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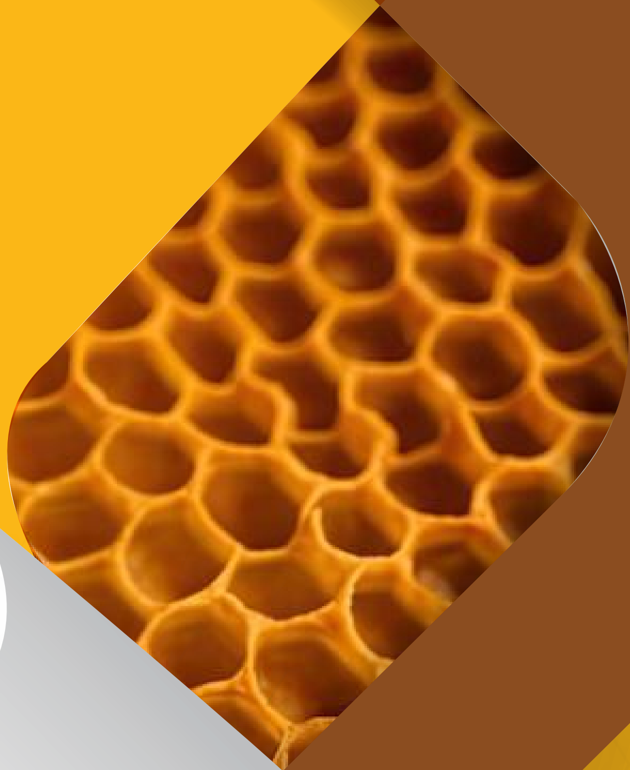
Nib International Bank



# ANNUAL REPORT 2022/23

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Committed to Service Excellence !

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Nib International Bank


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Website: www.nibbanksc.com

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Nib International Bank

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Nib International Bank

# ANNUAL REPORT

## JULY 01, 2022- JUNE 30,2023

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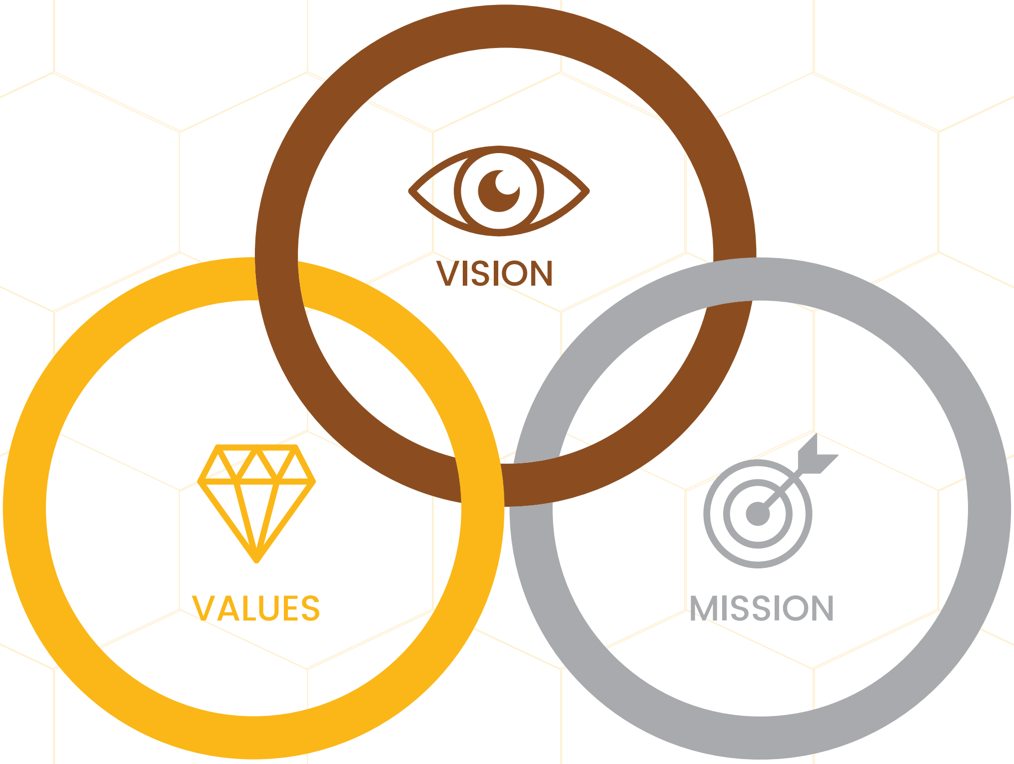
+251 11 550 3304

2439,
Addis Ababa, Ethiopia

nibcontact@nibbanksc.com




## Vision

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

## Mission

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

## Values

Transparent
Accessible
Teamwork
Accountable
Results oriented
Innovative

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Nib International Bank

# CONTENTS

# Board of Directors

Ato Alemu Denekew
Deputy Chairman

Ato Woldetensai W/Giorgis
Board Chairman

Ato Mulugeta Woldemichael
Director

Arct.Mulugeta Asfaw
Director

Dr. Alemayhu Gurmu
Director

Ato Melaku Woldemariam
Director

W.ro Hayat Mustefa
Director, Representing Mulege PLC

Ato Engliz Beyan
Director

Ato Kifle Sebgaze
Director

Ato Amare Lemma
Director

Ato Lemma Hailemichael
Directer

Ato Seyoum Asfaw
Director

Ato Yared Ayele
Company Secretary

# MESSAGE FROM THE BOARD CHAIRMAN

**Dear respected shareholders,**

On behalf of the Board of Directors and my own behalf, it is my pleasure and privilege to welcome you all to the 24th Annual Ordinary General Meeting of the shareholders. Allow me to share my humble but short views on the situation of the financial sector in general, Our Bank, in particular and what is expected from us the shareholders, the Board of directors and the staff of our Bank.

We all are quite aware that 2022/2023 financial year has been marked by challenging internal and external situations, i.e. both globally and locally.

The global macroeconomic challenges, including the spillover effects of COVID – 19, business slowdown, supply chain problems, and the Russia-Ukraine conflict, have directly and indirectly affected the operations of banks.

Local circumstances such as internal conflicts, instability, locust invasion, drought, foreign currency shortages, high inflation, and intense competition among banks have also posed additional challenges to the local sector.

Our Bank managed to register satisfactory result amidst these challenges and uncertainties in global and domestic macroeconomic situations although unable to meet its targeted plans. However, what is achieved by way of investment, especially in the area of acquisition of immovable property, is worth mentioning at this juncture. We, members of the Board of directors who have served for the last nine years along with those who departed from the board having contributed their respective shares, are immensely proud of the 38 floor iconic head office building in the heart of Addis Ababa, the 10 floor Arat Kilo building, the 6 floor Dukem building, the 12 and 14 floor twin Hawassa building and other buildings built and purchased by our Bank in different parts of the country.

As a result, NIB could proudly declare that it is one of the top banks in the nation to own such immovable properties worth billions of birr. The owning of these buildings not only makes NIB a strong competitor to work with the upcoming foreign banks but also makes it strong in generating rent income for the bank and also save millions of birr that would have otherwise been paid by way of rent for its own use.

Dear Respected Shareholders,

Our bank's prosperity depends on our collective participation as shareholders. By actively engaging in banking activities, we can strengthen our bank's financial footing and preserve its standing; disregarding these efforts could lead to the bank's erosion, harming not just its future but also our own stakes. Let us unite and safeguard our bank, demonstrating that true camaraderie translates into action.

My message to the management and staff of the Bank is, in addition to the responsibility those of you who are shareholders have, bear in mind that the existence and profitability of the Bank mainly rests on you. Your hard work, belongingness and the service excellence expected from you are all of paramount importance to the success of the Bank and should therefore be accomplished accordingly.

Fellow board members, the future holds numerous challenges, including competition from foreign banks and a constantly evolving macroeconomic landscape. This calls for vigilance and unified front from the incoming board members.

The burden of responsibility we carry is immense; it extends to our shareholders and the entire financial sector's growth and stability. Our diverse backgrounds and expertise are invaluable assets if harnessed effectively.

Those years of experience have taught us that board membership demands unwavering commitment. To this end, I am quite sure that you will also exert same for the best interest of the Bank.

One final point I want to touch upon is the entrance of foreign banks into the market and the establishment of the Ethiopian Securities Exchange (ESX).

Both have opportunities and challenges. The new entrants could offer wider financial services at a cheaper cost and could ease access to foreign currency. The establishment of Ethiopian Securities Exchange (ESX) offers opportunities for local financial institutions to float their shares to the public and for local investors and foreigners to buy shares. These, certainly are some of the advantages to be gained. However since both concepts are new to the Ethiopian market, for our banks exist, and keep the interests of their shareholders, they should be prepared and well equipped in terms of skill, financial strength, and technical knowhow, among others, to either work with or compete with the new entrant banks and also strengthen their share values to be floated in the market.

Finally, I would like to appeal to the supervising authority, the NBE, to continue to extend their usual advice and guidance, which is regarded as vital and invaluable for the betterment and overcoming of difficult situations that our bank may encounter from time to time and would also like to extend my heart felt appreciation for the guidance and assistance rendered during the current budget year.

In conclusion, on behalf of the Board of Directors, I would like to take this opportunity to thank the management members and the entire employees of the Bank for their efforts, passion and resilience in delivering the achieved results in what continues to be a very volatile environment, shareholders and our esteemed customers for their continued support, cooperation and guidance.

Sincerely,

Woldetensai Woldegiorgis

Chairman, Board of Directors

December, 2023

## Shari'ah Advisory Board

Sheikh Abrar Shifa
Chairman-SAB

Ustaz Mohammed Salah
Member-SAB

Ustaz Abdulgefar Sherif
Member-SAB

# Shari'ah Advisory Board's (SAB) Report for the FY. 2022/2023

Pursuant to the responsibilities stipulated under Bank's Shari'ah Advisory Board Charter, the Shari'ah Advisory Board "the SAB" of Nib International Bank submit its Annual Shari'ah Compliance Report for the financial year 2022/23.

As part and parcel of the advisory service, the SAB undertakes regular and extraordinary meetings to oversee the delivery of IFB business service in all Branches is in compliance with the Shari'ah rules and principles. To this effect, Deposit and Financing contracts, forms and formats, and existing and new products have been reviewed to warrant Sharia's compliance as well as the segregation of the IFB service in the Bank. A physical Branch visit have also been made aiming to see the IFB Business Service operation is as per the Shari'ah Principles and guidance of the Board's opinion. Besides, the SAB has undertaken Training and customer sessions to employee of the Bank and the customers respectively in different cities across the country so as to elevate the level of awareness towards the IFB products and services.

The Bank's management endures the responsibility for overseeing the execution of the IFB operational activities to be conducted in accordance with Shari'ah Principles, Fatwas (Shariah Decisions) given by the SAB, Directives of the National Bank of Ethiopia and the Bank's IFB Policy and Procedures. The SAB's responsibility is limited to express an independent opinion on whether the Bank has complied with Shari'ah rules and principles.

In our Opinion:

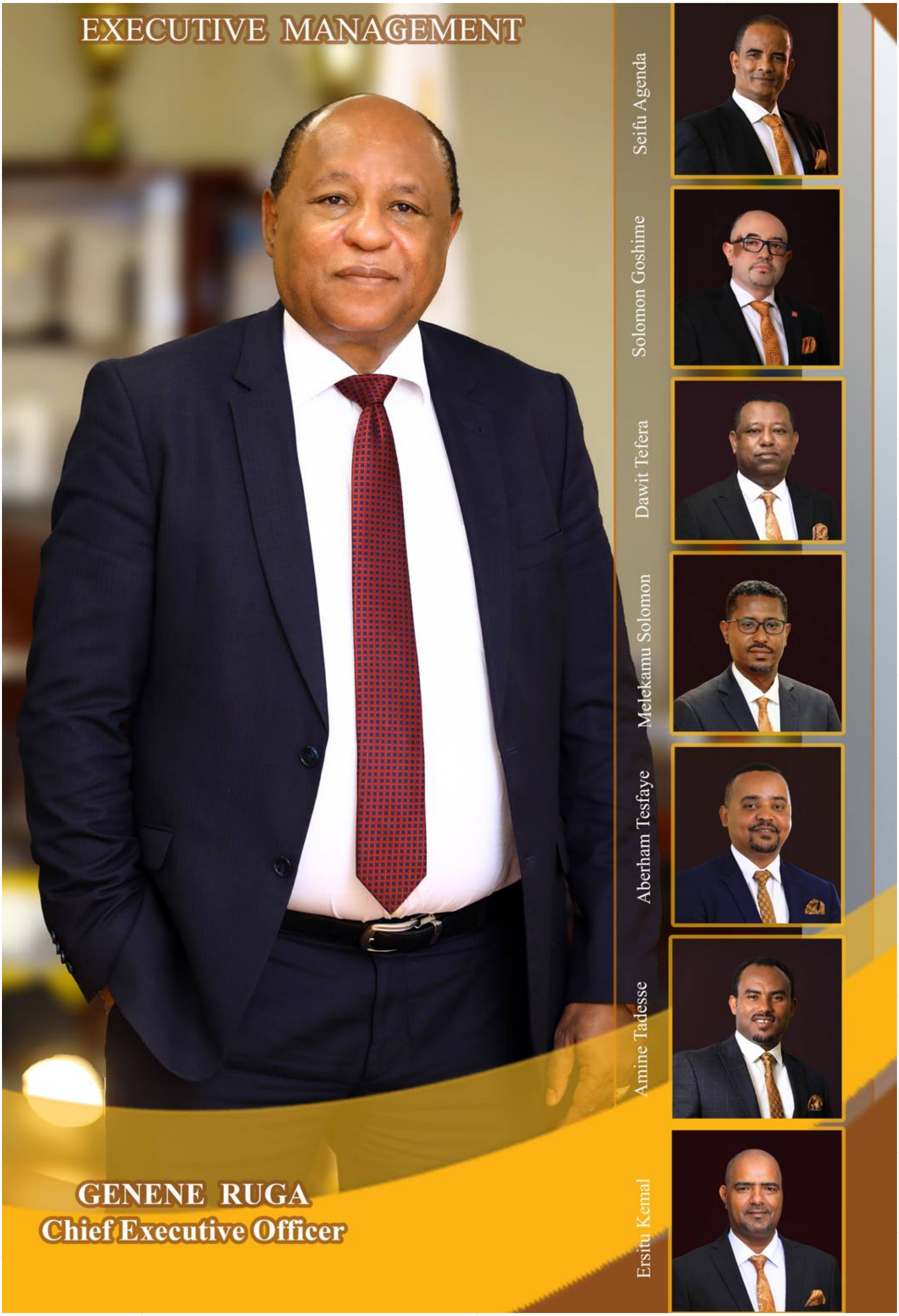
After a thorough review and examination of all the required information for the year ended June 30, 2023, Nib International Bank has adhered to Shari'ah rules and principles while providing both the IFB Financing and retail services.

Finally, the Shari'ah Advisory Board thanks the Bank's Board of Directors, the Management and staff for their cooperation and dedication to understand and uphold the great Shari'ah standards.

**Sheikh Abrar Shifa**
(Chairman-SAB)

**Ustaz Abdulgefar Sherif**
(Member-SAB)

**Ustaz Mohamed Sallah**
(MemberSAB)


EXECUTIVE MANAGEMENT
Seifu Agenda
Solomon Goshime
Dawit Tefera
Melekamu Solomon
Aberham Tesfaye
Amine Tadesse
Ersitu Kemal
GENENE RUGA
Chief Executive Officer


Seifu Agenda
Chief, Customers & Oprations Officer
Shiferaw Argaw
Deputy Chief, Branch Affairs & CATs Officer
Alemu Semaye
Deputy Chief, Banking Operations Officer
Ephrem Teshome
Deputy Chief, Customer Relationship Officer
Daniel Birhanu
Director, Corporate & Institutional Banking Dep't
Yirgalem Nigussie
Director,Credit Appraisal Dep't
Melisew Birhanu
Director, CATs & Branch Support Dep't
Belete Shigute
Diector, Credit Portfolio Management & Workout Dep't
Fisseha Wujira
Director, Retail & MSME Banking Dep't

Solomon Goshime
Chief, Corporate Services Officer

Assefa Jeza
Deputy Chief, Facilities Officer

Selam Dershaye
Deputy Chief, Finance Officer

Eden Haddis
Director,Treasuy Dep't

Ayele Shirega
Director, Finance & Accounts Dep't

Demissew Abera
Ditector, Supply Chain Management Dep't

Habtemariam Tesfaye
Director, Building & Lease Administration Dep't

Ayele Yitayew
Director, Facilities Management Dep't


Dawit Tefera
A/Chief, Technology & Digital Banking Officer
Mesfin Sisay
Deputy Chief, Information Systems Officer
Tatek Negassa
Deputy Chief, Digital Banking Officer
Zelalem Solomon
Director, Core Banking & Business Atomation Dep't
Anmut Addis
Director,IT Infrastructure Management Dep't
Elias Negassi
Director, Online Banking Dep't
NIB INTERNATIONAL BANK
Tamirat Abebe
Director,Analytics & Database Management Departmen
Director, IT Risk & Cyber Security Dep't
Namrud Kesetbirhan
Director, Digital Transformation Dep't
Yohannes Belehu
Director, Digital Banking Oprations Dep't
Bogale Teferdegne
Director, Agency & Card Banking Dep't


Melkamu Solomon
Vice President, Human Capital
Fasil Afework
Diretor, Talent Management Dep't
Belayneh Kifle
Director, Human Resource
Opration Det't
Nahom Daniel
Diercter, Human Resource
Development Dep't
Gebeyehu Raba
Director, Marketing &
Customer Experience Dep't
Welella Mohammed
Director, Brand Management & Business
Communcation Dep't
Meskerem Tesfaye
Director, Corporate Planning &
Monitoring Dep't
Abreham Tesfaye
Vice President, Stratagy & Marketing


Sintayehu Tadesse
Director, Trade Finance Dep't
NIB INTERNATIONAL BANK
Diercetor, NGO's Int.Inst. & Diaspora Banking Dep't
Amine Tadesse
Vice President, International Banking Operations
Abdulkadir Welela
Director, IFB Customer Relationship Dep't
Mensur Ali
Director, IFB Financing & Investement Dep't
Eristu Kemal
Vice President, Interstet Free Banking

## Internal Audit and Risk & Compliance

Mulugeta Dilnesaw

Director, Risk & Compliance Management Dep't

Sirak Yifru

Director, Internal Audit Dep't

## Office of the CEO

Leulseged Negussie

Chief Advisor to the CEO

Beyene Alemu

Director, Legal Services Dep't

Osman Ali

Executive Assistant to the CEO

## District Director

Merihun Elias

Director, North West A.A District

Haimanot Yirga

Director, North East A.A District

Elias Assefa

Director, South East A.A District

Ashenafi G. Mariam

Director, Centeral A.A District

Deribew Michael

Director, Hossana District

Gezahegn Shirbesa

Director, Hawssa District

Gutema Terfasa

Director, Jimma District

Director, Bahir Dar District

Teferi Batebo

Director, Dire Dawa District

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# ንብ ማር
# የቁጠባ ሒሳብ!

## ከጣፋጩ ወለድ ጋር

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**Committed to Service Excellence !**

# MESSAGE FROM THE CHIEF EXECUTIVE OFFICER (CEO)

On behalf of the Management and myself, I would like to present the annual performance of our Bank for the financial year ended June 30, 2023.

The 2022/23 financial year has been marked by challenging internal and external situations, both globally and locally. The global macroeconomic challenges, including the spillover effects of COVID-19, business slowdown, supply chain problems, and the Russia-Ukraine conflict, have directly impacted inflation and indirectly affected banking operations. Additionally, other critical macroeconomic challenges such as significant inflation, liquidity problems, the introduction of the capital market, and the preparation for foreign bank entry have put pressure on the banking industry, including our Bank. Furthermore, internal conflicts, instability, locust invasion, drought, foreign currency shortages, high inflation, and intense competition among banks have posed additional obstacles to fulfilling our core functions.

Despite facing various challenges, NIB has once again demonstrated resilience by achieving sustainable results across multiple performance indicators and continuing its success. During the fiscal year, the Bank managed to generate a record total income of 8.9 billion Ethiopian Birr, representing growth of 1.9 billion Birr (27.5%) over the total income realized in the preceding year. Furthermore, the Bank's total expense during the period under review reached 7 billion Birr, exceeding last year's figure by 1.7 billion Birr (32.8%). Consequently, the Bank's profit before tax approached 2 billion Birr, noting a 12% increase compared to the same period last year.

As at June 30, 2023, the Bank's total Assets reached Birr 77.0 billion, reflecting a growth of Birr 15.5 billion or 25.3% compared to the previous year. Net Loans and Advances, which constitute the lion's share of the Assets, increased by Birr 14.3 billion and stood at Birr 53.3 billion.

The Bank maintained strong asset quality throughout the past financial year. Notably, the level of non-performing loans (NPLs) decreased significantly to 1.91% as of June 30, 2023, compared to 2.8% as of June 30, 2022. This impressive achievement is particularly remarkable considering the challenging operating environment. It bears emphasis that the Bank's NPL ratio remains far below the 5% limit set by the National Bank of Ethiopia.

On the liability side, customer deposits increased by 19.3% to reach Birr 59.4 billion by the end of the reporting period. The Bank's total capital, reserves, and provisional profit after tax amounted to Birr 10.0 billion, surpassing the balance of the same period last year by more than Birr 1.9 billion. Paid-up capital represents Birr 6.0 billion or 60.2% of the total capital.

In addition to the commendable financial performance, the Bank has achieved significant strategic and qualitative results in core and support functions. To adapt to the changing market climate and enhance competitiveness, the Bank revised and implemented its Strategic Plan, considering external and internal factors. The revised plan, alongside a revised organizational structure, has been diligently executed; instilling confidence that it will further enhance the Bank's performance and competitive position.

Furthermore, the Bank has upgraded its Core-Banking System, established a call center (#9698), and implemented Mobile Money Service through the "NIB E-Birr" digital wallet and agency banking platforms. Integration of mobile and internet banking systems with tele birr digital wallet and P2P systems has facilitated convenient money transfer services among our customers and other banks' Tele-birr users. The Bank has also initiated strategic partnerships and integrated with various potential companies like Chapa and Kacha, widening our customer base and resource mobilization efforts.

To expand coverage and attract more customers, we have opened 33 new branches throughout the country, bringing the total number of branches to 441, including 24 IFB Full-fledged branches adhering to sharia principles. Additionally, the Bank has introduced new deposit products tailored to the needs of specific sectors and segments with the aim of enhancing resource mobilization.

In pursuit of wealth creation and increased asset value, we have completed our iconic headquarters in Addis Ababa and other buildings across the country. The construction of our high-rise twin-building in the center of Hawassa city is also finalized and will soon be inaugurated. Moreover, to boost our asset base and income generation, we have acquired an additional plot of land (4,725.4 Square Meters) in Kirkos sub-city, Wereda 10, from the Addis Ababa City Administration to construct a multipurpose building. The remaining Compensation payments, obtaining construction permits, and hiring consultant and the contractor will proceed in the next budget year.

As part of our corporate social responsibility, the Bank has actively contributed to national development endeavors, supporting vulnerable sectors and charitable organizations based on requests from relevant government authorities and our own initiatives.

The achievements of the past financial year would not have been possible without the coordinated efforts of our esteemed Board of Directors, committed Management members, and diligent and productive employees.

I extend my heartfelt gratitude to our valued customers for their unwavering confidence and loyalty, our shareholders for their trust and support, our business partners and stakeholders for their continuous collaboration, and the National Bank of Ethiopia for its guidance and assistance.

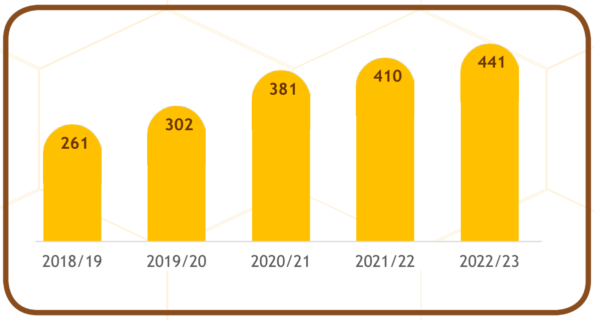
With great confidence, I believe that the results achieved in the 2022/23 financial year will inspire the Management and staff of the Bank to strive for even greater success in the upcoming budget year, through the consistent implementation of our revised Strategic Plan.

Thank you!

