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Nib International Bank

ANNUAL REPORT

JULY 2020 - JUNE 2021

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እንደ ንብ !
Committed to Service Excellence !

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Nib International Bank

ANNUAL REPORT

JULY 2020 - JUNE 2021

NIB CORPORATE STATEMENTS

VISION

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

MISSION

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

VALUE

T ransparent
A ccessible
T eamwork
A ccountable
R esults-oriented
I nnovative

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Committed to Service Excellence !

BOARD OF DIRECTORS

ATO WOLDETENSAI WOLDEGIORGIS
Chairman

ATO ALEMU DENEKEW
Deputy Chairman

DR. ALEMAYEHU GURMU
Director

ATO AMARE LEMMA
Director

ATO ENGLIZ BIYAN
Director

W/RO HAYAT MUSTEFA
Director (Representing Mulege PLC)

ATO KIFLE SEBGAZE
Director

ATO LEMMA HAILEMICHAEL
Director

ATO MELAKU WOLDEMARIAM
Director

ARCT. MULUGETA ASFAW
Director

ATO MULUGETA W/MICHAEL
Director

ATO SEYOUM ASFAW
Director

ATO ANTENEH KASSA
Executive Assistant to the Board of Directors

MESSAGE FROM THE BOARD CHAIRPERSON

WOLDETENSAI WOLDEGIORGIS
Chairman, Board of Directors
Nib International Bank

It is an honor and a privilege to present Nib International Bank S.C.'s Annual Report accompanied by the Audited Financial Statement for the financial year ended June 30, 2021 to the Bank's esteemed shareholders; after a recent inaugural ceremony of the Bank's wonderfully built 37-storey HQs building. This is a historical milestone in the Bank's 22-year journey.

During the concluded financial year, our Bank was able to see yet another year-on-year performance boost and making the Bank to finish among the top private Banks. These achievements, however, were made under unprecedented times when the economic crisis affected us all everywhere in the world. It was a very challenging moment that called for solidarity and required each one of us to take responsibility and play our part.

Inspired by its Vision of becoming an icon of service excellence and a leading commercial bank in Ethiopia, it is our long-standing belief that NIB can only survive and be successful over time if it simultaneously creates value for all stakeholders; our customers, our shareholders, our employees and our communities at large.

Dear Shareholders,

At NIB, we firmly believe in consistency and dependability of our services that help us progress well even in these uncertain times; wherein, the overall business environment is highly challenging. This consistency and dependability is reflected in the remarkable achievement registered in the major performance indicators. This demonstrates the financial stability of the company supported by prudent and responsive financial management and on which so many of you rely on.

We are currently going through unprecedented crisis and are facing not only peace and stability challenges but also economic consequences. NIB is looking to the future – a future that is more complex and uncertain than ever.

We, therefore, have obligations not only to take part in the current societal response against these difficulties, but also to remain level-headed to shape and build a more sustainable future, in the broadest sense for all. It is in this spirit that the Bank is actively contributing, as in the past, to the search for and implement real and tangible solutions to the financial challenges.

The Bank's Board and Management in collaboration with various governmental organs, consultants and contractors exerted a concerted effort to ensure that the Bank's construction projects are progressing well and finished as scheduled. The successful completion of this Head Office Building, in time and at cost, serve as evidence to the effort undertaken.

The building rests on 3,800-square meters and has 37 storey (4B+G+M+32) with a total built up area of 50,000 square meters making it the first operational high rise building in the country and we are proud to let you know that with a colorful inauguration ceremony it has commenced operations.

Last, but not least, the achievements recorded by NIB would have not been possible without the continued support and trust of our esteemed customers; the wise leadership of the Board of Directors; the commitment of the Management team and the dedication of the Bank's staff. We would also like to extend our heartfelt thanks to the National Bank of Ethiopia and all other stakeholders.

Woldetensai Woldegiorgis
Chairman, Board of Directors

SHARI'AH ADVISORY BOARD

SHEIKH ABRAR SHIFA
Chairman - SAB

USTAZ ABDULGEFAR SHERIF
Member - SAB

USTAZ MOHAMMED SALAH
Member - SAB

EXECUTIVE MANAGEMENT

ATO GENENE RUGA
President

ATO LEULSEGED NEGUSSIE
V/P, Strategy & Transformation

ATO SEIFU AGENDA
V/P, Banking Operations

ATO MELKAMU SOLOMON
V/P, Resources & Facilities

ATO ASSEFA YESHANEW
V/P, Information System

ATO EPHREM TESHOME
A/V/P, Customer & Channels

ATO SOLOMON GOSHIME
Chief Advisor to the President

DIRECTORS

ATO ASSEFA JEZZA
Director, Supply Chain & Property Management Department

ATO BEYENE ALEMU
Director, Legal service Department

W/RO EDEN HADDIS
Director, Treasury Department

ATO SHIFERAW ARGAW
Director, Credit Portfolio Management and Workout Department

ATO ABDULKADIR WOLELA
Director, Interest Free Banking Department

ATO ABREHAM TESFAYE
Director,Human Resource Management Department

ATO ALEMU SEMAYE
Director, Credit Appraisal Department

ATO AMINE TADESSE
Director, Internal Audit Department

W/RO BIRHANE BEKELE
Director, Facilities & Maintenance Management Department

ATO DANIEL BIRHANU
Director, Projects & Transformation Department

ATO DANIEL REGASSA
Director, Electronic Channels Department

ATO GETACHEW TADESSE
Director, Retail & SME Banking Department

ATO MESFIN SISAY
Director, IT Infrastructure & System Support Department

ATO MICHAEL ADBIB
Director, Planning & Monitoring Department

ATO SELAM DIRSHAYE
Director, Finance & Accounts Department

ATO SIRAK YIFRU
Director, Trade Finance Department

ATO TEWODROS HAILE
Director, Learning & Development Department

ATO WONDAYEHU TESFAYE
Director, Marketing & Business Development Department

ATO YALEME TEMESGEN
Director, IT Application Management Department

ATO NATNAEAL TSEGAYE
A/Director, Corporate Banking Department

ATO TAMENE DEMESSIE
A/Director, Risk & Compliance Management Department

ATO OSMAN ALI
Executive Assistant to the President

MESSAGE FROM THE PRESIDENT

GENENE RUGA
President, Nib International Bank

On behalf of the management and myself, I am glad to present the Bank's performance results for the financial year 2020/21. Despite all hurdles, the year proved to be another successful year for the Bank in terms of major financial and non-financial parameters. The COVID-19 pandemic's unparalleled socio-economic impact, political and social turmoil in the country coupled with the severe lack of foreign currency were just some of the various challenges faced by the Bank. Withstanding to these challenges, the Bank has managed to register yet another year-on-year performance surge.

During the reporting period of 2020/21, the Bank has successfully registered a gross profit before tax of Birr 1.62 billion, showing an increase of Birr 314 million or 24% over last year same period. This is the Bank's highest profit in its 22-years history of profitable banking services.

As at June 30, 2021, the Bank's total Assets reached Birr 54.2 billion, up by 27.6% over last year's figure. Loans and advances, which constitute the lion's share of the asset increased by 33.8% over the same period of previous year, and stood at Birr 34.2 billion. On the liability side, total customer deposits climbed by 29.4% to Birr 43.5 billion at the end of the period under review. The Bank's total capital which consists of the paid-up capital, reserves and provisional profit after tax was Birr 7.01 billion. Out of which, the share of paid-up capital stood at Birr 4.26 billion, which is 60.7% of the total capital.

Beyond the commendable financial performances, the full- swing implementation of the strategic plan has been a major focus during the year. In this regard, the Bank has achieved considerable strategic and qualitative results in its core and support activities. It is worth mentioning that the Bank has continued to grow its service outlets by opening 79 new branches during the year in order to promote public accessibility and suit the diverse needs of its customers, having topped an overall total of 381 branches by June 30, 2021. Furthermore, our Interest Free Banking (IFB) services are expanding, with full-fledged IFB branches opening in several parts of the country, bringing the total number of IFB branches to 18 along with the introduction of IFB-focused products.

In its relentless effort to realize the vision of becoming an 'Icon of Service Excellence and a Leading Commercial Bank in Ethiopia', the Bank has commenced implementing state-of-the-art technology by dedicating significant amount of resources for re-implementing the Core Banking Solution to the latest version Release - 2020. In addition, the Bank is currently working towards upgrading and integrating the IT infrastructure, securing a Holistic and Integrated E-Banking Solution as well as building a Tier III Data Centre, to mention few. This strategic decision and determined move in technology will undoubtedly take the Bank to the forefront position in the industry in digital banking and make the Bank a preferred and convenient bank to customers in the industry.

On the other hand, the stride made and the progress gained in tangible asset building projects is worth bringing to the attention of valued shareholders and stakeholders at large. In this respect, one of the most remarkable milestone successes that I take pride in informing all respected customers, shareholders and stakeholders of the Bank is the colourful inauguration of the Bank's distinctive 37-storey (4B+G+M+32) Headquarters building project and its operational functionality. The building is the first of its sort in the country, not only because it is the country's tallest functional building, but also for its unique design, which includes a bee hive and honey comb. The building is thought to accurately represent NIB's brand and has undoubtedly provided conducive working environment for employees.

In addition to the completion of this iconic headquarters building, the Bank's remaining high-rise twin-building in Hawassa City is well underway and is scheduled to be completed in the current financial year.

The Bank's achievements over the past financial year would not have been feasible without the concerted efforts of the respected Board of Directors, committed Management members and diligent and productive employees of the Bank.

I would like to express my heartfelt gratitude to our valued customers for their on-going confidence and loyalty in the Bank; shareholders for their trust and continuous commitment; business partners and other stakeholders for their continued support and cooperation at this tough time. I would also like to thank the National Bank of Ethiopia for their diligent guidance and professional support.

Finally, I am confident that the accomplishments obtained this year will inspire the management and staff to do even better in the coming financial year, resulting in a remarkable outcome and propelling the Bank to new heights, as evidenced by the consistent implementation of the 3rd Strategic Plan.

Thank you.
We strive to stay Committed to Service Excellence!

Genene Ruga
President

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Nib International**Bank**

Committed to Service Excellence

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Committed to Service Excellence !

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01 DIRECTORS' REPORT

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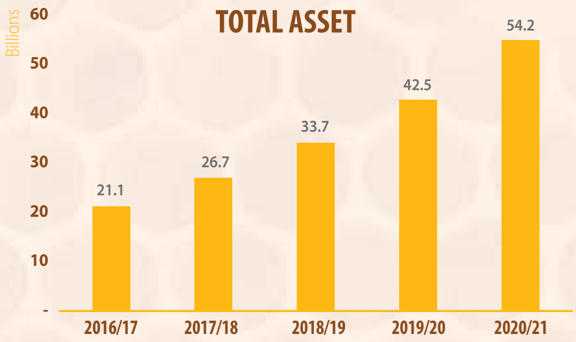
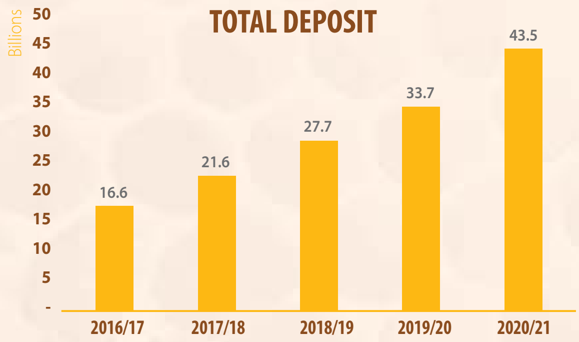
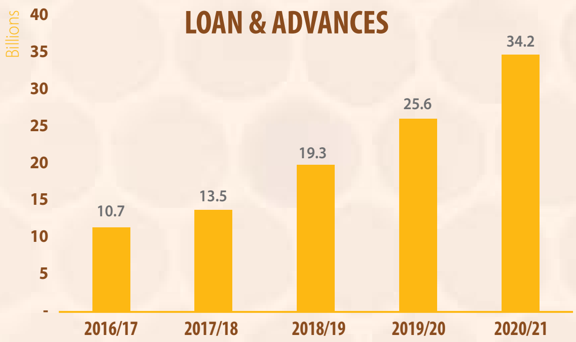
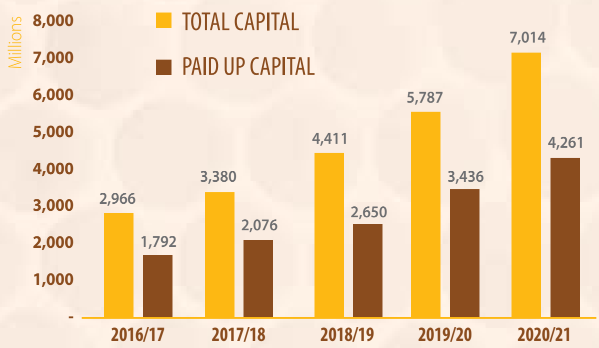
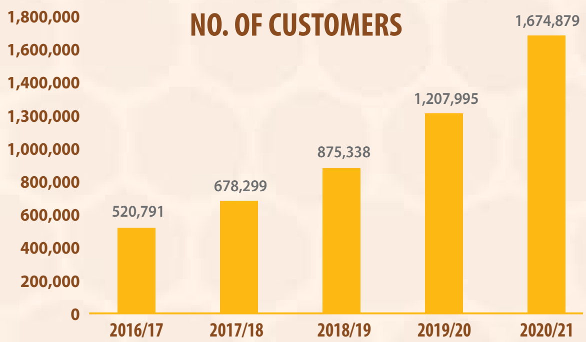
HIGHLIGHT OF THE LAST FIVE YEARS
MAJOR OPERATIONAL PERFORMANCE

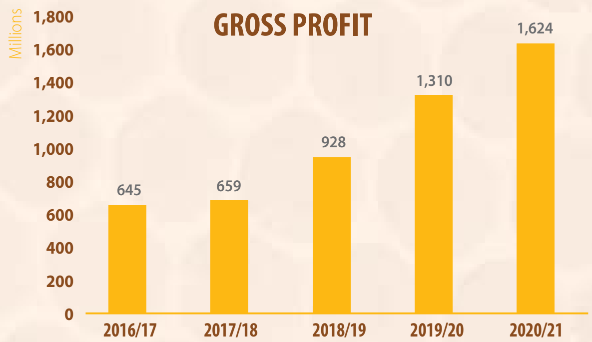


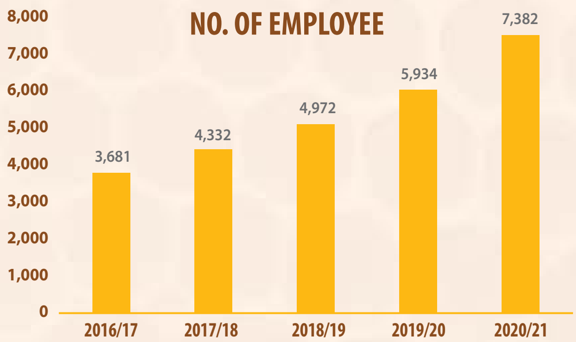


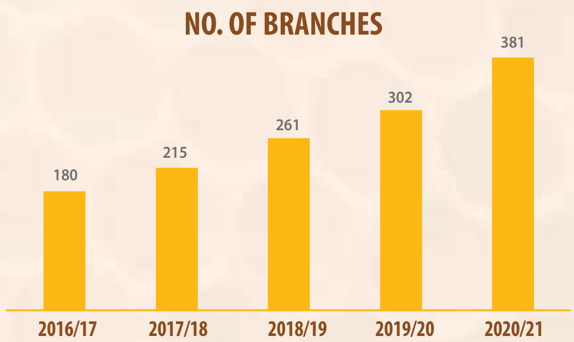












DIRECTORS' REPORT

The Board of Directors of Nib International Bank would like to present the Bank's performance and financial report to the 22nd Annual General Meeting of shareholders for the year ended 30th June 2021.

GENERAL ECONOMIC OUTLOOK

The economic and social disruptions caused by COVID-19 have greatly affected global trade during 2020. According to the Global Trade Update of April 2021, the effect of COVID-19 on global trade was most severe during the first half of 2020 with a drop-in value of about 15%, with trade in goods and services declining by about 6% and 16.5%, respectively. Global trade began to recover in the third quarter of 2020 and more strongly in the fourth quarter of the same year. The recovery in the second half of 2020 was largely due to the rebound of trade in goods. Trade in services continues to lag substantially below averages.

The global economy has registered a contracted (-3.3%) growth rate which is a 1.1 percentage point smaller than projected contraction in 2020. That was due to the higher-than-expected growth out-turns in the second half of 2020 for most regions after lockdowns were eased.

The IMF's April 2021world Economic Outlook indicated that faster trade and output growth in the second half of 2020 was supported by major government policy interventions, including significant fiscal stimulus measures. Reflecting additional fiscal support in a few large economies and the anticipated vaccine-powered recovery in the second half of the year, global economy is projected to grow at 6 percent in 2021, moderating to 4.4 percent in 2022.

According to World Bank projection for the year 2021, Sub-Saharan Africa has a predicted economic growth of 2.7%. Output in the Region fell by approximately 3.7% in 2020 and living standards were set back by at least 10 years among a quarter of Sub-Saharan Africans. This was due to a 6.1% fall in per capita income. Based on African Economic Outlook, Ethiopia's economy grew by 6.1% in 2020, down from 8.4% in 2019, largely because of the COVID -19 pandemic. Growth was led by the services and industry sectors; whereas, the hospitability, transport, and communications sectors were adversely affected by the pandemic and the associated containment measures to prevent the spread of the virus.

The above source indicates that, in 2020, inflation in the country has unfavorably reached 20.6%, above the 8% target. This was mainly due to the pandemic which induced supply chain disruptions and expansionary monetary policy. Export revenues increased by 12% in 2020, as exports of gold, flowers, coffee, and Katt (chat) increased while imports declined by 8.1%. Due to a variety of causes ranging from political to pandemic, Ethiopia's GDP growth in the preceding fiscal year was the weakest in a decade.

Furthermore, despite the central bank's amendment on the minimum required paid up capital to Birr 5 billion in April 2021, several new commercial and mortgage banks are on the tip of entering the Ethiopian banking market. The government's demonetization, which took place in September 2020, was the other major development that happened in the financial year 2020/21.

FINANCIAL PERFORMANCE

The summarized financial performance of the Bank during the financial year 2020/21 is presented in terms of assets, liabilities, equity, income and expense.

FINANCIAL POSITION

ASSETS

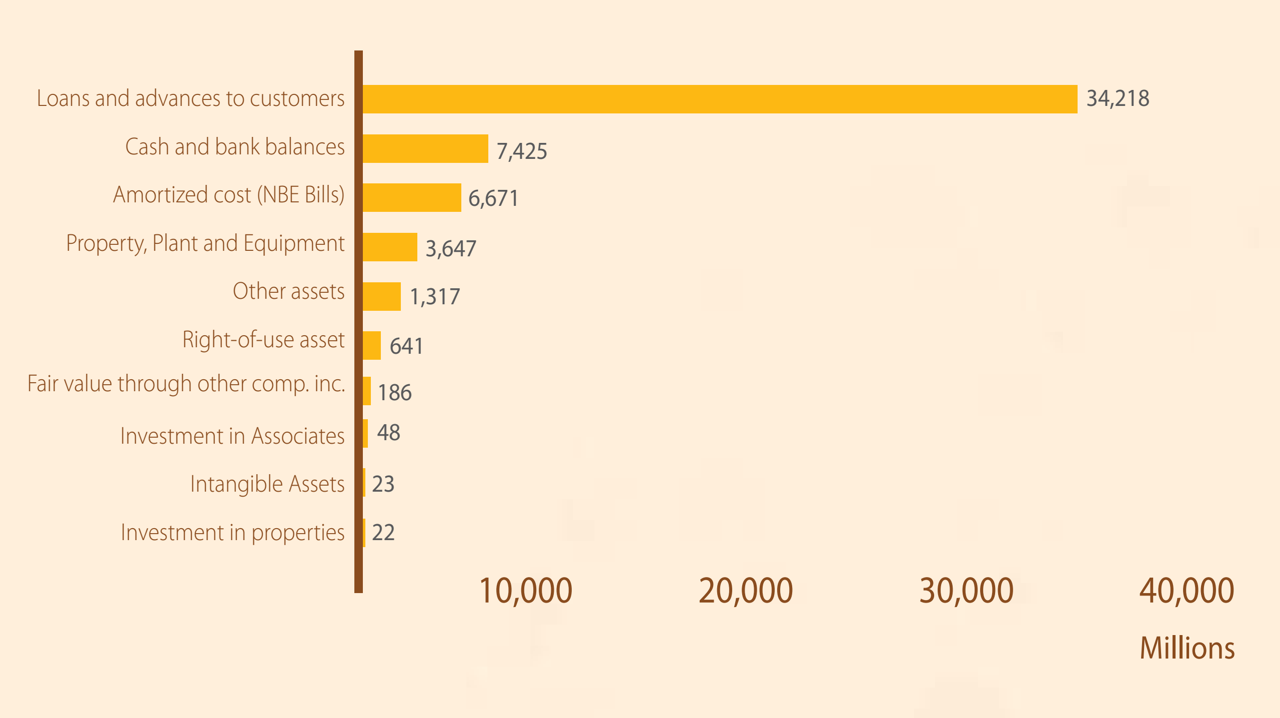
The Bank's total asset reached Birr 54.2 billion, an increase of Birr 11.7 billion over the previous year's corresponding balance of Birr 42.5 billion, signifying a growth rate of 27.6 percent.

