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Nib International Bank

Annual REPORT

JULY 2017 - JUNE 2018

WESTERN UNION WU
moving money for better
Dahabshiil
Ria
XPRESS MONEY
MoneyGram
GOLDEN MONEY TRANSFER
TRANSFAST
Sigue
WorldRemit

NIB Cards
Your Prime Choice!

CONTENTS

Vision

"To be an icon of service excellence and a leading commercial bank in Ethiopia."

Mission

"To provide customer focused and innovative banking services through motivated staff and state of the art technology".

Values

The core values that will drive the behavior of NIB staff are:

Transparent
Accessible
Teamwork
Accountable
Results-oriented
Innovative

NB: The Corporate Statements are taken from the 3rd Strategic Plan

BOARD OF DIRECTORS

Ato Woldetensai Woldegiorgis
Chairman

Ato Alemu Denekew
Deputy Chairman

Ato Kifle Yirga
Director

Ato Kifle Borga
Director

W/ro Mebrat W/Tensaie
Director

Ato Mulugeta Asfaw
Director

Ato Mulugeta Woldemichael
Director

Ato Abreham Mersha
Director

Eng. Desalegn Denbu
Director

Ato Seifu Awash
Director

Ato Tamiru Mane Aga
Director

Ato Teshome Shenkutie
Director

Ato Theodros Haile
Board Secretary

THE BOARD CHAIRMAN'S MESSAGE

Dear Shareholders,

I feel honored to present the 19th Annual Report of the Board of Directors of our Bank for the fiscal year ended June 30, 2018. From a humble beginning the Bank has made great progress within a span of 19 years. The Bank is on a steady growth track and the upward journey is unchecked in spite of the various challenges in the financial sector. This has been proven in maintaining a prudent balance sheet throughout the various economic cycles and has grown steadily to a considerable size.

We believe that customers are the focus of our business and the fulfillment of their needs is our ultimate goal. Customers have been pillars on which the foundations of our Bank has been built and sustained. The faith and trust reposed and the continuous support extended by the esteemed customers have all along been a source of encouragement for the Bank and the board expresses its profound sense of gratitude for their wholehearted support.

The financial year gone by can at best be described as a year characterized by formidable challenges that put their own hurdle on the overall banking sector performance. To mention but a few, sluggish growth in the export sector, acute shortage of foreign currency that severely affected import activities, social and political unrest that had a detrimental effect on the smooth functioning of daily business operation were the major ones.

The Bank in its relentless effort laid strong foundation for the future growth at the cost of short-term benefits. The different scale construction projects under progress which aim at wealth creation through the transformation of shareholders' equity is believed and expected to have reasonable degree of impact in the Bank's core operation and the return that would have been enjoyed by shareholders.

The Bank is determined to execute a focused strategy during this fiscal year, in capturing opportunities and resolutely addressing challenges. The implementation of the 3rd Strategic Plan is believed to enable the Bank develop a substantial operational earnings and significant values across its business. The successful implementation of the strategic plan would be objectively achieved when our shareholders embrace the carefully designed changes and lend a helping hand to the board and management of the Bank. The key strength of the Bank will be its depth of leadership talent and the untiring commitment and contribution of the employees. Although the registered profit fell short of expectations this year, we are optimistic of the future as the banking sector gradually emerges from the challenges of recent years. NIB is well positioned to leverage opportunities for profitable growth and value creation emanating from the strategic document.

The Bank is definitely undergoing change, but our governance system can be said to have been successful only when we achieve a substantial increase in profitability and other qualitative activities. We must work much harder and implement further reforms. In addition to making fundamental structural reforms, we must clarify our business portfolio, implement branch transformation strategy, and take other initiatives i.e. the implementation of articulated and validated pillars. Moreover, other issues going forward include the need to go much deeper in terms of efforts to raise profitability and make major improvements in our fundamental earning power.

Given the overall optimism and the fact that the Ethiopian economy is set to receive a major impetus owing to prudent policy reforms, NIB is all geared up to capitalize in this momentum with a renewed vigor and enthusiasm. While crafting its 3rd strategic plan, the Bank took multiple initiatives aimed at getting prepared for accelerating growth and development and this is believed to bring about a win - win situation to stakeholders of the Bank. We aim to reinforce our core banking offerings to customers across the value chain, where we have developed comprehensive, cutting edge product solutions tailored to meet the customized requirements of our corporate banking clients with a focus on action and quality to achieve size and scale as one of the leading banks in Ethiopia.

On behalf of the board of directors, I would like to take this opportunity to express my deepest gratitude to the management and employees of the Bank for their dedicated services, without which the results achieved during the fiscal year 2017/18, would not come true. I would like to make a special mention of the exemplary support and confidence of our shareholders and customers in their continuous support which enabled the Bank maintain a steady growth as the Bank look forward to another year of key milestones to be achieved in the financial 2018/19 and beyond.

Woldetensai Woldegiorgis

Chairperson, Board of Directors

November 2018

MANAGEMENT

Ato Kibru Fondja
President

Ato Gashawtena Amdetsion
V/P- Strategic Support & Modernization

Ato Genene Ruga
V/P - Operations

Ato Solomon Goshime
V/P - Resource & Facilities

Ato Fresenbet Gebremedhin
Director, E-Banking

Ato Mulugeta Dilnesaw
Director, Corporate Planning & Business Development

Ato Elias Negassi
Director, Information Systems

Ato Kedir Bedewi
Director, Trade Finance

Ato Lemma Hailemichael
Director, Customer Relations Management

Ato Seifu Agenda
Director, Credit Appraisal

Ato Menkir Hailu
Director, Domestic Banking

Ato Abera Shire
Director, Human Resource Mangement

Ato Assefa Jeza
Director, Logistics & Property Administration

W/ro Eden Haddis
Director, Treasury & Fund Management

Ato Shiferaw Argaw
Director, Accounts & Finance

Ato Beyene Alemu
Director, Legal Services

Ato Leulseged Negussie
Director, Risk & Compliance Management

Ato Melkamu Solomon
Director, Internal Audit

Ato Osman Ali
Executive Assistant to the President

MESSAGE FROM THE PRESIDENT

Representing all Management and employees of Nib International Bank S.C. (NIB), I am honored to present a brief highlight on the economic environment and the Bank's performance during the financial year 2017/18.

The Financial Year 2017/18 has been a period for registering company success while at the same time facing a number of challenges in our endeavors. It cannot be denied that both internal and external environmental factors have affected banking operations and, consequently, profit of the year. Slow pace of economic growth observed during the year, manifested in low export performance and diminished remittance exacerbated by the New NBE directives that imposed the surrender of 30% of foreign currency generated and the credit cap have been some of the major challenges of the year. These, coupled with unfair market realities and stiff competition in the industry had a dragging effect on the Bank's operational performance. Moreover, the several construction projects that the Bank has recently launched have also been other major issues that claimed significant financial resources, time and extra effort on the part of the Bank's leadership that has been observed on the profit of the bank.

In spite of the multi-dimensional challenges faced during the year, our Bank has exerted an all-out effort and has achieved commendable strategic and operational results, manifested in the Bank's overall business achievements and asset growth which shall be realized its impact in the long-run. In all aspects of the Bank's operational activities a commendable growth has been observed. Accordingly, the following achievements can be noted.

As at June 30, 2018 the total asset of the Bank reached Birr 26.7 billion. This shows continuous growth in fixed assets (which reached Birr1.9 billion) and overall wealth accumulation, ensuring sustainability of the Bank.

The Bank's paid-up capital, reserves, and provisional profit after tax added together stood at Birr 3.4 billion. The share of paid-up capital accounts for Birr 2.1 billion or 61.4% of total capital.

On the other hand, the total liabilities of the Bank reached Birr 23.3 billion in June 2018. Out of the total liabilities, the share of total deposits is Birr 21.6 billion, comprising the lion's share of 92.8% of the total liability of the Bank.

The Bank's total outstanding loans & advances stood at Birr 13.5 billion. A total of Birr 6.2 billion loans and advances were disbursed; while Birr 5.2 billion is collected in the year.

The Bank's customer base has been significantly growing from year to year and has reached 679,178 by the end of the Financial Year. From the total account holders, 33,728 of them are interest free account users.

Beyond the commendable financial performance as pointed out above, the Bank has gained considerable strategic results in a number of areas. Worthy to mention is the Bank's continued effort done to broaden its outreach with a view to be accessible to customers through multiple service delivery channels. The branch expansion effort is also driven by the competition in the industry which is becoming ever stronger. In line with that and with a view to sustain our expansion and business outreach to regional cities as well as in Addis Ababa, the Bank has opened a total of 35 new branches during the financial year, of which 20 branches were opened in Addis Ababa and the rest in outlying towns. In doing so, we have managed to raise the total number of NIB branches to 215.

The Bank distributed a total of 54,991 NIB Card to its customers during the year; raising the total NIB Cards users to 170,802, which is about a quarter of the total account holders of the Bank. During the year, a total of 10,396 customers subscribed to the Bank's Mobile Banking Service and 613 customers have become Internet Banking users.

Following the performances mentioned above, the Bank managed to earn a gross profit of Birr 658.8 million in the financial year.

The 2017/18 budget year was also a year of success with regard to asset building, particularly considering the strides made in construction projects that the Bank has committed substantial amount of financial resources that would otherwise been used for the purpose of short-term return. One of the most remarkable achievements in this case is the Bank's 33 storey Headquarters building construction whose super-structure was completed by end of May 2018, with preparations already underway for the finishing works.

Besides, the Bank's 5-storey multi-purpose building in Dukem town was also completed during the budget year which is already inaugurated and became operational.

Moreover, the construction projects of the Bank's Hawassa regional office& multipurpose building, 4-Kilo multi-purpose building, and that of Hosa'ena branch and multi-purpose building construction projects are at a commendable progress.

To ensure the Bank's sustainable growth, the Bank embarked on formulating a new Five -Year Strategic Plan & a 10-year Roadmap that shall introduce a new structure that is customer centric and modern operation culture with motivated staff and supported by digital technology. In this regard, the Bank hired an international Strategic Development Partner - KPMG East Africa Ltd, and the first phase study, that is the Diagnostic Review or 'As-Is' state of affairs was completed. Some parts of the result of this review in the form of Quick-Wins are being implemented as of July 2018 and the full-fledged Strategic study is expected to be launched before the end of 2018.

The Bank's achievements registered over the past budget year in a number of parameters as cited above were made possible thanks to the collaborated efforts exerted by all concerned bodies of the Bank, namely the Shareholders, Board of Directors, Management &staff; customers, partners, regulators as well as the public at large.

Finally, I would like to take this opportunity to express my gratitude to the Board of Directors for their relentless support and leadership extended to us with a view to realize the strategic and operational objectives of the Bank. I am also pleased to express my appreciation to the Bank's management and employees for their unreserved effort towards achieving the overall objectives and goals of the Bank. With concerted efforts of all employees, shareholders, business partners and other stakeholders, I have full confidence that we will attain a remarkable result in an effort to move the Bank to a new chapter in the 2018/19 financial year, to be buttressed by the launching of a new 5 Year Strategic Plan and 10 Year Roadmap.

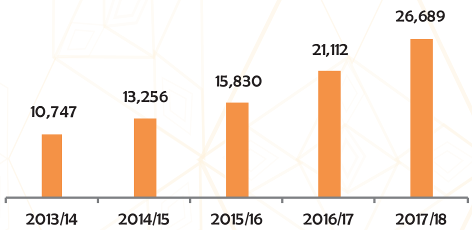
Kibru Fondja

President

November 2018

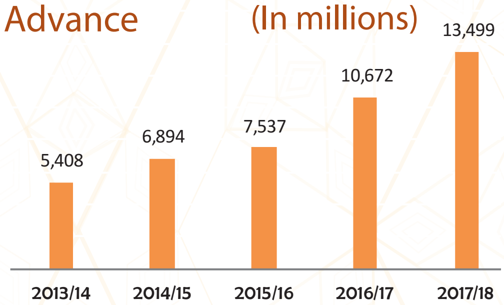
HIGHLIGHTS OF THE LAST FIVE YEARS MAJOR OPERATIONAL PERFORMANCE

Total Assets (In millions)



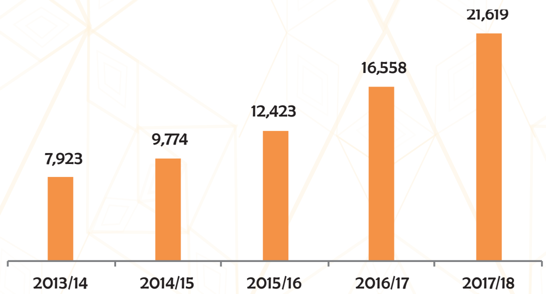
% Growth	23%	19%	33%	26%

Loans & Advance (In millions)



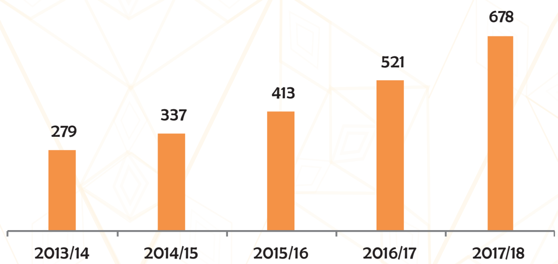
% Growth	27%	9%	42%	26%

Total Deposit (In millions)



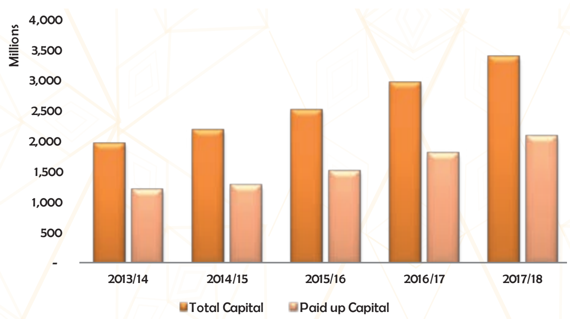
% Growth	23%	27%	33%	31%

Number of Depositors (In thousands)



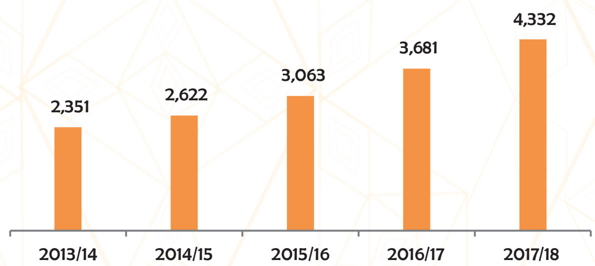
% Growth	21%	23%	26%	30%

Total & Paid up cap (In millions)



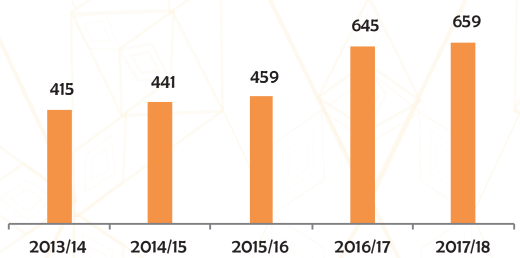
% Growth	11%	16%	18%	14%
	5%	19%	19%	16%

Number of Staff



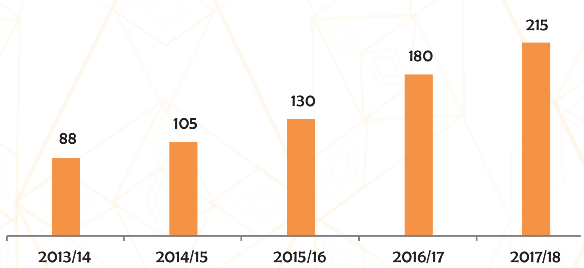
% Growth	12%	17%	20%	18%

Gross Profit (In millions)



% Growth	6%	4%	41%	2%

Number of Branches



% Growth	19%	24%	38%	19%

DIRECTORS' REPORT

It is with great pleasure that the Board of Directors of Nib International Bank is presenting the Bank's performance report for the year ended 30th June 2018 to the 19th Annual General Meeting of the shareholders.

1. GENERAL ECONOMIC OUTLOOK

World Economic Outlook has projected global economic growth to be 3.9% in 2018 and 2019, owing to recovering commodity markets in developing and emerging economies. Furthermore, decelerated growth rates in advanced economies are forecasted to inhibit global growth beyond the 4% mark in the short to medium term.

Emerging market and developing economies have experienced powerful crosswinds as a result of rising oil prices, dollar appreciation, trade tensions and geopolitical conflicts. Their economy is expected to maintain its robust performance, growing at 6.5 % in 2018/19. Growth in China is projected to moderate from 6.9 % in 2017 to 6.6 % in 2018 and 6.4 % in 2019, as regulatory tightening of the financial sector takes hold and external demand softens.

The recovery in Sub-Saharan Africa is set to continue, supported by the rise in commodity prices. For the region, growth is expected to increase from 2.8 % in 2017 to 3.4 % in 2018, rising further to 3.8 % in 2019. Economic growth in East Africa was a robust 5.9% in 2017, primarily driven by the agricultural sector, development of infrastructure projects and structural transformation aided by urbanization and strong labor force growth. However political instability, high Government borrowings and inflationary pressures pose long term growth risks to the region.

Ethiopia is halfway through the second National Five-Year Plan - GTP II (2015/16-2019/20) and according to a recent government report, the country's economy grew at 7.7% in 2017/18, making it one of the most dynamic and fastest growing economies globally; but showing a slowdown compared to previous years. The effect of this coupled with the social unrest exhibited in the country affected the performance of the banking industry.

2. FINANCIAL PERFORMANCE

The following are the highlights of the financial performance of the Bank during the financial year 2017/18.

2.1 FINANCIAL POSITION

2.1.1 ASSETS

The total asset of the Bank reached Birr 26.7 billion exceeding the balance of corresponding last year figure of Birr 21.1 billion by Birr 5.6 billion and registering a growth rate of (26.4%).

Total loans and advances constitute 50.6% of the total assets which is the same as last year same period. The liquid assets of the Bank comprising of cash on hand, deposit with local and foreign banks and reserve account with NBE, constitute 14.6% of the total assets. Comparable figure for the corresponding period was 15.5%. The total amount of NBE bills purchased reached Birr 6.1 billion constituting 23.0% of the total assets which was 24.5% during last year same period. The value of property, plant and equipment of the Bank reached Birr 1.9 billion comprising 7.3% of the total assets. Comparable figure for the corresponding period was 2.3%. The remaining 4.5% of the total assets is made up of other assets, investment in properties, investment in local shares and intangible assets. Comparable figures for last year same period was 7.1%.

LOANS & ADVANCES

At the close of 2017/18 financial year, the Bank's total outstanding loans & advances stood at Birr 13.5 billion, reflecting an increase of Birr 2.8 billion (26.5%) compared to the previous financial year.

The Bank is providing loans and advances for the priority sectors which are believed to have significant impact on the country's growth and development. To this end, the highest amount of loan is given for manufacturing sector (Birr 3.2 billion) followed by Domestic Trade and Service (Birr 2.4 billion) and Export sector (Birr 2.0 billion).

The total number of loan accounts has reached 11,626 registering an increase of 541 compared to previous year same period balance.

TABLE 1: LOANS AND ADVANCES BY ECONOMIC SECTOR **(IN '000 BIRR)**

Type of Sector	30/06/18		30/06/17		Growth	
	Amount	Share	Amount	Share	Absolute	%
Agriculture	87,095	0.6%	92,418	0.9%	(5,323)	-5.8%
Manufacturing	3,159,961	23.4%	2,270,255	21.3%	889,706	39.2%
Domestic Trade and Service	2,373,291	17.6%	2,069,025	19.4%	304,266	14.7%
Transport and communications	200,438	1.5%	173,836	1.6%	26,602	15.3%
Hotel and tourism	1,316,288	9.8%	1,165,633	10.9%	150,655	12.9%
Export	2,045,423	15.2%	1,633,037	15.3%	412,386	25.3%
Import	1,884,760	14.0%	1,540,571	14.4%	344,189	22.3%
Building and Construction	1,799,038	13.3%	1,310,207	12.3%	488,831	37.3%
Mines, Power and Water	43,323	0.3%	31,281	0.3%	12,042	38.5%
Staff loans and advances	549,337	4.1%	346,436	3.2%	202,901	58.6%
Personal loans	39,699	0.3%	39,716	0.4%	(17)	0.0%
Total	**13,498,652**	**100%**	**10,672,415**	**100.0%**	**2,826,237**	**26.5%**

CHART 1: COMPARISON OF LOANS AND ADVANCES BY SECTOR

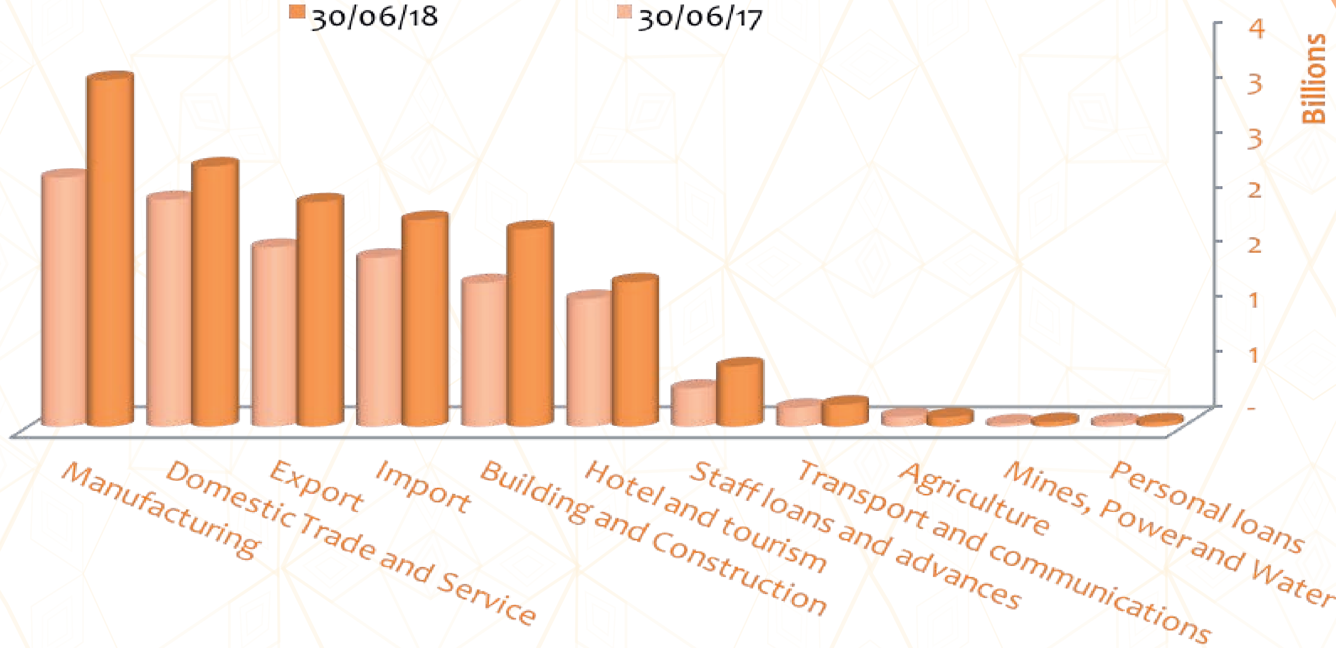
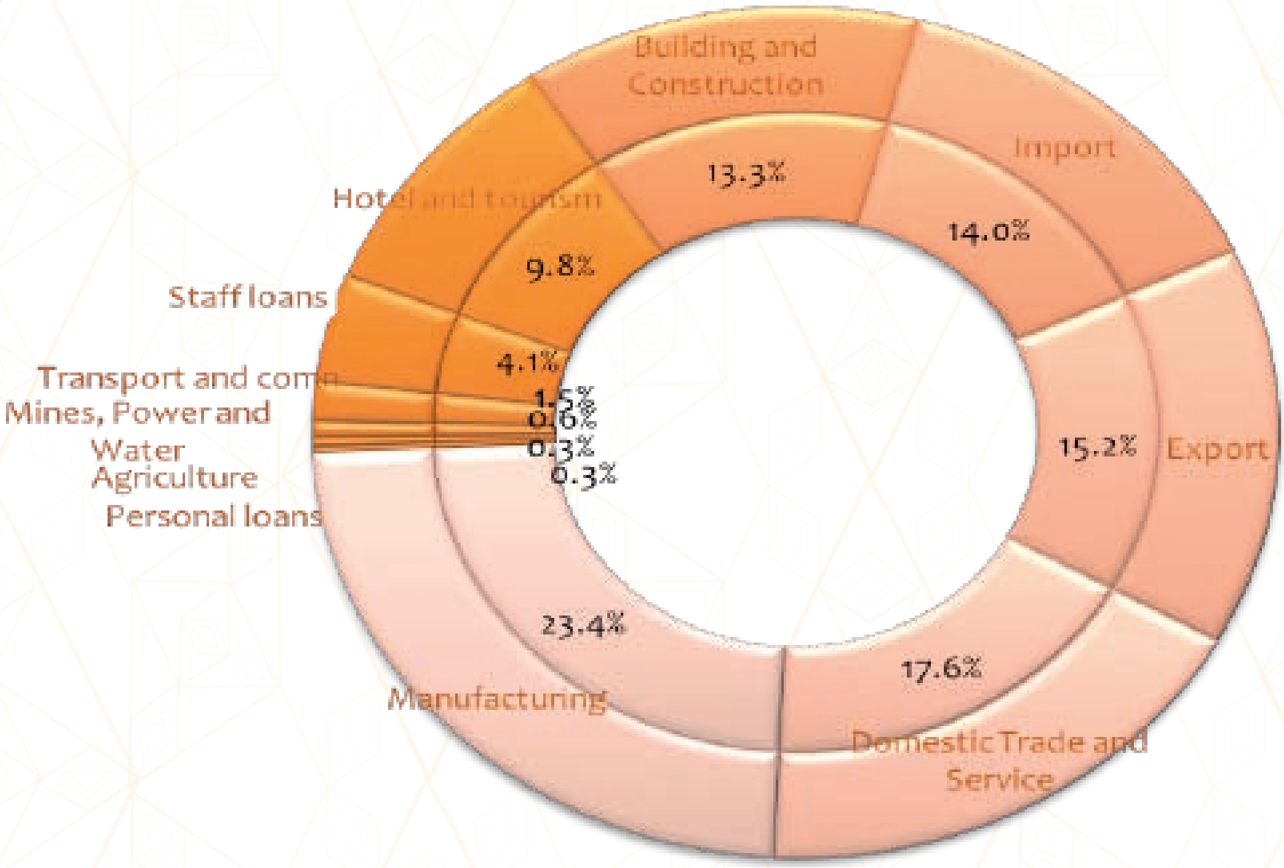


CHART 2: SECTORAL SHARE OF LOANS & ADVANCES



2.1.2 LIABILITIES

The total liability of the Bank stood at Birr 23.3 billion registering a growth of Birr 5.2 billion (28.4%) compared to corresponding last year balance of Birr 18.1 billion. Total deposits from customers constituted 92.8% of the total liability which was 91.2% last year same period.

