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Zemen
BANK

ANNUAL REPORT 2024

Driving the Future Financial.
Services Experience.

CONTENTS

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

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

Enye Bemir
Board Chairperson

Sewale Abate (PhD)
Deputy Board Chairperson

Abera Abegaz
Board Director

Alemtsehay Degaga
Board Director

Dawit Ergetu
Board Director

Emawayish Addisu
Board Director

Ermias Eshetu
Board Director

Getnet Belay (Eng.)
Board Director

Tilaye Kassahun (PhD)
Board Director

EXECUTIVE MANAGEMENTS

Dereje Zebene
CEO

Meseret Wondim
Chief Officer - Finance

Addis Woldecherkos
Chief Officer - Credit

Asrat Tadesse
Chief Officer - Retail Banking

Tewahido Taffese
Chief Officer - Strategy

Michael Tsegaye
Chief Officer - Wholesale Banking

Takele Dibekulu
Deputy Chief Officer - Human Capital

Elias Kinfegebriel
Deputy Chief Officer - Estate Management

SENIOR MANAGEMENTS


Haileyesus Mezgebu
A/Chief-Technology Officer


Phylipos Mitiku
A/Chief-Information officer


Abdulkadir Wolela
Director Interest Free Banking


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


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


Kassahun Merawi
Director - Engineering & Building Management


Lemma Alemayehu
Director - Finance & Investor's Relation


Marta Gebremeskel
Director - Fund Management and Remittance

SENIOR MANAGEMENTS


Mechal Bedada
Director -Property & Logistics Management


Meheret Asmare
Director -Security Services


Mesfin Berhan
Director - Credit Appraisal


Nuru Mustefa
Director - Performance Management & Employee Service


Seble Tilahun
Director - Corporate Banking


Seyfesilassie Meaza
Digital Channel Director 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

CORE VALUES ARE:

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

CHAIRPERSON'S STATEMENT

Year ended 30 June 2024

Dear Shareholders,
As we reflect in the past year, it is truly a great honor and privilege to present to you the 2023/24 annual report of our Bank On behalf of the Board of Directors and myself. This year marks another remarkable milestone in our journey, despite challenging economic environment, higher inflation and tighter regulations.

Against these backdrop, Zemen , navigated through the wave and achieved a significant progress. Our commitment to prudent financial management and customer-centric strategies has enabled us to skillfully maneuver the complexities of the financial landscape successfully.

Dear Esteemed Shareholders,
The global economy has gone through various recovery phases after the COVID-19 pandemic. Growth rates vary across regions, with advanced economies generally showing moderate growth while emerging markets experience better degrees of recovery. However, this recovery has been uneven, with persistent supply chain disruptions and geopolitical tensions like the continued conflict between Russia and Ukraine.

Central Banks in major economies have adopted varying stances on monetary policy, impacting global interest rates and liquidity conditions. This has implications for capital flows and borrowing costs in Ethiopia.

Changes in global commodity prices, particularly agricultural commodities, affect Ethiopia's export earnings. Exchange rate volatility and depreciation had an impact on the cost of imports for Ethiopian banks & their clients, influencing inflation & profitability.

Ethiopia's economic prospects are linked to regional growth dynamics like Sub-Saharan Africa, especially through trade and investment flows. Stronger regional growth can boost demand for Ethiopian exports and stimulate economic activity.

Sub-Saharan Africa growth is slightly improving from a growth rate of 3.4 percent in 2023 to 3.8 percent in 2024. Initiatives such as the African Continental Free Trade Area (AfCFTA) aim to further enhance intra-African trade. Ethiopian banks can benefit from increased trade finance opportunities and cross-border investment flows within SSA.

Dear Shareholders,
The 2023/24 fiscal year was characterized by a dynamic macroeconomic environment in Ethiopia. Despite facing external pressures and internal challenges, our economy showed resilience and promising signs of recovery. The government's continued efforts to stabilize inflation and improve fiscal discipline have laid a foundation for a sustainable economic growth.

However, inflationary pressure, external and domestic debt stress, acute foreign exchange shortage, sporadic internal conflicts remained to be a challenge to the banking community. On a positive note, it is reported that the economy has been moving in a way to achieve a growth rate of 7.9 percent in the fiscal year 2023/24. Annual inflation rate in Ethiopia is reported to have eased for consecutive months to reach 19.9% in June 2024—down by 9.4 PP since last year.

The Government has approved Birr 971.2 billion budget for the 2024/25 EFY, which is a 21.1 percent increase compared to the previous year's budget. Out of the total budget, 451.3 billion Birr is allotted for recurrent budget and 283.2 billion Birr for capital budget.

Consequently, the increase in government spending could stimulate economic growth and increase aggregate demand in the economy. This can lead to higher business activity, increased consumption, and potentially higher demand for banking services such as loans and trade finance.

Policies and directives by the National Bank of Ethiopia (NBE) have had significant impacts on the banking business in Ethiopia.

The minimum capital requirement helps to strengthen the financial stability of banks by ensuring they have sufficient capital to absorb potential losses and support growth; The credit cap policy aimed at fighting inflation, restricted access to finance for businesses, creating loan collection challenges and affecting the profitability of banks. The 20% decline in FX surrender has provided an opportunity to increase income from FX related services.

Dear Esteemed Shareholders
During fiscal year 2023/24, Zemen Bank demonstrated remarkable resilience in navigating a challenging economic landscape and achieved remarkable results across various performance indicators.

During the concluded financial period, Zemen Bank achieved a record high gross profit of ETB 3.77 billion which reflects a 36.8 % increase compared to the previous fiscal year—after various deductions, the Bank's net profit for the year will be Birr 2.39 billion surpassing last year's net profit by Birr 579 million (32 percent).

The all-time high net profit of Birr 2.39 billion, translates to earnings per share of 37.6 Percent. Return on average assets (ROAA) of 4.47 percent and rate of return against average capital (ROE) of 27.02 percent.

With regards to recent trends in financial technology (fintech) and digital banking, have Ethiopian banks' strategized for enhancing efficiency and customer experience. To this effect the Board and Management of the Bank have been working on improving digital engagement of the bank in a way to improve customer experience through investing on technologies and partnering with fintech to help Zemen leverage innovative technologies and solutions more quickly and efficiently.

Dear Esteemed Shareholders

The Bank has continued its investment in training, upskilling & reskilling of its employees in order to maintain high professionalism to the sophisticated clients. Accordingly, a total of 5,295 employees received different technical, soft skill and leadership trainings and development programs. The Bank has also signed with LinkedIn learning which is one of the leading online learning platform and gives access to 800 employees to cultivate a culture of continuous learning and professional development. Zemen's employees productivity continues to be the leading in the industry.

Zemen Bank has consistently continued to provide omnichannel service with excellent up time for digital channels setting itself apart as one of the few banks in the industry with its own card personalization office that adheres to PCI DSS standards. As the first bank in Ethiopia to achieve PCI DSS compliance, Zemen Bank has maintained this position and obtained a renewed compliance certificate.

Given global Banks prediction for Ethiopia to be one of the four Africa's fast growing Economies in the period ahead, I believe it will be engaging and highly productive for our operation.

Finally, on behalf of the Board of Directors, I would like to extend my heartfelt appreciation to our shareholders for their unwavering support, our customers for their continued trust, National Bank of Ethiopia for its support and guidance and our dedicated employees for their hard work and commitment. Together, we will continue to strengthen Zemen's position as a catalyst for economic development and a trusted partner in the journey towards prosperity in Ethiopia.

Thank you.

Enye Bemir

Chairperson, Board of Directors

MESSAGE FROM THE CEO

Year ended 30 June 2024

Dear Esteemed Shareholders

On behalf of the Management and myself, I am honored to present the 2023/24 annual report of Zemen Bank S.C.

The 2023/24 financial year encountered various challenges with escalating geopolitical tensions in the horn of Africa and significant domestic economic pressures bringing about various policy adjustments by the government of Ethiopia.

The year has been marked by significant economic turbulence caused by foreign exchange scarcity, galloping inflation and socio-political uncertainties. These factors have impacted investor confidence and consumer behaviors, leading to a more cautious approach to both borrowing and saving.

Despite these challenges, our Bank's commitment to customers and its other stakeholders has remained steadfast. We have continued to expand our branch network, invest in IT infrastructure, enhance our digital capabilities, and expand our service offerings. Our focus on prudent risk management and operational efficiency has been crucial in navigating this difficult landscape.

In challenging times, we've always found that the best course is to focus on what you can control. At Zemen, we placed a priority on taking care of our customers' and well-being of our employees. This enabled us to stay sharply focused on meeting the needs of our customers across different economic sectors, seeking new ways to engage with them and helping them achieve their business objectives.

As a result of these efforts, I'm pleased to report that Zemen Bank has once again achieved record operating results in 2023/24. Total revenue of the Bank has reached 7.7 billion birr, yielding a Pre-tax profit of Birr 3.3 billion. Our Branch network across the country has reached 125 while we have so far deployed 283 ATMs and 755 POS terminals at various merchant locations. The paid up capital of the Bank has now reached Birr 7.4 Billion—which is a 2.4B increase from same period last year. in The strong capital growth indicates the confidence of our investors and helps bolstering our Bank's financial strength and stability further enhancing our ability to absorb shocks and manage risks effectively. (I invite you all to read the financial section of the report for more information)

Dear Fellow Shareholders,

I remain proud of our Bank's resilience and of what our thousands of employees across the country have achieved, collectively and individually. we know the foundation of our success rests with our people. They are the frontline, both individually and as teams, serving our customers and communities, building the technology, making the strategic decisions and managing the risks.

Throughout the years, Zemen has continued to be customer centric and strive to provide solutions to our clients and create long lasting partnerships. The committemtn and unwavering dedication to help clients throughout the country as well as our financial discipline, and ongoing development of our people were key contributors enabling us to achieve this result.

Looking ahead, we remain cautiously optimistic about the economic outlook for Ethiopia. The ongoing reforms in various sectors, including infrastructure development & regulatory improvements, present opportunities for growth and expansion. Through the new economic reform, I am confident in Zemen's ability to create long-term value for our shareholders and other stakeholders. Over the past few years, we have emerged as a stronger, more predictable and trusted Bank. Building on this foundation, we are well positioned to further differentiate ourselves and deliver additional value to customers, fueling higher levels of growth.

We shall also work into recalibrating our strategies to better align with the current economic realities, evolving interest in ESG (environment, social, governance) and increased regulatory activity and oversight which continue to influence competitive dynamics. We will be focused on our product differentiation, delivery channels and a unique customer experience to mobilize resources. On the lending side, we aim to support economic growth by providing financing solutions that are tailored to the needs of our diverse clientele, from small businesses to large corporates.

Dear Fellow shareholders

Finally, as a vote of appreciation, I would like to thank everyone who worked with us in 2023/24 and helped us to register a remarkable performance. We are committed to building a more confident future for all our stakeholders: employees, customers, shareholders and the communities we serve. A purpose-driven culture energizes our people to deliver for our customers, which in turn creates value for shareholders. Special thanks goes to our esteemed Board of Directors for their invaluable guidance and strategic oversight.

I further extend my heartfelt gratitude to our employees for their hard work and dedication, to our customers for their trust and loyalty, and to our shareholders for their continued support. Together, we will navigate the challenges ahead and seize the opportunities that lie in our path.

Thankyou!

Dereje Zebene
CEO

With Zemen Bank the future of banking is in your hands.
This brand showcases long standing and trusted partnership with Prominent businesses.

Personal Banking | International Banking | Corporate Loans | Omni-Channel Banking

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 2023/24

The Board of Directors are delighted to present 2023/24 fiscal year Annual Report to shareholders and other stockholder, which includes the Audited Financial Statements for the year ended june 30, 2024. This comprehensive report highlights Zemen Bank's business and financial performance, along with the critical factors influencing the outcomes.

Macroeconomic Developments

In 2023/24, the global economy has been marked by both opportunities and challenges. On the positive side, the recovery from the COVID-19 pandemic has led to a improvement in global trade and investment, supported by healthy growth in several key markets. However, this recovery has been uneven, with persistent supply chain disruptions and geopolitical tensions like the continued conflict between Russia and Ukraine, Logistics disruption on the Red Sea on the global trade and supply chains, which affect Ethiopia's import and export trades. This disruption has had a profound impact on the growth of the African economy and has contributed to inflationary pressures. World trade growth is continued to hit below its historical average growth rate of 4.9 percent. Rising trade distortions and geo-economic fragmentation are expected to continue.

According to IMF, sub saharan Africa economic outlook is gradually improving. The 3.8 percent recorded in 2023 is expected to rise to 3.4 percent in 2024, with nearly two thirds of countries anticipating higher growth. However, not all was favorable. The funding squeeze persists due to financing shortages, high borrowing costs, and impending debt repayments. The region continued to be more vulnerable to global external shocks, as well as the threat of rising political instability, and frequent climate events.

Domestically, despite grappling with both internal and external factors, like acute foreign exchange shortage, high inflationary pressure, external and domestic debt stress, prevailing internal conflicts, the government of Ethiopia has reported that the economy has been moving in a way to achieve a growth rate of 7.9 percent in th fiscal year 2023/24.

Compared to a year-ago , the Birr has depreciated by 5.13% against the US Dollar, with an average exchange rate movement of 24.3 cents per month.

According to NBE, the annual inflation rate in Ethiopia eased for consecutive months and reached 19.9% in June 2024 down by 9.4 PP since last year. Year-on-year, country-level food and non-food inflation declined by 5.3PP and 15.3PP, respectively, hitting 22.7% and 15.3% respectively but the backwash effect remained a challenge.

Overall, supply chain disruptions and geopolitical tensions,below average world trade growth, domestically faced acute foreign exchange shortage, Eurobond default, inflationary pressure, tight Monetary and fiscal policy, external and domestic debt stress, prevailing internal conflicts has been a challenge to the banking business.

Developments in the Financial Sector

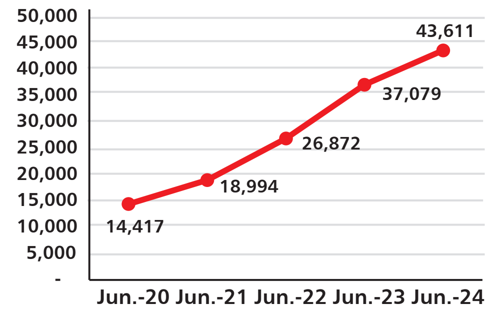
On the monetary side, aside from the existing 20 Percent bill purchase requirement for all fresh loans, NBE in August 2023 made a direct internvention into the banking sector and introduced a credit cap of 14%. This intervention was aimed at tackling the rampant inflation which stood at 30.4% during the introduction of the directive. In addition, foreign currency surrender regulation is ammended during the fiscal year—allowing exporters of goods and services to retain 40% their proceeds for their own account while the remaining 50% and 10% shall be subjected to surrender requirement and converted to birr at the prevailing exchange rate thereby creating some relief to the private sector. The Cap on the credit growth slowed the money creation process and reduced the size of credit thereby impacting the liquidity and growth of income of the Banks.

Zemen Bank's Financial Performance

Despite the prevailing challenging macroeconomic and monetary environment, Zemen Bank recorded remarkable achievement in the 2023/24 fiscal year. The bank achieved continued growth in deposit mobilization, lending activities, and other operational areas.

This growth translated to the Bank's gross profit of ETB 3.77 billion or 36.8 % increase compared to the previous fiscal year. This robust performance underscores Zemen Bank's strong performance and effective leadership.

Deposit Trend 2020-2024 (Birr in million) CHART 1



Deposit

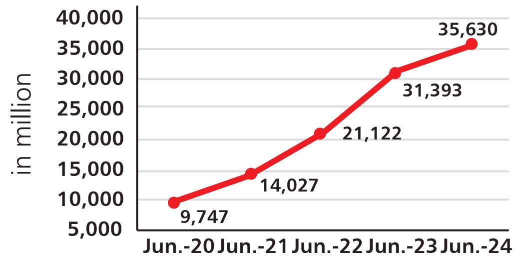
By the end of June 2024, the Bank's outstanding deposit balance reached Birr 43.61 billion, this remarkable growth in deposits showed an increase of Birr 6.53 billion (17.6 percent) from the same period last year.

