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Nib International Bank



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ANNUAL REPORT

2023/24



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መተግበሪያ!



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Website: www.nibbanksc.com



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Nib International Bank

ANNUAL REPORT

JULY 01, 2023- JUNE 30, 2024



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Addis Ababa, Ethiopia



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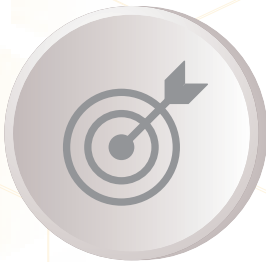


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Nib International Bank



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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BOARD OF DIRECTORS



ATO SHISEMA SHEWANEKA
Chairman



WONDIMU TEKLE (PhD)
Deputy Chairman



MEHARI MEKONNEN (PhD)
Director



ATO TSEGAYE DEGEFU
Director



ATO ABERA SHIRE
Director



ATO SALAHADIN IBRAHIM
Director



ATO SEIFU AWASH
Director



WRO GENET WELDIE
Director



ATO BENTI SIRANI
Director



ATO ZEWDIE SERBARO
Director



ATO TAFSESSE YIRGA
Director



ATO MAMUSHET AFEWORK
Director



ATO OSMAN ALI
Company Secretary

MESSAGE FROM THE BOARD CHAIRMAN



Distinguished Shareholders and Respected Guests,

On behalf of the Board of Directors of Nib International Bank S.C. and myself, I am pleased to welcome our valued shareholders to the 25th Ordinary Annual General Meeting. As the newly appointed Board Chairperson, I am honored to present the Bank's performance for the financial year ending June 2024. It has been a year of both challenges and achievements and it is my honor to share the performance highlights and future directions as we continue to build on our strong foundations.

Distinguished Shareholders,

During the review period, Ethiopia's economy encountered several challenges; including internal conflicts, drought, liquidity and funding and foreign exchange shortages, inflation and the spillover effects of the Russia-Ukraine war. These factors have significantly impacted both the broader economy and the financial sector in particular. Within the banking industry, we faced intensified competition driven by resource limitations and the emergence of new domestic players.

Additionally, the entry of non-bank entities, such as telecom operators

Ato Shisema Shewaneka
Chairman, Board of Directors

and FinTech companies, has further reshaped the competitive landscape. Collectively, these developments have had both favorable and unfavorable effects on the overall performance of the Bank.

As you well know, the year 2023/24 had been particularly challenging for our Bank, primarily due to significant liquidity problems that had arisen from weak corporate governance and leadership. These difficulties had not only affected our financial stability but had also led to a noticeable erosion of customers' and other stakeholders' confidences in our Bank. In response to the situation, the regulatory body, shareholders, alongside our newly appointed Board of Directors, recognized the urgency of the matter and has taken decisive steps to implement corrective actions. The focus being on restoring confidence, enhancing corporate governance and leadership practices in the Bank and ensuring its long-term stability.

To address the Bank's internal challenges and ensure its continued growth and profitability, the newly elected Board had implemented several key measures, achieving notable results in a relatively short period of time. We developed a ninety-day turnaround plan, executed from March to May 2024 and a one-hundred-twenty-day liquidity recovery plan covering the period June to September 2024, targeting the core issues that had led to the Bank's challenges.

During the period, the Board of Directors did engage in meaningful discussions with all stakeholders, conducted comprehensive assessments and took corrective actions based on key findings. An Extraordinary

Shareholders Meeting was convened, where the agenda for capital increase was approved. We proactively reached out to potential customers to strengthen their business relationships with the Bank and implemented bank-wide marketing campaigns, including a dedicated customer week, aimed at rebuilding trust, mobilizing resources and enhancing the customer experience.

Furthermore, the Board has updated the Bank's organizational structure, appointed a new CEO and recruited a new executive management team. We prioritized aggressive loan collection, deposit mobilization, FX generation and paid-up capital enhancement efforts and focused on improving the quality of assets of the Bank.

At this point, I would like to extend my heartfelt gratitude to my fellow Board members for their exceptional dedication and leadership. Their unwavering commitment has been instrumental in driving the promising reforms that have allowed the Bank to stabilize and strengthen its business through timely addressing our fundamental challenges.

Esteemed Shareholders,

Following the new CEO and other senior management team takeover of the leadership, concerted efforts have been employed to reverse the Bank's trajectory and register results. The Board, the Executive Management and the Employees of the Bank had seamlessly worked together for the successful execution of the plans. We do also focus on creating differentiated value propositions for customers through development of new products, services, and enhanced digital channels.

Distinguished Shareholders, Customers and Colleagues, looking ahead

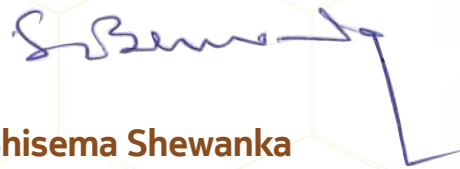
The financial landscape has been dynamic and at the same time, unpredictable. The Bank has navigated this dynamism with agility, leveraging the opportunities availed to it to strengthen its position. It has implemented strategic initiatives to enhance operational efficiency, adopt innovative technologies and expand service offerings. The Bank's focus remains on innovation and digitalization to provide secure, convenient banking solutions.

Moreover, the Bank has continued to invest in building construction projects and in banking technologies and digitization. These investments would further improve the Bank's asset size and modernization with the ultimate impact of enhancing its brand image and market competitiveness. The construction of the high-rise twin structure building in the heart of Hawassa City was finalized and put into service during the reporting period.

The Bank has encountered difficulties in meeting its financial targets due to external and internal challenges. Despite falling short of targets, the Bank did register profit for the fiscal year as a result of all the significant initiatives implemented during the year as well as the close oversight and support from the regulatory body. But, I want to reassure you that the Bank has successfully navigated its challenges and remain a robust financial institution.

Esteemed Shareholders and Guests,

I wish you a Happy 25th Silver Jubilee Anniversary of our Bank.



Shisema Shewanka

Chairman
October 2024



SHARI'AH ADVISORY BOARD



SHEIK ABRAR SHIFA
Chair Person - SAB



USTAZ ABDULGEFAR SHERIF
Member - SAB

نبأ حلال

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SHARI'AH ADVISORY BOARD'S (SAB) REPORT FOR THE FY 2023/24

In accordance with the responsibilities outlined in the Shari'ah Advisory Board Charter, the Shari'ah Advisory Board (SAB) of Nib International Bank presents its Annual Shari'ah Compliance Report for the financial year 2023/24.

As part of its advisory role, the SAB conducts regular and extraordinary meetings to ensure that the IFB services across all branches comply with Shari'ah rules and principles. To this end, we have reviewed various Deposit and Financing Contracts, forms, formats and both existing and new products to ensure their adherence to Shari'ah compliance and the proper segregation of IFB services within the Bank. Additionally, SAB conducted physical branch visits to verify that IFB operations align with Shari'ah principles and the guidance provided by the Board.



Sheik Abrar Shifa
(CHAIR PERSON - SAB)

The SAB has also facilitated training sessions for bank employees and conducted customer session in various cities to enhance awareness of IFB products and services.

It is important to note that while the bank's management is responsible for ensuring that all IFB operational activities align with Shari'ah principles, Fatwas (Shari'ah decisions) issued by the SAB, directives from the National Bank of Ethiopia and the Bank's IFB policies and procedures, the SAB's role is limited to providing an independent opinion on the bank's compliance with Shari'ah rules and principles.

In our opinion, after a comprehensive review of all relevant information for the year ending June 30, 2024, Nib International Bank has adhered to Shari'ah rules and principles in its provision of both IFB financing and deposit services.

Finally, the Shari'ah Advisory Board expresses its gratitude to the Bank's Board of Directors, Management and staff for their cooperation and commitment to upholding high Shari'ah standards.



Ustaz Abdulgefar Sherif
(MEMBER - SAB)



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- ☛ ወዲዓህ የውጭ ምንዛሪ ቁጠባ ሂሳብ
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EXECUTIVE MANAGEMENT



BELAY GORFU
Acting Chief Executive Officer



SAMSON AMDISSA
Chief, Corporate Service
Officer



GIRMA FEKEDE
Chief, Customers and Branch
Banking Officer



DAWIT TEFERRA
Chief, Information & Digital
Banking Officer



ERISTU KEMAL
Deputy Chief, Interest Free
Banking Officer



HAREGEWOIN AMSALE
Deputy chief, International
Banking Officer



NETSANET YIRGA
Deputy Chief, Credit
Officer



ZEWDU HAKIMU
Deputy Chief, Human
Capital Officer



TIGIST KEDIR
Executive Assistant to the
Chief Executive Officer



ASSEFA JEZZA
Deputy Chief, Facilities
Officer



DANIEL ERGOGO
Deputy, Chief Branch
Banking Officer



MESFIN SISAY
Deputy Chief, Information
Systems Officer



TATEK NEGASSA
Deputy Chief, Digital
Banking Officer

SENIOR MANAGEMENT

DEPARTMENT DIRECTORS



ABREHAM BEYENE
Director, NGOs, Int.Inst. & Diaspora Banking Dep't



ANMUT ADDIS
Director, IS Infrastructure Management Dep't



AYELE SHIREGA
Director Accounts & Financial Reporting Dep't



AYELE YITAYEW
Director, Facilities Management Dep't



BEYENE ALEMU
Director, Legal Service Dep't



BELAYNEH KIFLE
Director, Human Resource Operations Dep't



BELETE SHIGUTE
Director, Credit Operations & Collection Dep't



BIRUK ZEGEJU
Lead Enterprise Architect



BOGALE TEFEREDEGNE
Director, Agency & Card Banking Dep't



DANIEL BIRHANU
Director, Treasury Dep't



Director, Technology Innovation & Program Management Dep't



DEMISSEW ABERA
Director, Supply Chain Management Dep't



Director, Tranformation Dep't



ELIAS NEGASSI
Director, Online Banking Dep't



ELSABETH GIRMAY
Director, Corporate & Institutional Banking Dep't



ENDALEW BAZEZEW
Director, Risk Management & Compliance Dep't



FISSEHA WUJIRA
Director, Retail & SME
Banking Dep't



GEBEYEHU RABA
Director, Customers
Experience, Research &
Business Dev't Dep't



GETAHUN ABEBE
Director, Credit
Monitoring Dep't



HABTEMARIAM TESFAYE
Director, Building & Lease
Administration Dep't



MELESEW BIRHANU
Director, Customer
Accounts & Transaction
Support Dep't



Director, Shareholder
Relation & Investment
Management Dep't



MESKEREM TESFAYE
Director, Strategy
Planning, Monitoring
& Evaluation Dep't



NAHOM DANIEL
Director, Talent
Development Dep't



Director, Analytic & Data
Management
Dep't



TAMIRAT ABEBE
Director, IS Risk & Cyber
Security Dep't



WELELLA MOHAMMED
Director, Marketing
& Corporate Communication
Dep't



WONDWOSSEN ENKO
Director, Property Valuation
Dep't



YIRGALEM NIGUSSIE
Director, Credit Appraisal
Dep't



YISHAK NIWAY
Acting Director, Internal
Audit Dep't



YOHANNES BELEHU
Director, Digital Banking
Operations Dep't



YONAS TADESSE
Director, Trade Finance
Dep't



MENSUR ALI
Director, IFB Finacing &
Investement Dep't



ZELALEM SOLOMON
Director, IS Application
Management Dep't



KASA MELESE
Acting Director, IFB Customers
& Branch Operation Dep't



Director, Remittance & Forex
Bureau Account Management
Dep't



GEBRE TADESSE
Acting Director Talent
Acquisition & Management
Dep't

DISTRICT DIRECTORS



ASHENAFI G. MARIAM
Director, Central
A.A District



DERIBEW MICHAEL
Director, Hossana
District



ELIAS ASSEFA
Director, South East
A.A District



GEZAHEGN SHIRBESA
Director, Hawssa
District



MERIHUN ELIAS
Director, North West
A.A District



TEFERI BATEBO
Director North East AA
District



TEFERA GETACHEW
Director, Bahir Dar
District



BERHANU BELACHEW
Acting Director Dire Dawa
District



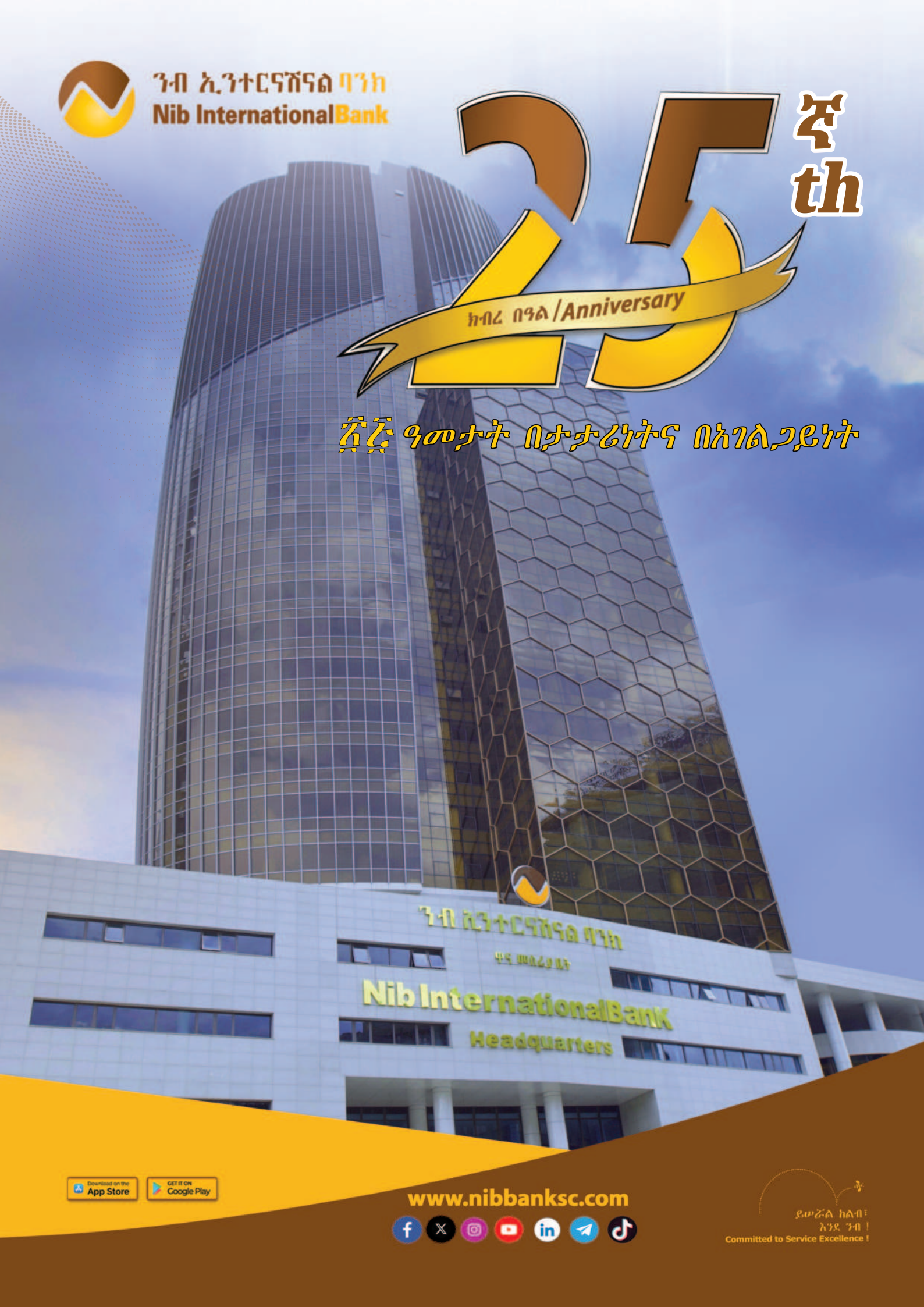
CHALA TUJUBA
Acting Director Jimma
District



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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER (CEO)



Belay Gorfu

Acting Chief Executive Officer

I am filled with pride as I share our remarkable achievements that have turned what once seemed like impossible into a reality. I extend my heartfelt gratitude to all our valued Shareholders, the Board of Directors, the management, staff members and especially to all our respected customers for the unwavering support and contributions to these achievements.

During the financial year 2023/24, the global economy faced subdued growth compared to historical trends due to high borrowing costs, reduced fiscal stimulus, the ongoing Russia-Ukraine conflict, stagnant productivity and increasing geopolitical fragmentations. As a result, the IMF forecasted global growth to remain moderate as it was in 2023 at 3.2% for 2024.