TABLE 1: COMPARISON & COMPOSITION OF ASSETS (June 2020 and June 2021) (In '000)

Asset Type	June 2021	June 2020	Growth		Share	
			Absolute	%	June 2021	June 2020
Cash and bank balances	7,425,127	5,336,601	2,088,526	39.1%	13.7%	12.6%
Loans and advances to customers	34,218,303	25,571,458	8,646,845	33.8%	63.1%	60.2%
Fair value through other comprehensive income	185,996	203,091	(17,095)	-8.4%	0.3%	0.5%
Amortized cost (NBE Bills)	6,671,432	6,653,975	17,458	0.3%	12.3%	15.7%
Investment in Associates	48,298	48,062	236	0.5%	0.1%	0.1%
Other assets	1,316,646	1,325,263	(8,617)	-0.7%	2.4%	3.1%
Investment properties	22,487	22,943	(457)	-2.0%	0.0%	0.1%
Intangible Assets	22,877	24,370	(1,493)	-6.1%	0.0%	0.1%
Right-of-use asset	640,997	517,356	123,641	23.9%	1.2%	1.2%
Property, Plant and Equipment	3,647,014	2,760,628	886,386	32.1%	6.7%	6.5%
Total Assets	**54,199,177**	**42,463,747**	**11,735,430**	**27.6%**	**100.0%**	**100.0%**

Out of the total asset of the Bank, net loans and advances account for 63.1% of the Bank's total assets, growing at a 33.8 percent to reach Birr 34.2 billion by the end of June 2021, up by Birr 8.6 billion from what was registered during the end of June 2020.

CHART 1: TOTAL ASSET BY TYPE DURING JUNE 2021 (In Birr)



INVESTMENTS

The efficient utilization of shareholder equity into valuable assets is progressing successfully, as evidenced by investments in various construction projects totaling a net book value of Birr 3.7 billion and participation in various alternative investments totaling Birr 234.3 million in equity investment.

LOANS AND ADVANCES

The Bank's total outstanding loans and advances stood at Birr 34.5 billion at the end of the 2020/21 financial year. This is an increase of Birr 8.7 billion (33.7%) over the previous financial year's balance of Birr 25.8 billion.

For the period under review, the Bank's asset quality was in compliance with the National Bank of Ethiopia's (NBE) statutory requirements. The following table illustrates the Bank's loan and advance performance by economic sector.

TABLE 2: LOANS AND ADVANCES BY SECTOR (June 2020 and June 2021) (In '000)

Economic Sector	June 2021	June 2020	Growth		Share	
			Absolute	%	June 2021	June 2020
Agriculture	186,990	128,131	58,858	45.9%	0.5%	0.5%
Manufacturing	5,919,780	5,168,778	751,001	14.5%	17.2%	20.0%
Domestic Trade and Service	6,072,472	4,786,813	1,285,658	26.9%	17.6%	18.6%
Transport and Communications	755,075	374,899	380,176	101.4%	2.2%	1.5%
Hotel and Tourism	4,232,510	2,915,645	1,316,865	45.2%	12.3%	11.3%
Export	6,160,726	4,131,659	2,029,067	49.1%	17.9%	16.0%
Import	3,912,069	3,230,183	681,886	21.1%	11.3%	12.5%
Building and Construction	6,367,280	3,961,651	2,405,629	60.7%	18.5%	15.4%
Mines, Power & Water	212,192	159,755	52,438	32.8%	0.6%	0.6%
Personal Loans	665,752	931,025	(265,273)	-28.5%	1.9%	3.6%
Total Loans & Advances	**34,484,845**	**25,788,539**	**8,696,306**	**33.7%**	**100.0%**	**100.0%**
Less: Impairment Allowance	(266,542)	(217,082)	(49,461)	22.8%	-0.8%	-0.8%
Net Loans and Advances	**34,218,303**	**25,571,458**	**8,646,845**	**33.8%**	**100.0%**	**100.0%**

The chart below shows comparison of a sectorial share of the total loans and advances.

CHART 2: SECTORAL COMPARISON OF LOANS AND ADVANCES

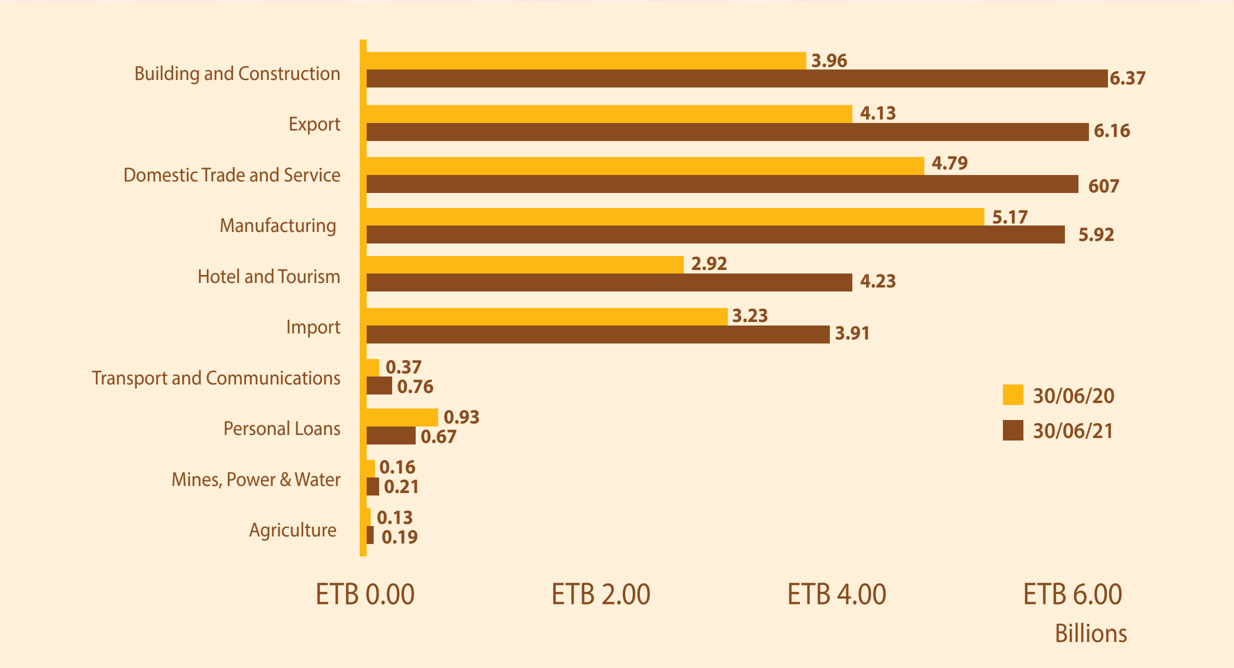
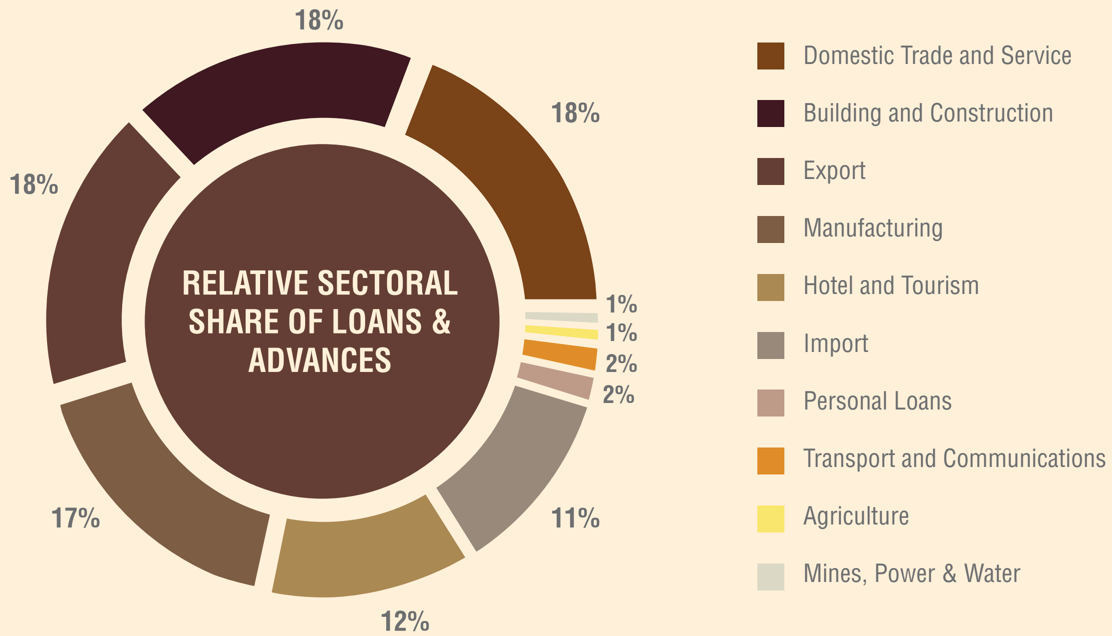


CHART 3: RELATIVE SECTORAL SHARE OF LOANS & ADVANCES



The total number of loan accounts has reached 18,278 registering an increase of 2,737 borrowers as compared to the previous year same period balance.

NUMBER OF BORROWERS (2016/17 – 2020/21)

11,085 JUNE 2017

11,626 JUNE 2018

13,136 JUNE 2019

15,541 JUNE 2020

18,278 JUNE 2021

LIABILITIES

The total liability of the Bank stood at Birr 47.2 billion registering a growth of Birr 10.5 billion (28.7%) compared to the corresponding last year figure. Total deposits from customers constituted 92.3% of the total liability. Details of liabilities are shown in the following table.

TABLE 3: COMPARISON & COMPOSITION OF LIABILITIES (June 2020 and June 2021) (In '000)

Liability by Type	June 2021	June 2020	Growth		Share	
			Absolute	%	June 2021	June 2020
Deposits from customers	43,537,890	33,651,115	9,886,775	29.4%	92.3%	91.8%
Borrowings	321,089	53,515	267,574	500.0%	0.7%	0.1%
Current tax liabilities	410,547	246,560	163,987	66.5%	0.9%	0.7%
Other liabilities	2,610,092	2,408,434	201,658	8.4%	5.5%	6.6%
Lease liabilities	231,452	240,334	(8,882)	-3.7%	0.5%	0.7%
Retirement benefit obligations	39,262	31,271	7,991	25.6%	0.1%	0.1%
Deferred tax liabilities	35,168	45,610	(10,442)	-22.9%	0.1%	0.1%
Total Liabilities	**47,185,500**	**36,676,839**	**10,508,661**	**28.7%**	**100.0%**	**100.0%**

DEPOSITS

The total deposit mobilized by the Bank reached Birr 43.5 billion, representing an absolute growth of Birr 9.9 billion or 29.4% over the previous year's balance of Birr 33.7 billion.

The number of deposit accounts held by the Bank reached 1,674,879 from the level of 1,207,995 which was registered as at end of June 2020 making an absolute growth of 466,884 (38.6%). The table and chart below show the details of the deposits.

TABLE 4: COMPARISON & COMPOSITION OF DEPOSIT (In '000)

Types of Deposit	June 2021	June 2020	Growth		Share	
			Absolute	%	June 2021	June 2020
Demand Deposit	7,694,478	6,071,424	1,623,053	26.7%	17.7%	18.0%
Savings Deposit	29,250,645	21,387,627	7,863,018	36.8%	67.2%	63.6%
Fixed Deposit	6,592,768	6,192,063	400,704	6.5%	15.1%	18.4%
Total	**43,537,890**	**33,651,115**	**9,886,775**	**29.4%**	**100.0%**	**100.0%**

As presented in table 4 above, the proportion of savings deposit holds the lion's share of 67.2% followed by demand deposits (17.7%). The remaining 15.1% of the total deposit accounts for Fixed Time Deposit.

CHART 4: RELATIVE COMPOSITION OF DEPOSITS

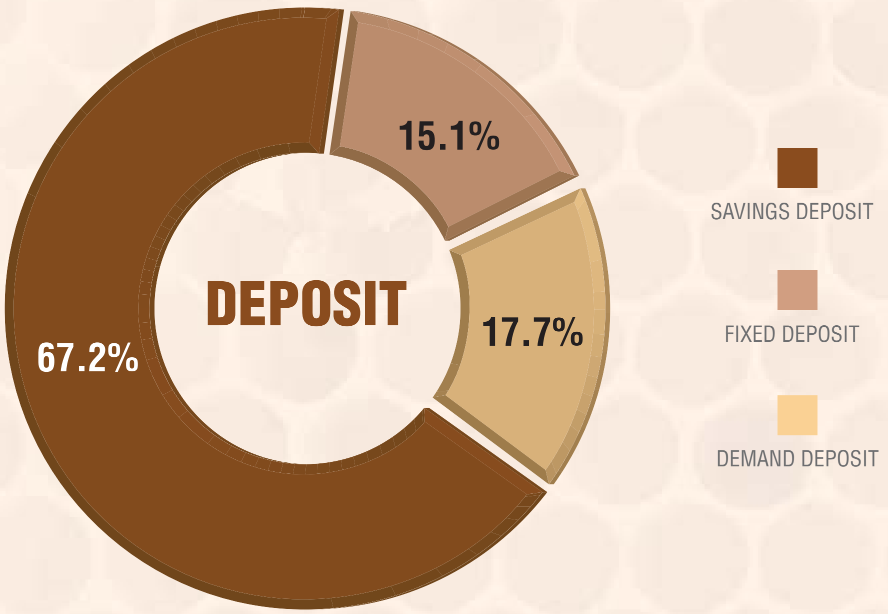
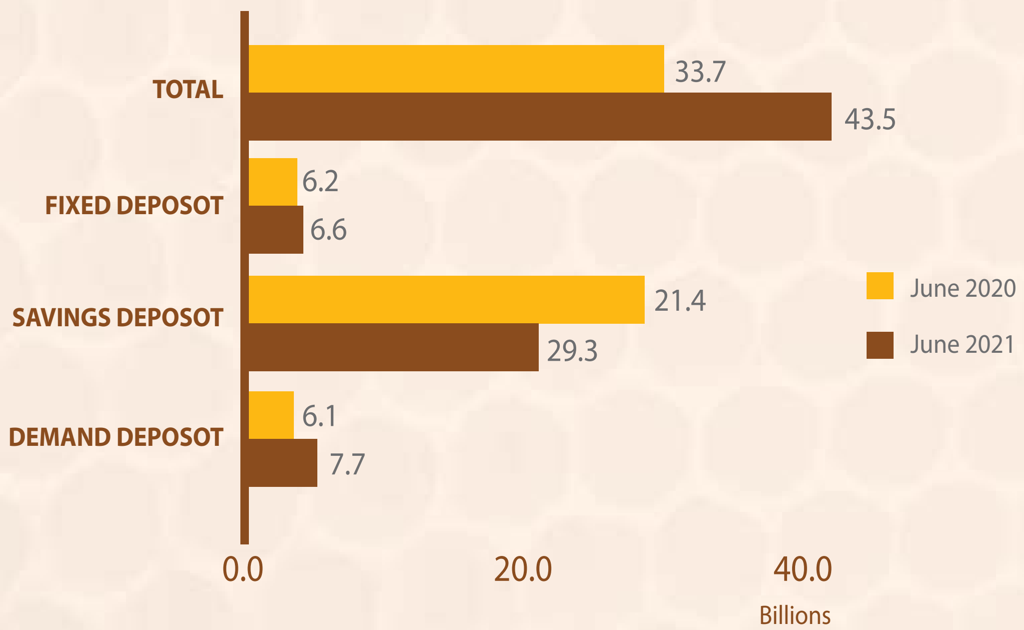


CHART 4.1: COMPARISON OF DEPOSITS



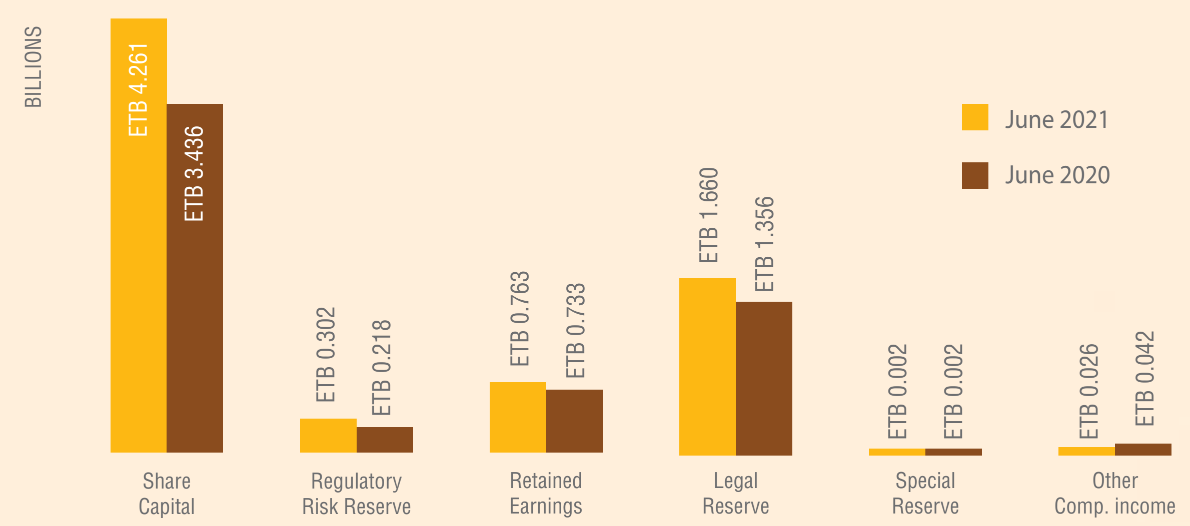
EQUITY

The Bank's total equity, which is composed of paid-up capital, regulatory risk reserve, retained earnings, legal and special reserves reached Birr 7.0 billion exceeding the balance of last year same period by Birr 1.2 billion or 21.2% growth. The details are presented below.

TABLE 5: COMPARISON & COMPOSITION OF EQUITY (In '000)

Equity Items	June 2021	June 2020	Growth		Share	
			Absolute	%	June 2021	June 2020
Share Capital	4,260,514	3,436,209	824,305	24.0%	60.7%	59.4%
Regulatory Risk Reserve	302,114	217,818	84,296	38.7%	4.3%	3.8%
Retained Earnings	763,141	733,383	29,758	4.1%	10.9%	12.7%
Legal Reserve	1,659,903	1,355,752	304,151	22.4%	23.7%	23.4%
Special Reserve	2,200	2,100	100	4.8%	0.0%	0.0%
Other comprehensive income	25,806	41,647	(15,841)	-38.0%	0.4%	0.7%
Total Equity	**7,013,677**	**5,786,909**	**1,226,768**	**21.2%**	**100.0%**	**100.0%**

CHART 5: EQUITY GROWTH



STATEMENT OF PROFIT /LOSS & OTHER COMPREHENSIVE INCOME

INCOME

The Bank generated a record total income of Birr 5.8 billion during the financial year, registering a growth of Birr 1.3 billion (28.0%) when compared to the total income realized in the preceding year. This demonstrates that the Bank's income generation capacity is growing at a higher rate. Further, the lion's share of the total income i.e., 89.8% is generated from interest, which is considered as a sustainable source of income. The compositions of income are depicted in the following table.