In the midst of stringest fiscal policy (credit cap) and resulting challenge in resource mobilization, this growth was the result of relentless effort in resource mobilization managed through moderate expansion of phisical network reaching 125 branches and 246,287 accountholders.

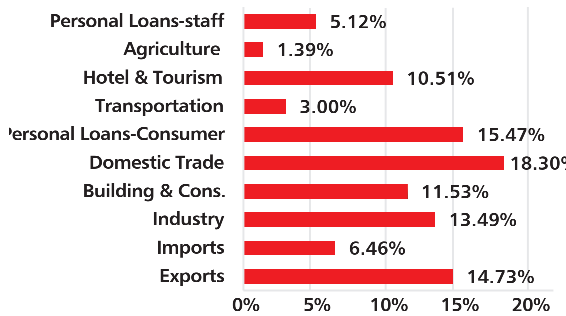
Loans and Advances

Constrained by limited growth due to implementation of credit cap by the central Bank, the Bank's outstanding loan and advance reached to Birr 35.63billion. during the fiscal year,, Zemen Bank has recorded additional loans and advances book growth of Birr 4.24 billion (up by 13.5 percent).

Net Loan & Advances Trend 2020-2024 CHART 2



Loan Book Composition CHART 3



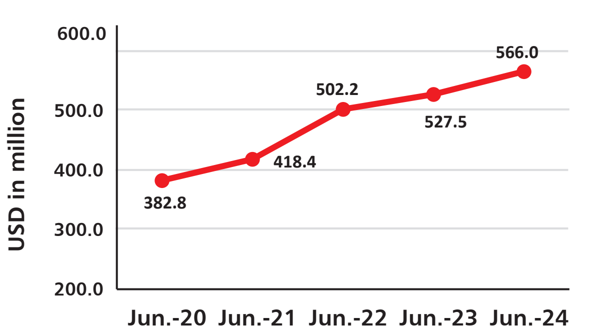
The sectoral composition of loans and advances covers: Domestic Trade and Services took the lion's share of 18.3 percent followed by consumer 15.47 percent, Export 14.73 percent, Industry 13.49 percent, , Building and Construction 11.53 percent, Hotel and Tourism 10.51 percent and Import 6.46 percent, while the rest sectors in aggregate accounted for 9.51 percent of the total outstanding loan book balance.

The Bank maintains excellent asset quality and managed to curb non-performing loan ratio to well below the regulatory requirement of 5%. The Non-Performing-Loans (NPLs) ratio as of 30th June 2024, stood at 2.16 percent, which is significantly below the NBE's 5 percent limit and an internal limit of 3 percent. These result underscore the Bank's effective loan follow-up and management practices and commitment to sound financial health.

International Banking

The International Banking operation has remained a very important operational segment that plays a significant role in strengthening the Bank's income. The total amount of forex mobilized during the fiscal year reached USD 566 million. This represents an increase of USD 38.5 Million or (7.3 percent) compared to last fiscal year. In line with the NBE's surrender requirement, Zemen has during the fiscal year surrendered USD 207.79 million.

Forex Inflow Trend 2020 – 2024 CHART 4

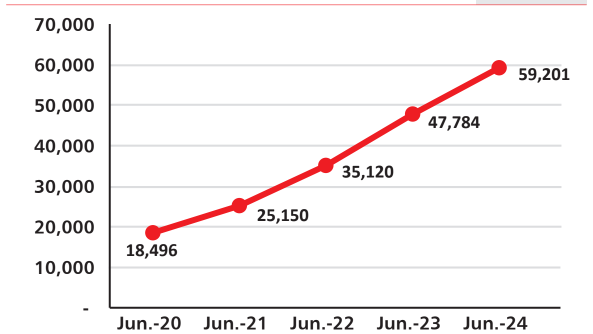


Financial Performance

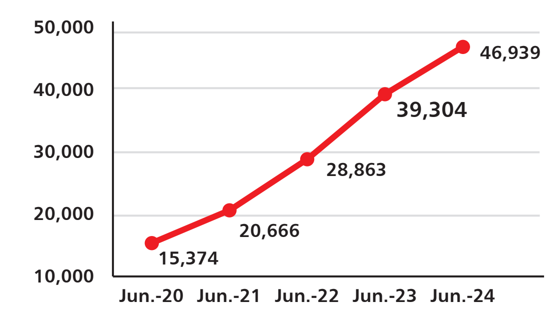
Total Asset

As of June 30, 2024, overall assets totaled Birr 59.2 billion showing a growth of the Bank's Asset base by 23.9 percent compared to last year's same period. This is attributed to the increment observed in loans and Advances which makes up the majority of the Bank's assets, accounting for 60.2 percent; followed by deposits with foreign banks (14 percent) and deposits with NBE, which accounted for 8.15 percent. Furthermore, showcasing the Bank's commitment to prudent liquidity management and strong liquidity position , its liquidity stood well above the regulatory requirement of 15 percent, reaching 32 percent at the end of June 2023/24.

Asset Trend 2020 – 2024(Birr in million) CHART 5



Liability Trend 2020 - 2024(Birr in million) CHART 6



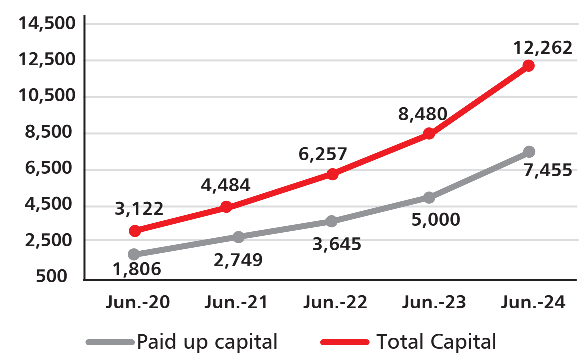
Total Liability

Deposit, which constitutes the biggest portion (92.9 percent) of the liability side of the balance sheet showed a limited increment and resulted in a total liability record Birr 46.94 billion as of June 30, 2024 which showed an increment of 19.42 percent as compared to last year's record.

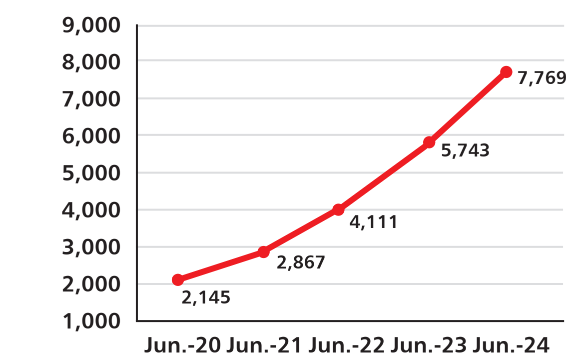
Capital

The Bank's total capital reached to Birr 12.26billion as of June 30, 2024, marking a growth of 44.6 percent compared to the previous year. This increase was driven by significant growth in primary capital components. Furthermore, the bank's paid-up capital reached Birr 7.45 billion reflecting an increase of Birr 2.45 billion (49.1 percent) from the previous year.

Capital Trend 2020-2024 (Birr in million) CHART 7



Income Trend 2020-2024 (Birr in million) CHART 8



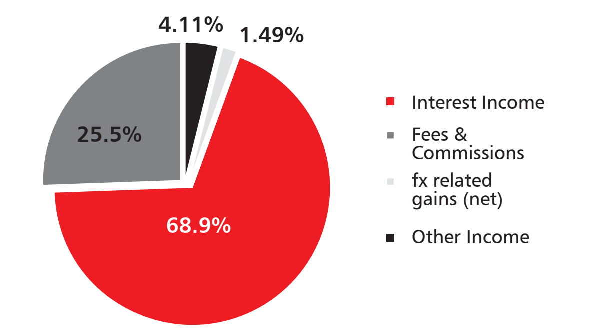
The Bank maintained a strong capital adequacy ratio of 30.6 percent which is well above the regulatory minimum of 8 percent .This demonstrates the bank's strong capital position, ensuring that it is well positioned to withstand external economic shocks.

Income

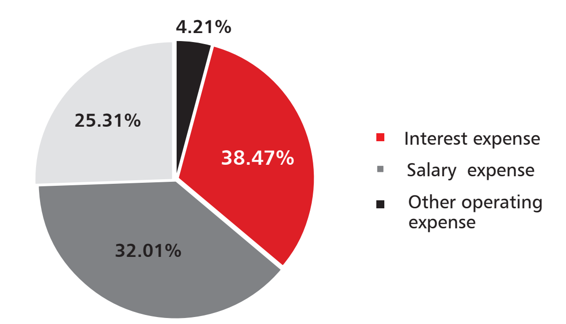
By the end of June 2024, the Bank's total income surged to Birr 7.77 billion at the end of June 2024. This marks a remarkable 35.3 percent increment compared to last year same period and signifies a 101 percent achievement of the annual plan.

Income from interest contributed the largest share of total income amounting to Birr 5.35 billion (68.9 percent. Followed by service charges & commission and net foreign exchange income with Birr 2.3 billion (29.6 percent), which is mainly sourced from foreign exchange-related operations. Other income accounted for the remaining Birr 115.69 million (1.49 percent).

Income Composition CHART 9



Expenditure Composition CHART 10



Z-CLUB BANKING

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..

Expenditure:

During the concluded fiscal year, the Bank's aggregate expenses totaled Birr 4.45 billion. This amount represents an increase of Birr 1.21 billion (37.3 percent) compared to the previous year and up by 4 percent from the annual plan for the period.

Composition wise, interest expenses took the largest share, amounting to Birr 1.71 billion (38.5 percent); followed by salary and benefit expense Birr 1.42 billion (32 percent), general expenses Birr 1.13 billion (25.3 percent), and depreciation and amortization of Birr 187.31 million (4.2 percent).

Earning

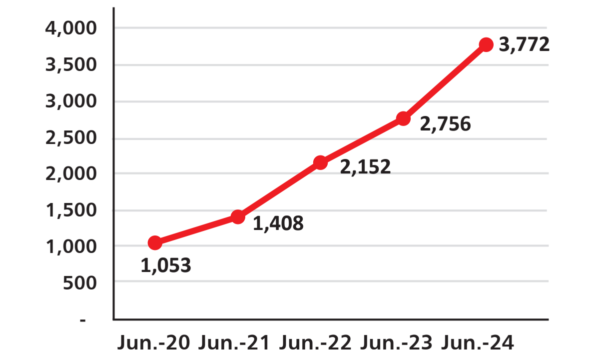
In the concluded fiscal year, Zemen earned a gross profit of Birr 3.77 billion (before depreciation and provision), marking a substantial increase from last year's performance by Birr 1.01 billion; translating to a growth rate of 36.8 percent and indicating an achievement of 100 percent against the plan set for the fiscal year. Similarly, the current period net profit of Birr 2.39 billion surpasses last year's figure by Birr 579 million (32 percent).

Financial Soundness Indicators

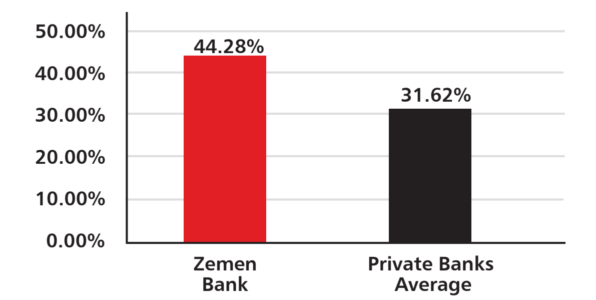
Zemen Bank demonstrated robust performance across three key financial metrics, (EPS, ROAA & ROAE) reflecting strong managerial efficiency and financial health.

Earning Per Share (EPS) - As of June 2024, Zemen Bank reported a profit after taxes of Birr 2.39 billion, translating to an earnings per share of 37.6 Percent. Zemen Bank's EPS continues to be one of highest in the industry and has averaged 44.28 percent over the past five years highlighting Zemen Bank's consistent performance in resiliently generating unmatched value for its shareholders.

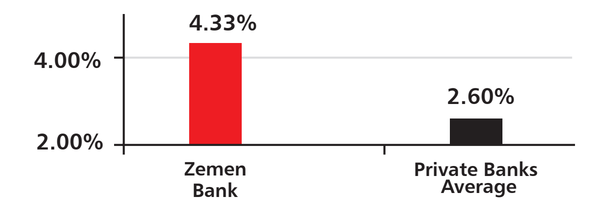
Gross Profit Trend 2020 – 2024 (Birr in million) CHART 11



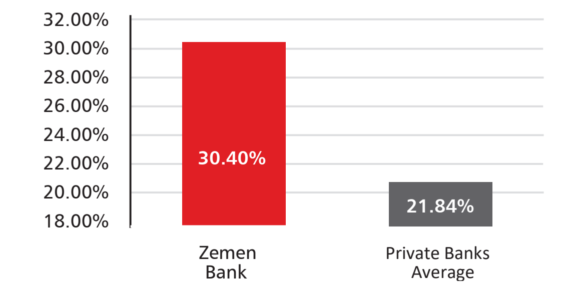
Earning Per Share (EPS) CHART 12



Return on Average Assets (ROAA) CHART 13



Return on Average Equity (ROAE) CHART 14



Return on Average Assets (ROAA) - Zemen Bank achieved a return on average assets (ROAA) of 4.47 percent, surpassing its five-year average of 4.33 percent. This result underscores Zemen Bank's strong performance in effectively utilizing its assets to generate returns and showed a remarkable performance when compared to the private banks average of 2.6 percent.

Return on Average Equity (ROAE) - The Bank's ROE, or rate of return against average capital, for the just-completed year was 27.02 percent which is 3.4pp lower than the average ROE over the preceding five years which stood at 30.4 percent.

Proposal on Dividend Payout

After making appropriate tax, legal reserve and Board remuneration deductions from the gross profit, a net profit of Birr 1,679.72 Million has been transferred to retained earnings.

The Board of Directors proposes 3% (Birr 50.4 million) to be retained by the Bank and the remaining amount of Birr 1,629.33 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 25.62 Percent.

Other Business Developments

2023/24 has been a year of impressive achievements not only on financial parameters but also across all operational activities in which the bank achieved remarkable growth.

Human Capital Development

The Bank is implementing its five years strategy and ten years road map. The human capital function is identified as a strategic enabler to cultivate a high performance culture through attracting and hiring top talent and diverse workforce; investing in a continuous employee learning and development; where employees are empowered to realize their career aspirations thereby providing superior customer experience in generating sustainable value proposition for the Bank's stakeholders.

In this regard, the Bank continues to attract and hire top talents of fresh graduates and experienced staffs. In the year concluded, 360 new employees were hired from external sources, out of this 130 of them were fresh graduates. The fresh graduates passed through an intensive training. Equal attention was also given to existing internal staffs. There were 256 internal promotions, 479 transfers, reshufflings and assignments. The total number of permanent employees as of June 30, 2024 reached 1831.

In an effort to create a high performance culture; continuous performance feedback were given and individual contribution to the Bank's overall achievement were evaluated. Employees and Leaders were rewarded with additional incentives for exemplary performance to inspire excellence and high performance across the Bank.

The Bank highly invests in training, upskilling and reskilling of its employees in order to maintain high professionalism to the sophisticated clientele. Accordingly, a total of 5,295 employees received different technical, soft skill and leadership trainings and development programs. The Bank has signed agreement with LinkedIn learning which is one of the leading online learning platform and has given access to over 800 employees thereby cultivating a culture of continuous learning and professional development. Zemen's employees productivity continues not only to be the leading in the industry but also surpassing the next in the rank with three folds.

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.