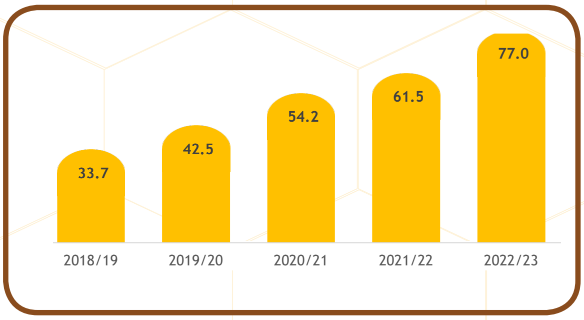
Genene Ruga

Chief Executive Officer

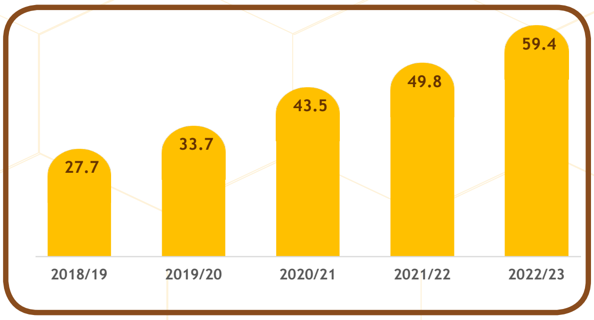
# Operational Performance Highlights



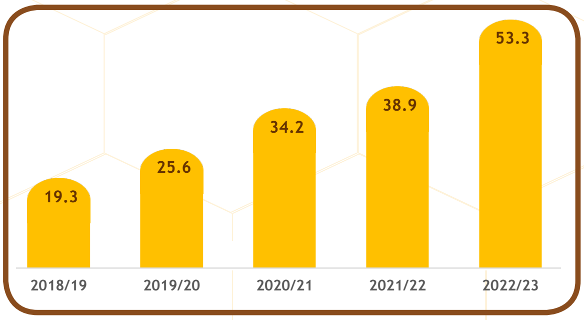

**Number of Branches**



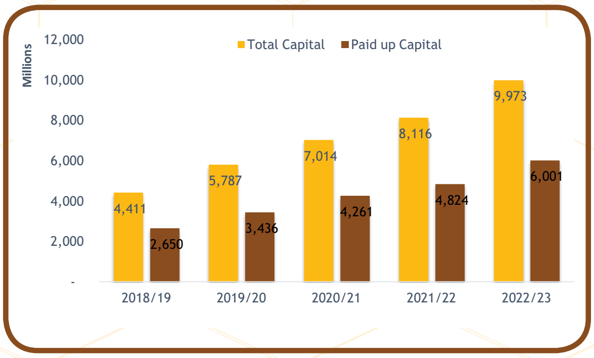

**Total Asset** *(ETB In Billions)*



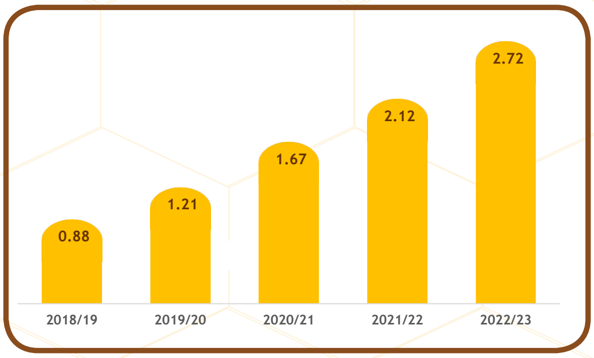

**Deposit** *(ETB In Billions)*



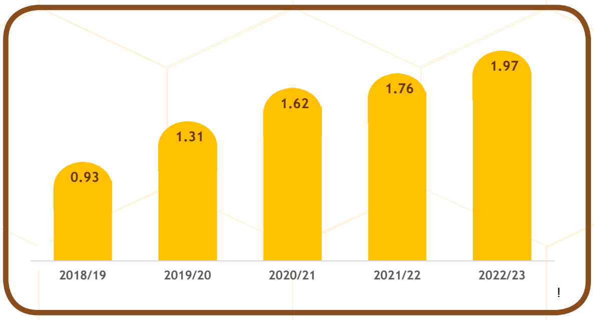

**Loans & Advances** *(ETB In Billions)*



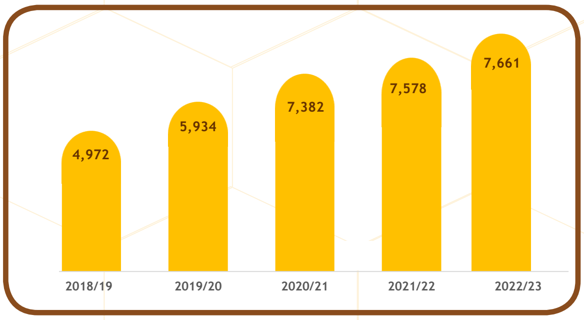

**Capital** *(ETB In Billions)*



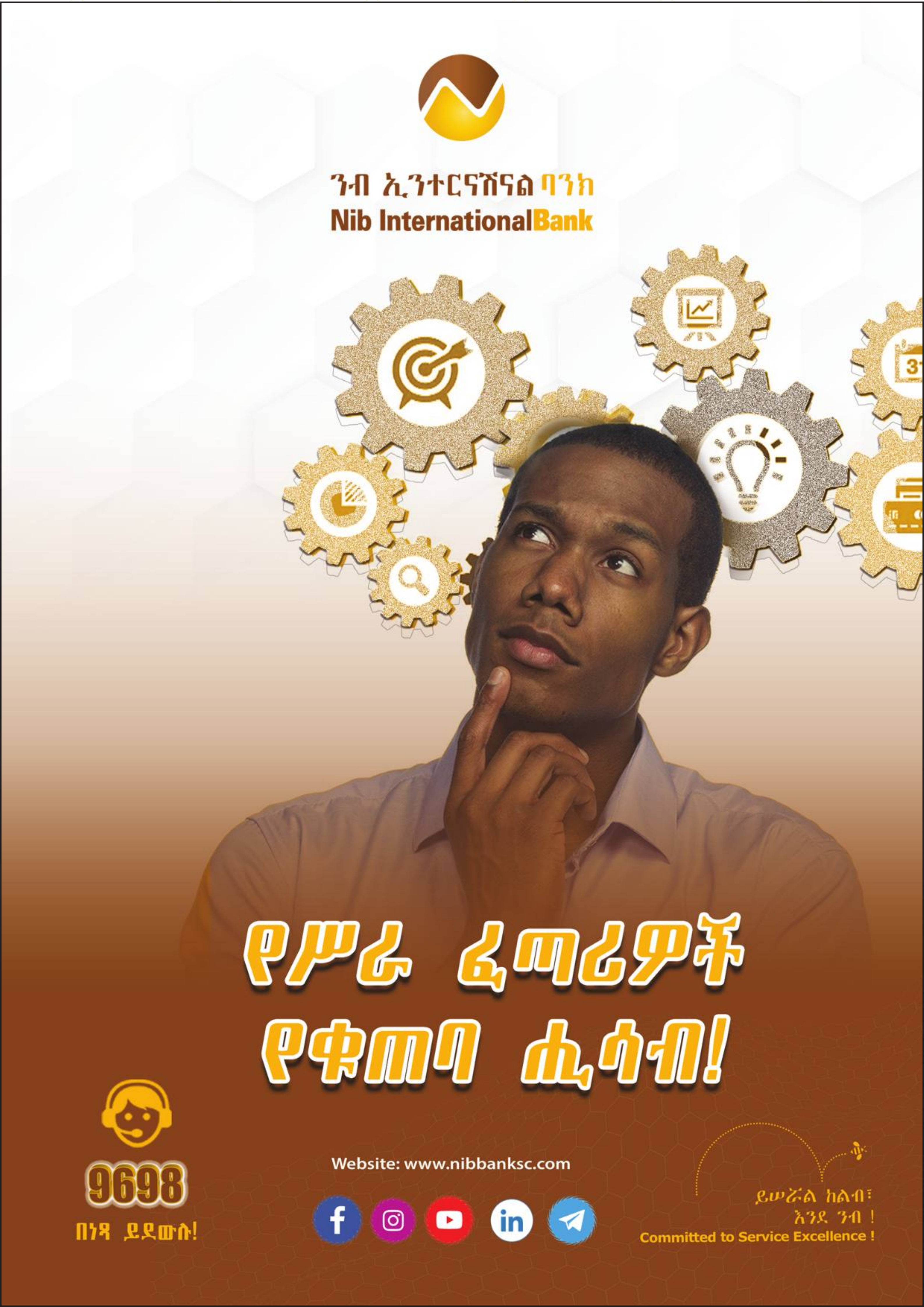

**Depositors** *(Millions)*




**Profit** *(ETB In Billions)*




**Staff Strength**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# DIRECTORS' REPORT

The Board of Directors of Nib International Bank would like to present the Bank's performance and financial report to the 24th Annual General Meeting of shareholders for the year ended on 30th of June 2023.

## GENERAL OUTLOOK OF OPERATING ENVIRONMENT

The continual changing external & internal socio-economic environment has impacted the performance of the financial sector in general and our Bank in particular. Nib International Bank operates and competes in the very vibrant global and national socio-economic environment by maximizing from upsides and curbing the anomalies from downsides. The global and national socio-economic environment is briefly presented below to highlight the overview of key global and domestic economic factors that have implications for the banking sector.

According to the IMF's World Economic Outlook of April, 2023, the global economy is still at a critical stage, with the worst shocks of the past three years mainly driven by Russia-Ukraine war with significant commodity and energy price shocks and trade disruptions; inflation that reached its highest level in a decade; spillover effect of Covid-19 pandemic and the recent tightening in global financial conditions.

Global economic growth of 3.4 percent in 2022 foreseen to slow down to 2.8 percent in 2023, and rise to 3% in 2024. The slowdown is mainly concentrated in advance economies; especially the euro area and United Kingdom. On the other hand, emerging and developing economies are poised to have strong growth rate.

Looking deeper into IMF's World & Regional Economic Growth projections, the advanced economies' growth is expected to drop to 1.3 percent in 2023, down from 3.4 percent in 2022. The Emerging Markets and Developing Economies are predicted to grow by 4% and 3.9% in 2022 and 2023 respectively. While Sub-Saharan Africa economies are predicted to drop to 3.6 percent in 2023 from 3.9 percent growth rate of last year same period.

Regarding the economic overview of the domestic business environment; the Ethiopian economy has faced a number of challenges in 2022/23, including domestic uncertainty, the Ukraine conflict, drought, global supply shocks, and a difficult global and regional environment. Despite these facts, the country has registered a positive growth rate. According to the Ministry of Planning & Development report, Ethiopia's Economy is Project to grow by 7.5% in 2022/23 from 6.5% growth in 2021/22.

Coming to the overview of the banking industry in Ethiopia; it has been operating under difficult conditions in the year under review, primarily due to high inflation rate, liquidity problems, foreign currency shortage, internal conflicts & instability, slowdown of business activities, and intense competition among banks. The emergence of new banks to the industry, the transformation of some Microfinance institutions to a bank, the emerging and active involvement of Mobile Money Service Providers and Fin-Tech companies as well as the competition among the existing and new entrant banks have brought both opportunity and challenges for banks in performing their basic functions in the past financial year.

However, NIB has tried to properly manage the challenges, exploit the opportunities and able to register a good-looking result in the captioned financial year and continuing its sustainable growth.

# FINANCIAL PERFORMANCE

The financial performance of the Bank during the financial year 2022/23 is briefly presented as follows.

# FINANCIAL POSITION

## ASSETS

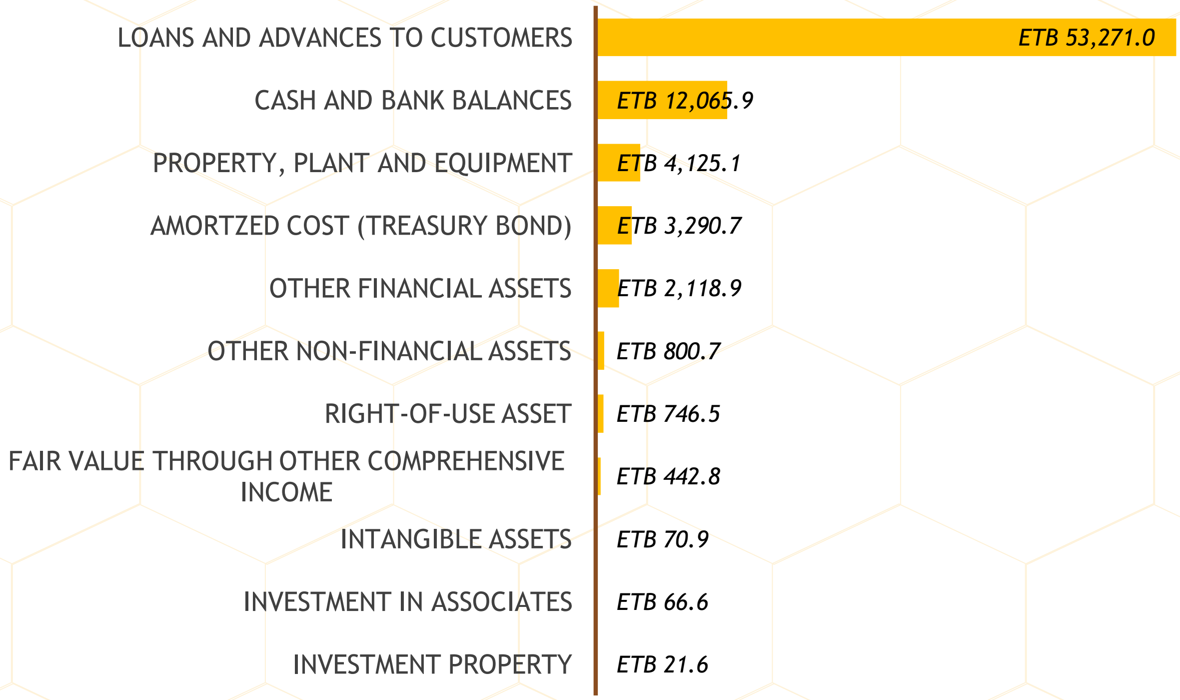
The Bank's total asset reached Birr 77.0 billion, an increase of Birr 15.5 billion over the previous year's corresponding balance of Birr 61.5 billion, with a growth rate of 25.3 percent.

Component wise, net loans and advances constitute the largest share of 69.2% of the total assets, growing at a 36.8 percent to reach Birr 53.3 billion by the end of June 2023, up by Birr 14.3 billion from last year's position. The total amount of Liquid asset stood at Birr 12.1 billion constituting 15.7 of the total assets. Property, plant and equipment of the Bank, on the other hand, constitute 5.4% of the total assets. The detail is depicted is the chart below.

TABLE 1: COMPARISON & COMPOSITION OF ASSETS — IN MILLIONS OF BIRRS

| | | | Growth | | % Share | |
|---|---|---|---|---|---|---|
| | June 2023 | June 2022 | Absolute | % | June 2023 | June 2022 |
| Cash and bank balances | 12,065.9 | 15,262.1 | (3,196.2) | (20.9) | 15.7 | 24.8 |
| Loans and advances to customers | 53,271.0 | 38,935.9 | 14,335.1 | 36.8 | 69.2 | 50.6 |
| Fair value through other comprehensive income | 442.8 | 279.3 | 163.6 | 58.6 | 0.6 | 0.4 |
| Amortized cost (Treasury Bond) | 3,290.7 | 396.7 | 2,894.0 | 729.6 | 4.3 | 0.5 |
| Investment in associates | 66.6 | 55.6 | 10.9 | 19.6 | 0.1 | 0.1 |
| Other financial assets | 2,118.9 | 1,266.7 | 852.3 | 67.3 | 2.8 | 1.6 |
| Other non-financial assets | 800.7 | 474.4 | 326.3 | 68.8 | 1.0 | 0.6 |
| Investment property | 21.6 | 22.0 | (0.4) | (1.9) | 0.0 | 0.0 |
| Intangible assets | 70.9 | 73.2 | (2.2) | (3.1) | 0.1 | 0.1 |
| Right-of-use asset | 746.5 | 763.9 | (17.4) | (2.3) | 1.0 | 1.0 |
| Property, plant and equipment | 4,125.1 | 3,961.6 | 163.5 | 4.1 | 5.4 | 5.1 |
| | 77,020.8 | 61,491.3 | 15,529.4 | 25.3 | 100.0 | 79.8 |

*CHART 1: TOTAL ASSET BY TYPE DURING JUNE 2023* *IN MILLIONS OF BIRRS*




## INVESTMENTS

As evidenced by investments in various construction projects totaling a net book value of Birr 3.1 billion and participation in various alternative investments totaling Birr 509.4 million in equity investment, the efficient utilization of shareholder equity into valuable assets is progressing successfully.

## LOANS AND ADVANCES

The Bank's total outstanding loans and advances stood at Birr 53.3 billion, at the end of the 2022/23 financial year, registering an increase of Birr 14.3 billion over the previous financial year's balance of Birr 38.9 billion.

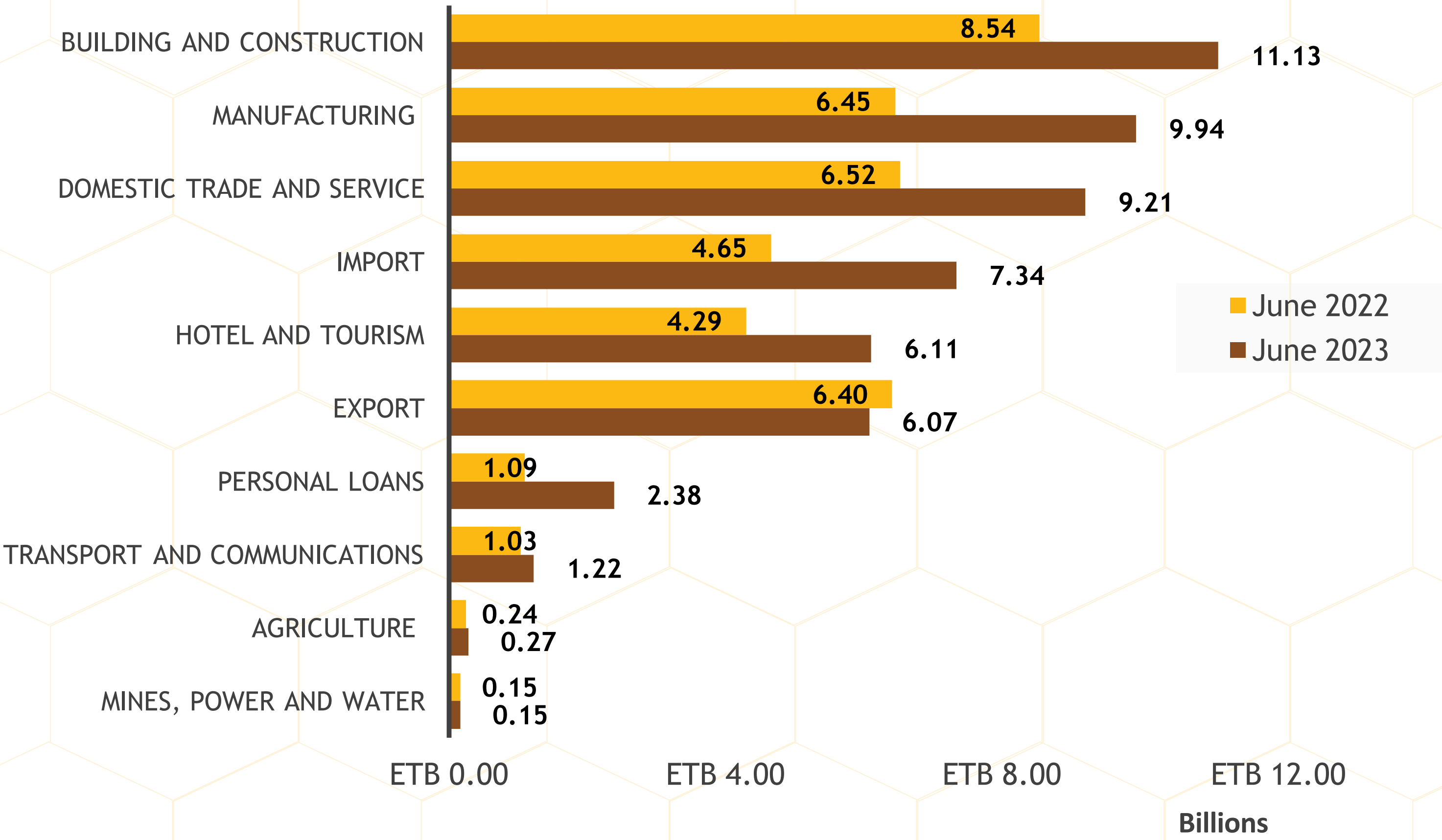
The Bank's asset quality was substantially better than the projected balance for the year under review, which is also in accordance with the National Bank of Ethiopia's (NBE) regulatory standards. The table below depicts the Bank's loan and advance performance by economic sector.

TABLE 2: LOANS AND ADVANCES BY ECONOMIC SECTOR — IN MILLIONS OF BIRRS

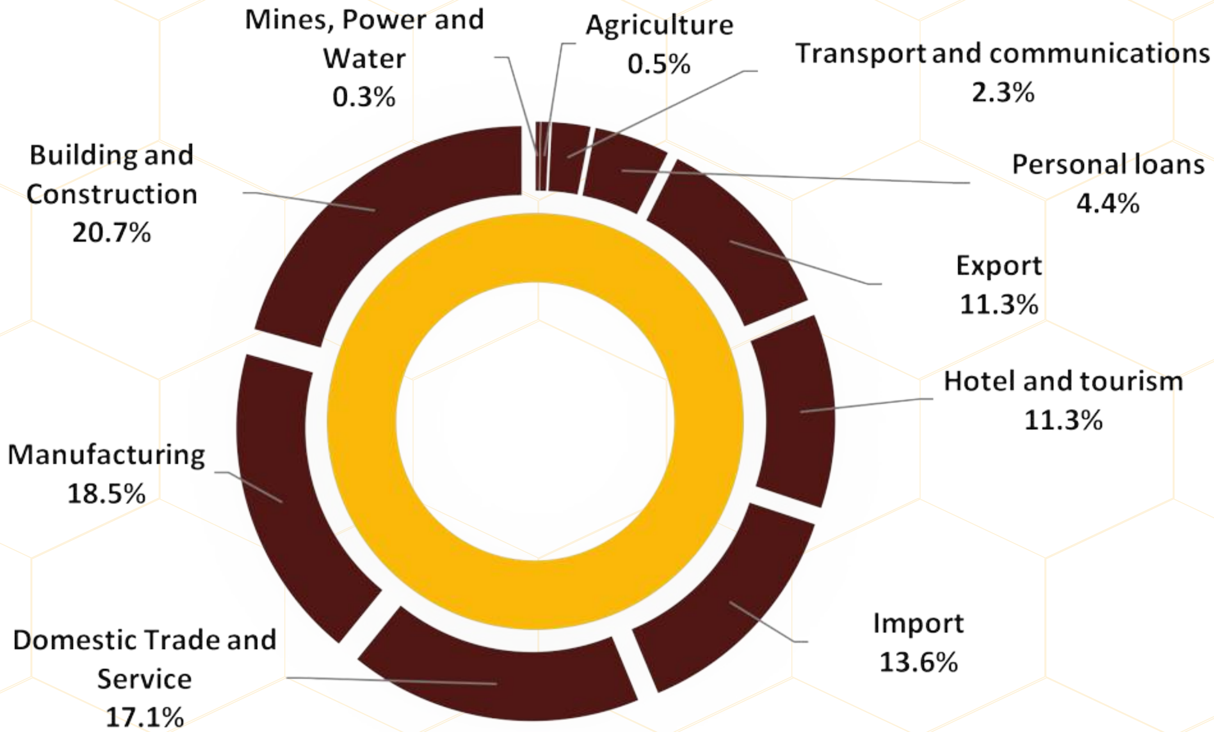
| | | | Growth | | % Share | |
|---|---|---|---|---|---|---|
| | June 2023 | June 2022 | Absolute | % | June 2023 | June 2022 |
| Agriculture | 270.5 | 241.4 | 29.1 | 12.1 | 0.5 | 0.6 |
| Manufacturing | 9,937.4 | 6,446.9 | 3,490.5 | 54.1 | 18.7 | 16.6 |
| Domestic Trade and Service | 9,205.5 | 6,517.2 | 2,688.3 | 41.2 | 17.3 | 16.7 |
| Transport and communications | 1,218.2 | 1,032.6 | 185.6 | 18.0 | 2.3 | 2.7 |
| Hotel and tourism | 6,106.2 | 4,293.5 | 1,812.7 | 42.2 | 11.5 | 11.0 |
| Export | 6,073.1 | 6,401.8 | (328.7) | (5.1) | 11.4 | 16.4 |
| Import | 7,337.4 | 4,653.3 | 2,684.0 | 57.7 | 13.8 | 12.0 |
| Building and Construction | 11,126.1 | 8,540.6 | 2,585.5 | 30.3 | 20.9 | 21.9 |
| Mines, Power and Water | 153.0 | 153.8 | (0.8) | (0.5) | 0.3 | 0.4 |
| Personal loans | 2,378.7 | 1,085.7 | 1,293.0 | 119.1 | 4.5 | 2.8 |
| Total Loans & Advances | 53,806.0 | 39,366.9 | 14,439.1 | 36.7 | 101.0 | 101.1 |
| Less: Impairment Allowances | 535.0 | 431.0 | 104.0 | 24.1 | 1.0 | 1.1 |
| Net Loans & Advances | 53,271.0 | 38,935.9 | 14,335.1 | 36.8 | 100.0 | 100.0 |

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

CHART 2: SECTORIAL COMPARISON OF LOANS AND ADVANCES

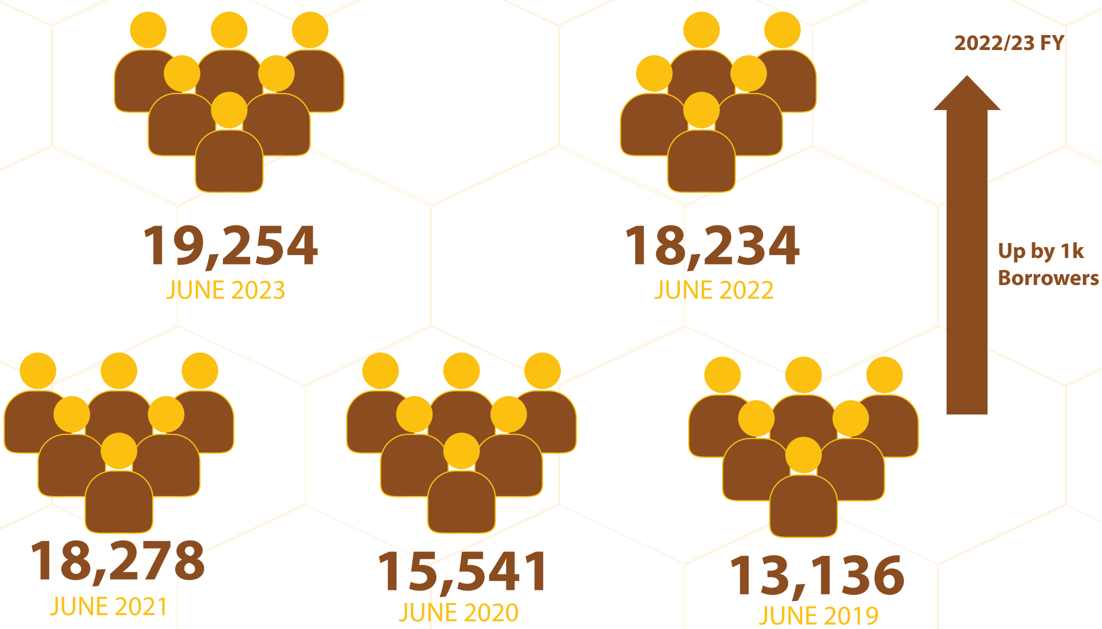


## CHART 3: RELATIVE SECTORAL SHARE OF LOANS & ADVANCES




The total number of loan accounts has reached 19,254 increased by 1,020 borrowers as compared to the previous year same period balance of 18,234.

