable institutions (such as the Actuarial Society of South Africa and the Central Statistics Agency ("CSA") of Ethiopia who have access to statistically significant data from which to derive mortality rates.

Sample mortality rates are as follows:

Age	Males	Females
20	0.00306	0.00223
25	0.00303	0.00228
30	0.00355	0.00314
35	0.00405	0.00279
40	0.00515	0.00319
45	0.0045	0.00428
50	0.00628	0.00628
55	0.00979	0.00979
60	0.01536	0.01536

iii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 10% at the youngest ages falling with increasing age to 2.5% at age 45.

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

Age	Annual Rate of Resignation
20	15.0%
25	12.5%
30	10.0%
35	7.5%
40	5.0%
45	2.5%
50+	0.0%

The sensitivity of the overall defined benefit liability to changes in the weighted principal assumption is:

Impact on defined benefit obligation and Salary

		30 June 2023			**30 June 2022**
	Change in assumption	Impact of an increase ETB'000	Impact of a decrease ETB'000	Impact of an increase ETB'000	Impact of an increase ETB'000
Discount rate	1.0%	53,812	59,871	26,220	28,977
Salary Increase	1.0%	59,942	53,699	29,020	26,160

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The duration of the liabilities, on which the assumptions have been set, was calculated to be 7 years on the current valuation assumptions and data.

	30 June 2023 ETB'000	**30 June 2022 ETB'000**
27 Ordinary share capital		
Authorised:		
Ordinary shares of Birr 1000 each	**5,000,000**	**3,644,654**

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

27a Reconciliation of number of shares issued and paid

At the beginning of the year	3,644,654	2,749,315
Issued and paid - Ordinary shares	1,355,346	895,339
At the end of the year	**5,000,000**	**3,644,654**

27b Paid up capital

At the beginning of the year	3,644,654	2,749,315
Issued and paid - Ordinary shares	1,355,346	895,339
At the end of the year	**5,000,000**	**3,644,654**

27c Share Premium

At the beginning of the year	794	794
Issued and paid - Ordinary shares	112	-
At the end of the year	**906**	**794**

27d Special reserve

The Annual General Meeting of shareholders pass a resolution to set aside a certain amount of the yearly profit as an additional reserve on top of the legal reserve to strengethen the Bank's capital base.

At the beginning of the year	32,243	14,500
Addition during the period	28,907	17,743
At the end of the year	**61,150**	**32,243**

28 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit after taxation by the weighted average number of ordinary shares in issue during the year.

	30 June 2023 ETB'000	30 June 2022 ETB'000
Profit attributable to shareholders	1,813,114	1,476,272
Weighted average number of ordinary shares in issue	4,217	3,246
Basic & diluted earnings per share (ETB)	**430**	**455**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2023:nil, 30 June 2022: nil), hence the basic and diluted per share have the same value.

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

	30 June 2023 ETB'000	30 June 2022 ETB'000
29 Retained earnings		
At the beginning of the year	1,070,615	657,169
Profit/ (Loss) for the year	1,813,114	1,476,272
Dividends paid	(1,070,615)	(657,169)
Director share on profits	-	(1,332)
Transfer to legal reserve	(453,278)	(369,068)
Transfer to regulatory risk reserve	(7,174)	(35,257)
At the end of the year	**1,352,661**	**1,070,615**

As per NBE Directive No. SBB/67/2018, the board of directors' compensation that is paid in cash or otherwise to the directors from net profit not exceeding Birr 150,000.00.

30 Legal reserve	30 June 2023 ETB'000	30 June 2022 ETB'000
At the beginning of the year	1,244,363	875,295
Transfer from retained earnings	453,278	369,068
At the end of the year	**1,697,642**	**1,244,363**

The NBE Directive No. SBB/4/95 requires the Bank to transfer annually 25% of its annual net profit to its legal reserve account until such account equals its capital. When the legal reserve account equals the capital of the Bank, the amount to be transferred to the legal reserve account will be 10% (ten percent) of the annual net profit.