TABLE 6: COMPOSITION OF INCOME (In '000)

Asset Type	June 2021	June 2020	Growth		Share	
			Absolute	%	June 2021	June 2020
Interest Income	5,226,840	3,901,744	1,325,095	34.0%	89.8%	85.7%
Fee and Commission Income	495,642	494,682	960	0.2%	8.5%	10.9%
Other Operating Income	99,942	153,862	(53,920)	-35.0%	1.7%	3.4%
Total	**5,822,424**	**4,550,289**	**1,272,135**	**28.0%**	**100.0%**	**100.0%**

CHART 6: COMPOSITION OF INCOME SOURCES

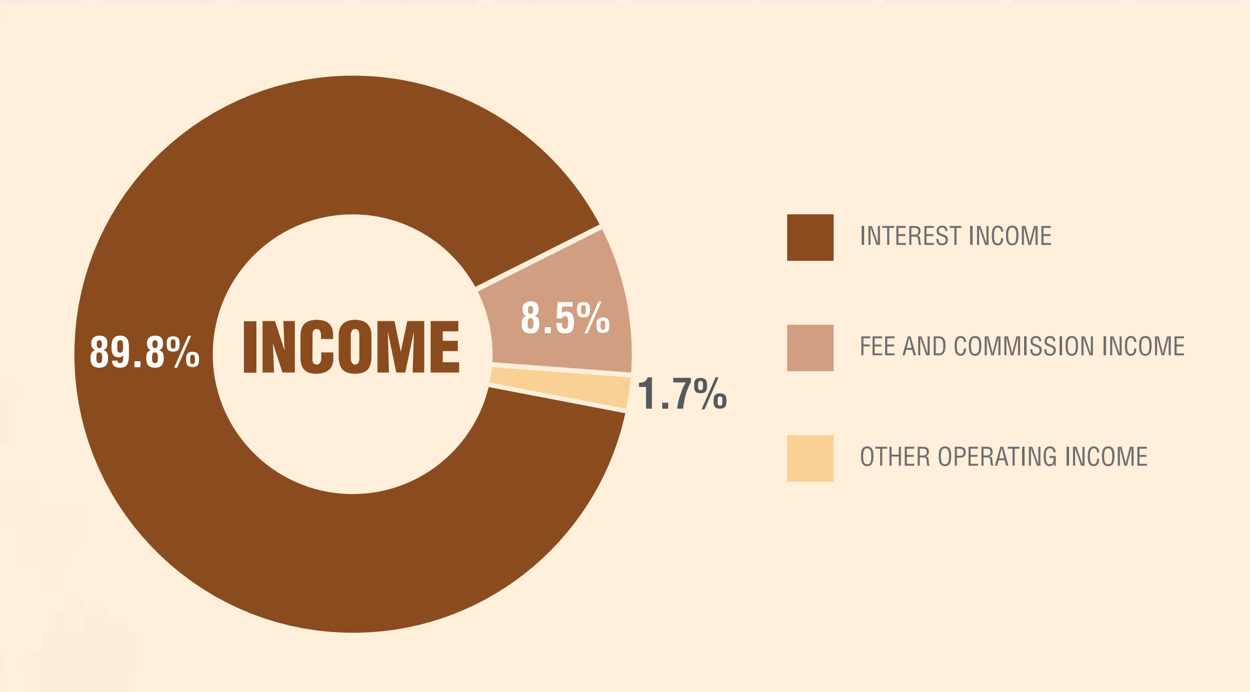
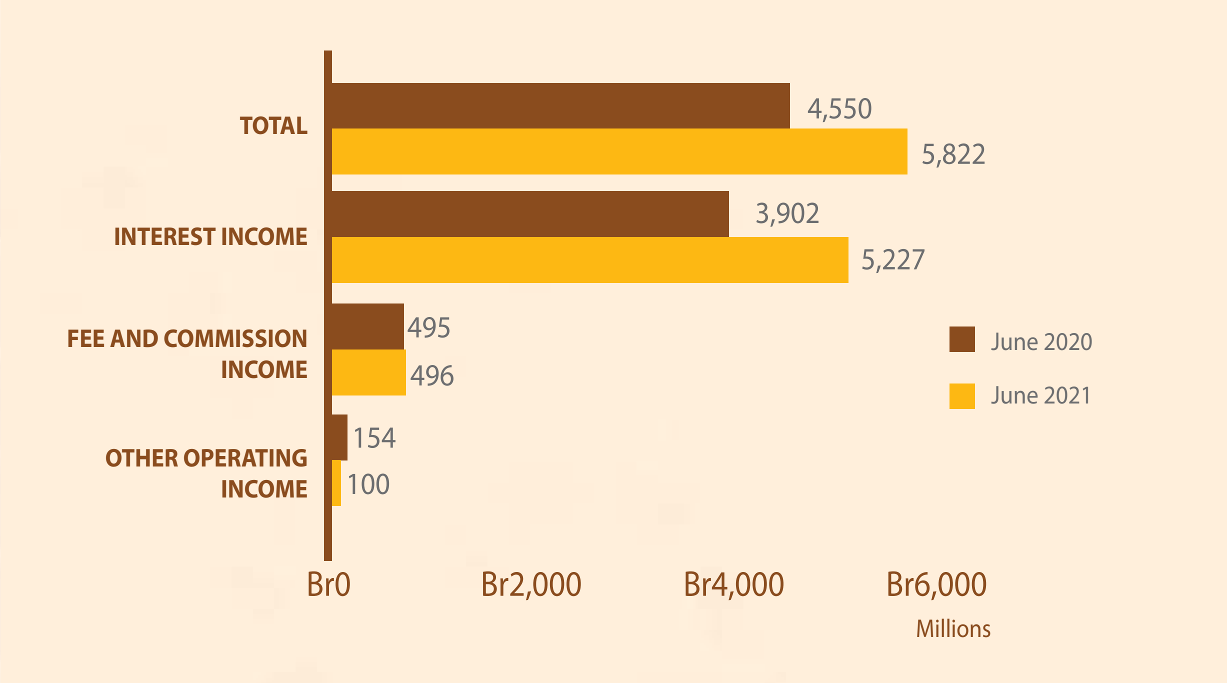


CHART 6: COMPOSITION OF INCOME SOURCES



Out of the total income of Birr 5.8 billion generated during the period under review, the total income generated from Foreign Banking activities was Birr 452.5 million (7.8%) of the total income. The amount has grown by Birr 60.9 million (15.5%) from last year same period.

EXPENSES

The total expense of the Bank during the financial period under review reached Birr 4.2 billion which is higher by Birr 958.2 million (29.6%) compared to that of last year same period. These expenses were incurred on interest payments, personnel expense, loan impairment charge as well as other operating expenses and others.

TABLE 7: COMPARISION & COMPOSITION OF EXPENSES (In '000)

Expense Items	June 2021	June 2020	Growth		Share	
			Absolute	%	June 2021	June 2020
Interest Expense	2,027,141	1,715,154	311,987	18.2%	48.3%	52.9%
Loan Impairment Charge	49,461	27,098	22,363	82.5%	1.2%	0.8%
Personnel Expenses	1,237,983	952,122	285,861	30.0%	29.5%	29.4%
Other operating expenses	541,587	266,051	275,536	103.6%	12.9%	8.2%
Others*	342,706	280,232	62,474	22.3%	8.2%	8.6%
Total Expenses	**4,198,876**	**3,240,657**	**958,219**	**29.6%**	**100.0%**	**100.0%**

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

The increase in interest expense is mainly attributed to the increase in the level of deposit and the rise in interest rate on fixed time deposits. The rise in personnel expenses is mainly due to the recruitment of additional employees and salary increment made for existing employees. The proportion of each expense item is shown hereunder.

CHART 7: COMPOSITION OF EXPENSES

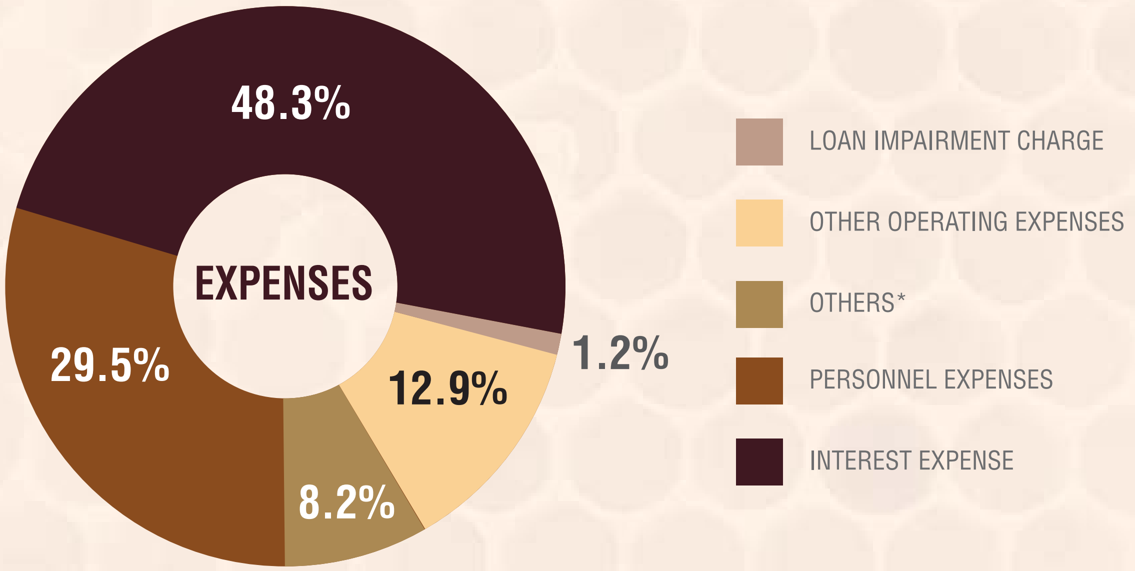
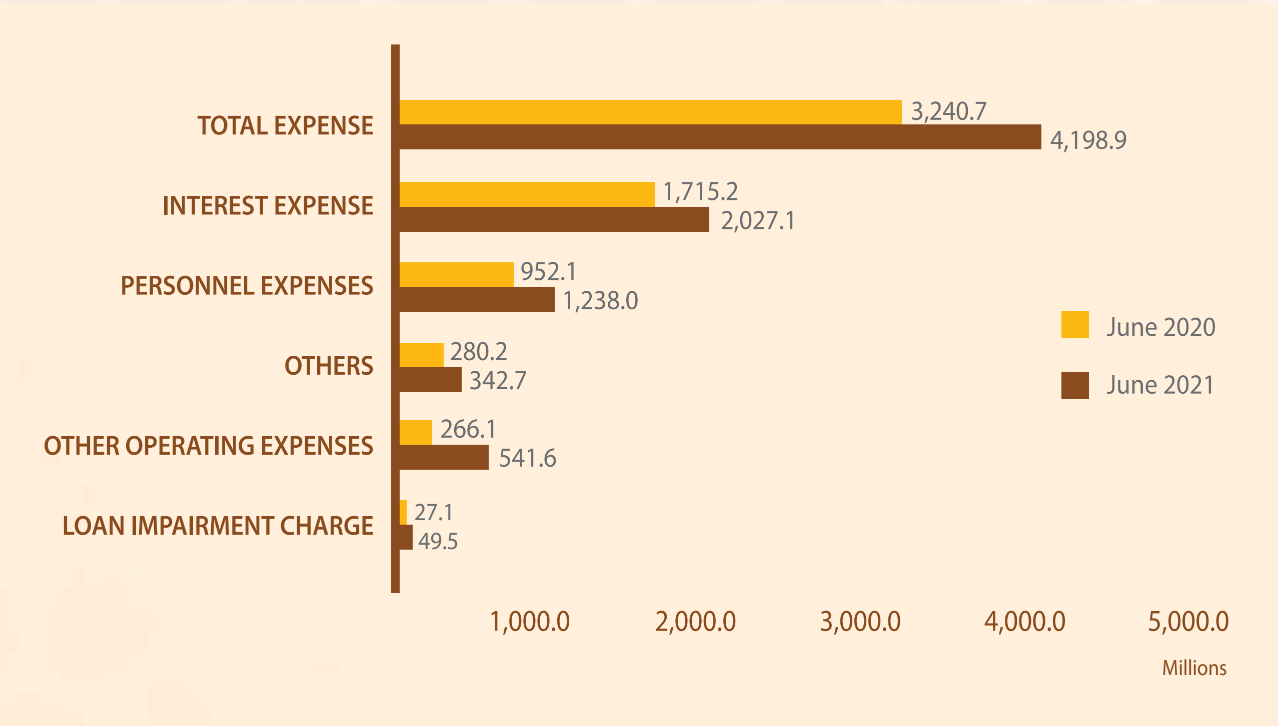


CHART 8: COMPARISON OF EXPENSES



PROFIT

The Bank's profit before and after tax for the financial year were Birr 1.6 billion and Birr 1.2 billion, respectively. The gross profit showed an increase of Birr 313.9 million which grew by 24.0% when compared to Birr 1.3 billion registered in the preceding financial year. Similarly, the net profit of the Bank has increased by Birr 173.0 million (16.6%) from last year's balance.

RETURN ON ASSETS AND PAID-UP CAPITAL

The bank's return on assets (ROA), stated as the ratio of profit before tax to average assets, is 3.4% in the financial year, which is equivalent with last year same period.

On the other hand, during the financial year, return on paid-up capital expressed as the ratio of net profit after tax to weighted average paid up capital stood at 30.8% (Birr 154 per share). The percentage for last year same period was 33.2%.

BUSINESS DEVELOPMENT AND OTHER MAJOR ACTIVITIES

Strategic and core activities vital to the Bank's growth and development were carried out throughout the reporting period. Among these activities, the following are major ones:

- Multiple agreements were signed to collaborate and engage with FinTech firms and other corporate companies in areas of mutual interest. To mention some, Ethio-telecom, Ethiopian Airlines, Kelal Transport, and Guzo-Go airline booking services were the major ones.

- To promote the loyalty program and build customers' interest in the Bank's services, marketing and advertising activities are being launched using all kinds of media outlets including social media. In addition, 'Lucy Lotto' and 'Save & Reward' schemes have been launched to boost customer and enhance deposit mobilization.

- The Bank has designed and implemented a corporate Balanced Score Card to ensure the provision of efficient and effective leadership in the Bank's performance management system. During the financial year in review, the BSC system has been implemented for the management level category to be followed by the individual employees, Individual Score Card (ISC).

HUMAN RESOURCE

The Bank's personnel strength at the end of the financial year was 7,382 up by 1,448 or 24.4% over the corresponding period of previous year. During the year, the Bank has hired 1,879 new employees, of which 340 of them are professional and clerical staff while the remaining are graduate trainee bankers and non-clericals. On the other hand, 431 employees left the Bank for various reasons.

Human resource development is one of the Bank's key concerns. The Bank firmly believes that well-trained, competent and motivated staff is critical for the growth and high performances of the Bank. Towards this goal, the Bank has been investing in human capital to improve and strengthen its workers' capabilities and professional know-how through short- and long-term capacity development programs.

Accordingly, 82 in-house and external training programs, including international training sessions, were undertaken over the time period under review. Furthermore, the Bank has paid tuition fees for 537 workers who have been attending various higher education institutions mainly to upgrade their professional standings. This is believed to improve the Bank's ability to adapt to the ever-changing business environment as well as provide customers with excellent banking services.

RISK & COMPLIANCE MANAGEMENT

Profit is the return generated in exchange for the risk it will assume in pursuit of one's business objectives. Given the nature of the banking business, however, uncertainty is always around the corner that needs to be properly managed in order to strike a balance between the bank's profit motive and its exposures to risk. Risk Management is the systematic approach by which a bank can successfully achieve its profit goals by effectively managing its risk exposures, both at the same time.

NIB has put in place an effective risk management system by which it identifies, measures, controls and monitors the inherent risks that are embedded in its business activities. These risks to which the Bank is exposed include credit, operational, liquidity and market risks. In due consideration of the increasing complexity and dynamism of the business, the Bank does also assess its exposure to strategic, reputational, legal, information technology (digital) related and project risks.

The Bank adopted the three lines of defense model for effectively managing the aforementioned risks. Based on the model, the first line of defense represents the Bank's frontline/operational staff that is presumed to be the risk owner. The second line of defense, i.e., the Risk & Compliance Management function, is overseeing as well as supporting the frontline/operational staff to properly manage risks in line with set standards. Finally, the Internal Audit function which is the third line of defense, is responsible for providing an independent assurance that both the first and second lines of defense are properly discharging their duties to safeguard the Bank from any operational and/or financial losses.

The Bank practices this model to establish a strong risk management and compliance culture among the staff to whom continuous and extensive capacity building programs are implemented. The Bank attempts to put this approach into practice through the establishment of a strong risk management and compliance culture that is driven by continuous and extensive staff training and capacity building programs. Moreover, by fostering a well-functioning integration between the three lines of defense, the Bank attempts to address the regulatory requirements of adopting risk based internal audit approach across the Bank.

Last but foremost, as part of its automation effort, the Bank is currently working towards the implementation of a cutting-edge compliance module that will enable it to carry out its Anti Money Laundering and Combating of Financing Terrorism (AML- CFT) duty in line with international standards and local requirements.

INFORMATION TECHNOLOGY

Unlike in the past, technology adoption in the banking sector has become important in gaining a competitive advantage in the ever-increasing fierce competition. In this regard, NIB has done a lot to improve the use of modern banking and deliver competitive services by utilizing cutting-edge technologies. The following are only a few of the many IT-related activities carried out during the year:

- To make system integration, Memorandum of Understanding (MoU) is signed with Ethio-telecom, Ethiopian Airlines, Kelal Transport and Guzo-Go airline booking services;
- The HR System, Budgeting System, Fixed Asset Management System and Inventory Management Systems were built as part of the process automation and are scheduled to be integrated in the operational environment soon. In addition, the Knowledge Management Portal went live during this financial year.
- To keep up with the market's expanding expectations, the Bank has been working on re-implementing the Core Banking System to the most recent version T24 Release 2020, which includes newer capabilities. Despite the challenges, the project has successfully completed and goes live in the operational environment starting from October 2021.
- Physical design and construction of Tier 3 data center along with security operation center (SOC) and network operation center (NOC) were successfully completed.
- Throughout the year, a number of cyber security awareness-building workshops were held on a regular basis to help staff of the Bank better understand and respond to cyber security threats.

BRANCH NETWORK & ALTERNATIVE CHANNELS

During the financial year under review, the Bank expanded its branch network at various parts of the country. Accordingly, seventy-nine (79) new branches were opened during the period. Out of which, 41 branches were opened in Addis Ababa and the remaining in the regional towns - making the total 381 branches at the close of the financial year.

Along with expanding branch network, the Bank is also expediting the effort of providing service through alternative and wide range of channels. In this regard, the Bank is delivering card banking service through ATMs and Point of Sale (POS) deployed at different locations. The ATM machines and POS terminals are deployed in different branches, hotels and various business centers. The Bank's ATMs and POS terminals at the end of the financial year reached 170 and 394, respectively.

During the financial period, the Bank distributed a total of 184,076 new NIB Cards to its customers. This brings the total number of ATM card holders to 505,059, representing 30.2% of the Bank's account holders. Moreover, Mobile and Internet Banking service alternatives have been strengthened and continued reaching additional customers.

INTEREST FREE BANKING (IFB)

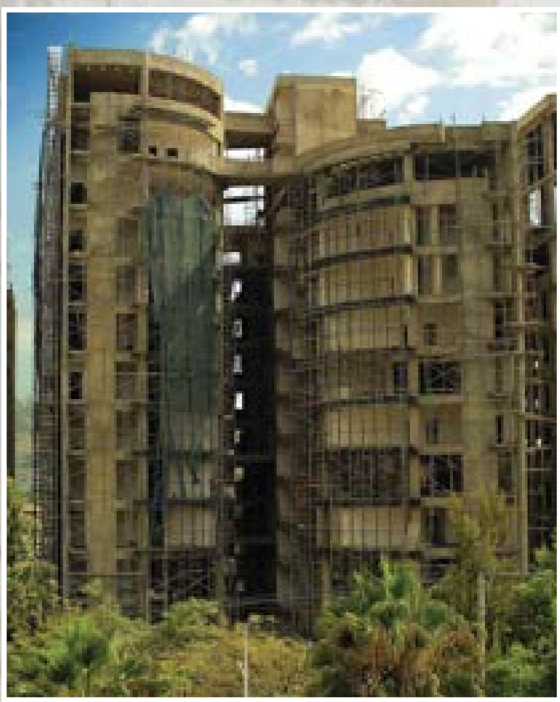
The Bank is offering Shari'ah compliant interest-free banking services at all its branches with encouraging results being registered in terms of customer number and volume of deposits. In addition to providing the service through a dedicated window at all branches, the Bank has launched to open NIB Halal branches providing exclusively interest-free banking services to its customers. By the end of the reporting period, the total number of NIB Halal branches had reached 18.