Branch and Customer base Expansion

In this fiscal year, Zemen opened 23 new branches across the country, bringing the total number of branches to 125 (108 branches and 17 sub branches) Out of the total number of branches, 78 branches (62%) are based in Addis Ababa while the remaining 47 branches (38%) are up-country outlets. This 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. Apart from its strong corporate customer base, Zemen is penetrating towards SME and retail business market to capture opportunities in the mentioned sub segments as well as expand its banking service.

Omni-Channel Banking

ATMs- To enhance customer convenience with "round-the-clock" service and reduce the operational burden on branches the Bank this year has deployed 93 ATMs at different locations; bringing the total number of ATMs to 293. Over 2.3 million local card transactions have been processed, transalting to withdrawal amounts totaling Birr 4.4 Billion. Additionally, 39,369 international card transactions were conducted, having USD 4.8 million value.

POS: Throughout the past fiscal year, the bank deployed 443 new POS terminals at different merchant locations, bringing the total number of POS terminals to 755. These terminals play a crucial role in processing a significant number of international card transactions, totaling 151,520, which resulted to mobilize USD 7.8 million. Additionally, the POS devices facilitated over 227,934 local card transactions amounting to Birr 607.6 million.

Doorstep Banking

This unique service, brings banking directly to the clients' doorsteps, simplifying the banking experience for our corporate clients.

In the past fiscal year, different customers utilized the Bank's doorstep banking services, resulting in 2,970 journeys to collect over Birr 900 million in cash, Birr 210 million in checks, and more than $110 thousand in foreign currency cash notes.

Onsite Payroll Payment Services

This service allows us to manage their payroll payments to employees, ensuring exceptional service delivery. We cater to customers at their site, ensuring employees receive their salaries promptly while on duty. Against last year same period, all payroll payment amount, number of employees served and number trips increased by23.3%, 4.5% and 17.7%, respectively.

Internet and Mobile Banking Service: As of 30 June 2024, the number of Internet/Mobile banking service subscribers reached 142,297. In this fiscal year, 66,552 new subscribers were added. A total sum of birr 14,639.72 million in 337,292 transactions were processed via mobile/internet banking services.

Information Technology and digitization

During the concluded fiscal year, the Bank undertook several Information Technology related projects as part of its new strategic focus on digital and technological advancement. These initiatives aimed to enhance IT service management practices, elevate customer digital experiences through the development of new software and digital platforms, improve the performance of E-channel services through the introduction of new products, and refine internal processes and systems using software and digital platform innovations.

The Bank has continued making significant progress in digitalization. The bank has successfully completed projects aimed at improving availability, increasing automation, ensuring security, and strengthening its competitive position. These efforts have resulted in the creation of customer-facing solutions and enhancements. Zemen Bank has deployed state-of-the-art technology solutions through internal capabilities and acquisitions.

Furthermore, by leveraging the concept of co-opetition, Zemen Bank has made multiple integrations with Fintechs and Payment Instrument issuers in the past fiscal year. This strategic approach has enabled the bank to reach markets that may not have been accessible independently.

Zemen Bank has achieved significant growth in digital transactions. From the total transactions that hits our core banking system, 66.5% of the transactions were processed through digital channels, highlighting the bank's success in promoting digital banking services.

Risk Management and Compliance

In order to comply with applicable national and international norms and 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 assesed 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.

ESG

Zemen Bank has incorporated ESG (Environmental, Social, and Governance) considerations into its business model and strategy. The bank is currently in the process of integrating ESG principles into its core operations and has established a dedicated unit to handle ESG matters. Over the past few months, the bank has been actively developing mechanisms to make ESG an integral part of its business operations. This involved reviewing ESG practices and national and international regulatory contexts to integrate relevant ESG elements specific to its business nature. The bank now has started to develop ESG commitments and is working on operationalizing ESG policies, guidelines, and programs. Additionally, our partnership with the EIB (European Investment Bank) has reached an important milestone with the start of EIB's green financing technical support program, which will run for 18 months starting from April, 2024.

Corporate Governance

The Corporate Governance structure of the Bank is designed to ensure the effective supervision of the Bank's management while running the Bank's business. There are relevant standing sub-committees in the board organization including Audit, Risk & Compliance, Human Resources, , loan review committee and Strategy and Budget, to oversee the proper implementation of good Corporate Governance practice in the Bank's business endeavors. The Bank remains dedicated to following and upholding the National Bank of Ethiopia's high standards of corporate governance and commercial ethics.

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, Zemen Bank has donated Birr 16.2 million to different charity organizations.

Way Forward

Zemen Bank is dedicated to adopting and implementing business strategies that prioritize long-term sustainability. This commitment involves strategies designed not only to increase its market share but also to uphold and strengthen its brand recognition. By focusing on sustainable practices, Zemen Bank aims to create lasting value for its shareholders, ensuring that their investments yield stable returns over time. Zemen Bank positions itself to thrive in the competitive financial landscape while contributing positively to the broader economic environment. Consequently, the bank acknowledges

the importance of intensifying efforts to address the following critical 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.

Accelerate Digitization

Embracing digital finance helps facilitate the development of a digital economy, a direction that is increasingly vital given the participation of non-bank financial entities and telecom companies in reshaping Ethiopia's financial landscape and enhancing financial inclusion.

Zemen Bank, as a strong competitor in this evolving sector, is committed to continuing its strategic investments in new IT projects. This includes the enhancement of its internal digital platforms and forming strategic partnerships with fintech companies and telecom operators. These efforts are aimed at improving the overall customer experience and maintaining a competitive position in the market. By investing in these areas, Zemen Bank aims to not only meet but also exceed customer expectations in an increasingly digital financial environment..

Adapt to the Changing Financial Landscape

The Ethiopian government is introducing significant changes to the financial services sector, including opening the sector to foreign investors and established a stock market. These initiatives will bring new opportunities for growth but also pose challenges for existing commercial banks. To navigate this evolving landscape, Zemen Bank will adopt a multifaceted strategy. This strategy will involve competing directly in certain areas where the Bank can leverage its strengths and forming strategic partnerships in other areas to capitalize on new opportunities and manage risks. The ultimate goal of these actions is to ensure the Bank's long-term growth and deliver sustainable value to its shareholders, positioning Zemen bank as a reliable and adaptable player in the changing financial environment.

Capital market service

The bank aspires to capitalize on opportunities made available by the introduction of capital market and commenced the journey by investing Birr 45 Miilion on the new Ethiopian security exchange.

Playing a key role as a capital market service provider is one of the opportunites the the bank looking for and working on developing the capacity of its staff on the area of capital market and investment.

ESG

The bank will promote the key principles og ESG and create awareness on Environmental and Social Management Systems (ESMS) that goes with the sustainability risk requirements of the central bank. The bank will also utilize environmental & social risk assessment processes in specific projects. The Bank will also strengthen the already established ESG related partnership and prepares annual ESG report that adheres to a standardized template ensuring compliance with disclosure requirements.

Strategy

Fiscal year 2023/24 is the second year of the implementation of the 5-years strategy and ten-years strategic road map of the Bank under the theme of "Driving the future financial service experience". During the new budget year, the strategy will be revised and the necessary adjustments will be made based on the outcome of the internal and the external environment analysis.

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

ICS ADDIS ABABA International Community School ኢንተርናሽናል ኮምዩኒቲ ትምህርት ቤት Intrnational Community School	Coca-Cola The world's biggest brand
m-pesa | Safaricom ሳፋሪኮም	CORBETTI Geothermal Corbetti Geothermal
IFC International Finance Corporation WORLD BANK GROUP *Creating Markets, Creating Opportunities*	Hilina Enriched Foods PLC
DANGOTE	ORGANISATION OF SOUTHERN COOPERATION منظمة التعاون الجنوبي ORGANISATION DE COOPÉRATION DU SUD ORGANIZACIÓN DE COOPERACIÓN DEL SUR
ArdaghGlassPackaging	JE MAINTIENDRAI 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.

35.6B
LOANS TO CUSTOMERS

38 %
EARNINGS PER SHARE FOR THE YEAR

49 %
Paid-up capital growth from previous year

$566M
IN FOREX INFLOWS

$59.2 B
TOTAL ASSET

37 %
Gross profit growth from previous year

14 %
Loans & Advances growth from previous year

33 %
Net Income growth from previous year

7.45B
PAID UP - CAPITAL

18%
Deposit growth from previous year

43.61B
TOTAL DEPOSIT

SHAREHOLDERS' MEETING

02 December 2023

DOORSTEP BANKING

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

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 2024

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, 2024)

Enye Bemir	Board Chairperson	(Appointed June 2021)
Sewale Abate (PhD)	Board Deputy Chairperson	(Appointed May 2024)
Ermias Eshetu	Non-Executive Director	(Appointed June 2021)
Tilaye Kassahun (PhD)	Non-Executive Director	(Appointed June 2021)
Abera Abegaz	Non-Executive Director	(Appointed May 2024)
Dawit Ergetu	Non-Executive Director	(Appointed May 2024)
Emawayish Addisu	Non-Executive Director	(Appointed May 2024)
Getnet Belay (Eng.)	Non-Executive Director	(Appointed May 2024)
National Insurance Company of Ethiopia	Non-Executive Director	(Appointed May 2024)

Executive Management (as of June 30, 2024)

Dereje Zebene	President/CEO	(Appointed Apr 2018)
Meseret Wondim	Chief Officer - Finance	(Appointed Aug 2016)
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)
Michael Tsegaye	Chief Officer - Wholesale Banking	(Appointed Oct 2022)
Elias Kinfegebriel	Deputy Chief Officer - Estate Management	(Appointed Oct 2022)
Takele Dibekulu	Deputy Chief Officer - Human Capital	(Appointed Apr 2023)
Haileyesus Mezgebu	A/Chief Technology Officer	(Appointed June 2024)
Phylipos Mitiku	A/Chief Officer - Information	(Appointed June 2024)

Senior Management (as of June 30, 2024)

Abdulkadir Wolela	Director - Interest Free banking Department	(Appointed Mar 2024)
Abel Melaku Asfaw	Director - Treasury & Investment Department	(Appointed Oct 2022)
Aklilu Sisay	Director -Branch Management Department	(Appointed May 2019)
Ayele Tibebu	Director - Procurement & Contract Management Department	(Appointed Oct 2022)
Biniyam Abreham	Director - Trade Service Department	(Appointed Aug 2016)
Birhanu Beyene	Director - Legal Service Department	(Appointed Feb 2019)
Biruk Assefa	A/Director - SME Banking Department	(Appointed June 2024)
Eskatnaf Bayou	Director - Cyber & IT Security Department	(Appointed Oct 2022)
Fekadu Mihretu	Director - Omni Channel Services Department	(Appointed Oct 2022)
Fikru Tabor	Director - Risk & Compliance Management Department	(Appointed Mar 2021)

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 2024

Girum Tariku	Director-Marketing & Corporate Communication Departement	(Appointed Mar 2023)
Habte Reji	Director -Database Management & Analytics Departement	(Appointed Mar 2023)
Kassahun Merawi	Director - Engineering & Building Management Department	(Appointed Apr 2017)
Lemma Alemayehu	Director - Finance & Investor's Relation Department	(Appointed May 2019)
Marta Gebremeskel	Director - Fund Management & Remittance Department	(Appointed Oct 2022)
Mechal Bedada	Director -Property & Logistics Management	(Appointed Jan 2023)
Meheret Asmare	Director -Security Services Departement	(Appointed Oct 2022)
Mesfin Berhan	Director - Credit Appraisal Department	(Appointed Apr 2023)
Nuru Mustefa	Director - Performance Management & Employee Service Department	(Appointed May 2023)
Seble Tilahun	Director - Corporate Banking Departement	(Appointed Oct 2022)
Seyfesilassie Meaza	Director - Digital Channel Management Department	(Appointed Oct 2022)
Tesfahun Demele	Director - Strategy Implementation & Change Management Department	(Appointed Oct 2022)
Tesfaye Birru	Executive Assistant to the President/CEO	(Appointed Oct 2022)
Tewodros Beyene	Director - Research & Business Development Department	(Appointed Oct 2022)
Thomas Getachew	Director - Talent Acquisition, Development & Management Department	(Appointed Oct 2022)
Tigist Wondimagegnehu	Director - Credit Portfolio Management Department	(Appointed Oct 2022)
Yohannes Getachew	Director - Internal Audit Department	(Appointed Aug 2016)
Zewdu Ayenew	Director - IT Infrastructure Management Department	(Appointed Oct 2022)

Registered office
Lideta Subcity,Woreda07, House No. New,
Ras Abebe Aregay Road,
Addis Abeba, Ethiopia
P. O. Box. 1212

Actuaries
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Email: craigfalconer@qedactuarial.com
Sandton, Johannsburg, 2196
South Africa

Independent Auditors
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Ethio-China Avenue; Wollosefer
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 2024

The Directors submit their report together with the financial statements for the period ended 30 June 2024, 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. 592/2008 (ammended proclamation no. 115/2019) 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 2024	30 June 2023
	Number of Shares	
Issued, and subscribed		
Ordinary Shares, with par value of ETB 1,000 each	14,981,245	5,000,000
Paid up capital		
Ordinary Shares, with par value of ETB 1,000 each	7,455,181	5,000,000

Results and dividends

The Bank's results for the year ended June 30,2024 are set out on page 9. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2024	30 June 2023
	Birr'000	Birr'000
Interest income	5,352,881	3,996,963
Profit / (loss) before tax	3,318,310	2,501,041
Tax (charge) / credit	(925,880)	(687,927)
Profit / (loss) for the year	2,392,430	1,813,114
Other comprehensive income / (loss) net of taxes	250,425	94,074
Total comprehensive income / (loss) for the year	**2,642,854**	**1,907,187**

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 2024

Events after the reporting period

On 29 July 2024 the National Bank of Ethiopia announced the floating exchange rate policy. The NBE lifted the stringent control and restriction on foreign exchange trading and foreign currencies will be transacted on market rates. The new directive has also allowed banks and authorized foreign exchange dealers to buy and sell foreign currencies at freely negotiated rate.

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.

Date of authorisation for issue of financial statements

The Financial Statements have been authorised for issue by the Board of Directors on September 26, 2024. 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 41 to 127, 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:

Enye Bemir

Chairperson of Board of Directors
September 26, 2024

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, 2024

The Commercial Code of Ethiopia 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 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 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 41 to 127 were approved and authorised for issue by the Board of Directors on September 26, 2024 and were signed on its behalf by:

Signed on behalf of the Board of Directors By:

Enye Bemir

Chairperson of Board of Directors

Dereje Zebene
President /CEO

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

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 41 to 127, which comprise the statement of financial position as at June 30, 2024 , 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, 2024, 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 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.

Estimation of Expected credit losses on loans and advances

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.

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

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 & advances, judgement is exercised in the consideration of quantitative & qualitative factors.

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

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.

Reliance on Information & Communications Technology (ICT) systems and applications for financial control and reporting.

The Bank's financial control, accounting and reporting processes are heavily dependent on complex information and communications technology systems and applications. Specifically, the calculation, recording and financial reporting of financial transactions and balances are significantly dependent on automated processes.

Weaknesses in the design & operating effectiveness of the automated accounting procedures and related IT dependent manual controls could result in material errors in the financial information, which makes this an area of focus.

Our audit focus on information and communications technology systems & applications and controls Over financial reporting included the following areas:

- management of logical access to critical systems including privileged access.
- controls over changes of programs.
- automated application controls for transaction processing, accounting, & financial reporting.

How our audit address the key audit matter

- Evaluated and tested both the design and operational effectiveness of controls ensuring the integrity of IT systems and applications that are pertinent to financial accounting and reporting.
- We also examined specific aspects of IT system security, including the management of logical access and the segregation of duties.
- When we identified deficiencies in either the design or operational effectiveness of controls, we adjusted our audit approach. This involved testing compensating controls or intensifying

our detailed testing. These additional measures helped address the deficiencies or provided greater assurance for the audit.