	30 June 2023 ETB'000	30 June 2022 ETB'000
31 Regulatory reserve		
At the beginning of the year	210,096	174,838
Transfer from retained earnings	7,174	35,257
At the end of the year	**217,270**	**210,096**

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

30 June 2023	Suspended interest	Excess provision as per NBE	Total
Balance after provisioning	169,319	128,377	297,696
Taxation @30%	(50,796)	-	(50,796)
	118,524	128,377	246,901
Balance transferred to legal reserve	(29,631)	-	(29,631)
	88,893	**128,377**	**217,270**
Balance brought forward			**210,096**
Current period addition			**7,174**

30 June 2022	Suspended interest	Excess provision as per NBE	Total
Balance after provisioning	159,138	126,548	159,138
Taxation @30%	(47,741)	-	78,807
	111,397	126,548	237,945
Balance transferred to legal reserve	(27,849)	-	(27,849)
	83,547	**126,548**	**210,096**
Balance brought forward			**174,838**
Current period addition			**35,257**

The Regulatory risk reserve is a non-distributable reserves required by the regulations of the National Bank of Ethiopia(NBE) to be kept for impairment losses on loans and receivables in excess of IFRS charge as derived using the forward looking model.

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is higher than the loan loss impairment determined using the forward looking model under IFRS, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the Bank.

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is less than the loan loss impairment determined using the forward looking model under IFRS, the difference is transferred from regulatory risk reserve to the retained earning to the extent of the non-distributable reserve previously recognised.

	30 June 2023	30 June 2022
32 Other Reserve		
At the beginning of the year	54,109	11,945
Re-measurement gains on defined benefits plan, net of deferred tax	(12,689)	(3,522)
Re-measurement fair value gains on equity investment, net of deferred tax	106,762	45,687
Prior period adjustment with an amount of	2,235	

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

At the end of the year		**150,418**	**54,109**

33 Cash generated from operating activities

	Note		
Profit before tax		2,501,041	2,019,491
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	20	81,119	44,685
Amortisation of intangible assets	19	32,224	24,713
Gain on disposal of property, plant and equipment	20	(32,438)	(1,069)
Impairment on loans and receivables	15	141,725	61,284
Impairment on other assets	17	237	1,921
Interest on lease liability	12	10,852	-
Interest on Borrowings	6	5,551	-
Retirement benefit obligations	26a	11,058	5,134
Changes in working capital:			
Change in loans and advances to customers	15	(10,413,340)	(7,155,467)
Change in other assets	17	245,610	(572,203)
Change in other liabilities	23	(125,496)	152,809
Change in deposits from banks	21	205,679	-
Change in deposits from customers	22	10,000,958	7,878,225
		2,664,779	**2,459,522**

In the statement of cash flows, profit on sale of property, plant and equipment (PPE) comprise:

	30 June 2023 ETB'000	30 June 2022 ETB'000
Proceeds on disposal	40,274	1,741
Net book value of property, plant & equipment disposed (note 20)	(7,835)	(673)
Gain on sale or disposal of non-current assets	**32,438**	**1,069**

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

34 Related party transactions

Zemen Bank is a privately owned commercial bank

A number of transactions were entered into with related parties in the normal course of business. These are disclosed below:

Transaction with related parties

	30 June 2023	30 June 2022
Loans to related parties	**ETB'000**	**ETB'000**
Directors	33,653	124,328.00
Executive management	61,107	28,760
	94,760	**153,088**

Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2023.

	30 June 2023	30 June 2022
	ETB'000	**ETB'000**
Mgt Salaries and other short-term employee benefits	16,110	12,253
Sitting allowance	862	831
Board Rumination and salary	2,410	2,412
	19,381	**15,497**

Compensation of the Bank's key management personnel includes salaries, non-cash benefits and contributions to the post-employment defined benefits plans.

35 Directors and employees

The average number of persons employed by the Bank during the year was as follows:

	30 June 2023	30 June 2022
	ETB'000	**ETB'000**
Clerical	1,141	962
Non-clerical	218	212
Managerial	209	151
Contractual	16	19
Directors	9	9
	1,593	**1,353**

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

36 Contingent liabilities

36a Claims and litigation

The Bank is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The maximum exposure of the Bank to these legal cases as at 30 June 2023 is Birr 20.570 ml. No other provision has been made in the financial statements as the Directors believe that it is not probable that the economic benefits would flow out of the Bank in respect of these legal actions.