Ethiopia's economy similarly faced significant challenges including severe foreign exchange shortage and rising inflation, driven by internal social, economic and political dynamics and global economic landscape. In response to these challenges, the Government of Ethiopia had introduced monetary policy reforms alongside the second phase of HGER 2.0. As part of these reforms, several measures had been implemented to liberalize the banking sector. A notable development is the establishment of an operational capital market, allowing existing banks to open subsidiary institutions to play their part in the capital market. This year had also seen entry of new banking service providers into the market.

The year did also pose notable challenges on the banking sector, primarily due to prevalence of liquidity and funding problems. While the liquidity issue had been an industry wide constraint, our Bank had to go through rough times as a result of governance related failures. Despite these obstacles, we have successfully navigated through those difficulties, enhancing our reputation and demonstrating resilience. Our commitment to becoming a leading commercial bank in Ethiopia and a symbol of service excellence remains steadfast.

At this significant moment, I want to express my sincere appreciation to our valued partners, clients and the National Bank of Ethiopia (NBE). I am continually impressed by how our Bank has become an integral part of many lives. Our roles in building better futures for our customers, their families and their

communities at large fills us with pride and purpose.

Through various initiatives, we have strengthened our performance and the trust placed in us. To enhance our reputation and effectiveness, we have implemented groundbreaking measures focusing on sound corporate governance and risk management. These efforts ensured a brighter future for NIB, particularly in light of the macro-level reforms that liberalized the economy in general and the financial sector in particular.

We have successfully adapted our organizational structure and redefined our business models to better align with market dynamics. Additionally, we have invested in our digital capabilities, enhancing our online and mobile banking platforms for a seamless and secure customers' experiences. We partnered with domestic and international institutions with the aim to garner business relationships that benefit both parties.

Looking ahead, we will prioritize sustainable growth, innovation and customer satisfaction. For the financial year 2024/25, our focus goes to expanding our offerings, investing in technology and digitization, attracting and retaining skilled talent, enhancing staff productivity and improving our customers' experiences. Our aim is to contribute to the creation of a digital society in Ethiopia, positioning our Bank as a market leader and ensuring continuous growth and prosperity, despite the challenges ahead.

As part of these initiatives, we are developing our fourth Strategic Plan, which will explore new investment opportunities such as

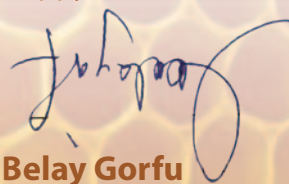
Investment Banking and more others that the financial sector reform programs afforded to the market.

On this special occasion, I want to wish everyone a happy 25th Silver Jubilee Anniversary. Today marks a significant milestone in our journey together. As we celebrate 25th year, let us recognize not only our achievements but also the relationships we have built and the impact we have made in the industry and the community. Our commitment to excellence and our shared vision for the future will guide us as we embarked on the next 25 years and beyond.

Finally, I want to express my heartfelt gratitude to the Board of Directors for their unwavering support and leadership during these difficult times. I also extend my sincere appreciation to our management and employees for their relentless efforts in reaching our goals. My special thanks goes to the National Bank of Ethiopia for its roles in closely supervising and supporting the Bank while going through the difficult times. With the combined efforts of all employees, shareholders, business partners, and other stakeholders, I am confident that we will achieve remarkable results and usher the Bank into a new chapter in the financial year 2024/25.

Thank you for being with us in this journey.

Happy 25th Anniversary



Belay Gorfu

Acting Chief Executive Officer

October 2024

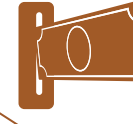
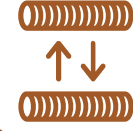
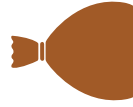
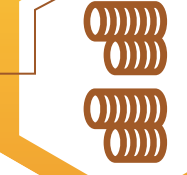
Operational Performance Highlights

Total assets
Birr 67.0
Billion

Number Of
Borrowers
15,190

Total Capital
Birr 10.4
Billion

Customers Deposit
Birr 45.1
Billion



Outstanding loans
and advances
Birr 49.2
Billion

Paidup capital
Birr 7.6
Billion

ATM
346

Branches
441

Gross revenue
Birr 10.8
Billion

Agents
2,899

Nib Cardholders
1.2
Million

Merchant
10,994



Mobile and Internet
Banking Customers
500,000

NibEbirr wallet
customers
1.5 Million

POS
195



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01

DIRECTORS' REPORT

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DIRECTORS' REPORT

The Board of Directors of Nib International Bank are pleased to present the Bank's annual performance and financial report to the 25th Annual General Meeting of shareholders and to all stakeholders of the Bank for the year ended 30th June 2024.

GENERAL OUTLOOK OF THE OPERATING ENVIRONMENT

The ever-changing socio-economic environment, both externally and internally, has greatly impacted the performance of the financial sector in general and Nib International Bank S.C in particular. Operating in a highly competitive global and domestic environment, our bank endeavors to seize opportunities and mitigate risks stemming from fluctuating economic conditions. This overview highlights key global and domestic economic factors that influenced the banking sector.

According to the IMF's World Economic Outlook of July 2024, the global economy is expected to continue growing at a moderate pace, with global growth projected to be 3.2 percent in 2024 and 3.3 percent in 2025.

Many advanced economies are facing challenges from higher inflation, tighter monetary policies and geopolitical tensions while emerging and developing economies are generally expected to outperform advanced economies, driven by strong domestic demand and favorable demographics.

Looking deeper into IMF's World & Regional Economic Growth projections, advanced economies would experience a slight slowdown in growth in 2024 compared to 2023. The Emerging Markets and Developing Economies are projected to grow by 2.0% in 2024 reflecting a moderate improvement from the 1.8% registered in 2023. In Sub-Saharan Africa, growth is projected to rise to 3.7% in 2024 and 4.1% in 2025.

The Ethiopian Government projected the country's economy to expand by 7.9% in 2023/24. This growth is primarily fueled by the strong performance of the service sector, which makes up a significant portion of Ethiopia's economy and increased investments, improvements in agriculture, and ongoing infrastructure projects are also contributing to this economic growth.

The Ethiopia's banking industry has faced challenging conditions over the past year. These challenges include high inflation, liquidity funding issues, foreign currency shortages, internal conflicts and instability, economic slowdown and intense competition among banks. Additionally, the rise of Mobile Money Service Providers and Fin-Tech companies has

presented both opportunities and challenges for banks in fulfilling their core functions during the past financial year.

Despite these challenges, NIB has demonstrated resilience and adaptability and it is expected to continue to play a crucial role in the country's economic development.

FINANCIAL PERFORMANCE

The financial performance of the Bank during the financial year 2023/24 is presented as follows.

FINANCIAL POSITION

ASSETS

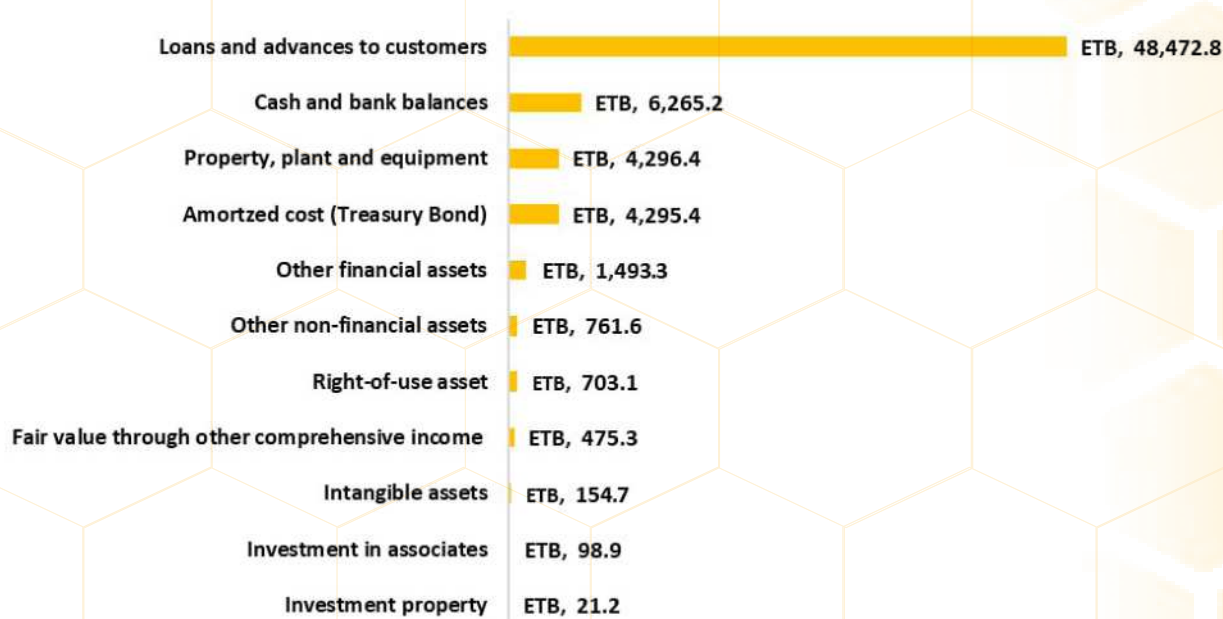
The Bank's total assets has reached Birr 67.0 billion, which is less when compared to last year's corresponding period balance of Birr 77.0 billion, highlighting the challenging circumstances faced during the period.

TABLE 1: COMPARISON & COMPOSITION OF ASSETS

IN MILLION BIRR

	June 2024	June 2023	Growth		% Share	
			Absolute	%	June 2024	June 2023
Cash and bank balances	6,265.2	12,065.9	(5,800.7)	(48.1)	9.3	15.7
Loans and advances to customers	48,472.8	53,271.0	(4,798.3)	(9.0)	72.3	69.2
Fair value through other comprehensive income	475.3	442.8	32.5	7.3	0.7	0.6
Amortized cost (Treasury Bond)	4,295.4	3,290.7	1,004.8	30.5	6.4	4.3
Investment in associates	98.9	66.6	32.4	48.7	0.1	0.1
Other financial assets	1,493.3	2,118.9	(625.6)	(29.5)	2.2	2.8
Other non-financial assets	761.6	800.7	(39.1)	(4.9)	1.1	1.0
Investment property	21.2	21.6	(0.4)	(1.9)	0.0	0.0
Intangible assets	154.7	70.9	83.8	118.0	0.2	0.1
Right-of-use asset	703.1	746.5	(43.4)	(5.8)	1.0	1.0
Property, plant and equipment	4,296.4	4,125.1	171.4	4.2	6.4	5.4
	67,038.0	77,020.8	(9,982.7)	(13.0)	100.0	100.0

Breaking it down, net loans & advances make up 72.3% of the total assets while cash and bank balances account for 9.3%. Meanwhile, property, plant and equipment took 6.4% share of the total assets. The chart below illustrates the details.

CHART 1: TOTAL ASSET BY TYPE DURING JUNE 2024
IN MILLION BIRR


LOANS AND ADVANCES

The Bank's total outstanding loans and advances stood at Birr 49.2 billion at the end of the 2023/24 financial year.

The Bank's asset quality was challenged by the prevailing external and internal operating environment and remained higher than the projected balance for the year under review. The table below depicts the Bank's loan and advance performance by economic sector.

TABLE 2: LOANS AND ADVANCES BY ECONOMIC SECTOR
IN MILLION BIRR

	June 2024	June 2023	Growth		% Share	
			Absolute	%	June 2024	June 2023
Agriculture	359.4	270.5	89.0	32.9	0.7	0.5
Manufacturing	8,998.4	9,937.4	(939.0)	(9.4)	18.6	18.7
Domestic Trade and Service	7,175.7	9,205.5	(2,029.8)	(22.0)	14.8	17.3
Transport and communications	1,192.6	1,218.2	(25.5)	(2.1)	2.5	2.3
Hotel and tourism	6,090.8	6,106.2	(15.5)	(0.3)	12.6	11.5
Export	5,743.6	6,073.1	(329.5)	(5.4)	11.8	11.4
Import	6,524.7	7,337.4	(812.7)	(11.1)	13.5	13.8
Building and Construction	12,551.6	11,126.1	1,425.5	12.8	25.9	20.9
Mines, Power and Water	115.7	153.0	(37.3)	(24.4)	0.2	0.3
Personal loans	494.6	2,378.7	(1,884.1)	(79.2)	1.0	4.5
Total Loans & Advances	49,247.1	53,806.0	(4,558.9)	(8.5)	101.6	101.0
Less: Impairment Allowances	774.4	535.0	239.4	44.8	1.6	1.0
Net Loans & Advances	48,472.8	53,271.0	(4,798.3)	(9.0)	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

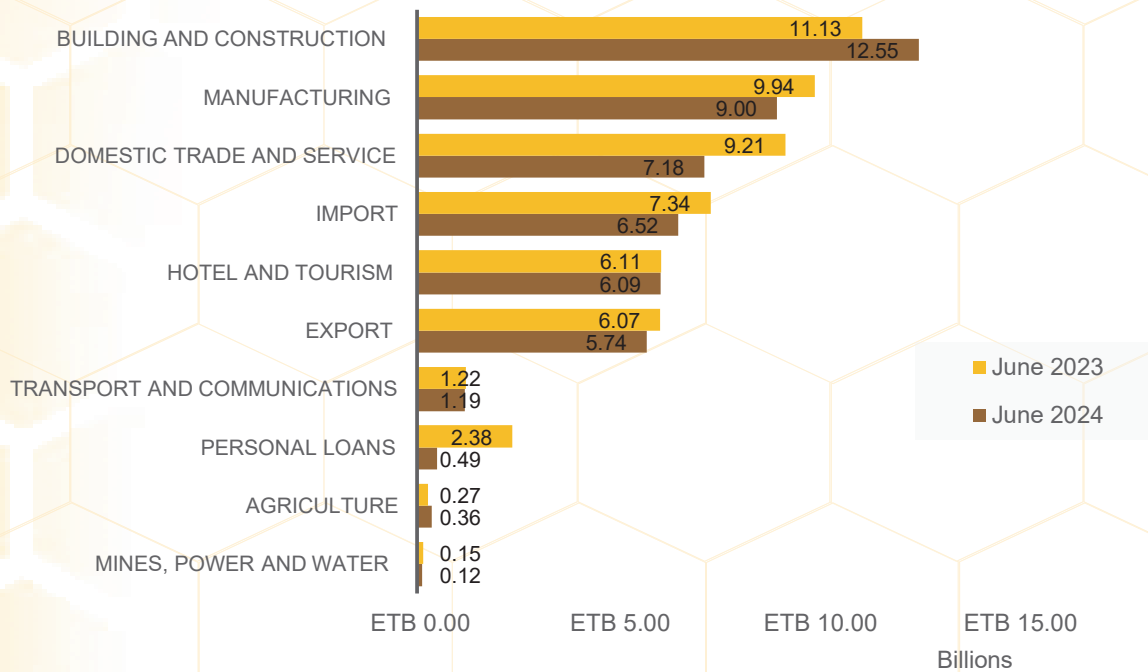
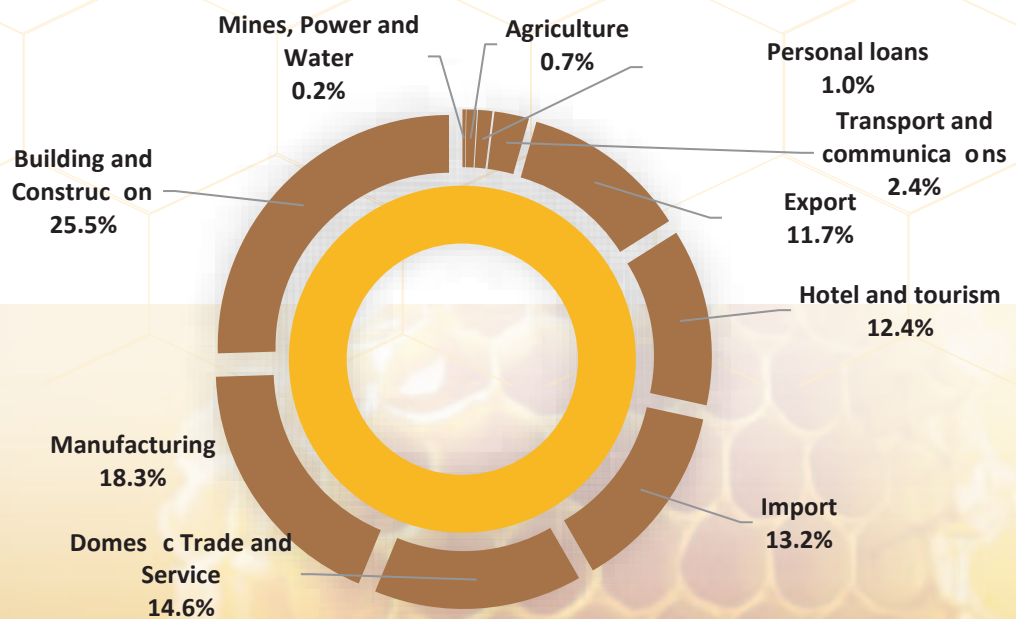
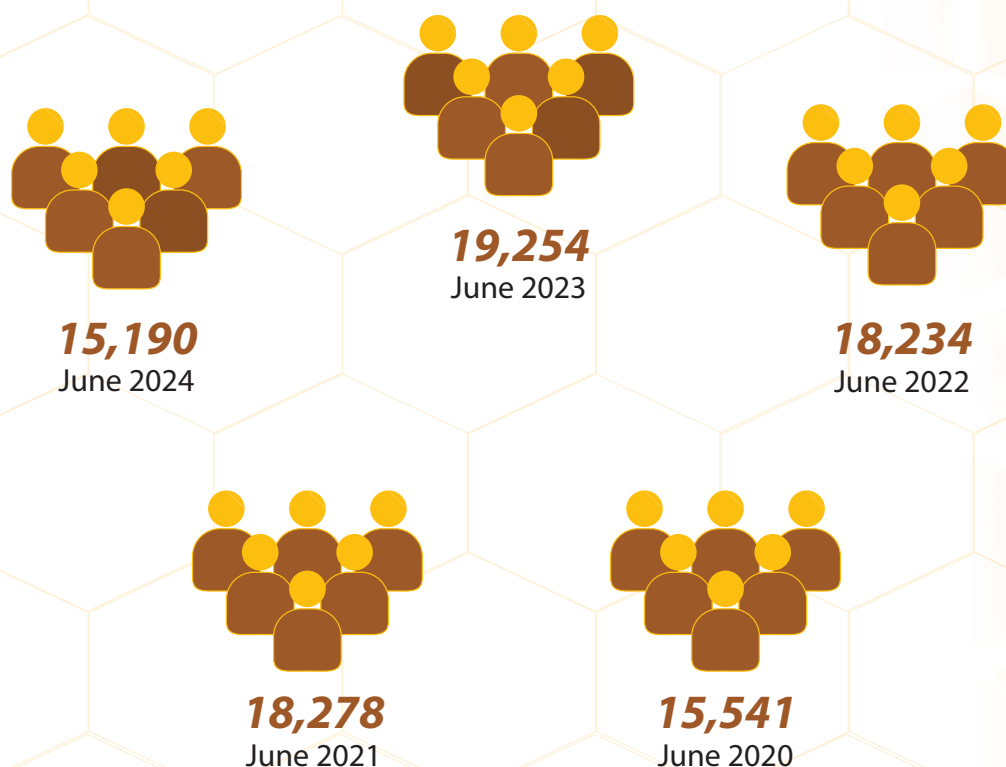