- We verified any manual adjustments made to information produced by IT systems and applications, evaluating their appropriateness. Additionally, we rechecked automated controls and calculations performed by core banking systems and other major applications to confirm that they function correctly and as intended.

Other Information

The other information comprises the information included in the Annual Report for the year ended June 30, 2024, which includes the Directors' Report as required by the provisions of 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.

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 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.

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 Tekeste Gebru.

HST

HST Audit Limited Liability Partnership · Chartered Certified Accountants & Auth. Auditors

Tekeste Gebru
Managing Partner

HST Audit Limited Liability Partnership (LLP),Chartered Certified Accountants and Authorized Auditors (Auditors' of Zemen Bank Share Company)Addis Ababa, Ethiopia

Septemeber 26, 2024

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 2024 (In Ethiopian Birr)

	Notes	30 June 2024 ETB'000	30 June 2023 ETB'000
Interest income	5	5,352,881	3,996,963
Interest expense	6	(1,712,315)	(1,366,195)
Net interest income		3,640,566	2,630,768
Fees and commission income	7	1,981,377	1,324,450
Fees and commission expense	**7**	**(22,430)**	**(17,300)**
Net fees and commission income		1,958,947	1,307,150
Net foreign exchange Income	8	319,098	269,697
Other operating income	9	115,696	152,284
Total operating income		6,034,306	4,359,900
Loan impairment charge	10	(266,032)	(141,725)
Impairment losses on other assets	11	(41)	(237)
Net operating income		**5,768,233**	**4,217,937**
Personnel expenses	12	(1,424,457)	(954,293)
Amortisation and impairment of intangible assets	20	(40,631)	(32,224)
Depreciation and impairment of property, plant and equipment	21	(146,679)	(81,119)
Other operating expenses	13	(838,157)	(649,261)
Profit before taxation		**3,318,310**	**2,501,041**
Income tax expense	14a	(925,880)	(687,927)
Profit after income tax expense		**2,392,430**	**1,813,114**
Other comprehensive income (OCI) Net of income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on defined benefit obligations	27	(7,824)	(18,127)
Deferred tax (liability)/asset on remeasurement loss	14	2,347	5,438
Remeasurement gain/(loss) on equity investments	17	**365,574**	**152,518**
Deferred tax (liability)/asset on remeasurement gain	14	(109,672)	(45,755)
		250,425	94,074
Total comprehensive income for the year		**2,642,854**	**1,907,187**
Basic and diluted earnings per share	29	376	430

The accounting policies on pages 45 to 74, and the notes on pages 75 to 127, form an integral part of the financial statements.

ZEMEN BANK S.C.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024 (In Ethiopian Birr)

	Notes	30 June 2024 ETB'000	30 June 2023 ETB'000
ASSETS			
Cash and cash equivalents	15	13,962,284	8,914,774
Loans and advances to customers (net)	16	35,630,149	31,393,240
Investments at fair value through OCI	17	783,909	302,537
Investment at amortized cost	17	4,458,648	3,313,028
Other assets	18	1,069,879	1,314,747
Right of use asset	19	589,348	466,590
Intangible assets	20	198,342	167,965
Property, plant and equipment	21	2,508,223	1,911,637
Total assets		**59,200,783**	**47,784,520**
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits from other banks	22	516,105	205,679
Deposits from customers (Net)	23	43,094,736	36,873,291
Current income tax	14c	925,258	698,153
Other liabilities	24	1,397,671	1,228,465
Lease liabilities	26	69,250	95,439
Borrowings	25	675,524	77,827
Defined benefit obligations	27	84,252	56,741
Deferred tax	14d	176,043	68,878
Total liabilities		46,938,839	39,304,473
EQUITY			
Share capital	28b	7,455,181	5,000,000
Share premium	28c	906	906
Special reserve	28d	97,672	61,150
Retained earnings	30	1,679,726	1,352,661
Legal reserve	31	2,295,749	1,697,642
Regulatory risk reserve	32	331,866	217,270
Other reserve	33	400,843	150,418
Total equity		**12,261,943**	**8,480,047**
Total equity and liabilities		**59,200,783**	**47,784,520**

The accounting policies on pages 45 to 74, and the notes on pages 75 to 127, form an integral part of the financial statements.

The financial statements and the notes on pages 41 to 127 were approved and authorised for issue by the Board of Directors on September 26, 2024 and were signed on its behalf by:

Enye Bemir

Chairperson of Board of Directors

Dereje Zebene

President/CEO

ZEMEN BANK S.C.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2024 (In Ethiopian Birr)

	Share capital ETB'000	Share premium ETB'000	Special reserve ETB'000	Retained earnings ETB'000	Regulatory risk reserve ETB'000	Other reserve ETB'000	Legal reserve ETB'000	Total ETB'000
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
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**94,074**	**-**	**94,074**
Transaction with owners in their capacity as owners								
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 transaction with owners in their capacity as owners	**1,355,346**	**112**	**28,907**	**(1,531,067)**	**7,174**	**2,235**	**453,278**	**315,985**
Balance as at 30 June 2023	**5,000,000**	**906**	**61,150**	**1,352,661**	**217,270**	**150,418**	**1,697,642**	**8,480,047**
Balance as at 1 July 2023	**5,000,000**	**906**	**61,150**	**1,352,661**	**217,270**	**150,418**	**1,697,642**	**8,480,047**
Profit for the period	-	-	-	2,392,430	-	-	-	2,392,430
Other comprehensive income:								
Re-measurement gains on defined benefit plans (net of tax)	-	-	-	-	-	(5,477)	-	(5,477)
Fair value adjustment	-	-	-	-	-	255,902	-	255,902
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**250,425**	**-**	**250,425**
Transaction with owners in their capacity as owners								
Dividends paid	-	-	-	(1,352,661)	-	-	-	(1,352,661)
Proceeds from issue of shares	2,455,181	-	-	-	-	-	-	2,455,181
Transfer to legal reserve	-	-	-	(598,107)	-	-	598,107	-
Transfer to regulatory risk reserve	-	-	-	(114,596)	114,596	-	-	-
Special reserve	-	-	36,522	-	-	-	-	36,522
Total transaction with owners in their capacity as owners	**2,455,181**	**-**	**36,522**	**(2,065,365)**	**114,596**	**-**	**598,107**	**1,139,041**
Balance as at 30 June 2024	**7,455,181**	**906**	**97,672**	**1,679,726**	**331,866**	**400,843**	**2,295,749**	**12,261,943**
Notes	28	28	28d	30	32	33	31	

The accounting policies on pages 45 to 74, and the notes on pages 75 to 127, form an integral part of the financial statements.

ZEMEN BANK S.C.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024 (In Ethiopian Birr)

	Notes	30 June 2024 ETB'000	30 June 2023 ETB'000
Cash flows from operating activities			
Cash generated from operations	34	5,991,541	2,395,082
Income tax paid	14c	(698,153)	(532,817)
Net cash inflow from operating activities		**5,293,388**	**1,862,265**
Cash flows from investing activities			
Purchase of investment securities	17	(1,145,619)	(859,090)
Purchase of intangible assets	20	(71,008)	(89,765)
Purchase of property, plant and equipment	21	(786,119)	(570,467)
Purchase of additional equity investments	17	(116,216)	(17,170)
Prepayments on Right of Use Assets	19	(122,758)	(190,132)
Proceeds from sale of property, plant and equipment	34	2,716	40,274
Net cash (outflow)/inflow from investing activities		**(2,239,005)**	**(1,686,351)**
Cash flows from financing activities			
Proceeds from issues of shares	28	2,455,181	1,355,346
Proceeds from shares Premium	28	-	112
Proceeds from borrowings	25	597,697	77,827
Receipt (Payments) of lease liabilities	26	(26,188)	57,969
Dividend paid	30	(1,352,661)	(1,070,615)
Net cash inflow from financing activities		**1,674,029**	**420,639**
Total cash movement for the year		**4,728,412**	**596,554**
Cash and cash equivalents at the beginning of the year	15	8,914,774	8,048,523
Foreign exchange (losses)/ gains on cash and cash equivalents	8	319,098	269,697
Cash and cash equivalents at the end of the year	15	**13,962,284**	**8,914,774**

The accounting policies on pages 45 to 74, and the notes on pages 75 to 127, form an integral part of the financial statements.

ZEMEN BANK S.C.

ACCOUNTING POLICIES

FOR THE YEAR ENDED JUNE 30, 2024

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. 592/2008 (ammended proclamation no. 115/2019) and the Commercial Code of Ethiopia. The headquarter of the bank is located at:

Ras Abebe Aregay Road
P.O.Box 1212
Lideta Subcity, Woreda 07, House No. New
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 Summary of material accounting policies

1.1 Introduction to summary of material 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.

1.2 Basis of preparation

The financial statements for the period ended June 30, 2024 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.

All values are rounded to the nearest thousands in Ethiopian Birr, exept when otherwise indicated.

1.2.1 Going concern

The financial statements have been prepared on a going concern basis. The management have no doubt that the Bank would remain in existence after 12 month

1.3 Significant accounting judgements, assumptions 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

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

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)

1.3.1 Judgements

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 exercise 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)

1.3.2 Estimates and assumptions

The key estimates and assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

a. Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment an on going basis. Where impairment has been identified, an allowance for impairment is recorded. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination in which case loan allowance is measured at an amount equal to lifetime ECL.

If the financial asset meets the definition of purchased or originated credit impaired (POCL), the allowance is based on the change in the ECLs over the life of the asset. The Bank generally considers a debt security to have low credit risk when their credit risk rating is equivalent to

ZEMEN BANK S.C.
ACCOUNTING POLICIES
FOR THE YEAR ENDED JUNE 30, 2024

the globally understood definition of 'investment grade'. Loss allowances on such low credit risk instrument are recognized at the equivalent of 12-month ECL.

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses) A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as the expected life of the instrument, determination of significant increase in credit risk, selection of appropriate macro- economic variables and other forward–looking information etc.

Determining criteria for significant increase in credit risk and choosing appropriate models and assumptions for the measurement of ECL. The assessment of SICR and the calculation of ECL both in incorporate forward-looking information. In assessing SICR, the Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has been applied in this process.

The use of historical loss experience is supplemented with significant Director judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgment are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

Measurement of expected credit loss allowance

b. Fair value of financial instruments

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.

Key source of estimation uncertainty

c. 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.

d. 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.

e. 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.

f. 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.

ZEMEN BANK S.C.
ACCOUNTING POLICIES
FOR THE YEAR ENDED JUNE 30, 2024

g. Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

h. Hyperinflation

The IMF World Economic Outlook Report Database includes Ethiopia in the list of countries with three-year cumulative inflation rates exceeding 100% in May 2024 and is classified as hyperinflationary economy. According to IAS 29, Financial statements of entities whose functional currency is of a hyperinflationary economy should prepare their financial statements in terms of the measuring unit current at the balance sheet date. Entities must express their financial statements in the currency that reflects the general pricing power of the functional currency at the specific balance sheet date.

IAS 29:4 states all entities that report in the currency of hyperinflationary economy should, ideally, apply IAS 29 from the same date to achieve consistency in financial reporting between entities though it places responsibility on individual entities to consider potential impact on their financial statements. IAS29:4 also states that whether a country is experiencing hyperinflation for the purpose of IAS 29 will generally be determined by consensus of the accounting profession rather than by each entity individually. In view of this, the Accounting and Auditing Board of Ethiopia (AABE) has concluded and circulated a pronouncement to the accounting practitioners and the reporting entities that Ethiopia does not fulfill the characteristics of hyperinflation economy, hence no restatement is required in the financial statements. As a result, these financial statements are not restated for the effect of the hyper-inflationary adjustment, had management applied IAS 29 in the preparation of these financial statements.

1.4 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.

measured at the fair value of the consideration received or receivable, taking into tractually defined terms of payment and excluding taxes or duty.

arns income from interest on loans given for domestic trade and services, building ction, manufacturing, agriculture, hotel and tourism, transportation, import, export er loans. Other incomes includes service charge on letter of credits and commission nce guarantees

d similar income and expense

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

g amount of the financial asset or financial liability is adjusted if the Bank revises s of payments or receipts. The adjusted carrying amount is calculated based on the and the change in carrying amount is recorded as 'Interest and similar income' for sets and Interest and similar expense for financial liabilities. Once the recorded value al asset or a group of similar financial assets has been reduced due to an impairment st income continues to be recognised using the rate of interest used to discount the flows for the purpose of measuring the impairment loss.

st income

nterest rate and amortised cost

ome and expense are recognised in profit or loss using the effective interest method. ve interest rate' is the rate that exactly discounts estimated future cash payments or ough the expected life of the financial instrument to:

s carrying amount of the financial asset; or

rtised cost of the financial liability.

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

tion of the effective interest rate includes transaction costs and fees and points paid that are an integral part of the effective interest rate. Transaction costs include l costs that are directly attributable to the acquisition or issue of a financial asset or bility.

ZEMEN BANK S.C.
ACCOUNTING POLICIES
FOR THE YEAR ENDED JUNE 30, 2024

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.

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 improves.

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 FVTOCI calculated on an effective interest basis;

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.

1.4.3 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.

1.4.4 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.

1.4.5 Foreign currency translation

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.

1.5 Foreign exchange revaluation gains or loses

(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.

1.6 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.

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

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.

1.7 Financial instruments

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

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.

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

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 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.

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.

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;

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- 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 at the 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 of IFRS 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 accompanying notes are an integral part of the financial statements.

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
- 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.

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 & 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.

1.8 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

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payments as an operating expense (note 14) on a straightline 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;
- ease 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.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

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 accompanying notes are an integral part of the financial statements.

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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 Bank as a lessor
Leases for which the bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

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

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in other operating income.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

1.9. 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.

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

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

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 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.

1.11 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

1.12 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

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

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.

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.

1.13 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.

1.14 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.

(C) Office Supplies

Office supplies stated at cost, cost being determined on moving average basis.

1.15 Fair value measurement

The Bank measures financial instruments classified as available-for-sale at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarised in the following notes:

- Disclosures for valuation methods, significant estimates & assumptions (notes 1.3 and note 4.9.1)
- Quantitative disclosures of fair value measurement hierarchy (note 4.9.2)
- Financial instruments (including those carried at amortised cost) (note 4.9.3)

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.

1.16 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.

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(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.

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.

1.17 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 expenditures that will be undertaken;
- 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.

1.18 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.

1.19 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

(i) New Standards, amendments, interpretations issued but not yet effective

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.

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IAS 1 - Classification of Liabilities as Current or Non-current (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. The amendments to IAS 1 lead to changes in the classification of certain liabilities as current or non-current. The amendments clarify that the right to defer settlement of a liability must exist for at least 12 months after the reporting period. Companies may need to provide additional disclosures for liabilities classified as non-current and subject to covenants within 12 months of the reporting date.

The amendments are applicable for annual reporting periods beginning on or after 1 January 2024.

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.

(ii) IFRS Sustainability Standards issued by ISSB but are not yet effective

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 sets out the general requirements for the content and presentation of information that an entity needs to provide about sustainability-related risks and opportunities. The objective of providing such information is to support users of general purpose financial reports in their decision-making process that relates to providing resources to the entity which prepares the general purpose financial report. That is, this information is intended to enable those users to assess the entity’s exposure to sustainability-related risks and opportunities over the short, medium and long term, as well as to assess how the entity manages those risks and opportunities in order to inform their decisions in providing resources to that entity.

IFRS S1 is effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted.

IFRS S2 Climate-related Disclosures

IFRS S2 requires an entity “to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity." To meet this objective, an entity is required to disclose information about the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. Consistent with the requirements in IFRS S1, risks and opportunities that could reasonably be expected to affect the entity's prospects are those that could reasonably be expected to affect its cash flows, its access to finance or cost of capital over the short, medium, and long term Those climate-related risks and opportunities that are not reasonably expected to affect an entity's prospects are outside the scope of IFRS S2

IFRS S2 is effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted.