DEPOSITS

In the reporting period, the total deposit mobilized by the Bank reached Birr 21.6 billion which shows an absolute growth of Birr 5.1 billion (30.6%) from the balance of Birr 16.5 billion of the previous year. This is a record-high achievement since the establishment of the Bank.

The number of deposit accounts of the Bank reached 679,178 from the level of 520,791 of last year same period making an absolute growth of 158,387 (30.4%).

The table below depicts that the balance of interest-bearing deposits (Savings Deposit & Fixed time deposits) were Birr 16.9 billion which is 78.0% of the total deposit, which was 71.0% last year same period. The remaining Birr 4.8 billion (22.0% of the total deposit) was mobilized in the form of non- interest-bearing deposits.

TABLE 2: COMPARISON OF DEPOSIT BY TYPE **(IN '000 BIRR)**

Deposit Type	Amount June 2018	Share	Amount June 2017	Share	Growth	
					Absolute	%
Demand Deposit	4,758,610	22%	4,795,051.0	29%	(36,441)	-0.8%
Savings Deposit	13,005,414	60%	9,155,070.0	55%	3,850,344	42.1%
Fixed Deposit	3,855,212	18%	2,607,832.0	16%	1,247,380	47.8%
Total	**21,619,236**	**100%**	**16,557,953.0**	**100%**	**5,061,283**	**30.6%**

CHART 3: COMPOSITION OF DEPOSITS

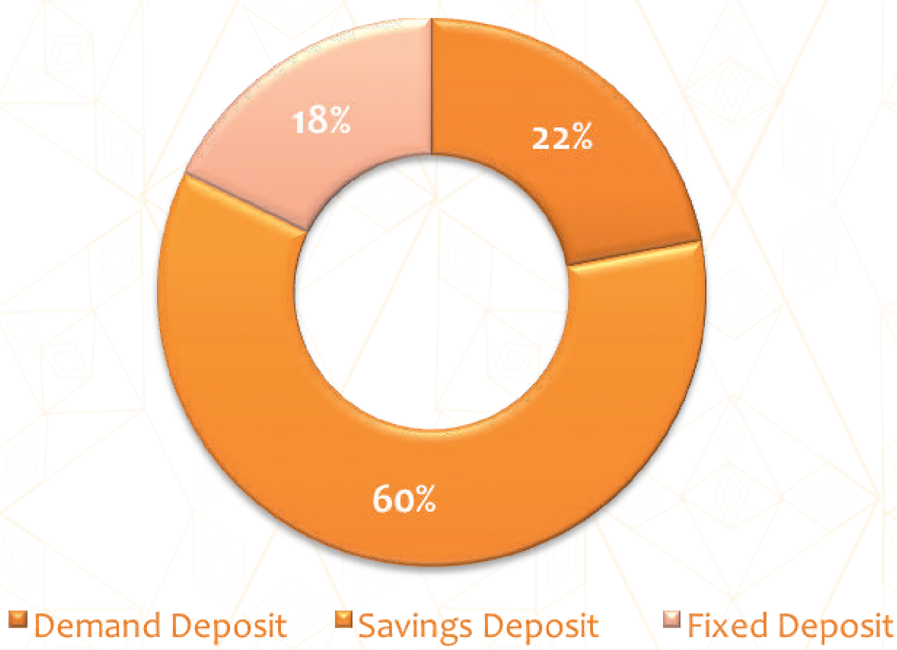
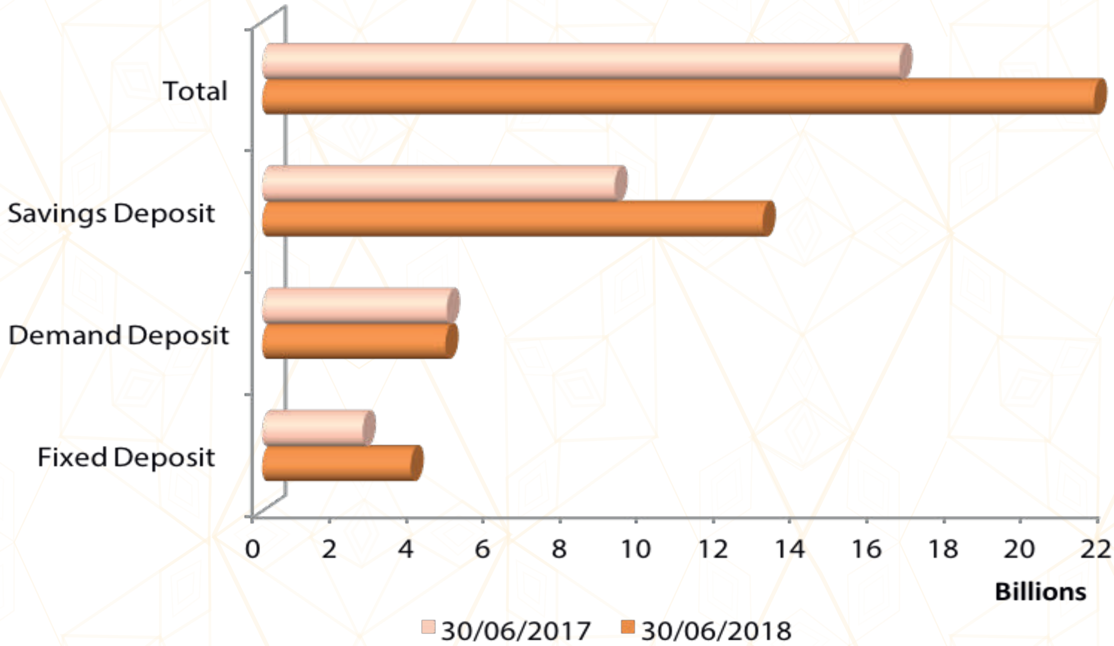


CHART 4: COMPARISON OF DEPOSITS



2.1.3 EQUITY

The Bank's total equity, composed of paid up capital, share premium, regulatory risk reserve, retained earnings, legal and special reserve reached Birr 3.4 billion exceeding the balance of last year same period by Birr 414.5 million or 14.0%.

2.2 PROFIT OR LOSS

2.2.1 INCOME

The Bank managed to generate a record income of Birr 2.5 billion during the financial year, registering a surge of Birr 585.8 million which was 30.9% higher than the total income realized in the preceding year.

Interest income constituted 83.4% (Birr 2.1 billion) showing an increase of 42.6% when compared to the level of the preceding year (Birr 1.5 billion). The fee and commission income component have also registered a moderate growth during the financial year as indicated in the table below.

Of the total income generated, income from international banking activities was Birr 335.4 million which is 13.5%. This is lower by 14.7% of the preceding year balance (Birr 384.6 million). The introduction of the 30% FCY surrender requirement of NBE and impact of the 15% devaluation of major foreign currencies against Birr can be cited as major reasons for the decline.

TABLE 3: COMPOSITION OF REVENUE (IN '000 BIRR)

Income Items	30/06/2018	30/06/2017	Growth	
			Absolute	%age
Interest Income	2,072,786	1,453,106	619,680.4	42.6%
Fee and Commission Income	323,224.9	319,887.0	3,337.9	1.0%
Other Operating Income	88,291.9	125,479.0	(37,187.13)	-29.6%
Total	**2,484,303**	**1,898,472**	**585,831.2**	**30.9%**

CHART 5: COMPOSITION OF REVENUE SOURCES

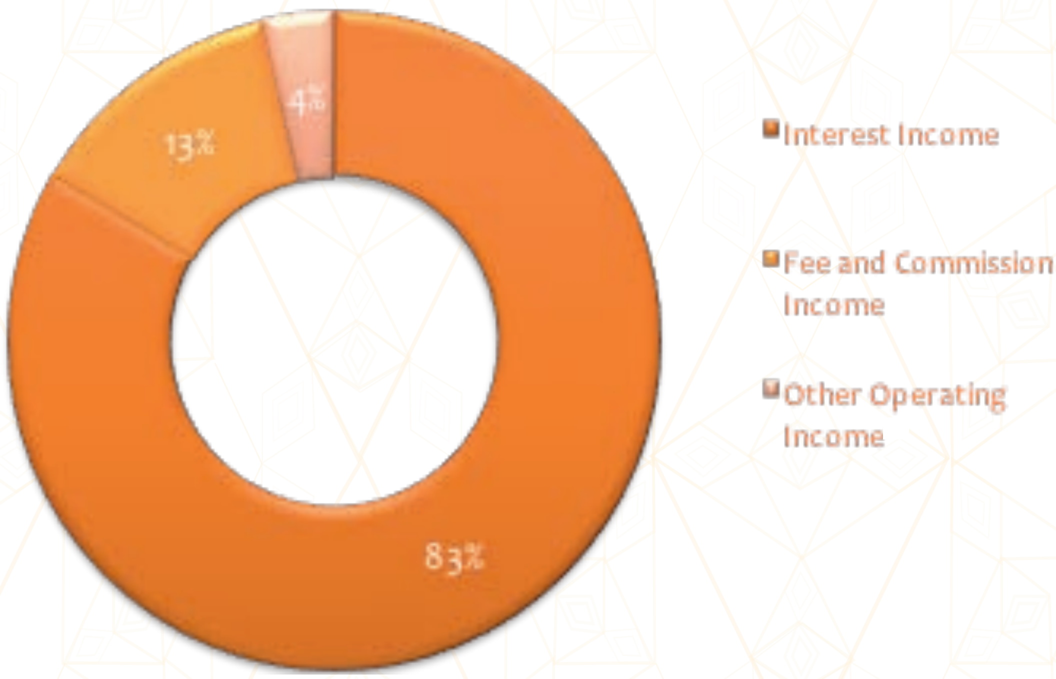
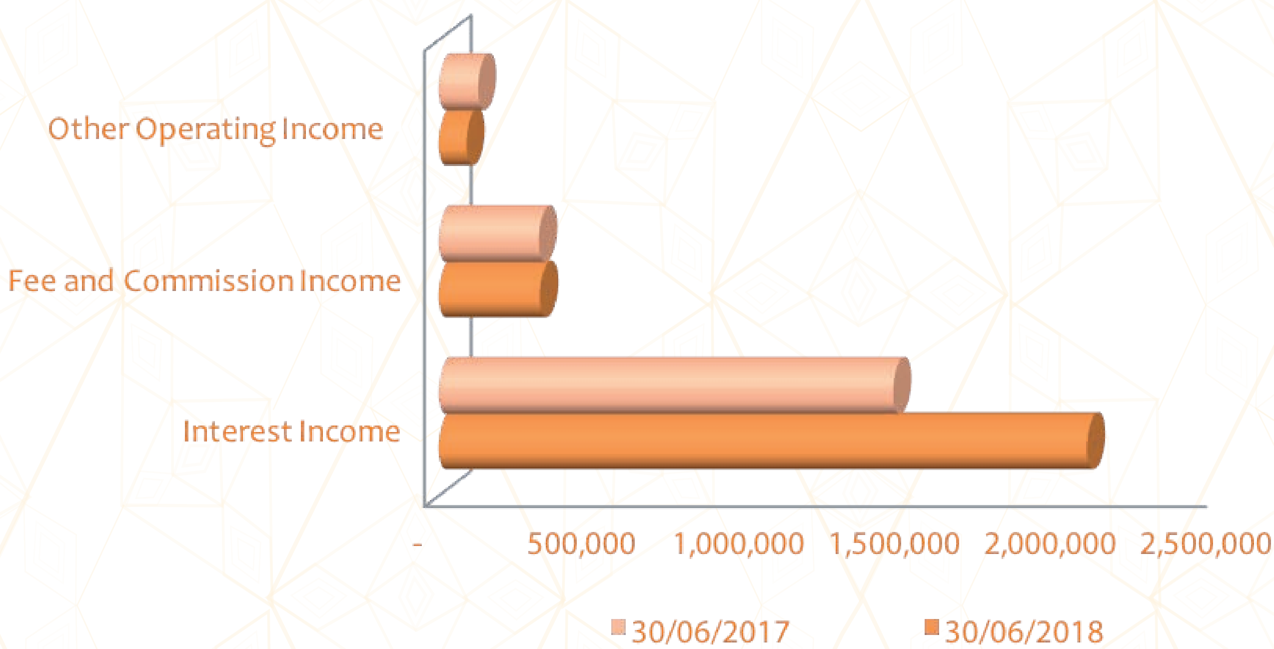


CHART 6: COMPARISON OF REVENUE SOURCES



2.2.2 EXPENSES

The total expense of the Bank during the financial period reached Birr 1.8 billion which is higher by Birr 571.8 million (45.6%) compared to last year same period. As shown in the table below, the Bank's operational expenses are dominated by spending on interest payments (Birr 875.7 million) followed by personnel expenses (Birr 554.1 million) and other operating expenses (Birr 285.2 million).

TABLE 4: BREAKDOWN OF EXPENSES (IN '000 BIRR)

Expense Items	30/06/18 Amount	30/06/18 Share	30/06/17 Amount	30/06/17 Share	Change Absolute	Growth %
Interest Expense	875,705	48%	530,763	42%	344,942	65.0%
Loan Impairment Charge	46,109	3%	26,167	2%	19,942	76.2%
Personnel Expenses	554,133	30%	400,828	32%	153,305	38.2%
Other operating expenses	285,165	16%	246,000	20%	39,165	15.9%
Others*	64,440	4%	49,939	4%	14,501	29.0%
Total Expenses	**1,825,552**	**100%**	**1,253,697**	**100%**	**571,855**	**45.6%**

'Others' include; Depreciation and impairment of property, plant and equipment, Impairment losses on other assets, amortization of intangible assets and fee & commission and expense.

The increase in interest expense is attributed to the growth of saving deposits, the increasing interest rate on fixed time deposits and the upward revision of the minimum saving deposit rate from 5% to 7% by the regulatory organ. The personnel expense grew mainly following the recruitment of additional employees in line with the branch expansion of the Bank, related growth of operational and support activities as well as annual salary increment and benefits for the staff. Operating expense have also grew by Birr 39.2 million or 16.9% due to the continuous increase in the volume of the Bank's operational activities, and the continued increase in the rental expenses of branch offices. The chart below shows the compositional share of each expense items.

CHART 7: COMPOSITION OF EXPENSES

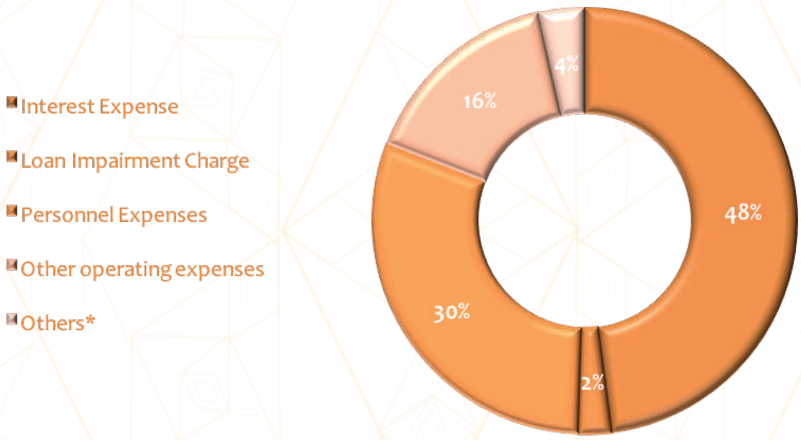
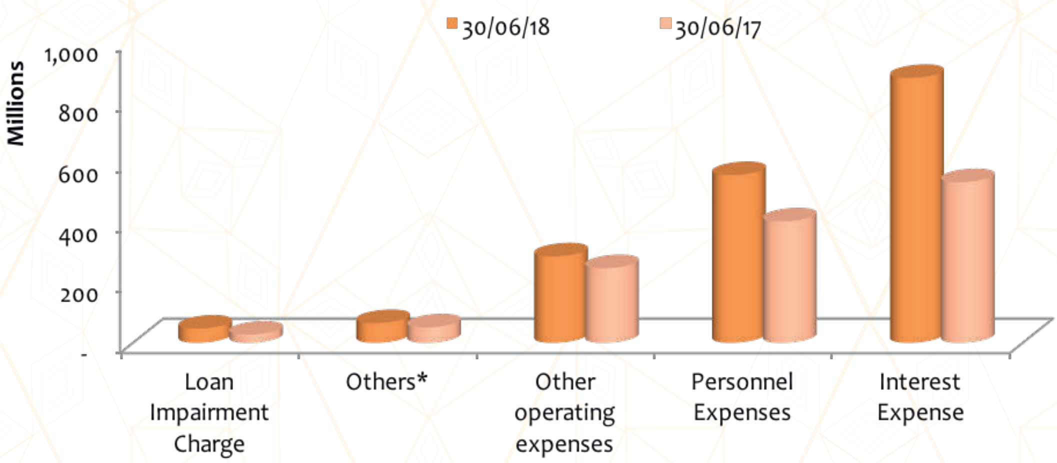


CHART 8: COMPARISON OF EXPENSES



2.2.3 PROFIT

Despite unfavorable global and domestic environment, the Bank registered reasonable profit during the financial year. The Bank's profit before tax and after tax for the financial year were Birr 658.8 million and Birr 514.9 million, respectively. The gross profit showed an increase of Birr 13.98 million which is 2.2% when compared to Birr 644.8 million registered in the preceding financial year. Similarly, the profit after tax balance of the Bank has increased by Birr 21.1 million (4.3%) from last year same period.

2.3. RETURN ON ASSETS AND PAID-UP CAPITAL

The Bank's return on assets (ROA) expressed as the ratio of profit before tax to the average assets is 2.8% which was 3.7% last year same period. At the same time, return on paid-up capital expressed as the ratio of net profit after tax to average paid-up capital stood at 26.8%. This implies the Earning Per Share (EPS) for the financial year ended June 2018 is Birr 134. On the other hand, the percentage for last year was 31.4%. (Based on IFRS, last year balance is adjusted to 29.8%)

3. BUSINESS DEVELOPMENT & OTHER MAJOR ACTIVITIES

During the reporting period, a number of strategic and core activities that were critical for the growth and development of the Bank were performed. Some of these major activities are the following:

3.1 Various studies were conducted to solve different operational problems and a number of policies and procedural manuals were revised, developed and implemented;

3.2 New and pioneering deposit/loan products such as Gojo / Guzo Foreign Exchange (FX) linked deposit and loan products, credit products to employment agencies and employees working abroad to enhance FX generation and Murabaha interest free financing products were developed;

3.3 With a view to introduce new types of products, the necessary preparation is made to implement Nib Halal Card, Nib Lucy Card, Nib Sitota Card, Nib Yenege Tesfa Card, Nib Fuel Card, and Nib Platinum Card. In achieving this, aggressive sales and promotion campaign have been undertaken through electronic and print media to alleviate the positive image of the Bank as well as to publicize new products and services to the public;

3.4. Hiring of Strategic Development Partner (Consultant) for designing the Bank's future road map and developing the 3rd strategic plan is concluded and the work is launched;

3.5. The transformation of shareholder's equity into fixed assets is progressing well. To this end, the skeleton work of Head Quarter building is fully completed and it already became one of the eye-catching building structures in the city. The multipurpose building in Dukem has been completed and became operational. The multifaceted building in Hawassa town and the finishing works of Hossana are well under progress;

3.6. The contract agreement for finishing works of the G+7 building around Arat Killo was signed and site hand over was made with the winner contractor;

3.7. In line with Proclamation No. 847/2014 of "Financial Reporting Proclamation of Ethiopia" which obliges companies to follow IFRS in their financial statement presentation, Nib International Bank in collaboration with Ethiopian Bankers Association (EBA) has taken the initiative to change its accounting reports from Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS). In line with this initiative the Ethiopian Bankers Association on behalf of its members has appointed Price Waterhouse Coopers (PWC) for consulting the project. Currently the project is finalized and the consultant has delivered the final statement for 2016/17 and comparative statement for the year 2017/18. Despite many challenges were faced in converting from GAAP to IFRS, the Bank managed to produce its annual report using IFRS financial reporting standard.

4. HUMAN RESOURCE

At the end of 2017/18 financial year, the staff strength of the Bank reached 4,332; registering a growth of 17.7% from the preceding year. A total of 935 additional employees were recruited during the reporting period following the increase in the volume of activities in the Bank. Of the total, 447 were professional and clerical staff and the remaining 488 were non-clerical. During the same period, 284 employees left the Bank due to various reasons which is less compared to last year's 329 employees.

Human resource development is one of the primary concerns of the Bank. To this end, 67 in-house and external training programs were conducted to cope up with the ever-changing business environment and to provide efficient banking services to customers. A total of 1,800 employees of the Bank have participated in these programs. Besides, the Bank has covered tuition fees for 518 employees who have been attending different higher educational institutions.

5. RISK AND COMPLIANCE MANAGEMENT

In the current highly volatile and competitive banking environment, one of the most important determinant factors for the sustainable success of an organization is the proper management of risks and compliance activities.

To this effect, the Bank is improving its risk management process from year to year. In addition, the Bank is using the inputs from External Auditors, Regulators and other external bodies outside the Bank in strengthening the Bank's overall governance and control structure.

In line with this and considering the dynamic nature of the banking industry, the Bank has proactively identified emerging risks, conducted various risk-based assessments on different banking areas and designed mechanisms for mitigating risks that adversely affect the operation.

As the Bank is committed to protect its business from money laundering, financing of terrorism, fraud and from breaches of other required regulations; the Bank is regularly updating its policies, procedures, frameworks and risk-based approach assessment documents and is creating awareness among various stakeholders.