The overall number of IFB customers increased by 84,861 during the reporting period to reach 210,899 clients. Furthermore, the overall deposit from this business segment increased by Birr 1 billion to reach Birr 3.1 billion.

CONSTRUCTION PROJECTS

The NIB's crowning achievement this year was the completion of its largest construction to which the Bank's headquarters (HQs) were relocated. The construction of this wonderfully built 37-storey (4B+G+M+32) building in Addis Ababa is a historical milestone in the Bank's 22-year journey. Moreover, in addition to significant increase to shareholders' wealth, the building is believed to expressively boost NIB's image.

The Hawassa twin buildings project is also progressing well. The completion and putting the buildings in use are planned for the 2021/22 financial year.



CORPORATE SOCIAL RESPONSIBILITY

Since its establishment, Nib International Bank has been committed to ensure that its business decisions benefit the society as a whole and promote initiatives that are environment friendly. In this context, the Bank has focused its financing and support to priority sectors as well as sectors with a greater impact on employment creation, poverty reduction and environmental development. In its enduring commitment to discharge social responsibilities, the Bank during the year, has donated a total of Birr 20 million to different humanitarian, environmental and other societal initiatives.

FUTURE PLANS

In order to maintain the momentum of growth in the coming year, our priorities for the fiscal year 2021/22, based on our strategic aspirations, include the following:

- Due emphasis shall be given to finalize the ongoing Information Technology projects and greater investment and use of cutting-edge banking technologies will be made to promote service excellence;
- Continue focusing on digital banking through enhanced Card Banking, Mobile Banking, and Internet Banking services.
- Strengthen and increase the volume of business generated through Interest Free Banking services;
- Increase and strengthen strategic partnerships and alliances with foreign and domestic enterprises that assist the Bank achieve its strategic goals.
- Improve the knowledge and capabilities of the Bank's human capital by offering appropriate on-the-job and off-the-job trainings;
- Revising the Bank's existing 'Third Five-Year Strategic Plan' to realign it with the changing market climate and improve the Bank's competitiveness in the sector.
- Finalizing tasks related to deployment and operationalizing the call center

We trust that succeeding on each of these initiatives is critical to our bank's protracted performance in creating and developing sustainable business growth..

VOTE OF THANKS

Finally, the Board of Directors would like to extend its profound gratitude to our clients, stakeholders, management, and employees of NIB, as well as the National Bank of Ethiopia, for their support, commitment and dedication that enabled the Bank to register a commendable performance in the financial year 2020/21.

Woldetensai Woldegiorgis

Chairperson, Board of Directors
December 2021

NIB INTERNATIONAL BANK (NIB)
SHARI’AH ADVISORY BOARD’S (SAB) REPORT FOR THE FY. 2020/2021

Assalamu Alaikum Warahmatullahi Wabarakatuh

According to the charter and terms of reference of the Shari'ah Advisory Board, we’ve been tasked with ensuring that NIB's full-fledged Branch and Windows service, operations, and commercial activities adhere to Shari'ah principles. Hence, we are glad to provide the report for the fiscal year ending June 30, 2021. We express our gratitude to the Almighty God and congratulate the Bank's Board of Directors, the Management and staff on the inauguration of such an iconic and elegantly built structure which exemplifies the bank's commitment to offering outstanding banking services to its clients.

We have made it our mission to ensure that the Bank's windows and full-fledged Branch IFB operations adhere to Shari'ah business principles. We thoroughly examined that the Bank's policies, procedures, contracts, forms, and formats adhered to the relevant sharia business principles. Furthermore, before the launch of various products of IFB Financing, Deposit, and other services, we closely counseled the product development team to guarantee that Shari'ah standards were followed.

The Shari’ah Advisory Board in its frequent meeting held has delivered ruling on all Shari’ah related matters initiated from the Management, staff and Customers of the Bank and kept record of it for future reference. Besides ensuring the Shari’ah compliance of regular banking business, we have been participating in the awareness creation session prepared by the Bank at various city and town of the country.

The Bank in its IFB expansion has operationalized its IFB windows service at its all branches and opened 18 Full-fledged IFB Branches as of this date, and be able to offer a wide range of deposits, financing and various banking products and we are honored to announce that currently the banks IFB deposit has reached to 3.1 billion and its financing reached to 823.8 million which is 27 percent of the total IFB deposit mobilized.

The Management of the Bank is responsible for ensuring that the Bank undertakes its IFB business in a manner consistent with Shari'ah principles as per the relevant directives of NBE and best industry practices worldwide. It is our responsibility to form an independent opinion, based on our review of the Bank's operation and service, and report to you as to whether the Bank has complied with the Shari'ah rules, principles to the best of our knowledge:

- The mechanism in place to verify Shari'ah compliance of overall IFB operations and transactions is functional and meets the general norm of Interest Free Banking operational procedures;
- The Bank's contracts, transactions, and dealings during the fiscal year ending June 30, 2021 comply with Shari'ah criteria in the vast majority of cases.
- The profit allocation & loss billing for investment accounts are in accordance with SAB's examination of the grounds in compliance with Islamic Shari'ah laws & rules;
- The Bank is making efforts to meet all regulatory requirements and to implement best industry governance standards.

We hope and expect that IFB services will continue to contribute more by upholding similar Shari'ah compliance dedication, implementations, and applications without jeopardizing the customer's never-ending quest, and by addressing banking needs of the unbanked community, serving the missing middle, and accommodating all those who are far from banks due to their value system.
Finally, the Shari'ah Advisory Board thanks the Bank's Board of Directors, the Management and staff for their cooperation and dedication in understanding and upholding the great Shari'ah standards.

Sheikh Abrar Shifa (Chairman-SAB)	Ustaz Abdulgefar Sherif (Member-SAB)	Ustaz Mohamed Sallah (Member-SAB)

02

PHOTO GALLERY

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እንደ ንብ !
Committed to Service Excellence !

NIB HEADQUARTERS

INAUGURATION CEREMONY

RECOGNITION AWARD AND CERTIFICATES

Certificate
of Recognition

Proudly Presented to

NIB INTERNATIONAL BANK

In Recognition of The Outstanding Support For

THE CHILDREN'S HEART FUND OF ETHIOPIA

Board Chairman

Hiruy Ali
CEO

Dr. Samson Adera
Medical Director

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Abebech Gobena Yehitsanat Kebekabena Limat Mahiber (AGOHELMA)

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CERTIFICATE OF APPRECIATION

Nib International Bank

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FINANCED PROJECTS

KERCHANSHE TRADING PLC

MAHAVIER INDUSTERY PLC

MILITARY TERA S.C

WELCOMING THE BOARD OF DIRECTORS

KERODE RUN WOLKITE
(SPONSORED EVENT)

TRAINING
(CORPORATE GOVERNANCE)

BEST WESTERN PLUS HOTEL

AYAT S.C.

CHIRSTIAN SISAY &
HIS FAMILY PLC

ENESHELALEM LOTTERY AWARD CEREMONY

MANAGEMENT MEETING IN SESSION

BEST PERFORMING BRANCHES AWARD

PARTNERSHIP AGREEMENT WITH FLOCASH, ETHIO TELECOM & FDAR

03

AUDITORS' REPORT

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እንደ ንብ !
Committed to Service Excellence !

NIB INTERNATIONAL BANK (NIB)

ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
DIRECTORS, PROFESSIONAL ADVISERS AND REGISTERED OFFICE

DIRECTORS		APPOINTMENT DATE
Ato Woldetensai Woldegiorgis	Chairman	29, June 2021
Ato Alemu Denekew	Vice Chairman	29, June 2021
Ato Mulugeta W/Michael	Director	29, June 2021
Dr. Alemayehu Gurmu	Director	29, June 2021
Ato Melaku Woldemariam	Director	29, June 2021
Ato Kifle Sebgaze	Director	29, June 2021
Ato Amare Lemma	Director	29, June 2021
Ato Lemma Hailemichael	Director	29, June 2021
Ato Seyoum Asfaw	Director	29, June 2021
Ato Engliz Biyan	Director	18, August 2021
Arct. Mulugeta Asfaw	Director	19, September 2021
W/ro Hayat Mustefa (Representing Mulege PLC)	Director	04, October 2021

EXECUTIVE MANAGEMENT

Ato Genene Ruga	President	12, March 2019
Ato Leulseged Negussie	V/P, Strategy & transformation	12, March 2019
Ato Seifu Agenda	V/P, Banking Operations	12, March 2019
Ato Melkamu Solomon	V/P, Resources & Facilities	25, November 2020
Ato Assefa Yeshanew	V/P, Information System	28, November 2019
Ato Getachew Tadesse	A/V/P, Customer & Channels	03, May 2021
Ato Solomon Goshime	Chief Advisor to the President	22, September 2020
Ato Abreham Tesfaye	Director,Human Resource Management Department	06, February 2021
Ato Assefa Jezza	Director, Supply Chain & Property Management Department	06, February 2021
Ato Beyene Alemu	Director, Legal service Department	11, January 2013
Wro Eden Haddis	Director, Treasury Department	05, March 2013
Ato Yaleme Temesgen	Director, IT Application Management Department	09, August 2021
Ato Selam Dirshaye	Director, Finance & Accounts Department	01, March 2019
Ato Yohannes Belihu	A/Director, Electronic Channels Department	09, August 2021
Ato Michael Adbib	Director, Planning & Monitoring Department	01, March 2019
Ato Wondayehu Tesfaye	Director, Marketing & Business Development Department	06, February 2021
Ato Amin Tadesse	Director, Internal Audit Department	15, February 2021
Ato Ephrem Teshome	Director, Corporate Banking Department	15, July 2021
Ato Tamene Demessie	A/Director, Facilities & Maintenance Management Department	21, July 2021
Ato Mesfin Sisay	Director, IT Infrastructure & System Support Department	13, February 2021
Ato Shiferaw Argaw	Director, Credit Portfolio Management and Workout Department	06, February 2021
Ato Daniel Regassa	Director, Trade Finance Department	06, February 2021
Ato Alemu Semaye	Director, Credit Appraisal Department	01, March 2019
Ato Sirak Yifru	Director, Risk & Compliance Management Department	01, March 2019
Ato Abdulkadir Wolela	Director, Interest Free Banking Department	06, February 2021
Ato Tewodros Haile	Director, Learning & Development Department	01, March 2019
Ato Daniel Birhanu	Director, Projects & Transformation Department	06, February 2021
Wro Birhane Bekele	A/Director, Retail & SME Banking Department	21, July 2021

INDEPENDENT AUDITOR

Degefa & Tewodros Audit Service Partnership
Kirkos Sub City, Woreda 02, Kebele 02/03, House No. 121, Addis Ababa, Ethiopia

CORPORATE OFFICE

Ras Abebe T/Aregai Avenue, NIB HQ Building, P.O.Box 2439, Addis Ababa, Ethiopia

COMPANY SECRETARY

Ras Abebe T/Aregai Avenue, NIB HQ Building, P.O.Box 2439

Nib International Bank S.C. No. 4

Accounting and Auditing Board of Ethiopia
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Original Copy Submited to the board

NIB INTERNATIONAL BANK (NIB)
ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 30 June 2021, 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 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 2021 are set out on page 51. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2021 Birr'000	30 June 2020 Birr'000
Interest income	5,226,840	3,901,744
Profit before tax	1,623,548	1,309,631
Income tax expense	(406,938)	(266,001)
Profit for the year	1,216,609	1,043,629
Other comprehensive income, net of taxes	(15,841)	38,484
Total comprehensive income for the year	1,200,768	1,082,113

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 46.

Woldetensai Woldegiorgis
Chairman-Board of Directors
Addis Ababa, Ethiopia

NIB INTERNATIONAL BANK (NIB)

ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

STATMENT 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 2013, 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

Genene Ruga
President

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Tel: + 251-011-466 11 57 Mobile 251-91-122 32 10
>> 96-621 59 21
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chalatewodros@gmail.com
Addis Ababa Ethiopia

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NIB INTERNATIONAL BANK

OPINION

We have audited the accompanying financial statements of NIB INTERNATIONAL BANK which comprise the statement of profit and loss and other comprehensive income for the year ended 30 June 2021, statement of financial position as at 30 June 2021, statement of changing equity and statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of NIB INTERNATIONAL BANK as at 30 June 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by IASB.

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

i) Pursuant to Article 349 (1) of the Commercial Code of Ethiopia, 2013 and based on our reviews of the board of directors' report, we have not noted any matter that we may wish to bring to your attention.

ii) Pursuant to article 349 (2) of the commercial code of Ethiopia we recommend the financial statements 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
During our review of the financial records of the bank for the year ended 30 June 2021, we noted that the bank has outstanding loans and advances, cash balances, fixed assets and other un-cleared receivable balances at war zone in the northern part of Ethiopia. The net amount of outstanding items mentioned is 536,197 in thousand birr as at reporting date. The foregoing matter required us to scrutinize in depth discussion whether the bank made detailed assessment as assets of the bank at these areas are at huge risk of loss.	We have addressed the matter: As it is national issue the bank is communicating the issue with regulator and bankers associations to get clear directions for handing these exposures. As of reporting date, there is no clear information to specifically assess these exposures and maintain additional provisions as per our series of discussions with concerned bank officials at various levels. In doing so, we have determined that the bank is preparing action plan and expecting directions from regulators as to how to handle its financial and non-financial exposures on resources located at war zones. Besides, the bank's net exposure, as compared to its annual performance and capital base, will not threaten going concern of the bank.

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
November 5, 2021

NIB INTERNATIONAL BANK (NIB)

ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
STATMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
Interest income calculated using the EIR method	5	5,226,840	3,901,744
Interest expense	6	(2,011,358)	(1,695,094)
Interest expense: Lease Liabilities	7	(15,783)	(20,060)
Net interest income		**3,199,699**	**2,186,590**
Fee and commission income	8	495,642	494,682
Fee and commission expense	8	(5,548)	(5,264)
Net fees and commission income		**490,094**	**489,418**
Other operating income	9	94,933	150,571
Total operating income		**3,784,725**	**2,826,579**
Loan impairment charge	10	(49,461)	(27,098)
Impairment losses on other assets	11	(13,342)	2,572
Impairment Charge on deposit with other banks	14	(134)	(49)
Impairment Charge on NBE Bills	16	(8)	11
Impairment losses on loan commitment & financial guarantee	24	4,417	(1,357)
Net operating income		**3,726,198**	**2,800,659**
Personnel expenses	12	(1,237,983)	(952,122)
Amortisation of intangible assets	21	(4,459)	(4,702)
Depreciation and impairment of right-of-use asset	22	(236,865)	(200,441)
Depreciation and impairment of property, plant and equipment	23	(82,349)	(68,419)
Other operating expenses	13	(541,587)	(266,051)
		(2,103,243)	**(1,491,736)**
Profit before tax and share of income from associates		1,622,955	1,308,923
Share of net profit of associate accounted for using the equity method	18	593	708
Profit before tax		**1,623,548**	**1,309,631**
Income tax expense	14	(406,938)	(266,001)
Profit after tax		**1,216,609**	**1,043,629**
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	28	(3,281)	3,389
Deferred tax (liability)/asset on remeasurement gain or loss	14	984	(1,017)
Bank's share of associate's other comprehensive income(net of tax)		102	(15)
		(2,195)	2,357
Gain on change in Fair Value of Investment Securities		(19,495)	51,609
Deferred tax (liability)/asset on gain on change in fair value of equity securities		5,848	(15,483)
		(13,646)	36,126
Total comprehensive income for the period		**1,200,768**	**1,082,113**
Basic & diluted earnings per share (Birr)		154	166

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

Accounting and Auditing Board of Ethiopia
Original Copy Submitted to the board
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No. 4
Nib International Bank S.C.

Certified Auditors in Ethiopia
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Degefa and Tewodros Audit Service Partnership

NIB INTERNATIONAL BANK (NIB)
ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
STATMENT OF FINANCIAL POSITION

ASSETS	Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
Cash and bank balances	15	7,425,127	5,336,601
Loans and advances to customers	16	34,218,303	25,571,459
Investment securities:			
- Fair value through other comprehensive income	17	185,996	203,091
- Amortzed cost (NBE Bills)	17	6,671,432	6,653,975
Investment in associates	18	48,298	48,062
Other assets	19	1,316,646	1,325,263
Investment property	20	22,487	22,943
Intangible assets	21	22,877	24,370
Right-of-use asset	22	640,997	517,356
Property, plant and equipment	23	3,647,014	2,760,628
Deferred tax assets	14		-
Total assets		**54,199,177**	**42,463,747**
LIABILITIES			
Deposits from customers	24	43,537,890	33,651,115
Borrowings	25	321,089	53,515
Current tax liabilities	14	410,547	246,560
Other liabilities	26	2,610,092	2,408,434
Lease liabilities	27	231,452	240,334
Retirement benefit obligations	28	39,262	31,271
Deferred tax liabilities	14	35,168	45,610
		47,185,500	36,676,839
Total liabilities		**47,185,500**	**36,676,839**
EQUITY			
Share capital	29	4,260,514	3,436,209
Share premium	29	-	-
Regulatory risk reserve	4.2.9	302,114	217,818
Retained earnings	31	763,141	733,383
Legal reserve	32	1,659,903	1,355,752
Special reserve	33	2,200	2,100
Other comprehensive income		25,806	41,647
Total equity		**7,013,677**	**5,786,909**
Total equity and liabilities		**54,199,177**	**42,463,747**

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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 05, 2021 and were signed on its behalf by:

Woldetensai Woldegiorgis
Director

Certified Auditors in Ethiopia
Degefa and Tewodros Audit Service Partnership

Genene Ruga
President

Accounting and Auditing Board of Ethiopia
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NIB INTERNATIONAL BANK (NIB)
ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
STATMENT 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"	Other comprehensive income	Total Birr'000
As at 1 July 2020		**3,436,210**	**-**	**733,384**	**1,355,750**	**2,100**	**217,819**	**41,647**	**5,786,909**
Cost:									
Profit for the year	31	-	-	1,216,609	-	-	-	-	1,216,609
Net other comprehensive incomefor the year		-	-	-	-	-	-	(15,841)	(15,841)
Issue of shares	29	824,305	-	-	-	-			824,305
Transfer to legal reserve	32	-	-	(304,152)	304,152	-			-
Transfer to special reserve	33	-	-	(100)	-	100			-
Transfer to regulatory risk reserve				(84,296)			84,296	-	-
Dividend paid	31	-	-	(733,383)	-	-			(733,383)
Board of directors' remuneration	31			(1,800)					(1,800)
Profit tax paid per assessment	31			(63,121)					(63,121)
As at 30 June 2021		**4,260,514**	**-**	**763,141**	**1,659,903**	**2,200**	**302,114**	**25,806**	**7,013,678**

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

No. 4 Nib International Bank S.C.