## CHART 4: NUMBER OF BORROWERS



# LIABILITIES

The total liability of the Bank stood at Birr 67.0 billion registering a growth of Birr 13.7 billion (25.6%) compared to the corresponding last year figure. Total deposits from customers constituted the lion's share (88.5%) of the total liability. The detail of liabilities is described in the following table.

**TABLE 3: COMPARISON & COMPOSITION OF LIABILITIES** IN MILLIONS OF BIRRS

| | | | Growth | | % Share | |
|---|---|---|---|---|---|---|
| | June 2023 | June 2022 | Absolute | % | June 2023 | June 2022 |
| Deposits from customers | 59,360.9 | 49,758.1 | 9,602.8 | 19.3 | 88.5 | 93.2 |
| Borrowings | 2,616.8 | 139.1 | 2,477.7 | 1,781.2 | 3.9 | 0.3 |
| Current tax liabilities | 470.0 | 404.0 | 66.0 | 16.3 | 0.7 | 0.8 |
| Other financial liabilities | 974.8 | 542.9 | 431.9 | 79.6 | 1.5 | 1.0 |
| Other non-financial liabilities | 3,241.8 | 2,140.2 | 1,101.7 | 51.5 | 4.8 | 4.0 |
| Lease liabilities | 188.5 | 266.5 | (78.0) | (29.3) | 0.3 | 0.5 |
| Retirement benefit obligations | 87.7 | 46.0 | 41.7 | 90.6 | 0.1 | 0.1 |
| Deferred tax liabilities | 106.8 | 79.0 | 27.8 | 35.2 | 0.2 | 0.1 |
| **Total Liabilities** | **67,047.3** | **53,375.8** | **13,671.5** | **25.6** | **100.0** | **100.0** |

# DEPOSITS

The total deposit mobilized by the Bank reached Birr 59.4 billion, representing an absolute growth of Birr 9.6 billion or 19.3% over the previous year's balance of Birr 49.8 billion.

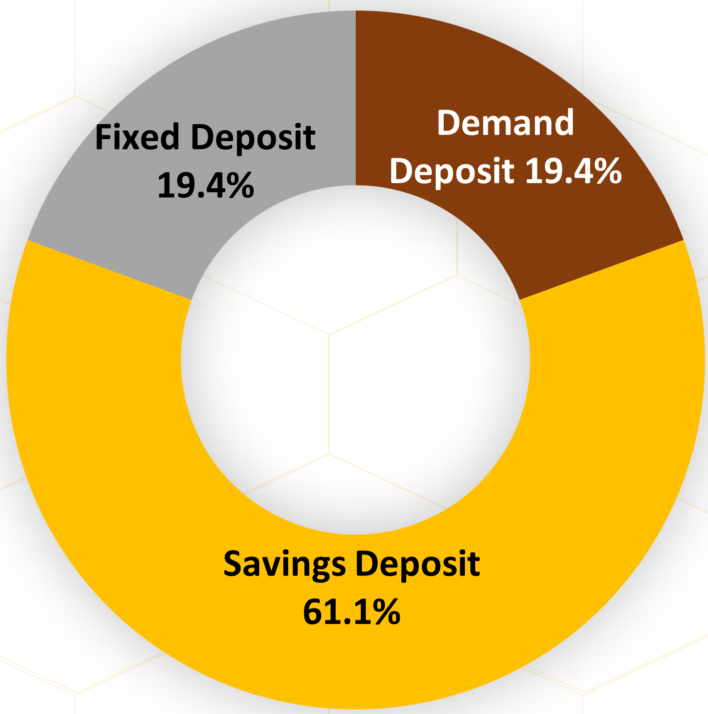
The total number of deposit accounts of the Bank reached 2,718,178 from 2,120,860 at the end of June 2022 making an absolute growth of 597,318 (28.2%). The table and chart below show the details of the deposits.

**TABLE 4: COMPARISON & COMPOSITION OF DEPOSIT** IN MILLIONS OF BIRRS

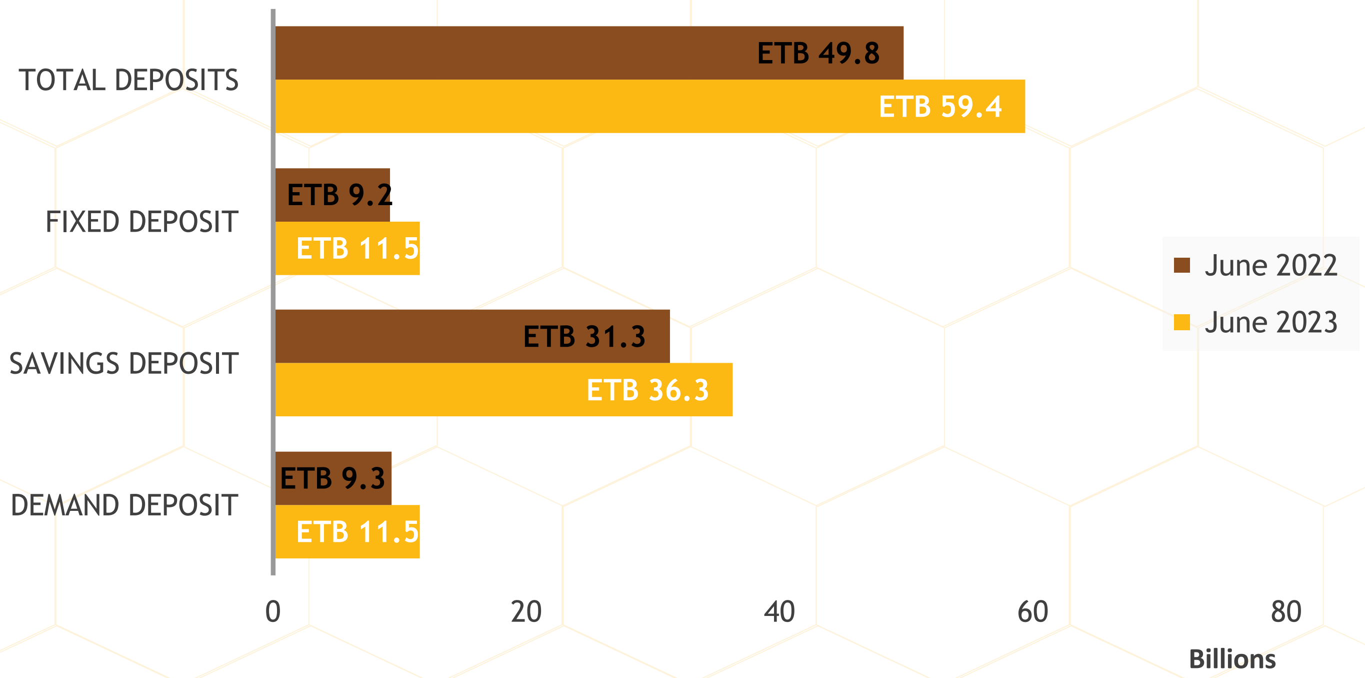
| | | | Growth | | % Share | |
|---|---|---|---|---|---|---|
| | June 2023 | June 2022 | Absolute | % | June 2023 | June 2022 |
| Demand Deposit | 11,536.7 | 9,298.9 | 2,238 | 24.1 | 19.4 | 18.7 |
| Savings Deposit | 36,285.6 | 31,282.1 | 5,003 | 16.0 | 61.1 | 62.9 |
| Fixed Deposit | 11,538.5 | 9,177.0 | 2,361 | 25.7 | 19.4 | 18.4 |
| **Total Deposit** | **59,360.9** | **49,758.1** | **9,602.8** | **19.3** | **100.0** | **100.0** |

As presented in table 4 above, the balance of interest-bearing deposits (Savings Deposit & Fixed Time Deposits) was Birr 47.8 billion that is 80.6% of the total deposit, which was 81.3% as at June 30, 2022. The remaining Birr 11.5 billion (19.4% of the total deposit) was mobilized in the form of non- interest-bearing deposits.

## CHART 5: RELATIVE COMPOSITION OF DEPOSITS




## CHART 6: COMPARISON OF DEPOSITS



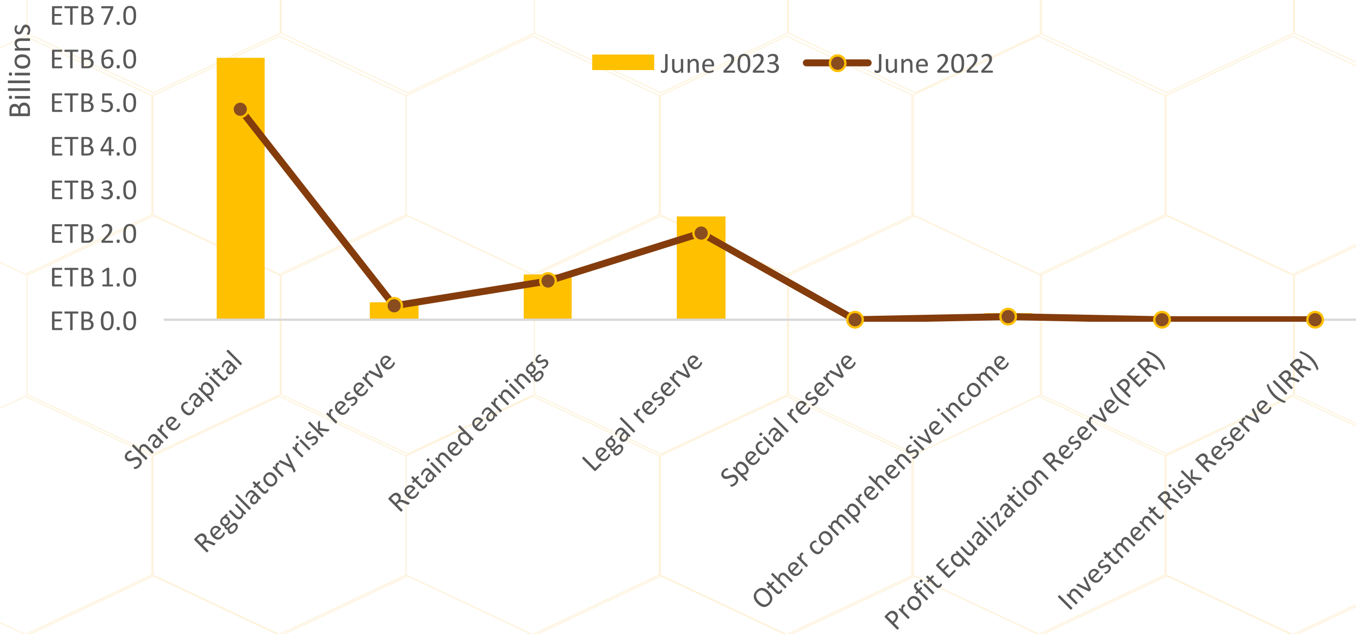
# EQUITY

The Bank's total equity, which is composed of paid-up capital, regulatory risk reserve, retained earnings, legal and special reserve reached Birr 10.0 billion exceeding the balance of last year same period by Birr 1.9 billion or 22.9% growth. The detail is presented below.

TABLE 5: COMPARISON & COMPOSITION OF EQUITY — IN MILLIONS OF BIRRS

| | | | Growth | | % Share | |
|---|---|---|---|---|---|---|
| | June 2023 | June 2022 | Absolute | % | June 2023 | June 2022 |
| Share capital | 6,001.22 | 4,824.48 | 1,176.7 | 24.4 | 60.17 | 59.45 |
| Regulatory risk reserve | 395.78 | 315.99 | 79.8 | 25.3 | 3.97 | 3.89 |
| Retained earnings | 1,048.04 | 895.82 | 152.2 | 17.0 | 10.51 | 11.04 |
| Legal reserve | 2,371.26 | 1,994.56 | 376.7 | 18.9 | 23.78 | 24.58 |
| Special reserve | 2.40 | 2.30 | 0.1 | 4.3 | 0.02 | 0.03 |
| Other comprehensive income | 153.47 | 81.06 | 72.4 | 89.3 | 1.54 | 1.00 |
| Profit Equalization Reserve (PER) | 0.88 | 0.88 | - | - | 0.01 | 0.01 |
| Investment Risk Reserve (IRR) | 0.44 | 0.44 | - | - | 0.00 | 0.01 |
| **Total Equity** | **9,973.5** | **8,115.5** | **1,858.0** | **22.9** | **100.0** | **100.0** |

CHART 7: EQUITY GROWTH




# STATEMENT OF PROFIT /LOSS & OTHER COMPREHENSIVE INCOME

## INCOME

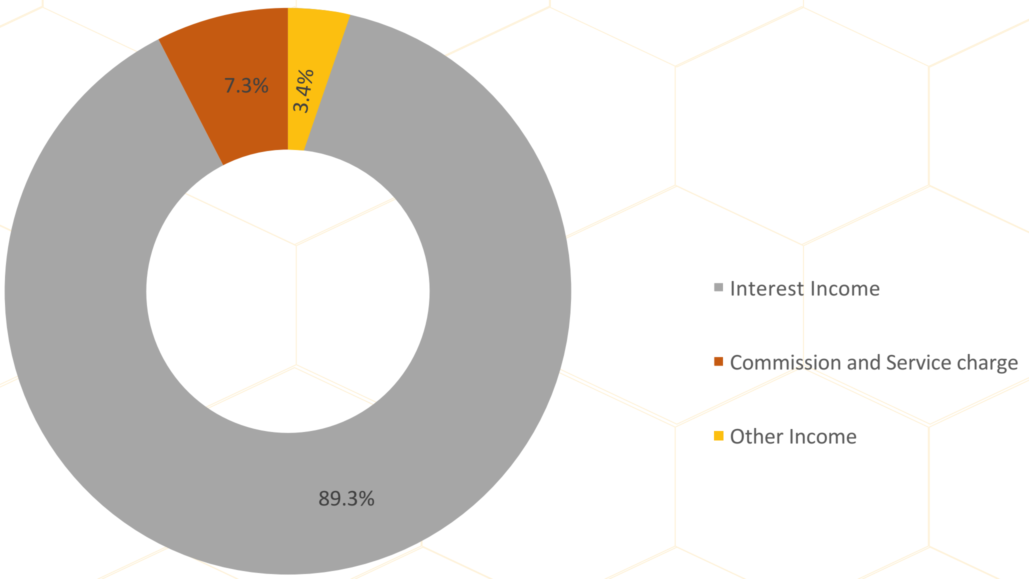
The Bank managed to generate a record total income of Birr 8.9 billion during the financial year, registering a growth of Birr 1.9 billion (27.5%) compared to the total income realized in the preceding year. This demonstrates that the Bank's volume of income and its income generation capacity is growing at a higher rate. The detail composition of income is depicted in the following table.

TABLE 6: COMPOSITION OF INCOME

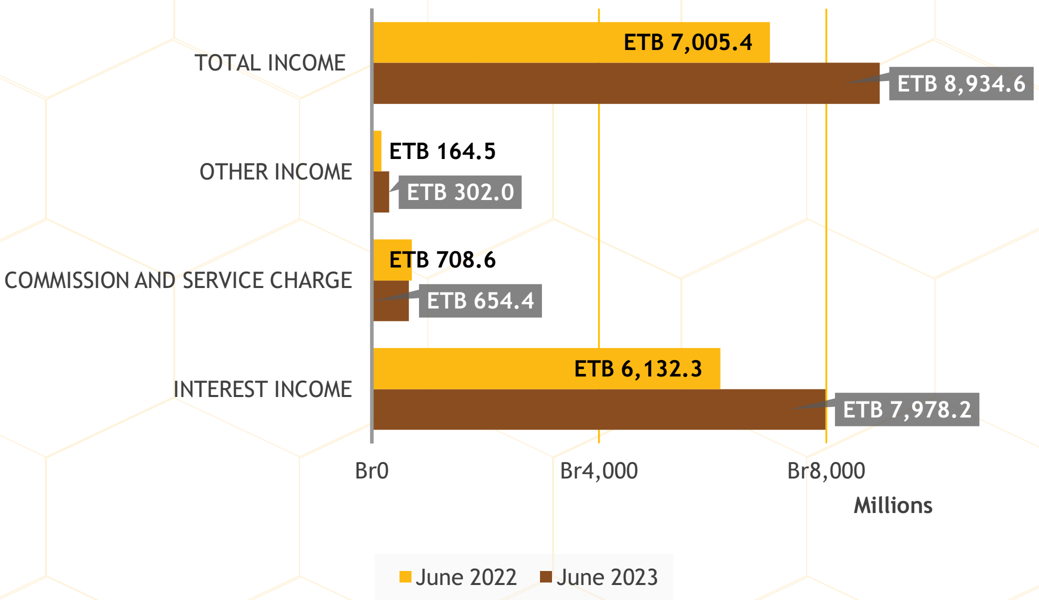
IN MILLIONS OF BIRRS

| | | | Growth | | % Share | |
|---|---|---|---|---|---|---|
| | June 2023 | June 2022 | Absolute | % | June 2023 | June 2022 |
| Interest Income | 7,978.2 | 6,132.3 | 1,846 | 30.1 | 89.3 | 87.5 |
| Commission and service Charge | 654.4 | 708.6 | (54) | (7.7) | 7.3 | 10.1 |
| Other Income | 302.0 | 164.5 | 137 | 83.5 | 3.4 | 2.3 |
| **Total Income** | **8,934.55** | **7,005.40** | **1,929.2** | **27.5** | **100.0** | **100.0** |

## CHART 8: COMPOSITION OF INCOME SOURCES




## CHART 9: COMPARISON OF INCOME SOURCES



Out of the gross income of Birr 8.9 billion generated during the period under review, the total income generated from Foreign Banking activities was Birr 509.9 million (5.7%) of the total income.

# EXPENSES

The total expense of the Bank during the financial period under review reached Birr 7.0 billion which is higher by Birr 1.7 billion (32.8%) compared to last year same period. These expenses are incurred on interest expense, personnel expense, loan impairment charge as well as other operating expenses.

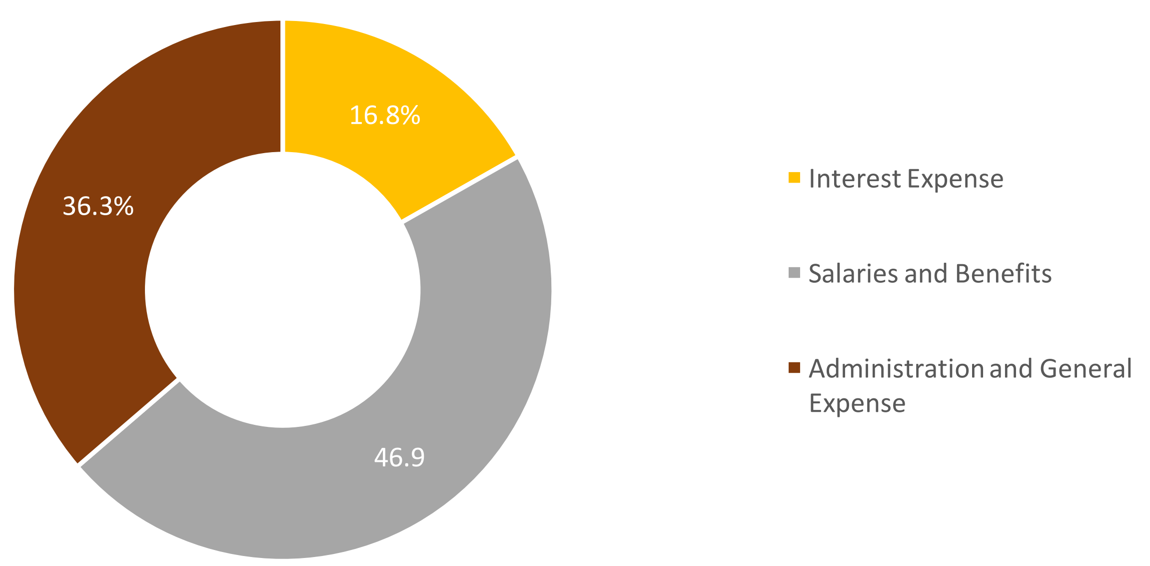
TABLE 7: COMPARISION & COMPOSITION OF EXPENSES

In MILLIONS OF BIRRS

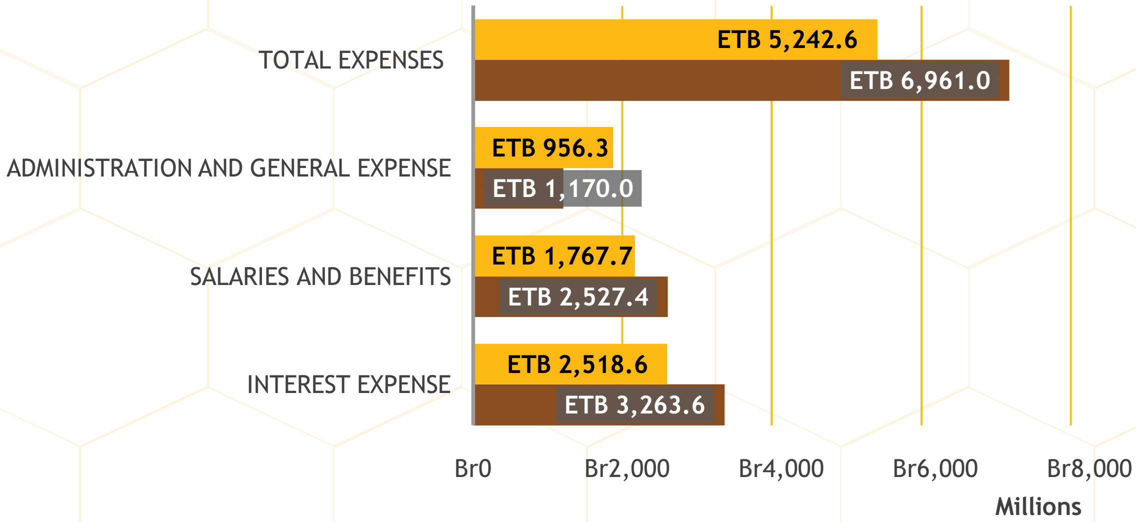
| | | | Growth | | % Share | |
|---|---|---|---|---|---|---|
| | June 2023 | June 2022 | Absolute | % | June 2023 | June 2022 |
| Interest Expense | 3,263.6 | 2,518.6 | 745 | 29.6 | 46.9 | 48.0 |
| Salaries and Benefits | 2,527.4 | 1,767.7 | 760 | 43.0 | 36.3 | 33.7 |
| Administration and General Expense | 1,170.0 | 956.3 | 214 | 22.4 | 16.8 | 18.2 |
| **Total Expense** | **6,961.0** | **5,242.6** | **1,718.4** | **32.8** | **100.0** | **100.0** |

The increase in interest expense is primarily due to an increase in interest rate on renewed fixed time deposit. The increase in salary and benefit expense is mostly attributable to the hiring of new staff, restructuring of the organizational structure and pay rises in relation with salary increments for employees during the financial year. The general expense is also showing increment mainly due to increase in the rent expense and the prevailing inflation during the year. The breakdown of each expense item is presented below.

CHART 10: COMPOSITION OF EXPENSES



## CHART 11: COMPARISON OF EXPENSES




# PROFIT

The Bank's profit before and after tax for the financial year were Birr 2.0 billion and Birr 1.5 billion, respectively. The gross profit showed an increase of Birr 210.7 million which grew by 12.0% compared to Birr 1.8 billion registered in the preceding financial year. Similarly, the net profit of the Bank has increased by Birr 168.2 million (12.6%) from last year's balance.

# RETURN ON ASSETS AND RETURN ON EQUITY

The bank's return on assets (ROA), stated as the ratio of profit before tax to average assets, is 2.8% in the financial year which is slightly lower than that of last year same period's figure of 3.05%. Regarding return on paid up capital (ROE) which is expressed as the ratio of net profit after tax to weighted average paid up capital is stood at 27.7% (Birr 139 per share) during the period under review. The percentage for last year same period was 29.2% (Birr 146 per share).