CHART 3: RELATIVE SECTORIAL SHARE OF LOANS & ADVANCES



The total number of loan accounts has reached 15,190 at the end of June 2024.

CHART 4: NUMBER OF BORROWERS



LIABILITIES

The total liability of the Bank stood at Birr 56.7 billion as at June 30, 2024. Total deposits from customers constituted 79.5% of the total liability taking the lion's share. The detail of liabilities is described in the following table.

TABLE 3: COMPARISON & COMPOSITION OF LIABILITIES

IN MILLION BIRR

	Growth				% Share	
	June 2024	June 2023	Absolute	%	June 2024	June 2023
Deposits from customers	45,058.3	59,360.9	(14,302.6)	(24.1)	79.5	87.1
Borrowings	5,383.8	2,616.8	2,767.0	105.7	9.5	3.8
Current tax liabilities	326.2	470.0	(143.8)	(30.6)	0.6	0.7
Other financial liabilities	493.9	974.8	(480.8)	(49.3)	0.9	1.4
Other non-financial liabilities	4,787.1	4,335.8	451.3	10.4	8.4	6.4
Lease liabilities	184.1	188.5	(4.4)	(2.3)	0.3	0.3
Retirement benefit obligations	408.4	87.7	320.7	365.6	0.7	0.1
Deferred tax liabilities	29.0	106.8	(77.9)	(72.9)	0.1	0.2
Total Liabilities	56,670.7	68,141.3	(11,470.6)	(16.8)	100.0	100.0

DEPOSITS

As of end of June 2024, the total deposit mobilized by the Bank reached Birr 45.1 billion. The total number of deposit accounts reached 3,733,555 from 2,718,178 at the end of June 2023 making an absolute growth of 1,015,377 (37.5%). The table and chart below show the details of the deposits.

TABLE 4: COMPARISON & COMPOSITION OF DEPOSIT

IN MILLION BIRR

	Growth				% Share	
	June 2024	June 2023	Absolute	%	June 2024	June 2023
Demand Deposit	8,003.0	11,536.7	(3,534)	(30.6)	17.8	19.4
Savings Deposit	23,794.0	36,285.6	(12,492)	(34.4)	52.8	61.1
Fixed Deposit	13,261.3	11,538.5	1,723	14.9	29.4	19.4
Total Deposit	45,058.3	59,360.9	(14,302.6)	(24.1)	100.0	100.0

As presented in table 4 above, the balance of interest-bearing deposits (Savings Deposit & Fixed Time Deposits) was Birr 37.0 billion that is 82.2% of the total deposit, which was 80.6% as at June 30, 2023. The remaining Birr 8.0 billion (17.8% of the total deposit) was mobilized in the form of non- interest-bearing deposits.

CHART 5: RELATIVE COMPOSITION OF DEPOSITS

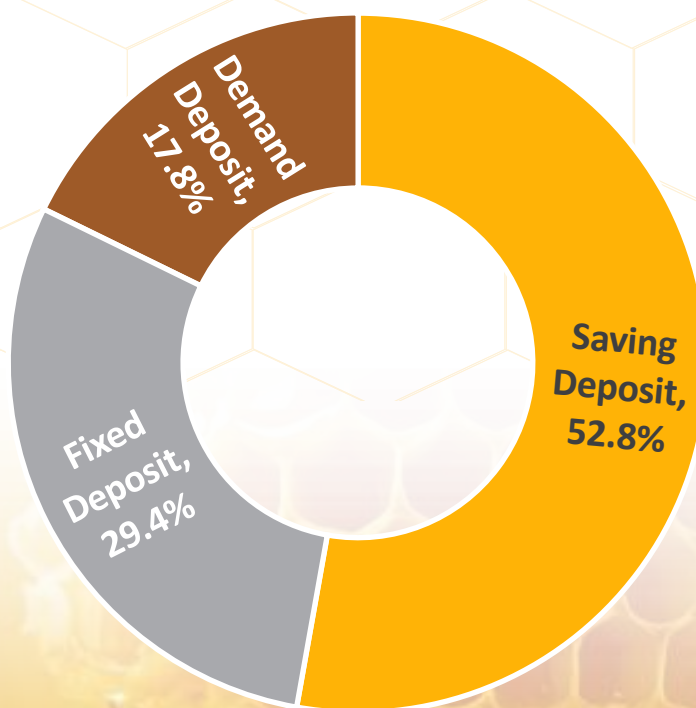
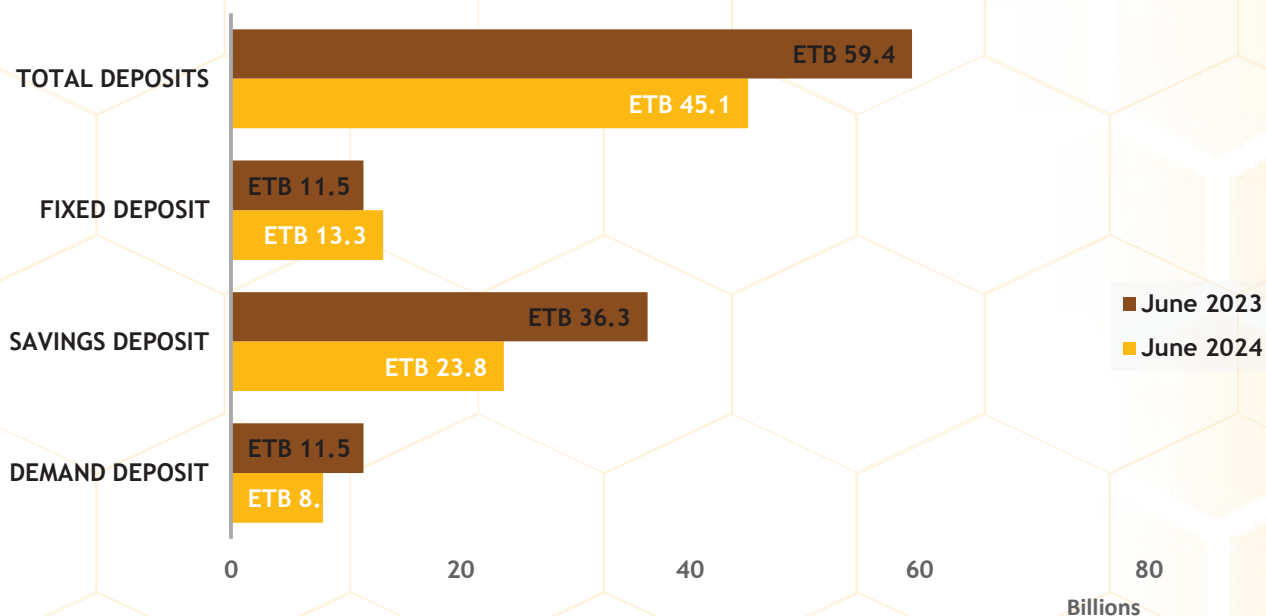


CHART 6: COMPARISON OF DEPOSITS



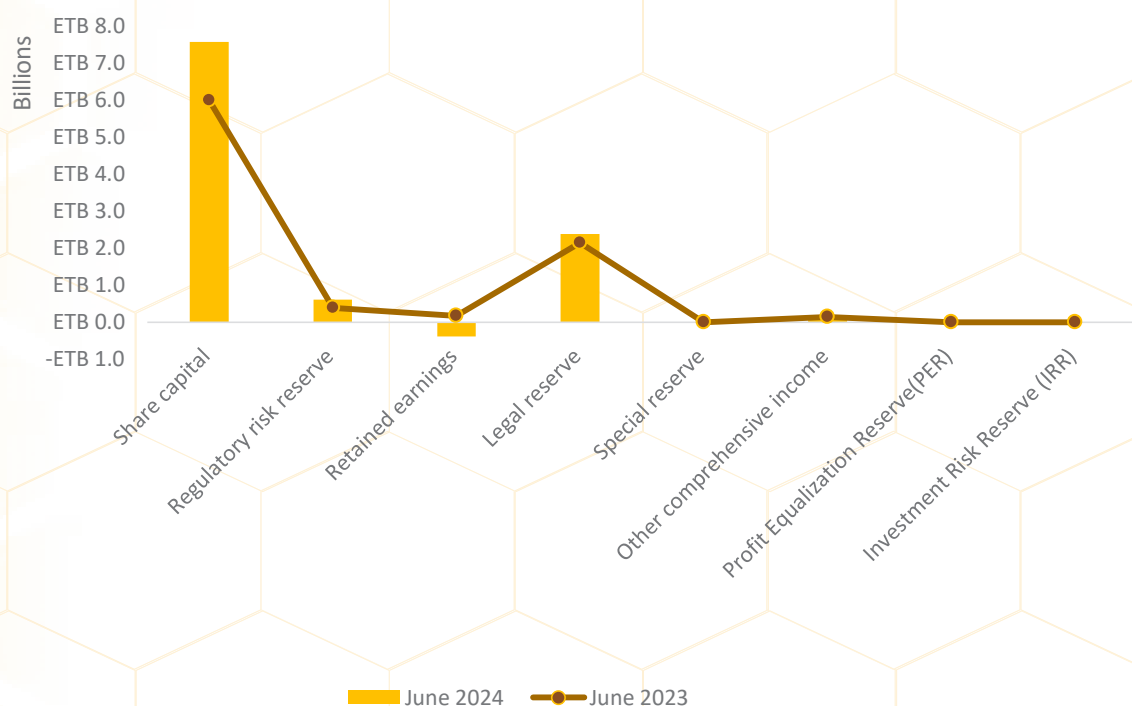
EQUITY

The Bank's total equity, which is composed of paid-up capital, regulatory risk reserve, retained earnings, legal and special reserve reached Birr 10.4 billion exceeding the balance of last year same period by Birr 1.5 billion or 16.8% growth. The detail is presented below.

TABLE 5: COMPARISON & COMPOSITION OF EQUITY**IN MILLION BIRR**

	Growth				% Share	
	June 2024	June 2023	Absolute	%	June 2024	June 2023
Share capital	7,580.4	6,001.2	1,579.2	26.3	73.12	67.59
Regulatory risk reserve	617.4	395.8	221.6	56.0	5.96	4.46
Retained earnings	(378.2)	175.6	(553.8)	(315.3)	(3.65)	1.98
Legal reserve	2,388.9	2,149.7	239.3	11.1	23.04	24.21
Special reserve	2.5	2.4	0.1	4.2	0.02	0.03
Other comprehensive income	154.4	153.5	0.9	0.6	1.49	1.73
Profit Equalization Reserve(PER)	1.3	0.9	0.4	50.0	0.01	0.01
Investment Risk Reserve (IRR)	0.5	0.4	0.1	14.1	0.00	0.00
Total Equity	10,367.3	8,879.5	1,487.8	16.8	100.0	100.0

CHART 7: EQUITY GROWTH



STATEMENT OF PROFIT /LOSS & OTHER COMPREHENSIVE INCOME

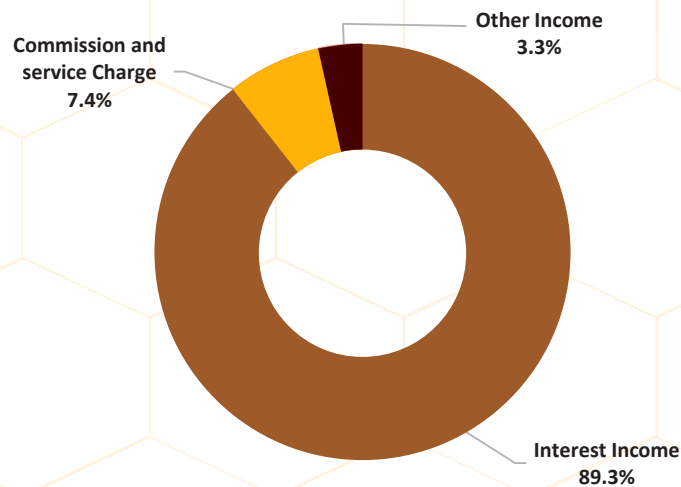
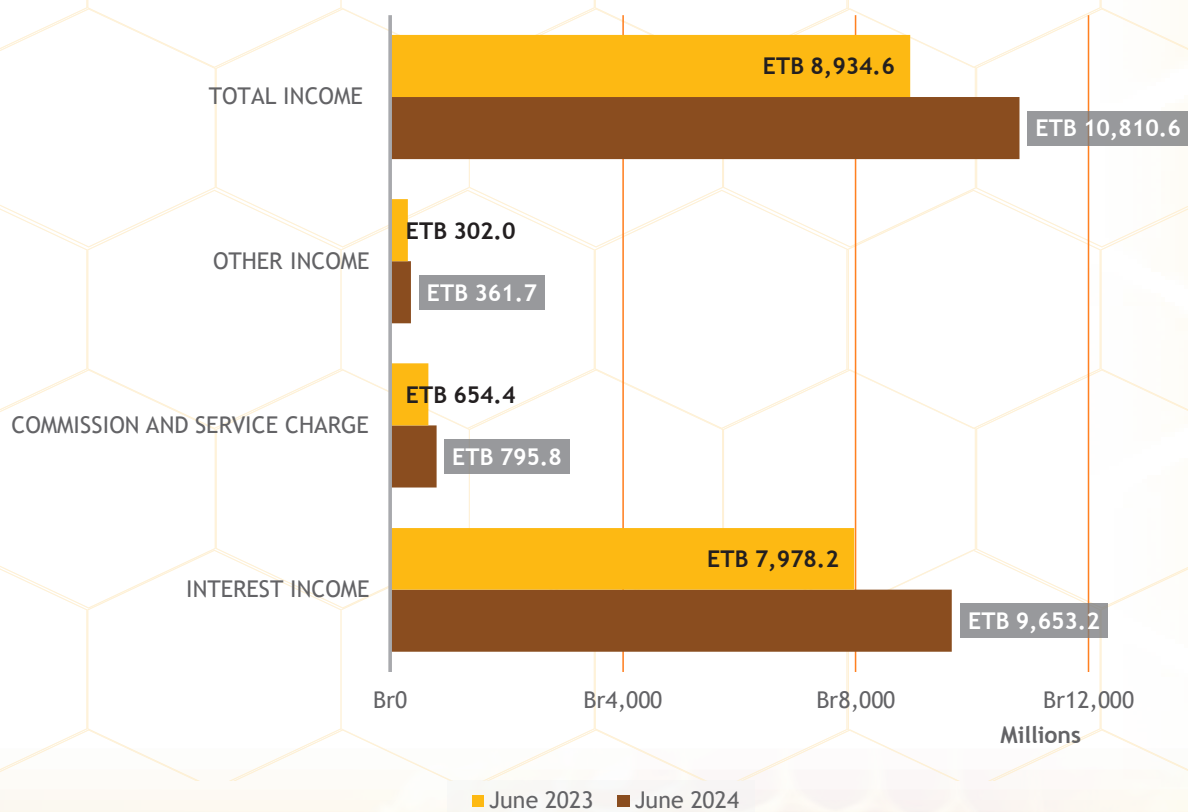
INCOME

The Bank managed to generate a record total income of Birr 10.8 billion during the financial year, registering a growth of Birr 1.9 billion (21.0%) 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 MILLION BIRR

	June 2024	June 2023	Growth		% Share	
			Absolute	%	June 2024	June 2023
Interest Income	9,653.2	7,978.2	1,675.0	21.0	89.3	89.3
Fee and commission income	795.8	654.4	141.4	21.6	7.4	7.3
Other Income	361.7	302.0	59.7	19.8	3.3	3.4
Total Income	10,810.64	8,934.55	1,876.1	21.0	100.0	100.0

CHART 8: COMPOSITION OF INCOME SOURCES

CHART 9: COMPARISON OF INCOME SOURCES


Out of the gross income of Birr 10.8 billion generated during the period under review, the income generated from Foreign Banking activities was Birr 593.8 million or 5.5%.