Certified Auditors in Ethiopia Degefa and Tewodros Audit Service Partnership

Accounting and Auditing Board of Ethiopia ቁ. 2 0118861296 0111541235 Original Copy Submited to the board

NIB INTERNATIONAL BANK (NIB)
ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
STATMENT OF CASH FLOW

	Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
Cash flows from operating activities			
Cash generated from operations	34	(10,323,840)	(6,245,297)
Proceeds of deposits from customers	22	9,886,776	5,987,406
Interest received	5	5,226,840	3,901,745
Interest paid	6	(2,011,358)	(1,695,094)
Interest paid: Lease liabilities	7	(5,170)	(7,973)
Defined benefit paid	28	(3,025)	(1,898)
Directors allowance paid		(1,800)	(1,800)
Allowance for Board of director's election nomination committee paid		(375)	
Income tax paid		(246,560)	(210,702)
Net cash (outflow)/inflow from operating activities		**2,521,489**	**1,726,386**
Cash flows from investing activities			
Purchase of equity investments	17	(35,993)	(9,931)
proceeds from sale of equity investment		33,600	-
Purchase of intangible assets	21	(2,966)	(7,867)
Payment for construction in progress	23	(776,714)	(414,886)
Payment for right-of-use asset	27	(279,186)	(341,248)
Purchase of property, plant and equipment	23	(191,566)	(109,673)
Purchase of NBE Bills		(15,000)	127,339
Interest on NBE Bills		(2,465)	(37,041)
Additional investment in associates		(593)	(708)
Dividend collected from associates		459	-
Proceeds from sale of property, plant and equipment and reposed collateral	34	(1,061)	(28)
Net cash (outflow)/inflow from investing activities		**(1,271,487)**	**(794,044)**
Cash flows from financing activities			
Proceeds from issues of shares	29	824,305	786,236
Proceeds from borrowings	25	267,574	53,515
Repayment of lease liabilities: principal portion	25	(100,837)	(148,301)
Dividend paid	31	(733,383)	(490,309)
Net cash (outflow)/inflow from financing activities		**257,659**	**201,141**
Net increase/(decrease) in cash and cash equivalents		**1,507,660**	**1,133,485**
Cash and cash equivalents at the beginning of the year	15	3,692,460	2,558,975
Effect of exchange rate movement on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	**15**	**5,200,119**	**3,692,460**

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

NIB INTERNATIONAL BANK (NIB)
ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
NOTE TO THE 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:

Ras Abebe Teklearegay Avenue
In front of Addis Ababa University School of Commerce
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 2021 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 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.

NIB INTERNATIONAL BANK (NIB)
ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
NOTE TO THE FINANCIAL STATEMENTS

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. New standards and amendments to existing standards

The Bank has consistently applied the accounting policies to all periods presented in these financial statements. The below are amendments to standards that are effective for annual periods beginning after 30 June 2021, and have not been applied in preparing these financial statements.

Standard	Description	Effective date	Impact
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied retrospectively. Earlier application is permitted.	The Bank has opted not adopt early. No significant impact is expected.
IAS 16, Property plant and equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The Bank opted to adopt the amendments when due. But no significant change is expected.
IAS 17, Provision, contingent liabilities and contingent assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The Bank opted to apply the amendments when due.
IAS 41 Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The standard is not relevant for the Bank's reporting purpose.

NIB INTERNATIONAL BANK (NIB)

ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE TO THE FINANCIAL STATEMENTS

IFRS 3, Business combination	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.	The standard is not relevant for the Bank's reporting purpose as of now. The amendments shall be considered when the Bank gets involved in a transaction that involve business combination
IFRS 9, Financial Instruments"	The final version of IFRS 9 "Financial Instruments" issued in July 2014 is the IASB's replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The Bank shall apply the amendments when due. The amendments are expected to have an impact on the Bank's financial statements.
Annual Improvements to IFRS Standards 2018–2020	IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf." IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	The improvements are effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted.	The bank shall apply the improvements when due. The improvements are not expected to have an significant impact on the bank's financial statements.
Definition of Accounting Estimates (Amendments to IAS 8)	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	Effective for annual reporting periods beginning on or after 1 January 2023.	The bank shall apply the amendment when due. The amendments are not expected to have an impact on the bank's financial statements.
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	Effective for annual reporting periods beginning on or after 1 January 2023.	The bank shall apply the amendment when due. The amendments are expected to have an impact on the bank's financial statements.

NIB INTERNATIONAL BANK (NIB)
ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
NOTE TO THE FINANCIAL STATEMENTS

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.

No. 4 Nib International Bank S.C.

Certified Auditors in Ethiopia Degefa and Tewodros Audit Service Partnership

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NIB INTERNATIONAL BANK (NIB)
ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
NOTE TO THE FINANCIAL STATEMENTS

2.5. Recognition of income and expenses

Revenue is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for transferring services to a customer. It 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 service charges and commissions on letter of credits and performance guarantees.

2.5.1. Interest and similar income and expense

For all financial instruments measured at amortised cost 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.

NIB INTERNATIONAL BANK (NIB)

ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE TO THE FINANCIAL STATEMENTS

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.

2.6. Financial assets and financial liabilities

a. Recognition and initial measurement

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

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

b. Classification and subsequent measurement

i) Financial assets

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

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

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI). `
- A debt instrument shall be measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:
- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

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All other financial assets that do not meet the classification criteria at amortised cost or FVOCI, above, shall be classified as measured at FVTPL.
In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

- ***Business model assessment***

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis shall be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.
Financial assets shall not be reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

- ***Assessment of whether contractual cash flows are solely payments of principal and interest***

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

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

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

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ii) Financial liabilities

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

A financial guarantee is an undertaking/commitment that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantees issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL,are subsequently measured at the higher of: the amount of the obligation under the guarantee, as determined in accordance with IAS 37 Provisions, ContingentLiabilities and Contingent Assets; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance withthe revenue recognition policies.

c. Impairment

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

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

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss shall be recognised on equity investments.

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

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

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

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

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

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i) Measurement of ECL

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

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

ii) Restructured financial assets

- Where the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then the Bank shall assess whether the financial asset should be derecognised and ECL are measured as follows:
- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

iii) Credit-impaired financial assets

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

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

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

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

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

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

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

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- for debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance shall be disclosed and is recognised in the fair value reserve.

v) Write-off

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

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

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

vi) Non-integral financial guarantee contracts

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

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

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

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d. Derecognition

i) Financial assets

The Bank shall derecognise a financial asset when:

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

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

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

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

ii) Financial liabilities

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

e. Modifications of financial assets and financial liabilities

i) Financial assets

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

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

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

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

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

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

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

i) Financial liabilities

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

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

a. Offsetting

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

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

b. Designation at fair value through profit or loss

i) Financial assets

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

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ii) Financial liabilities

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

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

2.7. Islamic banking

2.7.1. Murabaha

Murabaha is an Islamic financing transaction which represents an agreement whereby the Bank buys a commodity/good and sells it to a counterparty (customer) based on a promise received from that counterparty to buy the commodity according to specific terms and conditions. The selling price comprises of the cost of the commodity/goods and a pre-agreed profit margin.

It is treated as financing receivables. Financing receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The profit is quantifiable and contractually determined at the commencement of the contract. Murabaha Income (profit) is recognised as it accrues over the life of the contract using the effective profit method (EPRM) on the principal balance outstanding.

These products are carried at amortised cost less impairment.

2.8. Net interest income

a. Effective interest rate and amortised cost

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

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

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

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

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b. Amortised cost and gross carrying amount

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

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

c. Calculation of interest income and expense

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

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

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

d. Presentation

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

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

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

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

2.9. Leases

The Bank recognizes:

- all leases as right right-of-use-asset at cost. Cost of right-of-use asset includes the amount of lease liability, lease payments made at or before the commencement date (less any lease incentives received),

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any initial direct costs incurred and an estimate of costs to be incurred by the Bank in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

- a lease liability at the present value of the lease payments that are not paid at that date. Present value of lease payments will be determined by discounting future lease payments at the interest rate implicit in the lease arrangement, if it is readily determined or at Bank's incremental borrowing rate.
  After the commencement date, the Bank masures:
- right-of-use assets using cost model, i.e. cost at initial recognition less accumulated depreciation (in line with IAS 16: Property, plant and Equipment) and accumulated impairment losses (in line with IAS 36: Impairment of Assets).
- lease liability by increasing its carrying amount to reflect interest on the lease liability and by reducing its carrying amount to reflect lease payments made.

Interest incurred on lease liability will be recognized in the statement of profit and loss as a finance cost.

Determination of whether an arrangement is a lease, or contains a lease

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 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.

2.10. Cash and cash equivalents

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

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

Net trading income

Net trading income' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

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2.11. 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. 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.

The assets under lease agreement (right of use assets) are depreciated over lease period.

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2.12. 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

2.13. 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.

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.

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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.

2.14. 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.

2.15. 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.

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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.

2.16. 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.

2.17. Fair value measurement

The Bank measures financial instruments classified as fair value through profit and loss and fair value through other comprehensive income 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 4.5.1
- Quantitative disclosures of fair value measurement hierarchy Note 4.5.2
- Financial instruments (including those carried at amortised cost) Note 4.5.2

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.

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

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

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

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

Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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.

2.18. 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.

2.19. 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.

2.20. 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.

2.21. 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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2.22. 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

Judgements, estimates and assumptions

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

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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.

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

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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.

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

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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. Credit risk

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

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

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

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

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

4.2.1. Credit quality analysis

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

The loss allowance for loans and advances to customers also includes the loss allowances for loan commitments and financial guarantee contracts.

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	2021			
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortised costa				
Stage 1 – Pass	27,014,226	-	-	**27,014,226**
Stage 2 – Special mention	-	6,556,205	-	**6,556,205**
Stage 3 - Non performing	-	-	914,414	**914,414**
Total gross exposure	**27,014,226**	**6,556,205**	**914,414**	**34,484,845**
Loss allowance	(115,447)	(52,427)	(98,668)	**(266,542)**
Net carrying amount	**26,898,779**	**6,503,778**	**815,746**	**34,218,303**

In Birr'000	2021			
Other financial assets (debt instruments)		**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and balances with banks	12 Month ECL	7,425,451	(325)	7,425,127
Investment securities (debt instruments)	12 Month ECL	6,671,766	(334)	6,671,432
Other recevables and financial assets	Lifetime ECL	909,541	(20,642)	888,899
Totals		**15,006,758**	**(21,300)**	**14,985,458**

	2020			
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortised costa				
Stage 1 – Pass	22,345,560	-	-	**22,345,560**
Stage 2 – Special mention	-	3,163,463	279,516	**3,442,979**
Stage 3 - Non performing	-	-		**-**
Total gross exposure	**22,345,560**	**3,163,463**	**279,516**	**25,788,539**
Loss allowance	**(138,147)**	**(33,764)**	**(45,171)**	**(217,082)**
Net carrying amount	**22,207,413**	**3,129,699**	**234,345**	**25,571,457**

In Birr'000	2020			
Other financial assets (debt instruments)		**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and balances with banks	12 Month ECL	5,336,791	(190)	5,336,601
Investment securities (debt instruments)	12 Month ECL	6,654,301	(326)	6,653,975
Other recevables and financial assets	Lifetime ECL	843,673	(7,300)	836,373
Totals		**12,834,765**	**(7,816)**	**12,826,948**

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4.2.2. Collateral held

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

30 June 2021	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 Birr'000
Loans and advances to customers						-
- Agriculture	186,990	555,743				555,743
- Manufacturing	5,919,780	12,268,582	21,900	-		12,290,482
- Domestic Trade and Service	6,072,472	18,121,760	15,374	-	552,451	18,689,585
- Transport and communication	755,075	2,029,312		-		2,029,312
- Hotel and tourism	4,232,510	12,809,200		-	696	12,809,896
- Export	6,160,726	7,868,968	155,361	-	4,052,663	12,076,992
- Import	3,912,069	10,139,891	233,000	-	37,164	10,410,055
- Building and Construction	6,367,280	17,325,469	2,107	-	114,121	17,441,697
- Mines, Power and Water	212,192	427,812	-	-		427,812
- Personal	665,752	448,581	56,052.54	-	3,079,190	3,583,823
	34,484,845	**81,995,318**	**483,795**	-	**7,836,284**	**90,315,397**
Investment securities:						-
- FVOCI	185,996					-
- Amortzed cost (NBE Bills)	6,671,766					-
	6,857,762	-	-	-	-	-
Other assets	909,541	-	-	-	-	-
	909,541	-	-	-	-	-
Purchase commitments	159,969					
Loan commitments	2,147,380					
Guarantees	2,696,162					
Letters of credit and others	844,912					
	48,100,572	**81,995,318**	**483,795**	-	**7,836,284**	**90,315,397**

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30 June 2020	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
Loans and advances to customers						-
- Agriculture	128,131	331,627	493	5,122	260	337,502
- Manufacturing	5,168,778	13,377,767	19,874	206,617	10,472	13,614,731
- Domestic Trade and Service	4,786,813	12,389,170	18,406	191,348	9,699	12,608,622
- Transport and communication	373,591	966,924	1,436	14,934	757	984,051
- Hotel and tourism	2,915,645	7,546,234	11,211	116,550	5,907	7,679,903
- Export	4,131,659	10,693,508	15,887	165,159	8,371	10,882,925
- Import	3,230,183	8,360,320	12,420	129,123	6,545	8,508,408
- Building and Construction	3,911,097	10,122,652	15,038	156,342	7,924	10,301,957
- Mines, Power and Water	159,755	413,475	614	6,386	324	420,799
- Personal	982,886	2,553,161	3,793	39,433	1,999	2,598,386
	25,788,539	**66,754,840**	**99,173**	**1,031,014**	**52,257**	**67,937,284**
Investment securities:						-
- FVOCI	203,091					-
- Amortzed cost (NBE Bills)	6,654,301					-
	6,857,392	-	-	-	-	-
Other assets	843,673	-	-	-	-	-
	843,673	-	-	-	-	-
Purchase commitments	89,014					
Loan commitments	1,585,262					
Guarantees	892,464					
Letters of credit and others	1,282,159					
	37,338,503	**66,754,840**	**99,173**	**1,031,014**	**52,257**	**67,937,284**

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i) Loans and advances to corporate customers

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

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

At 30 June 2021, the net carrying amount of credit-impaired loans and advances to corporate customers amounted to ETB 239.15 million (2020: ETB 34 million) and the value of identifiable collateral held against those loans and advances amounted to ETB 385.4 million (2020: ETB 38.44 million). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

ii) Investment securities designated as at FVTPL

At 30 June 2021, the Bank had no exposure to credit risk of the investment securities designated as at FVTPL.

4.2.3. Amounts arising from ECL

i) Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 2.6.(c)

ii) Significant increase in credit risk

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

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

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

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iii) Credit risk grades

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

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

a. Term loan exposures

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance
- Data from credit reference agencies, press articles, changes in external credit ratings
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
- Internally collected data on customer behaviour – e.g. utilisation of credit card facilities
- Affordability metrics

b. Overdraft exposures

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

iv) Generating the term structure of PD

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

v) Determining whether credit risk has increased significantly

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

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

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

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

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

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

vi) Definition of default

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

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

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

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

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

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vii) Incorporation of forward-looking information

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

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

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

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

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

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

Sector/Product	Macroeconomic factors				
Agriculture and Personal loans	INFLATION: Consumer price index, 2010 = 100, ave	EXCHANGE RATE: ETB/USD, ave	GDP EXPENDITURE: Exports of goods and services, USD per capita	DEBT: Government domestic debt, ETBbn	STRATIFICATION: Household Spending, ETBbn
Domestic Trade & Services	GDP: GDP per capita, USD	GDP EXPENDITURE: Imports of goods and services, USDbn	INFLATION: Consumer price index, 2010 = 100, eop	EXCHANGE RATE: ETB/USD, ave	FISCAL: Total revenue, USDbn
Building & Construction and Manufacturing & Production	GDP EXPENDITURE: Exports of goods and services, USD per capita	FISCAL: Current expenditure, USDbn	DEBT: Government domestic debt, ETBbn	-	-
Export and Import	GDP EXPENDITURE: Exports of goods and services, ETBbn	GDP EXPENDITURE: Imports of goods and services, ETBbn	EXCHANGE RATE: Real effective exchange rate, index	GDP EXPENDITURE: Private final consumption, USDbn	DEBT: Total government debt, USDbn

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Macro-economic factor	2020	2021	2022
Inflation: Consumer price index, 2010 = 100	397	470.4	517.4
GDP: GDP per capita, USD	783	889	1004
GDP Expenditure: Exports of goods and services, USD per capita	64.4	72.1	80.3
GDP Expenditure: Exports of goods and services, ETB bn	246.7	291.7	342.9
Exchange Rate: ETB/USD	33.31	34.31	35.34
GDP Expenditure: Imports of goods and services, USD bn	25.4	31.4	35.9
Fiscal: Current expenditure, USD bn	8.1	9.6	10.9
GDP Expenditure: Imports of goods and services, ETB bn	845.7	1077.9	1270.6
Inflation: Consumer price index, 2010 = 100	397	470.4	517.4
DEBT: Government domestic debt, ETB bn	752	872.3	1003.1
Exchange Rate: Real effective exchange rate, index	126.32	124.12	122.16
GDP Expenditure: Private final consumption, USD bn	68	81.9	95
Stratification: Household Spending, ETB bn	2095.7	2503.8	2991.5
Fiscal: Total revenue, USD bn	9.6	10.3	11.6
Debt: Total government debt, USD bn	55.2	67.1	77

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

viii) Modified financial assets

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

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

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

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

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

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

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

ix) Measurement of ECL

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

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

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

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

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

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

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

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

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

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

- instrument type;
- credit risk grading;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

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

x) ***Loss allowance***

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

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	2021			
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortised cost (on balance sheet exposures)				
Balance as at 1 July 2020	**138,147**	**33,764**	**45,171**	**217,082**
Net remeasurement of loss allowance	(22,700)	18,664	53,497	**49,461**
Balance as at 30 June 2021	**115,447**	**52,427**	**98,668**	**266,542**

	2021			
In Birr'000	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Other financial assets (debt instruments)				
Balance as at 1 July 2020	**190**	**326**	**7,300**	**7,816**
Net remeasurement of loss allowance	(134)	(8)	(13,342)	**(13,484)**
Balance as at 30 June 2021	**325**	**334**	**20,642**	**21,300**

	2021			
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan commitments and financial guarantee contracts (off balance sheet exposures)				
Balance as at 1 July 2020	**4,184**	**197**	**961**	**5,341**
Net remeasurement of loss allowance	(3,259)	(197)	(961)	**(4,417)**
Balance as at 30 June 2021	**924**	**-**	**-**	**924**

	2020			
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortised cost (on balance sheet exposures)				
Balance as at 1 July 2019	**96,867**	**16,023**	**77,095**	**189,984**
Net remeasurement of loss allowance	41,280	17,741	-31,924	**27,098**
Balance as at 30 June 2020	**138,147**	**33,764**	**45,171**	**217,082**

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	2020			
In Birr'000	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Other financial assets (debt instruments)				
Balance as at 1 July 2019	**141**	**337**	**9,872**	**10,350**
Net remeasurement of loss allowance	49	(11)	(2,572)	**(2,534)**
Balance as at 30 June 2020	**190**	**326**	**7,300**	**7,816**

	2020			
In Birr'000	Stage 1	Stage 2	Stage 3	Total
Loan commitments and financial guarantee contracts (off balance sheet exposures)				
Balance as at 1 July 2019	**3,962**	**22**	**0.00**	**3,985**
Net remeasurement of loss allowance	221	174	961	**1,357**
Balance as at 30 June 2020	**4,184**	**197**	**961**	**5,341**

4.2.4. Concentrations of credit risk

The Bank monitors concentrations of credit risk by economic sector as shown below;

Concentration by sector	Amount Millions of ETB
Agriculture	187
Manufacturing	5,920
Domestic Trade and Service	6,072
Transport and communications	755
Hotel and tourism	4,233
Export	6,161
Import	3,912
Building and Construction	6,367
Mines, Power and Water	212
Personal	666
Total	**34,485**

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4.2.5. Net interest income

In millions of ETB	2021	2020
Interest income	5,227	3,902
Interest expense	(2,027)	(1,715)
Net interest income	**3,200**	**2,187**

4.2.6. Cash and cash equivalents

In millions of ETB	2021	2020
Unrestricted balances with central banks	1,044	416
Cash and balances with other banks	4,156	3,276
Money market placements	-	-
Total cash and cash equivalents	**5,200**	**3,692**

4.2.7. Cash and cash equivalents

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

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

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

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

- Prudential provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve (retained earnings) account to a regulatory risk reserve.
- Prudential provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account.

During the period ended 30 June 2020, the Bank transferred an amount of Birr 47 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 IFRS 9 as at year end.