# BUSINESS DEVELOPMENT AND OTHER MAJOR ACTIVITIES

Various strategic and core activities that are vital to the Bank's growth and development were carried out throughout the reporting period. Among others, some of these major activities are indicated hereunder:

- To adapt to the changing market climate and enhance competitiveness, the Bank has revised its Strategic Plan and it is under implementation since July 01, 2022. The Bank has also put in place a new organizational structure that aligned with the new strategy;
- The Bank has established a call center (#9698) and established a formalized customer feedback and complaint resolution system;

- The Bank has developed and introduced new deposit products tailored to the needs of specific sectors and segments;
- Try to boost brand awareness and Visibility as well as strengthen sales and marketing functions across the Bank;

## HUMAN RESOURCE

The Bank's staff strength at the end of the financial year was 7,661 up by 83 over the corresponding period of previous year. Human resource development is one of the key concerns of the Bank. To this end, the bank has been investing in human capital to strengthen its workers' capabilities through education and short-term capacity development trainings. Accordingly, 117 in-house and external training programs, including international training sessions, were undertaken during the time period under review where 8,707 employees took part in. Furthermore, the Bank has covered tuition fee for 587 workers who have been attending at various higher education institutions to improve their capabilities.

### RISK & COMPLIANCE MANAGEMENT

In general, the Bank sector has been facing serious challenges due to the instability occurring in different parts of the country, the inflationary situation, new directives and regulations as well as the international situations during the reporting period. Particularly, the Bank has faced a critical liquidity problem over the period under consideration. To mitigate this and other types of risks, the Bank has taken on a number of remedial actions. What is more, the Bank has also undertaken a paradigm shift in its revised strategies from traditional to risk-based approach. To this, in the risk management culture, every employee of the Bank should consider him or herself as risk manager or risk owner with a shared understanding of the organizational risk appetite, underpinning by a clear governance structure for managing risk, incorporating three lines of defence, such as Operating units that owns and manages risk, Risk and Compliance that oversees risks/risk control and compliance and Internal Control that provides independent assurance/risk assurance.

Furthermore, with the support a new and advanced technology, the Bank had efficiently squared its responsibilities in the area of "Financial Crime Mitigation" and Anti-Money Laundering and Combating of Financing Terrorism (AML/CFT) duties in line with international standards and national supervisory requirements.

# INFORMATION TECHNOLOGY

NIB International Bank is actively pursuing various initiatives to advance modern banking practices and offer competitive banking services through the implementation of cutting-edge technology. The below paragraphs highlight the bank's achievements in the areas of technology and digital banking during the 2022/23 financial year.

In the technology domain, the bank has recently undergone a modernization project of its infrastructure, embracing a state-of-the-art Disaggregated Hyper-Converged Infrastructure (DHCI). This strategic move has significantly enhanced the efficiency and speed of delivering banking services.

In terms of security, the bank has implemented a centralized identity and authentication service, fortifying the safety of customer accounts and transactions. These security measures enhance effectiveness in mitigating financial fraud. Furthermore, the bank is actively pursuing ISO 27001 Information Security Management certification for its data center and other banking solutions, aligning with international security standards.

To address business continuity and disaster recovery, the bank has overhauled its disaster recovery site, investing in HCI computing infrastructure. This equips the bank with capabilities to ensure uninterrupted service, even in adverse situations.

Another key focus is the optimization of IT support systems, aligning them with the best-in-class IT Service Management tool, BMC. This alignment ensures the seamless provision of IT support services, contributing to a more efficient and responsive technological ecosystem.

In the digital banking arena, NIB has made significant strides by introducing the NIB E-Birr mobile money service—a secure and competitive solution that caters to the evolving needs of customers, thereby significantly enhancing financial inclusion. Additionally, the bank has undertaken a comprehensive modernization of its digital banking services, revamping its mobile banking application to ensure compatibility with both smart and feature mobile phones. Collaborations with FinTech firms have been established to integrate innovative technologies and services into core banking and digital wallet systems, elevating the overall digital banking experience.

NIB ATM CENTER AT HAWASSA TOWN

# BRANCH NETWORK & ALTERNATIVE CHANNELS

During the financial year under review, the Bank expanded its branch network at various parts of the country. Accordingly, 33 new branches were opened during the period making the total number of branches to reach 441 at the end of financial year. Of the total number of branches 210 branches (47.6%) are located in the capital city while 231 branches (52.4%) are operating in the outlying towns. From the total branches, 24 of them are full-fledged IFB branches.

Along with expanding branch network, the Bank is also advancing the effort of providing service through alternative and wide range of channels. In this regard, the Bank is delivering card banking service through its ATMs and Point of Sale (POS) machines deployed at different locations. These ATM and POS terminals are deployed in different branches, hotels and various business centers and the Bank's overall number of ATMs and POS terminals reached 353 and 297 respectively.

During the financial period, the Bank has distributed a total of 219,793 new NIB debit Cards to its customers raising the total number of ATM card holders to 890,262 which makes 32.8% of the Bank's customers to be NIB's card holders. Moreover, Mobile and Internet Banking service alternatives have also been strengthened and continued as means of reaching the customers. Thus, a total of 291,978 customers had subscribed to the Bank's Mobile and internet banking service till the end of June 2023. In addition to ATM, Mobile and Internet service, during the period 177,446 wallet customers, 2,644 merchants and 854 agents are registered for NIB E-Birr service.

## INTEREST FREE BANKING

The Bank is providing Interest Free Banking service through a dedicated window at all of its branches and using its full-fledged "NIB Halal" branches, which exclusively provide interest-free banking services to customers. By the end of the reporting period, the total number of NIB Halal branches had reached 24.


The Bank has already launched various interest-free deposit and investment products and services. The overall number of IFB customers increased by 103,311 during the reporting period to reach 443,503 clients. Furthermore, the overall deposit from this business segment increased by Birr 690.1 million to reach Birr 4.5 billion which constituted a share of 7.6% from the total deposit balance of the Bank.

## CONSTRUCTION PROJECTS

In pursuit of wealth creation and increased asset value, the task of constructing own building continued satisfactorily. Based on this, the Bank has already completed its iconic headquarters in Addis Ababa city and other buildings across the country. The construction of our high-rise twin-building in the center of Hawassa city is also finalized during the period under review and will soon be inaugurated. Moreover, to boost our asset base and income generation, we have acquired an additional plot of land (4,725.4 Square Meters) in Kirkos sub-city, Wereda 10, from the Addis Ababa

City Administration to construct a multipurpose building. The remaining compensation payments, obtaining construction permits, and hiring consultant and the contractor will proceed in the next financial year.

*Member of BoD Visting Hawassa Bulding*

Investing shareholders' equity on wealth creation and increasing of earning assets initiatives are believed to have a significant impact on the Bank's profitability. In this regard, increasing rent income of the Bank by fully renting out reserved offices to external business runners was one of the Bank's focus areas of the year. Accordingly, during the 2022/23 FY, a total of Birr 109.7 million was collected as rent income from own buildings located in different parts of the country.

## CORPORATE SOCIAL RESPONSIBILITY

As part of corporate social responsibility, the Bank has actively contributed to national development endeavors, supporting vulnerable sectors and charitable organizations based on requests from relevant government authorities and our own initiatives. Accordingly, during the financial period, the Bank has carried out different social responsibilities and donated a total of Birr 31.4 million.

## FUTURE PLANS

We believe that exerting utmost effort towards the following key focus areas will have paramount importance in ensuring sustainable business growth and operational excellence which in turn has an immense contribution for successful achievement of the strategic aspiration of the Bank. Thus, our priorities for the financial year 2023/24 include the following:

- Continue the implementation of the revised strategic plan to enhance the overall performance and competitive position of the Bank;
- Enhancing resource mobilization (both local and foreign) efforts of the Bank;
- Enhance Business Automation & Digitalization; work on state-of-the-art banking technology to enhance the overall service and operational excellence
- Enhancing customer satisfaction by providing customer centric services;
- Focusing on digital banking services through diverse technological platforms; Card Banking, Mobile& Internet as well as agent Banking services;
- Strengthening and increasing the volume of business from Interest Free Banking services;
- Introducing new banking products and services that shall fulfill the needs of various customer segments and help the bank to increase customer base and resource mobilization.
- Increasing and strengthening strategic partnership with potential companies;
- Improving the skill and capacity of human resources of the Bank by providing adequate on and off the job trainings;

## VOTE OF THANKS

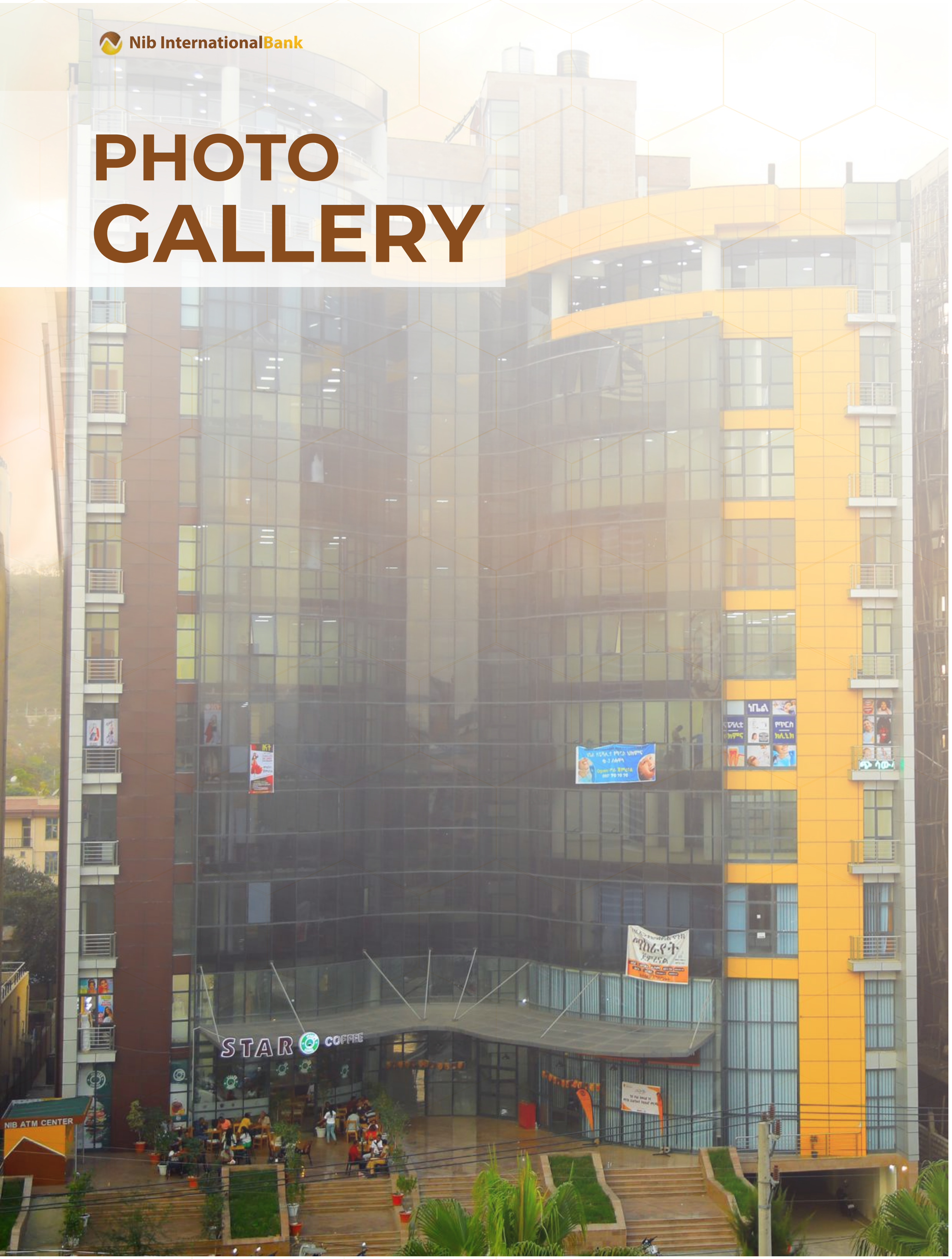
Finally, the Board of Directors would like to recognize the vital roles played by various stakeholders for the commendable achievements of the Bank during the financial year 2022/23. In this regard, the Board is pleased to express its deep gratitude to the National Bank of Ethiopia for its guidance & support; the management members and the entire staff of NIB for their diligence, commitment and dedication; our shareholders for their trust and support and the esteemed customers of the Bank for their unwavering confidence and loyalty.

Woldetensai Woldegiorgis

Chairperson, Board of Directors

December 2023

# PHOTO GALLERY



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**Nib InternationalBank**

# የንብ የተማሪዎች የቁጠባ ሒሳብን እየተጠቀሙ ነው?

## የልጆችዎን ነገ ዛሬ ይቀልሱ!

**9698**
በነጻ ይደውሉ!

Website: www.nibbanksc.com

ይሠሯል ከልብ፤
እንደ ንብ !
**Committed to Service Excellence !**

# Photo Gallery


Shareholders' Meeting

Annual Management Meeting

# NIB Buildings


Arat Kilo


Dukem


Hossana


Welkete

NIB Headquarters

Hawassa

# Recognition & Awards






# Human Capital Development


# Partnership Agreements



# Customer Week


# Financed Projects

Gadrad Building

Merkeb Plaza

Walia Steel Industry

Desalgn Trading

ይሠራል ከልብ፣
እንደ ንብ !
Committed to Service Excellence !

# AUDITORS' REPORT 2022/23

# NIB INTERNATIONAL BANK
# ANNUAL FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2023
# DIRECTORS, PROFESSIONAL ADVISOR 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 Gurumu | Director | *29, June 2021* |
| Ato Melaku Woldemariam | Director | *29, June 2021* |
| Ato Kifle Sibgaz | Director | *29, June 2021* |
| Ato Amare Lema | Director | *29, June 2021* |
| Ato Lema Hailemichael | Director | *29, June 2021* |
| Ato Seyoum Assfaw | Director | *29, June 2021* |
| Ato Engliz Biyan | Director | *18, August 2021* |
| Arct Mulugeta Asefaw | Director | 19, September 2021 |
| W/ro Hayat Mustefa (Representing Mulege PLC) | Director | *04, October 2021* |

**Executive management**

| | | |
|---|---|---|
| Ato Genene Ruga Telila | Chief Executive Officer | *January 17, 2023* |
| Ato Seifu Agenda Kerga | Chief Customers and Operations Officer | *January 17, 2023* |
| Ato Solomon Goshime Bejiga | Chief Corporate Services Officer | *January 17, 2023* |
| Ato Dawit Tefera Degefu | Acting Chief Technology & Digital Banking Officer | *May 01, 2023* |
| Ato Abreham Tesfaye Abebe | Vice President, Strategy and Marketing | *March 30, 2023* |
| Ato Amine Tadesse Tesfu | Vice President, International Banking Operations | *March 30, 2023* |
| Ato Melkamu Solomon Yimer | Vice President, Human Capital | *January 17, 2023* |
| Ato Eristu Kemal Saji | Vice President, Interest Free Banking | *June 08, 2023* |
| Ato Alemu Semaye Gunangul | Deputy Chief Banking Operations Officer | *January 17, 2023* |
| Ato Assefa Jeza Asore | Deputy Chief Facilities Officer | *January 17, 2023* |
| Ato Ephrem Teshome H/Mariam | Deputy Chief Customer Relationship Officer | *January 17, 2023* |
| Ato Selam Dershaye W/Medihin | Deputy Chief Finance Officer | *January 17, 2023* |
| Ato Shiferaw Argaw H/Mariam | Deputy Chief Branch affairs and CATS Officer | *January 17, 2023* |
| Ato Mesfin Sisay Eshete | Deputy Chief Information Systems Officer | *August 07, 2023* |
| Ato Tatek Negassa Biftu | Deputy Chief, Digital Banking Officer | *5/3/2023* |
| Ato Mulugeta Dilnessaw Gebre | Director, Risk and Compliance Management | *April 04, 2023* |
| Ato Sirak Yifru Workineh | Director, Internal Audit Department | *April 04, 2023* |

**Independent auditor**

Tewodros and Fikre Audit Service Partnership
Authorised Auditors, Chartered Certified Accountants
Addis Ababa, Ethiopia.
P.O.Box 8118

**Corporate office**

Ras Abebe Teklearegay Avenue
In front of Addis Ababa University School of Commerce
P.O.Box 2439
Addis Ababa, Ethiopia

**Company Secretary**

Ato Yared Ayele G/Hiwot
Ras Abebe Teklearegay Avenue
In front of Addis Ababa University School of Commerce
P.O.Box 2439

Certified Auditors in Ethiopia
Tewodros and Fikre Audit Service Partnership

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No. 4
Nib International Bank S.C.

# NIB INTERNATIONAL BANK
# ANNUAL FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2023
# REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 30 June 2023, 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 ((as amended by 592/2008) 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**

The Bank's results for the year ended 30 June 2023 are set out on page 63. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Interest income | 7,978,214 | 6,132,281 |
| Profit before tax | 1,973,512 | 1,762,801 |
| Income tax expense | (466,712) | (424,153) |
| Profit for the year | 1,506,800 | 1,338,648 |
| Other comprehensive income, net of taxes | 72,415 | 55,251 |
| Total comprehensive income for the year | 1,579,215 | 1,393,898 |

**Directors**

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

**Woldetensai Woldegiorgis**
**Chairperson, Board of Directors**
**Addis Ababa, Ethiopia**
**31 Occtober 2023**

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# NIB INTERNATIONAL BANK
# ANNUAL FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2023
# STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with the Banking Business Proclamation No. 84/1994 (as amended by 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 Management is responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in Ethiopia and in the manner required by the Commercial Code of Ethiopia of 1960 ( as replaced by Commercial code of Ethiopia no.1243/2021), 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 to 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 Management 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 Ethiopia and the relevant Directives issued by the National Bank of Ethiopia.

The Management 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 Management 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 Management 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 and Management by:

| | |
|---|---|
| Woldetensai Woldegiorgis | Genene Ruga |
| Chairperson, Board of Directors | Chief Executive Officer |

Nib International Bank S.C. No. 4

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Certified Auditors in Ethiopia Tewodros and Fikre Audit Service Partnership

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☎ + 251-011-466 11 57 251-96-621 59 21
>> 90-380 61 90
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Tewodros and Fikre Audit Services
Partnership
P.O. Box 8118

E-mail: chalatewodros@gmail.com
Addis Ababa Ethiopia

Partners
Tewodros Hailu, M.A, FCCA & Fikre Menta, M.A, FCCA

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

## OPINION

We have audited the accompanying financial statements of *NIB INTERNATIONAL BANK SHARE COMPANY* which comprise the statement of profit and loss and other comprehensive income for the year ended 30 June 2023, statement of financial position as at 30 June 2023, 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 SHARE COMPANY* as at 30 June 2023 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 E.C 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, 2013 E.C, 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

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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 that there are no key audit matters to be separately communicated in our report.

**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.

Tewodros and Fikre Audit Services
Partnership
Chartered Certified Accountants

Addis Ababa
October 31, 2023

# NIB INTERNATIONAL BANK
# ANNUAL FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2023
## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|---|
| Interest income calculated using the EIR method | 5 | 7,978,214 | 6,132,281 |
| Interest expense | 6 | (3,248,572) | (2,501,530) |
| Interest expense: Lease Liabilities | 7 | (15,032) | (17,067) |
| **Net interest income** | | **4,714,610** | **3,613,685** |
| Fee and commission income | 8 | 654,357 | 708,575 |
| Fee and commission expense | 8 | (14,084) | (11,636) |
| **Net fees and commission income** | | **640,273** | **696,939** |
| Other operating income | 9 | 288,272 | 155,457 |
| **Total operating income** | | **5,643,155** | **4,466,082** |
| Loan impairment charge | 10 | (103,982) | (164,443) |
| Impairment Charge on deposit with other banks | 14 | 306 | (61) |
| Impairment Charge on NBE Bills | 16 | (142) | 315 |
| Impairment losses on loan commitment & financial | 27 | 821 | 8 |
| **Net operating income** | | **5,540,159** | **4,301,902** |
| Personnel expenses | 11 | (2,527,426) | (1,767,730) |
| Amortisation of intangible assets | 22 | (10,008) | (7,895) |
| Depreciation and impairment of right-of-use asset | 23 | (330,898) | (276,241) |
| Depreciation and impairment of property, plant and | 20 & 23 | (111,597) | (143,741) |
| Other operating expenses | 12 | (599,299) | (352,256) |
| | | **(3,579,228)** | **(2,547,863)** |
| Profit before tax and share of income from associates | | 1,960,932 | 1,754,039 |
| Share of net profit of associate accounted for using the equity method | 18 | 12,580 | 8,763 |
| **Profit before tax** | | **1,973,512** | **1,762,801** |
| Income tax expense | 13 | (466,712) | (424,153) |
| **Profit after tax** | | **1,506,800** | **1,338,648** |
| **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 | 30 | (38,567) | (4,602) |
| Deferred tax (liability)/asset on remeasurement gain or loss | 13 | 11,570 | 1,381 |
| Bank's share of associate's other comprehensive income(net of tax) | | (109) | (176) |
| | | **(27,106)** | **(3,397)** |
| Gain on change in Fair Value of Investment Securities | 16 | 142,173 | 83,783 |
| Deferred tax (liability)/asset on gain on change in fair value of equity securities | 16 | (42,652) | (25,135) |
| | | **99,521** | **58,648** |
| Total of Other Comprehensive income | | 72,415 | **55,251** |
| **Total comprehensive income for the period** | | **1,579,215** | **1,393,898** |
| **Basic & diluted earnings per share (Birr)** | 32 | 139 | 146 |

The financial statements on pages 63 to 66 were approved and authorised for issue by the board of directors on 31 October 2023 and were signed on its behalf by:

The accompanying notes on Page 67 to 120 are an integral part of theses financial statements.

Certified Auditors in Ethiopia
Tewodros and Fikre Audit Service Partnership

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Woldetensai Woldegiorgis
Chairperson, Board of Directors

Genene Ruga
Chief Executive Officer

# NIB INTERNATIONAL BANK
# ANNUAL FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2023
## STATEMENT OF FINANCIAL POSITION

| | Notes | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and bank balances | 14 | 12,065,870 | 15,262,070 |
| Loans and advances to customers | 15 | 53,271,048 | 38,935,902 |
| Investment securities: | | | |
| - Fair value through other comprehensive income | 16 | 442,840 | 279,253 |
| - Amortzed cost (Treasury Bond) | 17 | 3,290,670 | 396,653 |
| Investment in associates | 18 | 66,552 | 55,647 |
| Other financial assets | 19 | 2,118,942 | 1,266,678 |
| Other non-financial assets | 20 | 800,715 | 474,448 |
| Investment property | 21 | 21,590 | 22,007 |
| Intangible assets | 22 | 70,947 | 73,191 |
| Right-of-use asset | 23 | 746,483 | 763,881 |
| Property, plant and equipment | 24 | 4,125,095 | 3,961,587 |
| **Total assets** | | **77,020,754** | **61,491,317** |
| **LIABILITIES** | | | |
| Deposits from customers | 25 | 59,360,853 | 49,758,078 |
| Borrowings | 26 | 2,616,804 | 139,106 |
| Current tax liabilities | 13 | 469,996 | 404,034 |
| Other financial liabilities | 27 | 974,764 | 542,877 |
| Other non-financial liabilities | 28 | 3,241,846 | 2,140,160 |
| Lease liabilities | 29 | 188,454 | 266,493 |
| Retirement benefit obligations | 30 | 87,703 | 46,007 |
| Deferred tax liabilities | 13 | 106,840 | 79,042 |
| | | 67,047,261 | 53,375,796 |
| **Total liabilities** | | **67,047,261** | **53,375,796** |
| **EQUITY** | | | |
| Share capital | 31 | 6,001,221 | 4,824,476 |
| Regulatory risk reserve | 4.2.9 | 395,779 | 315,991 |
| Retained earnings | 33 | 1,048,037 | 895,815 |
| Legal reserve | 34 | 2,371,263 | 1,994,564 |
| Special reserve | 35 | 2,400 | 2,300 |
| Other comprehensive income | | 153,472 | 81,056 |
| Profit Equalization Reserve(PER) | | 881 | 881 |
| Investment Risk Reserve (IRR) | | 440 | 440 |
| **Total equity** | | **9,973,493** | **8,115,523** |
| **Total equity and liabilities** | | **77,020,754** | **61,491,317** |

The financial statements on pages 63 to 66 were approved and authorised for issue by the board of directors on 31 October 2023 and were signed on its behalf by:

The accompanying notes on Page 67 to 120 are an integral part of theses financial statements.

| | |
|---|---|
| Woldetensai Woldegiorgis | Genene Ruga |
| Chairperson, Board of Directors | Chief Executive Officer |

# NIB INTERNATIONAL BANK
# ANNUAL FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2023
## STATEMENT OF CASH FLOWS

| | Notes | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 36 | (15,933,014) | (8,559,729) |
| Proceeds of deposits from customers | 25 | 9,602,775 | 6,220,188 |
| Interest received | 5 | 7,978,214 | 6,132,281 |
| Interest paid | 6 | (3,248,572) | (2,501,530) |
| Interest paid: Lease liabilities | 7 | (5,316) | (3,581) |
| Defined benefit paid | 30 | (13,680) | (7,751) |
| Directors allowance paid | | (1,800) | (1,800) |
| Allowance for Board of director's election nomination committee paid | | (375) | - |
| Income tax paid | | (404,034) | (410,547) |
| **Net cash (outflow)/inflow from operating activities** | | **(2,025,803)** | **867,531** |
| **Cash flows from investing activities** | | | |
| Purchase of equity investments | 16 | (20,176) | (9,474) |
| Purchase of intangible assets | 22 | (9,763) | (58,207) |
| Payment for construction in progress | 24 | (94,342) | (375,471) |
| Payment for right-of-use asset | 29 | (286,701) | (321,864) |
| Purchase of property, plant and equipment | 24 | (180,333) | (82,366) |
| Redemption/Purchase of NBE Bills | | (2,894,159) | 6,306,019 |
| Additional investment in associates | | (17,779) | (8,763) |
| Dividend collected from associates | | 6,765 | 1,238 |
| Proceeds from sale of property, plant and equipment and repossed collateral | 36 | - | 849 |
| **Net cash (outflow)/inflow from investing activities** | | **(3,496,489)** | **5,451,960** |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares | 31 | 1,176,745 | 563,962 |
| Proceeds from borrowings | 26 | 2,477,698 | (181,983) |
| Repayment of lease liabilities: principal portion | 26 | (113,802) | (55,705) |
| Dividend paid | 33 | (895,815) | (763,141) |
| **Net cash (outflow)/inflow from financing activities** | | **2,644,826** | **(436,868)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(2,877,466)** | **5,882,624** |
| Cash and cash equivalents at the beginning of the year | 14 | 11,121,125 | 5,200,119 |
| Effect of exchange rate movement on cash and cash equivalents | | 25,960 | 38,382 |
| **Cash and cash equivalents at the end of the year** | 14 | **8,269,620** | **11,121,125** |

The financial statements on pages 63 to 66 were approved and authorised for issue by the board of directors on 31 October 2023 and were signed on its behalf by:

The accompanying notes on Page 67 to 120 are an integral part of theses financial statements.