The Bank has been assessed by the Ministry of Revenue (MoR) for taxes amounting ETB 17.5 million including penalty and interest in respect to discounted interest for staff loan. Following this, the Bank appealed by pledging 50% of the principal amount i.e., ETB 4.9 million, which is recorded as receivable from MoR in the financial statement in the subsequent year.

36b Guarantees and letters of credit

The Bank conducts business involving performance bonds and guarantees. These instruments are given as a security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

The table below summarises the fair value amount of contingent liabilities for the account of customers:

	30 June 2023	30 June 2022
	ETB'000	ETB'000
Guarantees and letters of credit	3,318,863	1,307,544
	3,318,863	**1,307,544**

37 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Bank as at June 30, 2023 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

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

ዓመታዊ ሪፖርት 2015

ዘመን ባንክ

የትርፍ ወይም ኪሳራ እና አጠቃላይ ገቢ መግለጫ

ሰኔ 23 ቀን 2015 ዓ.ም. ለተጠናቀቀው በጀት አመት

	ማብራሪያ	2015 ብር'000	2014 ብር'000
ከወለድ የተገኘ ገቢ	5	3,996,963	2,433,361
የወለድ ወጪ	6	(1,366,195)	(938,259)
የተጣራ የወለድ ገቢ		2,630,768	1,495,102
ከአገልግሎትና ኮሚሽን ገቢ	7	1,324,450	1,158,174
ከአገልግሎትና ኮሚሽን ወጪ	7	(17,300)	(2,697)
የተጣራ ከአገልግሎትና ኮሚሽን ገቢ		1,307,150	1,155,477
ከልዩ ልዩ ገቢ	8	421,981	519,572
አጠቃላይ መደበኛ ገቢ		4,359,900	3,170,151
ለብድር የተያዘ መጠባበቂያ	9	(141,725)	(61,284)
ለሌሎች ሃብቶች የተያዘ መጠባበቂያ	10	(237)	(1,921)
የተጣራ መደበኛ ገቢ		4,217,937	3,106,946
ለሠራተኞች ደሞዝና ጥቅማጥቅሞች	11	(954,293)	(649,461)
ሀልዎት ለሌላቸው ሀብት የማሟያ ወጪ	19	(32,224)	(24,713)
የቋሚ ሀብት እርጅና ተቀናሽ	20	(81,119)	(44,685)
ለሌሎች መደበኛ ወጪዎች	12	(649,261)	(368,597)
ትርፍ - ከትርፍ ግብር በፊት		**2,501,041**	**2,019,490**
የትርፍ ግብር መጠባበቂያ	13a	(687,927)	(543,219)
ትርፍ - ከትርፍ ግብር በኃላ		**1,813,114**	**1,476,271**
ሌሎች ገቢዎች ከትርፍ ግብር በኃላ			
በትርፍና ኪሳራ መዝገብ የማይካተቱ ገቢዎች			
በጡረታ ግዜ ለሰራተኞች ሊከፈል የሚችል ጥቅማጥቅም	26	(18,127)	(5,032)
ወደፊት ሊከፈል የሚችል የትርፍ ግብር	13	5,438	1,510
የሚዛናዊ ዋጋ ማስተካከያ (Fair Value Adjustement)	16	152,518	65,267
ወደፊት ሊከፈል የሚችል የትርፍ ግብር	13	(45,755)	(19,580)
		94,074	42,165
የአመቱ አጠቃላይ የተጣራ ገቢ		**1,907,187**	**1,518,436**
የባንኩ ትርፍ በአንድ ሺህ ብር የአክሲዮን ዋጋ ሲለካ	28	**430**	**455**