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	30 June 2021 Birr'000	30 June 2020 Birr'000
Total impairment based on IFRS	(288,767)	(230,239)
Total impairment based on NBE Directives	(585,742)	(410,373)
Write-back	296,976	180,134
Legal reserve @ 25%	(74,244)	(45,034)
	222,732	**135,101**
(b) Suspended interest included within various line items under interest income	42,009	48,362
Income tax @30%	(12,603)	(14,509)
	29,406	**33,853**
Legal reserve @ 25%	(7,351)	(8,463)
	22,054	**25,390**
Day 1 adjustment to loss allowance on loans and advances (on balance sheet) as at 1 July 2018.	57,328	57,328
	302,114	**217,818**

Movements in regulatory risk reserve account

As at July 1, 2020	**217,818**
Change in impairment	87,631
Change in suspended interest	(3,335)
As at June 30, 2021	**302,114**

4.3. 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.

4.3.1. Management of liquidity risk

Cash flow forecasting is performed by the treasury department. The treasury 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.

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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.

4.3.2. 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.

	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year	Total
30 June 2021	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Deposits from customers	2,474,419	1,810,818	1,917,478	1,680,373	35,654,803	43,537,890
Borrowings	35,124		98,724	81,324	105,917	321,089
Other liabilities	377,936	177,075	33,718	69,827	116,800	775,356
Total financial liabilities	2,887,479	1,987,892	2,049,921	1,831,524	35,877,520	44,634,336

	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year	Total
30 June 2020	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Deposits from customers	2,133,176	1,920,592	1,892,450	1,418,796	26,286,101	33,651,115
Borrowings					53,515	53,515
Other liabilities	489,073	267,712	42,972	41,702	84,866	926,325
Total financial liabilities	2,622,249	2,188,304	1,935,422	1,460,498	26,424,482	34,630,955

4.4. 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.

4.4.1. 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.

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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 Ethiopian government bonds and cash deposits.

The table below sets out information on the exposures to fixed and variable interest instruments.

30 June 2021	**Fixed Birr'000**	**Non-interest bearing Birr'000**	**Total Birr'000**
Assets			
Cash and cash equivalents	7,425,127		7,425,127
Loans and advances to customers	34,218,303		34,218,303
Investment securities;			-
- Amortized cost-NBE Bills	6,671,432		6,671,432
- Fair value through other comprehensive income		185,996	185,996
Investment in associates		48,298	48,298
Other assets		888,899	888,899
Total	**48,314,862**	**1,123,194**	**49,438,056**
Liabilities			
Deposits from customers	43,537,890		43,537,890
Borrowings	321,089		321,089
Other liabilities		775,356	775,356
Total	43,858,979	775,356	44,634,335

30 June 2020	**Fixed**	**Non-interest bearing**	**Total**
Cash and cash equivalents	5,336,601		5,336,601
Loans and advances to customers	25,571,459		25,571,459
Investment securities;			-
- Amortized cost-NBE Bills	6,653,975		6,653,975
- Fair value through other comprehensive income		203,091	203,091
Investment in associates		48,062	48,062
Other assets		836,373	836,373
Total	**37,562,034**	**1,087,526**	**38,649,560**
Liabilities			
Deposits from customers	33,651,115		33,651,115
Borrowings	53,515		53,515
Other liabilities		926,326	926,326
Total	**33,704,630**	**926,326**	**34,630,956**

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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 2021 and 30 June 2020. 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 89 million (30 June 2020: Birr 595 million).

Foreign currency denominated balances

	30 June 2021 Birr'000	30 June 2020 Birr'000
Cash and bank balances	133,290	137,034
Other assets	21,323	39,563
Deposits from customers	(995,865)	(770,665)
Other liabilities	(930)	(1,168)
Total comprehensive income for the year	(842,182)	(595,236)

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 2021	Carrying amount Birr'000	10% increase in basis point Birr'000	10% increase in basis point Birr'000
USD	(840,350)	(84,035)	84,035
Euro	(10,504)	(1,050)	1,050
GBP	6,588	659	(659)
Others	2,084	208	(208)
	(842,182)	(84,218)	84,218

30 June 2020	Carrying amount Birr'000	10% increase in basis point Birr'000	10% increase in basis point Birr'000
USD	(581,480)	(58,148)	58,148
Euro	(15,262)	(1,526)	1,526
GBP	2,018	202	(202)
Others	(511)	(51)	51
	(595,236)	(59,524)	59,524

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4.5. 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.

4.5.1. 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, legal reserve and other reserves to be approved by the National Bank of Ethiopia.

	30 June 2021 Birr'000	30 June 2020 Birr'000
Capital		
Share capital	4,260,514	3,436,209
Share premium	-	-
Legal reserve	1,659,903	1,355,752
Special reserve	2,200	2,100
	5,922,617	4,794,061
Risk weighted assets		
Risk weighted balance for on-balance sheet items	40,596,498	30,821,585
Credit equivalents for off-balance Sheet Items	2,597,991	1,438,468
	43,194,489	32,260,053
Risk-weighted Capital Adequacy Ratio (CAR)	**13.7%**	**14.9%**
Minimum required capital	**8%**	**8%**
Excess	2,467,058	2,213,256

4.6. 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.

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4.6.1. 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.

4.6.2. 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 2021 Carrying amount Birr'000	Fair Value Birr'000	30 June 2020 Carrying amount Birr'000	Fair Value Birr'000
Financial assets				
Cash and cash equivalents	7,425,127	7,425,127	5,336,601	5,336,601
Loans and advance to customers	34,218,303	34,218,303	25,571,459	25,571,459
Investment securities				
- Amortzed cost (NBE Bills)	6,671,432	6,671,432	6,653,975	6,653,975
- Fair value through other comprehensive income	185,996	185,996	203,091	203,091
Other assets	888,899	888,899	836,373	836,373
Total	41,643,430	41,643,430	30,908,059	30,908,059
Financial liabilities				
Deposits from customers	43,537,890	43,537,890	33,651,115	33,651,115
Borrowings	321,089	321,089	53,515	53,515
Other liabilities	775,356	775,356	926,326	926,326
Total	44,634,335	44,634,335	34,630,956	34,630,956

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4.6.3. Transfers between the fair value hierarchy categories

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

4.7. Offsetting financial assets and financial liabilities

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

5. Interest income calculated using the EIR method	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
Cash and bank balances	182,935	113,339
Loans and advances to customers	4,786,249	3,523,282
Investment securities - loans and receivables	257,656	265,122
	5,226,840	3,901,744

Included within various line items under interest income for the year ended 30 June 2021 is a total of Birr 42 million (30 June 2020: Birr 48 million) relating to impaired financial assets.

6. Interest expense	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
Deposits	1,943,261	1,624,037
National Bank of Ethiopia Borrowing	55,869	69,924
Borrowing from other banks	12,227	1,134
	2,011,358	**1,695,094**

	30 June 2021 Birr'000	**30 June 2020 Birr'000**
7. Interest expense: Lease liabilities	15,783	20,060
	15,783	**20,060**

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8. Net fees and commission income	30 June 2021 Birr'000	30 June 2020 Birr'000
Fee and commission income		
Telegraphic transfer and drafts	142	584
Cash payment order	1,242	2,958
Letters of credit commission and fees	64,984	72,424
Letters of guarantee	31,889	34,618
Money transfer commission	1,279	1,083
Service charges	377,456	365,034
Other commissions	18,650	17,982
	495,642	**494,682**
Fee and commission expense		
Bank charges/commission	5,078	4,462
Correspondent fees	470	803
	5,548	**5,264**
Net fees and commission income	**490,094**	**489,418**

9. Other operating income	30 June 2021 Birr'000	30 June 2020 Birr'000
Gain on disposal of properties	1,067	65
Correspondent charges	849	583
Unused provision on legal cases	-	10,040
Estimation fee	35,790	29,039
Dividend income	11,229	84,065
Rent	21,909	4,367
Mark up on murabaha finance	9,868	1,971
Other income	14,221	20,440
Service charges	377,456	365,034
Other commissions	18,650	17,982
	94,933	**150,571**

10. Loan impairment charge	30 June 2021 Birr'000	30 June 2021 Birr'000
Loans and receivables - charge for the year (note 16)	217,082	189,984
	(266,542)	(217,082)
	(49,461)	(27,098)

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11. Impairment losses on other assets	30 June 2021 Birr'000	30 June 2020 Birr'000
Other assets - charge for the year (note 19)	7,300	9,872
Other assets - reversal of impairment losses (note 18)	(20,642)	(7,300)
	(13,342)	**2,572**

12. Personnel expenses	30 June 2021 Birr'000	30 June 2020 Birr'000
Short term employee benefits:		
Salaries	912,060	720,408
Staff allowances	160,267	117,663
Other staff expenses	56,585	30,499
Pension costs:		
Defined contribution plan	101,336	77,153
Defined benefit plans (note 28)	7,735	6,400
	1,237,983	952,122

13. Other operating expenses	30 June 2021 Birr'000	30 June 2020 Birr'000
Advertisement and publicity	23,383	13,747
Stationary and printing expenses	20,021	22,702
Phone, telegram and telex expenses	17,362	16,649
Repairs and maintenance	15,168	12,217
Insurance	10,451	10,170
Fuel and lubricants	10,657	9,636
Loss on foreign exchange	282,390	52,014
Audit fee	520	460
Legal and professional fees	8,834	3,492
Per diem and travel expenses	8,210	6,443
Loss on disposal of fixed asset	6	93
Transportation	7,082	5,026
Entertainment	22,224	17,770
Provision on legal Cases	711	-
Penality	10	
Interest on lease payment	25	-
Meeting, workshop and seminars	1,824	2,520
General assembly meeting	310	1,649

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Car and representation allowance	7,218	4,596
Swift expense	205	202
Cleaning supplies	4,327	3,906
License fee	28,637	21,969
ATM transactions and card personalization	20,474	16,925
Donation	20,000	21,875
Wages	2,798	2,144
Utility fees	3,840	3,233
Directors' monthly allowances	1,710	1,734
Other operating expenses	23,190	14,876
	541,587	**266,051**

14. Company income and deferred tax	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
14.a. Income tax		
Current income tax	410,547	246,560
Deferred income tax/(credit) to profit or loss	(3,609)	19,442
Total charge to profit or loss	406,938	266,001
Tax (credit) on other comprehensive income	(6,833)	16,499
Total tax in statement of comprehensive income	400,106	282,501

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14.b. 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 2021 Birr'000	30 June 2020 Birr'000
Profit before tax		
Add: Disallowed expenses		
Entertainment	22,224	17,770
Severance expense	4,710	4,503
Provision for loans and advances as per IFRS	45,186	28,504
Provision for lecal case	711	-
Staff loan benefit	8,944	-
Provision on other asset	13,342	-
Penality	10	-
Foreign exchange revaluation loss	168,346	-
Accrued leave payable	27,459	-
Cash indemnity allowance	6,457	-
Donation	-	15,375
Hardship allowance	35,283	-
Sponsership	1,082	-
Cash prize and awadrs	660	-
Depreciation and impairment of right-of-use asset	236,865	200,441
Interest expense: Lease liabilities	15,783	20,060
Depreciation (PPE) for accounting purpose	82,349	68,419
Amortization for accounting purpose	4,459	4,702
Total disallowable expenses	**673,871**	**359,774**
Less: Allowed expenses		
Depreciation for tax purpose	95,941	82,645
Provision for loans and advances for tax NBE 80%	140,295	83,247
Unsused provision on legal cases	-	10,040
Interest income on foregin deposits	-	179
Dividend income taxed at source	11,229	84,065
Interest income taxed at source-NBE Bills	257,656	265,122
Interest income taxed at source-Local Deposit	182,935	113,160
Rent expense	240,280	205,819
Excess provision on other asset reversed	-	2,583
Total allowed expenses	**928,335**	**846,861**
Taxable profit	1,368,490	821,836
Current tax at 30%	410,547	246,551
Tax on foreign deposit at 5%	-	9
Deferred tax	(3,609)	19,442
Income tax expense/ (credit) recognised in profit or loss	**406,938**	**266,001**

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	30 June 2021 Birr'000	30 June 2020 Birr'000
14.c. Current income tax liability		
Balance at the beginning of the year	246,560	210,702
Charge for the year:		
Income tax expense	410,547	246,560
Payment during the year	(246,560)	(210,702)
Balance at the end of the year	410,547	246,560

14.d. Deferred income tax

	30 June 2021 Birr'000	30 June 2020 Birr'000
The analysis of deferred tax (assets)/liabilities is as follows:		
Deferred tax liabilities	35,168	45,610
	35,168	45,610

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 2020 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to P/L Birr'000	30 June 2021 Birr'000
Property, plant and equipment	(33,379)	2,196	-	(31,183)
Post employment benefit obligation	9,381	1,413	984	11,779
Equity Securities	(21,613)	-	5,848	(15,764)
Total deferred tax assets/(liabilities)	(45,610)	3,609	6,833	(35,168)

15. Cash and bank balances	30 June 2021 Birr'000	30 June 2020 Birr'000
Cash in hand	1,686,650	1,533,737
Deposit with local commercial banks	2,399,942	1,636,660
Deposit with foreign banks	69,780	105,599
	4,156,372	3,275,996
Deposit with NBE	3,269,079	2,060,794
	7,425,451	5,336,791
Loss Allowance on Deposits	(325)	(190)
	7,425,127	5,336,601

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Maturity analysis	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	5,199,796	3,692,270
Non-Current	2,225,331	1,644,331
	7,425,127	5,336,601

15.a. Cash and cash equivalents

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:

	30 June 2021 Birr'000	30 June 2020 Birr'000
Balance as above	7,425,451	5,336,791
Cash reserve held with the National Bank of Ethiopia	(2,225,331)	(1,644,331)
	5,200,120	3,692,460

16. Loans and advances to customers	30 June 2021 Birr'000	30 June 2020 Birr'000
Agriculture	186,990	128,131
Manufacturing	5,919,780	5,168,778
Domestic Trade and Service	6,072,472	4,786,813
Transport and communications	755,075	374,899
Hotel and tourism	4,232,510	2,915,645
Export	6,160,726	4,131,659
Import	3,912,069	3,230,183
Building and Construction	6,367,280	3,961,651
Mines, Power and Water	212,192	159,755
Personal loans	665,752	931,025
Gross amount	34,484,845	25,788,539
Less: Impairment allowance	(266,542)	(217,082)
	34,218,303	25,571,458

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17. Investment securities	30 June 2021 Birr'000	30 June 2020 Birr'000
Available for sale:		
Equity Investments	185,996	203,091
	185,996	203,091
Loans and receivables:		
Ethiopian Government Bills		
	6,671,766	6,654,301
Loss allowance on Ethiopian Government Bills	(334)	(326)
	6,857,429	6,857,066

Maturity analysis	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	1,711,221	133,563
Non-Current	4,960,545	6,723,503
	6,671,766	6,857,066

The Bank hold equity investments in Nib Insurance of 5% (30 June 2020: 5%), Agar Micro Finance S.C of 8% (30 June 2020: 7%,), Eth Switch S.C of 5% (30 June 2020: 5%), Genb Gebeya of 12% (S.C 30 June 2020: 12%) and Ethiopian Reinsurrance S.C 1% (30 June 2020: 1%). These investments are unquoted equity securities measured at fair value through other comprehensive income.

18. Investment in Associates

The cost of these unquoted equity securities at the end of the reporting period were Birr 116.58 million.

Name of entity	Place of Business/ country of incorporation	Percentage holding	Carrying amount	
			30 June 2021 Birr'000	30 June 2020 Birr'000
Premier Switch Solution S.C.	Ethiopia	30.11%	50,764	50,070
Cumulative dividend collected in previous years			(2,007)	-
Dividend collected in current year			(459)	(2,007)
			48,298	**48,062**

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.

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18.1. 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 2021 Birr'000	30 June 2020 Birr'000
Premium Switch Solution S.C		
Current assets	126,622	136,003
Non-current assets	59,889	48,132
Current liabilities	(10,033)	(9,478)
Non-current liabilities	(11,357)	(8,574)
Net assets	165,121	166,083

b. Summarised statement of comprehensive income	30 June 2021 Birr'000	30 June 2020 Birr'000
Premium Switch Solution S.C		
Revenue	45,323	39,862
Interest income	8,849	10,524
Other Income	3,561	125
	57,733	50,511
Expenses	(54,710)	(48,161)
Net profit before tax	3,023	2,350
Tax	(1,054)	-
Profit after tax	1,969	2,350
Transfer to legal reserve	-	-
Net profit for the year	1,969	2,350

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
Share of profit(loss) from associate	593	708
Share of other comprehensive income from associate	102	(15)
	695	692

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:

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	30 June 2021 Birr'000	30 June 2020 Birr'000
Opening net assets 1 July	166,290	163,990
Profit for the period	1,969	2,350
Other comprehensive income	338	(50)
Closing net assets	168,597	166,290
Bank's share in %	30.11%	30.11%
Bank's share in Birr	50,764	50,070
Dividened Collected		-
Carrying amount on the Bank's financial statement	50,764	50,070

19. Other assets

	30 June 2021 Birr'000	30 June 2020 Birr'000
Financial assets		
Receivable from other banks	318,469	294,186
Staff receivables	582	319
Mastercard receivables	17,575	4,023
Visa card receivables	34,475	10,011
Account interest receivables	27,001	41,411
Money transfer receivable	16,651	15,585
Other receivables	494,788	478,138
Gross amount	909,541	843,673
Less: Specific impairment allowance (note 18a)	(20,642)	(7,300)
	888,899	836,373
Non-financial assets		
Prepaid staff asset	185,483	130,683
Repossed collaterals	138,368	119,482
Prepayments	2,094	2,094
Advance payment for building projects	45,893	215,488
Withholding tax receivable	386	26
Inventory	55,523	21,117
	427,747	488,890
Net amount	**1,316,646**	**1,325,263**

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Maturity analysis	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	414,752	365,535
Non-Current	901,893	959,728
	1,316,646	**1,325,263**

19.a. Impairment allowance on other assets

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
Balance at the beginning of the year	7,300	9,872
(Reversal)/charge for the year (note 10)	(20,642)	(7,300)
Balance at the end of the year	**(13,342)**	**2,572**

19.b. Inventory

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
Stationery	13,852	5,439
Uniform	14,558	1,919
Token	149	149
Stamps	531	472
Signs	38	38
Stock of fuel coupons	2,022	1,943
Gold and silver coins	27	27
Cheque book	4,401	5,596
Other stock	19,943	5,533
	55,523	21,117

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20. Investment property	30 June 2021 Birr'000	30 June 2020 Birr'000
Cost:		
At the beginning of the year	24,378	24,378
Acquisitions	-	-
Reclassification	7	-
At the end of the year	24,385	24,378
Accumulated amortisation:		
At the beginning of the year	1,434	970
Charge for the year	464	464
At the end of the year	1,898	1,434
Net book value	22,487	22,943

20.a. Amounts recognised in profit or loss for investment properties

	30 June 2021 Birr'000	30 June 2020 Birr'000
Rental income (Note 9)	21,909	4,367
Direct operating expenses from property that generated rental income		
	21,909	4,367

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20.b. 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 2021 has been arrived at by the Bank's internal Engineers . 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.