Woldetensai Woldegiorgis
Chairperson, Board of Directors

Genene Ruga
Chief Executive Officer

Nib InternationalBank

# NIB INTERNATIONAL BANK
# ANNUAL FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2023
## STATEMENT OF CHANGES IN EQUITY

| | Notes | Share capital Birr'000 | Retained earnings Birr'000 | Legal reserve Birr'000 | Special reserve Birr'000 | Regulatory risk reserve Birr'001 | Regulatory risk reserve Birr'000 | Other comprehensive income Birr'000 | Profit Equalization Reserve Birr'000 | Total Birr'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **As at 1 July 2021** | | **4,260,514** | **763,141** | **1,659,903** | **2,200** | **-** | **302,114** | **25,806** | | **7,013,678** |
| Profit for the year | 31 | - | 1,338,648 | - | - | - | - | - | | 1,338,648 |
| *Net other comprehensive incomefor the year* | | - | - | - | - | | - | 55,251 | | 55,251 |
| Issue of shares | 29 | 563,962 | - | - | - | | | | | 563,962 |
| Profit Equalization Reserve | | | | | | | | | 881 | 881 |
| Investment Risk Reserve | | | | | | | | | 440 | 440 |
| Transfer to legal reserve | 32 | - | (334,662) | 334,662 | - | | | | | - |
| Transfer to special reserve | 33 | - | (100) | - | 100 | | | | | - |
| Transfer to regulatory risk reserve | | | (13,877) | | | | 13,877 | - | | - |
| Dividend paid | 31 | - | (763,141) | - | - | | | | | (763,141) |
| Board of directors' remuneration | 31 | | (1,800) | | | | | | | (1,800) |
| Profit tax paid per assessment | 31 | | (92,394) | | | | | | | (92,394) |
| **As at 30 June 2022** | | **4,824,476** | **895,815** | **1,994,564** | **2,300** | **-** | **315,991** | **81,056** | **1,321** | **8,115,523** |

| | Notes | Share capital Birr'000 | Retained earnings Birr'000 | Legal reserve Birr'000 | Special reserve Birr'000 | Regulatory risk reserve Birr'001 | Regulatory risk reserve Birr'000 | Other comprehensive income Birr'000 | Profit Equalization Reserve Birr'000 | Total Birr'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **As at 1 July 2022** | | **4,824,474** | **895,815** | **1,994,565** | **2,300** | **-** | **315,991** | **81,056** | **1,321** | **8,115,523** |
| Profit for the year | 33 | - | 1,506,800 | - | - | - | - | - | | 1,506,800 |
| *Net other comprehensive incomefor the year* | | - | - | - | - | | - | 72,415 | | 72,415 |
| Issue of shares | 31 | 1,176,747 | - | - | - | | | | | 1,176,747 |
| Transfer to legal reserve | 34 | - | (376,700) | 376,700 | - | | | | | - |
| Transfer to special reserve | 35 | - | (100) | - | 100 | | | | | - |
| Transfer to regulatory risk reserve | | | (79,788) | | | | 79,788 | | | - |
| Dividend paid | 33 | - | (895,815) | - | - | | | | | (895,815) |
| Board of directors' remuneration | 33 | | (1,800) | | | | | | | (1,800) |
| Allowance for Board of | 33 | | (375) | | | | | | | (375) |
| **As at 30 June 2023** | | **6,001,221** | **1,048,037** | **2,371,264** | **2,400** | **-** | **395,779** | **153,472** | **1,321** | **9,973,493** |

The financial statements on pages 4 to 7 were approved and authorised for issue by the board of directors on 31 October 2023 and were signed on its behalf by: The accompanying notes on Page 8 to 72 are an integral part of theses financial statements.

Woldetensai Woldegiorgis
Chairperson, Board of Directors

Genene Ruga
Chief Executive Officer

# NIB INTERNATIONAL BANK
# ANNUAL FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2023
## NOTES 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 ( as replaced by Commercial code of Ethiopia of 1243/2021) and the Licensing and Supervision of Banking Business Proclamation No. 84/1994 (as amended by 592/2008). 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 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

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

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

• Defined benefit pension plans – plan assets measured at fair value.
• Investments in equity securities are measured at fair value through other comprehensive income

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.

### 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 1 July 2022, and have not been applied in preparing these financial statements.

| Standard | Description | Effective date | Impact |
|---|---|---|---|
| Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements | Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. It addressing the presentation of liabilities and the associated cash flows arising out of supplier finance arrangements, as well as disclosures required for such arrangements. | The amendments will be effective for annual reporting periods beginning on or after 1st January 2024, with early application permitted | The Bank opted to apply the amendments when due. |
| Amendment to IFRS 16 – Leases on sale and leaseback | The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. | Annual periods beginning on or after 1 January 2024 | The Bank opted to apply the amendments when due. |

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| | | | |
|---|---|---|---|
| Amendment to IAS 12 - International tax reform - pillar two model rules | These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies | The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023 | Do not have significat impact on the banks's financial results or position |
| Amendment to IAS 1 – Non-current liabilities with covenants | These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. | Annual periods beginning on or after 1 January 2024. | The Bank opted to apply the amendments when due. |
| IFRS 17 Insurance contracts | The standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. | Applicable to annual reporting periods beginning on or after 1 January 2023 | Do not have significat impact on the banks's financial results or position |
| Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4) | Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017 | The ammendment is effective from annual reporting periods beginning on or after 1 January 2023 | Do not have significat impact on the banks's financial results or position |

| | | | |
|---|---|---|---|
| IAS 12 amendments on deferred tax | Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. | The amendments are effective for annual periods beginning on or after 1 January 2023 | Do not have significat impact on the banks's financial results or position |
| 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 expected to have an impact on the bank's financial statements. |

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| 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. |

**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

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**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.

**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.

### 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 profit or loss.

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 or minus transaction costs that are directly attributable to its acquisition or issue.

b. Classification and subsequent measurement

*i) Financial assets*

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

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

—the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

—the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI). `

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

—the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

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

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI 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 managemen

— 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

— contingent events that would change the amount and timing of cash flows;

— leverage features;

— prepayment and extension terms;

— terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and

— features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

*ii) Financial liabilities*

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

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.

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**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-monht ECL:

— debt investment securities that are determined to have low credit risk at the reporting date; and

— other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

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

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

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

*i) Measurement of ECL*

— 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.

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

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

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

— for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

— for loan commitments and financial guarantee contracts: generally, as a provision;

— where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

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

***v) Write-off***

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

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

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

*vi) Non-integral financial guarantee contracts*

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

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

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

**d. Derecognition**

***i) Financial assets***

The Bank shall derecognise a financial asset when:

— The contractual right to the cash flows from the financial asset expires, or

— It transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or

— Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

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

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

***ii) Financial liabilities***

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

**e. Modifications of financial assets and financial liabilities**

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***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.

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.

***ii) Financial liabilities***

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

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

**f. Offsetting**

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

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

**g. Designation at fair value through profit or loss**

***i) Financial assets***

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

***ii) Financial liabilities***

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

— the liabilities are managed, evaluated and reported internally on a fair value basis; or

—the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**2.7 Islamic banking**

**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 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.

***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 amortized cost calculated on an effectiv intest basi

__ 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-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), 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 with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

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

### 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 (in years) |
|---|---|
| Buildings | 50 |
| Motor vehicles | 10 |
| **Furniture & fittings:** | |
| - Medium lived | 10 |
| - Long lived | 20 |
| Computer and related item | 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
The assets under lease agreement ( right of use assets) are depreciated over lease period.

### 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.

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 Impairment of non-financial assets

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

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

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

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

## 2.15 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.

## 2.16 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
- Quantitative disclosures of fair value measurement hierarchy

- Financial instruments (including those carried at amortised cost)

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an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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.

### 2.17 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 private organisation employees pension proclamation. 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 , if the contract of employment is terminated by initiation of the employee after serving five years and by employer if the employee served one year. In addition, it is only paid if the employee resigns before reaching the retirement age. 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.

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.

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### 2.18 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.

### 2.19 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.

### 2.20 Earnings per share

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

### 2.21 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**

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
- 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:

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.

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 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***

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.

***Development cost***

The Bank capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The development costs that were capitalised by the Bank relates to those arising from the development of computer software.

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## 4 Financial risk management

### 4.1 Introduction

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

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

#### 4.1.1 Risk management structure

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

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

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

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

#### 4.1.2 Risk measurement and reporting systems

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

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

#### 4.1.3 Risk mitigation

Risk controls and mitigants, identified and approved for the Bank, are documented for existing and new processes and systems.

The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently audited as part of the review process.

### 4.2 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.

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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.

| | 2023 | | | |
|---|---|---|---|---|
| *In Birr'000* | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Loans and advances to customers at amortised cost** | | | | |
| Stage 1 – Pass | 46,128,655 | - | - | **46,128,655** |
| Stage 2 – Special mention | - | 7,035,926 | - | **7,035,926** |
| Stage 3 - Non performing | - | - | 589,994 | **589,994** |
| **Total gross exposure** | **46,128,655** | **7,035,926** | **589,994** | **53,754,575** |
| Loss allowance | (238,714) | (68,019) | (228,233) | **(534,967)** |
| **Net carrying amount** | **45,889,940** | **6,967,907** | **361,760** | **53,219,608** |

| *In Birr'000* | 2023 | | | |
|---|---|---|---|---|
| **Other financial assets (debt instruments)** | | **Gross exposure** | **Loss allowance** | **Net carrying amount** |
| Cash and balances with ba | 12 Month ECL | 12,065,949 | (79) | 12,065,870 |
| Investment securities (debt instruments) | 12 Month ECL | 3,290,830 | (160) | 3,290,670 |
| Financial assets | Lifetime ECL | 2,139,584 | (20,642) | 2,118,942 |
| **Totals** | | **17,496,363** | **(20,881)** | **17,475,482** |

| | 2022 | | | |
|---|---|---|---|---|
| *In Birr'000* | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Loans and advances to customers at amortised cost** | | | | |
| Stage 1 – Pass | 33,349,224 | - | - | **33,349,224** |
| Stage 2 – Special mention | - | 4,886,995 | - | **4,886,995** |
| Stage 3 - Non performing | - | - | 1,130,668 | **1,130,668** |
| **Total gross exposure** | **33,349,224** | **4,886,995** | **1,130,668** | **39,366,887** |
| **Loss allowance** | (207,500) | (53,716) | (169,769) | **(430,985)** |
| **Net carrying amount** | **33,141,724** | **4,833,279** | **960,899** | **38,935,902** |

| *In Birr'000* | 2022 | | | |
|---|---|---|---|---|
| **Other financial assets (debt instruments)** | | **Gross exposure** | **Loss allowance** | **Net carrying amount** |
| Cash and balances with ba | 12 Month ECL | 15,262,456 | (385) | 15,262,070 |
| Investment securities (debt instruments) | 12 Month ECL | 396,671 | (18) | 396,653 |
| Other recevables and financial assets | Lifetime ECL | 1,287,320 | (20,642) | 1,266,678 |
| **Totals** | | **16,946,447** | **(21,045)** | **16,925,401** |

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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 2023 | Maximum exposure to credit risk Birr'000 | Secured against real estate and Birr'000 | Bank guarantees and Shares Birr'000 | Multiple Collaterals Birr'000 | Others Birr'000 | Total Birr'000 |
|---|---|---|---|---|---|---|
| Loans and advances to | | | | | | - |
| - | 270,483 | 709,665 | 1,835 | 112,714 | 111,300 | 935,514 |
| - Manufacturing | 9,937,421 | 14,046,453 | 20,230 | 3,141,904 | 2,324,300 | 19,532,887 |
| - Domestic Trade and | 9,205,459 | 31,710,733 | 98,140 | 1,651,228 | 4,519,300 | 37,979,401 |
| - Transport and | 1,218,169 | 749,251 | 89,579 | 1,985,362 | 381,400 | 3,205,593 |
| - Hotel and tourism | 6,106,249 | 24,436,004 | 247,388 | 121,218 | 3,350,200 | 28,154,810 |
| - Export | 6,073,090 | 1,814,378 | 164 | 5,107,427 | 934,900 | 7,856,869 |
| - Import | 7,337,352 | 13,478,377 | 147,725 | 1,233,227 | 2,007,000 | 16,866,329 |
| - Building and | 11,126,115 | 24,637,073 | 89,579 | 1,044,440 | 3,480,800 | 29,251,892 |
| - Mines, Power and | 153,007 | 127,071 | - | 355,785 | 65,200 | 548,056 |
| - Personal | 2,378,669 | 38,723 | | 1,016,643 | 142,500 | 1,197,866 |
| | **53,806,014** | **111,747,729** | **694,640** | **15,769,948** | **17,316,900** | **145,529,217** |
| Investment securities: | | | | | | - |
| - FVOCI | 442,840 | | | | | - |
| - Amortzed cost (Gover | 3,290,830 | | | | | - |
| | **3,733,669** | **-** | **-** | **-** | **-** | **-** |
| Other assets | 2,139,584 | - | - | - | - | - |
| | **2,139,584** | **-** | **-** | **-** | **-** | **-** |
| Purchase commitments | 55,561 | | | | | |
| Loan commitments | 4,068,396 | | | | | |
| Guarantees | 3,989,285 | | | | | |
| Letters of credit and | 1,699,658 | | | | | |
| | **69,492,165** | **111,747,729** | **694,640** | **15,769,948** | **17,316,900** | **145,529,217** |

| 30 June 2022 | Maximum Birr'000 | Secured Birr'000 | Bank Birr'000 | Multiple Birr'000 | Others Birr'000 | Total Birr'000 |
|---|---|---|---|---|---|---|
| Loans and advances to | | | | | | |
| - | 241,394 | 588,053 | 1,835 | | 28,547 | 618,435 |
| - Manufacturing | 6,446,920 | 13,182,476 | 21,900 | - | 926,543 | 14,130,920 |
| - Domestic Trade and | 6,517,161 | 20,644,007 | 140,559 | - | 872,975 | 21,657,541 |
| - Transport and | 1,032,612 | 906,699 | | - | 1,811,405 | 2,718,104 |
| - Hotel and tourism | 4,293,517 | 11,821,682 | | - | 274,315 | 12,095,997 |
| - Export | 6,401,822 | 8,350,720 | 172,334 | - | 4,308,445 | 12,831,499 |
| - Import | 4,653,350 | 12,692,392 | 349,358 | - | 905,400 | 13,947,150 |
| - Building and | 8,540,628 | 25,267,921 | 445 | - | 1,108,978 | 26,377,344 |
| - Mines, Power and | 153,773 | 624,904 | | - | 124,980 | 749,883 |
| - Personal | 1,085,710 | 174,827 | 542.40 | - | 1,507,485 | 1,682,855 |
| | **39,366,887** | **94,253,681** | **686,974** | **-** | **11,869,074** | **106,809,729** |
| Investment securities: | | | | | | - |
| - FVOCI | 279,253 | | | | | - |
| - Amortzed cost (NBE Bil | 396,671 | | | | | - |
| | **675,924** | - | - | - | - | - |
| Other assets | 1,287,320 | - | - | - | - | - |
| | **1,287,320** | - | - | - | - | - |
| | **Maximum Birr'000** | **Secured Birr'000** | **Bank Birr'000** | **Multiple Birr'000** | **Others Birr'000** | **Total Birr'000** |
| Purchase commitments | 121,645 | - | - | - | - | - |
| Loan commitments | 3,279,885 | - | - | - | - | - |
| Guarantees | 2,840,336 | - | - | - | - | - |
| Letters of credit and | 677,528 | - | - | - | - | - |
| | **48,249,524** | **94,253,681** | **686,974** | **-** | **11,869,074** | **106,809,729** |

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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.

***ii) Investment securities designated as at FVTPL***

At 30 June 2023, 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**

***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 comparir

— the remaining lifetime probability of default (PD) as at the reporting date; with

— the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

— the Bank uses three criteria for determining whether there has been a significant increase in credit risk:
— quantitative test based on movement in PD;
— qualitative indicators; and
— a backstop of 30 days past due,

***iii) Credit risk grades***

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

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

a. **Term loan exposures**

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

— Data from credit reference agencies, press articles, changes in external credit ratings
— Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business
— 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

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***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.

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

- 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

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

***vii) Incorporation of forward-looking information***

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

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

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

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

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

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

| **Sector/Product** | **Macroeconomic factors** | | | | |
|---|---|---|---|---|---|
| Agriculture and Personal loans | Goods exports, USD | | | | |
| Domestic Trade & Services | | | | | |
| Building & Construction and Manufacturing & | Goods imports, USD | Nominal GDP, USD | Real GDP per capita, USD (2010 prices) | | |
| Export and Import | Goods imports, USD | | | | |

| Macro-economic factor | 2022 | 2023 | 2024 |
|---|---|---|---|
| Consumer price index inflation, 2010=100, ave | 584.5242768 | 731.8458587 | 833.5004207 |
| Exports of goods and services, USD | 7948.798022 | 9395.607791 | 10688.61701 |
| Government domestic debt, LCU | 1311530 | 1601205 | 1831600 |
| LCU/USD, ave | 47.7638 | 53.4866 | 56.62675 |
| Nominal GDP, LCU | 4841072 | 6170604 | 7375961.5 |
| Private final consumption, LCU | 3602072.5 | 4706090.5 | 5637459.5 |
| Total domestic demand, LCU | 5199565 | 6554527 | 7774859.5 |
| Savings, LCU | 1058362.5 | 1139737.5 | 1333875.5 |
| Population | 119344462.5 | 122292044 | 125261131 |
| Consumer price index inflation, 2010=100, eop | 581.0731393 | 689.7085522 | 758.6794075 |
| M1, LCU | 463645 | 519050 | 584105 |
| M2, LCU | 1450580 | 1669935 | 1932335 |
| Current expenditure, LCU | 396720.5 | 510009.5 | 596727.5 |
| Goods imports, USD | 14995.5 | 15797.5 | 16432.5 |
| Goods exports, USD | 4022 | 4137 | 4393 |
| Current account balance, USD | -4482 | -4804 | -4747.5 |
| Import cover months | 1.705 | 1.72 | 1.89 |
| Total household spending, LCU | 4197596.597 | 5494617.242 | 6584552.359 |
| Nominal GDP, USD | 100846.5258 | 115099.8131 | 130088.5708 |
| Real GDP, LCU (2010 prices) | 9.44211E+11 | 9.98682E+11 | 1.06299E+12 |
| Real GDP, USD (2010 prices) | 65526523984 | 69306677493 | 73769466189 |
| Real GDP per capita, USD (2010 prices) | 548.962749 | 566.6069137 | 588.7835639 |
| Nominal GDP, USD (PPP) | 3.15979E+11 | 3.58558E+11 | 3.94407E+11 |
| Private final consumption, USD | 74903.44466 | 87765.78158 | 99433.7029 |
| Private final consumption per capita, USD | 0.000627084 | 0.000717115 | 0.000793453 |
| Government final consumption, LCU | 406173 | 487844 | 566297.5 |
| Government final consumption, USD | 8489.805169 | 9106.134154 | 9989.898713 |
| Exports of goods and services, LCU | 382337.5 | 503898 | 605980.5 |
| Exports of goods and services per capita, USD | 6.65444E-05 | 7.67641E-05 | 8.52933E-05 |
| Imports of goods and services, LCU | 740830.5 | 887821 | 1004878.5 |
| Imports of goods and services, USD | 15480.92371 | 16574.61301 | 17735.38256 |
| Total domestic demand, USD | 108378.6515 | 122278.8183 | 137135.3364 |
| Total domestic demand per capita, USD | 0.000907656 | 0.000999237 | 0.001094309 |
| Unemployment, % of labour force, ave | 3.215 | 3.235 | 3.28 |
| Real effective exchange rate index | 27.355 | 16.67 | 12.565 |
| LCU/USD, eop | 51.7276 | 55.24565 | 58.00795 |
| Total revenue, LCU | 363207 | 476482 | 648396.5 |
| Total revenue, USD | 7576.060514 | 8876.822855 | 11411.97015 |
| Total expenditure, LCU | 523142.5 | 681893 | 857966 |
| Total expenditure, USD | 10869.3867 | 12720.97912 | 15113.56834 |
| Current expenditure, USD | 8225.045254 | 9524.573405 | 10521.5298 |
| Budget balance, LCU | -159936 | -205410.5 | -209569 |
| Budget balance, USD | -3293.337601 | -3844.147214 | -3701.589134 |
| Services imports, USD | 5857.5 | 6267 | 6696.5 |
| Services exports, USD | 5202 | 5569 | 5897.5 |
| Total reserves ex gold, USD | 2955 | 3159.5 | 3648.5 |
| Total external debt stock, USD | 35572.5 | 40111.5 | 44666.5 |
| Long-term external debt stock, USD | 33809 | 38315 | 42836 |
| Public external debt stock, USD | 33809 | 38315 | 42836 |
| Total government debt, USD | 60625 | 71350 | 80340 |
| Total debt service, USD | 2172.01 | 2525.54 | 2884.175 |

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.

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.

| | 2023 | | | |
|---|---|---|---|---|
| *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 2022** | **207,500** | **53,716** | **169,769** | **430,985** |
| Net remeasurement of loss allowance | 31,214 | 14,303 | 58,464 | 103,982 |
| **Balance as at 30 June 2023** | **238,714** | **68,019** | **228,233** | **534,967** |

| | 2023 | | | |
|---|---|---|---|---|
| *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 2022** | **385** | **18** | **20,642** | **21,045** |
| Net remeasurement of loss allowance | 306 | (142) | 0.00 | 164 |
| **Balance as at 30 June 2023** | **79** | **160** | **20,642** | **20,881** |

| | 2023 | | | |
|---|---|---|---|---|
| *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 2022** | **924** | **-** | **-** | **924** |
| Net remeasurement of loss allowance | (829) | - | - | **(829)** |
| **Balance as at 30 June 2023** | **95** | **-** | **-** | **95** |

| | 2022 | | | |
|---|---|---|---|---|
| *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** | **115,447** | **52,427** | **98,668** | **266,542** |
| Net remeasurement of loss allowance | 92,053 | 1,289 | 71,101 | **164,443** |
| **Balance as at 30 June 2022** | **207,500** | **53,716** | **169,769** | **430,985** |

| | 2022 | | | |
|---|---|---|---|---|
| *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 2021** | **325** | **334** | **20,642** | **21,301** |
| Net remeasurement of loss allowance | 61 | (315) | (0) | **(254)** |
| **Balance as at 30 June 2022** | **385** | **18** | **20,642** | **21,045** |

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| | 2022 | | | |
|---|---|---|---|---|
| *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 2021** | **924** | **0** | **-** | **924** |
| Net remeasurement of loss allowance | (8) | - | - | (8) |
| **Balance as at 30 June 2022** | **916** | **-** | **-** | **916** |

**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 | |
|---|---|---|
| | **2023** | **2022** |
| Agriculture | 270 | 241 |
| Manufacturing | 9,937 | 6,447 |
| Domestic Trade and Service | 9,205 | 6,517 |
| Transport and communications | 1,218 | 1,033 |
| Hotel and tourism | 6,106 | 4,294 |
| Export | 6,073 | 6,402 |
| Import | 7,337 | 4,653 |
| Building and Construction | 11,126 | 8,541 |
| Mines, Power and Water | 153 | 154 |
| Personal | 2,379 | 1,086 |
| **Total** | **53,806** | **39,367** |

**4.2.5 Net interest income**

| *In millions of ETB* | **2023** | **2022** |
|---|---|---|
| Interest income | 7,978 | 6,132 |
| Interest expense | (3,264) | (2,519) |
| **Net interest income** | **4,715** | **3,614** |

**4.2.6 Cash and cash equivalents**

| *In millions of ETB* | **2023** | **2022** |
|---|---|---|
| Unrestricted balances with central banks | 240 | 1,467 |
| Cash and balances with other banks | 4,655 | 3,733 |
| Money market placements | 3,375 | 5,921 |
| | | |
| **Total cash and cash equivalents** | **8,270** | **11,121** |

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### 4.2.7 Statement of Prudential adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the National Bank of Ethiopia (NBE) Directives. This is at variance with the expected credit loss model required by IFRS 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 2023, the Bank transferred an amount of Birr 14 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.