ኤርሚያስ እሸቱ
የዲሬክተሮች ቦርድ ሊቀመንበር

ደረጀ ዘበነ
ዋና ስራ አስፈፃሚ

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

ዘመን ባንክ
የሐብትና እዳ መግለጫ

ሰኔ 23 ቀን 2015 ዓ.ም. ለተጠናቀቀው በጀት አመት

	ማብራሪያ	2015 ብር'000	2014 ብር'000
ሀብት			
ጥሬ ገንዘብና ጥሬ ገንዘብ አከል ሀብት	14	8,914,774	8,047,196
ለደንበኞች የተሰጡ ብድሮች	15	31,393,240	21,121,625
በተለያዩ አክሲዮን ማህበራት የተደረገ ኢንቨስትመንት:	16	302,537	130,584
የብሔራዊ ባንክ ሰነድ ግዢ	16	3,313,028	2,453,938
ሌሎች ሃብቶች	17	1,314,747	1,497,492
ንብረትን የመጠቀም መብት	18	466,590	276,458
ሀልዎት የሌላቸው ሀብት	19	167,965	167,914
ቋሚ ሀብት	20	1,911,637	1,424,574
አጠቃላይ ሀብት		**47,784,520**	**35,119,781**
የዕዳ ሚዛን			
የደንበኞች ተቀማጭ በፋይናንስ ተቋማት	21	205,679	-
የደንበኞች ተቀማጭ ገንዘብ	22	36,873,291	26,872,333
ተከፋይ የትርፍ ግብር	13c	698,153	532,817
ሌሎች ዕዳዎች	23	1,228,465	1,353,944
ብድር	24	77,827	-
የፋይናንስ ሊዝ ዕዳ	25	95,439	37,470
ወደፊት የሚከፈል የትርፍ ግብር	13d	68,878	38,787
በጡረታ ግዜ ለሰራተኞች የሚከፈል ጥቅማጥቅም	26	56,741	27,556
አጠቃላይ የዕዳ ሚዛን		**39,304,473**	**28,862,907**
የካፒታልና መጠባበቂያ ሂሳቦች			
የተከፈለ ካፒታል	27b	5,000,000	3,644,654
በአክሲዮን ሽያጭ ዋጋ ብልጫ የተከፈለ	27c	906	794
ልዩ መጠባበቂያ ሂሳብ	27d	61,150	32,243
ያልተከፈለ ትርፍ	29	1,352,661	1,070,615
ሕጋዊ የመጠባበቂያ ሂሳብ	30	1,697,642	1,244,363
በብሔራዊ ባንክ መመሪያ መሰረት ለብድር የተያዘ ተጨማሪ መጠባበቂያ	31	217,270	2 10,096
ሌሎች የመጠባበቂያ ሒሳቦች	32	150,418	54,109
አጠቃላይ ካፒታልና መጠባበቂያ ሂሳቦች ሚዛን		8,480,047	6,256,874
አጠቃላይ ዕዳዎች፤ ካፒታልና መጠባበቂያ ሂሳቦች ሚዛን		**47,784,520**	**35,119,781**