The Risk & Compliance Management Department of the Bank, is directly answerable to the Board and is in charge of performing independent oversight on the management of risk and compliance activities carried out within the Bank by giving due consideration to the identification, measurement, monitoring and controlling of the most common risks i.e. credit, operational, liquidity and market risks using a comprehensive risk management framework designed for this purpose.

6. INFORMATION TECHNOLOGY

The impact of technology on the way banking and financial services are delivered is growing very fast and becoming one of the competitive edges to banks. Following this, NIB has taken different moves in order to enhance the application of modern banking technology and provide competitive service through a wide range of electronic banking services.

ATM card banking and Point of Sale (POS) service delivery channels are progressing well. The number and amount of transactions through these channels are growing steadily. During the year ended June 2018, 23 additional own ATM machines have been deployed at different branches, hotels and various business centers raising the Bank's overall number of ATM's to 169. Apart from own ATMs and POS, the Bank is delivering card banking service using ATMs and Point of Sale (POS) deployed by the Premier Switch Solution (PSS) and EthSwitch member banks. The Bank has distributed 54,991 NIB Cards to its customers raising the number of ATM card holders to 170,802. Other than local cards, our ATM's and POS also accept other bank's cards as well as international cards such as Visa, MasterCard and Union pay.

Moreover, the use of Mobile and Internet Banking service alternatives are also strengthened and continued as means of reaching the customer at any time, any place and circumstances creating convenience to our customers.

A full-scale preparation to upgrade the Bank's T24 application to the latest and robust release is completed. On the development side, to computerize and improve efficiency of human resource management and share administration; various software applications were developed internally.

7. BRANCH EXPANSION

During the financial year under review, NIB expanded its branch network in strategically important sites located at various parts of the country. Accordingly, 35 additional branches were opened. Out of which; 20 were opened in different parts of Addis Ababa and the remaining 15 in regional towns. Accordingly, the total number of branches reached 215 as at June 30, 2018.

8. FUTURE PLANS

In an effort to keep the momentum of growth in the coming year, our priorities for the budget year 2018/19, based on our strategic aspirations includes the following:

8.1 Sign off the development of 3rd Strategic Plan and start the implementation of same by putting a new structure, formulating policy manuals and cascading the various targets of the strategic plan to the implementing organs.

8.2 Strengthen the follow-up of building construction progresses so that the Head quarter and Hawassa buildings are enhanced as per the schedule and the construction of Arat Killo and Hosana buildings would be fully completed.

8.3 Further innovate the Bank's service delivery mechanism and start automating the Bank's various processes to enhance efficiency and consistency of service delivery.

8.4 Motivate the staff of the Bank through intensive and extensive training both locally and internationally and putting a renumeration system on the basis of Reward & Benefit policy that is competitive in the industry.

We believe delivering on each of these priorities is the key to the continuous success in our journey towards building sustainable business growth in our Bank.

9. VOTE OF THANKS

The Board of Directors would like to recognize the vital role played by various stakeholders towards the success of the Bank during the financial year 20017/18. In this regard, the Board would like to express its appreciation to the National Bank of Ethiopia for its supervision; the management and the entire staff of NIB for their diligence, commitment and dedication; and the esteemed customers of the Bank for their patronage and loyalty. Last but not least, the Board conveys its special gratitude to the Bank's shareholders for their strong support and understanding, which they unfailingly demonstrated during the reporting year.

Woldetensai Woldegiorgis

Chairman, Board of Directors

November, 2018

Photo Gallery

Strategy Development

Management Meeting in Session

Best Performing Branches Award

Financed Projects

NIB Construction Projects

Lottery Award Events

Auditors' REPORT

NIB INTERNATIONAL BANK
ANNUAL IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018
CONTENTS

NIB INTERNATIONAL BANK
ANNUAL IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018
DIRECTORS, PROFESSIONAL ADVISORS AND REGISTERED OFFICE

Directors *(As of 30 June, 2018)*

		Appointment date
Ato Woldetensai Woldegiorgis	Chairman	
Ato Alemu Denekew	Vice Chairman	*5, June 2018*
Wro Mebrat W/Tensaie	Director	*5, June 2018*
Ato Kifle Yirga	Director	*5, June 2018*
Ato Mulugeta W/Michael	Director	*5, June 2018*
Ato Kifle Borga	Director	*5, June 2018*
Ato Teshome Shenkute	Director	*5, June 2018*
Eng. Desalegn Denbu	Director	*5, June 2018*
Ato Mulugeta Asfaw	Director	*5, June 2018*
Ato Seifu Awash	Director	*5, June 2018*
Ato Tamiru Manie	Director	*5, June 2018*
Ato Abreham Mersha (representing NIB Insurance S.C)	Director	*5, June 2018*

Executive management *(As of 30 June, 2018)*

Ato Kibru Fondja	President	*21, August 2013*
Ato Gashawtena Amdetsion	V/P Strategic Support & Modernization	*1, March 2013*
Ato Genene Ruga	V/P Operations	*15, December 2014*
Ato Solomon Goshime	V/P Resources & Facilities	*1, March 2013*
Ato Abera Shire	Director, Human Resource Management	*1, July 2013*
Ato Asefa Jeza	Director, Logistics & Property Management	*8, July 2013*
Ato Beyene Alemu	Director, Legal services	*11, January 2013*
Wro Eden Haddis	Director, Treasury and Fund Management	*5, March 2013*
Ato Elias Negassi	Director, Information Systems	*1, February 2016*
Ato Fresenbet Gebremedhin	Director, E-Banking	*5, March 2013*
Ato Kedir Bedewi	Director, Trade Finance	*17, April 2015*
Ato Lemma Hailemichael	Director, Customer Relations Management	*5, March 2013*
Ato Leulseged Niguse	Director, Risk & Compliance Management	*12, December 2016*
Ato Melkamu Solomon	Director, Internal Audit	*12, December 2016*
Ato Menkir Hailu	Director, Domestic Banking	*14, August 2015*
Ato Mulugeta Dilnesaw	Director, Corporate Planning & Business Development	*5, March 2013*
Ato Seifu Agenda	Director, Credit Appraisal	*5, March 2013*
Ato Shiferaw Argaw	Director, Account & Finance	*3, October 2016*

Independent auditor

Degefa & Tewodros Audit Service Partnership

Kirkos Sub City, Woreda 02, Kebele 02/03, House No. 121
Addis Ababa
Ethiopia

Corporate office

Africa Avenue Bole
Dembel City Center
P.O.Box 2439
Addis Ababa, Ethiopia

Company Secretary
Africa Avenue Bole
Dembel City Center
P.O.Box 2439

No. 4
International Bank S.C.

Chartered Certified Accountants
DEGEFA AND TEWODROS AUDIT SERVICES PARTNERSHIP

NIB INTERNATIONAL BANK
ANNUAL IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018
REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 30 June 2018, to the members of Nib International Bank("NIB or the Bank"). This report discloses the financial performance and state of affairs of the Bank.

Incorporation and address

Nib International Bank was incorporated in Ethiopia on 26th May 1999 under Licence No. LBB/007/99 in accordance with the Commercial Code of Ethiopia and the proclamation for Licensing and Supervision of Banking Business No. 84/1994 by 717 shareholders.

The Bank commenced operation on 28th October 1999 with a paid up capital of Birr 27.6 million and authorized capital of Birr 150 million.

Principal activities

The mandate of the Bank is the to provide efficient and effective full-fledged commercial banking services by utilizing qualified, honest and motivated staff and state-of-the-art technology and thereby optimize shareholders interest.

Results and dividends

The Bank's results for the year ended 30 June 2018 are set out on page 8. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2018 Birr'000	30 June 2017 Birr'000
Interest income	2,072,786	1,453,106
Profit before tax	658,752	644,775
Income tax expense	(143,899)	(151,036)
Profit for the year	514,853	493,739
Other comprehensive income net of taxes	(7,207)	449
Total comprehensive income for the year	507,645	494,187

Directors

The directors who held office during the year and to the date of this report are set out on page 3.

Woldetensai Woldegiorgis
Chairman-Board of Directors
Addis Ababa, Ethiopia

No. 4

Nib International Bank S.C.

Chartered Certified Accountants

DEGEFA AND TEWODROS AUDIT SERVICES PARTNERSHIP

NIB INTERNATIONAL BANK
ANNUAL IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018
STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with the Banking Business Proclamation No. 592/2008, the National Bank of Ethiopia (NBE) may direct the Bank to prepare financial statements in accordance with international financial statements standards, whether their designation changes or they are replaced, from time to time.

The Bank's president is responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in Ethiopia and in the manner required by the Commercial Code of Ethiopia of 1960, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank is required keep such records as are necessary to:

a) exhibit clearly and correctly the state of its affairs;

b) explain its transactions and financial position; and

c) enable the National Bank to determine whether the Bank had complied with the provisions of the Banking Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Bank's president accepts 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 1960 and the relevant Directives issued by the National Bank of Ethiopia.

The President is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss.

The President further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Signed on behalf of the Directors by:

Woldetensai Woldegiorgis Chairman-Board of Directors	Kibru Fondja President

No. 4

Chartered Certified Accountants

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>> 96-621 59 21
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Addis Ababa Ethiopia

Partners
Degefa Lemessa, B.A, FCCA & Tewodros Hailu, M.A, FCCA

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
NIB INTERNATIONAL BANK SHARE COMPANY

We have audited the accompanying financial statements of *NIB INTERNATIONAL BANK SHARE COMPANY* which comprise the statement of profit and loss and other comprehensive income for the year ended 30 June 2018, statement of financial position as at 30 June 2018, statement of changing equity and statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

OPINION

In our opinion the financial statements give a true and fair view of the financial position of *NIB INTERNATIONAL BANK SHARE COMPANY* as at 30 June 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards adopted this year.

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

i) Pursuant to Article 375(1) of the Commercial Code of Ethiopia, 1960 and based on our reviews of the board of directors' report, we have not noted any matter that we may wish to bring to your attention.

ii) Pursuant to article 375 (2) of the commercial code of Ethiopia we recommend the financial statements be approved.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgment, 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; we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our Audit Addressed the key Audit matter
a) During the year under review the Bank has changed its reporting framework from "Ethiopian GAAP" to the International Financial Reporting Standards (IFRS) framework. The conversion had the following challenges: • IFRS was totally new to Ethiopia; • There was a knowledge gap both in the country and in the Bank; • The Bank's financial statements preparation process was not designed in a way that fulfills the information requirements of IFRS; • Non-existence of capital and active properties market in the country heavily affected the fair valuations of assets and liabilities. The foregoing matters required us to scrutinize in depth whether the conversions has been carried out in accordance with IFRS 1.	We have addressed the matter: - By assigning an engagement team that is capable of verifying whether the conversion process was properly carried out. - We have prepared hypothetical gap analysis and possible resolutions or detailed works to be performed to comply with the requirements of the standard that will serve as a checklist for our audit team, - We designed an audit program giving more emphasis on accounts that requires intensive works for conversion such as financial instruments, employee benefits, revenue recognition, property plant and equipment, and disclosures. - We have reviewed the methodology pursued by the Bank, organization of the conversion project, and level of involvement by the audit Committee, In doing so, we have verified that the Bank has taken the conversion project seriously and hired an international accountancy firm, Price Water House Coopers (PWC), that has a vast experience in the field as a consultant and set up a dedicated internal team to manage the conversion process. The Bank also trained a good number of its staff in IFRS both locally and abroad to fill the knowledge gap. As far as financial and statistical information required by IFRS the management of the Bank has designed a quick fix approach of compiling information required for the new reporting frame work whilst working on a system change. Various approaches have also been used to bridge the lack of market information in line with the IFRS.

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Nib International Bank S.C.

Chartered Certified Accountants

DEGEFA AND TEWODROS AUDIT SERVICES PARTNERSHIP

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies of the company and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

In preparing the financial statements management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis for accounting unless management either intends to liquidate the company or to close operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors Responsibility 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 ISAs 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.

Degefa & Tewodros Audit Services
Partnership
Chartered Certified Accountants

Addis Ababa
October 29, 2018

Nib International Bank S.C. No. 4

Degefa and Tewodros Audit Services Partnership Chartered Certified Accountants

NIB INTERNATIONAL BANK
ANNUAL IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
Interest income	5	2,072,786	1,453,106
Interest expense	6	(875,705)	(530,763)
Net interest income		**1,197,082**	**922,343**
Fee and commission income	7	323,225	319,887
Fee and commission expense	7	(3,402)	(2,836)
Net fees and commission income		**319,823**	**317,051**
Other operating income	8	84,740	122,581
Total operating income		**1,601,645**	**1,361,975**
Loan impairment charge	9	(46,109)	(26,167)
Impairment losses on other assets	10	(1,498)	-
Net operating income		**1,554,038**	**1,335,808**
Personnel expenses	11	(554,133)	(400,828)
Amortisation of intangible assets	20	(7,013)	(7,805)
Depreciation and impairment of property, plant and equipment	21	(52,527)	(39,298)
Other operating expenses	12	(285,165)	(246,000)
		(898,838)	**(693,931)**
Profit before tax and share of income from associates		655,200	641,877
Share of net profit of associate accounted for using the equity method	17	3,552	2,898
Profit before tax		**658,752**	**644,775**
Income tax expense	13	(143,899)	(151,036)
Profit after tax		**514,853**	**493,739**
Other comprehensive income (OCI) net of income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	25	(10,296)	641
Deferred tax (liability)/asset on remeasurement gain or loss	13	3,089	(192)
		(7,207)	449
Total comprehensive income for the period		**507,645**	**494,187**
Basic & diluted earnings per share (Birr)		134	149

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

No. 4
Nib International Bank S.C.

Chartered Certified Accountants
Degefa and Tewodros Audit Services Partnership

NIB INTERNATIONAL BANK
ANNUAL IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018
STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
ASSETS				
Cash and bank balances	14	3,884,986	3,281,916	2,977,980
Loans and advances to customers	15	13,498,652	10,672,415	7,551,447
Investment securities:				
- Available for sale	16	94,162	86,038	80,782
- Loans and receivables	16	6,135,822	5,166,882	4,229,796
Investment in associates	17	47,606	44,054	41,155
Other assets	18	1,046,713	1,310,234	642,655
Investment property	19	23,871	23,581	-
Intangible assets	20	27,642	31,395	37,479
Property, plant and equipment	21	1,929,467	495,579	358,997
Deferred tax assets	13	-	-	-
Total assets		**26,688,922**	**21,112,094**	**15,920,291**
LIABILITIES				
Deposits from customers	22	21,619,236	16,557,953	12,509,435
Borrowings	23	203,682	203,332	-
Current tax liabilities	13	137,772	157,090	111,308
Other liabilities	24	1,318,827	1,205,696	729,229
Retirement benefit obligations	25	20,581	8,718	8,238
Deferred tax liabilities	13	8,422	13,400	10,027
		23,308,521	18,146,189	13,368,237
Total liabilities		**23,308,521**	**18,146,189**	**13,368,237**
EQUITY				
Share capital	26	2,076,219	1,792,392	1,502,380
Share premium	26	18,318	8,063	-
Regulatory risk reserve	4.3.6	56,340	36,335	48,128
Retained earnings	28	332,077	358,680	354,757
Legal reserve	29	895,547	768,636	645,089
Special reserve	30	1,900	1,800	1,700
Total equity		**3,380,401**	**2,965,905**	**2,552,054**
Total equity and liabilities		**26,688,922**	**21,112,094**	**15,920,291**

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

The financial statements were approved and authorised for issue by the board of directors on November 5, 2018 and were signed on its behalf by:

Woldetensai Woldegiorgis
Director

Kibru Fondja
President

No. 4
Nib International Bank S.C.

Chartered Certified Accountants
DEGEFA AND TEWODROS AUDIT SERVICES PARTNERSHIP

NIB INTERNATIONAL BANK
ANNUAL IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018
STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Birr'000	Share Premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Special reserve Birr'000	Regulatory risk reserve	Total Birr'000
As at 1 July 2016		**1,502,380**	**-**	**354,757**	**645,089**	**1,700**	**48,128**	**2,552,054**
Profit for the year	28	-	-	493,739	-	-		493,739
Other comprehensive income:								
	13	-	-	449	-	-		449
Re-measurement gains on defined benefit plans (net of tax)								
Total comprehensive income for the year		-		494,187	-	-		494,187
Transaction with owners in their capacity as owners:								
Issue of shares	26	290,012	8,063	-	-	-		298,075
Transfer to legal reserve	29	-	-	(123,547)	123,547	-		-
Transfer to special reserve	30	-	-	(100)	-	100		-
Transfer to regulatory risk reserve	4.3.6			11,794			(11,794)	-
Dividend paid	28	-	-	(377,311)	-	-		(377,311)
	28			(1,100)				(1,100)
Board of directors' remuneration								
As at 30 June 2017		**1,792,392**	**8,063**	**358,680**	**768,636**	**1,800**	**36,335**	**2,965,905**
As at 1 July 2017		1,792,392	8,063	358,680	768,636	1,800	36,335	2,929,571
								-
Profit for the year	28			514,853				514,853
Other comprehensive income:								-
				(7,207)				(7,207)
Re-measurement gains on defined benefit plans (net of tax)	13							
Transfer to legal reserve	29			(126,911)	126,911			-
Transfer to special reserve	30			(100)		100		-
Transfer to regulatory risk reserve	4.3.6			(20,005)			20,005	-
Board of directors' remuneration	28			(1,100)				(1,100)
Total comprehensive income for the year		**-**		**359,529**	**126,911**	**100**	**20,005**	**506,545**
Transaction with owners in their capacity as owners:								
Issue of shares	26	283,827	10,255	-				**294,081**
Dividend paid	28			(386,133)				**(386,133)**
As at 30 June 2018		**2,076,219**	**18,318**	**332,076**	**895,547**	**1,900**	**56,339**	**3,380,399**

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

NIB INTERNATIONAL BANK
ANNUAL IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018
STATEMENT OF CASH FLOWS

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
Cash flows from operating activities			
Cash generated from operations	31	(3,209,224)	(3,738,656)
Proceeds of deposits from customers	22	5,061,284	4,048,518
Interest received	5	2,072,787	1,453,106
Interest paid	6	(875,704)	(530,763)
Defined benefit paid	25	(536)	(804)
Directors allowance paid		(1,100)	(1,100)
Income tax paid		(165,104)	(102,075)
Net cash (outflow)/inflow from operating activities		**2,882,403**	**1,128,226**
Cash flows from investing activities			
Purchase of equity investments	16	(8,124)	(5,256)
Purchase of intangible assets	20	(3,260)	(1,721)
Payment for construction in progress	21	(1,346,317)	(86,645)
Purchase of property, plant and equipment	21	(140,670)	(112,816)
Purchase of NBE Bills		(959,531)	(927,193)
Interest on NBE Bills		(9,409)	(9,893)
Additional investment in associates		(3,552)	(2,899)
Proceeds from sale of property, plant and equipment and repossed collateral	31	(19)	1,037
Net cash (outflow)/inflow from investing activities		**(2,470,882)**	**(1,145,386)**
Cash flows from financing activities			
Proceeds from issues of shares	26	294,082	298,075
Proceeds from borrowings	23	-	200,000
Interest on borrowings	23	350	3,332
Dividend paid	28	(385,883)	(377,311)
Net cash (outflow)/inflow from financing activities		**(91,451)**	**124,096**
Net increase/(decrease) in cash and cash equivalents		**320,070**	**106,936**
Cash and cash equivalents at the beginning of the year	14	2,464,726	2,357,790
Effect of exchange rate movement on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	14	**2,784,796**	**2,464,726**

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

1 General information

Nib International Bank SC ("Nib Bank or the Bank") is a private commercial Bank domiciled in Ethiopia. The Bank was established on 26th May 1999 in accordance with the provisions of the Commercial code of Ethiopia of 1960 and the Licensing and Supervision of Banking Business Proclamation No. 84/1994. The Bank registered office is at:

Africa Avenue Bole
Dembel City Center
P.O.Box 2439
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.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of preparation

The financial statements for the year ended 30 June 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

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

The financial statements for the year ended 30 June 2018 are the first the Bank has prepared in accordance with IFRS. Refer to note 38 for information on how the Bank adopted IFRS.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept.

- assets held for sale – measured at the lower of carrying value and fair value less cost of disposal, and
- defined benefit pension plans – plan assets measured at fair value.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

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2.2.1 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 months.

2.2.2 Changes in accounting policies and disclosures

New Standards, amendments, interpretations issued but not yet effective.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2018, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

IFRS 9 - Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Based on the initial assessement carried out by the Bank, the impact of the application of the new standard is as follows:

Classification and measurement

IFRS 9 require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement. The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

Having completed its initial assessment, the Bank has concluded that:
• its loans and advances to customers, National Bank of Ethiopia (NBE) bill and other financial assets that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9.
• its equity investments will be classified as FVOCI.

Impairment of financial assets

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses 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, the allowance is based on the probability of default over the life of the asset.

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The Bank will establish a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

To calculate ECL, the Bank will estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and the cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan.

In comparison to IAS 39, the Bank expects the impairment charge under IFRS 9 to be more volatile than under IAS 39 and to result in an increase in the total level of current impairment allowances.

Under IFRS 9, the Bank will group its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing loans: when loans are first recognised, the Bank recognises an allowance based on 12-month expected credit losses.
- Stage 2 – Underperforming loans: when a loan shows a significant increase in credit risk, the Bank records an allowance for the lifetime expected credit loss.
- Stage 3 – Impaired loans: the Bank recognises the lifetime expected credit losses for these loans. In addition, in Stage 3 the Bank accrues interest income on the amortised cost of the loan net of allowances.

When estimating lifetime ECLs for undrawn loan commitments, the Bank will:

- Estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment and
- Calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down.

For financial guarantee contracts, the Bank will estimate the lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

For revolving facilities such as credit cards and overdrafts, the Bank measures ECLs by determining the period over which it expects to be exposed to credit risk, taking into account the credit risk management actions that it expects to take once the credit risk has increased and that serve to mitigate losses.

The Bank will incorporate forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECLs.

The Bank will consider forward-looking information such as macroeconomic factors (e.g., unemployment, GDP growth, interest rates, etc.) and economic forecasts.

Hedge accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS 9 become mandatory on 1 January 2018. The new hedging rules are, however, not expected to impact the Bank.

IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and other standards and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Bank is yet to assess the expected impact on this standard.

IFRS 16 - Leases

This standard was issued in January 2016 (Effective 1 January 2019) . It sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. It also substantially carries forward the lessor accounting requirements in IAS 17. The Bank is yet to assess the expected impact of this standard.

Amendment to IAS 40 - Transfers of Investment Property

The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The list of evidence for a change of use in the standard was re-characterised as a non-exhaustive list of examples to help illustrate the principle.

The Board provided two option for transition:
(i) prospectively, with any impact from the reclassification recognised as adjustment to opening retained earnings as at the date of initial recognition, or
(ii) retrospectively - only permitted without the use of hindsight.

Additional disclosures are required if an entity adopts the requirements prospectively. The effective date for the amendment is 1 January 2018.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:
(i) The beginning of the reporting period in which the entity first applies the interpretation or;
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

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2.3 Investment in associates

An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Bank's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Bank's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Bank's share of the results of operations of the associate . Any change in OCI of those investees is presented as part of the Bank's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Bank recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Bank and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Bank determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Bank determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the income statement.

Upon loss of significant influence over the associate, the Bank measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in income statement.

2.4 Foreign currency translation

a) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The functional currency and presentation currency of the Bank is the Ethiopian Birr (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 measured at fair value, such as equities classified as available for sale, are included in other comprehensive income.

2.5 Recognition of income and expenses

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

The Bank, earns income from interest on loans given for domestic trade and services, building and construction, manufacturing, agriculture and personal loans. Other incomes includes margins on letter of credits and performance gaurantees.

2.5.1 Interest and similar income and expense

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

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

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

2.5.2 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 (for example commission on drafts, cash payment order (CPO), letter of credit (LC), letter of guarantee, etc) 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 and they are expensed as the services are received.

2.5.3 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.