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Total impairment based on IFRS | (555,943) | (452,946) |
| Total impairment based on NBE Directives | (860,343) | (774,260) |
| **Difference in provisions** | 304,400 | 321,314 |
| **Legal reserve @ 25%** | (76,100) | (80,328) |
| | **228,300** | **240,985** |
| (b) Suspended interest included within various line items under interest | **319,008** | 33,672 |
| Income tax @30% | (95,702) | (10,102) |
| | **223,305** | **23,571** |
| Legal reserve @ 25% | (55,826) | (5,893) |
| | **167,479** | **17,678** |
| Day 1 adjustment to loss allowance on loans and advances (on balance sheet) as at 1 July 2018. | | 57,328 |
| | **395,779** | **315,991** |

**Movements in regulatory risk reserve account**

| | |
|---|---|
| As at July 1, 2022 | **315,991** |
| Change in impairment | (70,013) |
| Change in suspended interest | **149,801** |
| As at June 30, 2023 | **395,779** |

## 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.

### 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.

| 30 June 2023 | 0 - 30 days Birr'000 | 31 - 90 days Birr'000 | 91 - 180 days Birr'000 | 181 - 365 days Birr'000 | Over 1 year Birr'000 | Total Birr'000 |
|---|---|---|---|---|---|---|
| Deposits from customers | 2,764,730 | 3,062,664 | 3,171,247 | 2,090,129 | 48,272,083 | 59,360,853 |
| Borrowings | 373,829 | 1,121,487 | 1,121,487 | - | - | 2,616,804 |
| Other liabilities | 425,133 | 124,234 | 424,186 | 1,210 | - | 974,764 |
| **Total financial** | 3,563,692 | 4,308,386 | 4,716,920 | 2,091,340 | 48,272,083 | 62,952,421 |

| 30 June 2022 | 0 - 30 days Birr'000 | 31 - 90 days Birr'000 | 91 - 180 days Birr'000 | 181 - 365 days Birr'000 | Over 1 year Birr'000 | Total Birr'000 |
|---|---|---|---|---|---|---|
| Deposits from customers | 2,664,841 | 2,747,243.00 | 3,737,556 | 1,846,155 | 38,762,283 | 49,758,078 |
| Borrowings | 77,791 | | - | 35,124 | 26,191 | 139,106 |
| Other liabilities | 158,288 | 164,228 | 219,288 | 1,074 | | 542,877 |
| **Total financial** | 2,900,920 | 2,911,471 | 3,956,844 | 1,882,352 | 38,788,474 | 50,440,061 |

### 4.3.3 Maturity of Lease Liabilities

| 30-Jun-23 | 0 - 30 days Birr'000 | 31 - 90 days Birr'000 | 91 - 180 days Birr'000 | 181 - 365 days Birr'000 | Over 1 year Birr'000 | Total Birr'000 |
|---|---|---|---|---|---|---|
| Lease Liabilities | | | | 88,486 | 99,968.11 | 188,454 |

| 30 June 2022 | 0 - 30 days Birr'000 | 31 - 90 days Birr'000 | 91 - 180 days Birr'000 | 181 - 365 days Birr'000 | Over 1 year Birr'000 | Total Birr'000 |
|---|---|---|---|---|---|---|
| Lease Liabilities | | | | - | 9,894 | 9,894 |

## 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.

### (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 2023 | Fixed Birr'000 | Non-interest bearing Birr'000 | Total Birr'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 11,017,325 | 1,048,545 | 11,017,325 |
| Loans and advances to customers | 53,271,048 | | 53,271,048 |
| Investment securities; | | | - |
| - Amortized cost-NBE Bills | 3,290,670 | | 3,290,670 |
| **Total** | 67,579,043 | 1,048,545 | 67,579,043 |
| **Liabilities** | | | |
| Deposits from customers | 59,360,853 | | 59,360,853 |
| Borrowings | 2,616,804 | | 2,616,804 |
| **Total** | 61,977,657 | - | 61,977,657 |

| 30 June 2022 | Fixed Birr'000 | Non-interest bearing Birr'000 | Total Birr'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 13,696,440 | 1,565,630 | 15,262,070 |
| Loans and advances to customers | 38,935,902 | | 38,935,902 |
| Investment securities; | | | - |
| - Amortized cost-NBE Bills | 396,653 | | 396,653 |
| **Total** | 53,028,995 | 1,565,630 | 54,594,625 |
| **Liabilities** | | | |
| Deposits from customers | 49,758,078 | | 49,758,078 |
| Borrowings | 139,106 | | 139,106 |
| **Total** | 49,897,184 | - | 49,897,184 |

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 2023 and 30 June 2022. 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 1265 million  (30 June 2022: Birr 842 million).

***Foreign currency denominated balances***

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Cash and bank balances | 128,531 | 133,290 |
| Other assets | 138,173 | 21,323 |
| Deposits from customers | (1,531,088) | (995,865) |
| Other liabilities | (1,121) | (930) |
| | (1,265,505) | (842,182) |

***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

| **30 June 2023** | Carrying amount Birr'000 | 10% increase in basis point Birr'000 | 10% decrease in basis point Birr'000 |
|---|---|---|---|
| USD | (1,200,562) | (120,056) | 120,056 |
| Euro | (40,826) | (4,083) | 4,083 |
| GBP | (4,844) | (484) | 484 |
| Others | (19,274) | (1,927) | 1,927 |
| | (1,265,505) | (126,551) | 126,551 |

| **30 June 2022** | Carrying amount Birr'000 | 10% increase in basis point Birr'000 | 10% decrease 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 |

### 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 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **Capital** | | |
| Share capital | 6,001,221 | 4,824,476 |
| Legal reserve | 2,371,263 | 1,994,564 |
| Special reserve | 2,400 | 2,100 |
| | 8,374,884 | 6,821,139 |
| **Risk weighted assets** | | |
| Risk weighted balance for on-balance sheet items | 61,584,844 | 46,577,810 |
| Credit equivalents for off-balance Sheet Items | 4,268,652 | 3,086,668 |
| | 65,853,496 | 49,664,478 |
| Risk-weighted Capital Adequacy Ratio (CAR) | **12.7%** | **13.7%** |
| Minimum required capital | **8.0%** | **8.0%** |
| Excess | **4.7%** | **5.7%** |

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## 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.

### 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

### 4.6.2 Financial instruments measured at fair value - Fair value hierarchy

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

| | 30 June 2023 Fair Value Birr'000 | 30 June 2022 Fair Value Birr'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 12,065,870 | 15,262,070 |
| Loans and advance to customers | 53,271,048 | 38,935,902 |
| Investment securities | | |
| - Amortzed cost (NBE Bills) | 3,290,670 | 396,653 |
| Financial Asset | 2,118,942 | 1,266,678 |
| **Total** | 65,336,918 | 54,197,972 |
| **Financial liabilities** | | |
| Deposits from customers | 59,360,853 | 49,758,078 |
| Borrowings | 2,616,804 | 139,106 |
| Financial Liabilities | 974,764 | 542,878 |
| **Total** | 62,952,421 | 50,440,062 |

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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.

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| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **5 Interest income calculated using the EIR method** | | |
| Cash and bank balances | 204,730 | 205,910 |
| Loans and advances to customers | 7,316,200 | 5,560,164 |
| Investment securities - loans and receivables | 457,284 | 366,208 |
| | 7,978,214 | 6,132,281 |

Included within various line items under interest income for the year ended 30 June 2023 is a total of Birr 115 million (30 June 2022: Birr 34 million ) relating to impaired financial assets.

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **6 Interest expense** | | |
| Deposits | 3,040,989 | 2,364,258 |
| National Bank of Ethiopia Borrowing | 198,562 | 126,472 |
| Borrowing from other banks | 9,022 | 10,800 |
| | **3,248,572** | **2,501,530** |

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| | | - |
| **7 Interest expense: Lease liabilities** | 15,032 | 17,067 |
| | **15,032** | **17,067** |

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **8 Net fees and commission income** | | |
| **Fee and commission income** | | |
| Telegraphic transfer and drafts | 159 | 66 |
| Cash payment order | 1,191 | 902 |
| Letters of credit commission and fees | 115,932 | 87,738 |
| Letters of guarantee | 74,209 | 100,956 |
| Money transfer commission | 665 | 1,401 |
| Service charges | 374,385 | 440,439 |
| Other commissions | 87,817 | 77,073 |
| | **654,357** | **708,575** |
| **Fee and commission expense** | | |
| Bank charges/commission | 10,787 | 7,993 |
| Correspondent fees | 3,297 | 3,643 |
| | **14,084** | **11,636** |
| **Net fees and commission income** | **640,273** | **696,939** |

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| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **9 Other operating income** | | |
| Gain on disposal of properties | 59,335 | 836 |
| Correspondent charges | 713 | 1,000 |
| Unused provision on legal cases | - | 657 |
| Estimation fee | 3,341 | - |
| Dividend income | 25,017 | 25,204 |
| Rent income | 103,687 | 80,609 |
| Mark up on murabaha financing | 64,665 | 29,174 |
| Other income | 31,513 | 17,977 |
| | **288,272** | **155,457** |

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **10 Loan impairment charge** | | |
| Loans and receivables - charge for the year (note 16) | 430,985 | 266,542 |
| | (534,967) | (430,985) |
| | **(103,982)** | **(164,443)** |

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **11 Personnel expenses** | | |
| **Short term employee benefits:** | | |
| Salaries | 1,739,466 | 1,274,448 |
| Staff allowances | 436,959 | 229,973 |
| Other staff expenses | 145,025 | 111,402 |
| **Pension costs:** | | |
| Defined contribution plan | 189,166 | 142,014 |
| Defined benefit plans (note 30) | 16,810 | 9,894 |
| | **2,527,426** | **1,767,730** |

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **12 Other operating expenses** | | |
| Advertisement and publicity | 31,733 | 34,236 |
| Stationary and printing expenses | 48,788 | 30,528 |
| Phone, telegram and telex expenses | 21,300 | 23,943 |
| Repairs and maintenance | 32,279 | 19,435 |
| Insurance | 13,184 | 12,416 |
| Fuel and lubricants | 28,548 | 14,068 |
| Loss on foreign exchange | 122,371 | 26,914 |
| Audit fee | 518 | 518 |
| Legal and professional fees | 4,742 | 3,357 |
| Per diem and travel expenses | 12,175 | 9,556 |
| Transportation | 11,762 | 8,987 |
| Entertainment | 6,351 | 5,954 |
| Medical Support Family | 389 | 207 |
| Gift | 2,062 | 1,023 |
| Provision on legal Cases | 115 | - |
| Penality | 3,911 | 278 |
| Interest on lease payment | 826 | - |
| Meeting, workshop and seminars | 1,211 | 1,238 |
| General assembly meeting | 3,433 | 1,253 |
| Car and representation allowance | 12,514 | 7,860 |
| Cleaning supplies | 10,619 | 4,731 |
| License fee | 73,961 | 38,041 |
| ATM transactions and card personalization | 35,513 | 28,593 |
| Donation | 31,362 | 19,126 |
| Wages | 3,636 | 2,333 |
| Utility fees | 19,035 | 4,676 |
| Directors' monthly allowances | 1,734 | 1,665 |
| Agent Commission Expense | 151 | - |
| Other operating expenses | 65,078 | 51,320 |
| | **599,299** | **352,256** |

## 13 Company income and deferred tax

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Fixed asset - carrying amount | 3,785,653 | 3,719,148 |
| Fixed assets - tax base | 3,375,706 | 3,545,997 |
| **Fixed assets - temporaary difference** | **409,947** | **173,151** |
| Severance pay - carrying amount | 87,703 | 46,007 |
| Severance pay - tax base | - | - |
| **Severance pay temporary difference** | **87,703** | **46,007** |
| Annual leave pay - carrying amount | 244,614 | - |
| Annual leave pay - tax base | - | - |
| **Annual leave pay temporary difference** | **244,614** | **0** |
| Fair value reserve (equity investment)-Carrying amount | 278,504 | 136,331 |
| Fair value reserve (equity investment)-tax base | - | - |
| **Fair value reserve (equity investment)-temporary difference** | **278,504** | **136,331** |
| Deferred tax liability - 30% | **106,840** | **79,043** |

## 13a Income tax

| | | |
|---|---|---|
| Current income tax | 456,591 | 394,622 |
| Rental income tax due to Regional Govt. & city administrations | 13,405 | 9,412 |
| Deferred income tax/(credit) to profit or loss | (3,284) | 20,120 |
| Total charge to profit or loss | 466,712 | 424,153 |
| Tax (credit) on other comprehensive income | 31,082 | 23,754 |
| Total tax in statement of comprehensive income | 497,794 | 447,908 |

## 13b Reconciliation of effective tax to statutory tax

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

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Profit before tax | 1,960,932 | 1,918,481 |
| ***Add: Disallowed expenses*** | | |
| Entertainment | 6,351 | 5,954 |
| Severance expense | 3,130 | 2,143 |
| Provision for loans and advances as per IFRS | 102,996 | 164,180 |
| Provision for legal case | 115 | - |
| Staff loan benefit | 39,248 | 17,267 |
| Penality | 3,911 | 278 |
| Foreign exchange revaluation loss | 148,331 | 65,296 |
| Accrued leave payable | 82,257 | 55,091 |
| Cash indemnity allowance | 7,331 | 7,420 |
| Donation | 4,920 | 600 |
| Medical Support for staff family | 389 | 207 |
| Gift | 2,062 | 1,023 |
| Hardship allowance | 76,140 | 52,899 |
| Sponsership | 6,000 | 871 |
| Cash prize and awadrs | 1,018 | 633 |
| Depreciation and impairment of right-of-use asset | 330,898 | 276,241 |
| Interest expense: Lease liabilities | 15,032 | 17,067 |
| Depreciation (PPE) for accounting purpose | 111,597 | 143,741 |
| Amortization for accounting purpose | 10,008 | 7,895 |
| **Total disallowable expenses** | **951,731** | **818,804** |

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| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| ***Less: Allowed expenses*** | | |
| Depreciation for tax purpose | 279,177 | 210,913 |
| Provision for loans and advances for tax NBE 80% | 68,866 | 151,273 |
| Unsused provision on legal cases | - | 657 |
| Interest income on foregin deposits | - | - |
| Dividend income taxed at source | 25,017 | 25,204 |
| Interest income taxed at source-Gov't Bond and Treasury Bills | 457,284 | 366,208 |
| Interest income taxed at source-Local Deposit | 204,730 | 205,910 |
| Rent expense | 310,933 | 265,899 |
| Excess provision on other asset reversed | - | - |
| Net income from rental operation | 44,683 | 31,374 |
| **Total allowed** | **1,390,691** | **1,257,437** |
| Taxable profit | 1,521,971 | 1,479,848 |
| Current tax at 30% | 456,591 | 394,622 |
| Tax on foreign deposit at 5% | - | - |
| Deferred tax | (3,284) | 20,120 |
| **Income tax expense/ (credit) recognised in profit** | **453,307** | **414,741** |

### 13c Current income tax liability

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Balance at the beginning of the year | 404,034 | 410,547 |
| Charge for the year: | | |
| Income tax expense | 456,591 | 394,622 |
| Rental income tax due to Regional Govt. & City Administrations | 13,405 | 9,412 |
| Payment during the year | (404,034) | (410,547) |
| Balance at the end of the year | 469,996 | 404,034 |

### 13d Deferred income tax

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **The analysis of deferred tax (assets)/liabilities is as follows:** | | |
| Deferred tax liabilities | 106,840 | 79,042 |
| | 106,840 | 79,042 |

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 2022 Birr'000 | Credit/ (charge) to P/L Birr'000 | Credit/ (charge) to equity Birr'000 | 30 June 2023 Birr'000 |
|---|---|---|---|---|
| Property, plant and equipment | (51,945) | (71,039) | - | (122,984) |
| Post employment benefit obligation | 13,802 | 939 | 11,570 | 26,311 |
| | | 73,384 | | 73,384 |
| Equity Securities | (40,899) | - | (42,652) | (83,551) |
| **Total deferred tax assets/(liabilities)** | (79,042) | 3,284 | (31,082) | (106,840) |

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| **Deferred income tax assets/(liabilities):** | **At 1 July 2022 Birr'000** | **Credit/ (charge) to P/L Birr'000** | **Credit/ (charge) to equity Birr'000** | **30 June 2023 Birr'000** |
|---|---|---|---|---|
| Property, plant and equipment | (31,183) | (20,762) | - | (51,945) |
| Post employment benefit obligation | 11,779 | 643 | 1,381 | 13,802 |
| Equity Securities | (15,764) | - | (25,135) | (40,899) |
| **Total deferred tax assets/(liabilities)** | (35,169) | (20,120) | (23,754) | (79,042) |

### 13e Rental income tax

| **Income:** | **Addis Ababa City Birr'000** | **Oromia Regional Governmen Birr'000** | **SNNP Birr'000** | **Sidama Birr'000** | **Total** |
|---|---|---|---|---|---|
| Renatl Income | 95,388 | 4,223 | 1,487 | 837.19 | 101,935 |
| **Expense:** | | | | | |
| Depreciation | 53,158 | 3,021 | 1,074 | - | 57,252 |
| **Profit (loss) before tax from rental operation** | 42,230 | 1,202 | 414 | 837 | 44,683 |
| **Rental income tax @ 30% due to Regional Govt and City Administrations** | **12,669** | **361** | **124** | **251** | **13,405** |

### 14 Cash and bank balances

| | **30 June 2023 Birr'000** | **30 June 2022 Birr'000** |
|---|---|---|
| Cash in hand | 1,048,545 | 1,565,630 |
| Deposit with local commercial banks | 3,511,375 | 2,128,097 |
| Deposit with foreign banks | 95,442 | 38,938 |
| Treasury Bills | 3,374,686 | 5,921,328 |
| | 8,030,049 | 9,653,993 |
| Deposit with NBE | 4,035,901 | 5,608,463 |
| | 12,065,949 | 15,262,456 |
| Loss Allowance on | (79) | (385) |
| | 12,065,870 | 15,262,070 |

**impairment charge on deposit with other banks**

| | | |
|---|---|---|
| Deposit with other banks - charge for the year | (385) | (325) |
| | (79) | (385) |
| | (306) | 61 |

| ***Maturity analysis*** | **30 June 2023 Birr'000** | **30 June 2022 Birr'000** |
|---|---|---|
| Current | 8,269,539 | 10,839,715 |
| Non-Current | 3,796,331 | 4,141,331 |
| | 12,065,870 | 14,981,046 |

### 14a Cash and cash equivalents

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

| | **30 June 2023 Birr'000** | **30 June 2022 Birr'000** |
|---|---|---|
| Balance as above | 12,065,949 | 15,262,456 |
| Cash reserve held with the National Bank of Ethiopia | (3,796,331) | (4,141,331) |
| | 8,269,619 | 11,121,125 |

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# FOR THE YEAR ENDED 30 JUNE 2023
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| | | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|---|
| **15** | **Loans and advances to customers** | | |
| | Agriculture | 270,483 | 241,394 |
| | Manufacturing | 9,937,421 | 6,446,920 |
| | Domestic Trade and Service | 9,205,459 | 6,517,161 |
| | Transport and communications | 1,218,169 | 1,032,612 |
| | Hotel and tourism | 6,106,249 | 4,293,517 |
| | Export | 6,073,090 | 6,401,822 |
| | Import | 7,337,352 | 4,653,350 |
| | Building and Construction | 11,126,115 | 8,540,628 |
| | Mines, Power and Water | 153,007 | 153,773 |
| | Personal loans | 2,378,669 | 1,085,710 |
| | **Gross amount** | 53,806,014 | 39,366,887 |
| | Less: Impairment allowance | (534,967) | (430,985) |
| | | 53,271,048 | 38,935,902 |

**15a** Tigray reagion loans and advances report as stated below;

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Principal Loans and Advances | 758,204 | 641,927 |
| Accrued Interest | 50,512 | 8,129 |
| Accrued Interest Suspended | 151,487 | 165,580 |
| **Total Oustanding Loans and Advances** | **960,203** | **815,637** |
| Total cummulative loan provistion as per NBE for Tigray reagion only | (90,969) | (159,940) |
| **Net loans and Advances in Tigray reagion** | **869,234** | **655,697** |

| | | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|---|
| **16** | **Investment securities** | | |
| | **Fair value through other comprehensive:** | | |
| | Equity Investments | 442,840 | 279,253 |
| | | 442,840 | 279,253 |
| **17** | **investment in government:** | | |
| | Ethiopian Government Bills | | |
| | | 3,290,830 | 396,671 |
| | Loss allowance on Ethiopian Government Bills | (160) | (18) |
| | | 3,733,509 | 675,905 |
| | **Impairment Charge on NBE Bills** | | |
| | Opening balance of impairment | (18) | (334) |
| | Closing balance of impairment | (160) | (18) |
| | **NBE Bills-charge for the year** | **(142)** | **315** |
| | **Gain on change in Fair Value of Investment Securities** | | |
| | Carrying amount as per IFRS 9 /13 valuation current year | 401,075 | 278,795 |
| | less additional investment during the year | (17,676) | (9,015) |
| | less Carrying amount as per IFRS 9 /13 valuation previous year | (241,226) | (185,997) |
| | | 142,173 | 83,783 |
| | **Deferred tax (liability)/asset on gain on change in fair value of equity secur** | 42,652 | 25,135 |

| *Maturity analysis* | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Current | 5,898 | 5,898 |
| Non-Current | 3,284,932 | 359,850 |
| | 3,290,830 | 365,748 |

The Bank hold equity investments in Nib Insurance of 5.2% (30 June 2023: 5%), Agar Micro Finance S.C of 8.64% (30 June 2023: 8%,), Eth Switch S.C of 6.63% (30 June 2023: 5%), Genb Gebeya S.C of 12% (30 June 2023: 12%) and Ethiopian Reinsurrance S.C 1% (30 June 2023: 1%). These investments are unquoted equity securities measured at fair value through other comprehensive income.

The cost of these unquoted equity securities at the end of the reporting period were Birr 162.63 million.

## 18 Investment in Associates

| Name of entity | Place of Business/ country of incorporatio | Percentage holding | Carrying amount 30 June 2023 Birr'000 | Carrying amount 30 June 2022 Birr'000 |
|---|---|---|---|---|
| Premier Switch Solution S.C. | Ethiopia | 30.42% | 72,433 | 59,351 |
| Cumulative dividend collected in previous years | | | (3,704) | (2,466) |
| Dividend collected in current year | | | (6,765) | (1,238) |
| | | | **61,965** | **55,647** |

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.

## 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 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **Premium Switch Solution S.C** | | |
| Current assets | 217,946 | 144,733 |
| Non-current assets | 66,034 | 83,996 |
| Current liabilities | (48,637) | (28,537) |
| Non-current liabilities | (5,098) | (6,147) |
| Net assets | 230,246 | 194,045 |

**b Summarised statement of comprehensive income**

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **Premium Switch Solution S.C** | | |
| Revenue | 258,215 | 111,017 |
| Interest income | 10,161 | 8,514 |
| Other Income | 530 | 668 |
| | 268,906 | 120,199 |
| Expenses | (203,451) | (90,662) |
| Net profit before tax | 65,455 | 29,537 |
| Tax | (24,100) | (435) |
| Profit after tax | 41,354 | 29,102 |
| Transfer to legal reserve | - | - |
| Net profit for the year | 41,354 | 29,102 |

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

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Share of profit(loss) from associate | 12,580 | 8,763 |
| Share of other comprehensive income from associate | (109) | (176) |
| | 12,471 | 8,587 |

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

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Opening net assets 1 July | 197,114 | 168,597 |
| Profit for the period | 41,354 | 29,102 |
| Other comprehensive income | (358) | (584) |
| Closing net assets | 238,111 | 197,114 |
| | | |
| Bank's share in % | 30.42% | 30.11% |
| Bank's share in Birr | 72,433 | 59,351 |
| Dividened Collected | | |
| | | |
| Carrying amount on the Bank's financial statement | 72,433 | 59,351 |

**19 Other financial assets**

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Receivable from other banks | 912,833 | 499,386 |
| Staff receivables | 1,090 | 1,165 |
| Mastercard receivables | 13,698 | 29,878 |
| Visa card receivables | 19,420 | 60,188 |
| Money transfer receivable | 28,135 | 17,735 |
| Other receivables | 857,802 | 678,967 |
| Fintech receivable | 306,606 | - |
| **Gross amount** | 2,139,584 | 1,287,320 |
| Less: Specific impairment allowance (note 11) | (20,642) | (20,642) |
| | 2,118,942 | 1,266,678 |

Discount on Treasury bill and Accrued interest government bond which was reported in the previous year financial statement under the asset category called financial assets. In this year financial assets, such balances are classified in to its respective product that is cash and cash equivalents.