IFRS 18 — Presentation and Disclosure in Financial Statements

IFRS 18, replaces IAS 1 presentation of financial statmemnt, sets out significant new requirements for how financial statements are presented, with particular focus on:

- The statement of profit or loss, including requirements for mandatory sub-totals to be presented. IFRS 18 introduces requirements for items of income and expense to be classified into one of five categories in the statement of profit or loss. This classification results in certain sub-totals being presented, such as the sum of all items of income and expense in the operating category comprising the new mandatory 'operating profit or loss' sub-total.
- Aggregation & disaggregation of information, including the introduction of overall principles for how information should be aggregated and disaggregated in financial statements.
- Disclosures related to management-defined performance measures (MPMs), which are measures of financial performance based on a total or sub-total required by IFRS Accounting Standards with adjustments made (e.g. 'adjusted profit or loss'). Entities will be required to disclose MPMs in the financial statements with disclosures, including reconciliations of MPMs to the nearest total or sub-total calculated in accordance with IFRS Accounting Standards.

IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 with earlier application permitted.

3 New Standards and Interpretations Effected This Year

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

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

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 Bank has adopted the amendment for the first time in the 2024 financial statements. The impact of the amendment is not material.

IAS 12 - Income Taxes (Amendment)

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

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 Bank has adopted the amendment for the first time in the 2024 financial statements. The impact of the amendment is not material.

IFRS 17 - Insurance Contracts

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

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The Bank has adopted the amendment for the first time in the 2024 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 2024	Notes	Fair value through Other Comprehensive Income ETB'000	Amortised Cost ETB'000	Total ETB'000
Cash and cash equivalents	15	-	13,962,284	13,962,284
Loans and advances to customers (net)	16	-	35,630,149	35,630,149
Investments at fair value through OCI	17	783,909	-	783,909
Investment at amortized cost	17	-	4,458,648	4,458,648
Other assets	18	-	1,069,879	1,069,879
		783,909	**55,120,961**	**55,904,870**

30 June 2023	Notes	Fair value through Other Comprehensive Income ETB'000	Amortised Cost ETB'000	Total ETB'000
Cash and cash equivalents	15	-	8,914,774	8,914,774
Loans and advances to customers (net)	16	-	31,393,240	31,393,240
Investments at fair value through OCI	17	302,537	-	302,537
Investment at amortized cost	17	-	3,313,028	3,313,028
Other assets	18	-	1,314,747	1,314,747
		302,537	**44,935,789**	**45,238,326**

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.d 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 advances 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 lending, 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, 2024 and June 30, 2023, respectively, is represented by the net carrying amounts in the statement of financial position.

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

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NOTES TO THE FINANCIAL STATEMENTS
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	Note	30 June 2024 ETB'000	30 June 2023 ETB'000
Cash and cash equivalents	15	13,962,284	8,914,774
Loans and advances to customers	16	35,630,149	31,393,240
Investments at fair value through OCI	17	783,909	302,537
Investment at amortized cost	17	4,458,648	3,313,028
Other assets	18	1,069,879	1,314,747
		55,904,870	45,238,326
Credit risk exposures relating to off balance sheets are as follows:			
Loan commitments		6,066,577	5,879,929
Letter of credit and other credit related obligations	37b	3,227,002	3,318,863
		9,293,579	9,198,793
		65,198,448	**54,437,118**

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

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

	30 June 2024 ETB'000	30 June 2023 ETB'000
Domestic Trade and Service	6,630,444	8,010,456
Industry	4,886,499	5,194,022
Export	5,336,641	5,198,123
Personal Loans - Customers	5,605,689	3,586,927
Building and construction	4,178,164	2,309,744
Import	2,340,890	2,323,494
Hotel and Tourism	3,808,947	2,945,333
Personal Loans - Staffs	1,855,007	1,528,501
Agriculture	503,737	410,222
Transportation	1,088,250	319,072
	36,234,266	**31,825,894**

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

	30 June 2024 ETB'000	30 June 2023 ETB'000
Performing	34,276,679	30,638,175
Under Performing	186,169	842,359
Non Performing	1,771,418	345,360
	36,234,266	**31,825,894**

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

(i) Credit quality of Cash and bank balances

The credit quality of Cash and bank balances and short-term investments that were neither past due nor impaired at as 30 June 2024 and 30 June 2023 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. However, Cash and bank balances that is held in foreign banks can be assessed by reference to credit rating agency designation as shown in the table below;

	30 June 2024 ETB'000	30 June 2023 ETB'000
A+	4,520,637	2,859,891
A	3,731,983	1,251,114
AA-	2,348	269,741
B+	50,598	1,090
BBB+	7,102	19,681
Not Rated	5,042,051	4,136,560
	13,354,719	**8,538,078**

Definitions of ratings

AA: Very high credit quality	This denotes expectations of a very low default risk. It indicates a very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A: High credit quality	This denotes expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB: Good credit quality	This indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.
Not rated	This indicates financial institutions or other counterparties with no available ratings.

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

A "+ "(plus) or "-" (minus) may be appended to a rating to indicate the relative position of a credit within the rating category. This is based on Fitch national long-term issuer default ratings.

(ii) Loans and advances to customers at amortized cost

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 1.7. (c), (i)

30 June 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Stage 1 – Pass	34,276,679	-	-	34,276,679
Stage 2 – Special mention	-	186,169	-	186,169
Stage 3 - Non performing	-	-	1,771,418	1,771,418
Total gross exposure	**34,276,679**	**186,169**	**1,771,418**	**36,234,266**
Loss allowance	(217,578)	(48,171)	(338,367)	(604,117)
	34,059,101	**137,997**	**1,433,051**	**35,630,149**

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**

(iii) Off balance sheet items

30 June 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Stage 1 – Pass	308,733	-	-	308,733
Stage 2 – Special mention	-	-	-	-
Stage 3 - Non performing	-	-	-	-
Total gross exposure	**308,733**	**-**	**-**	**308,733**
Loss allowance	(18)	-	-	(18)
	308,715	**-**	**-**	**308,715**

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

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

(iv) Other financial assets (debt instruments)

30 June 2024		Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	13,962,952	(668)	13,962,284
Investment securities (debt instruments)	12 Month ECL	4,458,871	(223)	4,458,648
Other receivables and financial assets	Lifetime ECL	13,791	(1,230)	12,561
Emergency staff loans	Lifetime ECL	214,488	(11)	214,477
		18,650,102	**(2,132)**	**18,647,970**

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**

v) 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.

vi) Investment securities designated as at FVTPL

At 30 June 2024, 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 Bank considers 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 are considered. 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 Business Monitor International, 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 2024 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	763	935	1,070
Exports of goods and services, USD	9,396	10,689	11,818
Government domestic debt, LCU	1,601,205	1,831,600	2,059,995
LCU/USD, ave	53	57	59
Nominal GDP, LCU	6,324,877	8,013,282	9,616,084
Private final consumption, LCU	4,706,091	5,637,460	6,537,715
Total domestic demand, LCU	6,554,527	7,774,860	9,014,880
Savings, LCU	1,139,738	1,333,876	1,571,134
Population	122,292,044	125,261,131	128,250,164
Consumer price index inflation, 2010=100, eop	757	893	999
M1, LCU	519,050	584,105	660,745
M2, LCU	1,669,935	1,932,335	2,247,120
Current expenditure, LCU	510,010	596,728	716,557
Goods imports, USD	15,798	16,433	17,419
Goods exports, USD	4,137	4,393	4,740
Current account balance, USD	(4,804)	(4,748)	(4,996)
Import cover months	2	2	2
Total household spending, LCU	5,494,617	6,584,552	7,636,051
Nominal GDP, USD	115,100	130,089	144,653
Real GDP, LCU (2010 prices)	1,031,006,500,000	1,097,146,000,000	1,172,494,000,000
Real GDP, USD (2010 prices)	71,549,973,629	76,139,934,488	81,368,948,479
Real GDP per capita, USD (2010 prices)	567	589	614
Nominal GDP, USD (PPP)	358,557,612,057	394,406,827,578	428,362,843,461
Private final consumption, USD	87,766	99,434	109,823
Private final consumption per capita, USD	0	0	0
Government final consumption, LCU	487,844	566,298	646,227
Government final consumption, USD	9,106	9,990	10,858
Exports of goods and services, LCU	503,898	605,981	703,534
Exports of goods and services per capita, USD	0	0	0
Imports of goods and services, LCU	887,821	1,004,879	1,106,430
Imports of goods and services, USD	16,575	17,735	18,598
Total domestic demand, USD	122,279	137,135	151,433
Total domestic demand per capita, USD	0	0	0
Unemployment, % of labour force, ave	3	3	3
Real effective exchange rate index	15	10	8
LCU/USD, eop	55	58	61

Total revenue, LCU	476,482	648,397	886,025
Total revenue, USD	8,877	11,412	14,856
Total expenditure, LCU	681,893	857,966	1,104,728
Total expenditure, USD	12,721	15,114	18,534
Current expenditure, USD	9,525	10,522	12,031
Budget balance, LCU	(205,411)	(209,569)	(218,704)
Budget balance, USD	(3,844)	(3,702)	(3,678)
Services imports, USD	6,267	6,697	7,183
Services exports, USD	5,569	5,898	6,246
Total reserves ex gold, USD	3,160	3,649	4,137
Total external debt stock, USD	40,112	44,667	49,384
Long-term external debt stock, USD	38,315	42,836	47,517
Public external debt stock, USD	38,315	42,836	47,517
Total government debt, USD	71,350	80,340	87,275
Total debt service, USD	2,526	2,884	3,181
Gross domestic product, constant prices	2,329	2,485	2,643
Gross domestic product, current prices	7,440	10,299	13,591
Gross domestic product, current prices	139	172	186
Gross domestic product, current prices	377	414	450
Gross domestic product, deflator	318	413	513
Gross domestic product per capita, constant prices	22,201	23,318	24,412
Gross domestic product per capita, constant prices	2,989	3,140	3,287
Gross domestic product per capita, current prices	70,837	96,546	125,425
Gross domestic product per capita, current prices	1,327	1,711	2,037
Gross domestic product per capita, current prices	3,593	3,887	4,153
Gross domestic product based on purchasing-power-parity (PPP) share of world total	0	0	0
Implied PPP conversion rate	20	25	30
Total investment	24	21	19
Gross national savings	20	18	17
Inflation, average consumer prices	343	438	532
Inflation, end of period consumer prices	376	469	555
Population	105	107	108
General government revenue	622	851	1,125
General government revenue	8	8	8
General government total expenditure	860	1,080	1,435
General government total expenditure	12	11	11

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

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General government net lending/borrowing	(239)	(229)	(310)
General government net lending/borrowing	(3)	(2)	(2)
General government primary net lending/borrowing	(192)	(166)	(199)
General government primary net lending/borrowing	(3)	(2)	(1)
General government net debt	2,932	3,270	3,804
General government net debt	40	32	28
General government gross debt	3,106	3,465	3,999
General government gross debt	43	34	30
Gross domestic product corresponding to fiscal year, current prices	7,440	10,299	13,591
Current account balance	(5)	(5)	(5)
Current account balance	(4)	(3)	(2)
Gross Domestic Product	6	6	6
Domestic Demand	6	6	6
Exports of Goods & NF Services	11	14	17
Imports of Goods & NF Services	25	32	37
Nominal Per-Capita GDP	1,099	1,360	1,531
Year-end	55	61	72
Annual Average	53	57	65
Short-Term Interest Rate	8	8	8
Policy Interest Rate (Year-end)	13	13	13
Unemployment Rate (Annual average)	3	3	3
Current Account Balance	(5)	(5)	(4)
Balance on Goods**	(14)	(18)	(19)
Goods, Credit (Exports)	4	5	6
Goods, Debit (Imports)	19	23	26
Balance on Services	0	1	1
Services, Credit (Exports)	8	10	13
Services, Debit (Imports)	8	9	11
External Debt	29	29	29
International Reserves (Year-end)	3	4	5
Population	125	128	131

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

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 2024

	Upside	Median/Central	Downside
Cluster 1	0%	100%	0%
Cluster 2	0%	100%	0%
Cluster 3	0%	92%	8%
Cluster 4	0%	100%	0%

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%

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.

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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;
- 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".

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- 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 2024, 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.

	Note	30 June 2024 ETB'000	30 June 2023 ETB'000
Total impairment based on accounting policies	16	604,117	432,654
Total impairment based on NBE Directives		817,206	561,031
Transfer to regulatory risk reserve		**213,089**	**128,377**

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 derecognize 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 2024 ETB'000	30 June 2023 ETB'000
Write back suspended interest net of tax	**118,777**	**88,893**

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 2024 and 30 June 2023 are presented as here below. The Bank concentrates all its financial assets in Ethiopia.

30 June 2024	Note	Industry ETB'000	Import and Export ETB'000	Domestic Trade and Service ETB'000	Others ETB'000
Cash and cash equivalents	15	-	-	-	13,962,284
Loans and advances to customers	16	4,862,231	7,444,694	6,332,569	16,990,655
Investments at fair value through OCI	17	-	-	-	783,909
Investment at amortized cost	17	-	-	-	4,458,648
Other assets	18	-	-	-	1,069,879
Loan Commitment	37	-	-	-	6,066,577
		4,862,231	**7,444,694**	**6,332,569**	**43,331,952**

30 June 2023	Note	Industry ETB'000	Import and Export ETB'000	Domestic Trade and Service ETB'000	Others ETB'000
Cash and cash equivalents	15	-	-	-	8,914,774
Loans and advances to customers	16	5,171,583	7,233,568	7,974,258	11,013,831
Investments at fair value	17	-	-	-	302,537
Investment at amortized cost	17	-	-	-	3,313,028
Other assets	18	-	-	-	1,314,747
Loan Commitment	37	-	-	-	5,879,929
		5,194,027	**7,521,617**	**8,010,456**	**30,738,846**

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 accompanying notes are an integral part of the financial statements.

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 advances

30 June 2024	Secured against Building ETB'000	Cash ETB'000	Machinery ETB'000	Vehicles ETB'000	Others ETB'000
DTS	5,825,364	96,577	11,120	303,941	195,829
Building and Construction	3,928,650	30,948	16,238	62,973	1,576
Consumer	3,781,913	11,307	3,367	981,598	14,414
Hotel and tourism	3,633,988	2,311	-	37,698	-
Industry	2,682,587	586,738	742,139	31,743	474,273
Export	2,464,744	151,614		106,697	168,285
Import	1,837,648	-	-	99,123	30,712
Personal Staff Loan	1,415,260	-	-	363,951	2,032
Agriculture	144,443	125,081	-	8,007	112,463
Transport and Communication	270,007	1,261		177,405	44,316
	25,984,604	**1,005,837**	**772,865**	**2,173,135**	**1,043,900**

30 June 2023	Secured against Building ETB'000	Cash ETB'000	Machinery ETB'000	Vehicles ETB'000	Others 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
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**

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

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 2024.