2.5.4 Foreign exchange revaluation gains or losses

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

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

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2.6 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.6.1 Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Bank commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, the Bank's financial assets are classified into two categories:
• Loans and receivables
• Available-for-sale financial investments

a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest and similar income in income statement. The losses arising from impairment are recognised in income statement in loan impairment charge.

b) Available-for-sale (AFS) financial assets

Equity investments are classified as AFS. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial investment. Interest earned whilst holding AFS financial investments is reported as interest and similar income using the EIR method. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.
The Bank evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Bank is unable to trade these financial assets due to inactive markets, the Bank may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss. Refer to the information

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'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Other operating income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

Reclassification of financial assets

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Bank does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

For a financial asset reclassified out of the 'Available–for–sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to income statement.

The Bank may reclassify a non–derivative trading asset out of the 'held–for–trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Bank's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either

(a) the Bank has transferred substantially all the risks and rewards of the asset, or
(b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of the Bank's continuing involvement. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Impairment of financial assets

The Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter Bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as loans and receivables), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the 'loan impairment charge'.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past–due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Bank.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Available-for-sale (AFS) financial instruments

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

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Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash via Bank guarantees and real estate. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's reporting schedule.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models.

Collateral repossessed

Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be used for internal operations are initially recognised at the lower of their repossessed value or the carrying value of the original secured asset and included in the relevant assets depending on the nature and the Bank's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

2.6.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities.

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Bank's financial liabilities include deposits from customers, margins held on letters of credit and other liabilities. Interest expenditure is recognised in interest and similar expense.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortised cost

Financial instruments issued by the Bank, that are not designated at fair value through profit or loss but are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR). Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

The Bank's financial liabilities carried at amortised cost comprise of customer deposits, margin held on letter of credit and long term deposits.

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Derecognition of financial liabilities

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.6.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where The Bank has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Bank or the counterparty.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents include cash and restricted balances with National Bank of Ethiopia.

2.8 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 Bank 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	Depreciation rate (years)
Buildings	50
Motor vehicles	10
Furniture & fittings:	
- Medium lived	10
- Long lived	20
Computer and related items	7
Equipments:	
- Short lived	5
- Medium lived	10

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

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

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

The 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.

2.9 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
• Core application software – 6 years

2.10 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, are classified as investment properties.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Bank and the cost can be reliably measured. This is usually when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The Bank has opted to subsequently carry investment property at cost and disclose fair value. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Bank uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the reporting date by the Bank's internal valuers who have relevant experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised. Investment properties are derecognised when they have been disposed.

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2.11 Non-current assets (or disposal groups) held for sale

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

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

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

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

2.12 Impairment of non-financial assets

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

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

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

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

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2.13 Other assets

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

(a) Prepayment

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

(b) Other receivables

Other receivables are recognised upon the occurrence of event or transaction as they arise and cancelled when payment is received.

The Bank's other receivables are receivables from mastercard, receivables from visa card and other receivables from debtors.

2.14 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 and assumptions Notes 3 and Note 4.7.1
- Quantitative disclosures of fair value measurement hierarchy Note 4.7.2
- Financial instruments (including those carried at amortised cost) Note 4.7.3

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.

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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.

2.15 Employee benefits

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

(a) 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 7% and 13% by employees and the Bank respectively;

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.

(b) Defined benefit plan

The Bank operates a defined benefit severance scheme in Ethiopia where members of staff who have spent 5 years or more in employment are entitled to benefit payments upon retiremtent. The benefit payments are based on final emolument of staff and length of service. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of gratuity benefit that an employee will receive on retirement usually dependent on one or more factors such as age, years of service and compensation.

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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 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.

(c) *Profit-sharing and bonus plans*

The Banks recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.16 Provisions

Provisions are recognised when the bank has a present obligation (legal or constructive) 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 amount of the obligation. When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as other operating expenses.

2.17 Share capital

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

2.18 Earnings per share

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

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2.19 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Bank as a lessee

Leases that do not transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

Bank as a lessor

Leases where the Bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.20 Income taxation

(a) Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets 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 and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Bank's exposure to risks and uncertainties includes:
• Capital management Note 4.6
• Financial risk management and policies Note 4

3.1 Judgements

In the process of applying the Bank's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments - Bank as lessee

The Bank has entered into commercial property leases. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

3.2 Estimates and assumptions

The key 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.

Impairment losses on loans and receivables

The Bank reviews its loan portfolios for impairment on an on-going basis. The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that has been deemed to be impaired, management has deemed that cashflow from collateral obtained would arise within 12 months where the financial asset is collaterised.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The use of historical loss experience is supplemented with significant management 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 are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

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The detailed methodologies, areas of estimation and judgement applied in the calculation of the Bank's impairment charge on financial assets are set out in the Financial risk management section.

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 judgement 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.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Defined benefit plans

The cost of the defined benefit pension plan 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.

Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

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.

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.

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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.

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

The Board of Director's Risk Management Committee, a subset of the Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. It also has the responsibility to monitor the overall risk process within the Bank.

The Risk and Compliance Management Department reports directly to the Board of Directors Risk Management Committee. The department has three divisions; Credit and Operational Risk management, Liquidity and Market Risk Management and Compliance Management. The Risk and Compliance Management Department has following responsibilities; ensuring that effective processes are in place, conducting awareness creation sessions regarding the risk management process of the Bank, identifying current and emerging risks, developing risk assessment and measurement systems, establishing its own policies and procedures as a mitigating/controlling mechanisms to manage risks, participating in the development of risk tolerance limits for board approval, monitoring positions against approved risk tolerance limits and reporting results of risk monitoring to the board and top management of the Bank.

The Asset Liability Management Committee is incharge of managing liquidity and interest rate risk. The committee holds regular meetings at least monthly or more frequently when the situation demands.

The Internal Audit Department conducts reviews of the risk management process at least once a year or when situations demand.

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 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: available-for-sale and loans and receivables. 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 2018	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and bank balances	14		3,884,986	3,884,986
Loans and advances to customers	15		13,498,652	13,498,652
Investment securities:				-
- Available for sale	16	94,162		94,162
- Loans and receivables	16		6,135,822	6,135,822
Other assets	18		301,065	301,065
Total financial assets		94,162	23,820,526	23,914,688

30 June 2017	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and bank balances	14		3,281,916	3,281,916
Loans and advances to customers	15		10,672,415	10,672,415
Investment securities:				-
- Available for sale	16	86,038		86,038
- Loans and receivables	16		5,166,882	5,166,882
Other assets	18		567,918	567,918
Total financial assets		86,038	19,689,131	19,775,169

1 July 2016	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and bank balances	14		2,977,980	2,977,980
Loans and advances to customers	15		7,551,447	7,551,447
Investment securities:				-
- Available for sale	16	80,782		80,782
- Loans and receivables	16		4,229,796	4,229,796
Other assets	18		350,779	350,779
Total financial assets		80,782	15,110,002	15,190,784

4.3 Credit risk

Credit risk is the probability that a counterparty of the Bank will not meet its obligations in accordance with agreed terms and conditions which may lead to financial loss. The Bank is exposed to credit risk due to activities such as loans and advances, loan commitments arising from lending activities, credit enhancement provided such as financial guarantees and letter of credit.

4.3.1 Management of credit risk

In measuring credit risk of loans and receivables to various counterparties, the Bank considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out. Our credit exposure comprises wholesale and retail loans and receivables which are developed to reflect the needs of our customers. The Bank's policy is to lend principally on the basis of our customer's repayment capacity through quantitative and qualitative evaluation. However we ensure that our loans are backed by collateral to reflect the risk of the obligors and the nature of the facility.

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

(a) Probability of Default

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

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

(c) Exposure at Default

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 Impairment assessment

The Bank assesses its impairment for the purpose of IFRS reporting using a two-way approach which includes an Individual assessment and portfolio assessment.

(a) Individual assessment

The Bank reviewed and revised existing impairment triggers for each loan asset portfolio to ensure that a trigger identifies a loss event as early as possible, which would result in the earliest possible recognition of losses within the IFRS framework. The Bank then estimated the impairment based on the shortfall between the present value of estimated future cash flows and the asset carrying amount.

(b) Collective assessment

Loans and receivables that are not specifically impaired are assessed under collective impairment. For the purpose of collective impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to contractual terms.

The Bank generally bases its analyses on historical experience. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry–specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. The impairment allowance is reviewed by credit management to ensure alignment with the Bank's overall policy.

4.3.3 Credit related commitments risks

The Bank holds collateral against loans and receivables to customers in the form of bank guarantees and property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

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

(a) Types of collateral or credit enhancement

The table below shows the Bank's maximum exposure to credit risk which is represented by the gross carrying amounts and the fair value of collaterals and credit enhancements held at 30 June 2018, 30 June 2017 and 30 June 2016.

		Collaterals held				
30 June 2018	**Maximum exposure to credit risk**	**Secured against real estate and PPE**	**Bank guarantees and Shares**	**Multiple Collaterals**	**Others**	**Total**
	Birr'000	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Cash and bank balances						-
Loans and advances to customers						-
- Agriculture	92,164	251,135	1,489	-		252,624
- Manufacturing	3,191,052	5,827,268	12,279	1,106,359		6,945,907
- Domestic Trade and Service	2,426,407	7,918,866	18,252	49,564	17,923	8,004,605
- Transport and communication	203,691	806,297	1,643	1,043		808,983
- Hotel and tourism	1,337,212	3,352,477				3,352,477
- Export	2,058,794	1,145,469	13,319	70,794	950,340	2,179,922
- Import	1,901,831	3,790,428	21,786	215,380	595,445	4,623,039
- Building and Construction	1,859,576	5,749,467	4,144	33,889		5,787,500
- Mines, Power and Water	43,393	173,641				173,641
- Staff loans and advances	550,081	68,864	161,480	7,195		237,538
- Personal	39,765					-
	13,703,966	29,083,913	234,391	1,484,224	1,563,708	32,366,236
Investment securities:						-
- Available for sale	94,162					-
- Loans and receivables	6,135,822					-
	6,229,984	-	-	-	-	-
Other assets	310,937	-	-	-	-	-
	310,937	-	-	-	-	-
Purchase commitments	959,272					
Loan commitments	1,902,364					
Guarantees	813,697					
Letters of credit and others	416,810					
	24,337,030	29,083,913	234,391	1,484,224	1,563,708	32,366,236

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30 June 2017	Maximum exposure to credit risk Birr'000	Secured against real estate and PPE Birr'000	Bank guarantees and Shares Birr'000	Multiple Collaterals Birr'000	Others Birr'000	Total collaterals Birr'000
Cash and bank balances	3,281,916	-	-	-	-	-
Loans and advances to customers						
- Agriculture	98,569	469,188	559	-	46,033	515,780
- Manufacturing	2,298,254	6,711,727	2,825	1,381,201	58,639	8,154,392
- Domestic Trade and Service	2,109,196	11,493,124	9,509	63,337	15,488	11,581,458
- Transport and communication	175,330	894,441	769	1,282	-	896,492
- Hotel and tourism	1,171,365	3,874,148	-	-	-	3,874,148
- Export	1,646,200	1,381,601	24,023	141,191	1,623,335	3,170,150
- Import	1,551,843	5,203,372	6,568	189,508	610,269	6,009,717
- Building and Construction	1,362,368	5,727,687	697	58,240	-	5,786,624
- Mines, Power and Water	31,281	65,480	-	-	-	65,480
- Staff loans and advances	347,117	98,562	116,084	1,856	304	216,806
- Personal	40,095	-	-	-	-	-
	10,831,618	35,919,330	161,034	1,836,615	2,354,068	40,271,047
Investment securities:						
- Available for sale	86,038	-	-	-	-	-
- Loans and receivables	5,166,882	-	-	-	-	-
	5,252,920	-	-	-	-	-
Other assets	576,292	-	-	-	-	-
	576,292	-	-	-	-	-
Purchase commitments	1,563,291	-	-	-	-	-
Loan commitments	3,263,305	-	-	-	-	-
Guarantees	753,835	-	-	-	-	-
Letters of credit and others	539,598	-	-	-	-	-
	26,062,775	35,919,330	161,034	1,836,615	2,354,068	40,271,047

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30 June 2016	Maximum exposure to credit risk Birr'000	Secured against real estate and PPE Birr'000	Bank guarantees and Shares Birr'000	Multiple Collaterals Birr'000	Others Birr'000	Total collaterals Birr'000
Cash and bank balances	2,977,980	-	-	-	-	-
Loans and advances to customers						
- Agriculture	109,619	205,281	-	175,680	46,033	426,994
- Manufacturing	1,697,618	3,191,853	2,825	5,230,430	25,305	8,450,413
- Domestic Trade and Service	1,344,763	6,894,069	1,759	335,450	10,397	7,241,675
- Transport and communication	126,659	368,164	-	207,135	-	575,299
- Hotel and tourism	847,952	3,250,945	-	18,395	-	3,269,340
- Export	1,157,646	561,437	21,657	598,577	29,376	1,211,047
- Import	928,913	4,252,435	42,500	1,027,345	594,125	5,916,405
- Building and Construction	1,234,897	3,432,556	566	1,191,331	-	4,624,453
- Mines, Power and Water	18,337	29,205	-	31,933	-	61,138
- Staff loans and advances	195,018	295,026	10,189	87,452	-	392,667
- Personal	23,061	-	-		-	-
	7,684,483	22,480,971	79,496	8,903,728	705,236	32,169,431
Investment securities:						
- Available for sale	80,782	-	-	-	-	-
- Loans and receivables	4,229,796	-	-	-	-	-
	4,310,578	-	-	-	-	-
Other assets	359,153	-	-	-	-	-
	359,153	-	-	-	-	-
Purchase commitments	18,137	-	-	-	-	-
Loan commitments	1,541,951	-	-	-	-	-
Guarantees	849,699	-	-	-	-	-
Letters of credit and others	219,066	-	-	-	-	-
	17,961,047	22,480,971	79,496	8,903,728	705,236	32,169,431

(b) Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Bank during the year by taking possession of collaterals held as security against loans and receivables at the year end are shown below.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Properties	66,070	41,394	17,670
	66,070	41,394	17,670

The Bank's policy is to pursue timely realisation of the collateral in a timely manner. The Bank does not generally use the non-cash collateral for its own operations.

(c) Loans and advances at amortised cost

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Agriculture	92,164	98,569	109,619
Manufacturing	3,191,052	2,298,254	1,697,618
Domestic Trade and Service	2,426,407	2,109,196	1,344,763
Transport and communications	203,691	175,330	126,659
Hotel and tourism	1,337,212	1,171,365	847,952
Export	2,058,794	1,646,200	1,157,646
Import	1,901,831	1,551,843	928,913
Building and Construction	1,859,576	1,362,368	1,234,897
Mines, Power and Water	43,393	31,281	18,337
Staff loans and advances	550,081	347,117	195,018
Personal loans	39,765	40,095	23,061
	13,703,965	10,831,618	7,684,483

(ii) Gross loans and advances to customers per National Bank of Ethiopia's impairment guidelines is analysed as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Pass	11,850,963	9,248,264	6,808,033
Special mention	1,253,153	1,312,559	485,984
Substandard	258,880	167,707	117,386
Doubtful	252,478	95,092	91,831
Lost	88,492	7,996	181,249
	13,703,966	10,831,618	7,684,483

The above table represents a worse 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.

4.3.5 Credit quality analysis

(a) Credit quality of cash and cash equivalents

The credit quality of cash and cash equivalents and short-term investments that were neither past due nor impaired as at 30 June 2018, 30 June 2017 and 30 June 2016 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. However, cash and cash equivalents held in foreign banks with available credit rating agency designation are shown in the table below and also balances with foreign banks with no available credit rating agency designation have been classified as non-rated.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
AA+ --- AA-	5,669	3,880	6,871
A+ --- A-	28,913	716,615	789,738
BBB+ --- BBB-	-	25,138	21,346
Not rated	3,850,404	2,536,283	2,160,025
	3,884,986	3,281,916	2,977,980

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Definitions of ratings

A: High credit quality	This denote 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 and cash in hand.

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 Moody's default ratings.

(b) Credit quality of loans and advances to customers

30 June 2018	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Individually impaired Birr'000	Total Birr'000
Agriculture	73,592	8,027	10,545	92,164
Manufacturing	2,643,967	486,449	60,636	3,191,052
Domestic Trade and Service	1,935,853	291,001	199,553	2,426,407
Transport and communications	130,687	37,801	35,202	203,690
Hotel and tourism	1,084,745	120,505	131,963	1,337,213
Export	1,929,543	120,218	9,032	2,058,793
Import	1,725,730	86,766	89,335	1,901,831
Building and Construction	1,659,920	95,993	103,662	1,859,575
Mines, Power and Water	40,345	2,601	447	43,393
Staff loans and advances	550,067	-	-	550,067
Personal	34,354	3,792	1,634	39,780
Gross	11,808,803	1,253,153	642,009	13,703,965
Less: Impairment allowance (note15a)	(153,390)	(15,400)	(36,523)	(205,313)
Net	11,655,413	1,237,753	605,486	13,498,652

30 June 2017	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Individually impaired Birr'000	Total Birr'000
Agriculture	65,317	13,358	19,894	98,569
Manufacturing	1,666,543	546,841	84,870	2,298,254
Domestic Trade and Service	1,724,498	272,908	111,790	2,109,196
Transport and communications	149,295	20,276	5,759	175,330
Hotel and tourism	989,448	151,033	30,884	1,171,365
Export	1,587,505	38,968	19,727	1,646,200
Import	1,446,959	73,629	31,255	1,551,843
Building and Construction	1,143,791	169,428	49,149	1,362,368
Mines, Power and Water	12,920	18,361	-	31,281
Staff loans and advances	347,117	-	-	347,117
Personal loans	26,223	7,757	6,115	40,095
Gross	9,159,616	1,312,559	359,443	10,831,618
Less: Impairment allowance (note 15a)	(113,168)	(16,575)	(29,460)	(159,203)
Net	9,046,448	1,295,984	329,983	10,672,415

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1 July 2016	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Individually impaired Birr'000	Total Birr'000
Agriculture	57,545	18,937	33,137	109,619
Manufacturing	1,550,057	105,285	42,276	1,697,618
Domestic Trade and Service	1,062,503	171,560	110,700	1,344,763
Transport and communications	109,647	13,971	3,041	126,659
Hotel and tourism	779,378	46,372	22,202	847,952
Export	1,106,014	45,416	6,216	1,157,646
Import	858,115	39,706	31,092	928,913
Building and Construction	1,062,643	35,517	136,737	1,234,897
Mines, Power and Water	16,369	1,967	-	18,336
Staff loans and advances	195,018	-	-	195,018
Personal loans	10,744	7,253	5,065	23,062
Gross	6,808,033	485,984	390,466	7,684,483
Less: Impairment allowance (note 15a)	(54,790)	(4,311)	(73,935)	(133,036)
Net	6,753,243	481,673	316,531	7,551,447

Individually impaired loans are loans that has well passed their recovery period. The counterparties are under liquidation. Individually impaired staff loans are loans given to staffs that are no longer staff of the Bank hence the recoverability of the loans is doubtful.

(i) Loans and advances to customers - neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Loans in this category are loans without any arrear amount or past due amount.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Neither past due nor impaired	11,808,803	9,159,616	6,808,033
Collective impairment	(153,390)	(113,168)	(54,790)
	11,655,413	9,046,448	6,753,243

(ii) Loans and advances to customers - past due but not impaired

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Past due up to 30 - 90 days	1,253,153	1,312,559	485,984
	1,253,153	1,312,559	485,984
Collective impairment	(15,400)	(16,575)	(4,311)
Loan and advances to customers (net)	1,237,753	1,295,984	481,673

Loans and advances to customers that have been classified as neither past due nor impaired or past due but not impaired are assessed on a collective basis.

(iii) Loans and advances to customers - individually impaired loans

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Substandard	272,258	152,391	117,387
Doubtful	265,831	114,745	91,830
Lost	117,631	92,307	181,249
	655,720	359,443	390,466
Specific impairment	(36,523)	(29,460)	(73,935)
	619,197	329,983	316,531

(iv) Allowance for impairment

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Specific impairment	(36,523)	(29,460)	(73,935)
Collective impairment	(168,790)	(129,743)	(59,101)
Total allowance for impairment	(205,313)	(159,203)	(133,036)

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 incurred loss model required by IFRS under IAS 39. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

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

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

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

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

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

During the period ended 30 June 2018, the Bank transferred an amount of Birr 6 million 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 IAS 39 as at year end.

	30 June 2018 Birr'000	30 June 2017 Birr'000	30 June 2016 Birr'000
Total impairment based on IFRS	(205,313)	(159,203)	(133,036)
Total impairment based on NBE Directives	(229,480)	(177,107)	(135,153)
Write-back	24,167	17,904	2,117
Legal reserve @ 25%	(6,042)	(4,476)	(529)
	18,125	13,428	1,588
(b) Suspended interest included within various line items under interest income	72,789	43,632	88,649
Income tax @30%	(21,837)	(13,090)	(26,595)
	50,952	**30,542**	**62,054**
Legal reserve @ 25%	(12,738)	(7,636)	(15,514)
	38,214	22,907	46,541
	56,339	**36,335**	**48,128**

Movements in regulatory risk reserve account

As at July 1, 2016	**48,128**
Change in impairment	11,840
Change in suspended interest	(23,634)
As at June 1, 2017	**36,335**
Change in impairment	4,697
Change in suspended interest	15,307
As at June 30, 2018	**56,339**

4.3.7 Credit concentrations

The Bank monitors concentrations of credit risk by economic sector, geographic regions, specific products, maturity period, single borrowers and related parties. An analysis of concentrations of credit risk at 30 June 2018, 30 June 2017 and 30 June 2016. The Bank concentrates all its financial assets in Ethiopia.

30 June 2018	Public Enterprise Birr'000	Cooperative Birr'000	Private Birr'000	Others Birr'000	Total Birr'000
Cash and bank balances	1,977,038		417,759	1,490,189	3,884,986
Loans and advances to customers		172,783	13,325,869		13,498,652
Investment securities:					-
- Available for sale			94,162		94,162
- Loans and receivables	6,135,822				6,135,822
Other assets			172,130	874,583	1,046,713
	8,112,860	172,783	14,009,921	2,364,772	24,660,335

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30 June 2017	Public Enterprise Birr'000	Cooperative Birr'000	Private Birr'000	Others Birr'000	Total Birr'000
Cash and bank balances	1,106,242	-	1,014,828	1,160,846	3,281,916
Loans and advances to customers	-	207,045	10,465,370		10,672,415
Investment securities:					
- Available for sale	-	-	86,038	-	86,038
- Loans and receivables	5,166,882	-	-	-	5,166,882
Other assets	-	-	309,837	1,310,234	1,620,071
	6,273,124	207,044.85	11,876,073	2,471,080	20,827,322

1 July 2016	Public Enterprise Birr'000	Cooperative Birr'000	Private Birr'000	Others Birr'000	Total Birr'000
Cash and bank balances	1,124,864	-	874,594	978,522	2,977,980
Loans and advances to customers	-	114,026.85	7,437,420.15		7,551,447
Investment securities:					
- Available for sale	-	-	80,782	-	80,782
- Loans and receivables	4,229,796	-	-	-	4,229,796
Other assets	-	-	122,304	520,351	642,655
	5,354,660	114,027	8,515,100	1,498,873	15,482,660

4.3.9 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 by personal guarantor.

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

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

The fair value of the collaterals are based on the last revaluations carried out by the Bank's in-house valuers. 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. are 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.

4.4 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 Liability Management Committee (ALCO), 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.

4.4.1 Management of liquidity risk

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

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.

4.4.2 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 2018	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000	Total Birr'000
Deposits from customers	1,471,697	1,063,168	1,020,938	1,061,629	17,001,804	21,619,236
Other liabilities		651,181				651,181
Total financial liabilities	1,471,697	1,714,349	1,020,938	1,061,629	17,001,804	22,270,417

30 June 2017	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000	Total Birr'000
Deposits from customers	1,050,500	581,495	835,016	889,827	13,201,115	16,557,953
Other liabilities	-	820,778	-	-	-	820,778
Total financial liabilities	1,050,500	1,402,273	835,016	889,827	13,201,115	17,378,731

1 July 2016	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000	Total Birr'000
Deposits from customers	841,256	386,563	561,948	668,320	10,051,348	12,509,435
Other liabilities	-	581,235	-	-	-	581,235
Total financial liabilities	841,256	967,798	561,948	668,320	10,051,348	13,090,670

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4.4.4 Financial assets pledged as collaterals

The bank has not pledged any financial assets as collateral as part of securities borrowings.