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**20 Other non-financial assets**

| | 30 June 2023 | 30 June 2022 |
|---|---|---|
| Prepaid staff asset | 535,924 | 254,129 |
| Repossed collaterals | 179,280 | 144,972 |
| Prepayments | 2,097 | 2,094 |
| Withholding tax receivable | 2,215 | 2,473 |
| Inventory | 81,198 | 70,781 |
| | 800,715 | 474,448 |

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| ***Maturity analysis*** | **30 June 2023 Birr'000** | **30 June 2022 Birr'000** |
|---|---|---|
| Current | 975,176 | 608,352 |
| Non-Current | 1,637,875 | 1,132,774 |
| | **2,613,051** | **1,741,126** |

**20a Impairment allowance on other assets**

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

| | **30 June 2023 Birr'000** | **30 June 2022 Birr'000** |
|---|---|---|
| **Balance at the beginning of the year** | 20,642 | 20,642 |
| Balance at the end of the year | (20,642) | (20,642) |
| **(Reversal)/charge for the year (note 10)** | **0.00** | **0** |

**20b Inventory**

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

| | **30 June 2023 Birr'000** | **30 June 2022 Birr'000** |
|---|---|---|
| Stationery | 23,455 | 16,461 |
| Uniform | 9,985 | 10,907 |
| Token | 149 | 149 |
| Stamps | 825 | 340 |
| Signs | - | 38 |
| Stock of fuel coupons | 1,659 | 2,118 |
| Gold and silver coins | 27 | 27 |
| Cheque book | 9,659 | 5,985 |
| Other stock | 32,671 | 34,755 |
| | **78,431** | **70,781** |

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| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **21 Investment property** | | |
| **Cost:** | | |
| **At the beginning of the year** | 24,385 | 24,385 |
| Acquisitions | - | - |
| Reclassification | - | - |
| **At the end of the year** | 24,385 | 24,385 |
| **Accumulated amortisation:** | | |
| **At the beginning of the year** | 2,378 | 1,898 |
| Charge for the year | 417 | 479 |
| **At the end of the year** | 2,795 | 2,378 |
| **Net book value** | 21,590 | 22,007 |

**21a Amounts recognised in profit or loss for investment properties**

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Rental income (Note 9) | 103,687 | 80,609 |
| Direct operating expenses from property that generated rental income | | |
| | 103,687 | 80,609 |

**21b 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 2023 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.

**21c Fair value hierarchy**

Details of the Bank's Investment properties and information about the fair value hierarchy at 30 June 2023 and 30 June 2022 respectively are as follows:

| 30 June 2023 | Carrying amount Birr'000 | Level 1 Birr'000 | Level 2 Birr'000 | Level 3 Birr'000 |
|---|---|---|---|---|
| Investment properties | 21,590 | | | 70,028 |

| 30 June 2022 | Carrying amount Birr'000 | Level 1 Birr'000 | Level 2 Birr'000 | Level 3 Birr'000 |
|---|---|---|---|---|
| Investment properties | 22,007 | | | 53,299 |

**22 Intangible Assets**

| | Purchased software Birr'000 | Total Birr'000 |
|---|---|---|
| **Cost:** | | |
| **As at 1 July 2021** | 111,341 | 111,341 |
| Acquisitions | 58,207 | **58,207** |
| **As at 30 June 2022** | **169,548** | **169,548** |
| **As at 1 July 2022** | 169,548 | 169,548 |
| Acquisitions | 9,763 | **9,763** |
| **As at 30 June 2023** | **179,311** | **179,311** |
| **Accumulated amortisation and impairment losses** | | |
| **As at 1 July 2021** | 88,464 | 88,464 |
| Amortisation for the year | 7,893 | 7,893 |
| Impairment losses | - | - |
| **As at 30 June 2022** | **96,357** | **96,357** |

| | Purchased software Birr'000 | Total Birr'000 |
|---|---|---|
| **As at 1 July 2022** | 96,357 | 96,357 |
| Amortisation for the year | 10,008 | 10,008 |
| Reclassification | 2,000 | 2,000 |
| Impairment losses | - | - |
| **As at 30 June 2023** | **108,365** | **108,365** |
| **Net book value** | | |
| **As at 30 June 2022** | **73,191** | **73,191** |
| **As at 30 June 2023** | **70,947** | **70,947** |

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| 23 | Right-of-use asset | Right-of-use asset: Office space Birr'000 | Right-of-use asset: Land Birr'000 | Total Birr'000 |
|---|---|---|---|---|
| | Cost: | | | |
| | As at 1 July 2021 | 1,051,341 | 26,876 | 1,078,216 |
| | Additions | 399,124 | (0) | 399,124 |
| | Disposals | | | - |
| | As at 30 June 2022 | 1,450,465 | 26,876 | 1,477,341 |
| | As at 1 July 2022 | 1,450,465 | 26,876 | 1,477,341 |
| | Additions | 313,499 | - | 313,499 |
| | Disposals | | | - |
| | As at 30 June 2023 | 1,763,965 | 26,876 | 1,790,840 |
| | Accumulated depreciation | | | |
| | As at 1 July 2021 | 436,084 | 1,136 | 437,219 |
| | Charge for the year | 275,676 | 564 | 276,241 |
| | Adjustment | - | | - |
| | As at 30 June 2022 | 711,760 | 1,700 | 713,460 |
| | As at 1 July 2022 | 711,760 | 1,700 | 713,460 |
| | Charge for the year | 330,200 | 698 | 330,898 |
| | Adjustment | - | | - |
| | As at 30 June 2023 | 1,041,960 | 2,398 | 1,044,358 |
| | Net book value | | | |
| | **As at 30 June 2022** | **738,705** | **25,176** | **763,881** |
| | **As at 30 June 2023** | **722,005** | **24,478** | **746,483** |

The Bank acquires land through lease, it has been accounted as a finance lease in line with IFRS 16: Leases.

| 24 | Property, plant and equipment | Buildings Birr'000 | Motor vehicles Birr'000 | Furniture and Birr'000 | Computer equipments Birr'000 | Capital work in Birr'000 | Total Birr'000 |
|---|---|---|---|---|---|---|---|
| | Cost: | | | | | | |
| | As at 1 July 2021 | 170,321 | 208,529 | 402,875 | 287,643 | 3,031,592 | 4,100,961 |
| | Additions | - | - | 33,189 | 49,177 | 375,471 | 457,837 |
| | Reclassification | 3,069,426 | - | - | - | (3,069,426) | - |
| | Disposals | - | - | - | (20) | - | (20) |
| | As at 30 June 2022 | 3,239,747 | 208,529 | 436,065 | 336,800 | 337,637 | 4,558,778 |
| | As at 1 July 2022 | 3,239,747 | 208,529 | 436,065 | 336,800 | 337,637 | 4,558,778 |
| | Additions | 1,743 | 902 | 83,201 | 92,488 | 94,342 | 272,675 |
| | Reclassification | 2,000 | | | | - | 2,000 |
| | Disposals | | | | | | - |
| | As at 30 June 2023 | 3,243,490 | 209,431 | 519,265 | 429,288 | 431,978 | 4,833,453 |

| | Buildings Birr'000 | Motor vehicles Birr'000 | Furniture and Birr'000 | Computer equipments Birr'000 | Capital work in Birr'000 | Total Birr'000 |
|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | |
| As at 1 July 2021 | 13,464 | 90,506 | 204,510 | 145,467 | - | 453,948 |
| Charge for the year | 60,074 | 15,782 | 37,200 | 30,195 | - | 143,251 |
| Disposals | | | | (7) | | (7) |
| Reclassification | | | | | | |
| As at 30 June 2022 | 73,539 | 106,288 | 241,710 | 175,655 | - | 597,191 |
| As at 1 July 2022 | 73,539 | 106,288 | 241,710 | 175,655 | - | 597,191 |
| Charge for the year | 61,406 | 9,440 | 19,893 | 20,441 | - | 111,180 |
| Disposals | | | | | | - |
| Reclassification | - | - | - | (13) | - | (13) |
| As at 30 June 2023 | 134,945 | 115,728 | 261,603 | 196,083 | - | 708,359 |
| Net book value | | | | | | |
| **As at 30 June 2022** | **3,166,209** | **102,241** | **194,355** | **161,146** | **337,637** | **3,961,587** |
| **As at 30 June 2023** | **3,108,545** | **93,704** | **257,662** | **233,205** | **431,978** | **4,125,095** |

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**25 Deposits from customers**

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Demand deposits | 11,536,743 | 9,298,897 |
| Saving deposits | 27,360,991 | 22,845,410 |
| Special saving deposit | 8,924,628 | 8,436,730 |
| Fixed term deposits | 11,538,491 | 9,177,041 |
| | 59,360,853 | 49,758,078 |

**26 Borrowings**

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| National Bank of Ethiopia | 2,502,500 | 39,077 |
| Development Bank of Ethiopia | 114,304 | 100,029 |
| | 2,616,804 | 139,106 |

**26a Reconciliation of bank borrowings**

A reconciliation of the changes in borrowings is as follows:

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **Balance at the beginning of the year** | 139,106 | 321,089 |
| Proceeds from borrowings | 17,690,613 | 10,937,800 |
| Repayment of borrowings | (15,212,915) | (11,124,651) |
| Accretion of interest | - | 4,868 |
| **Balance at the end of the year** | 2,616,804 | 139,106 |

**27 Other financial liabilities**

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Margin held on letter of credit | 88,732 | 160,418 |
| Deposit for Guarantees Issued | 3,009 | 2,445 |
| Cash payment order payable | 270,597 | 188,498 |
| Exchange payable to NBE | 62,576 | 76,131 |
| Current accounts blocked | 26,307 | 8,733 |
| Deposit Act in Process Opening | 1,844 | 5,087 |
| Customers loan deposit accounts | 342 | 57 |
| Due to other banks | 515,426 | 91,155 |
| Telegraphic transfer payable | 4,642 | 6,524 |
| Money transfer payable | 1,193 | 2,914 |
| Loss allowance on loan commitment & financial guarantee | 95 | 916 |
| | 974,764 | 542,877 |

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| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **28 Other non-financial liabilities** | | |
| Defined Contribution liabilities | 22,305 | 9,158 |
| Defined benefit plans | 443,298 | 307,821 |
| Stamp Duty Payable | 7,091 | 8,133 |
| Other tax payable | 90,177 | 48,304 |
| Unearned Profit on IFB Financing | 288,787 | 56,625 |
| Unearned Revenue-office rent | 14,562 | 15,123 |
| Other payables | 2,196,365 | 1,613,126 |
| Fintech payable | 80,816 | |
| Dividend payable | 96,271 | 80,069 |
| Board of director's allowance | 1,800 | 1,800 |
| Allowance for Board of director's election nomination committee | 375 | - |
| | 3,241,846 | 2,140,159 |
| ***Gross amount*** | **4,216,610** | **2,683,037** |

In the 2021/22 financial statement Bonus accrued and accrued leave liabilities were reported in other liabilities section of financial liabilities. However in the current year financial statement, such accrued balances are reported the line item of non-financial liabilities, which is named as defined benefit plan.

| ***Maturity analysis*** | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Current | 3,746,911 | 2,365,567 |
| Non-Current | 271,016 | 172,006 |
| | **4,017,927** | **2,537,573** |

***Impairment losses on loan commitment & financial guarantee***

| | | |
|---|---|---|
| Opening Impairment losses on loan commitment & financial guarantee | 916 | 924 |
| Ebnding Impairment losses on loan commitment & financial guarantee | 95 | 916 |
| Charge for the year | **821** | **8** |

| **29 Lease liabilities** | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Lease liabilities: Office Space | 176,793 | 254,569 |
| Lease liabilities: Land | 11,661 | 11,924 |
| ***Gross amount*** | **188,454** | **266,492** |
| ***Maturity analysis*** | | |
| Current | 86,373 | 116,541 |
| Non-Current | 102,081 | 149,951 |
| | **188,454** | **266,493** |

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| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **30 Retirement benefit obligations** | | |
| **Defined benefits liabilities:** | | |
| – Severance pay (note 30a) | 87,703 | 46,007 |
| **Liability in the statement of financial position** | **87,703** | **46,007** |
| **Income statement charge included in personnel expenses:** | | |
| – Severance pay (note 30a) | 16,810 | 9,894 |
| **Total defined benefit expenses** | **16,810** | **9,894** |
| **Remeasurements for:** | | |
| – Severance pay (note 30a) | 38,567 | 4,602 |
| ` | **38,567** | **4,602** |

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

### 30a 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 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **A Liability recognised in the financial position** | 87,703 | 46,007 |

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **B Amount recognised in the profit or loss** | | |
| Current service cost | 3,940 | 3,346 |
| Interest cost | 12,870 | 6,548 |
| | 16,810 | 9,894 |
| **C Amount recognised in other comprehensive income:** | | |
| Remeasurement (gains)/losses arising from changes on economic assumptions | - | (4,269) |
| Remeasurement (gains)/losses arising from changes on experience | 38,567 | 8,871 |
| Tax credit /(charge) | | - |
| | 38,567 | 4,602 |

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Certified Auditors in Ethiopia Tewodros and Fikre Audit Service Partnership

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

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| At the beginning of the year | 46,006 | 39,262 |
| Current service cost | 3,940 | 3,346 |
| Interest cost | 12,870 | 6,548 |
| Remeasurement (gains)/ losses | 38,567 | 4,602 |
| Benefits paid | (13,680) | (7,751) |
| At the end of the year | 87,703 | 46,006 |

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Discount Rate (p.a) | 24.50% | 24.50% |
| Long term salary increase(p.a) | 19.30% | 19.30% |
| Average Rate of Inflation (p.a) | 17.30% | 17.30% |

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:

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

iii) Withdrawal from Service

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

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

| | | Impact on defined benefit obligation | | | |
|---|---|---|---|---|---|
| | | 30 June 2023 | | 30 June 2022 | |
| | Change in assumption | Impact of an increase Birr'000 | Impact of a decrease Birr'000 | Impact of an increase Birr'000 | Impact of a decrease Birr'000 |
| Discount and Inflation rate | 1% | (4,113) | 4,520 | (4,113) | 4,520 |

The expected contribution to post-employment benefit plan for the year ending 30th June 2023 is 62.

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.

## 31 Share capital and share premium

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| **Authorised:** | | |
| Ordinary shares of Birr 500 each | 10,000,000 | 5,000,000 |
| **Issued and fully paid:** | | |
| Ordinary shares of Birr 500 each | 6,001,221 | 4,824,476 |
| Share premium | - | - |
| **Total share capital and share premium** | 6,001,221 | 4,824,476 |

### 31.1 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 2022 | 9,649 | 4,824,476 | - | 4,824,476 |
| Issued during the year | 2,353 | 1,176,745 | - | 1,176,745 |
| As at 30th June 2023 | 12,002 | 6,001,221 | - | 6,001,221 |

## 32 Earnings per share

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

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Profit attributable to shareholders | 1,506,800 | 1,338,648 |
| Weighted average number of ordinary shares in issue | 10,868 | 9,176 |
| Basic & diluted earnings per share (Birr) | 139 | 146 |

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 2022:nill), hence the basic and diluted earning per share have the same value.

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| | | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|---|
| **33** | **Retained earnings** | | |
| | At the beginning of the year | 895,815 | 763,141 |
| | Profit/Loss for the year | 1,506,800 | 1,338,648 |
| | Transfer to regulatory risk reserve | (79,788) | (13,877) |
| | Transfer to legal reserve | (376,700) | (334,662) |
| | Transfer to special reserve | (100) | (100) |
| | Dividend paid | (895,815) | (763,141) |
| | Board of directors' remuneration | (1,800) | (1,800) |
| | Allowance for Board of director's election nomination committee | (375) | - |
| | Other | - | (92,394) |
| | **At the end of the year** | **1,048,037** | **895,815** |

| | | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|---|
| **34** | **Legal reserve** | | |
| | At the beginning of the year | 1,994,564 | 1,659,903 |
| | Transfer from profit or loss | 376,700 | 334,662 |
| | At the end of the year | **2,371,263** | **1,994,564** |

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

| | | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|---|
| **35** | **Special reserve** | | |
| | At the beginning of the year | 2,300 | 2,200 |
| | Transfer from profit or loss | 100 | 100 |
| | At the end of the year | **2,400** | **2,300** |

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.

| | | Notes | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|---|---|
| **36** | **Cash generated from operating activities** | | | |
| | Profit before income tax | | 1,973,512 | 1,762,801 |
| | **Adjustments for non-cash items:** | | | |
| | Depreciation of right-of-use asset | 23 | 330,898 | 276,241 |
| | Depreciation of property, plant and equipment | 24 | 111,597 | 143,731 |
| | Amortisation of intangible assets | 22 | 10,008 | 7,893 |
| | (Gain)/Loss on disposal of property, plant and equip | 24 | - | (836) |
| | Impairment on loans and receivables | 15 | 102,996 | 164,180 |
| | Net interest income | | (4,714,610) | (3,613,685) |
| | Profit Eqalization reserve and Investment risk reserve | | - | 1,321 |
| | (Gain)/Loss on Effect of exchange rate movement | | (25,960) | (38,382) |
| | Retirement benefit obligations | 30 | 16,810 | 9,894 |
| | **Changes in working capital:** | | | |
| | -Decrease/ (Increase) in loans and advances to cust | 15 | (14,439,127) | (4,882,042) |
| | -Decrease/ (Increase) in restricted deposits | 14 | 345,000 | (1,916,000) |
| | -Decrease/ (Increase) in other assets | 19 | (1,178,531) | (547,798) |
| | -Increase/ (Decrease) in other liabilities | 27 | 1,534,394 | 72,953 |
| | | | (15,933,014) | (8,559,729) |

Some of the previous year figures in cash flow from operating activities have been reclassified to make them comparable with current year presentation.

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

| | 30 June 2023 Birr'000 | 30 June 2022 Birr'000 |
|---|---|---|
| Proceeds on disposal | - | (849) |
| Net book value of property, plant and equipment disposed (Note | - | - |
| Gain/(loss) on sale of property, plant and equipment | - | (849) |

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## 37 Related party transactions

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

| | 30 June 2023<br>Birr'000 | 30 June 2022<br>Birr'000 |
|---|---|---|
| **a *Transactions with related parties*** | | |
| Loans and advances to key management | 772,849 | 38,034 |
| | 772,849 | 38,034 |

**b *Key management compensation Board of directors' remuneration***

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 and Board of directors' remuneration is shown. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2023.

| | 30 June 2023<br>Birr'000 | 30 June 2022<br>Birr'000 |
|---|---|---|
| Salaries and other short-term employee benefits | 51,919 | 28,780 |
| Post-employment benefits | 6,620 | 3,741 |
| Sitting allowance | 3,611 | 1,396 |
| Board of directors' remuneration | 3,240 | 3,240 |
| | 65,390 | 37,157 |

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

## 38 Directors and employees

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

| | 30 June 2023 | 30 June 2022 |
|---|---|---|
| Managerial and Supervisory | 619 | 504 |
| Professional | 1093 | 979 |
| Clerical | 2,549 | 2,530 |
| Non-Clerical | 3,400 | 3,565 |
| | 7,661 | 7,578 |

## 39 Contingent liabilities

### *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 2023 is Birr 285.97 million (30 June 2022: Birr 100.01 million). As of June 30, 2023, a provision of Birr 114.98 thousand has been held for these legal cases (June 30 2022: 711 million).

### *b Guarantees and letters of credit*

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

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

| | 30 June 2023<br>Birr'000 | 30 June 2022<br>Birr'000 |
|---|---|---|
| Guarantees issued | 3,989,285 | 2,840,336 |
| Letters of credit | 1,699,658 | 677,528 |
| Memorandum on letters of credit | (303,499) | (416,549) |
| | 5,385,443 | 3,101,315 |

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## 40 Commitments

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

| | 30 June 2023<br>Birr'000 | 30 June 2022<br>Birr'000 |
|---|---|---|
| Loan commitments | 4,068,396 | 3,279,885 |
| Purchase commitments | 55,561 | 121,645 |
| | 4,123,956 | 3,401,530 |