20.c. Fair value hierarchy

Details of the Bank's Investment properties and information about the fair value hierarchy at 30 June 2019 and 30 June 2018 respectively are as follows:

30 June 2021	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Investment properties	22,487			41,645

30 June 2020	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Investment properties	22,943			36,022

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21. Intangible Assets	Purchased software Birr'000	Total Birr'000
Cost:		
As at 1 July 2020	108,374	108,374
Acquisitions	2,966	2,966
As at 30 June 2021	**111,341**	**111,341**
Accumulated amortisation and impairment losses		
As at 1 July 2020	84,005	84,005
Amortisation for the year	4,459	4,459
Impairment losses		-
As at 30 June 2021	**88,464**	**88,464**
Net book value		
As at 30 June 2020	**24,369**	**24,370**
As at 30 June 2021	**22,877**	**22,877**

	Right-of-use asset: Office space Birr'000	Right-of-use asset: Office space Birr'000	Total Birr'000
Right-of-use asset			
Cost:			
As at 1 July 2020	690,921	26,876	717,797
Additions	360,420	0	360,420
Disposals			-
As at 30 June 2021	**1,051,341**	**26,876**	**1,078,216**
Accumulated depreciation			
As at 1 July 2020	199,869	572	200,441
Charge for the year	236,301	564	236,865
Adjustment	(87)		(87)
As at 30 June 2021	**436,084**	**1,136**	**437,219**
Net book value			
As at 30 June 2020	**491,052**	**26,304**	**517,356**
As at 30 June 2021	**615,257**	**25,740**	**640,997**

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23. Property, plant and equipment

	Buildings Birr'000	Motor vehicles Birr'000	Furniture and fittings Birr'000	Computer equipments Birr'000	Capital work in Progress Birr'000	Total Birr'000
Cost:						
As at 1 July 2020	167,626	143,155	340,547	226,496	2,254,877	3,132,701
Additions	2,703	65,375	62,328	61,160	776,714	968,280
Reclassification	(7)					(7)
Disposals				(13)		(13)
As at 30 June 2021	**170,321**	**208,529**	**402,875**	**287,643**	**3,031,592**	**4,100,961**

	Buildings Birr'000	Motor vehicles Birr'000	Furniture and fittings Birr'000	Computer equipments Birr'000	Capital work in Progress Birr'000	Total Birr'000
Accumulated depreciation						
As at 1 July 2020	10,202	79,977	167,537	114,357	-	372,073
Charge for the year	3,263	10,529	36,973	31,120	-	81,885
Disposals				(10)		(10)
As at 30 June 2021	**13,464**	**90,506**	**204,510**	**145,467**	-	**453,948**
Net book value						
As at 30 June 2020	**157,424**	**63,178**	**173,010**	**112,139**	**2,254,877**	**2,760,628**
As at 30 June 2021	**156,857**	**118,023**	**198,365**	**142,176**	**3,031,592**	**3,647,013**

24. Deposits from customers	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
Demand deposits	7,694,478	6,071,424
Saving deposits	20,787,130	15,768,245
Special saving deposit	8,463,516	5,619,382
Fixed term deposits	6,592,768	6,192,063
	43,537,890	33,651,115

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25. Borrowings	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
National Bank of Ethiopia	148,197	-
Development Bank of Ethiopia	172,892	53,515
	321,089	53,515

25.a. Reconciliation of bank borrowings

A reconciliation of the changes in borrowings is as follows:

	30 June 2021 Birr'000	**30 June 2020 Birr'000**
Balance at the beginning of the year	53,515	-
Proceeds from borrowings	337,801	52,381
Repayment of borrowings	(79,706)	-
Accretion of interest	9,479	1,134
Balance at the end of the year	321,089	53,515

26. Other liabilities	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
Financial liabilities		
Margin held on letter of credit	233,838	380,053
Deposit for Guarantees Issued	3,756	16,861
Cash payment order payable	184,579	216,395
Exchange payable to NBE	41,242	39,815
Current accounts blocked	13,950	27,848
Staff accrued leave pay	107,267	79,808
Bonus accrured	104,624	92,484
Customers loan deposit accounts	573	11,381
Due to other banks	72,513	56,839
Telegraphic transfer payable	7,384	2,706
Money transfer payable	4,704	-3,205
Loss allowance on loan commitment & financial guarantee	924	5,341
	775,356	926,325

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	30 June 2021 Birr'000	30 June 2020 Birr'000
Non - financial liabilities		
Defined Contribution liabilities	5,454	4,333
Stamp Duty Payable	6,023	7,659
Other tax payable	38,014	24,114
Unearned Profit on IFBFinancing	60,774	
Other payables	1,657,613	1,394,171
Dividend payable	65,058	49,657
Board of director's allowance	1,800	1,800
Allowance for Board of director's election nomination committee	-	375
	1,834,736	1,482,109
Gross amount	**2,610,092**	**2,408,434**

Maturity analysis	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
Current	2,487,951	2,295,438
Non-Current	122,141	112,997
	2,610,092	**2,408,434**

27. Lease liabilities	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
Lease liabilities: Office Space	218,988	226,839
Lease liabilities: Land	12,464	13,494
Gross amount	**231,452**	**240,334**

Maturity analysis	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
Current	86,224	97,899
Non-Current	145,228	142,434
	231,452	**240,334**

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NOTE TO THE FINANCIAL STATEMENTS

28. Retirement benefit obligations	30 June 2021 Birr'000	30 June 2020 Birr'000
Defined benefits liabilities:		
– Severance pay (note 28a)	39,262	31,271
Liability in the statement of financial position	**39,262**	**31,271**
Income statement charge included in personnel expenses:		
– Severance pay (note 28a)	7,735	6,400
Total defined benefit expenses	**7,735**	**6,400**
Remeasurements for:		
– Severance pay (note 28a)	3,281	(3,389)
	3,281	**(3,389)**

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

28.a. **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 2021 Birr'000	30 June 2020 Birr'000
A. Liability recognised in the financial position	39,262	31,271

B. Amount recognised in the profit or loss	30 June 2021 Birr'000	30 June 2021 Birr'000
Current service cost	2,772	2,474
Interest cost	4,963	3,926
	7,735	6,400

C. Amount recognised in other comprehensive income:	30 June 2021 Birr'000	30 June 2020 Birr'000
Remeasurement (gains)/losses arising from changes on economic assumptions	(2,048)	(10,200)
Remeasurement (gains)/losses arising from changes on experience	5,329	6,811
Tax credit /(charge)		-
	3,281	(3,389)

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
At the beginning of the year	31,271	30,158
Current service cost	2,772	2,474
Interest cost	4,963	3,926
Remeasurement (gains)/ losses	3,281	(3,389)
Benefits paid	(3,025)	(1,898)
At the end of the year	39,262	31,271

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2021 Birr'000	30 June 2020 Birr'000
Discount Rate (p.a)	15.60%	15.00%
Long term salary increase(p.a)	12.00%	12.00%
Average Rate of Inflation (p.a)	10.00%	10.00%

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:

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

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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 2021		30 June 2020	
	Change in assumption Birr'000	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	1%	(3,778)	4,208	(1,563)	1,751

The expected contribution to post-employment benefit plan for the year ending 30th June 2022 is 47 million.

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.

29. Share capital and share premium	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
Authorised:		
Ordinary shares of Birr 500 each	5,000,000	5,000,000
Issued and fully paid:		
Ordinary shares of Birr 500 each	4,260,514	3,436,209
Share premium	-	-
Total share capital and share premium	4,260,514	3,436,209

29.1. 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 2020	6,872	3,436,209	-	3,436,209
Issued during the year	1,649	824,305	-	824,305
As at 30th June 2021	8,521	4,260,514	-	4,260,514

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30. 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 2021 Birr'000	30 June 2020 Birr'000
Profit attributable to shareholders	1,216,609	1,043,629
Weighted average number of ordinary shares in issue	7,883	6,269
Basic & diluted earnings per share (Birr)	154	166

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 2020:nill), hence the basic and diluted earning per share have the same value.

31. Retained earnings	30 June 2021 Birr'000	30 June 2020 Birr'000
At the beginning of the year	733,383	490,310
Profit/Loss for the year	1,216,609	1,043,629
Transfer to regulatory risk reserve	(84,296)	(47,065)
Transfer to legal reserve	(304,152)	(260,907)
Transfer to special reserve	(100)	(100)
Dividend paid	(733,383)	(490,310)
Board of directors' remuneration	(1,800)	(1,800)
Allowance for Board of director's election nomination committee	-	(375)
Other	(63,121)	-
At the end of the year	**763,141**	**733,383**

32. Legal reserve	30 June 2021 Birr'000	30 June 2020 Birr'000
At the beginning of the year	1,355,752	1,094,844
Transfer from profit or loss	304,152	260,907
At the end of the year	**1,659,903**	**1,355,752**

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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.

33. Special reserve	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
At the beginning of the year	2,100	2,000
Transfer from profit or loss	100	100
At the end of the year	**2,200**	**2,100**

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.

34. Cash generated from operating activities	**Birr’000**	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
Profit before income tax		1,623,548	1,309,631
Adjustments for non-cash items:			
Depreciation of right-of-use asset	22	236,865	200,441
Depreciation of property, plant and equipment	23	82,349	68,419
Amortisation of intangible assets	21	4,459	4,702
(Gain)/Loss on disposal of property, plant and equipment	23	(1,061)	28
Impairment on loans and receivables	16	45,186	28,493
Impairment on other assets	10	13,342	(2,572)
Net interest income		(3,199,699)	(2,186,590)
Retirement benefit obligations	28	7,735	6,400
Changes in working capital:			
-Decrease/ (Increase) in loans and advances to customers	16	(8,696,306)	(6,348,084)
-Decrease/ (Increase) in restricted deposits	15	(581,000)	(272,140)
-Decrease/ (Increase) in other assets	19	(67,846)	(68,583)
-Increase/ (Decrease) in other liabilities	26	208,589	1,014,559
		(10,323,840)	(6,245,297)

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
Proceeds on disposal	(1,061)	28
Net book value of property, plant and equipment disposed (Note 23)	-	-
Gain/(loss) on sale of property, plant and equipment	(1,061)	28

35. Related party transactions

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

a. Transactions with related parties	30 June 2021 Birr'000	30 June 2020 Birr'000
Loans and advances to key management	60,860	36,823
	60,860	36,823

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 2021.

	30 June 2021 Birr'000	30 June 2020 Birr'000
Salaries and other short-term employee benefits	20,906	18,870
Post-employment benefits	2,718	2,453
Sitting allowance	1,294	888
	24,918	22,212

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

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36. Directors and employees

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
Managerial and Supervisory	472	355
Professional	725	662
Clerical	2,514	2,077
Non-Clerical	3,671	2,840
	7,382	5,934

37. Contingent liabilities

37.a. 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 2021 is Birr 104.9 million (30 June 2020: Birr 22 million). As of June 30, 2021, a provision of Birr 711 thousand has been held for these legal cases (June 30 2020:657 thousand).

37.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 2021 Birr'000	30 June 2020 Birr'000
Guarantees issued	2,696,162	892,464
Letters of credit	844,912	1,282,159
Memorandum on letters of credit	(406,887)	(405,460)
	3,134,187	1,769,162

38. Commitments

The Bank has commitments not provided for in these financial statements. They include construction of buildings and loans not disbursed yet.

	30 June 2021 Birr'000	30 June 2020 Birr'000
Loan commitments	2,147,380	1,585,262
Purchase commitments	159,969	89,014
	2,307,349	1,674,276

39. 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 2021 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

04 BRANCH ADDRESSES

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AYAT ADEBABAY +251-11- 639 05 40 +251-11- 639 05 37	**AYAT 72** +251-11- 813 21 74	**AYAT ARABSSA** +251-11- 813 42 03	**AYAT MALL** +251-11- 639 07 85 +251-11- 639 15 46	**AYAT TAFO** +251-911- 15 43 70	**BESHALE** +251-11- 667 73 99 +251-11- 667 73 35
BOLE 24 +251-11 - 6 67 46 99 +251-11- 667 46 40	**BOLE ARABSSA** +251-11- 612 55 14 +251-11- 612 56 22	**BOLE ATLAS** +251-11- 689 20 49 +251-11- 689 20 58	**BOLE BULUBULA MARIAM MAZORIA** +251-11- 471 48 14 +251-11- 471 49 31	**BOLE BRASS** +251-11-641 50 19 +251-11-664 29 72	**BOLE CHEFE** +251-11- 667 11 91 +251-11- 667 19 50
BOLE ENIREDADA +251-11- 662 53 47 +251-11- 662 53 49	**BOLE MEDHANIALEM** +251-11- 662 23 22 +251-11-662 23 21	**BOLE MILLENNIUM** +251-11- 635 81 47 +251-11- 635 81 03	**BOLE RWANDA** +251-11- 614 67 99 +251-11- 614 65 79	**BOLE SHALLA** +251-11- 635 80 18 +251-11- 635 81 18	**BOLE STADIUM** +251-11- 635 81 12 +251-11- 689 20 58
BOLE +251-11 - 663 38 13 +251-11 - 663 33 34	**CMC** +251-11- 667 08 11 +251-11-667 07 42	**DEBRE BIRHAN** +251-11- 681 27 01 +251-11-681 23 83	**GERJI** +251-11- 639 45 42 +251-11- 639 50 73	**GERJI GIORGIS** +251-11- 639 45 34 +251-11- 639 56 44	**GERJI MEBERAT HAIL** +251-11- 667 61 49 +251-11- 667 61 23
GORO +251-11- 666 37 69 +251-11- 666 16 47	**GURD SHOLA** +251-116- 47 92 72 +251-11- 647 40 67	**HAYA HULET MAZORIA** +251-11- 644 78 58 +251-11- 664 99 18	**HAYAT 49 MAZORIA** +251-11- 639 13 33 +251-11- 639 13 35	**HAYAT MALL** +251-11- 639 0 785 +251-11- 639 15 46	**ILRI** +251-11- 647 16 83 +251-11- 667 74 53
IMPERIAL +251-11- 667 48 22 +251-11- 667 46 50	**IMPERIAL SPORT ACADEMY** +251-11- 667 48 22 +251-11- 667 46 50	**JACROS BESHALE** +251-11 - 66 14 94 +251-11 - 666 13 71	**JACROS** +251-11 - 667 76 50 +251-11 - 667 74 66	**JACROS YERE** +251-11- 667 02 92 +251-11- 667 08 23	**JAN MEDA** +251-11- 126 19 06 +251-11- 126 09 86
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SHOLLA +251-11- 662 26 94 +251-11- 662 16 71	**SHOLLA GEBEYA** +251-11 - 639 07 06 +251-11 - 659 17 82	**SUMMIT** +251-118-35 28 94 +251-11- 668 34 68	**SUMMIT CMC ADE-BABAY** +251-11- 668 04 12 +251-11- 668 12 12	**SUMMIT FIGA** +251-11- 668 18 39 +251-11- 668 10 34	**SUMMIT GORO** +251-11- 668 17 82 +251-11- 668 02 26
TELE MEDHANIALEM +251-11- 667 17 72 +251-11- 667 17 75	**WOSSEN** +251-11- 668 13 10 +251-11- 668 02 68	**WUHA LIMAT** +251-11- 636 22 67 +251-11- 363 22 68	**YEKA** +251-11- 668 72 93 +251-11- 668 66 15	**YEKA ABADO** +251-11- 888 02 94	**YERER BER** +251-11- 647 95 01 +251-11- 647 95 11
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+251-11- 470 68 21

BERBERE TERA
+251-11- 273 30 72
+251-11- 273 29 67

CATHEDRAL
+251-11 -156 96 73
+251-11 -156 96 74

GULELE
+251-11 - 273 78 21
+251-11 - 273 70 11

CINEMA RAS
+251-11- 273 30 57
+251-11- 273 35 42

CHURCHILL
+251-11- 533 60 67
+251-11 - 533 60 65

D'AFRIQUE
+251-11- 515 03 15
+251-11- 515 04 56

DUBAI TERA
+251-11 - 273 32 29
+251-11 - 273 34 19

FERENSAY LEGASION
+251-11- 154 85 44
+251-11-154 85 89

FLAMINGO
+251-11 - 557 93 25
+251-11 - 557 93 24

GOJJAM BERENDA
+251-912 - 93 52 50

GOLLA
+251-11- 533 61 87
+251-11 - 533 61 89

HABTE GIORGIS
+251-11 -156 49 76
+251-11- 156 49 88

KAZANCHIS
+251-11- 558 63 99
+251-11- 558 52 65

KIRKOS
+251-11- 470 31 91
+251-11- 470 32 39

MAIN
+251-11 -551 76 02
+251-11- 551 75 69

MAMOKACHA
+251-11- 552 01 60
+251-11 -552 01 62

MEHAL MERKATO
+251-11 -278 53 35
+251-11- 278 53 38

MERKATO DUBAI TERA
+251-940- 42 13 09

MERKATO HALAL ATOBS TERA
+251-11- 273 48 66
+251-11- 273 47 80

MERKATO MIRAB
+251-11- 273 23 53
+251-11- 273 22 95

MERKATO SHERA TERA
+251-11- 273 55 14
+251-11- 273 53 46

MESKEL FLOWER
+251-11- 470 07 35
+251-11- 470 07 54

MEXICO
+251-11- 531 12 48/49
+251-11- 531 10 98

MILITARY TERA
+251-11- 273 36 18
+251-11- 273 36 74

MISMAR TERA
+251-922- 22 01 55

NIB PREMIUM
+251-911- 13 50 83

NIB HALAL MEHAL MERKATO
+251-11- 273 55 92
+251-11- 273 49 76

NUR MESGID
+251-11- 126 57 60
+251-11- 126 51 04

OLYMPIA
+251-11- 557 22 17

PEACOCK
+251-11- 557 22 01
+251-11- 557 22 36

RAGUEL
+251-11- 213 94 00
+251-11- 278 91 00

RAS
+251-11- 554 03 48
+251-11- 553 68 20

SEBARA BABUR
+251-11- 126 79 51
+251-11- 126 72 31

SENGA TERA
+251-11- 557 54 27
+251-11- 557 54 28

SHERA TERA
+251-11- 273 55 14
+251-11- 273 53 46

SIDAMO TERA
+251-11- 273 36 83
+251-11- 273 28 43

TANA
+251-11- 276 53 51
+251-11 - 276 53 50

TATARI
+251-11 - 278 12 86
+251-11 - 213 00 82

TEKLEHAIMANOT
+251-11- 277 92 99
+251-11 - 277 26 06

TEMENJA YAZE
+251-11- 470 41 24
+251-11- 470 42 23

TEWODROS ADEBABY
+251-11- 111 86 43
+251-11- 111 08 20

TIGAT
+251-11 -585 52 56
+251-11 - 558 52 33

TIKUR ANBESSA
+251-11- 171 91 51
+251-11- 171 90 30

TIRET
+251-11- 273 39 24
+251-11- 213 29 88

URAEL
+251-11- 557 72 39
+251-11- 557 71 79

WOLLO SEFER
+251-11- 552 92 53
+251-11- 552 98 56

YEKAKE WERDWOT
+251-11- 273 30 92
+251-11- 273 28 67

ADDRESSES OF BRANCHES BY REGION

NORTH WEST ADDIS ABABA DISTRICT OFFICE

Tel. +251-11– 383 60 89/63 48, Fax. +251-11 - 383 60 83

ABDI NONO +251-11 - 232 00 26 +251-11 - 232 0121	**ADDISU GEBEYA** +251-11 -127 02 40 +251-11- 127 01 25	**ALEM BANK** +251-11-369 45 17 +251-11-369 45 13	**ALEM BANK TROPICAL** +251-11- 369 44 20 +251-11- 369 44 30	**ALEM GENA** +251-11- 387 05 53 +251-11- 387 04 08	**ALERT** +251-11 - 369 70 16 +251-11 - 369 66 94
AMBO +251-11- 236 02 10 +251-11- 236 14 46	**ANFO** +251-11- 369 68 84 +251-11- 369 75 69	**ARADA GIORGIS** +251-11- 126 78 02 +251-11- 126 72 85	**ASHEWA MEDA** +251-11- 260 12 53 +251-11-260 17 75	**ASKO** +251-11 -273 04 03 +251-11 - 273 04 15	**AYER TENA** +251-11- 369 34 10 +251-11- 369 34 18
BETHEL +251-11-369 64 45 +251-11- 369 64 04	**BETHEL ROME SEFER** +251-11- 369 66 93 +251-11- 369 73 49	**BILLAL** +251-11- 369 38 62 +251-11- 369 36 02	**BUIE** +251-46 - 883 05 18 +251-46 - 883 05 56	**BURAYU** +251-11- 262 51 73 +251-11- 262 51 70	**CHILOT** +251-11- 126 46 78 +251-11- 126 59 42
DAR MAR +251-11- 557 79 53 +251-11- 557 91 28	**EHIL BERENDA** +251-11 -275 87 22 +251-11- 275 87 20	**ENKULAL FABRICA** +251-11- 273 62 48 +251-11- 273 66 48	**FICHE** +251-11 -160 99 92 +251-11- 160 99 95	**FURI** +251-11- 367 91 21 +251-11-367 91 31	**FURI ADEBABAY** +251-11 - 380 2175 +251-11- 380 21 75
GERBA GURACHA +251-11- 131 17 50 +251-11 –131 17 15	**GEJA SEFER** +251-11- 557 97 51 +251-11- 557 78 45	**GIRAR** +251-922- 96 01 49	**HOLETA** +251-11- 261 09 81 +251-11- 261 03 35	**KARA KORE** +251-11- 369 38 92 +251-11- 369 36 23	**KELLA** +251-46- 464 02 60 +251-46 - 464 05 41
KOLFE +251-11- 273 80 55 +251-11- 273 80 59	**KOLFE ATENA TERA** +251-11- 273 92 80 +251-11- 273 97 90	**KOLFE EFOYTA** +251-11- 279 93 86 +251-11-279 52 72	**KOLFE FETENO DERASH** +251-11- 273 92 27 +251-11- 273 98 86	**KOLFE TAIWAN** +251-11- 273 96 01 +251-11- 273 94 85	**LIDETA** +251-11- 557 81 37 +251-11- 557 91 13
LOMI MEDA +251-11- 273 99 10 +251-11- 273 99 46	**MARKOS SUB BRANCH** +251-910- 63 78 16	**NIB HALAL AMIN** +251-11 - 273 66 42 +251-112 73 66 43	**NIB HALAL AYSHA** +251-11- 369 54 10 +251-11- 369 56 11	**NIB HALAL EMANA** +251-937- 89 54 52	**NIB HALAL KOLFE EFOYTA** +251-11 - 273 95 41
NIB HALAL TEQWA +251-11- 369 76 34 +251-11- 369 71 45	**RUFAEL** +251-11-259 19 32 +251-11-259 20 75	**SEBETA** +251-11- 338 02 22 +251-11- 338 02 08	**SEFERE SELAM** +251-11-213 91 89 +251-11-278 15 89	**SHEGER MENAFESHA** +251-11- 126 49 51 +251-11- 126 52 67	**SIDIST KILLO** +251-11- 126 18 57 +251-11- 126 17 40
STADIUM +251-11- 531 92 02 +251-11- 531 92 54	**SULULTA** +251-11- 161 74 87 +251-11- 161 77 68	**TIYA BITWODED BAHIRU** +251-46- 264 02 38 +251-46- 264 01 82	**TORHAILOCH** +251-11- 337 71 57 +251-11-320 43 55	**TULU BOLO** +251-11 - 342 14 17 +251-11- 342 11 15	**TULU JEMO** +251-11- 260 12 53 +251-11 - 260 17 75
WECHECHA +251-11- 367 92 46 +251-11- 367 92 28	**WOLISO** +251-11- 341 34 42 +251-11-341 32 80	**ZENEB WORK ADEBABAY** +251-11- 369 98 49 +251-11- 369 88 87			