4.5 Market risk

Market risk is defined as the risk of loss that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions.

The Bank does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

4.5.1 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 the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk.

The Bank's exposure to the risk of changes in market interest rates relates primarily to the Bank's obligations and financial assets with floating interest rates. The Bank is also exposed on fixed rate financial assets and financial liabilities. The Bank's investment portfolio is comprised of treasury bills, Ethiopian government bonds and cash deposits.

30 June 2018	**Fixed Birr'000**	**Non-interest bearing Birr'000**	**Total Birr'000**
Assets			
Cash and cash equivalents	3,884,986		3,884,986
Loans and advances to customers	13,498,652		13,498,652
Investment securities;			-
- Loans and receivables	6,135,822		6,135,822
- Available-for-sale		94,162	94,162
Other assets		301,065	301,065
Total	23,519,461	395,227	23,914,688
Liabilities			
Deposits from customers	21,619,236		21,619,236
Other liabilities		688,481	688,481
Total	21,619,236	688,481	22,307,717

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30 June 2017	**Fixed Birr'000**	**Non-interest bearing Birr'000**	**Total Birr'000**
Assets			
Cash and cash equivalents	3,281,916		3,281,916
Loans and advances to customers	10,672,415		10,672,415
Investment securities;			-
Loans and receivables	5,166,882		5,166,882
Available-for-sale		86,038	86,038
Other assets		567,918	567,918
Total	19,121,213	653,956	19,775,169
Liabilities			
Deposits from customers	16,557,953		16,557,953
Other liabilities		820,778	820,778
Total	16,557,953	820,778	17,378,731

1 July 2016	**Fixed Birr'000**	**Non-interest bearing Birr'000**	**Total Birr'000**
Assets			
Cash and cash equivalents	2,977,980		2,977,980
Loans and advances to customers	7,551,447		7,551,447
Investment securities;			
Loans and receivables	4,229,796		4,229,796
Available-for-sale		80,782	80,782
Other assets		350,779	350,779
Total	14,759,223	431,561	15,190,784
Liabilities			
Deposits from customers	12,509,435		12,509,435
Other liabilities		581,235	581,235
Total	12,509,435	581,235	13,090,670

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 30 June 2018, 30 June 2017 and 1 July 2016. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

(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 liabilities and cash and bank balances.

The total foreign currency denominated assets and liabilities exposed to risk as at year end was Birr 675 million (30 June 2017: Birr 383 million, 1 July 2016: Birr 633 million).

Foreign currency denominated balances

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Cash and bank balances	48,459	721,690	880,624
Other assets	33,002	70,944	24,926
Deposits from customers	(386,195)	(242,880)	(226,073)
Other liabilities	(370,510)	(167,172)	(46,954)
	(675,244)	382,582	632,523

Sensitivity analysis for foreign exchange risk

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

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

30 June 2018	Carrying amount Birr'000	10% increase in basis point Birr'000	10% decrease in basis point Birr'000
USD	(686,489)	(68,649)	68,649
Euro	6,205	621	(621)
GBP	3,497	350	(350)
Others	1,543	154	(154)
	(675,244)	(67,524)	67,524

30 June 2017	Carrying amount Birr'000	10% increase in basis point Birr'000	10% decrease in basis point Birr'000
USD	233,475	23,348	(23,348)
Euro	140,759	14,076	(14,076)
GBP	6,722	672	(672)
Others	1,626	163	(163)
	382,582	38,258	(38,258)

30 June 2016	Carrying amount Birr'000	10% increase in basis point Birr'000	10% decrease in basis point Birr'000
USD	597,114	59,711	(59,711)
Euro	32,177	3,218	(3,218)
GBP	4,108	411	(411)
Others	(876)	(88)	88
	632,523	63,252	(63,252)

4.6 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.

4.6.1 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.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Capital			
Share capital	2,076,219	1,792,392	1,502,380
Share premium	18,318	8,063	-
Legal reserve	895,547	768,636	645,089
Special reserve	1,900	1,800	1,700
	2,991,983.62	2,570,891	2,149,169
Risk weighted assets			
Risk weighted balance for on-balance sheet items	16,751,666	12,866,262	8,887,434
Credit equivalents for off-balance Sheet Items	2,395,289	3,576,021	1,213,304
	19,146,955	16,442,283	10,100,738
Risk-weighted Capital Adequacy Ratio (CAR)	**16%**	**16%**	**21%**
Minimum required capital	**8%**	**8%**	**8%**
Excess	1,460,227	1,255,508	1,341,110

4.7 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.

4.7.1 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.

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

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

	30 June 2018 Carrying amount Birr'000	Fair Value Birr'000	30 June 2017 Carrying amount Birr'000	Fair Value Birr'000	1 July 2016 Carrying amount Birr'000	Fair Value Birr'000
Financial assets						
Cash and cash equivalents	3,884,986	3,884,986	3,281,916	3,281,916	2,977,980	2,977,980
Loans and advance to customers	13,498,652	13,498,652	10,672,415	10,672,415	7,551,447	7,551,447
Investment securities						
- Loans and receivables	6,135,822	6,135,822	5,166,882	5,166,882	4,229,796	4,229,796
- Available-for-sale	94,162	94,162	86,038	86,038	80,782	80,782
Other assets	301,065	301,065	567,918	567,918	350779	350,779
Total	17,383,638	17,383,638	13,954,331	13,954,331	10,529,427	10,529,427
Financial liabilities						
Deposits from customers	21,619,236	21,619,236	16,557,953	16,557,953	12,509,435	12,509,435
Other liabilities	688,481	688,481	820,778	820,778	581,235	581,235
Total	21,619,236	21,619,236	16,557,953	16,557,953	12,509,435	12,509,435

4.7.3 Transfers between the fair value hierarchy categories

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

4.8 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 2018 Birr'000	30 June 2017 Birr'000
5	**Interest income**		
	Cash and bank balances	35,408	2,863
	Loans and advances to customers	1,875,089	1,315,297
	Investment securities - loans and receivables	162,289	134,946
		2,072,786	1,453,106

Included within various line items under interest income for the year ended 30 June 2018 is a total of Birr 72 million (30 June 2017: Birr 44 million) relating to impaired financial assets.

		30 June 2018 Birr'000	30 June 2017 Birr'000
6	**Interest expense**		
	Deposits	843,799	521,269
	National Bank of Ethiopia Borrowing	5,063	2,841
	Borrowing from other banks	26,842	6,653
		875,705	530,763

		30 June 2018 Birr'000	30 June 2017 Birr'000
7	**Net fees and commission income**		
	Fee and commission income		
	Telegraphic transfer and drafts	1,634	2,467
	Cash payment order	3,971	3,336
	Letters of credit commission and fees	70,063	85,165
	Letters of guarantee	21,851	22,735
	Money transfer commission	1,659	1,561
	Service charges	215,070	187,586
	Other commissions	8,977	17,037
		323,225	319,887
	Fee and commission expense		
	Bank charges/commission	2,926	2,177
	Correspondent fees	476	659
		3,402	2,836
	Net fees and commission income	319,823	317,051

		30 June 2018 Birr'000	30 June 2017 Birr'000
8	**Other operating income**		
	Gain on foreign exchange	46,418	95,137
	Gain on disposal of properties	147	1,037
	Correspondent charges	1,819	1,383
	Estimation fee	11,089	6,460
	Dividend income	5,420	3,960
	Rent	1,814	1,412
	Other income	18,032	13,192
		84,740	122,581

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	30 June 2018 Birr'000	30 June 2017 Birr'000
9 Loan impairment charge		
Loans and receivables - charge for the year (note 15a)	159,203	79,874
Loans and receivables - reversal of provision (note 15a)	(205,312)	(53,707)
	(46,109)	26,167

	30 June 2018 Birr'000	30 June 2017 Birr'000
10 Impairment losses on other assets		
Other assets - charge for the year (note 18)	1,498	-
Other assets - reversal of impairment losses (note 18)		-
	1,498	-

	30 June 2018 Birr'000	30 June 2017 Birr'000
11 Personnel expenses		
Short term employee benefits:		
Salaries	356,640	249,728
Staff allowances	67,843	58,056
Other staff expenses	84,124	60,766
Pension costs:		
Defined contribution plan	43,423	30,353
Defined benefit plans (note 25)	2,103	1,925
	554,133	400,828

	30 June 2018 Birr'000	30 June 2017 Birr'000
12 Other operating expenses		
Rental expenses	138,646	120,473
Advertisement and publicity	9,323	7,495
Stationary and printing expenses	14,276	12,593
Phone, telegram and telex expenses	16,819	14,523
Repairs and maintenance	11,615	9,900
Insurance	8,959	10,028
Fuel and lubricants	6,878	6,516
Audit fee	460	305
Legal and professional fees	1,003	475
Per diem and travel expenses	3,596	3,489
Loss on disposal of fixed asset	167	-
Transportation	3,157	2,277
Entertainment	12,217	10,511
Provision on legal Cases	8,568	-
Interest on lease payment	844	808
Meeting, workshop and seminars	3,713	2,407
General assembly meeting	3,894	1,205
Car and representation allowance	2,632	2,253
Swift expense	130	1,227
Cleaning supplies	1,360	1,215
License fee	5,784	6,072
ATM transactions and card personalization	15,722	6,706
Wages	1,207	1,013
Utility fees	1,687	1,764
Amortization of operating lease	548	547
Directors' monthly allowances	540	618
Other operating expenses	11,421	21,580
	285,165	246,000

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		30 June 2018 Birr'000	30 June 2017 Birr'000
13	**Company income and deferred tax**		
13a	**Income tax**		
	Current income tax	145,787	147,857
	Deferred income tax/(credit) to profit or loss	(1,889)	3,180
	Total charge to profit or loss	143,899	151,036
	Tax (credit) on other comprehensive income	(3,089)	192
	Total tax in statement of comprehensive income	140,810	151,229

13b Reconciliation of effective tax to statutory tax

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

	30 June 2018 Birr'000	30 June 2017 Birr'000
Profit before tax	655,200	641,877
Add: Disallowed expenses		
Entertainment	12,217	10,511
Impairment losses on other assets	1,498	-
Severance expense	1,567	1,362
Provision for loans and advances as per IFRS	46,109	26,167
Provision for legal cases	8,568	-
Donation	51	
Depreciation for accounting purpose	52,527	39,298
Amortization for accounting purpose	7,013	7,805
Total disallowable expenses	**129,550**	**85,143**
Less: Allowed expenses		
Depreciation for tax purpose	53,783	58,892
Provision for loans and advances for tax NBE 80%	41,898	33,563
Interest income on foregin deposits	34	253
Dividend income taxed at source	5,420	3,960
Interest income taxed at source-NBE Bills	162,289	134,931
Interest income taxed at source-Local Deposit	35,373	2,609
Total allowed expenses	**298,800**	**234,208**
Taxable profit	485,950	492,812
Current tax at 30%	145,785	147,844
Tax on foreign deposit at 5%	2	13
Deferred tax	(1,889)	3,180
Income tax expense/ (credit) recognised in profit or loss	**143,898**	**151,036**

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13c	Current income tax liability	30 June 2018 Birr'000	30 June 2017 Birr'000
	Balance at the beginning of the year	157,090	111,308
	Charge for the year:		
	Income tax expense	145,787	147,857
	Payment during the year	(165,104)	(102,075)
	Balance at the end of the year	137,772	157,090

13d Deferred income tax

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:			
Deferred tax liabilities	8,422	13,400	10,027
		-	-
	8,422	13,400	10,027

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):	At 1 July 2017 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2018 Birr'000
Property, plant and equipment	(16,015)	1,419		(14,596)
Post employment benefit obligation	2,615	470	3,089	6,174
Total deferred tax assets/(liabilities)	(13,400)	1,889	3,089	(8,422)

Deferred income tax assets/(liabilities):	At 1 July 2016 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2017 Birr'000
Property, plant and equipment	(12,499)	(3,516)	-	(16,015)
Post employment benefit obligation	2,471	336	(192)	2,615
Total deferred tax assets/(liabilities)	10,027	(3,180)	(192)	(13,400)

14 Cash and bank balances	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Cash in hand	1,490,189	1,160,846	978,522
Deposit with local commercial banks	369,388	307,513	7,513
Deposit with foreign banks	48,372	707,315	867,081
	1,907,948	2,175,674	1,853,116
Deposit with NBE	1,977,038	1,106,242	1,124,864
	3,884,986	3,281,916	2,977,980

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Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	2,784,796	2,464,726	2,357,790
Non-Current	1,100,190	817,190	620,190
	3,884,986	3,281,916	2,977,980

14a Cash and cash equivalents

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.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Balance as above	3,884,986	3,281,916	2,977,980
Cash reserve held with the National Bank of Ethiopia	(1,100,190)	(817,190)	(620,190)
	2,784,796	2,464,726	2,357,790

15 Loans and advances to customers

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Agriculture	92,164	98,569	109,619
Manufacturing	3,191,052	2,298,254	1,697,618
Domestic Trade and Service	2,426,407	2,109,196	1,344,763
Transport and communications	203,691	175,330	126,659
Hotel and tourism	1,337,212	1,171,365	847,952
Export	2,058,794	1,646,200	1,157,646
Import	1,901,831	1,551,843	928,913
Building and Construction	1,859,576	1,362,368	1,234,897
Mines, Power and Water	43,393	31,281	18,337
Staff loans and advances	550,081	347,117	195,018
Personal loans	39,765	40,095	23,061
Gross amount	13,703,965	10,831,618	7,684,483
Less: Impairment allowance (note 15a)			
- Specific impairment	(36,523)	(29,460)	(73,935)
- Collective impairment	(168,790)	(129,743)	(59,101)
	13,498,652	10,672,415	7,551,447

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	6,924,809	5,763,104	4,228,810
Non-Current	6,573,844	4,909,311	3,322,637
	13,498,652	10,672,415	7,551,447

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15a Impairment allowance on loans and receivables

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

Specific allowance for impairment	**As at 1 July 2016 Birr'000**	**Charge/ (reversal) for the year Birr'000**	**As at 30 June 2017 Birr'000**	**Charge for the year Birr'000**	**As at 30 June 2018 Birr'000**
Agriculture	2,016	(1,190)	826	(826)	-
Manufacturing	1,801	5,139	6,940	(3,921)	3,019
Domestic Trade and Service	9,056	1,240	10,296	4,447	14,743
Transport and communications	108	84	192	46	238
Hotel and tourism	-	-	-	9,455	9,455
Export	898	2,096	2,994	(823)	2,171
Import	769	673	1,442	1,063	2,505
Building and Construction	57,993	(51,602)	6,391	(2,066)	4,325
Mines, Power and Water	-	-	-		-
Staff loans and advances	-	-	-		-
Personal loans	1,294	(915)	379	(313)	66
	73,935	(44,475)	29,460	7,062	36,522

Collective allowance for impairment	**As at 1 July 2016 Birr'000**	**Charge for the year Birr'000**	**As at 30 June 2017 Birr'000**	**Charge for the year Birr'000**	**As at 30 June 2018 Birr'000**
Agriculture	3,372	1,953	5,325	(256)	5,069
Manufacturing	9,450	11,609	21,059	7,013	28,072
Domestic Trade and Service	11,335	18,540	29,875	8,498	38,373
Transport and communications	480	822	1,302	1,713	3,015
Hotel and tourism	2,160	3,572	5,732	5,737	11,469
Export	5,055	5,114	10,169	1,031	11,200
Import	3,753	6,077	9,830	4,736	14,566
Building and Construction	23,009	22,761	45,770	10,443	56,213
Mines, Power and Water	-	-	-	69	69
Staff loans and advances	487	194	681	63	744
Personal loans	-	-	-	-	-
Impairment allowance on loan and advances	59,101	70,642	129,743	39,047	168,790

	30 June 2018 Birr'000	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
16 Investment securities			
Available for sale:			
Equity Investments	94,162	86,038	80,782
	94,162	86,038	80,782
Loans and receivables:			
Ethiopian Government Bills		5,166,882	4,229,796
	6,135,822	5,166,882	4,229,796
	6,229,984	5,252,920	4,310,578

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Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	785,538	771,070	709,361
Non-Current	5,444,446	4,481,850	3,601,217
	6,229,984	5,252,920	4,310,578

The Bank hold equity investments in Nib Insurance of 5% (30 June 2017: 5%, 1 July 2016: 4%), Agar Micro Finance S.C of 7% (30 June 2017: 11%, 1 July 2016: 8%), Jemar Hulegeb Industrial S.C of 10% (30 June 2017: 12%, 1 July 2016: 12%), Eth Switch S.C of 8% (30 June 2017: 8%, 1 July 2016: 8%), Genb Gebeya of 12% (S.C 30 June 2017: 12%, 1 July 2016: 12%) and Ethiopian Reinsurrance S.C 1% (30 June 2017: 1%, 1 July 2016: 1%). These investments are unquoted equity securities measured at cost.

The fair value of the unquoted equity securities carried at cost cannot be reliably estimated as there are no active market for these financial instruments; they have therefore been disclosed at cost less impairment.

17 Investment in Associates

Name of entity	Place of Business/ country of incorporation	Percentage holding	Carrying amount 30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Premier Switch Solution S.C.	Ethiopia	30.11%	47,606	44,054	41,155

Nib bank holds unlisted equity investment in Premier Switch Solution S.C (PSS) that is classified as associate. The percentage shareholding held by Nib bank and the cost of the investment is presented above.

Premier Switch Solution S.C (PSS) is a consortium owned by six private banks. It was established in 2009 by the visionary banks to save the high investment cost of the modern payment platform and deliver electronic payment services to financial institutions with a shared system. It commenced operation officially on July 5, 2012 with Birr 165 million.

17.1 Summarised financial information for Premium Switch Solutions S.C

Summarised financial information in respect of the associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Bank for equity accounting purposes.

a Summarised statement of financial position

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Premium Switch Solution S.C			
Current assets	45,273	43,898	47,046
Non-current assets	119,949	108,261	96,032
Current liabilities	(7,117)	(5,851)	(6,395)
Net assets	158,105	146,308	136,683

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b Summarised statement of comprehensive income

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Premium Switch Solution S.C			
Revenue	43,177	36,224	29,232
Interest income	9,743	6,803	4,891
Other Income	14	-	-
	52,934	43,027	34,123
Expenses	(39,525)	(32,589)	(33,651)
Net profit before tax	13,409	10,438	472
Tax	(1,612)	(813)	-
Profit after tax	11,797	9,625	472
Transfer to legal reserve	(590)	(481)	(23)
Net profit for the year	11,207	9,144	449

The amount recognised in the income statement as share of profit from investment in associate during the year is as stated below;

	30 June 2018 Birr'000	30 June 2017 Birr'000
Share of profit from associate	3,552	2,898

Reconciliation of the above summarised financial information to the carrying amount of the interest in Premium Switch Solution (PSS) Share Company recognised in these financial statements:

	30 June 2018 Birr'000	30 June 2017 Birr'000
Opening net assets 1 January	146,308	136,683
Profit for the period	11,797	9,625
Closing net assets	158,105	146,308
Bank's share in %	30.11%	30.11%
Bank's share in Birr	47,605	44,054
Carrying amount on the Bank's financial statement	47,605	44,054

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	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
18 Other assets			
Financial assets			
Receivable from other banks	172,130	309,837	122,304
Staff receivables	335	382	424
Mastercard receivables	6,427	2,237	5,185
Visa card receivables	3,206	3,079	8,123
Account interest receivables	15,722	1,888	133
Money transfer receivable	9,267	8,468	4,728
Other receivables	103,850	250,401	218,256
Gross amount	310,937	576,292	359,153
Less: Specific impairment allowance (note 18a)	(9,872)	(8,374)	(8,374)
	301,065	567,918	350,779
Non-financial assets			
Prepaid staff asset	51,529	87,784	48,574
Repossed collaterals	66,070	41,394	17,670
Prepayments	238,936	206,591	208,489
Advance payment for building projects	366,676	382,897	-
Withholding tax receivable	1,844	5	38
Inventory	20,593	23,645	17,105
	745,648	742,316	291,876
Net amount	**1,046,713**	**1,310,234**	**642,655**

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	207,087	325,891	140,897
Non-Current	839,626	984,343	501,758
	1,046,713	**1,310,234**	**642,655**

18a Impairment allowance on other assets

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

	30 June 2018 Birr'000	30 June 2017 Birr'000
Balance at the beginning of the year	8,374	8,374
(Reversal)/charge for the year (note 10)	1,498	-
Balance at the end of the year	9,872	8,374

18b Inventory

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Stationery	3,988	3,845	5,415
Uniform	1,072	4,024	1,947
Token	149	149	149
Stamps	398	396	260
Signs	38	38	38
Stock of fuel coupons	1,327	330	465
Gold and silver coins	27	27	27
Cheque book	4,811	2,873	1,021
Other stock	8,781	11,963	7,783
	20,592	23,645	17,105

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	30 June 2018 Birr'000	30 June 2017 Birr'000
19 Investment property		
Cost:		
At the beginning of the year	23,786	-
Acquisitions	592	-
Transfer from property, plant and equipment		23,786
At the end of the year	24,378	23,786
Accumulated amortisation:		
At the beginning of the year	205	-
Charge for the year	302	
Transfer from property, plant and equipment		205
At the end of the year	507	205
Net book value		
As at 1 July 2016	-	-
As at 30 June 2017	23,581	23,581
As at 30 June 2018	**23,871**	**23,871**

Transfers from property, plant and equipment relates to buildings ready for use and buidings under work in progress which fall under the Bank's definition of an investment property. The buildings under work in progress amounts to nil (2017: Birr 17.75 million).

19a Amounts recognised in profit or loss for investment properties

	30 June 2018 Birr'000	30 June 2017 Birr'000
Rental income (Note 8)	1,814	1,412
Direct operating expenses from property that generated rental income		
	1,814	1,412

19b Fair value measurement of the Bank's Investment properties

The Bank's investment property is measured at cost. These properties include those held for rental purposes and those in which the Bank occupies an insignificant portion. These properties are held to earn rentals and for capital appreciation. There are currently no restrictions on the realisability of these properties.
Investment property is initially measured at cost including transaction costs and subsequently measured at depreciated cost (less any accumulated impairment losses). Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 50 years. The fair value of investment properties has been disclosed as required.

The fair value of the Bank's Investment property as at 30 June 2018 has been arrived at by the Bank's internal Engineers and reviwed by an independent professional valuers. Based on the appropriateness of valuation techniques, the Bank have valued its investment properties by:

i. **Sales Comparison:** This approach is a real estate appraisal method that compares a piece of property to other properties with similar characteristics that have been sold recently. The Bank preferred this technique as condo houses have nearly same features to real estate houses. The valuation process have based comparisons of properties having high similar features such as location, access frontages, distance from main road, gross external/internal area, rent price per square meter etc. The determination has also taken into account the geography of where the condos are located and the condition of the local topography that has direct effects on the value assigned to all comparable properties. The real sales price and ask prices of the comparison properties were taken and the necessary adjustments were performed in order to make the subject properties fairly closer to the comparisons.
ii. **Income Approach:** is a valuation technique that converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts. Accordingly, the rent income generated from similar properties and the corresponding expenses were also analyzed.