Ermias Eshetu

ኤርሚያስ እሸቱ
የዲሬክተሮች ቦርድ ሊቀመንበር

ደረጀ ዘበነ
ዋና ስራ አስፈፃሚ

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

ዘመን ባንክ

በባለአክሲዮኖች ሀብት ላይ የተከናወኑ ለውጦችን የሚያሳይ ዝርዝር

ሰኔ 23 ቀን 2015 ዓ.ም. ለተጠናቀቀው በጀት አመት

	ማብራሪያ	የተከፈለ አክሲዮን	በአክሲዮን ሽያጭ ዋጋ ብልጫ የተሰበሰበ	ልዩ መጠባበቂያ ሂሳብ	ያልተከፈለ ትርፍ	በተቆጣጣሪ አካል የስጋት የመጠባበቂያ	ሌሎች መጠባበቂያዎች	ሕጋዊ የመጠባበቂያ	ድምር
		ብር'000	ብር'000		ብር'000	ብር'000	ብር'000	ብር'000	ብር'000
ሰኔ 24 2013 ዓ.ም. መነሻ		**2,749,315**	**794**	**14,500**	**657,169**	**174,838**	**11,945**	**875,295**	**4,483,856**
የዓመቱ የተጣራ ትርፍ		-	-	-	1,476,272	-	-	-	**1,476,272**
ሌሎች ገቢዎች									
እንደገና የመገመት ትርፍ (ኪሳራ) በጡረታ ግዜ ለሰራተኞች ሊከፈል የሚችል ጥቅማጥቅም (የተጣራ ከግብር በኋላ)		-	-	-		-	(3,522)	-	**(3,522)**
የሚዛናዊ ዋጋ ማስተካከያ (Fair Value Adjustement)		-	-	-		-	45,687	-	**45,687**
የተፈፀመ የትርፍ ክፍያ		-	-	-	(657,169)	-	-	-	**(657,169)**
ግብር የተከፈለ		-	-	-		-	-	-	
ከአክስዮን ሽያጭ የተሰበሰበ		895,339	-	-		-	-	-	**895,339**
ወደ ሕጋዊ መጠባበቂያ የዞረ		-	-	-	(369,068)	-	-	369,068	-
በብሔራዊ ባንክ መመሪያ መሰረት ለብድር የተያዘ ተጨማሪ መጠባበቂያ		-	-	-	(35,257)	35,257	-	-	-
ልዩ መጠባበቂያ ሂሳብ		-	-	17,744					**17,744**
የዲሬክተሮች ቦርድ አባላት የትርፍ ድርሻ					(1,332)				**(1,332)**
የአመቱ አጠቃላይ ገቢ		895,339	-	17,744	413,446	35,257	42,165	369,068	1,773,018
ሰኔ 23 ቀን 2014 ዓ.ም. ላይ የነበረ		**3,644,654**	**794**	**32,244**	**1,070,615**	**210,095**	**54,109**	**1,244,363**	**6,256,874**
ሰኔ 24 2014 ዓ.ም. መነሻ		**3,644,654**	**794**	**32,244**	**1,070,615**	**210,096**	**54,110**	**1,244,363**	**6,256,874**
የዓመቱ የተጣራ ትርፍ		-	-	-	1,813,114	-	-	-	**1,813,114**
ሌሎች ገቢዎች									
እንደገና የመገመት ትርፍ (ኪሳራ) በጡረታ ግዜ ለሰራተኞች ሊከፈል የሚችል ጥቅማጥቅም (የተጣራ ከግብር በኋላ)		-	-	-	-	-	(12,689)	-	**(12,689)**
የሚዛናዊ ዋጋ ማስተካከያ (Fair Value Adjustement)		-	-	-	-	-	106,762	-	**106,762**
ያለፈው አመት ማስተካከያ		-	-	-	-		2,235	-	**2,235**
የተፈፀመ የትርፍ ክፍያ		-	-	-	(1,070,615)	-	-	-	**(1,070,615)**
ግብር የተከፈለ		-	-	-		-	-	-	
ከአክስዮን ሽያጭ የተሰበሰበ		1,355,346	112	-		-	-	-	**1,355,458**
ወደ ሕጋዊ መጠባበቂያ የዞረ		-	-	-	453,278)	-	-	453,278	-
በብሔራዊ ባንክ መመሪያ መሰረት ለብድር የተያዘ ተጨማሪ መጠባበቂያ		-	-	-	(7,174)	7,174	-	-	-
ልዩ መጠባበቂያ ሂሳብ		-	-	28,907					**28,907**
የዲሬክተሮች ቦርድ አባላት የትርፍ ድርሻ					-				-
የአመቱ አጠቃላይ ገቢ		1,355,346	112	28,907	282,046	7,174	96,309	453,278	2,223,172
ሰኔ 23 ቀን 2015 ዓ.ም. ላይ የነበረ		**5,000,000**	**906**	**61,150**	**1,352,661**	**217,270**	**150,418**	**1,697,642**	**8,480,046**
		27	27	27d	29	31	32	30	