SOUTH EAST ADDIS ABABA DISTRICT OFFICE

Tel. +251-11 - 462 20 32, Fax. +251-11 - 466 46 86

ADA BISHOFTU
+251-11- 430 19 61
+251-11- 430 75 38

ADAMA
+251-22 - 112 48 44
+251-22- 112 51 88

ADAMA BOSET
-83
+251-22- 212 41 59

ADAMA MENHARIA
+251-22- 211 27 29
+251-22- 211 22 56

AKAKI GEBEYA
+251-11- 471 51 85
+251-11- 471 51 84

AKAKI TOTAL
+251-11- 471 59 92
+251-11- 471 69 35

ARERTI
+251-22- 223 07 10
+251-22- 223 06 13

ASSELA
+251-22-238 0015
+251-22-238 00 24

BEKOJI
+251-22- 332 14 43
+251-22- 332 14 93

BERECHA
+251-22- 211 23 06
+251-22- 211 46 33

BISHOFTU
+251-11 -433 75 27
+251-11- 433 04 20

BISRATE GEBRIEL
+251-11 -320 35 34
+251-11- 320 35 50

BOLE BULBULA
+251-11 - 471 40 43
+251-11 - 471 48 64

BOLE BULBULA 93 MAZORIA
+251-11 - 471 49 23
+251-11- 471 86 64

BOLE MICHAEL
+251-11- 639 21 51
+251-11- 639 21 17

BUNNA BOARD
+251-11- 470 09 11
+251-11 – 470 96 34

CHILALO
+251-922- 66 04 26

DENBELA
+251-22-211 77 01
+251-22 -211 77 02

DIGELU
+251-949 - 81 35 63

DUKEM
+251-11- 432 06 52
+251-11- 432 06 53

ETEYA
+251-22 – 335 09 32
+251-22 – 335 09 33

GARA DUBA
+251-911 - 67 33 83

GELAN CONDOMINIUM
+251-11 - 455 01 79
+251-11 - 455 01 75

GINB GEBEYA
+251-22 – 212 35 02
+251-22- 212 40 31

GOFA CAMP
+251-11- 470 48 37
+251-11- 470 60 97

GOFA GEBRIEL
+251-11- 470 13 41
+251-11- 470 22 36

GOFA HALAL
+251-927- 05 50 49

GOFA MAZORIA
+251-11- 416 06 61
+251-11- 416 04 05

GOTERA
+251-11- 466 46 34
+251-11- 466 46 89

GOTERA IBEX
+251-11- 470 26 59
+251-11- 470 09 49

GOTERA PEPSI
+251-11- 470 48 19
+251-11- 470 64 09

HANA MARIAM
+251-11 - 471 11 64
+251-11- 471 11 63

HURUTA
+251-22 - 334 11 51
+251-22 - 334 10 84

JATI KALITY
+251-11- 471 60 24

JEMO
+251-11- 471 35 47
+251-11- 471 37 88

KALITY
+251-11 - 439 10 89
+251-11 - 439 53 26

KALITY MENEHARIA
+251-11- 471 64 05
+251-11- 471 63 78

KERA SARBET
+251-11- 369 22 34
+251-11- 369 09 52

LAFTO
+251-11- 471 09 48
+251-11- 471 09 38

LEBU
+251-11- 471 29 56
+251-11- 896 36 34

LEBU ERTU
+251-11- 462 57 76
+251-11- 462 54 12

LEBU MUZIKA SEFER
+251-11- 471 39 75
+251-11- 471 39 74

LOGIYA
+251-33- 550 11 96
+251-33- 550 11 97

MECHARE MEDA
+251-912- 75 23 78

MEHAL ARADA ADAMA
+251-22 -111 85 55
+251-22- 111 85 52

MEHAL LAFTO
+251-11- 471 19 12
+251-11- 471 16 51

MEKANISSA
+251-11 - 369 96 18
+251-11 - 369 89 66

MEKANISA MICHAEL
+251-11- 369 89 72
+251-11- 369 85 63

MODJO
+251-22- 236 00 13
+251-22- 236 00 30

NEFAS SILK
+251-11 - 442 56 95
+251-11- 442 56 96

NIB HALAL ASELLA
+251-911- 03 29 11

NIB HALAL GOFA
+251-927- 05 50 49

SAGURE
+251-22- 338 11 01
+251-22- 338 11 01

SALO GORA
+251-911- 15 31 51

SARBET
+251-11- 383 20 30
+251-11- 383 20 49

SARIS
+251-11- 470 77 72
+251-11- 470 77 73

SARIS ABO
+251-11- 470 86 94
+251-11- 470 83 44

SARIS ADDISU SEFER
+251-11- 470 86 94
+251-11- 470 83 44

SARIS DAMA
+251-11- 470 81 63
+251-11- 470 81 79

TULU DIMTU
+251-11- 462 73 63
+251-11- 462 73 64

VATICAN
+251-11- 369 05 90
+251-11- 369 28 87

WELENCHITI
+251-22 -113 00 60
+251-22- 113 31 20

ZIQUALA BISHOFTU
+251-11- 430 23 94
+251-11- 430 67 75

ADDRESSES OF BRANCHES BY REGION

HOSSANA DISTRICT

Tel. +251- 46 - 178 24 63, Fax. +251-46 -178 25 28

AGENA +251-11- 329 05 96 +251-11- 329 03 69	**ANGACHA** +251- 46 - 340 04 34 +251-46 - 340 04 24	**ARBA MINCH** +251- 46 - 881 20 12 +251-46 - 881 41 74	**AREKA** +251- 46- 552 15 25 +251-46- 552 15 26	**AREKET** +251- 11- 311 09 08 +251-11- 311 08 08	**BELE** +251- 46 – 450 05 24 +251-46 – 450 05 25
BIRBIR +251- 46 - 452 03 31 +251-46 - 452 03 74	**BODITI** +251- 46- 559 09 25 +251-46- 559 09 30	**BOMBE** +251- 965 - 76 65 78	**BONOSHA** +251- 46 – 453 08 07 +251-46 – 453 05 19	**BUTAJIRA** +251- 46 -115 07 52 +251-46- 115 14 61	**DALOCHA** +251- 46 - 466 05 91 +251-46 - 466 04 88
DARGE +251- 11- 884 02 68 +251-11- 358 00 79	**DAMBOYA** +251- 46 - 245 03 14 +251-46 - 245 02 43	**DOYOGENA** +251- 46- 244 04 13 +251-46- 244 04 89	**DURAME** +251- 46- 554 14 58 +251-46- 554 17 77	**EMDIBIR** +251- 11- 331 03 80 +251-11- 331 03 17	**ENDEGEN** +251- 11 - 350 06 58 +251-11 - 350 07 02
FONQO +251- 46- 263 03 74 +251-46- 263 04 03	**GESUBA** +251- 911- 16 48 10	**GIMBICHU** +251- 46- 772 07 99 +251-46- 772 08 61	**LTG. W/SILASE BEREKA (GUBRE)** +251- 11 - 322 03 30 +251-11- 322 03 23	**GUNCHIRE** +251- 11- 332 05 75 +251-11-332 07 35	**HADERO** +251- 46 - 432 01 00 +251-46 - 432 02 41
HALABA KULITO +251- 46 - 556 15 55 +251-46 - 556 17 71	**HAWARIYAT** +251- 11- 343 07 39 +251-11- 343 04 57	**HOMICHO** +251- 46 - 251 06 47 +251-46 - 251 06 46	**HOSSANA** +251- 46 - 555 03 71 +251-46 - 554 44 44	**HOSSANA ARADA** +251- 46 - 178 64 83 +251-46- 178 95 16	**HOSSANA BATENA** +251- 46 - 178 05 41 +251-46 - 178 05 43
HOSSANA GEBEYA +251- 46 - 178 98 02 +251-46 - 178 28 55	**HOSSANA GOMBORA** +251- 46 - 178 58 96 +251-46 - 178 71 30	**HOSSANA MENAHARIA** +251- 46 - 555 24 21 +251-46 - 555 29 73	**ENSENO** +251- 46- 558 04 11 +251-46- 558 04 11	**KARE (BUTAJIRA 4TH)** +251- 461- 45 66 46 +251-461- 45 66 48	**KOSE** +251- 46 - 855 90 79
LERA +251- 46- 234 03 65 +251-46- 234 03 94	**MAREKO KOSIE** +251- 46 - 465 06 71 +251-46 - 465 04 81	**MUDULLA** +251- 46- 235 07 01 +251-46- 235 04 63	**NIB HALAL AMAN** +251- 46 – 556 18 00 +251-46 – 556 18 01	**NIB HALAL BIDARA GEBEYA** +251- 46- 145 31 99 +251-46- 145 19 20	**NIB HALAL GUBRE BILAL** +251- 913 -10 85 56
NIB HALAL HAKIKA +251- 46 – 771 07 74 +251-46 - 771 08 70	**NIB HALAL REBI** +251- 46 – 771 07 74 +251-46 - 771 08 70	**QWANTE** +251- 46- 328 26 03 +251-46- 328 26 01	**SANKURA** +251- 46- 237 04 03 +251-46 - 237 04 66	**SAWULA** +251- 913 83 22 44	**SELAM BER** +251- 910- 70 22 22
SHINSHICHO +251- 46 - 339 06 70 +251-46- 339 08 11	**SHONE** +251- 46 - 339 06 70 +251-46- 339 08 11	**SILTE MITTO** +251- 46- 328 78 48 +251-46- 328 75 53	**WERABE** +251- 46 - 771 05 44 +251-46 - 771 03 27	**WERABE DUNA** +251- 46 - 771 07 74 +251-46 – 771 08 70	**WOLAITA SODO** +251- 46 - 180 00 20 +251-46 - 180 06 00
WOLAITA MENAHARIA +251- 916- 60 37 01	**WOLKITE** +251- 11 - 330 25 41 +251-11 - 330 25 44	**WOLKITE UNIVERSITY** +251- 11- 322 04 38	**YEJOKA** +251- 11 - 365 80 31 +251-011- 365 65 80	**ZEBIDAR** +251- 46 - 115 05 43 +251-46 - 115 01 30	

HAWASSA DISTRICT OFFICE

Tel. +251- 46 - 212 14 21, Fax. +251-46- 212 11 60

ADOLA WOYU
+251- 46 - 335 16 41
+251-46 - 335 17 43

ALETA WENDO
+251- 46- 227 10 33
+251-46- 224 10 06

ARSI NEGELE
+251- 46-116 26 70
+251-46- 116 25 59

AWASHO
+251- 46- 211 96 52
+251-46- 211 69 62

BALE ROBE
+251- 22- 665 04 84
+251-22- 665 00 89

BATU
+251- 46 - 841 02 20
+251-46- 441 09 33

BORE
+251- 904 - 72 59 08

BUIE
+251- 46 - 883 05 18
+251-46 - 883 05 56

BULE HORA
+251- 46 - 443 02 92
+251-46 - 443 11 04

DILLA
+251- 46 - 331 43 31
+251-46 - 331 39 25

DILLA EDGET
+251- 46 - 331 01 13
+251-46 - 331 01 02

GEDEB
+251- 46 - 268 05 31
+251-46 - 268 06 04

HASASA
+251- 22 - 363 12 26
+251-22 - 363 12 29

HAWASSA
+251- 46 - 220 71 78
+251-46 - 220 71 81

HAWASSA ALAMURA
+251- 46 - 212 87 42
+251-46 - 212 79 54

HAWASSA ARAB SEFER
+251- 46 - 212 38 26
+251-46 - 212 46 17

HAWASSA ATOTE
+251- 46- 212 15 16
+251-46- 212 12 91

HAWASSA TABOR
+251- 912- 70 09 74

HAWASSA WARKA
+251- 46 - 212 00 12
+251-46 - 212 00 05

MEKI
+251- 22- 118 00 13
+251-22 - 118 01 14

MOYALE
+251- 912- 75 23 78

NIB HALAL SHASHEMENE
+251- 46 – 211 28 10
+251-46 – 211 28 11

SHAKISO
+251- 46 – 334 21 00
+251-46 -334 21 01

TABOR
+251- 46 – 212 48 60
+251-46 – 212 42 79

ODA SHASHEMENE
+251- 46 - 211 00 35
+251-46 - 211- 00 44

SHASHEMENE
+251- 46 - 110 26 23
+251-46 - 110 42 89

SHASHEMENE HARUFA
+251- 46 - 211 25 09
+251-46 - 211 16 75

YABELO
+251- 46 - 446 15 30
+251-46 - 446 14 59

YIRGA ALEM
+251- 46 - 225 19 96
+251-46 - 225 10 84

YIRGA CHEFE
+251- 46 - 332 05 43
+251-46 - 332 00 90

BAHIR DAR DISTRICT

Tel. +251- 911- 86 66 42

ABAY MADO
+251- 58 -320 47 35
+251-58 -320 09 78

BAHIR DAR ADET TERA
+251- 58 -320 5719
+251-58 - 320 72 69

ADIGRAT
+251- 34- 245 08 57
+251-34- 245 08 83

ADI HAQI
+251- 34- 240 21 54
+251-34- 240 49 96

AXUM
+251- 34- 275 05 90
+251-34- 275 16 31

AYITEYEF
+251- 33- 312 24 56
+251-33- 312 32 26

BAHIR DAR
+251- 58 -226 62 42
+251-58 -226 62 44

BAHIR DAR GEBEYA
+251- 58 - 320 00 93
+251-58 320 00 98

BAHIR DAR TANA
+251- 58 – 320 92 68

BICHENA
-171
+251-58 – 665 12 49

DANGLA
+251- 58 - 221 20 42
+251-58 - 221 21 53

DESSIE
+251- 33 -112 51 10
+251-33 -112 51 09

DEBRE MARKOS
+251- 58 - 178 37 35
+251-58 - 178 24 25

DEBRE MARKOS GEBEYA
+251- 58 - 178 85 21
+251-58 -178 15 62

DURBETE
+251- 58 - 223 07 45
+251-58 – 223 06 29

FINOTE SELAM
+251- 58 - 775 22 22
+251-58 - 775 21 07

GONDAR
+251- 58 - 112 18 91
+251-58 - 112 17 97

GONDAR MARAKI
+251- 58 - 211 50 61
+251-58 - 211 50 44

HUMERA
+251- 34 - 448 09 39
+251-34 - 448 04 25

INJIBARA
+251- 58 – 227 16 69
+251-58 – 227 17 48

KOMBOLCHA
+251- 33 - 351 75 26
+251-33 - 351 11 42

LAKOMELZA
+251- 33 - 312 82 69
+251-33 - 312 25 09

LALIBELA
+251- 33 - 336 14 28
+251-33 -336 14 42

MEKELLE
+251- 34 - 440 93 00
+251-34 - 441 10 95

MESSEBO
+251- 34 - 240 51 31
+251-34 - 240 51 85

METEMA YOHANNES
+251- 58 - 231 08 11
+251-58- 231 08 07

MOTTA
+251- 58 - 661 19 92
+251-58 – 661 20 34

SHIRE
+251- 34 - 444 15 20
+251-34 - 444 34 25

WELDIYA
+251- 33 - 431 20 73
+251-33 - 431-06 81

WERETA
+251- 58 - 446 15 31
+251-58 - 446 18 40

WUKRO
+251- 34 - 443 12 34
+251-34 - 443 12 41

ADDRESSES OF BRANCHES BY REGION

DIRE DAWA DISTRICT

Tel. +251- 910- 58 68 37

AFETESA +251- 25 - 211 04 16 +251-25 - 211 03 40	**AWASH 7 KILLO** +251- 22- 224 11 87 +251-22- 224 11 95	**AWEBERE** +251- 25 -777 00 37 +251-25 -777 00 36	**AWODAY** +251- 25 - 662 01 54 +251-25 - 662 04 62	**DIRE DAWA** +251- 25 -111 93 43 +251-25 - 112 34 92	**HARER** +251- 25 - 667 06 74 +251-25 - 667 10 76
JIJIGA +251- 25 - 278 00 76 +251-25 - 278 00 33	**JIJIGA SHEBELE** +251- 25- 278 43 60 +251-25- 278 83 56	**KEZIRA MAIN** +251- 25- 211 55 19 +251-25 - 21142 49	**MIDEREGENET** +251- 25 - 466 20 03 +251-25- 466 78 73	**NIB HALAL KEZIRA** -290 +251-25 – 411 33 71	**TOGOCHALE** +251- 25- 882 01 28 +251-25- 882 01 29

JIMMA DISTRICT

Tel. +251- 911- 16 94 32

BONGA +251- 47- 331 25 26 +251-47- 331 18 50	**GAMBELLA** +251- 47- 551 03 09 +251-47- 551 07 9	**GIMBI** +251- 57- 771 26 03 +251-57- 771 28 10	**JIMMA** +251- 47- 112 12 34 +251-47- 112 12 32	**JIMMA ABA JIFAR** +251- 47- 211 85 15 +251-47- 211 71 65	**JIMMA MENHARIA** +251- 47- 211 09 43 +251-47- 211 36 09
MIZAN AMAN +251- 47- 135 43 89 +251-47- 135 43 89	**NEKEMTE** +251- 57- 661 32 11 +251-57-661 31 66	**TEPI** +251- 47- 556 28 32 -416			

NIB HALAL BRANCHES AND THEIR RESPECTIVE LOCATIONS

NIB HALAL MEHAL MERKATO +251-11- 273 55 92 +251-11- 273 49 76	**NUR MESJID** +251-11- 126 57 60 +251-11- 126 51 04	**NIB HALAL AMIN** +251-11 - 273 66 42 +251-112 73 66 43	**NIB HALAL AYSHA** +251-11- 369 54 10 +251-11- 369 56 11	**NIB HALAL EMANA** +251-937- 89 54 52	**NIB HALAL KOLFE EFOYTA** +251-11 - 273 95 41
NIB HALAL TEQWA +251-11- 369 76 34 +251-11- 369 71 45	**NIB HALAL ASELLA** +251-911- 03 29 11	**NIB HALAL GOFA** +251-927- 05 50 49	**NIB HALAL SHASHEMENE** +251-46 – 211 28 10 +251-46 – 211 28 11	**NIB HALAL AMAN** +251-46 – 556 18 00 +251-46 – 556 18 01	**NIB HALAL BIDARA GEBEYA** +251-46- 145 31 99 +251-46- 145 19 20
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