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19c Fair value hierarchy

Details of the Bank's Investment properties and information about the fair value hierarchy at 30 June 2018 and 30 June 2017 respectively are as follows:

30 June 2018	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Investment properties	23,871			30,884

30 June 2017	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Investment properties	23,581			29,264

20 Intangible Assets

	Purchased software Birr'000	Total Birr'000
Cost:		
As at 1 July 2016	94,908	94,908
Acquisitions	1,721	1,721
Internal development		-
Transfer from property, plant and equipment		-
As at 30 June 2017	**96,629**	**96,629**
As at 1 July 2017	**96,629**	**96,629**
Acquisitions	3,261	3,261
Internal development		-
Transfer from property, plant and equipment		-
As at 30 June 2018	99,890	99,890
Accumulated amortisation and impairment losses		
As at 1 July 2016	57,429	57,429
Amortisation for the year	7,805	7,805
Impairment losses		-
As at 30 June 2017	**65,234**	**65,234**
As at 1 July 2017	65,234	65,234
Amortisation for the year	7,013	7,013
Impairment losses		-
As at 30 June 2018	72,247	72,247
Net book value		
As at 1 July 2016	37,479	37,479
As at 30 June 2017	31,395	31,395
As at 30 June 2018	27,642	27,642

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	Buildings	Motor vehicles	Furniture and fittings	Computer equipments	Capital work in Progress	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
21 Property, plant and equipment						
Cost:						
As at 1 July 2016	56,224	90,435	166,364	110,288	79,276	502,587
Additions	146	9,738	79,723	23,209	86,645	199,461
Transfer to investment property	(6,033)	-	-	-	(17,753)	(23,786)
Disposals	-	(1,336)	-	-	-	(1,336)
As at 30 June 2017	**50,337**	**98,837**	**246,087**	**133,497**	**148,168**	**676,926**
As at 1 July 2017	50,337	98,837	246,087	133,497	148,168	676,926
Additions	46,520	35,088	13,865	44,607	1,346,318	1,486,397
Disposals	-	(1,356)	-	-	-	(1,356)
Transfer to investment property	-	-	-	-	-	-
As at 30 June 2018	**96,857**	**132,569**	**259,952**	**178,104**	**1,494,486**	**2,161,967**
Accumulated depreciation						
As at 1 July 2016	2,618	48,779	61,801	30,392	-	143,590
Charge for the year	1,068	8,341	16,209	13,680	-	39,298
Transfer to investment property	(205)	-	-	-	-	(205)
Disposals	-	(1,336)	-	-	-	(1,336)
As at 30 June 2017	**3,481**	**55,784**	**78,010**	**44,072**	-	**181,347**
As at 1 July 2017	**3,481**	**55,784**	**78,010**	**44,072**	-	**181,347**
Charge for the year	**1,442**	**7,368**	**21,984**	**21,430**	-	52,225
Transfer to investment property	-					
Disposals	-	**(1,072)**	-	-	-	(1,072)
As at 30 June 2018	**4,923**	**62,080**	**99,994**	**65,502**	-	**232,500**
Net book value						
As at 1 July 2016	**53,606**	**41,656**	**104,563**	**79,896**	**79,276**	**358,997**
As at 30 June 2017	**46,856**	**43,053**	**168,077**	**89,425**	**148,168**	**495,579**
As at 30 June 2018	**91,934**	**70,488**	**159,958**	**112,602**	**1,494,486**	**1,929,467**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
22 Deposits from customers			
Demand deposits	4,758,610	4,795,051	4,138,959
Saving deposits	10,443,519	7,024,517	5,002,263
Special saving deposit	2,561,895	2,130,553	1,538,349
Fixed term deposits	3,855,212	2,607,832	1,829,864
	21,619,236	16,557,953	12,509,435

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
23 Borrowings			
Zemen Bank	203,682	203,332	-
	203,682	203,332	-

Borrowing from Zemen Bank relates to term loan and overdraft of 100 million respectively received from Zemen bank for a period of one year.

23a Reconciliation of bank borrowings

A reconciliation of the changes in borrowings is as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'001
Balance at the beginning of the year		-	-
Proceeds from borrowings	200,000	200,000	-
Repayment of borrowings		-	-
Accretion of interest	3,682	3,332	-
Balance at the end of the year	203,682	203,332	-

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
24 Other liabilities			
Financial liabilities			
Margin held on letter of credit	200,832	367,433	108,531
Deposit for Guarantees Issued	2,593	6,326	4,305
Cash payment order payable	324,771	265,956	281,613
Exchange payable to NBE	26,328	41,480	21,007
Current accounts blocked	8,648	13,113	35,122
Staff accrued leave pay	45,756	31,858	25,667
Bonus accrured	54,254	37,417	28,466
Customers loan deposit accounts	2,174	36,037	1,493
Due to other banks	19,084	15,983	16,326
Telegraphic transfer payable	1,566	3,800	7,036
Money transfer payable	2,475	1,375	51,669
	688,481	820,778	581,235

Non-financial liabilities

Defined Contribution liabilities	1,929	1,298	883
Stamp Duty Payable	2,662	2,648	1,590
Other tax payable	14,795	7,944	7,502
Other payables	537,898	320,814	96,551
Dividend payable	71,962	50,688	40,368
Board of director's allowance	1,100	1,526	1,100
	630,346	384,918	147,994
Gross amount	**1,318,827**	**1,205,696**	**729,229**

Maturity analysis	**30 June 2018 Birr'000**	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
Current	1,264,423	1,160,725	668,440
Non-Current	54,404	44,971	60,789
	1,318,827	**1,205,696**	**729,229**

		30 June 2018 Birr'000	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
25	**Retirement benefit obligations**			
	Defined benefits liabilities:			
	– Severance pay (note 25a)	20,581	8,718	8,238
	Liability in the statement of financial position	**20,581**	**8,718**	**8,238**
	Income statement charge included in personnel expenses:			
	– Severance pay (note 25a)	2,103	1,925	-
	Total defined benefit expenses	**2,103**	**1,925**	**-**
	Remeasurements for:			
	– Severance pay (note 25a)	10,296	(641)	-
		10,296	**(641)**	**-**

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

25a Severance pay

The Bank operates an unfunded severance pay plan for its managerial employees who have served the Bank for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as thirty times the average daily salary of the last week of service for the first year of service and one-third of the said sum for the rest of service years, provided that the total amount is not exceed twelve month's salary.

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
A Liability recognised in the financial position	20,581	8,718	8,238

B Amount recognised in the profit or loss	30 June 2018 Birr'000	30 June 2017 Birr'000
Current service cost	751	689
Interest cost	1,352	1,236
	2,103	1,925

C Amount recognised in other comprehensive income:		
Remeasurement (gains)/losses arising from changes on economic assumptions	6,490	(1,972)
Remeasurement (gains)/losses arising from changes on experience	3,806	1,331
Tax credit /(charge)		-
	10,296	(641)

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

	30 June 2018 Birr'000	30 June 2017 Birr'000
At the beginning of the year	8,718	8,238
Current service cost	751	689
Interest cost	1,352	1,236
Remeasurement (gains)/ losses	10,296	(641)
Benefits paid	(536)	(804)
At the end of the year	20,581	8,718

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Discount Rate (p.a)	13.03%	14.25%	14.30%
Long term salary increase(p.a)	12.00%	9.70%	11.60%
Average Rate of Inflation (p.a)	10.00%	7.70%	9.60%

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ii) Mortality in Service

The rate of mortality assumed for employees are those published in the Demographic and Health Survey ("DHS") 2016 report compiled by the CSA. The DHS report provides male and female mortality rates for 5 year age bands from age 15 to age 49. For ages over 47 we have assumed that mortality will be in line with the SA85/90 ultimate standard South African mortality tables published by the Actuarial Society of South Africa ("ASSA"), since the rates in these tables are similar to the DHS female mortality rate at age 47. These rates combined are approximately summarized as follows:

10%

Age	Mortality rate Males	Mortality rate Females
20	0.00306	0.00223
25	0.00303	0.00228
30	0.00355	0.00314
35	0.00405	0.00279
40	0.00515	0.00319
45	0.00450	0.00428
50	0.00628	0.00628
55	0.00979	0.00979
60	0.01536	0.01536

iii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 15% at the youngest ages falling with increasing age to 2.5% at age 45.

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

		Impact on defined benefit obligation			
		30 June 2018		30 June 2017	
	Change in assumption	Impact of an increase Birr'000	Impact of a decrease Birr'000	Impact of an increase Birr'000	Impact of a decrease Birr'000
Discount and Inflation rate	0.5%	(1,349)	1,449	(474)	503

		Impact on current service cost			
		30 June 2018		30 June 2017	
	Change in assumption	Impact of an increase Birr'000	Impact of a decrease Birr'000	Impact of an increase Birr'000	Impact of a decrease Birr'000
Discount and Inflation rate	0.5%	(112)	120	(40)	42

The expected contribution to post-employment benefit plan for the year ending 30th June 2018 is 21 million.

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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.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the severance pay plan at the end of the reporting period is 15 years (30 June 2017: 12 years, 1 July 2016: 14 years)

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
26 Share capital and share premium			
Authorised:			
Ordinary shares of Birr 500 each	2,200,000	2,200,000	2,200,000
Issued and fully paid:			
Ordinary shares of Birr 500 each	2,076,219	1,792,392	1,502,380
Share premium	18,318	8,063	-
Total share capital and share premium	2,094,536	1,800,455	1,502,380

26.1 Movements in ordinary shares and share premium:

	No. of shares (thousands)	Share capital Birr'000	Share premium Birr'000	Total Birr'000
At 1 July 2016	3,005	1,502,380	-	1,502,380
Issued during the year	580	290,012	8,063	298,075
As at 30th June 2017	3,585	1,792,392	8,063	1,800,455
At 1 July 2017	3,585	1,792,392	8,063	1,800,455
Issued during the year	568	283,827	10,255	294,081
As at 30th June 2018	4,152	2,076,219	18,318	2,094,536

27 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 2018 Birr'000	30 June 2017 Birr'000
Profit attributable to shareholders	514,853	493,739
Weighted average number of ordinary shares in issue	3,839	3,309
Basic & diluted earnings per share (Birr)	134	149

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 2017:nil, 1 July 2016: nil), hence the basic and diluted loss per share have the same value.

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	30 June 2018 Birr'000	30 June 2017 Birr'000
28 Retained earnings		
At the beginning of the year	358,680	354,757
Profit/Loss for the year	514,853	493,739
Other comprehensive income	(7,207)	449
Transfer to regulatory risk reserve	(20,005)	11,794
Transfer to legal reserve	(126,911)	(123,547)
Transfer to special reserve	(100)	(100)
Dividend paid	(386,133)	(377,311)
Board of directors' remuneration	(1,100)	(1,100)
At the end of the year	332,076	358,680

	30 June 2018 Birr'000	30 June 2017 Birr'000
29 Legal reserve		
At the beginning of the year	768,636	645,089
Transfer from profit or loss	126,911	123,547
At the end of the year	895,547	768,636

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

	30 June 2018 Birr'000	30 June 2017 Birr'000
30 Special reserve		
At the beginning of the year	1,800	1,700
Transfer from profit or loss	100	100
At the end of the year	1,900	1,800

The Banking business proclamation No. 592/2008, Art. 21(7) requires a bank to (i) either set aside adequate funds for the purpose of making good any loss resulting from the negligence or dishonesty of any director or employee of the bank and any losses caused by any other unexpected events or circumstances or (ii) insure itself against such losses. The Bank opted to maintain a special reserve. The Bank transfers 100,000 Birr of its annual profits after tax to this reserve.

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	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
31 Cash generated from operating activities			
Profit before income tax		658,752	644,775
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	21	52,527	39,298
Amortisation of intangible assets	20	7,013	7,805
(Gain)/Loss on disposal of property, plant and equipment	21	19	(1,037)
Impairment on loans and receivables	15	46,109	26,167
Impairment on other assets	10	1,498	
Net interest income		(1,197,081)	(922,343)
Retirement benefit obligations	25	2,103	1,925
Changes in working capital:			
-Decrease/ (Increase) in loans and advances to customers	15	(2,872,347)	(3,147,135)
-Decrease/ (Increase) in restricted deposits	14	(283,000)	(197,000)
-Decrease/ (Increase) in other assets	18	262,023	(667,579)
-Increase/ (Decrease) in other liabilities	24	113,159	476,468
		(3,209,224)	(3,738,656)

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

	30 June 2018 Birr'000	30 June 2017 Birr'000
Proceeds on disposal	19	1,037
Net book value of property, plant and equipment disposed (Note 20)	-	-
Gain/(loss) on sale of property, plant and equipment	19	1,037

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32 Related party transactions

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
a *Transactions with related parties*			
Loans and advances to key management	65,437	118,524	73,800
`	65,437	118,524	73,800

b *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 2018.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Salaries and other short-term employee benefits	10,152	8,187	7,163
Post-employment benefits	1,320	1,064	931
Sitting allowance	415	415	415
	11,472	9,666	8,509

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

33 Directors and employees

i) The average number of persons (excluding directors) employed by the Bank during the year was as follows:

	30 June 2018 Number	30 June 2017 Number	1 July 2016 Number
Managerial and Supervisory	246	202	192
Professional	478	456	439
Clerical	1,531	1,282	1,052
Non-Clerical	2,077	1,741	1,386
	4,332	3,681	3,069

34 Contingent liabilities

33a *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 2018 is Birr 82 million (30 June 2017: Birr 80 million, 1 July 2016: Birr 233 million). As of June 30, 2018, a provision of Birr 17.7 million has been held for these legal cases (June 30 2017 and 2016: Birr 9 million).

b *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 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Guarantees issued	813,697	753,835	849,699
Letters of credit	378,703	790,131	310,358
Memorandum on letters of credit	(168,082)	(285,999)	(170,839)
	1,192,400	1,257,967	989,218

35 Commitments

The Bank has commitments not provided for in these financial statements. They include construction of buildings and implementation of T-24 Core Banking system commitments and loan commitments.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Loan commitments	1,902,364	3,263,305	1,541,951
Purchase commitments	959,272	1,563,291	18,137
	2,861,637	4,826,596	1,560,088

36 Operating lease commitments - Bank as lessee

The Bank leases various properties under non-cancellable operating lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of each lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
No later than 1 year	11,072	8,370	4,033
Later than 1 year and no later than 2 years	245,431	253,569	33,640
Later than 2 years but not later than 5 years	7,975	31,627	69,158
Total	264,478	293,566	106,831

37 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Bank as at 30 June 2018 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

38 First-time adoption of IFRS for the Bank

These financial statements, for the period ended 30 June 2018, are the first the Bank has prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

For periods up to and including the year ended 30 June 2017, the Bank prepared its financial statements in accordance with the Ethiopian GAAP. Accordingly, the Bank has prepared financial statements which comply with IFRS applicable for periods ending on or after 30 June 2018, together with the comparative period data as at and for the year ended 30 June 2017, as described in the summary of significant accounting policies.

In preparing these financial statements, the Bank's opening statement of financial position was prepared as at 1 July 2016, the Bank's date of transition to IFRS. This note explains the principal adjustments made by the Bank in restating its financial statements prepared under the previous framework, including the statement of financial position as at 1 July 2016 and the financial statements as at and for the year ended 30 June 2017.

In preparing its opening IFRS statement of financial position, the Bank has adjusted amounts reported previously in financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) of Ethiopia and the Commercial code of 1960. An explanation of how the transition from GAAP to IFRS has affected the Bank's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The most significant IFRS impact for the Bank resulted from the implementation of IAS 39 Financial Instruments: Recognition and Measurement which requires the bank to classify its financial instruments into available for sale, fair value through profit and loss, loans and receivables and held to maturity. Also the impairment of financial assets only in cases where there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset (referred to as an "incurred loss" model).

In preparing these financial statements in accordance with IFRS 1, the Bank has applied the mandatory exceptions from full retrospective application of IFRS. The optional exemptions from full retrospective application selected by the Bank are summarised below.

Exemptions applied

a) *Deemed cost for property, plant and equipment and intangible assets*

Property, plant and equipment and intangible assets were carried in the statement of financial position prepared in accordance with previous framework using historical cost. The Bank has elected to regard those values as deemed cost at the transition date as carrying value of assets under GAAP and IFRS is not expected to be materially different.

b) *Leases*

Banks are required to determine whether an arrangement contains a lease based on the facts and circumstances existing on 1 July 2016. Any contracts that exist would result in a classification based on the facts and circumstances that exist at transition date.

c) *Designation of Previously Recognised Financial Instruments*

Applying this exemption means that Banks is permitted to designate a financial asset as available-for-sale at the date of transition to IFRS. The Bank has designated unquoted equity instruments held at 1 July 2016 as available-for-sale investments.

d) *Fair value measurement of financial instruments at initial recognition*

Banks may apply the requirements to recognise day 1 gain or loss prospectively to transactions entered into on or after the date of transition to IFRS. This will result in no gain or loss being recognised on the initial recognition of a financial asset or financial liability held prior to 1 July 2016.

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38a Reconciliation of Statement of total comprehensive income for the year ended 30 June 2017

	Notes	GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS as at 30 June 2017 Birr'000
Interest income	P	1,500,418	-	(47,312)	1,453,106
Interest expense		(530,763)	-	-	(530,763)
Net interest income		969,655	-	(47,312)	922,343
Commission income		132,856	(132,856)	-	-
Service charges		193,105	(193,105)	-	-
Net gain on foreign exchange dealings and translations		94,788	(94,788)	-	-
Dividend income		3,960	(3,960)	-	-
Other income		23,484	(23,484)	-	-
Fee and commission income	Q	-	325,961	(6,074)	319,887
Fee and commission expense	R	-	(2,836)		(2,836)
Net fees and commission income		448,193	(125,068)	(6,074)	317,051
Other operating income	S	-	122,232	349	122,581
Total operating income		1,417,848	(2,836)	(53,037)	1,361,975
Loan impairment charge	T	-	(41,954)	15,787	(26,167)
Impairment losses on other assets		-	-	-	-
Net operating income		1,417,848	(44,790)	(37,250)	1,335,808
Salaries and benefits		(387,234)	387,234	-	-
General and administrative expense		(306,189)	306,189	-	-
Provision for doubtful debt		(41,954)	41,954	-	-
Director's monthly allowance		(618)	618	-	-
Audit fee		(305)	305	-	-
Personnel expenses	U	-	(387,234)	(13,594)	(400,828)
Amortisation of intangible assets	V	-	-	(7,805)	(7,805)
Depreciation and impairment of property, plant and equipment	W	-	(58,892)	19,594	(39,298)
Other operating expenses	X	-	(245,384)	(616)	(246,000)
		(736,300)	44,790	(2,421)	(693,931)
Share of net profit of associate accounted for using the equity method	Y	-	-	2,898	2,898
Profit before tax		681,548	-	(36,773)	644,775
Income tax expense	Z	(165,104)	-	14,068	(151,036)
Profit after tax		**516,444**	**-**	**(22,705)**	**493,739**
Other comprehensive income (OCI) net on income tax					
Items that will not be subsequently reclassified into profit or loss:					
Remeasurement gain/(loss) on retirement benefits obligations		-	-	641	641
Deferred tax (liability)/asset on remeasurement gain or loss		-	-	(192)	(192)
		-	-	449	449
Total comprehensive income for the period		**516,444**	**-**	**(22,256)**	**494,188**

38b Reconciliation of equity as at 30 June 2017

	Notes	GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS as at 30 June 2017 Birr'000
ASSETS					
Cash and bank balance		3,281,916	-	-	3,281,916
Loans and advances to customers	A	10,711,304	-	(38,889)	10,672,415
NBE Bills		5,095,628	(5,095,628)	-	-
Equity Investment		131,034	(131,034)	-	-
Investment securities:					-
- Loans and receivables	B	-	5,166,870	12	5,166,882
- Available-for-sale	B	-	86,038	-	86,038
Investment in associates	C	-	44,996	(942)	44,054
Other assets	D	1,279,198	(45,605)	76,641	1,310,234
Intangible assets	E	-	38,539	(7,144)	31,395
Investment property	F	-	23,581	-	23,581
Property, plant and equipment	G	520,630	(61,132)	36,081	495,579
					-
		21,019,710	26,625	65,759	21,112,094
Total assets		**21,019,710**	**26,625**	**65,759**	**21,112,094**
LIABILITIES					
Deposits from customers	H	16,416,437	141,516	-	16,557,953
Borrowings	J	200,000	3,332	-	203,332
Margin held on Letter of Credit		367,433	(367,433)	-	-
Current tax liabilities	I	165,104	-	(8,015)	157,089
Other liabilities	K	916,673	249,210	39,813	1,205,696
Retirement benefit obligations	L	-	-	8,718	8,718
Deferred tax liabilities	M	-		13,399	13,399
Total liabilities		**18,065,647**	**26,625**	**53,915**	**18,146,187**
EQUITY					
Share capital		1,792,392	-	-	1,792,392
Share premium		8,063	-	-	8,063
Retained earnings	N	-	386,133	(27,453)	358,680
Legal reserve	O	765,675	-	2,960	768,635
Special reserve		1,800	-	-	1,800
Regulatory risk reserve		-	-	36,335	36,335
Profit and loss account		386,133	(386,133)	-	-
		2,954,063	-	11,842	2,965,905
Total equity and liabilities		**21,019,710**	**26,625**	**65,757**	**21,112,092**

38c Reconciliation of equity as at 1 July 2016

	Notes	GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS as at 1 July 2016 Birr'000
ASSETS					
Cash and bank balance		2,977,980			2,977,980
Loans and advances to customers	A	7,511,985	4,076	35,386	7,551,447
NBE Bills		4,168,435	(4,168,435)		-
Equity Investment		125,778	(125,778)		-
Investment securities;					
- Loans and receivables	B	-	4,229,800	(3)	4,229,796
- Available-for-sale	B	-	80,782		80,782
Investment in associates	C	-	44,996	(3,841)	41,155
Other assets	D	690,496	(84,923)	37,082	642,655
Intangible assets	E	-	44,046	(6,567)	37,479
Property, plant and equipment	G	355,648	(19,835)	23,184	358,997
		15,830,322	4,728	85,241	15,920,291
Total assets		**15,830,322**	**4,728**	**85,241**	**15,920,291**
LIABILITIES					
Deposits from customers	H	12,423,023	86,412	-	12,509,435
Margin held on Letter of Credit		108,531	(108,531)	-	-
Current tax liabilities		102,075	-	9,233	111,308
Other liabilities	K	678,737	26,847	23,645	729,229
Retirement benefit obligations	L	-	-	8,238	8,238
Deferred tax liabilities		-	-	10,027	10,027
Total liabilities		13,312,366	4,728	51,143	13,368,237
EQUITY					
Share capital		1,502,380			1,502,380
Retained earnings	N	111,002	266,309	(22,553)	354,758
Legal reserve	O	636,565		8,524	645,089
Special reserve		1,700			1,700
Regulatory Risk reserve		-	-	48,128	48,128
Profit and loss account		266,309	(266,309)		-
		2,517,956	-	34,099	2,552,055
Total equity and liabilities		**15,830,322**	**4,728**	**85,242**	**15,920,292**

39 Notes to the reconciliation of equity as at 1 July 2016 and 30 June 2017 and total comprehensive income for the year ended 30 June 2017.

		30 June 2017 Birr'000	1 July 2016 Birr'000
A	**Loans and advances to customers**		
	Loans and advances under previous GAAP	10,711,304	7,511,985
	Reclassifications:		
i.	Accrued interest on loans to customers from other assets	-	4,076
		-	4,076
	Remeasurements:		
ii.	Adjustment to recognise the difference between interest on staff loans recognised using market interest rate and below market interest rate	8,281	8,508
iii.	Adjustment to recognise staff loans at fair value	(105,074)	(62,340)
iv.	Adjustment to recognise suspended interest on loans and advances	45,333	88,649
v.	Adjustment to recognise additional impairment on loans and advances	17,903	2,116
vi.	Adjustment to restate loans and advances at amortised cost using effective interest rate	(3,631)	(1,547)
vii.	Adjustment to recognise interest income on individually impaired loans	(1,701)	-
		(38,889)	35,386
	Loan and advances to customers per IFRS	**10,672,415**	**7,551,447**

Reclassifications:

i. Under the previous GAAP, accrued interest on loans and advances to customers were recognised in other assets. This has been reclassified to the related loans.

Remeasurements:

ii. This adjustment relates to additional interest income arising from recognising the staff loans at the effective interest rate.

iii. The Bank grants staff loans at below market rate. Under IFRS, such loans must be recognised at fair value by discounting all future cash flows at the market rate. The difference between amount disbursed and the fair value of the loan was recognised to prepaid staff expenses.

iv. Under previous GAAP, interest on non-performing loans was recognised off-balance sheet. Under IFRS, interest income on significant non-performing loans should continue to be recognised as part of the loan amount and not off-balance sheet. Therefore, all suspended interest have been included in the carrying amount of the financial assets giving rise to it.

v. Under the previous framework, loans and advances to customers were subjected to impairment provision based on the aging of such balances. The impairment loss was determined by applying a percentage provision to the different age buckets in which the outstanding amounts have been segmented. The rates and age buckets were determined based on the National Bank of Ethiopia Supervision of Banking Business directive Number SBB/43/2008. Under IFRS, the Bank is required to assess whether an objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. For financial assets where no evidence of impairment existed, these assets were collectively assessed for impairment. Specific impairment was calculated on individually significant loans for which an objective evidence of impairment existed.