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

ዘመን ባንክ

የጥሬ ገንዘብ እንቅስቃሴ መገለጫ

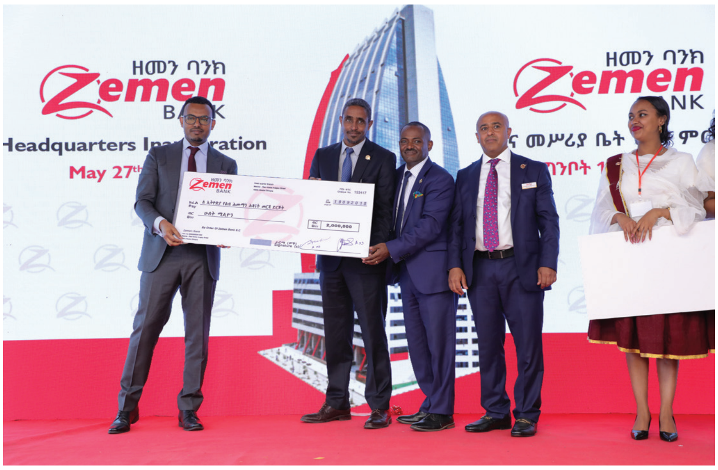
ሰኔ 23 ቀን 2015 ዓ.ም. ለተጠናቀቀው በጀት አመት

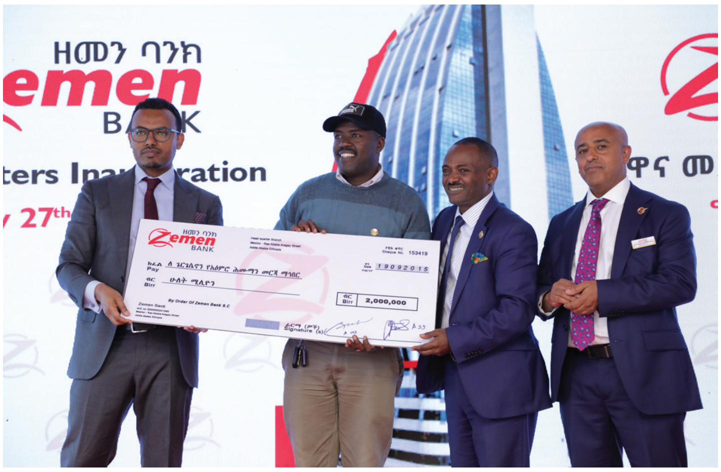
	ማብራሪያ	2010 ብር'000	2009 ብር'000
ከመደበኛ የስራ እንቅስቃሴ ጋር የተያያዘ የገንዘብ ፍሰት			
ከመደበኛ የስራ እንቅስቃሴ የተገኘ ገንዘብ	33	2,664,779	2,459,522
የገቢ ግብር ክፍያ	13c	(532,817)	(360,835)
ከመደበኛ የስራ እንቅስቃሴ የተገኘ (የወጣ) የተጣራ ገንዘብ		**2,131,962**	**2,098,687**
ከኢንቨስትመንት የተገኘ ገንዘብ			
የኢንቨስትመንት ሰነድ ግዢ	16	(859,090)	334,531
ሀልዎት ለሌላቸው ሀብት ግዢ	19	(89,765)	(113,168)
ለቋሚ ዕቃዎችና መሳሪያዎች ግዢ	20	(570,467)	(468,932)
የተገዛ ተጨማሪ ኢንቨስትመንት	16	(17,170)	(3,875)
ንብረትን የመጠቀም መብት ልዩነት	17	(190,132)	(1,903)
ከቋሚ ዕቃዎችና መሳሪያዎች ሽያጭ	33	40,274	1,741
ከኢንቨስትመንት የተገኘ (የወጣ) የተጣራ ገንዘብ		**(1,686,351)**	**(251,606)**
ከፋይናንስ እንቅስቃሴ የተገኘ			
ከአክሲዮን ሽያጭ	27	1,355,346	895,339
በአክሲዮን ሽያጭ ዋጋ ብልጫ የተከፈለ	27	112	-
ብድር	24	77,827	-
የፋይናንስ ሊዝ ዕዳ ልዩነት	25	57,969	(56,341)
ለባላክሲዮኖች የተከፈለ የትርፍ ድርሻ	29	(1,070,615)	(657,169)
ከፋይናንስ እንቅስቃሴ የተገኘ(የወጣ) የተጣራ ገንዘብ		**420,639**	**181,829**
በጥሬ ገንዘብና በገንዘብ አከል የታየ እድገት (ቅናሽ)		**866,250**	**2,028,911**
በአመቱ መጀመሪያ የነበረ የጥሬ ገንዘብና ገንዘብ አከል መጠን	14	8,048,523	6,019,612
በአመቱ መጨረሻ የነበረ የጥሬ ገንዘብና ገንዘብ አከል መጠን	14	**8,914,774**	**8,048,523**

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

ZEMEN BANK HQ INAUGURATION MAY 2023

ZEMEN BANK HQ INAUGURATION MAY 2023





ZEMEN BANK HQ INAUGURATION MAY 2023

ዘመን ባንክ
Zemen
BANK

Zemen Bank S. C.
Call Center 6500
P.O. Box 1212,
Addis Ababa Ethiopia

www.zemenbank.com
info@zemenbank.com