EXPENSES

The total expense of the Bank for the financial period under review reached Birr 9.6 billion. These expenses are incurred on interest expense, personnel expense, loan impairment charge as well as other operating expenses.

TABLE 7: COMPARISON & COMPOSITION OF EXPENSES
IN MILLION BIRR

	June 2024	June 2023	Growth		% Share	
			Absolute	%	June 2024	June 2023
Interest Expense	4,440.3	3,248.6	1,192	36.7	46.2	46.7
Salaries and Benefits	2,913.5	2,527.4	386	15.3	30.3	36.3
Administration and General Expense	2,252.0	1,185.0	1,067	90.0	23.4	17.0
Total Expense	9,605.9	6,961.0	2,644.8	38.0	100.0	100.0

The increase in interest expense is primarily due to an increase in interest rate on fixed time deposits. The increase in salary and benefit expense is mostly attributable to 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 loan impairment provisions and increases in the rent expense during the year. The breakdown of each expense item is presented below.

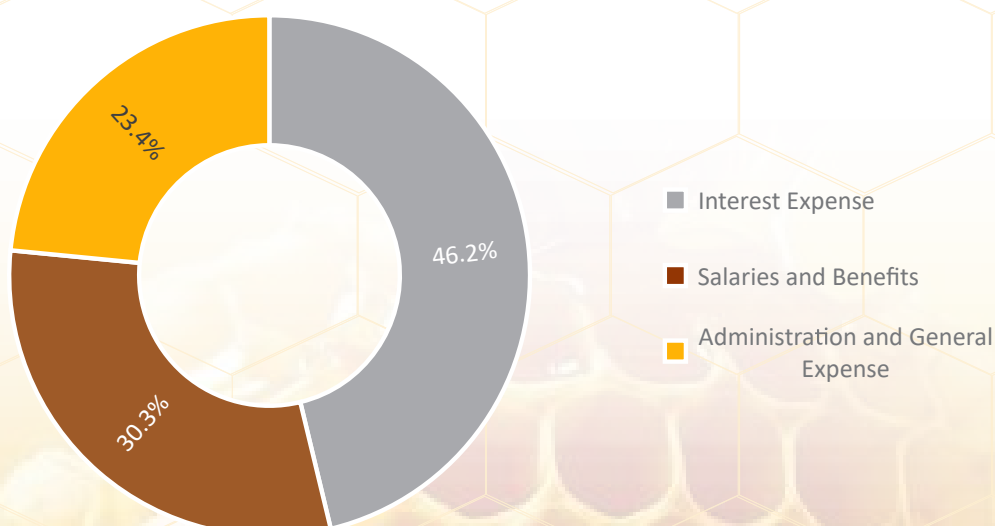
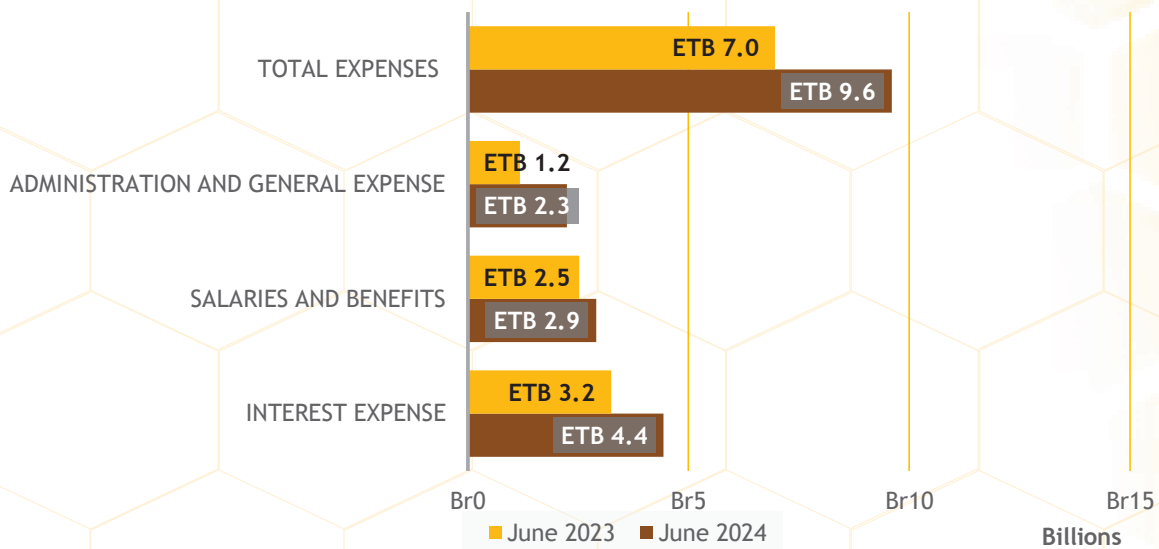
CHART 10: COMPOSITION OF EXPENSES


CHART 11: COMPARISON OF EXPENSES


PROFIT

The Bank's profit before and after tax for the financial year were Birr 1.2 billion and Birr 957.97 million, respectively.

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, was 1.7% which is slightly lower than that of last year same period's figure of 2.7%. 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 14.1% (Birr 70 per share) during the period under review. The percentage for last year same period was 27.7% (Birr 139 per share).

PROPOSAL ON DIVIDEND DISTRIBUTION

The Bank has made a net profit of Birr 957.9 million during the financial year of 2023/24. However, prior period adjustments were done due to the following reasons;

- An outstanding LC payment which was to be settled for suppliers have been settled by applying wrong exchange rates; and to adjust the same a total of Birr 515.0 million has been settled by the Bank.
- The reserves made by the Bank for severance payments only covered employees in managerial positions. To ensure inclusion of all Bank employees in the scheme, an additional Birr 229.0 million has been added to the initial reserve.
- Payment for MasterCard and VisaCard service charges amounting to Birr 177.0 million which was not recorded as an expense for the past several years was adjusted.
- Payment to be settled for Hawk International Finance & Contraction Company Limited which initially received in USD was recorded in ETB and following the exchange rate regime change it costed the Bank Birr 172.5 million in loss.

In total Birr 1.094 billion has been included in prior period adjustment that exceeded the reporting year's net profit of Birr 957.0 million. This has resulted in the exaggerated declaration of dividends in the prior year's eroding the possibility of declaring dividend this year.

BUSINESS DEVELOPMENT AND OTHER MAJOR ACTIVITIES

Despite the challenges faced by the Bank, several strategic and core activities essential for its growth and development were carried out during the reporting period. Some of these key activities are highlighted below:

- The Bank underwent structural reforms to enhance operational efficiency and restore stakeholder confidence.
- A Bank wide marketing campaign aiming at regaining customers' trust, mobilizing resource and enhancing customer experience has been launched in February 2024 with a motto of “በክፍሉ መንፈስ ለላቀ ክፍታ”;
- Following the appointments of the new Board of Directors, the Board has conducted multiple discussion sessions with shareholders, the management, employees & other stakeholders and acted on the key findings;
- The bank appointed a new CEO and Executive Management team;
- Image re-building activities had been undertaken;

- Customer Segmentation and RM engagement models have been developed and implemented;
- A number of partnership agreements were established with various significant economic players/companies;
- Various new and customized products were launched;
- To improve customer experiences and operational efficiencies different branch level renovations were made;
- Mobile & Internet Banking systems were upgraded & rolled out with efficient features.

HUMAN CAPITAL

The Bank's staff strength reached 7,210 by the end of the financial year. Nib International Bank believes that skilled and motivated employees are crucial to its success. The bank provided educational and training opportunities to its employees. During the reporting year, 183 training programs, including 58 in-house, 119 outsourced and 4 overseas programs and other 2 induction programs were conducted. A total of 14,506 employees participated in these training programs.

The bank has also supported 592 employees by paying their tuition fees for various higher educational programs. These investments on employee development were intended to improve their employees knowledge and skills, making them valuable assets to the bank.

RISK MANAGEMENT & COMPLIANCE

Nib International Bank has implemented several measures to strengthen its risk management and compliance framework. These initiatives aim to foster a sound corporate culture, enhance internal audit processes and mitigate potential risks.

Key Measures:

Corporate Culture Document: The bank has developed a corporate culture document that outlines its values, ethics and expected behaviors. This document serves as a guideline for employees and helps to create positive and ethical work environment.

Dedicated IFB Financing Appraisal Team: To support the Interest Free Banking business and manage associated risks, the Bank has established a specialized IFB Financing Appraisal Team. This team is equipped with the

necessary expertise and resources to assess and manage risks related to IFB financing activities.

Risk Identification and Measurement: NIB has identified key risk areas and measures their impact against established risk appetite limits, policies, procedures, and standards. This helps to ensure that risks are managed within acceptable levels.

Capacity Building and Awareness: The bank has conducted training programs and awareness campaigns to educate employees about risk management and compliance. This helps to enhance employees understanding and compliance with relevant regulations.

Risk Register: A risk register is maintained to document identified risks, their potential impacts and mitigation strategies.

Enhanced Internal Audit Processes: The bank has sought to improve its internal audit processes and tools.



INFORMATION TECHNOLOGY

Digital Banking Expansion

During the reporting period, Nib International Bank has expanded its digital banking services. The bank reached 500,000 customers in Mobile and Internet Banking, issued 1.2 million cards and kept 2,899 agents and 10,941 merchants on board. NIB E-Birr Wallet also grew to serve 1.5 million customers, reinforcing the bank's commitment to enhancing digital financial access.

Key Integrations

The Bank has also launched an upgraded Mobile Banking platform and achieved interoperability with Kacha Wallet, KAAFI Microfinance and Awach Saving and Credit Cooperatives. Furthermore, new services, including Ethio Telecom post-paid bill payments and airtime top-up, were introduced, further expanding the bank's service portfolio.

Progress has been made in deploying an ERP solution for the bank's Human Capital (HC), with completion of key modules such as HR Core, Payroll Management, Attendance Management and Leave Management systems. The development of the Performance Management System (PMS) is nearing finalization.

IT Support Enhancements

During the year, improvements were made in IT support, focusing on implementing the IT Support Management System based on the globally recognized ITIL framework for effective service management. This has facilitated the enhancement of the bank's information systems services.

Additionally, a secure email system has been implemented to streamline both internal and external communications. Uninterrupted support has also been provided for the core banking system and other critical systems, ensuring their operational integrity and efficiency.

BRANCH NETWORK & ALTERNATIVE CHANNELS

During the financial year, no new branch was opened and as a result, the total number of branches remained at 441. Instead, efforts were directed towards enhancing the efficiency of existing branches. Specifically, 9 branches were relocated to more convenient locations, aiming to better serve customers and optimize accessibility. Additionally, 3 conventional banking service branches transitioned into full-fledged interest free banking services, catering to the evolving needs of customers. Conversely, one full-fledged IFB service branch reverted to a conventional branch, reflecting strategic adjustments based on market demand.

Moreover, alongside branch optimizations, the Bank has expanded its alternative service outlets by deploying a total of 346 ATMs (though some have not been functioning due to the situation in some part of the country) and 195 POS machines across various regions. These alternative channels provide additional avenues for customers to access banking services conveniently, contributing to improved service delivery and customer satisfaction.

INTEREST FREE BANKING

NIB has been 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 reached 25.

The Bank has already launched various interest-free deposit and investment products and services. The overall number of IFB customers reached 641,626 reflecting increment by 198,123 customers during the reporting period. Furthermore, the overall deposit from this business segment reached Birr 2.9 billion which took a 6.5% share from the total deposit balance of the Bank.

CONSTRUCTION PROJECTS

To increase revenue, minimize costs and achieve long-term returns, the Bank undertook major activities during the financial year 2023/24:

- Revised Rental Prices: The revised rental prices were implemented at both the Headquarter and Arat Killo own buildings.

- Corridor Development: To ensure the continuation of services of branches affected by the Corridor Development Projects in Addis Ababa, urgent modification and relocation tasks were conducting during the period.
- Hawassa Branch: The inauguration of the Hawassa branch building project took place during the review period. Additionally, vacant spaces in the building were rented out.

ESG

ENVIRONMENT

As one of the basic purposes of banks, NIB has channeled funds from savers or investors to borrowers. While serving its fundamental purpose, NIB has always geared its focus towards environmentally friendly projects that are complementary to the sustainable Development.

Further, as a corporate citizen, the Bank has been firmly supporting the green legacy initiatives of the country since its inception.

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 67.5 million. Further, the Bank has created direct and indirect job opportunities in all regions.



Bilali Habeshi Donation



Ethiopian Heart Patients Help Center Donation



Elderly Artists Support



Smart Pol Donation



Kerod Run at Wolkite Towns Sponsor



Eid al-Adha (Arafa) Holy Day Sponsorship 2024

GOVERNANCE

The Bank's General Assembly, which is the highest decision-making organ, in its 24th General Meeting has nominated and appointed Board of Directors in the most transparent way reflecting the core values of the Bank's corporate philosophy and in compliance with the prevailing corporate governance directive of NBE and other applicable laws of the land. The elected Board is composed of 12 members having a diverse mix of educational, demographic and work experience backgrounds.

The Board of Directors has been organized in various subcommittees chaired by the selected Board members. Further, the day-to-day operation of the Bank is run by the Chief Executive Officer which is appointed by the Board. The Bank has put in place a revised organizational structure which shoulders the competitive aspiration of the Bank. In addition to strengthening the check and balance system in compliance with the NBE requirements, the Bank has an independent Internal Audit and Risk Management & Compliance Departments which are directly accountable to the Board of Directors.

To further strengthen the governance, it is important to develop and put in place standard operating policies and procedures, to which end the new Board has given emphasis during the year just concluded. Thus, various policy and procedure documents have been revised and approved for immediate implementations.

STRATEGIC OBJECTIVES

A well-crafted and implemented strategy is essential for enhancing any company's overall performance. With this in mind, NIB has already started implementing its 3rd strategic plan, defining its vision, mission, core values, motto and strategic pillars.

The Bank aspires to be one of the leading private banks in Ethiopia by delivering innovative banking services through motivated employees and state of art technology. In line with ongoing policy reforms of the Government and the changing landscape, the Bank conducted a diagnostic review with an international partner, identifying improvement areas.

Given these dynamics and the ongoing organizational reforms, the year 2024/25 is set to lay the foundation for the Bank's future growth and the development of a new mid-term strategic plan to guide its trajectory.

CHALLENGES FACED

A combination of internal and external factors has created significant challenges for the Bank's overall performance in the reporting year.

External challenges

The external environment has been greatly impacted by the fragility of the global economy, which is characterized by rising inflation and regional instabilities and conflicts. Domestically, growing competition and growing bargaining power of customers for time deposits and foreign currency generations remained a challenge for the industry. These factors further complicated the operating environment for financial institutions in general and Nib International Bank in Particular.