The difference between the principles applied in calculating impairment allowance under IFRS and the NBE guidelines resulted in different impairment loss amounts. The difference between the impairment recognised using the NBE guidelines and IFRS impairment provision was recognised as an adjustment to retained earnings.

vi. Under the previous GAAP, loans and advances were recognised at the contractual rate. Under IFRS, loans and advances should be recognised using the effective interest rate. As a practical expedient, the transaction costs on all loans have been apportioned over the life of the loans.

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vii. Under previous GAAP, interest income on individually impaired loans was calculated on the gross carrying amount of the loan i.e. the outstanding principal amount using the contractual interest rate. In 2017, interest income was calculated based on the net carrying value after adjusting for impairment using the effective interest rate(EIR). The difference between the interest income recognised under IFRS and interest in suspense on individually impaired loans was recognised as an adjustment to interest income.

		30 June 2017 Birr'000	1 July 2016 Birr'000
B	**Investment Securities**		
1	**Loans and receivables**		
	Loans and receivables under previous GAAP	-	-
	Reclassifications:		
i.	From NBE Bills	5,095,628	4,168,435
ii.	Accrued interest on NBE Bills from other assets	71,242	61,365
		5,166,870	4,229,800
	Remeasurement:		
iii.	NBE Bills	12	(3)
	Loan and receivables per IFRS	**5,166,882**	**4,229,796**

Reclassification:

i. Under the previous GAAP, NBE bills were classified as a separate line item 'NBE Bills' on the face of the financial statements. The NBE Bills have been reclassified as loans and receivables investment under IFRS.

ii. Under previous GAAP, accrued interest on NBE Bills were recognised seperately in other assets. The amount has been reclassified to the carrying value of NBE Bills under loans and receivables.

Remeasurement:

iii. The adjustment on NBE bills relates to the recognition of these securities at amortised cost using the effective interest rate method.

		30 June 2017 Birr'000	1 July 2016 Birr'000
2	**Available for Sale**		
	Available for Sale under previous GAAP	-	-
	Reclassification:		
i.	From Equity Investments	86,038	80,782
	Available for Sale per IFRS	**86,038**	**80,782**

Reclassification:

i. Under previous GAAP, the unquoted equity securities were included in equity investments on the face of the balance sheet. The reclassified portion to available-for-sale are the equity investments that do not meet the criteria to be recognised as investment in associates.

		30 June 2017 Birr'000	1 July 2016 Birr'000
C	**Investment in Associates**		
	Investment in Associates under previous GAAP	-	-
	Reclassification:		
i	Equity Investments	44,996	44,996
	Remeasurement		
ii	Adjustment to recognise investment in associate using equity accounting	(942)	(3,841)
	Investment in Associates per IFRS	**44,054**	**41,155**

Reclassification:

Under previous GAAP, the unquoted equity securities were included in equiry investments on the face of the balance sheet.
i. Under IFRS, the portion of the unquoted securities which qualifies as investment in associates have been reclassified.

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D	**Other Assets**	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
	Other assets under previous GAAP	1,279,198	690,496
	Reclassification:		
i.	Accrued interest on loans and advances to Loans and advances	-	(4,076)
ii.	Computerization Core Banking to Intangible asset	(16,868)	(16,868)
iii.	Accrued interest on NBE Bills to Investment Securities (Loans and receivables)	(71,242)	(61,365)
iv.	Prepaid operating lease from finance lease (Leasehold land - PPE)	10,387	9,787
v.	Reclassification of fixed assets in stock to property, plant and equipment	(11,369)	(33,991)
vi.	Money transfer receivable	8,467	4,727
vii.	Reclassification of fixed assets in stock from sundry creditors	18,157	-
viii.	Reclassification of prepaid asset from buildings	16,863	16,863
		(45,605)	(84,923)
	Remeasurement:		
viii.	Adjustment to recognise staff loans at fair value	93,780	53,864
ix.	Cumulative prepaid employee benefit as at 1 July 2016	(5,997)	(5,291)
x.	Adjustment to fixed asset in store	-	-
xi.	Adjustment to translate foreign currencytransactions at mid rate	(11,142)	(11,491)
		76,641	37,082
	Other assets per IFRS	**1,310,234**	**642,655**

Reclassification:

i. Under previous GAAP, accrued interest on loans and advances were recognised under other assets. These have been reclassified to the carrying amounts under loans and advances.

ii. Under previous GAAP, computerization core banking was recognised under other assets. This has been reclassified to intangible assets.

iii. Under previous GAAP, accrued interest on NBE Bills were recognised under other assets. These have been reclassified to the carrying amount under loans and receivables (Investment Securities).

iv. Under previous GAAP, prepayments on leases that do not meet the criteria of finance leases where recognised under finance lease (Leasehold land - PPE). This has been reclassified to prepayments under other assets.

v. Under the previous GAAP, property, plant and equipment purchased but not yet utilised were classified under inventory as fixed asset in stock. Part of these assets available for use have been reclassified as part of property, plant and equipment.

Remeasurement:

vii. See Note A iv.

ix. This adjustments relates to the cummulative prepaid employee benefit expense as at 30th June 2016.

xi. Under IFRS, the bank has chosen to translate its foreign currency transactions at mid rate.

E	**Intangible Assets**	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
	Intangible assets under previous GAAP	-	-
	Reclassification:		
i.	Computerisation Core Banking	16,868	16,868
ii.	Computer Software	21,671	27,178
	Remeasurement:		
iii.	Adjustment to recognise accumulated amortisation using the revised rate	(7,144)	(6,567)
		31,395	**37,479**

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Reclassification:

i. See note D ii.

ii. The Computer Software was recognised under Property,plant and equipment under the previous GAAP. This has also been reclasified to Intangible assets.

	F **Investment property**	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
	Investment property under previous GAAP	-	-
	Reclassification		
(i)	Investment property reclassified from property plant and equipment	23,786	-
(ii)	Accumulated amortisation on investment property	(205)	-
		23,581	-
	Investment property per IFRS	23,581	-

Notes on reclassification

(i) Under Ethiopian GAAP, the Bank classified buildings held to earn rentals or for capital appreciation or both as property, plant and equipment. IAS 40 states that an investment property that generates cash flows largely independently of the other assets held by an entity should be classified as investment property. On the date of transition to IFRS, the cost and the related amortisation of the building was reclassified to investment property.

	G **Property, Plant and Equipment**	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
	Property, plant and equipment under previous GAAP	520,630	355,648
	Reclassification:		
i.	Computer Software reclassified to intangible assets	(21,671)	(27,176)
ii.	Prepaid operating lease from finance lease (Leasehold land - PPE)	(10,387)	(9,787)
iii.	Reclassification of fixed assets in stock to property, plant and equipment	11,370	33,991
iv.	Reclassification of PPE to investment property	(23,581)	-
v.	Reclassification to other asset	(16,863)	(16,863)
		(61,132)	(19,835)
	Remeasurement:		
v.	Reversal of excess accumulated depreciation	60,527	48,230
vi.	Adjustment to recognise leasehold land incorrectly capitalised	(24,445)	(25,045)
		495,580	**358,998**

Reclassification:

i. See note E ii.

ii. See Note D iv.

iii. See Note D v.

iv. See Note F i.

Remeasurement:

v. Under previous GAAP, the Bank recognised accumulated depreciation of buildings, other assets and user right of lease using 5%,20%, and 10% respectively. Residual values was also not considered in calculated the depreciation charge on these assets. Under IFRS, the useful lives and residual values of items of buildings, other assets and user right of lease were revised to 50,10, and over the lease period respectively to better reflect the consumption pattern of those assets. This led to a decrease in the accumulated depreciation of these assets with a corresponding decrease in retained earnings.

vi. Under previous GAAP, the bank classified leasehold land as finance lease. Under IFRS, the leasehold land did not meet the criteria of a finance lease. The portion of the lease capitalised that does not relate to prepayments made were reversed.

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		30 June 2017	1 July 2016
H	**Deposits from Customers**	**Birr'000**	**Birr'000**
	Deposits from customers under previous GAAP	16,416,437	12,423,023
	Reclassification:		
i.	Accrued interest on fixed deposit	141,516	86,412
		16,557,953	**12,509,435**

Reclassification:

i. Accrued interest on fixed deposits was recognised as part of other liabilities. This has been reclassified to deposits from customers.

		30 June 2017	1 July 2016
I	**Current tax liabilities**	**Birr'000**	**Birr'000**
	Current tax liabilities under previous GAAP	165,104	102,075
	Remeasurement:		
i.	Adjustment to recognise difference in tax under IFRS	(8,015)	9,233
		157,089	**111,308**

Reclassification:

i. Accrued interest on fixed deposits was recognised as part of other liabilities. This has been reclassified to deposits from customers.

		30 June 2017	1 July 2016
J	**Borrowings**	**Birr'000**	**Birr'000**
	Borrowings under previous GAAP	200,000	-
	Reclassification:		
i.	Accurued interest	3,332	-
		203,332	**-**

i. Under previous GAAP, accrued interest on borrowing was recognised as part of sundry creditors. This has been reclassified to the carrying amount of the borrowing under IFRS.

		30 June 2017	1 July 2016
K	**Other liabilities**	**Birr'000**	**Birr'000**
	Other liabilities under previous GAAP	916,673	678,737
	Reclassification:		
i.	Margin held on credit	367,433	108,531
ii.	Accrued interest on fixed deposits	(141,516)	(86,411)
iii.	Money transfer receivable	8,467	4,727
iv.	Reclassification of fixed assets in stock from sundry creditors	18,158	-
v.	Reclassification of accrued interest on borrowings	(3,332)	-
		249,210	26,847
	Remeasurement:		
i.	Adjustment to provide for court cases	9,201	9,201
	Adjustment to recognise leasehold land incorrectly capitalised	(22,281)	(23,427)
iii.	Adjustment to make provision for bonus relating to 2015/2016 financial year	37,415	28,466
iv.	Adjustment to defer commission on guarantee	5,315	4,760
v.	Adjustment to defer LC service charge	10,164	4,645
vi	Adjustment to withholding tax payable	(1)	-
		39,813	23,645
	Other liabilities per IFRS	**1,205,696**	**729,229**

Reclassification:

i. Under previous GAAP, Margin held on letters of credit was recognised seperately as a line item on the financial statement. Under IFRS the Margin held on letters of credit has been reclassified to other liabilities.

ii. See Note H i.

Remeasurement:

i. Under previous GAAP, some court cases whose outcome are probable have not being provided for. Under IFRS, an adjustment have been passed to recognise the court cases that management have judged probable.

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ii. See Note F iv.

iii. Under previous GAAP, no provision is made for payment of bonus as it is recognised once paid. Under IFRS, the bank is expected to make provision were there is a constructive obligation to make payment. An adjustment have been passed to this effect.

		30 June 2017 Birr'000	1 July 2016 Birr'000
L	**Retirement benefit Obligations**		
	Retirement benefit obligations under previous GAAP	-	-
	Remeasurement:		
i.	Adjustment relating to severance pay	8,718	8,238
	Retirement benefit obligations per IFRS	**8,718**	**8,238**

Remeasurement:

i) Under previous GAAP, the Bank's retirement benefit obligations were not recognised in the financial statements. On transition to IFRS, the defined benefit obligations have been determined by actuarial techniques using the projected unit credit method.

		30 June 2017 Birr'000	1 July 2016 Birr'000
M	**Deferred tax liability**		
	Deferred tax liability under previous GAAP	-	-
	Remeasurement:		
i.	Adjustment to recognise deferred tax under IFRS	13,400	10,027
	Deferred tax liability per IFRS	**13,400**	**10,027**

i. This relates to adjustments resulting from temporary difference.

		30 June 2017 Birr'000	1 July 2016 Birr'000
N	**Retained earnings**		
	Retained earnings under previous GAAP	-	111,002
	Reclassification:		
i.	Profit and loss account	386,133	266,309
	Remeasurement:		
ii.	Adjustment to recognise the difference between interest on staff loans recognised using market interest rate and below market interest rate	8,281	8,508
iii.	Cumulative prepaid employee benefit	(5,997)	(5,291)
iv.	NBE Bills	12	(3)
v.	Reversal of excess accumulated depreciation	60,527	48,230
vi.	Adjustment to provide for court cases	(9,201)	(9,201)
vii.	Adjustment to recognise suspended interest on loans and advances	45,333	88,649
viii.	Adjustment to recognise additional impairment on loans and advances	17,903	2,116
ix	Adjustment to recognise lease payments to date	(2,165)	(1,618)
x	Adjustment to restate loans and advances at amortised cost using effective interest rate	(3,631)	(1,547)
xi	Adjustment to fixed asset in store	-	-
xii	Adjustment to recognise accumulated amortisation using the revised rate	(7,144)	(6,567)
xiii	Adjustment to make provision for bonus	(37,415)	(28,466)
xiv	Adjustment to recognise investment in associate using equity accounting	(942)	(3,841)
xv	Adjustment relating to severance pay	(8,718)	(8,238)
xvi	Adjustment to translate foreign currencytransactions at mid rate	(11,142)	(11,491)
xvii	Adjustment to expense total prepaid asset on ex-staff loan	(11,293)	(8,476)
xviii	Adjustment to recognise interest income on individually impaired loans	(1,701)	-
xvii	Adjustment to deferred tax and income tax liability	(5,384)	(19,260)
xviii	Adjustment to deferred LC service charge	(10,164)	(4,645)
xvii	Adjustment to deferred commission income on guarantees	(5,317)	(4,760)
xviii	Total remeasurements	11,842	34,099
xvii	Transfer to legal reserve	(2,959)	(8,524)
xviii	Transfer to regulatory risk reserve	(36,335)	(48,128)
	Balance in retained earnings	(27,451)	(22,554)
	Retained earnings per IFRS	**358,682**	**354,757**

Reclassification:

i. This refers to the reclassification of the profit for the year to retained earnings.

Remeasurement:

ii. See Note A ii.
iii. See Note D ix.
iv. See Note B iii.
v. See Note G v.
vi. See Note K i.
vii. See Note A iv.
viii. See Note A v.
ix. See Note G vi.
x. See Note A vi.
xi. See Note D x.
xii. See Note E iii.
xiii. See Note K iii.
xiv See Note C ii.
xv See Note L i.
xvi See Note D xi.
xvii See Note A iii.
xviii See Note A vii.
xix This refers to 25% of the total adjustments that affected the profit for the year.

O	Legal Reserve	30 June 2017 Birr'000	1 July 2016 Birr'000
	Legal reserve under previous GAAP	765,675	636,565
	Remeasurement:		
i.	Transfer from retained earnings	2,959	8,524
		768,634	**645,089**

Remeasurement:

i. See note K xix.

P	Interest income	30 June 2017 Birr'000
	Interest income under previous GAAP	1,500,418
	Remeasurement:	
	Interest income on staff loans	(227)
	Interest on government bond	15
	Interest income on non-performing loans	(45,016)
	Adjustment to amortise fees on the loans	(2,084)
		1,453,106

Q	Fee and commission income	30 June 2017 Birr'000
	Fee and commission income under previous GAAP	-
	Reclassification:	
i.	Commission income	132,856
ii.	Service charges	193,105
		325,961
	Remeasurement:	
i.	Adjustment to defer commission on guarantee	(555)
ii.	Adjustment to defer LC service charges	(5,519)
		(6,074)
		319,887

R	Fee and commission expense	30 June 2017 Birr'000
	Fee and commission expense under previous GAAP	-
	Reclassification:	
i.	Bank charges/commission	2,177
ii.	Correspondent fees	659
		2,836

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S **Other operating income**	**30 June 2017**
	Birr'000
Other operating income under previous GAAP	-
Reclassification:	
Net gain on foreign exchange	
i. dealings and translations	94,788
ii. Dividend income	3,960
iii. Other income	23,484
	122,232
Remeasurement:	
i. Adjustment to translate foreign currency transactions at mid rate	349
	122,581

T **Loan impairment charge**	**30 June 2017**
	Birr'000
Loan impairment charge under previous GAAP	-
Reclassfication:	
Provision for doubtful debt	41,954
Remeasurement:	
Adjustment for loan impairment under IFRS	(15,787)
	26,167

U **Personnel expenses**	**30 June 2017**
	Birr'000
Personnel expenses under previous GAAP	-
Reclassfication:	
Salaries and benefits	387,234
Remeasurement:	
Prepaid employee benefit	3524
Adjustment to make provision for bonus	8950
Adjustment for severance pay	1120
	400,828

V **Amortisation of intangible assets**	**30 June 2017**
	Birr'000
Amortisation of intangible assets under previous GAAP	-
Remeasurement:	
Adjustment to recognise accumulated amortisation using the revised rate	7,805
	7,805

W **Depreciation and impairment of property, plant and equipment**	**30 June 2017**
	Birr'000
Depreciation and impairment of property, plant and equipment under previous GAAP	58,892
Remeasurement:	
Reversal of excess accumulated depreciation	(19,594)
	39,298

X **Other operating expenses**	**30 June 2017**
	Birr'000
Other operating expenses under previous GAAP	-
Reclassification:	
General and administrative expense	306,189
Director's monthly allowance	618
Audit fee	305
Depreciation and impairment of property, plant and equipment	(58,892)
Fee and commission expense	(2,836)
	245,384

Remeasurement:	
Amortization of operating lease	549
Adjustment to fixed asset in store	67
	246,000

Y **Share of net profit of associate accounted for using the equity method**

	30 June 2017 Birr'000
Share of net profit of associate under previous GAAP	-
Remeasurement:	
Adjustment to recognise investment in associate using equity accounting	2,898
	2,898

Z **Income tax expense**

	30 June 2017 Birr'000
Income tax expense under previous GAAP	165,104
Remeasurement:	
Adjustment to recognise difference in income tax expense due to IFRS profit	(13,875)
	151,229

No. 4
Nib International Bank S.C.

Chartered Certified Accountants
DEGEFA AND TEWODROS AUDIT SERVICES PARTNERSHIP

No.	Branch Name	Telephone	Fax	P.O. Box
		Addis Ababa		
1	Abakoran	011-126 60 52/64/66	011-126 60 66	2439
2	Abinet	011-277 00 73/74/75	011-277 94 91	2439
3	Abinet Adebabay	911- 12 16 04	-----	2439
4	Abune Petros	011 -126 78 58	011- 126 77 03	2439
5	Adarash	011- 275 85 75/0112 77 10 64	011 -277 02 20	2439
6	Africa Avenue	011- 661 10 05	011- 661 09 97	2439
7	Addisu Gebeya	011 -127 02 40	011- 127 01 25	2439
8	Addis Ketema	011- 277 39 41/42	011- 277 39 44	2439
9	Addisu Micheal	011- 273 69 73	011- 273 69 61	2439
10	Alem Bank	011-369 45 17	011-369 45 13	2439
11	Akaki Total	0114715992/910081458	011- 471 69 35	2439
12	Arada	011- 157 41 86	011- 157 41 87	2439
13	Arada Giorgis	911- 12 16 04	011- 126 72 85	2439
14	Arat Killo	011- 126 48 33	011-126 49 42	2439
15	Asko	011 -273 04 03	011 - 273 04 15	2439
16	Asefaw Wossen	011- 273 54 69	011- 273 55 49	2439
17	Ashewa Meda	11 2- 260 12 53	112 - 260 17 75	2439
18	Aware	011-557 82 78/911- 88 25 78	011- 557 98 70	2439
19	Aayat Adebabay	011- 639 05 40	011- 639 05 37	2439
20	Ayertena	011-369 34 10	011-369 34 18	2439
21	Balcha Abanefso	011- 554 80 05	011 -554 80 04	2439
22	Bekelo Bet	011- 470 39 83	011- 470 68 21	2439
23	Beshale	011- 667 73 99	011- 667 73 35	2439
24	Bethele	011-369 64 45/48	011- 369 64 04	2439
25	Bisrate Gabriel	011 -320 35 34	011- 320 35 50	2439
26	Bole	011 -663 38 13	011 -663 33 34	2439
27	Bole Atlas	011- 689 20 49	011- 689 20 58	2439
28	Bole 24	011- 667 46 99	011- 667 46 40	2439
29	Bole Brass	011-641 50 19	011-664 29 72	2439
30	Bole Eniredada	011- 662 53 47	011- 662 53 49	2439
31	Bole Medhaniyalem	011- 662 23 22	011 -662 23 21	2439
32	Bole Michael	011- 639 21 51	011- 639 21 17	2439
33	Bole Millennium	011- 635 81 47/911- 14 98 33	011- 635 81 03	2439
34	Bole Shala	0911- 45 82 64/0116-35 80 18	011- 635 81 18	2439
35	Bole Stadium	0912- 22 73 16	011- 689 20 58	2439
36	Bunna Board	0911- 65 60 73	-----	2439
37	Cathedral	011 -156 96 73	011 -156 96 74	2439
38	Cinema Ras	-----	----	2439
39	CMC	011- 667 08 11/80 /911887852	011-667 07 42	2439
40	D'Afrique	011- 515 03 15	011- 515 04 56	2439
41	Darmar	011- 557 79 53	011- 557 91 28	2439
42	Ehil Berenda	011 -275 87 22	011- 275 87 20	2439
43	Engliz Embassy Area	911- 56 02 85/011- 668 72 93	011- 668 66 15	2439
44	Enqulale Faberica	011- 668 72 93/0911- 66 24 19	011- 668 66 15	2439
45	Ferensay Legasion	011- 154 85 44/79	011-154 85 89	2439
46	Geja Sefer	011- 557 97 51	011- 557 78 45	2439
47	Gerji	011- 639 46 61	011- 639 50 73	2439
48	Gerji Georgis	011- 639 45 34	011- 639 56 44	2439
49	Goffa Gabriel	011-470 13 41	011- 470 13 41	2439
50	Goffa Mazoria	011- 416 06 61	011-416 04 05	2439
51	Gofa Gebriel	011- 470 13 41	011- 470 13 41	2439
52	Gotera	011- 466 46 34	011- 466 46 89	2439
53	Gotera Ibex	011- 470 26 59 (911- 69 44 20)	011- 470 09 49	2439
54	Gurd Shola	911-627486/ 0116-47 92 72	011- 647 40 67	2439
55	Habtegiorgis	011 -156 49 76	011- 156 49 88	2439
56	Hana Marima	-----	------	2439
57	Hayahulet Mazoria	011- 644 78 58/ 0911 41 97 20	011- 664 99 18	2439
58	Hayat Mall	011- 639 07 85	011- 639 15 46	2439
59	ILRI	0911-42 85 18/011- 647 16 83	011- 667 74 53	2439
60	Imperial Sport Academy	011- 667 48 22	011- 667 46 50	2439