		30 June 2024		
		Original carrying amount under IFRS 9	Loss Allowance	New carrying amount under IFRS 9
		ETB'000	ETB'000	ETB'000
Financial assets				
Loans and advances to customers	Amortised cost	36,234,266	(604,117)	35,630,149
Cash and balances with banks	Amortised cost	13,962,952	(668)	13,962,284
Investment securities: Loans and advances	Amortised cost	4,458,871	(223)	4,458,648
Other financial assets at amortised cost	Amortised cost	1,072,230	(2,350)	1,069,879
Investment securities at FVOCI	FVOCI	783,909	-	783,909
		56,512,227	**(607,358)**	**55,904,870**
Financial liabilities				
Deposits from customers	Amortised cost	43,610,841	-	43,610,841
Other financial liabilities (Commitement and guarantees)	Amortised cost	5,507	(3)	5,504
		43,616,348	**(3)**	**43,616,345**

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 2024	Note	0 up to 30 days ETB'000	31 up to 90 days ETB'000	90 up to 365 days ETB'000	Over 1 year ETB'000
Customer deposits	23	14,035,866	13,682,821	9,777,481	5,598,567
Due to financial institutions	22	-	-	516,105	-
Margins held	23	-	1,805,228	-	-
Other liabilities	24	653,910	289,469	360,063	1,099,299
Profit tax payable	13	-	-	925,258	-
		14,689,776	**15,777,518**	**11,578,907**	**6,697,867**

30 June 2023	Note	0 up to 30 days ETB'000	31 up to 90 days ETB'000	90 up to 365 days ETB'000	Over 1 year ETB'000
Customer deposits	22	12,319,090	10,398,376	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
		12,899,581	**10,585,389**	**9,468,520**	**6,052,098**

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) & 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 market 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 2024	Note	Fixed ETB'000	Floating ETB'000	Non-interest bearing ETB'000	Total ETB'000
Assets					
Cash and balances with banks	15	-	-	13,962,284	13,962,284
Loans and receivables	16	-	35,630,149	-	35,630,149
Investment securities	17	783,909	-	-	783,909
Other Assets	18	-	-	1,069,879	1,069,879
		783,909	**35,630,149**	**15,032,164**	**51,446,222**
Liabilities					
Deposits from other banks	22	-	516,105	-	516,105
Deposits from customers	23	-	24,590,940	18,503,796	43,094,736
Other liabilities	24	-	-	1,397,671	1,397,671
		-	**25,107,045**	**19,901,467**	**45,008,512**

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30 June 2023	Note	Fixed ETB'000	Floating ETB'000	Non-interest bearing ETB'000	Total ETB'000
Assets					
Cash and balances with banks	15	-	-	8,914,774	8,914,774
Loans and receivables	16	-	31,393,240	-	31,393,240
Investment securities	17	302,537	-	-	302,537
Other Assets	18	-	-	1,314,747	1,314,747
		302,537	**31,393,240**	**10,229,521**	**41,925,298**
Liabilities					
Deposits from other banks	22	-	205,679	-	205,679
Deposits from customers	23	-	20,340,323	16,532,968	36,873,291
Other liabilities	24	-	-	1,228,465	1,228,465
		-	**20,546,002**	**17,761,434**	**38,307,436**

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, 2024 and June 30, 2023. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

		Sensitivity of profit or loss ETB'000	Sensitivity of equity ETB'000
30 June 2024	Effect of 10% increase in interest rate	**364,057**	**364,057**
	Effect of 10% decrease in interest rate	**(364,057)**	**(364,057)**
30 June 2023	Effect of 10% increase in interest rate	**263,077**	**263,077**
	Effect of 10% decrease in interest rate	**(263,077)**	**(263,077)**

(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.

The net total foreign currency denominated assets and liabilities exposed to risk as at year end was Birr 2,692 million (30 June 2023: Birr 764 million).

Foreign currency denominated balances including balance with foreign banks		**30 June 2024**	**30 June 2023**
		ETB'000	**ETB'000**
Financial assets			
Cash and bank balances	US dollars (USD)	7,423,543	3,573,930
	British pounds (GBP)	44,652	42,103
	Euros (EUR)	854,713	793,524
	Others	2,348	1,160
		8,325,256	**4,410,717**
Customer deposits	US dollars (USD)	4,692,601	2,988,193
	British pounds (GBP)	32,995	33,744
	Euros (EUR)	771,912	473,024
		5,497,508	**3,494,961**
Margins held	US dollars (USD)	121,810	114,643
	Euros (EUR)	12,970	36,512
		134,779	**151,156**
		5,632,287	**3,645,962**
Net foreign currency exposure		**2,692,969**	**764,755**

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

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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 50% as shown below:

	30 June 2024	**30 June 2023**
	ETB'000	**ETB'000**
Impact on profit or loss		
Effect of a 10% increase of the ETB against USD	260,913	47,109
Effect of a 10% decrease of the ETB against USD	(260,913)	(47,109)
Effect of a 10% increase of the ETB against GBP	1,166	836
Effect of a 10% decrease of the ETB against GBP	(1,166)	(836)
Effect of a 10% increase of the ETB against EUR	6,983	28,399
Effect of a 10% decrease of the ETB against EUR	(6,983)	(28,399)
Effect of a 10% increase of the ETB against Other Currencies	235	116
Effect of a 10% decrease of the ETB against Other Currencies	(235)	(116)

4.7 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the banks processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the bank's operations and are faced by all business entities.

The bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall bank standards for the management of operational risk in the following areas:

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

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.

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	Note	30 June 2024 ETB'000	30 June 2023 ETB'000
Capital			
Capital contribution	28	7,456,087	5,000,906
Retained earnings	30	1,679,726	1,352,661
Legal reserves	31	2,295,749	1,697,642
		11,431,562	**8,051,209**
Risk weighted assets			
Risk weighted balance for on-balance sheet items		33,327,060	24,438,920
Credit equivalents for off-balance Sheet Items		4,073,145	4,552,666
		37,400,205	**28,991,586**
Total regulatory capital		**48,831,768**	**37,042,795**
Risk-weighted Capital Adequacy Ratio (CAR)		31%	28%
Minimum required capital		8%	8%
Excess		**23%**	**20%**

4.9 Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

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

4.9.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

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: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) .This category includes instruments valued using: quoted market prices in active markets for similar

instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

- In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable date and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4.9.2 Financial instruments 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.

	Carrying amount	Level 1	Level 2	Level 3	Total
30 June 2024	**ETB'000**	**ETB'000**	**ETB'000**	**ETB'000**	**ETB'000**
Financial assets					
Investments at fair value Note 17	783,909	-	783,909	-	783,909
	783,909	**-**	**783,909**	**-**	**783,909**

	Carrying amount	Level 1	Level 2	Level 3	Total
30 June 2023	**ETB'000**	**ETB'000**	**ETB'000**	**ETB'000**	**ETB'000**
Financial assets					
Investments at fair value Note 17	302,537	-	302,537	-	302,537
	302,537	**-**	**302,537**	**-**	**302,537**

4.9.3 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.

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		30 June 2024		30 June 2023	
		Carrying amount	Amortised Cost	Carrying amount	Amortised Cost
	Note	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Financial assets					
Cash and balances with banks	15	13,962,284	13,962,284	8,914,774	8,914,774
Loans and advances to customers	16	35,630,149	35,630,149	31,393,240	31,393,240
Investment at amortized cost	17	4,458,648	4,458,648	3,313,028	3,313,028
Total		**54,051,082**	**54,051,082**	**43,621,042**	**43,621,042**
Financial liabilities					
Deposits from other banks	22	516,105	516,105	205,679	205,679
Deposits from customers	23	43,094,736	43,094,736	36,873,291	36,873,291
Other liabilities	24	1,397,671	1,397,671	1,228,465	1,228,465
Total		**44,492,407**	**44,492,407**	**38,101,756**	**38,101,756**

4.9.4 Valuation technique using significant unobservable inputs – Level 3

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

4.9.5 Transfers between the fair value hierarchy categories

During the two 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.

4.10 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 2024 ETB'000	30 June 2023 ETB'000
5	**Interest income**		
	Interest on term loans	4,063,122	3,045,206
	Interest on overdrafts and others	842,326	692,019
	Interest on investment securities	318,460	222,001
	Interest on deposit with local banks	25,828	21,197
	Interest on merchandise loans	12,504	12,582
	Interest on deposits with foreign banks	90,641	3,959
		5,352,881	**3,996,963**
6	**Interest expense**		
	Interest on savings deposit	1,379,400	1,059,885
	Interest on time deposit	320,975	300,595
	Interest on short term borrowing	6,197	-
	Interest on medium term borrowings	5,596	5,551
	Interest on demand deposit	147	164
		1,712,315	**1,366,195**
7	**Net fees and commission income**		
	Fee and commission income		
	Commissions on letter of credit	1,441,861	987,914
	Service charge	366,879	204,183
	Commissions on letter of guarantee	78,251	52,984
	Other fees and commission income	48,231	28,731
	Loan processing fee	22,941	28,582
	Commission on Mastercard	10,933	7,452
	Balance maintenance fee	9,640	11,863
	Commission on VISA transactions	2,285	2,371
	Overdraft protection fee	355	370
		1,981,377	1,324,450
	Fee and commission expense	(22,430)	(17,300)
	Net fees and commission income	**1,958,946**	**1,307,150**
8	**Net foreign exchange Income**		
	Net foreign exchange Income	319,098	269,697
		319,098	**269,697**

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

9	**Other operating income**		
	Sundry income	31,682	117,336
	Dividend income	22,768	438
	Rent income	40,722	15,228
	Postage and processing fees	20,523	19,282
		115,696	**152,284**
10	**Loan impairment charge**		
	Loans and advances - charge for the year (note 16a)	266,032	141,725
		266,032	**141,725**
11	**Impairment losses on other assets**		
	Other assets - charge for the year (note 18)	41	237
		41	**237**

		30 June 2024 ETB'000	30 June 2023 ETB'000
12	**Personnel expenses**		
	Salaries and wages	722,498	468,934
	Bonus	201,310	151,088
	Transport	167,366	109,271
	Other staff expenses	110,640	104,750
	Pension costs – Defined contribution plan	107,497	68,952
	Staff allowances	95,459	40,240
	Defined benefit expense	19,687	11,058
		1,424,457	**954,293**
13	**Other operating expenses**		
	Depreciation - ROU	135,938	113,189
	License fees	109,778	74,160
	Insurance	108,446	2,615
	Security Service	108,053	63,493
	Other expenses	67,174	32,659
	Mastercard	55,362	38,957
	Advertisement	36,281	27,544
	Stationery	32,861	23,936
	Visa	22,215	24,441
	Consultancy	22,199	10,991
	Cleaning Service	21,544	20,135
	Maintenance	19,319	6,630
	Donations	16,212	112,603

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

Internet	12,702	11,916
Rent	11,916	6,866
Fuel	11,352	9,911
EthSwitch Charge	11,133	5,061
Correspondent charges	9,814	9,982
Entertainment	8,535	3,869
Board expenses	5,922	4,240
Lease charge	5,127	10,852
Cleaning supplies	2,463	1,512
Board remuneration	1,308	1,350
Telephone	1,030	885
Audit fee	879	762
Bank charges	593	638
Additional tax paid	-	17,665
Prior period adjustment on lease	-	12,400
	838,157	**649,261**

14a Income tax expense

Income tax expense (note 14b)	926,040	698,153
Deferred income tax/(credit) to profit or loss (note 14d)	(160)	(10,226)
Total charge to profit or loss	**925,880**	**687,927**

14b 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:

	30 June 2024 ETB'000	30 June 2023 ETB'000
Profit before tax		
IFRS Accounting profit	3,318,310	2,501,041
Tax calculated at statutory tax rate of 30 %	995,493	750,312
Add : disallowed expenses		
Entertainment	3,622	1,810
Donation	34	153
Representation allowance	40	85
Bad debt Expense	12	71
Penalty	257	60
Board remuneration	392	405
Current service cost (severance pay)	5,906	3,317
Non accrued interest as per NBE	50,414	3,054
Provision for loans and advances for accounting purpose	79,810	42,517
Depreciation and amortization for IFRS accounting purpose	56,193	34,003
Income tax paid	-	5,300
Prior year ROU depreciation and finance lease cost	-	3,720
ROU depreciation and finance lease cost	42,320	37,212
Provision for annual leave	5,535	7,506
Below market interest	6,814	4,466
	251,349	**143,680**
Less :		
Depreciation and amortization for tax purpose	60,453	32,166
Provision for loans and advances for tax	84,179	34,453
Gain on disposal of fixed assets	-	9,617
Interest income taxed at source- foreign at different rate	27,192	1,188
Dividend income taxed at source	6,830	3,369
Non accrued Interest as per IFRS	4,121	6,623
Interest income taxed at source-NBE bills	68,521	11,360
Interest income taxed at source-Treasury bills	13,782	47,670
Interest income taxed at source-Government bond	13,236	7,571
Interest income taxed at source-Local deposit (5%)	7,749	6,359
Interest income taxed at source- foreign at different rate (10%)	(9,064)	(396)
Office rent expense	43,805	35,861
	320,802	**195,840**
	926,040	**698,153**

14c Current income tax

Balance at the beginning of the year	698,153	532,817
Charge for the year:	926,040	698,153
WHT	(782)	-
Payment during the year	(698,153)	(532,817)
Balance at the end of the year	**925,258**	**698,153**

14d 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 176,043 and ETB 68,878 for the Bank have not been recognised as at June 30, 2024 and June 30, 2023 respectively because it is not probable that future taxable profits will be available against which they can be utilised.

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	30 June 2024 ETB'000	30 June 2023 ETB'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	176,043	68,878
To be recovered within 12 months	-	-
	176,043	**68,878**

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):	**1 July 2023 ETB'000**	**Credit/ (charge) to equity ETB'000**	**Credit/ (charge) to equity ETB'000**	**30 June 2024 ETB'000**
PPE and Intangible Asset	(14,634)	(4,261)	-	(18,894)
ROU Depreciation and Finance Lease cost	1,946	(1,485)	-	461
Gain/Loss on equity investment	(73,213)	-	(109,672)	(182,885)
Post employment benefit obligation	17,022	5,906	2,347	25,276
Deferred liabilities	**(68,878)**	**160**	**(107,325)**	**(176,043)**

Deferred income tax assets/(liabilities):	**1 July 2022 ETB'000**	**Credit/ (charge) to 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)**

PPE and intangible asset	**30 June 2024 ETB'000**	**30 June 2023 ETB'000**
Carrying amount	2,706,565	2,076,888
Less: Tax written-down value	(2,643,585)	(2,028,109)
Total timing difference	62,980	48,779
Deferred tax liability	**18,894**	**14,634**
Defined benefit obligation		
Carrying amount	84,252	56,741
Less: Tax written-down value	-	-
Timing difference	84,252	56,741
Deferred tax asset on defined benefit obligation	**25,276**	**17,022**
Equity investment		
Carrying amount	609,617	244,043
Less: Tax written-down value	-	-
Timing difference	609,617	244,043
Deferred tax asset on Equity Investement	**182,885**	**73,213**

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

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	30 June 2024 ETB'000	**30 June 2023 ETB'000**
15 Cash and cash equivalents		
Balances with foreign banks	8,312,667	4,401,517
Cash reserve with NBE	2,930,000	2,570,000
Balances with National Bank of Ethiopia-payment and settlement acct	1,892,501	1,362,770
Cash on hand	608,233	379,369
Balances with domestic banks	219,550	203,790
Less: Loss allowance	(668)	(2,673)
	13,962,284	**8,914,774**
Maturity analysis		
Current	11,032,284	6,344,774
Non-Current	2,930,000	2,570,000
	13,962,284	**8,914,774**

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.