Internal challenges

Due to weak corporate governance, NIB had encountered several significant challenges:

- **Delayed RTGS Settlements:** Frequent or prolonged RTGS delays damaged the bank's reputation and erode customers trust. The Banks had as well incurred additional expenses due to delayed settlements, such as penalties/fines imposed by regulatory authorities, making it more difficult to meet its payment and settlement obligations and its capacities to provide credit to customers.
- **Cash Shortages:** Due to the reputational it faced during the year, particularly for cash shortages, the Bank experienced a decline in customer confidence, hindering its ability to rebuild trust quickly. This reputational damage negatively impacted the bank's business.

- **Failure to Fulfill FCY Obligations:** Exporters depend on timely provision of foreign currency payments to meet their financial commitments, including paying to their suppliers, wages and business investments. Delays in these payments has disrupted their operations and they started to loss their trust in the Bank.
- **Limited Digital Banking Services:** limited and outdated Nib International Bank's POSs in the market and persistent liquidity issues throughout the year led to restrictions on the daily transaction amounts for various digital banking products, further contributing to customer dissatisfaction.
- **Loan Disbursement Challenges:** Due to ineffective deposit mobilization culture of the Bank and the subsequent liquidity constraints it faces, the Bank failed to fulfill its customers' demands for credit.

With the aim to avert those challenges and bring the Bank into the track, the newly appointed Board and Executive Management team, did design two successive short term plan; namely, 90-days turnaround plan and 120-days liquidity recovery plans and successfully executed them. As a result:

- The liquidity scenario of the Bank has improved following series of resource mobilization efforts securing smooth transfer of customers RTGS helping the Bank to rebuild the customers trust.
- Practical cost optimization methodologies have been put in place to slash significant wastages and leakages.

- Mobile and Internet banking services have been improved and the customers experience seamless flow of electronic transactions.
- The loan collections approaches have been redesigned resulting in substantial improvements in collection performances that in turn boasts the liquidity position of the Bank and resulted in substantial reductions in the non-performing loans stock and ratio.
- Several long outstanding foreign exchange commitments have been settled with managed execution of new commitment creations so that the customers feel sense of recovery.
- These efforts did as well brought the Bank into a posture of regulatory compliance reducing several potential liabilities.
- Communicating the Bank's stakeholders on the ongoing Bank level reforms and the changing environment in the banking industry.
- Create understanding among Executive Management, Senior Management, Middle Level Management and employees of the Bank that resource mobilization is critical to win the competition and sustain the business.
- Addressing internal weaknesses and leveraging strengths to achieve objectives.
- Focused and job-oriented capacity building endeavors to be strengthened and is assumed to enhance the capacity and skills of Bank staffs towards effective plan execution and meeting targets.
- The Bank shall set standard service delivery times (SDT) in its core businesses to enhance customers' experiences.
- Continue exerting maximum effort for the success of the ongoing reform and initiations.
- Due emphasis shall be given to finalize the ongoing Information Technology projects and efficiently use the existing banking technologies to promote service excellence.
- Due attention shall be given in enhancing the debit card, mobile and internet banking activations and utilization rate at branches. Besides, special focus and support will be rendered to existing branches with low account productivity and low deposit per branch to improve their performance.

FUTURE PLANS

We believe that exerting utmost effort towards the following key focus areas will have paramount importance in further strengthening and 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 2024/25 include the following:

- Develop new strategic plan that guides our organization towards achieving its long-term vision and goals.

- The Bank will provide due attention to IFB resource mobilization as well as financing to satisfy customers demand and thereby increase its revenue sources.
- Increase and strengthen strategic partnerships and alliances with foreign and domestic enterprises that add value to the Bank in achieving its goals.
- Minimize the concentration of time deposit and aggressively work on mobilizing stable types of deposits by strengthening resource mobilization efforts.
- Aggressively working on mobilizing foreign currency and considering this strategic resource as a basis for mobilizing the local currency and increasing customer base thereby generating a significant amount of income for the Bank.
- Introduce new banking products /services and increase volume of business.
- Strengthen the monitoring & evaluation as well as performance management system (PMS).
- Provide closer services to customers by increasing accessibility through Digital and Agent Banking.
- Improve the skills and capabilities of human resources of the Bank by providing adequate on and off the job trainings.

- Enhancing employee productivity through high performance culture, enhanced team spirit as well as belongingness.

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 2023/24. In this regard, the Board is pleased to express its deepest 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.



Shisema Shewaneka

Chairman, Board of Directors

October 2024



02

PHOTO
GALLERY



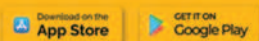
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Nib International Bank

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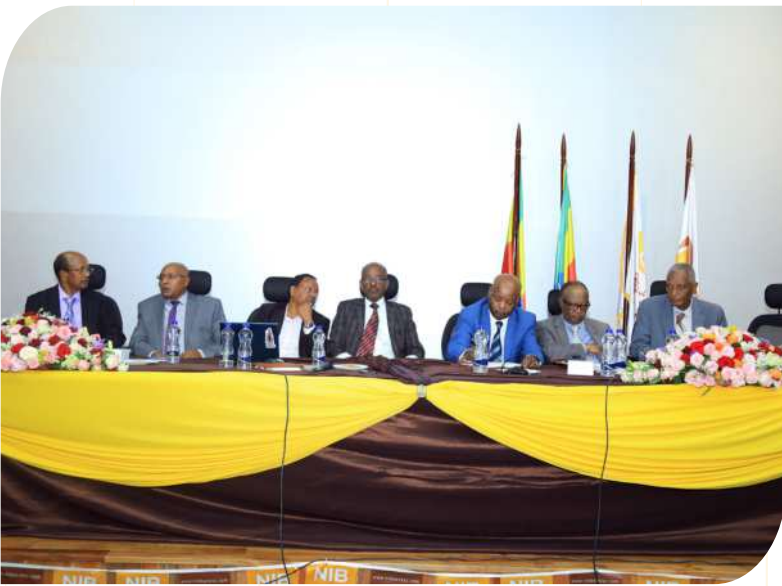
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Board of Directors Training



NIB Board Meeting with Management & Staff



NIB Board & Management Meeting with Shareholders & Customers



NIB Buildings



Arat Kilo



Dukem



NIB Headquarters



Hawassa



Financed Projects



Sahile & Families General trading



Walia Steel Industry PLC



Merkeb Plaza



Getakon Apartments



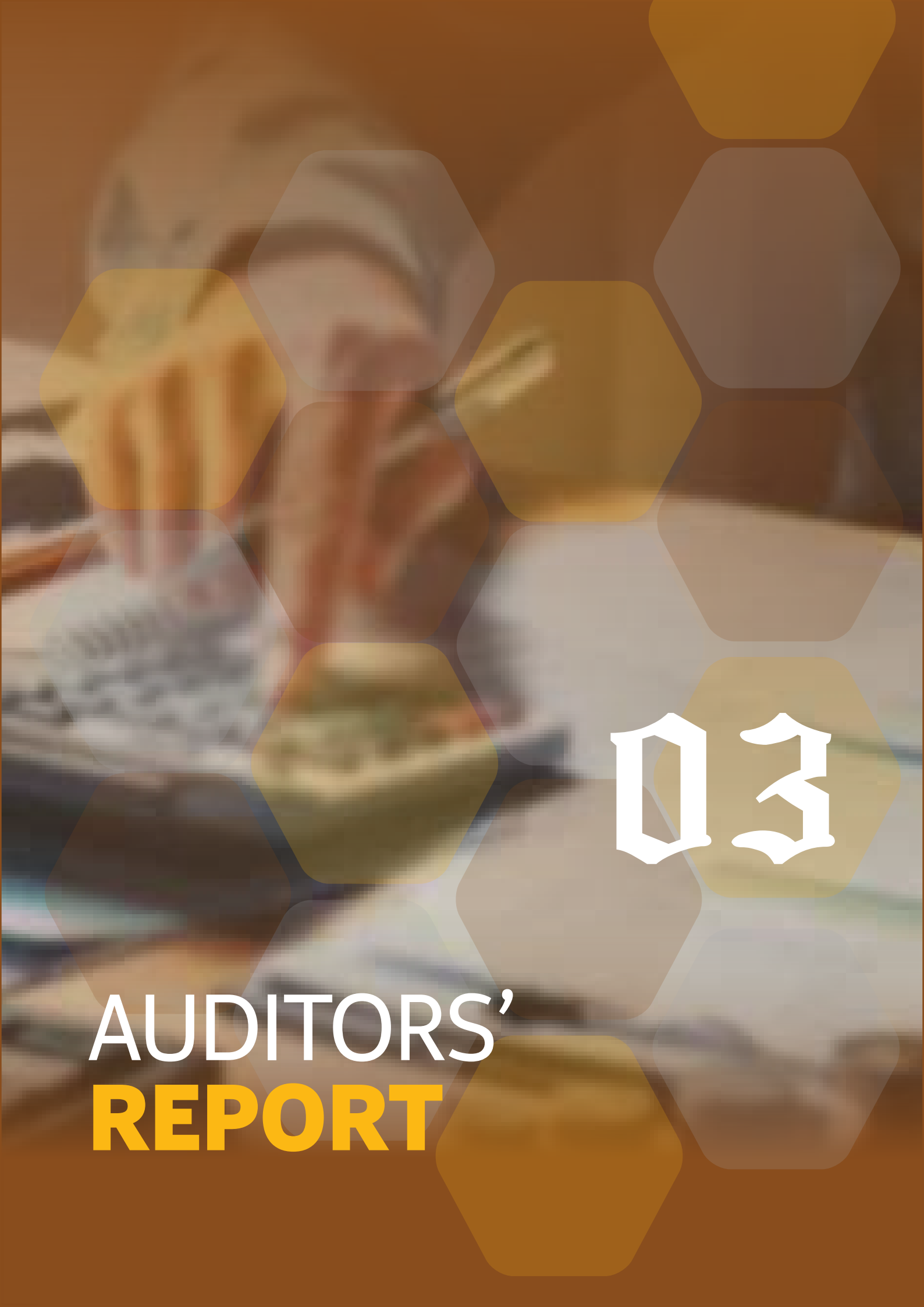
Trinity Hotel



Walia Steel Industry PLC

Recognition & Awards



The background of the entire page is a blurred photograph of a large crowd of people, likely at a public event or protest. Overlaid on this background is a pattern of semi-transparent hexagons in various shades of brown, tan, and gold. The hexagons are of different sizes and are arranged in a non-uniform, overlapping manner, creating a textured, honeycomb-like effect.

03

AUDITORS' **REPORT**

NIB INTERNATIONAL BANK

REPORT AND FINANCIAL STATEMENTS

DIRECTORS, PROFESSIONAL ADVISOR AND REGISTERED OFFICE FOR THE YEAR ENDED 30 JUNE 2024

Directors

Ato Shisema Shewaneka
Dr. Wondimu Tekle
Dr. Mehari Mekonnen
Ato Tsegaye Degefu
Ato Abera Shire
Ato Salahadin Ibrahim
Ato Seifu Awash
Wro Genet Weldie
Ato Benti Sirani
Ato Zewdie Serbaro
Ato Taffesse Yirga
Ato Mamushet Afework

Chairman
Deputy Chairman
Director
Director
Director
Director
Director
Director
Director
Director
Director
Director

Appointment date

02, February 2024
02, February 2024
02, February 2024
02, February 2024
02, February 2024
02, February 2024
02, February 2024
02, February 2024
02, February 2024
02, February 2024
02, February 2024
02, February 2024

Executive management

W/ro Emebet Melese (PhD)
Ato Samson Amdisa
Ato Girma Fekede
Ato Dawit Teferra Degefu
Ato Eristu Kemal Saji
Ato Zewdu Hakimu
Ato Belay Gorfu
W/ro Haregeweyin Amsale
Ato Netsanet Yirga
W/ro Tigist Kedir
Ato Endalew Bazezew
Ato Yishak Neway

Chief Executive Officer
Chief Finance and Facilities Officer
Chief Customers and Branch Banking Officer
Chief Technology & Digital Banking Officer
Vice President, Interest Free Banking
A/D/Chief Human Capital Officer
Deputy Chief Strategy and Transformation Officer
A/D/Chief International Banking Officer
A/D/Chief Credit Officer
Executive Assistant to the CEO
Director, Risk and Compliance Management Department
Director, Internal Audit Department

May-11-2024
May-27-2024
May-27-2024
May-01-2023
Feb-20-2023
May-27-2024
May-27-2024
May-27-2024
May-27-2024
Jul-01-2024
Jun-04-2024
Jun-06-2024

Independent auditor

TAY Authorized Accountant & Auditors
Kirkos Sub City, Woreda 02, Kebele 02/03, House No. 121
Addis Ababa
Ethiopia

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



NIB INTERNATIONAL BANK

REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2024

REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 30 June 2024, 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.

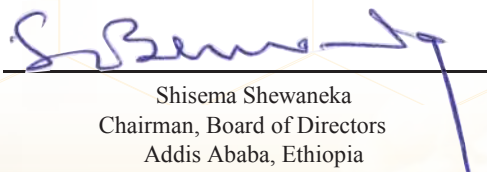
Results

The Bank's results for the year ended 30 June 2024 are set out on page 64. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2024 Birr'000	30 June 2023 Birr'000
Interest income	9,653,205	7,978,214
Profit before tax	1,204,880	1,973,512
Income tax expense	(247,860)	(466,712)
Profit for the year	957,020	1,506,800
Other comprehensive income, net of taxes	950	72,415
Total comprehensive income for the year	957,970	1,579,215

Directors

The directors who held office during the year and to the date of this report are set out on page 57.



Shisema Shewaneka
Chairman, Board of Directors
Addis Ababa, Ethiopia



NIB INTERNATIONAL BANK
REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2024
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:

- Exhibit clearly and correctly the state of its affairs;
- Explain its transactions and financial position; and
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.
- Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

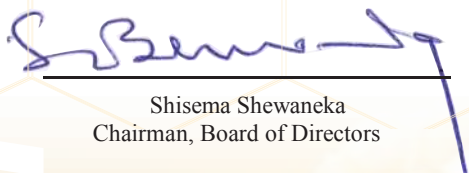
The Bank's Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards, Banking Business Proclamation, 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.

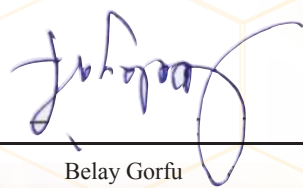
The Management further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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:



Shisema Shewaneka
Chairman, Board of Directors



Belay Gorfu
Acting Chief Executive Officer



INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF NIB INTERNATIONAL BANK SHARE COMPANY

TO - THE SHAREHOLDERS OF THE BANK

Opinion

We have audited the financial statements of Nib International Bank Share Company, which comprise the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly in all material respects, the financial position of Nib International Bank Share Company as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

Key Audit Matters

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, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Information

The other information comprises the information included in the Annual Report for the year ended 30 June 2024, which includes the Directors' Report. The other information does not include the financial statements and our report thereon. Our opinion on the financial statements



does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Directors' Report identified above and, in doing so, consider whether the report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement in the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and those Charged with Governance for the Financial Statements

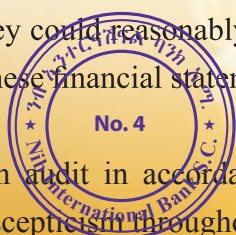
Those charged with governance of the bank are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of the Company's report that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance of the bank are 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 of accounting unless management either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the company's report as a whole is 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



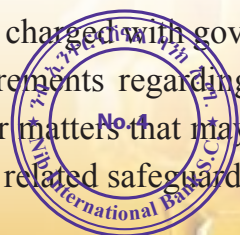
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statement of the current period and are therefore the key audit matters. We describe these, matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report On Other Legal And Regulatory Requirements

As required by proclamation no. 1243/2021 of the Commercial Code of Ethiopia, and based on our audit, we report as follows;

- Pursuant to Article 349 (1) of the Commercial Code of Ethiopia and based on our reviews of the Directors Report, we have not noted any matter that we may bring to your attention.
- Pursuant to Article 349 (2) of the Commercial Code we recommend approval of the financial statements by the shareholders of the bank.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Tesfa Tadesse, MSc, FCCA.