61	Jacros	011- 667 76 50/0911116228	011- 667 74 66	2439
62	Jan Meda	011-126 19 06	011- 126 09 86	2439
63	Jemo	011- 471 35 47/911- 66 81 33	011- 471 37 88	2439
64	Kality	011 -439 10 89	011 -439 53 26	2439
65	Kality Menharia	011-471 64 05/011-471 64 13/93	011-471 63 78	2439
66	Kara	011- 6 65 88 47	011- 666 44 30	2439
67	Kara Kore	011- 369 38 92	011- 369 36 23	2439
68	Kazanchis	011- 558 63 99	011- 558 52 65	2439
69	6 Killo	011- 126 18 57/911- 13 01 19	011- 126 17 40	2439
70	Kirkos	011-470 31 91/011-470 31 98	011- 470 32 39	2439
71	Kolfe Efoyita	011-279 93 86	011-279 52 72	2439
72	Kolfe	011-273 80 55	011-273 80 59	2439
73	Kotebe	011 - 645 12 94	011- 645 13 07	2439
74	Kotebe Gebeya	011- 668 02 91	011- 668 04 06	2439
75	Lafeto	011-471 09 48	011- 471 09 38	2439
76	Lamberet	011-667 53 57/910 80 08 81	011- 667 53 11	2439
77	Lebu	011- 471 29 56	011- 471 29 54	2439
78	Lebu Music Area	011- 471 39 75	011- 471 39 74	2439
79	Lem Megenagna	----	-----	2439
80	Lideta	011- 557 81 37	011- 557 91 13	2439
81	Lomi Meda	011-273 99 10/911- 93 33 94	011- 273 99 46	2439
82	Main	011 -551 76 02	011- 551 75 69	2439
83	Mamokacha	011- 552 01 60	011 -552 01 62	2439
84	Mehal Merkato	011 -278 53 35	011- 278 53 38	2439
85	Mehal Summit	011-667 96 76	011- 667 95 98	2439
86	Mekanisa Michael	011- 369 89 72	011- 369 85 63	2439
87	Meri Loque	911- 30 81 55/011- 668 01 64	011- 668 01 03	2439
88	Meskel Flower	011- 470 07 35/48	011- 470 07 54	2439
89	Mirabe Merkato	011- 273 23 53/57	011- 273 22 95	2439
90	Megenagna	011-667 38 23	011-667 38 26	2439
91	Nefas Silk	011 -442 56 95	011- 442 56 96	2439
92	Peacock	011- 557 22 01	011- 557 22 36	2439
93	Rufael	011-259 19 32	011-259 20 75	2439
94	Raguel	011- 213 94 00	011- 278 91 00	2439
95	Ras	011- 554 03 48	011- 553 68 20	2439
96	Salite Mihiret	-----	-----	2439
97	Saris	011- 470 77 72	011- 470 77 73	2439
98	Saris Abo	0913147522	-----	2439
99	Sari Addisu Sefer	011- 470 84 20	011- 470 84 21	2439
100	Sengatera	910-58 56 00/011- 557 54 27	011- 557 54 28	2439
101	Sefere Selam	011-213 91 89	011-278 15 89	2439
102	Shalla Area	011- 635 80 94	011- 635 81 33	2439
103	Sheger Menafesah	011- 126 49 51	011- 126 52 67	2439
104	Shola	011- 662 26 94	011- 662 16 71	2439
105	Stadium	011- 531 92 02	011- 531 92 54	2439
106	Summit	0911-15 29 27/0118-35 28 94	----	2439
107	Tana	011- 276 53 51	011 -276 53 50	2439
108	Tatari	011 -278 12 86	011 -213 00 82	2439
109	T/Haimanot	011- 277 92 99	011 -277 26 06	2439
110	Tewodros Adebabay	011- 111 86 43	011- 111 08 20	2439
111	Tigat	011 -558 52 56	011 -558 52 33	2439
112	Tiret	011- 273 39 24	011- 213 29 88	2439
113	Tikure Anbessa	011- 171 91 51	011- 171 90 30	2439
114	Tor Hailoch	011-372 71 57	011-320 43 55	2439
115	Totot	011- 667 62 38	011- 667 61 23	2439
116	Tulu Dimitu	911- 90 97 29	----	2439
117	Urael	011- 557 72 39/011-557 72 53	011- 557 71 79	2439
118	Vatican	011- 369 05 90	011- 369 28 87	2439
119	Wollo Sefer	011- 552 92 53	011- 552 98 56	2439
120	Wuhalemat	011-636 22 67/69	011-636 22 68	2439
121	Yeka Abado	913- 06 78 71	----	2439
122	Yekakewardwot	011- 273 30 92/0911-17 55 15	011- 273 28 67	2439
123	Yerer Ber	011- 647 95 01/08	011- 647 95 11	2439

124	Yerer Goro	011- 667 78 36/912- 06 53 60	011- 667 77 90	2439
	Dire Dawa City			
125	Afetesa	025- 211 04 16/19/23	025-211 03 40	1952
126	Dire Dawa	025-111 93 43	025-112 34 92	1952
127	Kezira Main	025-2115519	025-211 42 49	1952
	Southern Nations, Nationalities & Peoples Region			
128	Agena	113-29 05 96/912- 72 67 61	113- 29 03 69	----
129	Aleta Wendo	046-224 10 33	046- 224 10 06	2
130	Arba Minch	046 -881 20 12	046- 881 41 74	2078
131	Atote	046-212 15 16 or 15/97	046-212 12 91	2171
132	Bonga	----	-----	------
133	Butajira	046 -115 07 52	046- 115 14 61	117
134	Buie	046- 883 05 18/913- 28 99 81	046- 883 05 56	16
135	Darege	011- 884 02 68/911- 76 43 75	-----	----
136	Dilla	046- 331 43 31	046- 331 39 25	152
137	Dilla Edget	046- 331 01 13	046- 331 01 02	258
138	Doyo Gena	046- 244 04 13/911- 88 37 44	046- 244 04 89	37
139	Durame	046- 554 14 58	046- 554 17 77	116
140	Emdibir	011- 331 03 80	011- 331 03 17	79
141	Gubrye	011 - 322 03 30/31	011- 322 03 23	C/O 189
142	Gunchire	011- 332 05 75/910- 77 22 73	011- 332 07 35	C/O 189
143	Hadero	046- 432 01 00	046-432 02 41	10
144	Halaba Kulito	046- 556 15 55	046- 556 17 71	100
145	Hawassa	046 -220 71 78	046- 220 71 81	1247
146	Hawassa Arab Sefer	046-212 38 26	046-212 46 17	2269
147	Hwariyat	------	-----	------
148	Hossana	046- 555 03 71	046- 554 44 44	615
149	Hossana Menaharia	046- 555 24 21	046- 555 29 73	C/O 615
150	Hossana Gombora	046- 178 58 96	046- 178 71 30	C/O 615
151	Inseno	046- 558 04 11	046- 558 04 11	175
152	Kella	046- 464 02 60	046-464 05 41	056
153	Kose	0911- 66 24 19	----	----
154	Shinshicho	046 - 339 06 70	046- 339 08 11	47
155	Shone	046 - 553 06 12	046- 553 06 14	60
156	Tiya	046- 264 02 38	046- 264 01 82	056
157	Warka	046 - 212 00 12	046- 212 00 05	88
158	Werabe	046 - 771 05 44	046- 771 03 27	63
159	Wolaita Sodo	046 -180 00 20	046- 180 06 00	393
160	Wolkite	011 -330 25 41	011 - 330 25 44	189
161	Yejoka	011 - 365 80 31/34	011- 365 65 80/32	189
162	Yirga Alem	046- 225 19 96	046-225 10 84	215
163	Yirgachefe	046 -332 05 69	046-332 00 90	146
164	Zebidar	046 -115 09 06	046-115 01 30	103
	Oromia Region			
165	Ada Bishoftu	011- 430 19 61	011- 430 75 38	1324
166	Adama	022-112 48 44	022- 112 51 88	1714
167	Adama Menaheria	022-211 27 29	022-211 22 56	2930
168	Alem Gena	011- 387 05 53	011- 387 04 08	1177
169	Anfo	------	------	-----
170	Ambo	011- 236 02 10	011- 236 14 46	245
171	Arsi Negele	046-116 26 70	046- 116 25 59	297
172	Aweday	025 -662 01 54	025- 662 04 62	90
173	Assela	022-238 0015	022-238 00 24	638
174	Bale Robe	022-665 00 84	022-665 00 94	4
175	Batu	022-118 00 06	022-118 00 13	49
176	Bekoji	022- 332 14 43	022- 332 14 93	151
177	Bishoftu	011 -433 75 27	011- 433 05 54	1599
178	Bule Hora	046 - 443 02 92/916115919	046- 443 11 04	------
179	Dukem	011-432 06 52	011-432 06 53	27
180	Furi	011-367 91 21	011-367 91 31	2439
181	Gimbi	057- 771 26 03	057- 771 28 10	100
182	Holeta	011- 261 09 81	011- 261 03 35	299
183	Jimma	047- 112 12 34	047- 112 12 32	1469
184	Jimma Aba Gifar	047- 211 85 15	047- 211 71 65	1469

185	Jimma Menharia	047- 211 09 43	047- 211 36 09	120
186	Mehal Arada-Adama	022 -111 85 54	022- 111 85 52	2288
187	Meki	022- 118 01 14	022-118 01 16	53
188	Mizan	047- 135 43 89	047- 135 43 89	466
189	Mojo	022-236 00 13	022-236 00 30	87
190	Nekemet	057- 661 32 11	057-661 31 66	79
191	Oda	046-211 00 35	046-211-00 44	1177
192	Sebeta	011- 338 02 22	011- 338 02 08	177
193	Sululta	011- 161 74 87	011- 161 77 68	07
194	Shashemene	046- 110 26 23	046- 110 42 89	1177
195	Wechecha	011-367 92 46	011- 367 92 28	2439
196	Woliso	011- 341 34 42	011-341 32 80	45
	Somali Region			
197	Awebere	025-777 00 37	025-777 00 36	834
198	Jijiga	025- 278 00 76	025 278 00 33	834
199	Jijiga Shebele	025-278 43 60	025-278 83 56	834
200	Togochale	025- 882 01 28	025- 882 01 29	587
	Harar Region			
201	Harar	025 -667 06 74	025 -667 10 76	1697
	Amhara Region			
202	Ayeteyef	033- 312 24 56	033- 312 32 26	214
203	Bahir Dar	058 -226 62 42	058 -226 62 44	2221
204	Dangella	058- 221 20 42	058- 221 21 53	147
205	Debre Birhan	011- 681 27 01	011-681 23 83	232
206	Deber Markose	058- 178 37 35/0946- 45 42 66	----	----
207	Dessie	033 -112 51 10	033 -112 51 09	214
208	Finote Selam	058- 775 22 22	058- 775 21 07	25
209	Gonder	058- 112 18 91	058- 112 17 97	185
210	Gonder Maraki	058- 211 50 61	058- 211 50 44	185
211	Kombolicha	033- 351 75 26	033- 351 11 42	140
212	Lacomerza (Dessie)	033- 312 82 69	033- 312 25 09	214
213	Metema Yohannes	058 -231 08 11	058-231 08 07	40
214	Woldiya	033-431 20 48/73	033- 431 06 81	243
215	Woreta	058- 446 15 31	058- 446 18 40	39
	Gambella Region			
216	Gambella	047- 551 03 09	047- 551 07 91	51
	Afar Region			
217	Awash 7 Killo	-----	----	---
	Tigray Region			
218	Adigirat	0911- 60 32 64	-----	------
219	Axum	034- 275 05 90	034- 275 16 31	156
220	Humera	034 - 448 09 39	034- 448 04 25	84
221	Mekele	034- 440 93 00	034- 441 10 95	869
222	Mesobo	034- 240 51 31	034- 240 51 85	869
223	Shire	034- 444 15 20	034- 444 34 25	10
224	Wukero	034- 443 12 41	034- 443 12 34	74
	Foreign Exchange Bureaus (Addis Ababa)			
	Bole Michael	011-551 75 54	011- 550 43 39	2439
	Head Office (IBD)	011- 551 75 54	011- 550 43 39	2439
	Saro Maria	011- 667 27 93	011- 667 27 93	2439

ATM LOCATIONS	
Addis Ababa	
Branches Name	**Location**
Abinet Around	Molla Maru, Jos Hansson Bldg.
Addisu Gebeya	Addisu Gebeya area, around Ajiop Taxi Tera
Addisu Mihcael	Addisu Michael area, Adjacent to Michael Church
Africa Avenue	Bole area, in front of Novis Super Market
Alem Bank	Alem Bank adebabay area
Arada	Piassa area, in front of Empire Cinema
Arat Killo	Arat Killo area, Adjacent to Total Gas Station
Asfaw Wessen	Mearkato area
Asko	Burayu Taxi Tera area, Akililu Agew Bldg.
Ayer Tena	Near to Ayer Tenda Adebabay
B/Gabriel	Bisrate Gabriel Church area, Lafto Mall
Balcha Abanefso	Mexicao area, Alsam Chelelek Bldg
Beklobet	Beklobet area, Omedad Bldg
Beshale	Besahle area, beside to Salite Mihret Church
Bethel	Bethel area, near Shoa Bekery
Bole	Bole area, DH Geda Tower
Bole 24	Bole area, in front of Kokeb Bldg
Bole Atlas	Around Atals area, in front of Club H2O
Bole Medhanealem	Bole Medhanealem church area, in front of Sheger Bldg.
Bole Michael	In front of Bole Michael adebabay
Bole Shalla	Bole area, around shalla recreation center
Bole Stadium	Bole area, around Adeyi Abeba New National Stadium
Cathedral	On Cathedral School Bldg.
CMC	CMC area, near to Michael Church
D'Afrique	At D'Afrique Hotel Bldg.
Darmar	Lideta Condominium, in front of Lideta Menafesaha
Enkulal Fabrica	Enkulal Fabrica area
Ferensay Legassion	Ferensay Legasion area
Gejasefer	Lideta Condominium, Gejasefer area
Gerji	Around Gerji Taxi Tera area
Goffa Mazoria	Goffa Mazoria inside Sofia Mall Bldg
Gotera	Gotera area, Adjacent to Agona Cineman, Balaker Bldg.
Gotera Ibex	Wollo Sefer area, Adjacent to Addis Ababa Bible Collage
Gurd Sholla	Gurd Sholla area, around Elfora
H/Giorgis	H/Giorgis area, Tefera City Center Bldg.
ILRI	Gurd Sholla area at the campus of ILRI
Imperial Sport Academy	Bole area, near to National Sport Academy
Jana Meda	Jan Meda
Jemo	Jemo area, in front of Saba Bldg.
Kality	Kality area, around Ale Bejimila
Kality Menaharia	Kality Total
Kara Kore	Kara Kore area
Kolfe	Kolfe area, in front of Kolfe 18 Mazoria
Kolfe Efoyita	Kolfe Efoyita Gebeya area, around Kolfe book store
Kotebe	Kotebe area, around Kotebe 02
Lafto	Lafto area
Lambert	Lambert bus station
Lebu	Lebu area, in front of Safe Way Super Market
Lideta	Lideta area, Lideta Church
Main	Africa Avenue Road, inside Dembel City Center
22 Mazoria	22 Mazoria area, Golagol Business Center
Megenagan	In front of Zefemeshe Mall, Megenagan Tamegas Bldg.
Mehal Summit	Mehal Summit area
Mekanisa Michael	Besides to Mekanisa Michael Church
Meri Loke	Around Wosen Grocery
Nefas Silk	Nefas Silk Keleme Factory area, Tekila Trading Bldg.
Peacock	In front of Bole Printers, Yeshi Bldg.
Raguel	Merkato area, in front of Raguel Church
Ras	In front of Ras Hotel, around National Theater
Rufael	Rufael area, in front of Rufael Church
Saris	Saris area, in front of Ries Engineering

Sefere Selam	Sefere Selam area, Dejasmach Bldg.
Sengatera	Sengatera area, in front of Yobek Bldg.
Sheger Menafesha	In front of Sheger Menafesha
Sholla	Around Sholla area, Megenagana Bldg.
T/Haimanot	Around Tekle Haimanot Church, Leila Bldg.
Tana	Merkato area, Tana business center Bldg.
Tigat	In front to Ethiopian Patent Right Agency
Torhayloch	Torhayloch Shoa Supermarket area
Urael	Bambis area, near to Deopol Hotel
Vatican	Vatican area, in front of Vatican Embassy
Wollo sefer	Around Wollo sefer, Taxi Tera area
Wuha Limat	Wuha Limat area, Hackomal Bldg.
Yekake Wordwot	Merkato area, Yediget Meselal Bldg
Yerer Ber	Yerer Ber area, Agels Tower
Yerer Goro	Yere Goro area
Hotels	
Beer Garden Hotel	Behind Edna Mall
Churchill International Hotel	Churchill raod, Tewordros Adebabay area
Desalegn Hotel	In front of European Union
Foyat Hotel	Bole area
Inter Continental Hotel	Kazanchis area
Zola International Hotel	The road from Imperial Hotel to 22
Commercial Centers	
Abadir Supermarket	4 Kilo area, in front of main entrance of AAU 4 kilo Campus
Abyssinian Plazza	Adjacent to Bole Medhanealem Church
Ahmed Commercial Center	Behind Dej. Balcha Hospital
Dil Betegil Commercial Center	In front of Head Quarter of Ethio Tele
Dj Vision Real Estate	Meskel Flower Road next to Dream Liner Hotel
Golf Club	Indide Golf Club
Morning Star Mall	At te back of Edna Mall
Salvaz Bldg	Around Atlas Hotel
San Bldg	Bisrat Gabreal Church area
OUTSIDE ADDIS ABABA	
Hotels	
Bini International Hotel	Bishoftu Town
Central Hawassa Hotel	Hawassa Town, Araba Sefer area
Fistum Belay Hotel	Furi area
Haile Resort	Shashemen Town
Jacaranda Hotel	Bahir Dar Town, Giorgis area
Jantekel Hotel	Gonder Town, Maraki area
Landmark Hotel	Gonder Town, Beleko area
Lucy Hotel	Arabaminch Town
Planet Hotel	Mekelle Town, Semahetate obelisk area
Samrat Hotel	Dire Dawa Town
Tourist Hotel	Arbaminch Town
Yina Grand Hotel	Dukem Town
Yordanos Blue Bar & Restaurant	Mekelle Town
Commercial Center	
Alliance Market Center	Hawassa Town, Gabriel area
Yetebaberut	Hossana Town, in front of Hossana Menharia Branch
University	
Jimma University	Jimma Town
OUTLYING BRANCHES	
Branch Name	**Locations**
Adama	Adama Town, Hawassa Building
Adama Menahariya	Adama City, Adama Menhariya area
Afetesa	Dire Dawa City, Afetesa area
Alem Gena	Alem Gena Town, around NOC Gas Station
Arsi Negele	Arsi Negele Town
Assela	Assela Town
Axum	Axum Town

Ayteyef	Dessie Town, Ayteyef area
Bahir Dar	Bahir Dar Town, Papyrus Hotel Building
Batu	Batu Town, near to Ziway Hotel
Bishoftu	Bishoftu Town, Tinekir Hotel Building, in front of bus station
Bishoftu Adaa	Bishoftu Town
Butajira	Butajira Town
Deber Birhan	Deber Birhan Town, around main market area
Dessie	Dessie Town
Dilla	Dilla Town, inside Delight Hotel Building
Dire Dawa	Dire Dawa City
Dukem	Dukem Town
Furi	Furi Town
Gonder Maraki	Gonder Town, Maraki area, around Gonder Oil Factory
Gubre	Gubre Town
Halaba Kulitu	Halaba Kulitu Town
Harar	Harar Town
Hawassa	Hawassa Town, Pissa area, Shenkore Building
Hawass Arab Sefer	Hawassa Arab Sefer area
Hawass Atote	Hawassa Atote area
Hawassa Warka	Hawassa Town, around South Star Hotel
Hossana	Hossana Town, Colonel Bezabeh petros adebabay area
Jijiga Shebele	Jijiga Shebele Area
Jijiga	Jijiga Town
Jimma	Jimma Town, Around Arada
Kombolicah	Kombolicah Town
Lkomelza	Dessie Town
Mehal Arada Adama	Adaman Town, Arada area
Mekele	Mekelle Town, Kidamay Weyane Market area
Mesebo	Mekelle City
Mojo	Mojo Town, Around the Main Market area
Nekemt	Nekemt Town
Sebeta	Sebeta Town
Shashemene	Shashemene Town
Shire	Shire Town, around Main Market area
Suluta	Suluta Town
Wechecah	Alem Gena Town, Around Main Market area
Wolaita Sodo	Wolaita Sodo Town
Wodiya	Wodiya Town
Woliso	Woliso Town, Former Gete Wele Restaurant
Wukro	Wukro Town
Yejoka	Wolkite Town, Nib Building
Yirgalem	Yirgalem Town
Zebidar	Butajiraa Town
Finote Selam	Finote Selam Town
Debre Markos	Debere Markos Town

POS LOCATIONS
ADDIS ABABA

Branch	
Abakoran	Around chew Berenda
Addis ketema	Dire tower, around sebategna
AddisuGebeya	AddisuGebeyaarea, Around Ajip taxi Tera
Addisu Michael	Addisu Michael area, Adjacent to Michael Church
Africa Avenue Bole area,	In front of Novis Super Market, Japan Embassy Road
AratKillo	AratKilloarea ,Adjucent to Total Gas Station
AskoBurayu	Taxi Tera area, Aklilu Agew Building
Balcha Abanefso	Mexico area, Aslam Chelelek Building
Bole24	Bole areas, In front of Kokeb Building
Bole Brass	In front of ODA Building
Bole Medhanialem	Bole Medhanialem Church area, in front of sheger Building
Bole Michael	In front of Bole Michaeladebabay
CMC	CMC area, near to Michel church
CMC adebabay area	At International Cardiovasual Hospital
D'afrique	AtD'afriqueHotel
EhilBerenda	AroundMesalemia, AmanuelTsega Market center
Enkulal Fabrica	Enkulal Fabricaarea
Ferensay Legasion	Ferensay Legasion area
Gotera	Gotera area, adjacent to Agona Cinema, BalakerBidg.
Kare Kore	Kare Kore area
Kazanchis	near to Intercontinental Hotel
Kirkos	Kirkos church building
Lamberet	Lamberet area, in front of country wide transportation station
MamoKacha	around Genet Hotel
Megenagna	In front of zefemshe Mall, Megenagna TamegasBulding
MehalMerkato	AroundMirab Hotel, Jabulani Building
Mehal Summit	Mehal Summit area
Raguel Merkato,	Infront of Raguel church, Addis Ababa Market center
Ras	Infront of Ras Hotel
Saris	Saris area, in front of Ries Engineering
Shola	around shola area, MegenagnaBuilding, near Lem Hotel

T/ Haimanot	Around T/ Haimanot area
Tana Merkato area,	Tana business center Bldg
Tatari Merkato	(Amede Gebeya)
Tigat	Infront of Ethiopian patent right agency
Tikur Anbesa	In front of Tikur Anbesa School, Tracone Bldg
Tiret	Around 4th police station
Urael	Bambis area, Near to Deopol Hotel
Yerer Ber	Yerer Ber area, Angels Tower
	Hotels
Bekelobet area	At Bekelobet NOC, Around Global Hotel
Bole Bras	At Foyat Hotel
Bole Eniredada	At Branch, Desalegn Hotel
Bole Medhanealem	At Haimi Apartment Hotel
Bole Medhanealem	At Venetion Hotel Apartment
Bole Medhanealem	AtSaro-Maria Hotel
Bole Medhanealem	At Washington Hotel
Bole Medhanealem	AtSidama INN Hotel, around Atlas Hotel
Kazanchis	At the branch, Near to Intercontinental Hotel
Lamberet	At Gentel Hotel
Mesekel Flower	At Adot Tina Hotel
Saris	At NegaBonger Hotel, saris area
Urael	At De Leopol Hotel, around Bambis area
	Commercial Center
Bekelobet area	At Bekelobet NOC, Around Global Hotel
BisratGebriel	At TS General Trading
Bole	At Robel Kelati Hair Supplier
Bole	At Boston Partners P.L.C
Bole	At SIMA Trading P.L.C around Bole Airport
Bole	At H&M Furniture, Around Rwanda Embassy
Bole	At International Cardiovascular Medical Center (ICMC)
Bole	Eniredada at Best Travel & Tour P.L.C
Bole	Medhanealem at WEGGA medical Service P.L.C
Bole	Medhanealem At WOW Prime shop, Next to Bole Medhanialem Church
CMC	At Safe Way Super market, In front of Lebu branch

Dembel city Center	At Dabi Original Brand Boutique
Dembel city Center	At John Boutique
Lebu	At safe Way Supermarket, In front of Lebu branch
Pastor Adebabay	At Zewdu Gudeta Pastor NOC Service
	Outside Addis Ababa
	Hotels
AlemGena Town	At Enkore Hotel
Furi area	At Fitsum Belay Hotel
Hawassa Town	At South Star International Hotel
Hawassa Town	At Central Hawassa Hotel
Hawassa Town	At Lake View Hotel
Hawassa Town	At Ker Awud International Hotel
Mekelle Town	At Milano Hotel
Mekelle Town	At Yordanos Blue and Bright Hotel
Mekelle Town	At Axum Hotel
Mekelle Town	At Planet Hotel
	Commercial center
Alem Gena Town	At Welete Total
Alem Gena Town	At Jimma Ber NOC
Hawassa Town	At lewi General Trading P.L.C


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