15a 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 2024 ETB'000	**30 June 2023 ETB'000**
Balance at the beginning of the year	2,673	2,635
Charge/(reversal) for the year	(2,005)	38
Balance at the end of the year	**668**	**2,673**

16 Loans and advances to customers

Domestic trade and service	6,630,444	8,010,456
Export	5,336,641	5,198,123
Industry	4,886,499	5,194,022
Personal Loans - Customers	5,605,689	3,586,927
Hotel and tourism	3,808,947	2,945,333
Import	2,340,890	2,323,494
Building and construction	4,178,164	2,309,744
Personal loans - staffs	1,855,007	1,528,501
Agriculture	503,737	410,222
Transportation	1,088,250	319,072
	36,234,266	31,825,894

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

Less: Impairment allowance (note 16a)	(604,117)	(432,654)
	35,630,149	**31,393,240**
Maturity analysis		
Current	8,790,249	8,390,633
Non-Current	26,839,900	23,002,607
	35,630,149	**31,393,240**

16a 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 2023 ETB'000**	**Write off Loans ETB'000**	**Charge/ (reversal) for the year ETB'000**	**As at 30 June 2024 ETB'000**
Export loans	228,310	(46,410)	(33,764)	148,135
Import loans	59,739	(26,207)	51,169	84,701
Industry loans	36,198	(15,146)	3,216	24,268
DTS loans	61,638	(6,345)	242,583	297,876
Agriculture loans	22,444	(5)	(21,919)	520
Consumer loans	6,467	(338)	18,480	24,609
Hotel loans	9,396	-	6,919	16,315
Building and construction loans	3,492	-	(1,378)	2,114
Transport loans	3,046	-	1,023	4,069
Staff loans	1,924	(117)	(297)	1,510
Total	**432,654**	**(94,569)**	**266,032**	**604,117**

Loss allowance for impairment	**As at 30 June 2022 ETB'000**	**Charge for the year ETB'000**	**As at 30 June 2023 ETB'000**
Export loans	114,053	114,257	228,310
Import loans	51,998	7,741	59,739
DTS loans	29,914	6,284	36,198
Agriculture loans	21,422	40,216	61,638
Industry loans	31,684	(9,240)	22,444
Hotel loans	14,143	(7,676)	6,467
Building and construction loans	5,686	3,710	9,396
Transport loans	3,854	(362)	3,492
Consumer loans	17,642	(14,596)	3,046
Staff loans	533	1,391	1,924
Total	**290,929**	**141,725**	**432,654**

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17 Investments	**30 June 2024 ETB'000**	**30 June 2023 ETB'000**
Investments at fair value through OCI		
At the beginning of the year	302,537	130,584
Additions	115,380	17,199
Remeasurment gain on equity investement	365,574	154,753
Less: Impaired investement	(418)	-
At the end of the year	**783,909**	**302,537**
Investments at amortized cost		
NBE Bills (Treasury Bill)	3,742,197	2,929,330
Ethiopian Government bonds	716,673	383,864
	4,458,871	**3,313,194**
Less: Allowance for impairment	(223)	(166)
	4,458,648	**3,313,028**
Maturity analysis		
Current	3,742,197	2,929,330
Non-Current	1,500,359	686,235
	5,242,557	**3,615,565**

The Bank equity investment comprises:

	30 June 2023 ETB'000	**Fair Value Adjustement ETB'000**	**Additional investement/ (impairment) ETB'000**	**30 June 2024 ETB'000**
Entities				
Eth-Switch Solution Share co.	296,149	365,493	98,770	760,411
First leasing Capital	418		(418)	-
National Insurance Company of Ethiopia	5,970	81	2,023	8,074
Ethiopian Security Exchange S.C	-		15,423	15,423
	302,537	**365,574**	**115,798**	**783,909**

The Bank holds equity investments in Ethswitch S.C as of 30 June 2024 it stands at 8.43% (30 June 2023: 5.53%), NICE S.C. as of 30 June 2024 is 2.11% and Ethiopian Security Exchange S.C. All equity investements are measured at fair value except Ethiopian Security Exchange S.C. which is under formation

18 Other assets

Financial assets	30 June 2024 ETB'000	30 June 2023 ETB'000
Sundry Debtors	887,237	1,180,210
Prepaid staff asset	98,037	73,387
Uncleared effects-foreign	-	8,594
Claim on HO and Branches	12,105	4,056
	997,380	1,266,247
Less: Specific impairment allowance (note 18a)	(2,350)	(9,653)
	995,030	**1,256,594**
Non-financial assets		
Office Supplies	74,850	58,153
	74,850	58,153
Gross amount	**1,069,879**	**1,314,747**
Maturity analysis		
Current	220,892	220,892
Non-Current	848,987	1,093,855
	1,069,879	**1,314,747**

The make up of sundry debtors is as shown hereunder:

Prepayments	395,793	743,106
Staff emergency loan	214,488	134,856
Prepaid interest	106,314	127,445
Suspended interest	130,901	117,166
Others	39,741	57,636
	887,237	**1,180,210**

18a Impairment allowance on other assets

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

	30 June 2024 ETB'000	30 June 2023 ETB'000
Balance at the beginning of the year	9,653	9,496
Charge/(reversal) for the year (note 10)	41	237
Write off assets	(7,344)	(81)
Balance at the end of the year	**2,350**	**9,653**

18b Office Supplies

A breakdown of the items included within office supplies is as follows:

	30 June 2024 ETB'000	30 June 2023 ETB'000
Stationary stock account	40,292	38,118
Other stock	6,520	6,662
Uniform stock	9,048	5,670
Computers - stock	9,940	4,249
Debit Cards, CPOs, Drafts and CDTs	7,902	3,412
Office Equipment-Stock	1,148	42
	74,850	**58,153**

19 Right of Use Asset

The Bank leases a number of assets including land and buildings. Information - about leases for which the Bank is a lessee is presented below:

Cost:	
Balance at 01 July 2023	845,165
Additions	284,285
Adjustement	(20,000)
Balance at 30 June 2024	**1,109,450**
Deperciation	
Balance at 01 July 2023	378,574
Charge for the year	135,938
Adjustement	5,590
Balance at 30 June 2024	**520,102**
Net Carrying Value at 30 June 2024	**589,348**

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.

20 Intangible Assets

	Computer software	Software under progress	Total
	ETB'000	ETB'000	ETB'000
Cost:			
As at 1 July 2022	242,361	38,746	281,107
Acquisitions	68,307	21,458	89,765
Transfer	-	(57,489)	(57,489)
As at 30 June 2023	**310,668**	**2,715**	**313,383**
As at 1 July 2023	310,668	2,715	313,383
Acquisitions	43,325	27,682	71,008
As at 30 June 2024	**353,993**	**30,398**	**384,391**
Accumulated amortisation and impairment losses			
As at 1 July 2022	113,194	-	113,194
Amortisation for the year	32,224	-	32,224
As at 30 June 2023	**145,417**	**-**	**145,417**
As at 1 July 2023	145,417	-	145,417
Amortisation for the year	40,631	-	40,631
As at 30 June 2024	**186,048**	**-**	**186,048**
Net book value			
As at 30 June 2023	**165,250**	**2,715**	**167,965**
As at 30 June 2024	**167,945**	**30,398**	**198,342**

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

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21 Property, plant and equipment

	Work in progress	Building	Motor Vehicle	Computers	Furniture, fittings and equipments	Total
	ETB'000	ETB'000		ETB'000	ETB'000	ETB'000
Cost:						
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**
As at 1 July 2023	-	1,229,009	113,543	399,189	449,651	2,191,392
Additions	-	431,317	853	190,002	163,947	786,119
Adjustment	-	-	-	-	(41,658)	(41,658)
Disposals	-	-	-	(2,548)	(8,937)	(11,485)
As at 30 June 2024	**-**	**1,660,326**	**114,396**	**586,644**	**563,002**	**2,924,368**
Accumulated depreciation						
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**
As at 1 July 2023	-	14,783	45,684	117,265	102,022	279,755
Charge for the year	-	25,079	10,547	57,491	53,562	146,679
Adjustement		2,046	-	(2,046)	(2,077)	(2,077)
Disposals	-	-	-	(2,046)	(6,166)	(8,212)
As at 30 June 2024	**-**	**41,908**	**56,232**	**170,665**	**147,340**	**416,145**
Net book value						
As at 30 June 2023	**-**	**1,214,225**	**67,859**	**281,923**	**347,629**	**1,911,637**
As at 30 June 2024	**-**	**1,618,418**	**58,164**	**415,978**	**415,662**	**2,508,223**

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 2024 ETB'000	30 June 2023 ETB'000
22	**Deposits from other banks**		
	Balances from other banks	516,105	205,679
		516,105	**205,679**
	Maturity analysis		
	Current	516,105	205,679
	Non-Current	-	-
		516,105	**205,679**
23	**Deposits from customers**		
	Savings deposits	21,120,635	17,201,956
	Demand deposits	16,698,568	15,662,648
	Time deposits	2,199,545	2,326,735
	Other deposits	1,805,228	870,320
	Retention deposits	1,270,760	811,632
		43,094,736	**36,873,291**
	Maturity analysis		
	Current	14,035,866	15,869,432
	Non-Current	29,058,869	21,003,859
		43,094,736	**36,873,291**
24	**Other liabilities**		
	Financial liabilities		
	Cashier payment orders	114,970	137,057
	Dividend payable	59,172	44,803
	Blocked Cash for Guarantee issued	97,591	44,803
	Master Card Payable	268,413	180,182
	Retention Payable	62,321	47,192
	Exchange payable to National Bank of Ethiopia	81,006	17,689
	Bonus Payable	199,989	151,581
	Directors Share on Profit	1,308	1,350
		884,770	624,656

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

	Non-financial liabilities		
	Miscellaneous	200,482	392,340
	Unearned income	163,659	82,321
	Accrued leave	70,453	54,683
	Taxes and stamp duty charges	78,308	74,465
		512,902	603,810
	Gross amount	**1,397,671**	**1,228,465**
	Maturity analysis		
	Current	653,910	774,528
	Non-Current	743,762	453,937
		1,397,671	**1,228,465**
25	**Borrowings**		
	Borrowings	675,524	77,827
		675,524	**77,827**

The Bank has obtained short term and medium term loan from National Bank of Ethiopia and Development Bank of Ethiopia. The loan bears interest rate of 18% and 9% per annum respectively.

	Maturity analysis		
	Current	620,852	12,506
	Non-Current	54,672	65,320
		675,524	**77,827**

		30 June 2024 ETB'000	30 June 2023 ETB'000
26	**Lease liability**	69,250	95,439
	Lease liability	**69,250**	**95,439**

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.

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

Balance at 01 July 2023	95,439	
Additions	13,803	
Interest expense in P & L	(4,967)	
Payment for lease	(9,075)	
Adjustement	(25,950)	
Balance at 30 June 2024	**69,250**	

Maturity analysis	**30 June 2024**	**30 June 2023**
	ETB'000	**ETB'000**
No later than 1 year	-	-
later than 1 year and no later than 5 years	43,107	40,329
More than 5 years	26,144	55,109
Total	**69,250**	**95,439**

27 Defined benefit obligations

Defined benefits liabilities:		
Defined benefit obligation	84,252	56,741
Liability in the statement of financial position	**84,252**	**56,741**
Income statement charge included in personnel expenses:		
Current service cost	19,687	11,058
Total defined benefit expenses	**19,687**	**11,058**
Remeasurements for:		
Remeasurement loss	7,824	18,127
Total pension prize	**7,824**	**18,127**

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:

a)	**Liability recognised in the financial position**	**84,252**	**56,741**
b)	**Amount recognised in the profit or loss**		
	Current service cost	6,632	3,634
	Interest cost	13,055	7,424
		19,687	**11,058**
c)	**Amount recognised in other comprehensive income:**		
	Remeasurement (gains)/losses arising from changes in the economic assumptions	3,822	1,505
	Remeasurement (gains)/losses arising from experience	4002	16,622
		7,824	**18,127**

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

At the beginning of the year	56,741	27,556
Remeasurement losses	7,824	18,127
Interest cost	13,055	7,424
Current service cost	6,632	3,634
At the end of the year	**84,252**	**56,741**

The significant actuarial assumptions were as follows:

		30 June 2024	**30 June 2023**
i)	Financial Assumption Long term Average	**ETB'000**	**ETB'000**
	Discount Rate (p.a)	18.60%	20.60%
	Average Rate of Inflation(p.a)	14.30%	15.10%
	Salary Increase Rate	16.30%	17.10%
	Net Pre-retirement rate	**1.98%**	**2.99%**

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.

	30 June 2024		**30 June 2023**	
Age	**Males**	**Females**	**Males**	**Females**
20	0.00306	0.00223	0.00306	0.00223
25	0.00303	0.00228	0.00303	0.00228
30	0.00355	0.00314	0.00355	0.00314
35	0.00405	0.00279	0.00405	0.00279
40	0.00515	0.00319	0.00515	0.00319
45	0.00450	0.00428	0.00450	0.00428
50	0.00628	0.00628	0.00628	0.00628
55	0.00979	0.00979	0.00979	0.00979
60	0.01536	0.01536	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.

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 2024		30 June 2023	
	Change in assumption	Impact of an increase ETB'000	Impact of a decrease ETB'000	Impact of an increase ETB'000	Impact of a decrease ETB'000
Discount rate	1.0%	79,831	88,996	53,812	59,871
Salary Increase	1.0%	89,051	79,708	59,942	53,699

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 2024 ETB'000	30 June 2023 ETB'000
28	**Ordinary share capital**			
	Authorised:			
	Ordinary shares of Birr 1000 each		**15,000,000**	**5,000,000**
28a	**Reconciliation of number of shares issued and paid**			
	At the beginning of the year		5,000,000	3,644,654
	Issued and paid - Ordinary shares		2,455,181	1,355,346
	At the end of the year	4.8.1	**7,455,181**	**5,000,000**
28b	**Paid up capital**			
	At the beginning of the year		5,000,000	3,644,654
	Issued and paid - Ordinary shares		2,455,181	1,355,346
	At the end of the year		**7,455,181**	**5,000,000**

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28c	**Share Premium**		
	At the beginning of the year	906	794
	Issued and paid - Ordinary shares	-	112
	At the end of the year	**906**	**906**

28d Special reserve

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

At the beginning of the year	61,150	32,243
Additions during the year	36,522	28,907
At the end of the year	**97,672**	**61,150**

29 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 2024 ETB'000	30 June 2023 ETB'000
Profit attributable to shareholders	2,392,430	1,813,114
Weighted average number of ordinary shares in issue	6,361	4,217
Basic & diluted earnings per share (ETB)	**376**	**430**

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 2024:nil, 30 June 2023: nil), hence the basic and diluted per share have the same value.

		30 June 2024 ETB'000	30 June 2023 ETB'000
30	**Retained earnings**		
	At the beginning of the year	1,352,661	1,070,615
	Profit (Loss) for the year	2,392,430	1,813,114
	Dividends paid	(1,352,661)	(1,070,615)
	Transfer to legal reserve	(598,107)	(453,278)
	Transfer to regulatory risk reserve	(114,596)	(7,174)
	At the end of the year	**1,679,726**	**1,352,661**

		30 June 2024 ETB'000	30 June 2023 ETB'000
31	**Legal reserve**		
	At the beginning of the year	1,697,642	1,244,363
	Transfer from retained earnings	598,107	453,278
	At the end of the year	**2,295,749**	**1,697,642**

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

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.

32 Regulatory risk reserve

	30 June 2024 ETB'000	30 June 2023 ETB'000
At the beginning of the year	217,270	210,096
Transfer from retained earnings	114,596	7,174
At the end of the year	**331,866**	**217,270**

30 June 2024	Suspended interest	Excess provision as per NBE	Total
Balance after provisioning	226,242	213,089	439,331
Taxation @30%	(67,873)	-	(67,873)
	158,369	213,089	371,458
Balance transferred to legal reserve	(39,592)	-	(39,592)
	118,777	**213,089**	**331,866**
Balance brought forward			**217,270**
Current period addition			**114,596**

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**

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.

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

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024
In Ethiopian Birr

33 Other Reserve

	30 June 2024 ETB'000	30 June 2023 ETB'000
At the beginning of the year	150,418	54,109
Remeasurement gains on defined benefits plan, net of deferred tax	(5,477)	(12,689)
Remeasurement fair value gains on equity investment, net of deferre	255,902	106,762
Adjustment	-	2,235
At the end of the year	**400,843**	**150,418**

34 Cash generated from operating activities

	Note	30 June 2024	30 June 2023
Profit before tax		3,318,310	2,501,041
Adjustments for non-cash items:			
Foreign exchange gains/losses	8	(319,098)	(269,697)
Depreciation of property, plant and equipment	21	146,679	81,119
Amortisation of intangible assets	20	40,631	32,224
Gain/Loss on disposal of property, plant and equipment	34	555	(32,438)
Impairment on loans and receivables	10	266,032	141,725
Impairment on other assets	11	41	237
Interest on lease liability	13	5,127	10,852
Interest on Borrowings	6	11,793	5,551
Defined benefit obligations	12	19,687	11,058
Changes in working capital:			
Change in loans and advances to customers	16	(4,408,372)	(10,413,340)
Change in other assets		209,039	245,610
Change in other liabilities	24	169,247	(125,496)
Change in deposits from banks	22	310,426	205,679
Change in deposits from customers	23	6,221,445	10,000,958
		5,991,541	**2,395,082**

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

	30 June 2024 ETB'000	30 June 2023 ETB'000
Proceeds on disposal	2,716	40,274
Net book value of property, plant and equipment disposed (note 20)	(3,271)	(7,835)
Gain on sale or disposal of non-current assets	**(555)**	**32,438**

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

35 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

Loans to related parties	30 June 2024 ETB'000	30 June 2023 ETB'000
Board of Directors	50,998	33,653
Executive management	49,938	61,107
	100,936	**94,760**

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 2024.