TAY Authorized
Accountants & Auditors



Addis Ababa
22 October 2024



NIB INTERNATIONAL BANK

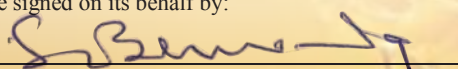
REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

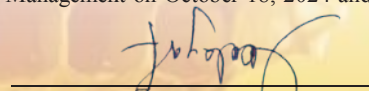
	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
Interest income calculated using the EIR method	5	9,653,205	7,978,214
Interest expense	6	(4,440,339)	(3,248,572)
Interest expense: Lease Liabilities	7	(12,423)	(15,032)
Net interest income		5,200,443	4,714,610
Fee and commission income	8	795,774	654,357
Fee and commission expense	8	(82,431)	(14,084)
Net fees and commission income		713,343	640,273
Other operating income	9	334,581	288,272
Total operating income		6,248,368	5,643,155
Loan impairment charge	10	(239,400)	(103,982)
Impairment Charge on other asset	11	(162,434)	-
Impairment Charge on deposit with other banks	14	(167)	306
Impairment Charge on NBE Bills	16	(55)	(142)
Impairment losses on loan commitment & financial guarantee	27	(1,666)	821
Net operating income		5,844,645	5,540,159
Personnel expenses	11	(2,913,517)	(2,527,426)
Amortisation of intangible assets	22	(11,418)	(10,008)
Depreciation and impairment of right-of-use asset	23	(406,761)	(330,898)
Depreciation and impairment of property, plant and equipment	20 & 23	(150,173)	(111,597)
Other operating expenses	12	(1,184,980)	(599,299)
		(4,666,848)	(3,579,228)
Profit before tax and share of income from associates		1,177,797	1,960,932
Share of net profit of associate accounted for using the equity method	18	27,083	12,580
Profit before tax		1,204,880	1,973,512
Income tax expense		(247,860)	(466,712)
Profit after tax		957,020	1,506,800
Other comprehensive income (OCI) net of income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	30	1,539	(38,567)
Deferred tax (liability)/asset on remeasurement gain or loss	31	(462)	11,570
Bank's share of associate's other comprehensive income(net of tax)	32	-	(109)
		1,077	(27,106)
Gain on change in Fair Value of Investment Securities	16	(182)	142,173
Deferred tax (liability)/asset on gain on change in fair value of equity securities	16	55	(42,652)
		(127)	99,521
Total of Other Comprehensive income		950	72,415
Total comprehensive income for the period		957,970	1,579,215
Basic & diluted earnings per share (Birr)	32	70	139

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

The financial statements were approved and authorised for issue by the Directors and Management on October 18, 2024 and were signed on its behalf by:



Shisema Shewaneka
Chairman, Board of Directors



Belay Gorfu
Acting Chief Executive Officer

NIB INTERNATIONAL BANK
REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2024
STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2024 Birr'000	Restated 30 June 2023 Birr'000
ASSETS			
Cash and bank balances	14	6,265,206	12,065,870
Loans and advances to customers	15	48,472,677	53,271,048
Investment securities:			
- Fair value through other comprehensive income	16	475,324	442,840
- Amortized cost (NBE Bills)	17	4,295,441	3,290,670
Investment in associates	18	98,945	66,552
Other financial assets	19	1,493,345	2,118,942
Other non-financial assets	20	761,701	800,715
Investment property	21	21,173	21,590
Intangible assets	22	154,698	70,947
Right-of-use asset	23	703,063	746,483
Property, plant and equipment	24	4,296,440	4,125,095
Total assets		67,038,015	77,020,751
LIABILITIES			
Deposits from customers	25	45,058,301	59,360,853
Borrowings	26	5,383,766	2,616,804
Current tax liabilities	13	326,151	469,996
Other financial liabilities	27	493,933	974,764
Other non-financial liabilities	28	4,787,106	4,093,433
Lease liabilities	29	184,100	188,454
Retirement benefit obligations	30	408,386	330,117
Deferred tax liabilities	13	28,956	106,840
Total liabilities		56,670,699	68,141,261
EQUITY			
Share capital	31	7,580,411	6,001,221
Regulatory risk reserve	4.2.9	617,388	395,779
Retained earnings	33	(378,167)	175,614
Legal reserve	34	2,388,938	2,149,683
Special reserve	35	2,500	2,400
Other comprehensive income	36	154,422	153,472
Profit Equalization Reserve(PER)	41	1,321	881
Investment Risk Reserve (IRR)	41	503	440
Total equity		10,367,316	8,879,490
Total equity and liabilities		67,038,015	77,020,751



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

The financial statements were approved and authorised for issue by the Directors and Management on October 18, 2024 and were signed on its behalf by:


 Shisema Shewaneka
 Chairman, Board of Directors


 Belav Gorfu
 Acting Chief Executive Officer

NIB INTERNATIONAL BANK
REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2024
STATEMENT OF CASH FLOWS

	Notes	30 June 2024 <u>Birr'000</u>	'Restated 30 June 2023 <u>Birr'000</u>
Cash flows from operating activities			
Cash generated from operations	36	3,374,030	(15,933,014)
Proceeds of deposits from customers	25	(14,302,552)	9,602,775
Interest received	5	9,653,205	7,978,214
Interest paid	6	(4,440,339)	(3,248,572)
Interest paid: Lease liabilities	7	(4,343)	(5,316)
Defined benefit paid	30	(16,767)	(13,680)
Directors allowance paid	33	(1,800)	(1,800)
Allowance for Board of director's election nomination committee paid	33	-	(375)
Income tax paid	13c	(469,996)	(404,034)
Net cash (outflow)/inflow from operating activities		(6,208,563)	(2,025,803)
Cash flows from investing activities			
Purchase of equity investments	16	(32,665)	(20,176)
Purchase of intangible assets	22	(93,169)	(9,763)
Payment for construction in progress	24	(68,362)	(94,342)
Payment for right-of-use asset	29	(271,565)	(286,701)
Purchase of property, plant and equipment	24	(252,753)	(180,333)
Redemption/Purchase of NBE Bills	17	(1,004,986)	(2,894,159)
Additional investment in associates	18.1b	(43,506)	(17,779)
Dividend collected from associates	18	11,113	6,765
Net cash (outflow)/inflow from investing activities		(1,755,893)	(3,496,489)
Cash flows from financing activities			
Proceeds from issues of shares	31	1,579,191	1,176,745
Proceeds from borrowings	26	2,766,962	2,477,698
Repayment of lease liabilities: principal portion	26	(113,302)	(113,802)
Dividend paid	33	(1,048,037)	(895,815)
Net cash (outflow)/inflow from financing activities		3,184,814	2,644,826
Net increase/(decrease) in cash and cash equivalents		(4,779,641)	(2,877,466)
Cash and cash equivalents at the beginning of the year	14	12,065,870	11,121,124
Change statutory reserve with NBE	14	(1,031,021)	3,796,252
Effect of exchange rate movement on cash and cash equivalents		9,997	25,960
Cash and cash equivalents at the end of the year	14	6,265,206	12,065,870

The financial statements were approved and authorised for issue by the Directors and Management on October 18, 2024 and were signed on its behalf by:


Shisema Shewaneka
Chairman, Board of Directors


Belay Gorfu
Acting Chief Executive Officer

NIB INTERNATIONAL BANK
REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2024
STATEMENT OF CHANGES IN EQUITY

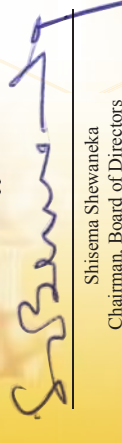
Annual Report 2023/24

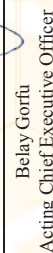
	Share capital	Retained earnings	Legal reserve	Special reserve	Regulatory risk reserve	Other comprehensive income	Profit Equalization and Investment Risk Reserve	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Notes	4,824,474	895,815	1,994,565	2,300	315,991	81,056	1,321	8,115,523
As at 1 July 2022	-	1,506,800	-	-	-	-	-	1,506,800
Profit for the year	-	-	-	-	-	-	-	72,415
Net other comprehensive income for the year	-	-	-	-	-	-	-	1,176,747
Issue of shares	1,176,747	-	-	-	-	-	-	-
Transfer to legal reserve	-	(376,700)	376,700	-	-	-	-	-
Transfer to special reserve	-	(100)	-	100	-	-	-	-
Transfer to regulatory risk reserve	-	(79,788)	-	-	79,788	-	-	-
Dividend paid	-	(895,815)	-	-	-	-	-	(895,815)
Board of directors' remuneration	-	(1,800)	-	-	-	-	-	(1,800)
Allowance for Board of director's election nomination committee	-	(375)	-	-	-	-	-	(375)
Prior years Adjustment	-	(872,423)	(221,581)	-	-	-	-	(1,094,004)
As at 30 June 2023	6,001,221	175,614	2,149,683	2,400	395,779	153,472	1,321	8,879,490

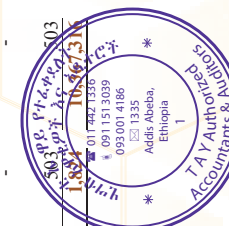
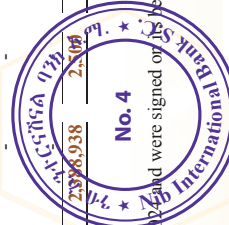
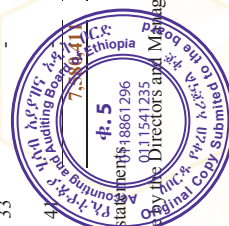
	Share capital	Retained earnings	Legal reserve	Special reserve	Regulatory risk reserve	Other comprehensive income	Profit Equalization and Investment Risk Reserve	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Notes	6,001,221	175,614	2,149,683	2,400	395,779	153,472	1,321	8,879,490
As at 1 July 2023	-	957,020	-	-	-	-	-	957,020
Profit for the year	-	-	-	-	-	-	-	950
Net other comprehensive income for the year	-	-	-	-	-	-	-	1,579,191
Issue of shares	1,579,191	-	-	-	-	-	-	-
Transfer to legal reserve	-	(239,255)	239,255	-	-	-	-	-
Transfer to special reserve	-	(100)	-	100	-	-	-	-
Transfer to regulatory risk reserve	-	(221,609)	-	-	221,609	-	-	-
Dividend paid	-	(1,048,037)	-	-	-	-	-	(1,048,037)
Board of directors' remuneration	-	(1,800)	-	-	-	-	-	(1,800)
Allowance for Board of director's election nomination committee	-	-	-	-	-	-	-	-
Profit Equalization and Investment Risk Reserve	-	-	-	-	-	-	-	-
As at 30 June 2024	7,580,411	(378,167)	2,398,938	2,500	617,388	154,422	1,321	10,466,523

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

The financial statements were approved and authorised for issue on the Directors and Management on October 18, 2024 and were signed on behalf by:


Shisema Shewaneka
 Chairman, Board of Directors


Belay Gorfu
 Acting Chief Executive Officer



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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 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

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

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.

NIB INTERNATIONAL BANK

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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.

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
IFRS 18 Presentation and Disclosure in Financial Statements	The standard requires financial statements is to provide financial information about a reporting entity's assets, liabilities, equity, income, and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's economic resources	an effective date of 1 January 2027.	The bank shall apply the amendment when due. The amendments are expected to have an impact on the bank's financial statements.
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial	The objective of IFRS S1 is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity.	annual reporting periods beginning on or after January 1, 2024.	The bank shall apply the amendment when due. The amendments are expected to have an impact on the bank's financial statements.
IFRS S2 Climate-related Disclosures	The objective of IFRS S2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity	annual reporting periods beginning on or after January 1, 2024.	The bank shall apply the amendment when due. The amendments are expected to have an impact on the bank's financial statements.
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.



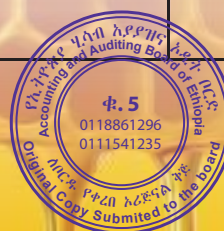
NIB INTERNATIONAL BANK
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Amendment to IFRS 16 – Leases on sale and leaseback	The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure 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.
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	Do not have significant impact on the banks's financial results or position



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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 significant impact on the bank'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 amendment is effective from annual reporting periods beginning on or after 1 January 2023	Do not have significant impact on the bank'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 significant impact on the bank'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.
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2.3 Investment in associates

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

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



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

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

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

2.4 Foreign Currency Translation

a) *Functional and presentation currency*

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

b) *Transactions and balances*

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



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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.



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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 level because this best reflects the way the business is managed and information is provided to management. The information considered includes:



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

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis shall be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

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

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

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

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

ii) Financial liabilities

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



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

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

c. Impairment

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

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

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

No impairment loss shall be recognised on equity investments.

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

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

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

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

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

i) Measurement of ECL

— 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



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— 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-impaired 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;



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— 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.



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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

e. Modifications of financial assets and financial liabilities

i) Financial assets

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

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

— fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs shall be included in the initial measurement of the asset; and

— other fees are included in profit or loss as part of the gain or loss on derecognition.

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

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

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



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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.



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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.



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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
- Interest on debt instruments measured at amortized cost calculated on an effective interest basis;

the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and

- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

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

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

2.9 Leases

The Bank recognizes:

all leases as right-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 measures:

- 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.



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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 items	7
Equipments:	
- Short lived	5
- Medium lived	10



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

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

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

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

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

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. The residual value

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

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.



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

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

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

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

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



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2.15 Impairment of non-financial assets

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

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

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.

2.14 Other Assets

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

(a) Prepayment

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

(b) Other receivables

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



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2.15 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)

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

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

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

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

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

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

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

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

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.



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2.16 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 retirement, 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.



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(c) Profit-sharing and bonus plans

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

2.17 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.

2.18 Share Capital

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

2.19 Earnings Per Share

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

2.20 Income Taxation

(a) Current income tax

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

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



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(b) Deferred tax

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

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

3 Significant Accounting Judgements, Estimates and Assumptions

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

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

- Capital management
- 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.



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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 collateralised.

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

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

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

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

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required 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.



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Defined benefit plans

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

Depreciation and carrying value of property, plant and equipment

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

Impairment of non-financial assets

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

Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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 Management and Compliance Department reports directly to the Board of Directors Risk Management Committee. The department has three divisions; Risk management Division, credit risk and review Division and Compliance Division. The Risk Management and Compliance 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 in charge 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.



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

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

The National Bank of Ethiopia (NBE) sets credit risk limit for a single borrower, one related party and all related parties 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.

	2024			
In Birr'000	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost				
Stage 1 – Pass	36,930,113	-	-	36,930,113
Stage 2 – Special mention	-	8,415,409	-	8,415,409
Stage 3 - Non performing	-	-	3,572,269	3,572,269
Total gross exposure	36,930,113	8,415,409	3,572,269	48,917,791
Loss allowance	(542,762)	(103,389)	(128,217)	(774,367)
Net carrying amount	36,387,351	8,312,020	3,444,053	48,143,424

	2024			
In Birr'000		Gross exposure	Loss allowance	Net carrying amount
Other financial assets (debt instruments)				
Cash and balances with bank	12 Month ECL	6,265,452	(247)	6,265,206
Investment securities (debt instruments)	12 Month ECL	3,290,670	(215)	3,290,455
Financial assets	Lifetime ECL	1,676,420	(183,076)	1,493,345
Totals		11,232,543	(183,537)	11,049,005



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	2023			
<i>In Birr'000</i>	Stage 1	Stage 2	Stage 3	Total
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	(207,500)	(53,716)	(169,769)	(430,985)
Net carrying amount	45,921,155	6,982,210	420,225	53,323,590

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

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 2024	Maximum exposure to credit risk Birr'000	Secured against real estate and PPE Birr'000	Bank guarantees and Shares Birr'000	Multiple Collaterals Birr'000	Others Birr'000	Total Birr'000
Loans and advances to						-
- Agriculture	359,440	708,774.97	1,835.20		13,928.03	724,538.20
- Manufacturing	8,998,415	16,819,872.34	206,410.70	742,460.00	391,308.59	18,160,051.63
- Domestic Trade and Serv	7,175,705	17,299,015.27	31,755.20	486,989.20	475,727.05	18,293,486.72
- Transport and	1,192,642	803,544.14	-	95,463.63	2,115,574.14	3,014,581.91
- Hotel and tourism	6,090,754	13,964,269.44	139,818.40	25,723.49	35,894.02	14,165,705.34
- Export	5,743,627	5,648,774.84	7,455.14	209,762.31	2,845,592.48	8,711,584.77
- Import	6,524,655	14,293,279.91	247,527.12	100,069.76	174,408.05	14,815,284.84
- Building and	12,551,586	28,844,822.74	109,330.17	970,686.26	940,440.04	30,865,279.21
- Mines, Power and	115,714	119,413.94	-	-	138,213.54	257,627.48
- Personal	494,505.56	677.77	-	-	1,014,407.73	1,015,085.51
	49,247,043.81	98,502,445.34	744,131.94	2,631,154.64	8,145,493.68	110,023,225.59
Investment securities:						-
- FVOCI	475,324	-	-	-	-	-
- Amortized cost (Government Bonds))	3,290,670	-	-	-	-	-
	3,765,994	-	-	-	-	-
Other assets	1,676,420	-	-	-	-	-
	1,676,420	-	-	-	-	-
Purchase commitments						
Loan commitments	1,673,820	-	-	-	-	-
Guarantees	3,338,812	-	-	-	-	-
Letters of credit and others	606,103	-	-	-	-	-