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No. 4

## 41 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 2023 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

# BRANCH ADDRESSES

# SPECIAL AND PREMUN BRANCH

## ARAT KILLO PREMIUM
011-26- 58- 08
011-1-26- 58 -03
011-26-49-42

## NIB PREMIUM
011-5- 57-73-27
011-5 -57-80-29

## MAIN
011-5- 51 -75 -61
011-5-51-76-02
011-5-51-75-69

## TANA
011-2-76-53-51
011-2-76 -53 -53
011-2765350

# CENTRAL ADDIS ABABA DISTRICT

ABAKORAN
011-1-26- 60- 40
011-1266066

ADDISU MICHAEL
011-2-73- 69- 73
0112-73 69 61

BERBERE TERA
011-2-73 -30- 72
011-2-73-29-67

DUBAI TERA
011-2-73- 32- 29
011-2-73 34 19

GOJAM BERENDA
011-2- 73- 30- 18
0112 73 29 03

GULELE
011-2-73- 78- 21
011-2-73 70 11

KIRKOS
011-4-70-31-91
011-4-70-32-39

MEHAL MERKATO
011-2-78-53-35
011-2785338

MILITARY TERA
011-2-73-23-53/57
0112-732295

RAGUEL
011-2-13- 94- 00
011-557-5562

SHERA TERA
011-2-73-55-14
0115575428

TATARI
011-2-78-12-86
011-2130082

TIRET
011-2-73- 39- 24
0112-13 29 88

ABINET ADEBABAY
011-2-29 -90- 32
011-2-29-90-82

ASFA WOSSEN
011-2-73- 54- 69
011-2-73-55-49

CINMA RAS
011-2-73-35-38
011-2-73-35-42

EHIL BERENDA
011-2- 75 -87- 22
011-2-75-87-20

GOLA
011-5- 33- 61 -87
0115 33 61 89

KAZANCHIS
011-5-58-64-14
0115-58-52-65

KOLFE ATANA TERA
011-2 -73- 92 -80
-

MESKEL FLOWER
011-4-70-07- 48
011-4-70-07-54

MIRAB MERKATO
011-2 -73- 57- 71
0112-732295

RAS
011-5-54-03-48
011-2789100

SHERO MEDA
011-1-54-50-03
-

TEMENJA YAZE
011-4-70-41-24
0114-70 42 23

URAEL
011-5-57-72-39
0115-579104

ADARASH
011-2-78- 29- 98
011-2-77-02-20

B/ABANEFSO
011-5-54-80-05
0115-54 80 04

D'AFRIQUE
011-2-73-35-38
011-5-15-04-56

FLAMINGO
011-5 -57 -93 -25/26
0115 57 93 24

GOTERA IBEX
011-4-70-26-59
011-47-09-49

KERA SAR BET
011-3-69-22-34
011-3-69-09-52

LIDETA
011-5-57- 81 -37
115-57-81-37

MEXICO
011-5 -31- 12 -49
0115 31 10 98

MISMARTERA
011-2 -73- 57- 71
0112 73 57 75

SARBET
011-3-83 -21- 23
011-5536820

STADIUM
011-5-31-92-02
'0115-319254

TIGAT
011-5-58 -52- 56
0115-58 52 33

WELLO SEFER
011-5-52 -98 -56
0115-52 98 56

ADDIS KETEMA
011-2-77-39-43/42
011-2-7 7-3 9-44

BEKLOBET
011-4-70-39-83
011-4-70-68-21

DARMAR
011-5-57-82-56
0115579128

GEJA SEFER
011-5-57-80-25
0115577845

GOTERA PEPSI
0114-704819
0114-706409

KERA SAR BET
011-3-69-22-34
011-3-69-09-52

MAMOKACHA
-
011-5520162

MEXICO
011-2-73- 36- 18
0112-733674

OLYMPIA
'011-5-57-46-27
011-557-5562

SENGATERA
011-3-83- 20 -30
0113-83 20 49

TEKLE HAIMANOT
011-2-75-87-24
011-2772606

TIKUR ANBESA
011-1-71- 91- 51
0111-71 90 30

YEKAKE WORDWET
011-2-73- 37- 21
0112-73 28 67

YERER GORO
0116677836
0116677790

YERER BER
0116-479501
011-6479511

ZENEBE WORQ GEBEYA
0113-699849
0113-698887

# NORTH EAST ADDIS ABABA DISTRICT

**ADEWA BRIDGE**
011-5-57- 96- 78
011-5-57- 85-79

**AFRICA AVENUE**
011-6-61 10- 05
011-66-10-997

**ARABSSA**
011-6-12-54-94
011-6-12-56-22

**AWARE**
011-5-57-82-78
011-5-57-98-70

**AWRARIS AKABABI**
011-6-35-39-53
011-6-35-39-53

**AYAT 49 MAZORIA**
011-6-39- 13- 33
0116-39 13 35

**AYAT 72**
011-8-13- 21-74
-

**AYAT ADEBABAY**
011-6-39-05-40
0116-390537

**AYAT ARABSSA**
011-6- 39- 13- 16
011-6-39-05-62

**AYAT MALL**
011-6-39-07-85
011-6-39-15-46

**AYAT TAFO**
011 6 39 19 43
011 6 39 13 38

**BESHALE**
011-6-67-73-99
011-6-67-73-35

**BOLE**
011-6-63- 38 -13
011-6-63-33-34

**BOLE 24**
011-6-67-46-40
011-6-67-46-99

**BOLE ATLAS**
011-6-89-20-49
011-6-89-20-58

**BOLE BRASS**
011-6-41-50-59
011-6-64-29-72

**BOLE BULBULA**
011-4-71- 47- 34
011-4-71-48-64

**BOLE BULBULA MARIAM MAZORIA**
011-4-71- 48- 14
011-4-71-49-31

**BOLE CHEFE**
011-6 -67 -11- 91
011-6-67-19-50

**BOLE ENIREDADA**
011-6-67-06-80
011-6-62-53-49

**BOLE M/ALEM**
011-6-62-23-22
011-6622321

**BOLE MICHAEL**
011-6-39-21-513
0116-39-21-17

**BOLE MILLENNIUM**
011-6-35-81-47
0116358103

**BOLE RWANDA**
011-6 -14- 66- 86
0116 14 65 79

**BOLE SHALLA**
011-6-35-81-26
011-6-35-81-18

**BOLE STADIUM**
011-6-35-80-45
011-6-89-20-58

**BOLE JAFAR MESJID**
011-6-39-29-67
-

**BULBULA 93 MAZORIA**
011-4-17-04-269
011-4-71-48-09

**CMC**
011-6-67-08-30
011-6-67-07-42

**ENGLIZ EMBASSY (YEKA)**
011-6-68-60-49
011-6-68-66-15

**FERENSAY LEGASION**
011-1-54- 85- 44
011-1-54-85-89

**GERJI**
011-6-39-46-61
011-6-39-50-73

**GERJI GIORGIS**
011-6-39-44-90
011-6-39-56-44

**GERJI MEBRAT HAILE**
011-6-67-62-38
011-6-67-61-23

**GORO**
011-6- 66- 05- 18
011-6-66-16-47

**GURD SHOLA**
011-6-67-79-07
011-6-47-40-67

**HAYAHULET MAZORIA**
011-6--44 -78- 58
0116649918

**IMPERIAL**
011-6-63-95-29
0116-395869

**IMPERIAL SPORT ACEDAMY**
011-6-67-48-22
0116674650

**JACROS**
011-6-67-76-50
0116 67 74 66

**JACROS BESHALE**
011-6-66-14-94
0116-661371

**JANMEDA**
011-1-26-19-06
011-1260986

**KARA**
011-6-65-88-47
0116-664430

**KARA ALO**
011-6 -68- 19 -09
0116 68 18 53

**KARAMARA**
011-6-35-44-46/47
0116-354449

**KEBENA**
011-1-54- 43-79/78
-

**KOTEBE**
011-6-45-12-97
011-6451307

**KOTEBE 02 MAZORIA**
011-6-73-39-03
011673 39 01

# NORTH EAST ADDIS ABABA DISTRICT

**KOTEBE GEBEYA**
011-6-68 -02 -91
0116-68 04 06

**LAMBERET**
011-6-67 -53 -11
0116-67 53 11

**LEM MEGENAGNA**
011-6-59- 04- 46
0116-59 19 86

**MEGENAGNA ATHLETE DERARTU TULU**
011-6-68-70-56/55/
0116687058

**22 MEGENAGNA**
011-6-6621-81
011-6-67-3826

**MEGENANGA**
011-6-67-38-24
011-6 -68 -35- 17

**MEGENANGA GURD SHOLA**
011-6-66-10-96
011-6 -68-35-17

**MEHAL SUMMIT**
011-6-67-96-76
011-6-67-95-98

**MEKENISA KORE**
011-3-85-41-16
-

**MERI LUQUE**
011-6-68-01-64
116-6-80103

**YERER GORO**
011-6-67-78-36
0116677790

**SEALITE MEHRET**
011-6-67-64-35
0116-67 62 74

**SEFERA ATIKILT TERA**
011 -8 -13- 23- 40
011 8 13 23 40

**SHALLA AREA**
011-6-35-80-94
0116-358133

**SHOLA GEBEYA**
011-6-59-07-06
0116591782

**SHOLA**
011-6-62- 26- 93
011-6621671

**SUMMIT**
011-6-68-34-69/67
0116-683468

**SUMMIT CMC ADEBABAY**
011-6- 68- 04- 12
0116 68 12 12

**SUMMIT FIGA**
011-6 -68- 06- 77
-

**MOENCO**
11-6-68-72-27 / 011-6-68-66-41
0116-686496

**PEACOCK**
011-5-57- 22- 01
0115-57 22 36

**YERER BER**
011-6-47-95-01
011-6479511

**WUHA LIMAT**
11-6-36 -22- 69/67
0116-36 22 68

**YEKA ABADO**
011-8 -88- 02- 94
-

**YERER GORO**
011-6-67-78-36
0116677790

**YERER BER**
011-6-47-95-01
011-6479511

**SUMMIT GORO**
011-6-68- 17- 82
0116-68 02 26

**TELE MEDHANIALEM**
011-6-67-17-72
0116-671775

**WOLOSEFER ADEBABAY**
011-5-57-74-22
011-552-9856

**WESSEN**
011-6-68 -13 -10
0116-680268

**WUHA LIMAT**
011-6-36 -22- 69/67
0116-36 22 68

**YEKA ABADO**
011-8 -88- 02- 94
-

# NORTH WEAST ADDIS ABABA DISTRICT

**ABUNE PETROS**
011-1-26-70-59
011-1-267703

**ADDISU GEBEYA**
011-1-27-02-40
011-1270125

**ALEM BANK**
011-3-69- 45 -25
0113-69 45 13

**ALEM BANK TROPICAL**
011- 3- 69- 44- 20
011 3 69 44 30

**ALERT**
011-3 -69- 70 -16
011 3 69 66 94

**AMIST KILO**
011-1-54-16-28
0111-541077

**ARADA**
011-1-57- 41 -86
0111-57-41-87

**ARADAGIORGIS**
011-1-26-78-02
0111-267285

**ASKO**
011-2-73-04-03
011-2730415

**ATIKLET TERA**
011-1-26- 79- 62
0111-26 79 64

**AYERTENA**
011-3-69-34-10
0113-693418

**BETHEL**
011-3-69- 64 -32
0113-696404

**BETHEL ROM SEFER**
011-3-69 -66- 93
0113-69 73 49

**BILLAL**
011-3-69- 38- 62
0113-69 36 02

**CATHEDRAL**
011-1-56-48-75
011-1569674

**CHURCHIL**
011- 5- 33- 60- 67
011 5 33 60 65

**EFOYITA SUB BR.**
09-11 -30 -14- 95
912 30 14 95

**ENQULAL FABRICA**
011-2-73-61-20
0112-736648

**FURI**
011-3-67- 91- 21
011-3679131

**FURI ADEBABAY**
011-3-80-21-73
0113 80 2175

**GIRAR**
011 -3- 69- 38- 88
-

**HABTE GIORGIS**
011-1-56-49-76
011-1-56-49-88

**KARA KORE**
011-1-56-49-77
0113693623

**KECHENE**
011-3-69-38-92
011126 59 42

**KOLFE**
011-2-73- 80- 57
011-2-73-80-59

**KOLFE EFOYITA**
011-2-79-93-86
011-2-79-52-72

**KOLFE FETNO DERASH**
011-2-73- 92 -27
0112-73 98 86

**KOLFE TAYWAN**
011-2-73 -96 -01
0112-73 94 85

**LOMI MEDA**
011-2-73-99-10
0112-739946

**RUFAEL**
011-2-59-19-32
0112-592075

**SEFERE SELAM**
011-2-13-91-89
0112-78-15-89

**SEBARA BABUR**
011-1-26 -79 -51
0111-26 72 31

**SHEGER MENAFESHA**
011-1-26 -79 -51
0111-265267

**SIDAMO TERA**
011-2-73-36-83
0112-732843

**SIDEST KILLO**
011-1-26-18-57
0111-261740

**TEWODROS ADEBABAY**
011-1-11-86-43
011-1110820

**TOR-HAYILOCH**
011-1-26-18-57
0113-20 43 55

**ZENEBE WORQ GEBEYA**
011-3-69-98-49
0113-698887

# SOUTH EAST ADDIS ABBA DISTRICT

**AKAKI GEBEYA**
011-4-71-51-85
0114-71 51 84

**AKAKI TOTAL**
011-4-71-55-78
0114-71 69 35

**B/GEBREAL**
011-3-20- 35 -34
0113-20 35 50

**BUNA BOARD**
011-4-70-84-59
011 4709634

**GARA DUBA**
011-8-12-75-56
-

**GELAN CONDOMINIUM**
011-4-55 -01 -79
0114-55 01 75

**GOFA CAMP**
011-4-70- 48 -37
0114- 70 60 97

**GOFA GEBRIEL**
011-4-70-26-00
0114-702236

**GOFA MAZORIA**
011-4-16-00-61
011-4160405

**JEMO**
011-4-71-35-47
0114713788

**KALITY**
011-4-39-10-86
011-4395326

**KALITY MENAHARIA**
011-4-71-63-93
0114-716378

**LAFTO**
011-4-71- 09- 48
0114-71 09 38

**LEBU IRTU**
011-4-62- 57- 76
0114 -62 54 12

**LEBU MUZICA SEFER**
011-4-71- 39 -75
0114713974

**LEBU**
011-4-71- 29- 56
0114-71 29 54

**MECHARE MEDA**
011-3- 84- 86- 79
0113848664

**SALO GORA**
011-4 -72-04-39/40
0114-720-437

**SARIS**
0114-70-77-72
0114707773

**SARIS ABO**
0114-70-86-94
0114708344

**SARIS ADDISU SEFER**
011-4-70- 84- 20
0114-70 84 21

**SARIS DAMA**
011-4-70- 81 -63
0114-70 81 79

**Mehal Lafto**
011-4-71- 19- 12
0114-71 16 51

**TULU DIMTU**
011-4-62 -73- 63
0114-62 73 64

**MEKENISA MICHAEL**
011-3-69-89-72
0113-698563

**NIFAS SILK**
011-4-42-56-95/94
011-4425696

**GOTERA**
011-4-66-46-34
011-4664689

**HANA MARIAM**
011- 4-71- 11- 64
011 471 11 63

**JATI KALITY**
011- 4 -71- 60- 24

**MEKANISSA**
011-3-69- 96- 18
0113-69 89 66

**VATICAN**
011-3-69- 05 -90
0113-69 28 87

## NORTH WEST ADDIS ABABA DISTRICT

**Abdi Nono**
011-2-32 -00 -26
0112-32 0121

**Alem Gena**
011-3-87-05-00
0113-87 04 08

**Ambo**
011-2-36- 02 -10
0112361446

**Anfo**
011-3-69-68-84
0113-69 75 69

**Burayu**
011-2-62-51-73
112625170

**Fiche**
011- 1 60- 99- 92
011 1 60 99 95

**Gebra Guracha**
011- 131 -17-50
011-131-1815

**Holeta**
011-2-61-09-81
0112610335

**Melka Gefersa**
011-8-13-41-94
-

**Sebeta**
011-3-38-02-22
011-3380208

**Sululta**
0111-61-74-87
0111-617768

**Tulu Bollo**
011 3- 42- 14- 17
011 3 42 11 15

**Tulu Jemo**
0112-60- 12- 53
0112-60 -11- 75
0112-60 17 75

**Wechecha**
0113-67 92 46/47
0113-67 92 28

**Woliso**
0113-41 34 42
011-3413280

## SOUTH EAST ADDIS ABABA DISTRICT

**Adama**
022-112-48-44
022-1125188

**Adama Boset**
0222-12-41-59
-

**Adama Menaharia**
022-211-27-29
022-2112256

**Adama Moinco Sub**
022-211-6269

**Adda Bishoftu**
011-430-19-61
0114307538

**Arerti**
022--223-07-10
022-223-0613

**Asela**
022-238-00-15
022-2380024

**Bekoji**
022-332-14-43
0223321493

**Berecha**
022-211-23-06
0222114633

**Bishoftu Michael**
0114- 30- 18- 01
011430 81 28

**Bishoftu**
011-4-33-75-27
011 430 04 20

**Chillalo**
022- 238- 07-68
022 238 8356

Denbela
022-211-7701
022-211-7702

**Digelou**
099-187- 32 14
No line

**Dukem**
011-4-32-06-52
011-4320653

**Dukem Eastern industry**
011-462- 82-75

**Eteya**
022-335-09-32
022-335-09-33

**Ginb Gebeya**
022-212- 35- 02
022- 212 4031

**Huruta**
022-334-11-51
0223341084

**Logia**
033-550-11-96
0335-50-11-97

**Mehal Arada Adama**
022-111-85-55/54
0221-11 85 52

**Mojo**
022-236- 00- 20
0222-36 00 30

**Mojo Derek wodeb**
022-236-9749/50
022-236-9749/50

**Nekemte**
0576-61-32-11
057-661-31-66

**Sagure**
e022-338-11-01
022-338-1096

**Welenchiti**
022-113-00-60
022 1130 120

**Ziquala Bishoftu**
011-4-30- 23- 94
0114-30 67 75

# HOSSANA DISTRICT BRANCHES

**ADILO SUB BR.**
09-37-22-07-94
0937220794

**AGENA**
011-329 -05- 96
0113290369

**ANGACHA**
046-340-04-34
046-3400424

**ARBA MINCH**
046-881-41-75
046-8814174

**ARBA MINCH GEBEYA**
046-181-20-87
-

**AREKA**
046-552-15-25
0465521523

**AREKA**
'011-311-09-08
011-3-11-08-08

**GIMBICHU**
046-772-07-99
046-7720861

**BELE**
046-450-05-24”
0464500525

**BIRBIR**
046-452-04-18
0464 520418

**BODITI**
046-559- 09- 25
0465590930

**BOMBE**
046-552-18-08
0465521822

**BONOSHA**
046-453-08-07
046-4530519

**BUIE**
046-883 -05- 18
046-8830556

**BUTAJIRA**
046-115- 07- 52
046-1151461

**DALOCHA**
046-466 05 -66
0464-66 04 88

**DARGE**
011-358 -00- 28
011-3580079

**DOMBOYA**
046-245- 02 43
046-245-0243

**DOYOGENA**
046-244-04-13
0462440489

**DURAME**
046-554 -14 -58
0465541777

**EMDEBIR**
011-331-03-80
0113-31-03-17

**FONKO**
046-263- 03 -74
0462630403

**ENDEGEGN**
011-350- 06 -58
0113-50 07 02

**ENSINO**
046 -558- 04-11
046 558 0413

**GESUBA**
046 -555 -25- 35
046 555 4444

**GUNCHIRE**
011-332-08-37
0113320735

**GIMBICHU**
046-772-07-99
046-7-72-08-61

**HADERO**
046-432-01-00
046-432-02-41

**HAWARYAT**
011-343-07-39
0113-430457

**HALABA KULITO**
046-556-16-96
046-556-1771

**HOMECHO**
046-251-06-47
0462510646

**HOSSANA**
046-178-40-20
046-5-55-44-44

**HOSSANA ARADA**
046-178 64 83
046-178 95 16

**HOSSAENA BATENA**
046-178 -05- 41
0461780543

**HOSSAENA GEBEYA**
046- 178- 28-61
046-1789802

**HOSSANA GOMBORA**
046-178-58-96
0461787538

**HOSSAENA MENAHARIA**
046-555-24-21
046-555-29-73

**HUMBO**
046-461-07-03
046-461-0752

**JINKA**
046-775-26-15
046 775 2413

**KARE**
046-145- 66- 46
0461-45 66 48

**KELA**
046-464- 02- 60
0464-64 05 41

**KOSIE**
046-855-90-79
046 855 9079

**L/T/J/W/SILASE BEREKA (GUBRE )**
011-322-03-31/32
0113220323

**LERA**
046-234-04-93
0462-34 03 65

**MAREKO KOSHE**
046-465- 06- 53
0464-65 04 81

**MUDULA**
046-235- 07- 01
0462-35 04 63

# HOSSANA DISTRICT BRANCHES

**QUANTE**
046-328-26-03
0463282601

**SANKURA**
046-237-03-82
046- 237-0466

**SAWULA**
046-777-1470/71
046 777 14 71

**SELAM BER**
046 -459-08-56
0464590858

**SHECHA**
046-181-52-38
046 181 7312

**SHINSHICHO**
046-339-06-70
0463390811

**SHONE**
046-553-06-10
0465530614

**SILTE MITTO**
046-328-75-99
0463-287553

**TIYA BITWODED BAHIRU**
046-264 -02- 38
0462-64 01 82

**TORA**
046-238-05-07
046 238 0688

**W/SODO**
0461-800-0 20/21
046-1800600

**W/SODO MENHARIA**
046 -180 -28-74
046 180 6539

**WACHAMO UNIVERISITY SUB BR.**
09-07-71-21-47
-

**WALGA**
0910-73-32-10
-

**WERABE**
046-771-05-44
046-7710327

**WOLKITE**
0113-30 25 41
011-3302544

**WALGA**
Wolkite University Sub-Br.
011-322- 04 -38
011-322- 04 -38

**YEJOKA**
011-365- 80- 31
011-365- 80 -34

**ZEBIDAR**
011-365- 80- 31
046-1150130

# NORTH EAST ADDIS ABABA DISTRICT

**ATSE ZERAYAKOB**
011-637- 61-56
011-637 -61-55
0116 37 61 57

**DEBREBIREHAN**
011-681-27-01
011-681-26-26
0116-81-23-83

**DEBRE EBA**
011-637-63-91
011-637-57-45
-

**SHENO**
011-687- 02- 27
011-687 -07 -59
'0116 87 08 65

**SHEWA ROBIT**
033-664-10-53
033-624-12-85
033-6640179

**LEGETAFO**
0913684937
0116688351

# HAWASSA DISTRICT BRANCHES

**ADARE**
046-221-70-37
-

**ADOLA WOYU**
046-335 -13- 61
0463-35 17 43

**ALETA CHUKO**
046-227-09-06
0926 58 71 08

**ALETA WONDO**
046-224-10-33
046-2241006

**AREB SEFER**
046-212-38-26
0462124617

**ARSI NEGELE**
046-116-25-60
0461162559

**DILLA**
046-331-43-31
046-3313925

**DILLA EDGET**
046-331-01-15
046-331-01-02

**AWASHO**
046-211-84-77
0462116962

**BALE ROBE**
022-665-00-94
022-6650489

**BATU**
046-441-23-89
046-4410933

**BORE**
046-667-05-86
466670673

**BULE HORA**
046-443 -02-92
046-443-0696

**DAYE**
046-337-08-84
046 337 0889

**DODOLA**
022-240- 18-01
-

**YABELO**
046-446- 15- 30
0464-46 14 59

**HARUFA**
046-211- 25 -09
0462111675

**HASASA**
022-336-12-26
022-3361229

**HAWASSA**
046-220-71-79
046-2207181 .

**HAWASSA ALAMURA**
046-212-87-42
0462127954

**HAWASSA ATOTE**
046-212-15-16
046-2121291

**HAWASSA MENAHERIA**
046-212- 41- 86
046-212 40 15

**MEKI**
022-118 -01- 14
0221-18 01 16

**YIRGACHEFE**
046-332-00-18
046-332-00-90

**MOYALE SUB BR.**
046-444-14-69
046 444178

**SHAKISO**
046-334-21-02
046-334-2101

**SHASHEMENE**
046-110-34-40
046-1104289

**SHASHEMENE ODA**
046-211-00-46
046-2110044

**TABOR**
046-212-49-57
462124279

**HAWASSA-WARKA**
046-212 -00 12/14
0462120005

**GEDEB**
046-268- 05- 27
046-268 06 04

**YIRGALEM**
046-2252036
046-2251084

# BAHIR DAR DISTRICT BRANCHES

**ABAY MADO**
058-320-47-35
058-320-09-78

**AYITEYEF**
033-312-32-80
0333123226

**AXUM**
03-42-75-05-90
0342751631

**DANGILA**
058-221-20-42
058 221 2153

**DEJEN**
058-776-27-51
058-776-2752

**FASILO**
058-320-56-85
058-220-3471

**HUMERA**
034-448-09-39
034-448-0425

**LALIBELLA**
033-336-12-15
033-3361442

**MERAWI**
058-330-11-45
-

**SHIRE**
034-444-14-58
034-444-34-25

**ADET TERA**
058-320-63-89
058-320-7269

**BAHIR DAR GEBEYA**
058- 320-00-93
058 320 098

**BAHIR DAR TANA**
058-320-92-68
058 320 6385

**DEBREMARKOS GEBEYA SUB BR.**
058 -178- 85-21
058-178-1562

**DESSIE**
033-112-51-11
033-1125109

**FINOTE SELAM**
058-775-22-22
0587752107

**KOMBOLCHA**
033-351-75-26
0333511142

**METEMA YOHANNS**
058-555- 55- 40
0585-55 56 32

**MEKELLE MESOBO**
034-240- 51- 31
0342-40 51 85

**WUKRO**
034-443-16-44
034-4431234

**ADI HAQI**
03-42-40-21-54
0342404996

**BAHIRDAR GHION**
058- 320- 45-34
058 320 2795

**BAHIR DAR**
058-226 -62-42
058 226 -6243

**DEBREMARKOS**
058-178-37-35
058-178-2425

**DURBETE**
058- 223- 07-45
058 223 0629

**GONDAR**
058-112- 18- 81
058-1121797

**KOBO**
033-334-17-30
-

**MEKELLE**
034-440-93-00
0344-41 10 95

**MOTA**
058- 6 61- 19- 92
058 6 61 20 34

**WOLDIA**
033-431 -20- 73
0334310681

**ADIGRAT**
03-42-45-37-46
0342450883

**BICHENA**
058-66-51-247
058 665 1249

**DEBRE TABOR**
09-45-25-48-92
0945254892

**ENJIBARA**
058-227-16-69
058-227-17-48

**GONDER MARAKI**
058-211- 50- 61
058-2115044

**HIKE**
033-222-13-03
033-222-1308

**LAKOMELZA**
033-312- 82- 69
0333-12 55 26

**MERSA**
033-333-11-47
033 333 1147

**NIFAS MEWCHA**
058-445-16-59
-

**WORETA**
058-446 -15- 31
0584461840

# JIMMA DISTRICT BRANCHES

**AGARO**
047-221-50-26
47 221 04 60

**AMAN SUB BR.**
047-336-07-13
0473360713

**ASSOSA**
057-448-41-90
057-448-4192

**BEDELE**
047-445-25-68
047 445 2566

**BESHESHI SUB BR.**
047-211-43-22
047 211 1160

**BONGA**
047-331-25-26
0473311850

**CHORA**
09-13-83-05-14
0913830514

**DIMMA**
047-332-08-92
-

**GAMBELA**
047-551-03-09
0475510791

**GIMBI**
057-771- 25 -25
0577712810

**JIMMA ABAJIFAR**
047-211-85-15
0472117165

**JIMMA MENHARIA**
047-211-09-43
0472113609

**MITE**
047-339-06-83
047-339-0648

**JIMMA**
047-112-12-34
047-1121232

**METU**
047-141-25-22
047 141 4722

**MIZAN**
047-135- 43 -89
0471-35 66 35

**TEPI**
047-556- 28 -32
047-556-28-36

**WACHA**
047-338-04-31
-

# DIRE DAWA DISTRICT BRANCHES

**AFETESA**
025-211-04-16
0252110340

**BEDESA**
025-555-11-37
025 555 1139

**HARA**
025-667-06-74
025-6671076

**JIGJIGA SHEBELE**
025-278-09-00
0252788356

**TOGO CHALE SUB BR.**
025-882-01-28
025-8820129

**AWASH 7 KILLO**
022-224-12-52
0222241195

**CHIRO**
0221-12 48 44
0221-12 48 44

**HARAR RAS**
025-466-42-07
025 466 4208

**KEZIRA MAIN**
025-211-55-19
025-2114249

**AWBERE**
025-777-00-37
025-7770036

**DIRE DAWA**
025-111 -93-43
025-112 3492

**HIRNA**
025-441-21-46/47
025 441 2148

**MIDEREGENET (HARER)**
025-466-74- 35
025-466-78 73

**AWEDAY**
025-662-06-10
025-6620462

**GELEMSSO**
09-64-04-93-15
0964049315

**JIJIGA**
025-278-00-76
025-278-00-33

# NIB HALAL BRANCHES

NIB HALAL AMEN
011-2- 73- 66 42/41
0112 73 66 43

NIB HALAL AUTOBUS TERA
011-2-73- 48- 66
0112-73 47 80

NIB HALAL AYSHA
011-3- 69- 54- 10
0113 69 56 11

NIB HALAL EMANA
011-3-69-58-32
113395137

NIB HALAL GEJA SEFER
011 -5 -57- 97- 51
011 5 57 80 25

NIB HALAL GOFA AKABABI
011-4-70-58-08
-

NIB HALAL KOLFE EFOYTA
011-2- 73- 95- 41
-

NIB HALAL MEHAL MERKATO
011-2- 73- 55- 92
0112 73 49 76

NIB HALAL NUR MESGID
011-1-26- 57- 60
0111-26 51 04

NIB HALAL AREBOCH TERA
09-17-61-62-72
0917616272

NIB HALAL ASELLA
070-3-15-05-45
022 238 18 92

NIB HALAL B/DAR RAMADAN
058- 320-9793/96
058 320 97 94

NIB HALAL BIDARA GEBEYA
046-1-45 -31 -99
0461-45 19 20

NIB HALAL GUBRE BILAL
011-322-0337/38
-

NIB HALAL TAQWA
011-3-69- 76- 34
0113-69 71 45

NIB HALAL ADAMA
022-2-11-44-76
-

NIB HALAL AMAN
046-5-56-18- 00
0465-56 18 01

NIB HALAL HAKIKA (WERABE DUNA)”
046-7-71-07-74
0467-71 08 70

NIB HALAL HOSSANA
09-13-43-43-88
0913434388

NIB HALAL KIBET
046-8-82-09-82
046-882-0761

NIB HALAL KEZIRA
025-4-11 -33 -73
0254-113371

NIB HALAL REBI
011-3-65- 80- 04
0113-65 93 09

NIB HALAL SHASHEMENE
046-2-11-28-10
046-211-2811

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