	30 June 2024 ETB'000	30 June 2023 ETB'000
Mgt Salaries and other short-term employee benefits	26,434	16,110
Sitting allowance	1,736	862
Board Rumination	2,388	2,410
	30,558	**19,381**

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

36 Board of Directors and employees

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

	30 June 2024 ETB'000	30 June 2023 ETB'000
Board of Directors	9	9
Executive management	10	9
Senior and middle management	254	200
Clerical	1,317	1,141
Non-clerical	250	218
Contractual	30	16
	1,870	**1,593**

37 Contingent liabilities and commitments

37a 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 2024 is ETB 40.09 million. 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.

ZEMEN BANK S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2024
In Ethiopian Birr

37b 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 2024 ETB'000	30 June 2023 ETB'000
Guarantees and letters of credit	3,227,002	3,318,863
	3,227,002	**3,318,863**

37C Approved but not disbursed loan commitments

The Bank has undisbursed loan commitments, not provided for in these financial statements of ETB 6.07 billion at 30 june 2024 (30 June 2023: ETB 5.88 billion)

The table below summarises the fair value amount of loan commitments:

	30 June 2024 ETB'000	30 June 2023 ETB'000
Loan commitments	6,066,577	5,879,929
	6,066,577	**5,879,929**

38 Events after reporting period

On 29 July 2024 the National Bank of Ethiopia announced the floating exchange rate policy. The NBE lifted the stringent control and restriction on foreign exchange trading and foreign currencies will be transacted on market rates. The new directive has also allowed banks and authorized foreign exchange dealers to buy and sell foreign currencies at freely negotiated rate.The Directors are aware of this event which occurred after the reporting date and believe that it will have favorable operating result in the next financial year.

ዓመታዊ ሪፖርት 2016

ዘመን ባንክ

የትርፍ ወይም ኪሳራ እና አጠቃላይ ገቢ መግለጫ

ሰኔ 23 ቀን 2016 ዓ.ም. ለተጠናቀቀው በጀት አመት

	ማብራሪያ	2016 ብር'000	2015 ብር'000
ከወለድ የተገኘ ገቢ	5	5,352,881	3,996,963
የወለድ ወጪ	6	(1,712,315)	(1,366,195)
የተጣራ የወለድ ገቢ		3,640,566	2,630,768
ከአገልግሎትና ኮሚሽን ገቢ	7	1,981,377	1,324,450
ከአገልግሎትና ኮሚሽን ወጪ	7	(22,430)	(17,300)
የተጣራ ከአገልግሎትና ኮሚሽን ገቢ		1,958,946	1,307,150
ከውጭ ምንዛሬ ልውውጥ የተገኘ የተጣራ ገቢ	8	319,098	269,697
ከልዩ ልዩ ገቢ	9	115,696	152,284
አጠቃላይ መደበኛ ገቢ		6,034,306	4,359,900
ለብድር የተያዘ መጠባበቂያ	10	(266,032)	(141,725)
ለሌሎች ሃብቶች የተያዘ መጠባበቂያ	11	(41)	(237)
የተጣራ መደበኛ ገቢ		5,768,233	4,217,937
ለሠራተኞች ደሞዝና ጥቅማጥቅሞች	12	(1,424,457)	(954,293)
ሀልዎት ለሌላቸው ሀብት የማሚያ ወጪ	20	(40,631)	(32,224)
የቋሚ ሀብት እርጅና ተቀናሽ	21	(146,679)	(81,119)
ለሌሎች መደበኛ ወጪዎች	13	(838,157)	(649,261)
ትርፍ - ከትርፍ ግብር በፊት		**3,318,310**	**2,501,041**
የትርፍ ግብር መጠባበቂያ	14a	(925,880)	(687,927)
ትርፍ - ከትርፍ ግብር በኋላ		**2,392,430**	**1,813,114**
ሌሎች ገቢዎች ከትርፍ ግብር በኋላ			
በትርፍና ኪሳራ መዝገብ የማይካተቱ ገቢዎች			
በጡረታ ግዜ ለሰራተኞች ሊከፈል የሚችል ጥቅማጥቅም	27	(7,824)	(18,127)
ወደፊት ሊከፈል የሚችል የትርፍ ግብር	14	2,347	5,438
የሚዛናዊ ዋጋ ማስተካከያ (Fair Value Adjustement)	17	365,574	152,518
ወደፊት ሊከፈል የሚችል የትርፍ ግብር	14	(109,672)	(45,755)
		250,425	94,074
የአመቱ አጠቃላይ የተጣራ ገቢ		**2,642,854**	**1,907,187**
የባንኩ ትርፍ በአንድ ሺህ ብር የአክሲዮን ዋጋ ሲለካ	29	**376**	**430**

Enye Bemir

እንዬ ቢምር

የዲሬክተሮች ቦርድ ሊቀመንበር

ደረጀ ዘበነ

ዋና ስራ አስፈፃሚ

ዘመን ባንክ

የሐብትና እዳ መግለጫ

ሰኔ 23 ቀን 2016 ዓ.ም. ለተጠናቀቀው በጀት አመት

	ማብራሪያ	2016 ብር'000	2015 ብር'000
ሀብት			
ጥሬ ገንዘብና ጥሬ ገንዘብ አከል ሀብት	15	13,962,284	8,914,774
ለደንበኞች የተሰጡ ብድሮች	16	35,630,149	31,393,240
በተለያዩ አክሲዮን ማህበራት የተደረገ ኢንቨስትመንት:	17	783,909	302,537
የብሔራዊ ባንክ ሰነድ ግዢ	17	4,458,648	3,313,028
ሌሎች ሃብቶች	18	1,069,879	1,314,747
ንብረትን የመጠቀም መብት	19	589,348	466,590
ሀልዎት የሌላቸው ሀብት	20	198,342	167,965
ቋሚ ሀብት	21	2,508,223	1,911,637
አጠቃላይ ሀብት		**59,200,783**	**47,784,520**
የዕዳ ሚዛን			
የደንበኞች ተቀማጭ በፋይናንስ ተቋማት	22	516,105	205,679
የደንበኞች ተቀማጭ ገንዘብ	23	43,094,736	36,873,291
ተከፋይ የትርፍ ግብር	14c	925,258	698,153
ሌሎች ዕዳዎች	24	1,397,671	1,228,465
የፋይናንስ ሊዝ ዕዳ	26	69,250	95,439
ብድር	25	675,524	77,827
በጡረታ ግዜ ለሰራተኞች የሚከፈል ጥቅማጥቅም	27	84,252	56,741
ወደፊት የሚከፈል የትርፍ ግብር	14d	176,043	68,878
አጠቃላይ የዕዳ ሚዛን		**46,938,839**	**39,304,473**
የካፒታልና መጠባበቂያ ሂሳቦች			
የተከፈለ ካፒታል	28b	7,455,181	5,000,000
በአክሲዮን ሽያጭ ዋጋ ብልጫ የተከፈለ	28c	906	906
ልዩ መጠባበቂያ ሂሳብ	28d	97,672	61,150
ያልተከፈለ ትርፍ	30	1,679,726	1,352,661
ሕጋዊ የመጠባበቂያ ሂሳብ	31	2,295,749	1,697,642
በብሔራዊ ባንክ መመሪያ መሰረት ለብድር የተያዘ ተጨማሪ መጠባበቂያ	32	331,866	217,270
ሌሎች የመጠባበቂያ ሒሳቦች	33	400,843	150,418
አጠቃላይ ካፒታልና መጠባበቂያ ሂሳቦች ሚዛን		12,261,943	8,480,047
አጠቃላይ ዕዳዎች፤ ካፒታልና መጠባበቂያ ሂሳቦች ሚዛን		**59,200,783**	**47,784,520**

Enye Bemir

እንዬ ቢምር

የዲሬክተሮች ቦርድ ሊቀመንበር

ደረጀ ዘበነ

ዋና ስራ አስፈፃሚ

ዘመን ባንክ

በባለአክሲዮኖች ሀብት ላይ የተከናወኑ ለውጦችን የሚያሳይ ዝርዝር

ሰኔ 23 ቀን 2016 ዓ.ም. ለተጠናቀቀው በጀት አመት

	ማብራሪያ	የተከፈለ አክሲዮን ብር'000	በአክሲዮን ሽያጭ ዋጋ ብልጫ የተሰበሰበ ብር'000	ልዩ መጠባበቂያ ሂሳብ	ያልተከፈለ ትርፍ ብር'000	በተቆጣጣሪ አካል የስጋት የመጠባበቂያ ብር'000	ሌሎች መጠባበቂያዎች ብር'000	ሕጋዊ የመጠባበቂያ ብር'000	ድምር ብር'000
ሰኔ 24 2014 ዓ.ም. መነሻ		**3,644,654**	**794**	**32,244**	**1,070,615**	**210,095**	**54,109**	**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 በኃላ)		-	-	-	-	-	(12,689)	-	**(12,689)**
የሚዛናዊ ዋጋ ማስተካከያ (Fair Value Adjustement)		-	-	-	-	-	106,762	-	**106,762**
የአመቱ አጠቃላይ ገቢ		-					94,074	-	**94,074**
ባለ አክሲዮኖች እንደ ባለ አክሲዮንነታችው የፈፀሟቸው የገንዘብ እንቅስቃሴዎች									
ያለፈው አመት ማስተካከያ		-	-	-	-	-	2,235	-	**2,235**
የተፈፀመ የትርፍ ክፍያ		-	-	-	(1,070,615)	-	-	-	**(1,070,615)**
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
አጠቃላይ ባለ አክሲዮኖች እንደ ባለ አክሲዮንነታችው የፈፀሟቸው የገንዘብ እንቅስቃሴዎች		1,355,346	112	28,907	(1,531,067)	7,174	2,235	453,278	315,985
ሰኔ 23 ቀን 2015 ዓ.ም. ላይ የነበረ		**5,000,000**	**906**	**61,150**	**1,352,661**	**217,270**	**150,418**	**1,697,642**	**8,480,047**
ሰኔ 24 2015 ዓ.ም. መነሻ		**5,000,000**	**906**	**61,150**	**1,352,661**	**217,270**	**150,418**	**1,697,642**	**8,480,047**
የዓመቱ የተጣራ ትርፍ		-	-	-	2,392,430	-	-	-	**2,392,430**
ሌሎች ገቢዎች									
እንደገና የመገመት ትርፍ (ኪሳራ) በጡረታ ግዜ ለሰራተኞች ሊከፈል የሚችል ጥቅማጥቅም (የተጣራ ከግብር በኃላ)		-	-	-	-	-	(5,477)	-	**(5,477)**
የሚዛናዊ ዋጋ ማስተካከያ (Fair Value Adjustement)		-	-	-	-	-	255,902	-	**255,902**
የአመቱ አጠቃላይ ገቢ		-	-	-	-	-	250,425	-	250,425
ባለ አክሲዮኖች እንደ ባለ አክሲዮንነታችው የፈፀሟቸው የገንዘብ እንቅስቃሴዎች									
የተፈፀመ የትርፍ ክፍያ		-	-	-	(1,352,661)	-	-	-	**1,352,661)**
ከአክስዮን ሽያጭ የተሰበሰበ		2,455,181	-	-	-	-	-	-	2,455,181
ወደ ሕጋዊ መጠባበቂያ የዞረ		-	-	-	(598,107)	-	-	598,107	**-**
በብሔራዊ ባንክ መመሪያ መሰረት ለብድር የተያዘ ተጨማሪ መጠባበቂያ		-	-	-	(114,596)	114,596	-	-	**-**
ልዩ መጠባበቂያ ሂሳብ		-	-	36,522	-	-	-	-	**36,522**
አጠቃላይ ባለ አክሲዮኖች እንደ ባለ አክሲዮንነታችው የፈፀሟቸው የገንዘብ እንቅስቃሴዎች		2,455,181	-	36,522	(2,065,365)	114,596	-	598,107	**1,139,041**
ሰኔ 23 ቀን 2016 ዓ.ም. ላይ የነበረ		**7,455,180**	**906**	**97,672**	**1,679,726**	**331,866**	**400,844**	**2,295,749**	**12,261,943**
		28	28	28d	30	32	33	31	

ዘመን ባንክ

የጥሬ ገንዘብ እንቅስቃሴ መገለጫ

ሰኔ 23 ቀን 2016 ዓ.ም. ለተጠናቀቀው በጀት አመት

	ማብራሪያ	2016 ብር'000	2015 ብር'000
ከመደበኛ የስራ እንቅስቃሴ ጋር የተያያዘ የገንዘብ ፍሰት			
ከመደበኛ የስራ እንቅስቃሴ የተገኘ ገንዘብ	34	5,991,541	2,395,082
የገቢ ግብር ክፍያ	14c	(698,153)	(532,817)
ከመደበኛ የስራ እንቅስቃሴ የተገኘ (የወጣ) የተጣራ ገንዘብ		**5,293,388**	**1,862,265**
ከኢንቨስትመንት የተገኘ ገንዘብ			
የኢንቨስትመንት ሰነድ ግዢ	17	(1,145,619)	(859,090)
ሀልዎት ለሌላቸው ሀብት ግዢ	20	(71,008)	(89,765)
ለቋሚ ዕቃዎችና መሳሪያዎች ግዢ	21	(786,119)	(570,467)
የተገዛ ተጨማሪ ኢንቨስትመንት	17	(116,216)	(17,170)
ንብረትን የመጠቀም መብት ልዩነት	19	(122,758)	(190,132)
ከቋሚ ዕቃዎችና መሳሪያዎች ሽያጭ	34	2,716	40,274
ከኢንቨስትመንት የተገኘ (የወጣ) የተጣራ ገንዘብ		**(2,239,005)**	**(1,686,351)**
ከፋይናንስ እንቅስቃሴ የተገኘ			
ከአክሲዮን ሽያጭ	28	2,455,181	1,355,346
በአክሲዮን ሽያጭ ዋጋ ብልጫ የተከፈለ	28	-	112
ብድር	25	597,697	77,827
የፋይናንስ ሊዝ ዕዳ ልዩነት	26	(26,188)	57,969
ለባለአክሲዮኖች የተከፈለ የትርፍ ድርሻ	30	(1,352,661)	(1,070,615)
ከፋይናንስ እንቅስቃሴ የተገኘ(የወጣ) የተጣራ ገንዘብ		**1,674,029**	**420,639**
በጥሬ ገንዘብና በገንዘብ አከል የታየ እድገት (ቅናሽ)		**4,728,412**	**596,554**
በአመቱ መጀመሪያ የነበረ የጥሬ ገንዘብና ገንዘብ አከል መጠን	15	8,914,774	8,048,523
በጥሬ ገንዘብ ላይ ከውጭ ምንዛሬ ልውውጥ የተገኘ (ወጪ) ገቢ	8	319,098	269,697
በአመቱ መጨረሻ የነበረ የጥሬ ገንዘብና ገንዘብ አከል መጠን	15	**13,962,284**	**8,914,774**

Zemen Bank and Safaricom M-PESA Mobile Financial Services partnership Agreement

Zemen Bank and Ethiopian Securities Exchange Investment Subscription Signing Ceremony

Zemen Bank and International Finance Corporation (IFC) Partnership Signing

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