30 June 2023

Loans and advances to

- Agriculture
- Manufacturing
- Domestic Trade and
- Transport and
- Hotel and tourism
- Export
- Import
- Building and
- Mines, Power and
- Personal

Investment securities:

- FVOCI
- Amortized cost (NBE Bills)

Other assets

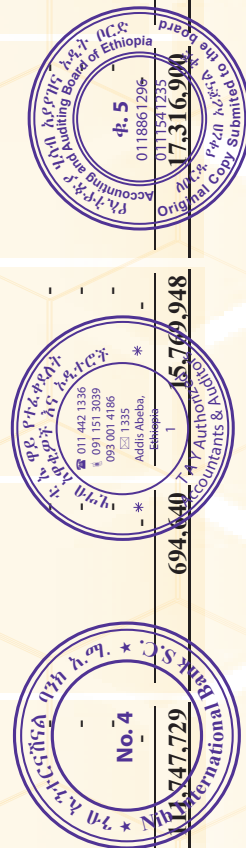
Purchase commitments

Loan commitments

Guarantees

Letters of credit and others

60,307,193	98,502,445	744,132	2,631,155	8,145,494	110,023,226
Maximum exposure to credit risk	Secured against real estate and PPE	Bank guarantees and Shares	Multiple Collaterals	Others	Total
Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
270,483	709,665	1,835	112,714	111,300	935,514
9,937,421	14,046,453	20,230	3,141,904	2,324,300	19,532,887
9,205,459	31,710,733	98,140	1,651,228	4,519,300	37,979,401
1,218,169	749,251	89,579	1,985,362	381,400	3,205,593
6,106,249	24,436,004	247,388	121,218	3,350,200	28,154,810
6,073,090	1,814,378	164	5,107,427	934,900	7,856,869
7,337,352	13,478,377	147,725	1,233,227	2,007,000	16,866,329
11,126,115	24,637,073	89,579	1,044,440	3,480,800	29,251,892
153,007	127,071	-	355,785	65,200	548,056
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
442,840	-	-	-	-	-
396,671	-	-	-	-	-
839,511	-	-	-	-	-
2,139,584	-	-	-	-	-
2,139,584	-	-	-	-	-
55,561	-	-	-	-	-
4,068,396	-	-	-	-	-
3,989,285	-	-	-	-	-
1,699,658	-	-	-	-	-
66,598,007	111,747,729	694,640	15,769,948	17,316,900	145,529,217



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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 2024, 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 comparing:

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

iii) Credit risk grades

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

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

a. Term loan exposures

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



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b. Overdraft exposures

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

iv) Generating the term structure of PD

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

v) Determining whether credit risk has increased significantly

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

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

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

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

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

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

vi) Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any)
- 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:



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

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 & Production	Goods imports, USD	Nominal GDP, USD	Real GDP per capita, USD (2010 prices)		
Export and Import	Goods imports, USD				



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Macro-economic factor	2024	2025	2026
Consumer price index inflation, 2010=100, ave	1,015	1,126	1,256
Exports of goods and services, USD	11,209	12,426	13,801
Government domestic debt, LCU	1,943,390	2,176,600	2,416,020
LCU/USD, ave	58	61	64
Nominal GDP, LCU	8,850,732	10,381,435	12,207,788
Private final consumption, LCU	6,055,725	7,019,705	8,121,770
Total domestic demand, LCU	8,346,836	9,682,924	11,213,195
Savings, LCU	1,438,376	1,703,891	2,004,420
Population	126,750,872	129,749,455	132,765,527
Consumer price index inflation, 2010=100, eop	947	1,052	1,178
M1, LCU	620,010	701,480	793,660
M2, LCU	2,077,690	2,416,550	2,810,690
Current expenditure, LCU	649,285	783,829	933,554
Goods imports, USD	16,911	17,926	19,001
Goods exports, USD	4,558	4,922	5,267
Current account balance, USD	(4,865)	(5,126)	(5,422)
Import cover months	2	2	2
Total household spending, LCU	7,073,086	8,199,016	9,486,227
Nominal GDP, USD	136,944	152,362	169,187
Real GDP, LCU (2010 prices)	1,133,309,000,000	1,211,679,000,000	1,291,837,000,000
Real GDP, USD (2010 prices)	78,649,580,835	84,088,316,123	89,651,135,354
Real GDP per capita, USD (2010 prices)	601	628	654
Nominal GDP, USD (PPP)	410,258,740,898	446,466,946,025	484,498,739,516
Private final consumption, USD	104,395	115,250	126,995
Private final consumption per capita, USD	-	-	-
Government final consumption, LCU	604,777	687,677	787,944
Government final consumption, USD	10,426	11,290	12,321
Exports of goods and services, LCU	650,216	756,852	882,620
Exports of goods and services per capita, USD	-	-	-
Imports of goods and services, LCU	1,053,212	1,159,648	1,275,650
Imports of goods and services, USD	18,156	19,039	19,946
Total domestic demand, USD	143,891	158,975	175,333
Total domestic demand per capita, USD	-	-	-
Unemployment, % of labour force, ave	3	3	3
Real effective exchange rate index	9	8	7
LCU/USD, eop	59	62	66
Total revenue, LCU	753,280	1,018,769	1,280,811
Total revenue, USD	12,986	16,726	20,027
Total expenditure, LCU	966,323	1,243,132	1,529,573
Total expenditure, USD	16,658	20,410	23,917
Current expenditure, USD	11,193	12,869	14,597
Budget balance, LCU	(213,043)	(224,364)	(248,761)
Budget balance, USD	(3,673)	(3,684)	(3,890)
Services imports, USD	6,923	7,442	8,037
Services exports, USD	6,064	6,428	6,878
Total reserves ex gold, USD	3,903	4,371	4,808
Total external debt stock, USD	46,902	51,865	57,445
Long-term external debt stock, USD	45,054	49,980	55,518
Public external debt stock, USD	45,054	49,980	55,518
Total government debt, USD	83,770	90,780	98,810
Total debt service, USD	3,962	3,301	3,641

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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; with the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

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

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

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

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

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

ix) Measurement of ECL

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

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

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

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

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



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

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

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

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

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

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

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

x) Loss allowance

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

	2024			
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 2023	207,500	53,716	169,769	430,985
Net remeasurement of loss allowance	335,262	49,673	(41,552)	343,382
Balance as at 30 June 2024	542,762	103,389	128,217	774,367



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	2023			
<i>In Birr'000</i>	Stage 1	Stage 2	Stage 3	Total
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	430,985
Balance as at 30 June 2023	238,714	68,019	228,233	534,967

	2024			
<i>In Birr'000</i>	Stage 1	Stage 2	Stage 3	Total
Bond	216			205
Bank balances	247			232
Loss allowance on loan commitment & financial guarantee	1,761			1,761
Other receivable	30	614	182,432	183,076

	Bond	Bank balances	Loss allowance on loan commitment & financial guarantee	Other receivable
Balance at the Beginning of the year June 30,2023	160	79	95	20,642
Net remeasurment of loss allownace	45	153	1,666	162,434
Balance at the end of the year June 30,2024	205	232	1,761	183,076

	2023			
<i>In Birr'000</i>	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 2023	79	160	20,806	21,045
Net remeasurement of loss allowance	(167)	(55)	(162,269.43)	(162,492)
Balance as at 30 June 2024	247	215	183,076	183,537

	2023			
<i>In Birr'000</i>	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

	2024			
<i>In Birr'000</i>	Stage 1	Stage 2	Stage 3	Total
guarantee contracts (off balance sheet exposures)				
Balance as at 1 July 2023		-	-	924
Net remeasurement of loss allowance		-	-	837
Balance as at 30 June 2024		-	-	1,761



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	2023			
<i>In Birr'000</i>	Stage 1	Stage 2	Stage 3	Total
Loan commitments and financial guarantee contracts (off balance sheet)				
Balance as at 1 July 2022	924	-	-	924
Net remeasurement of loss allowance	(829)	-	-	(829)
Balance as at 30 June 2023	95	-	-	95

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	
	2024	2023
Agriculture	359	270
Manufacturing	8,998	9,937
Domestic Trade and Service	7,176	9,205
Transport and communications	1,193	1,218
Hotel and tourism	6,091	6,106
Export	5,744	6,073
Import	6,525	7,337
Building and Construction	12,552	11,126
Mines, Power and Water	116	153
Personal	495	2,379
Total	49,247	53,806

4.2.5 Net interest income

<i>In millions of ETB</i>	2024	2023
Interest income	9,653	7,978
Interest expense	(4,453)	(3,264)
Net interest income	5,200	4,715

4.2.6 Cash and cash equivalents

<i>In millions of ETB</i>	2024	2023
Unrestricted balances with central banks	1,375	240
Cash and balances with other banks	1,833	4,655
Money market placements	292	3,375
Total cash and cash equivalents	3,500	8,270



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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 2024, the Bank transferred an amount of Birr 221.54 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 2024 Birr'000	30 June 2023 Birr'000
Total impairment based on IFRS	(959,665)	(555,943)
Total impairment based on NBE Directives	(1,297,272)	(860,343)
Difference in provisions	337,607	304,400
Legal reserve @ 25%	(84,402)	(76,100)
	253,205	228,300
(b) Suspended interest included within various line items under interest income	802,877	319,008
Income tax @30%	(240,863)	(95,702)
	562,014	223,305
Legal reserve @ 25%	(140,503)	(55,826)
	421,510	167,479
Day 1 adjustment to loss allowance on loans and advances (on balance sheet) as at 1 July 2018.		57,328
	674,715	453,107

Movements in regulatory risk reserve account

As at July 1, 2023	395,779
Change in impairment	(32,423)
Change in suspended interest	254,031
As at June 30, 2024	617,388



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4.3. Liquidity risk

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

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

4.3.1 Management of liquidity risk

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

The Bank evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Bank devises strategies to manage its liquidity risk.

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

4.3.2 Maturity analysis of financial liabilities

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

	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
30 June 2024						
Deposits from customers	5,563,988	4,205,148	5,370,653	5,837,917	24,080,595	45,058,301
Borrowings		2,839,710	2,544,057	-	-	5,383,766
Other liabilities	210,708	52,677	230,548	-	-	493,933
Total financial liabilities	5,774,695	7,097,534	8,145,258	5,837,917	24,080,595	50,936,000
30 June 2023						
Deposits from customers	2,764,730	3,062,664.30	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 liabilities	3,563,692	4,308,386	4,716,920	2,091,340	48,272,083	62,952,421

4.3.3 Maturity of Lease Liabilities

	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
30-Jun-24						
Lease Liabilities	-	-	-	112,019	106,269.00	218,288
Total financial liabilities	-	-	-	112,019	106,269	218,288



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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
Lease Liabilities	-	-	-	88,486	99,968	188,454
Total financial liabilities	-	-	-	88,486	99,968	188,454

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 2024

Assets

Cash and cash equivalents
 Loans and advances to customers
 Investment securities;
 - Amortized cost-NBE Bills

Total

Liabilities

Deposits from customers
 Borrowings

Total

Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
4,936,067	1,329,139	4,936,067
48,472,677		48,472,677
		-
4,295,441	-	4,295,441
57,704,185	1,329,139	57,704,185
45,058,301	-	45,058,301
5,383,766	-	5,383,766
50,442,067	-	50,442,067



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30 June 2023

Assets

Cash and cash equivalents
Loans and advances to customers
Investment securities;
- Amortized cost-NBE Bills

Total

Liabilities

Deposits from customers
Borrowings

Total

Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
11,017,325	1,048,545	11,017,325
53,271,048	-	53,271,048
3,290,670	-	3,290,670
67,579,043	1,048,545	67,579,043
59,360,853	-	59,360,853
2,616,804	-	2,616,804
61,977,657	-	61,977,657

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 2024 and 30 June 2023. 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 961.94 million (30 June 2023: Birr 1.26 billion).

Foreign currency denominated balances

Cash and bank balances
Other assets
Deposits from customers
Other liabilities

30 June 2024 Birr'000	30 June 2023 Birr'000
109,350	128,531
118,917	138,173
(1,202,157)	(1,531,088)
11,951	(1,121)
(961,939)	(1,265,505)

Sensitivity analysis for foreign exchange risk

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

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

30 June 2024

USD
Euro

Carrying amount Birr'000	10% increase in basis point Birr'000	10% decrease in basis point Birr'000
(948,805)	(94,881)	94,881
(13,754)	(1,375)	1,375



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GBP
Others

30 June 2023

USD
Euro
GBP
Others

621	62	(62)
-	-	-
(961,939)	(96,194)	96,194
Carrying amount Birr'000	10% increase in basis point Birr'000	10% decrease in basis point Birr'000
(1,200,562)	(120,056)	120,056
(40,826)	(4,083)	4,083
(4,844)	(484)	484
(19,274)	(1,927)	1,927
(1,265,505)	(126,551)	126,551

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

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.

Capital

Share capital
Legal reserve
Special reserve

Risk weighted assets

Risk weighted balance for on-balance sheet items
Credit equivalents for off-balance Sheet Items

Risk-weighted Capital Adequacy Ratio (CAR)
Minimum required capital
Excess

30 June 2024 Birr'000	30 June 2023 Birr'000
7,580,411	6,001,221
2,388,938	2,371,263
2,500	2,400
9,971,849	8,374,884
55,816,385	61,584,844
2,661,172	4,268,652
58,477,557	65,853,496
17.1%	12.7%
8.0%	8.0%
9.1%	4.7%



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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.

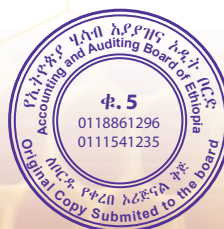
- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). 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 data and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4.6.2 Financial instruments measured at fair value - Fair value hierarchy

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



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Financial assets

Cash and cash equivalents
 Loans and advance to customers
 Investment securities
 - Amortzed cost (NBE Bills)
 Financial Asset

Total

Financial liabilities

Deposits from customers
 Borrowings
 Financial Liabilities

Total

30 June 2024 **Fair Value** **Birr'000**

6,265,206
 48,472,677

4,295,441
 1,493,345

54,737,883

45,058,301
 5,383,766
 493,933

50,936,000

3' 30 June 2022 **Fair Value** **Birr'000**

12,065,870
 53,271,048

3,290,670
 2,118,778

65,336,918

59,360,853
 2,616,804
 974,765

62,952,422

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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5 Interest Income Calculated Using the EIR Method

Cash and bank balances
Loans and advances to customers
Investment securities - loans and receivables

'30 June 2024 Birr'000	'30 June 2023 Birr'000
274,121	204,730
8,941,751	7,316,200
437,333	457,284
9,653,205	7,978,214

Included within various line items under interest income for the year ended '30 June 2024 is a total of Birr 483 million ('30 June 2023: Birr 115 million) relating to impaired financial assets.

6 Interest Expense

Deposits
National Bank of Ethiopia Borrowing
Borrowing from other banks

'30 June 2024 Birr'000	'30 June 2023 Birr'000
3,755,806	3,040,989
678,226	198,562
6,308	9,022
4,440,339	3,248,572

7 Interest expense: Lease Liabilities

'30 June 2024 Birr'000	'30 June 2023 Birr'000
12,423	15,032
12,423	15,032

8 Net fees and Commission Income

Fee and commission income

Telegraphic transfer and drafts
Cash payment order
Letters of credit commission and fees
Letters of guarantee
Money transfer commission
Service charges
Other commissions

'30 June 2024 Birr'000	'30 June 2023 Birr'000
251	159
1,149	1,191
138,467	115,932
90,176	74,209
267	665
449,618	374,385
115,847	87,817
795,774	654,357

Fee and Commission Expense

Bank charges/commission
Correspondent fees

'30 June 2024 Birr'000	'30 June 2023 Birr'000
65,445	10,787
16,986	3,297
82,431	14,084

Net fees and commission income

'30 June 2024 Birr'000	'30 June 2023 Birr'000
713,343	640,273



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9 Other Operating Income

Gain on disposal of properties
Correspondent charges
Unused provision on legal cases
Estimation fee
Dividend income
Rent income
Mark up on murabaha financing
Other income

'30 June 2024 Birr'000	'30 June 2023 Birr'000
2,300	59,335
1,027	713
288	-
1,017	3,341
36,904	25,017
124,860	103,687
112,519	64,665
55,667	31,513
334,581	288,272

Rental income Breakdown

	Addis Ababa City	Oromia Regional Government	SNNP	Sidama	Total
Income:					
Rental Income	111,684	5,296	1,901	5,979	124,860
Expense:					
Depreciation	53,086	3,092	1,074	-	57,252
Profit (loss) before tax from r	58,598	2,204	827	5,979	67,608
Rental income tax @ 30% due to Regional Govt and City Administrations	17,579	661	248	1,794	20,282



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10 Loan impairment charge

Loans and receivables - charge for the year (note 16)

11 Impairment losses on other assets

Other assets - charge for the year (note 19)

Other assets - reversal of impairment losses (note 18)

11 Personnel expenses

Short term employee benefits:

Salaries

Staff allowances

Other staff expenses

Pension costs:

Defined contribution plan

Defined benefit plans (note 30)

'30 June 2024 Birr'000	'30 June 2023 Birr'000
534,967	430,985
(774,367)	(534,967)
(239,400)	(103,982)
30 June 2022 Birr'000	30 June 2021 Birr'000
20,642	20,642
(183,076)	(20,642)
-162,434	-
'30 June 2024 Birr'000	'30 June 2023 Birr'000
1,970,461	1,739,466
515,926	436,959
89,693	145,025
240,863	189,166
96,575	16,810
2,913,517	2,527,426



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12 Other operating expenses

Advertisement and publicity
Stationary and printing expenses
Phone, telegram and telex expenses
Repairs and maintenance
Insurance
Fuel and lubricants
Loss on foreign exchange
Audit fee
Legal and professional fees
Per diem and travel expenses
Transportation
Entertainment
Medical Support Family
Gift
Provision on legal Cases
Penalty
Interest on lease payment
Meeting, workshop and seminars
General assembly meeting
Car and representation allowance
Cleaning supplies
License fee
ATM transactions and card personalization
Donation
Wages
Utility fees
Directors' monthly allowances
Agent Commission Expense
Admin Expe acquired property
Loss-Disposal of Acquired Prop
Security and Cleaning fees
Other operating expenses

'30 June 2024 Birr'000	'30 June 2023 Birr'000
38,116	31,733
51,603	48,788
28,184	21,300
43,588	32,279
195,495	13,184
36,722	28,548
256,248	122,371
1,054	518
29,378	4,742
16,551	12,175
12,622	11,762
6,416	6,351
526	389
2,404	2,062
-	115
140,246	3,911
32	826
2,617	1,211
6,981	3,433
18,857	12,514
15,263	10,619
53,287	73,961
29,514	35,513
67,482	31,362
4,688	3,636
19,361	19,035
1,674	1,734
1,327	151
10,465	-
278	-
15,222	-
78,779	65,078
1,184,980	599,299
'30 June 2024 Birr'000	'30 June 2023 Birr'000
3,971,971	3,785,653
3,431,152	3,375,706
540,819	409,947

13 Company income and deferred tax

Fixed asset - carrying amount
Fixed assets - tax base

Fixed assets - tempoary difference



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Severance pay - carrying amount

Severance pay - tax base

Severance pay temporary difference

Annual leave pay - carrying amount

Annual leave pay - tax base

Annual leave pay temporary difference

Fair value reserve (equity investment)-Carrying amount

Fair value reserve (equity investment)-tax base

Fair value reserve (equity investment)-temporary difference

Deferred tax liability - 30%

13a Income tax

Current income tax

Rental income tax due to Regional Govt. & city administrations

Deferred income tax/(credit) to profit or loss

Total charge to profit or loss

Tax (credit) on other comprehensive income

Total tax in statement of comprehensive income

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 2024 Birr'000	'30 June 2023 Birr'000
Profit before tax	1,177,797	2,064,913
Add: Disallowed expenses		
Entertainment	6,416	6,351
Severance expense	81,040	3,130
Provision for loans and advances as per IFRS	241,289	(985)
Provision on other assets	162,434	
Provision for legal case	-	115
Staff loan benefit	282	39,248
Penalty	140,246	3,911
Foreign exchange revaluation loss	266,245	148,331
Accrued leave payable	69,620	82,257
Government Tax	13,809	
Cash indemnity allowance	8,073	7,331
Donation	41,040	4,920
Medical Support for staff family	526	389
Gift	2,404	2,062
Hardship allowance	-	76,140
Sponsorship	8,205	6,000
Cash prize and awards	395	1,018
Representation Allowance	18,857	-
Municipal License Fee	2,687	-
Depreciation and impairment of right-of-use asset	406,761	330,898
Interest expense: Lease liabilities	12,423	15,032



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Depreciation (PPE) for accounting purpose
 Amortization for accounting purpose

Total disallowable expenses

Less: Allowed expenses

Depreciation for tax purpose
 Provision for loans and advances for tax NBE 80%
 Provision for other asset for tax NBE 80%
 Unused provision on legal cases
 Interest income on foregin deposits
 Dividend income taxed at source
 Interest income taxed at source-Gov't Bond and Treasury Bills
 Interest income taxed at source-Local Deposit
 Rent expense
 Excess provision on other asset reversed
 Net income from rental operation

Total allowed expenses

Taxable profit

Current tax at 30%
 Tax on foreign deposit at 5%
 Deferred tax

Income tax expense/ (credit) recognised

13c Current income tax liability

Balance at the beginning of the year
 Charge for the year:
 Income tax expense
 Rental income tax due to Regional Govt. & City Administrations
 Payment during the year
 Balance at the end of the year

13d Deferred income tax

The analysis of deferred tax (assets)/liabilities is as follows:

Deferred tax liabilities

150,173	111,597
11,418	10,008
1,644,341	847,749
369,611	279,177
193,031	68,866
64,465	
288	-
-	-
36,904	25,017
437,333	457,284
274,121	204,730
359,216	310,933
-	-
67,608	44,683
1,802,576	1,390,691
1,019,562	1,521,971
305,869	456,591
-	-
(78,291)	(3,284)
227,578	453,307
'30 June 2024	'30 June 2023
Birr'000	Birr'000
469,996	404,034
305,869	456,591
20,282	13,405
(469,996)	(404,034)
326,151	469,996
'30 June 2024	'30 June 2023
Birr'000	Birr'000
28,956	106,840
28,956	106,840



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	'30 June 2024 Birr'000	'30 June 2023 Birr'000
Fixed asset - carrying amount	3,971,970.98	3,785,653.12
Fixed assets - tax base	3,431,152.05	3,375,706.06
Fixed assets - temporary difference	540,818.93	409,947.05
Deferred tax Asset - 30%	(162,245.68)	(122,984.12)
Severance pay - carrying amount	408,386.00	87,703.42
Severance pay - tax base	-	-
Severance pay temporary difference	408,386.00	87,703.42
Deferred tax liability - 30%	122,515.80	26,311.03
Annual leave pay - carrying amount	314,234.42	244,613.97
Annual leave pay - tax base	-	-
Annual leave temporary difference	314,234.42	244,613.97
Deferred tax liability - 30%	94,270.33	73,384.19
Fair value reserve (equity investment)-Carrying amount	278,321.92	278,503.96
Fair value reserve (equity investment)-tax base	-	-
Fair value reserve (equity investment)-temporary difference	278,321.92	278,503.96
Deferred tax Asset - 30%	(83,496.58)	(83,551.19)
Total deferred tax assets/(liabilities)	(28,956.13)	(106,840.09)

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 2023 Birr'000	Credit/ (charge) to P/L Birr'000		Credit/ (charge) to equity Birr'000	30 June 2024 Birr'000
Property, plant and equipment	(122,984)	(39,262)	-	-	(162,246)
Post employment benefit obligation	26,311	96,666	-	(462)	122,516
Accrued leave pay	73,384	20,886	-	-	94,270
Equity Securities	(83,551)	-	-	55	(83,497)
Total deferred tax assets/(liabilities)	(106,840)	78,291	-	(407)	(28,956)
Deferred income tax assets/(liabilities):	At 1 July 2022 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity 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)	(79,043)	3,284	-	(31,082)	(106,840)



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13e Rental income tax

	Addis Ababa City	Oromia Regional Government	SNNP	Sidama	Total
Income:					
Renatl Income	111,684	5,296	1,901	5,979	124,860
Expense:					
Depreciation	53,086	3,092	1,074	-	57,252
Profit (loss) before tax from rental operation	58,598	2,204	827	5,979	67,608
Regional Govt and City Administrations	17,579	661	248	1,794	20,282

14 Cash and bank balances

	'30 June 2024 Birr'000	'30 June 2023 Birr'000
Cash in hand	1,329,139	1,048,545
Deposit with local commercial banks	405,172	3,511,375
Deposit with foreign banks	98,674	95,442
Treasury Bills	291,779	3,374,686
	2,124,764	8,030,049
Deposit with NBE	4,140,688	4,035,901
statutory reserve with NBE	2,765,231	3,796,252
	6,265,452	12,065,949
Loss Allowance on Deposits	(246.82)	(79.33)
	6,265,206	12,065,870

It is to be noted that from 4.14 billion, which is reported in the note line item called deposit with NBE, it includes the statutory reserve with NBE amounting to Birr 2.76 billion.

The previous year report showed that the total deposit was reported only for the issue account and payment and settlement balances. However, in the current year's financial statement is included a deposit with NBE of statutory reserve with NBE in both comparative periods.

Change statutory reserve with NBE

	'30 June 2024 Birr'000	'30 June 2023 Birr'000
Opening balance	3,796,252	-
Increase/(decrease)	(1,031,021)	3,796,252
Balance at period end	2,765,231	3,796,252

impairment charge on deposit with other banks

Deposit with other banks - charge for the year	(79)	(385)
	(247)	(79)
	167	(306)



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Maturity analysis

Current
 Non-Current

'30 June 2024 Birr'000	'30 June 2023 Birr'000
3,499,975	10,839,715
2,765,231	3,796,331
<u>6,265,206</u>	<u>14,636,046</u>

15a 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.

Balance as above
 Cash reserve held with the National Bank of Ethiopia

'30 June 2024 Birr'000	'30 June 2023 Birr'000
6,265,452	12,065,949
(2,765,231)	(3,796,331)
<u>3,500,222</u>	<u>8,269,619</u>

15 Loans and advances to customers

Agriculture
 Manufacturing
 Domestic Trade and Service
 Transport and communications
 Hotel and tourism
 Export
 Import
 Building and Construction
 Mines, Power and Water
 Personal loans

Gross amount

Less: Impairment allowance

'30 June 2024 Birr'000	'30 June 2023 Birr'000
359,440	270,483
8,998,415	9,937,421
7,175,705	9,205,459
1,192,642	1,218,169
6,090,754	6,106,249
5,743,627	6,073,090
6,524,655	7,337,352
12,551,586	11,126,115
115,714	153,007
494,506	2,378,669
<u>49,247,044</u>	<u>53,806,014</u>
(774,367)	(534,967)
<u>48,472,677</u>	<u>53,271,047</u>

Reconciliation of impairment allowance for Loans and advances to customers

Opening balance of impairment allowance
 Charge for the year
 Ending balance of impairment allowance

'30 June 2024 Birr'000	'30 June 2023 Birr'000
534,967	430,985
239,400	103,982
<u>774,367</u>	<u>534,967</u>



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15a Tigray region loans and advances report as stated below;

Principal Loans and Advances	
Accrued Interest	
Accrued Interest Suspended	
Total Outstanding Loans and Advances	
Total cumulative loan provision as per NBE for Tigray region only	
Net loans and Advances in Tigray region	

'30 June 2024 Birr'000	'30 June 2023 Birr'000
784,417	758,204
77,097	50,512
124,732	151,487
986,245	960,203
(97,265)	(90,969)
888,980	869,234

'30 June 2024 Birr'000	'30 June 2023 Birr'000
90,969	-
6,296	-
97,265	90,969

'30 June 2024 Birr'000	'30 June 2023 Birr'000
475,324	442,840
475,324	442,840

Reconciliation of impairment for Loans and advances to customers a Tigray region

Opening balance of impairment allowance	
Charge for the year	
Ending balance of impairment allowance	

16 Investment securities

Fair value through other comprehensive:
Equity Investments

a Fair value hierarchy

Details of the Bank's Investment securities and information about the fair value hierarchy at 30 June 2024 and 30 June 2023 respectively are as follows:

30 June 2024	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Equity Investments	195,304	-	-	475,324
	195,304	-	-	475,324

30 June 2023	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Equity Investments	162,639	-	-	442,840
	162,639	-	-	442,840



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b Reconciliation of Equity Investments

Opening balance as of July 2023
Increase/(decrease
Fair value decrease/increase
Balance at period end

'30 June 2024	'30 June 2023
Birr'000	Birr'000
442,840	280,491
32,665	20,176
(182.03)	142,173
475,322	442,840

17 investment in government:

Reconciliation of Investemnt securities

Opening balance

Addition of Government bond

Loss allowance on Ethiopian Government Bills

Balance at period end

Impairment Charge on NBE Bills

Opening balance of impairment

Closing balance of impairment

NBE Bills-charge for the year

3,290,670	396,671
1,004,986	2,894,159
4,295,656	3,290,830
(215)	(160)
4,295,441	3,290,670
(160)	(18)
(215)	(160)
(55)	(142)

June 30,2024	PD	LGD	EAD	NBE Bills ECL
Investemnt securities	0.05%	10%	4,295,655.66	215

June 30,2023	PD	LGD	EAD	NBE Bills ECL
Investemnt securities	0.05%	10%	3,199,354.52	160

The expected credit losses for NBE bills has been computed by minumum Basel set rate of PD and LGD, since the investments are made with the security collected from National Bank of Ethiopia

Fair value through other comprehensive on Investment Securities

Carrying amount as per IFRS 9 /13 valuation current year
less additional investment during the year
less Carrying amount as per IFRS 9 /13 valuation previous year

435,413	401,075
(32,822)	(17,676)
(401,075)	(241,226)
1,516	142,173

Deferred tax (liability)/asset on gain on change in fair value of equity securities

455	42,652
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Maturity analysis

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'30 June 2024 Birr'000	'30 June 2023 Birr'000
116,262	5,898
4,179,394	3,284,932
4,295,656	3,290,830

The Bank hold equity investments in Nib Insurance of 4.95% ('30 June 2024: 4.95%), Agar Micro Finance S.C of 7.38% ('30 June 2024: 7.38%), Eth Switch S.C of 3.67% ('30 June 2024: 3.67%), Genb Gebeya S.C of 12% ('30 June 2024: 12%) and Ethiopian Reinsurance S.C 0.80% ('30 June 2024: 0.80%). 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 195.30 million.

18 Investment in Associates

Name of entity	Place of Business/ country of incorporati on	Percentage holding	Carrying amount	
			'30 June 2024 Birr'000	'30 June 2023 Birr'000
Premier Switch Solution S.C.	Ethiopia	30.42%	99,516	72,433
Cumulative dividend collected in previous years			10,542	884
Dividend collected in current year			(11,113)	(6,765)
			98,945	66,552

Reconciliation of Investment in Associates

Opening balance as of July 2023
 Dividend collected from associates
 additional Investment
 Share of net profit of associate accounted for using the equity method

Balance at period end

'30 June 2024 Birr'000	'30 June 2023 Birr'000
66,552	55,538
(11,113)	(6,765)
16,423	5,199
27,083	12,580
98,945	66,552

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.



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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

Premium Switch Solution S.C

Current assets
Non-current assets
Current liabilities
Non-current liabilities
Net assets

'30 June 2024 Birr'000	'30 June 2023 Birr'000
332,873	217,946
105,705	66,034
(24,763)	(48,637)
(28,638)	(5,098)
385,178	230,246

b Summarised statement of comprehensive income

Premium Switch Solution S.C

Revenue
Interest income
Sales of Trading Items
Other Income

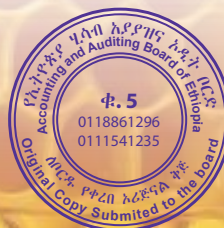
'30 June 2024 Birr'000	'30 June 2023 Birr'000
229,258	258,215
11,682	10,161
122,909	-
161	530
364,010	268,906
(236,825)	(203,451)
127,185	65,455
(38,156)	(24,100)
89,030	41,354
-	-
89,030	41,354

Expenses
Net profit before tax
Tax
Profit after tax
Transfer to legal reserve
Net profit for the year

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

'30 June 2024 Birr'000	'30 June 2023 Birr'000
27,083	12,580
-	(109)
27,083	12,471

Share of profit(loss) from associate
Share of other comprehensive income from associate



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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 2024 Birr'000	'30 June 2023 Birr'000
Opening net assets 1 July	238,111	197,114
Profit for the period	89,030	41,354
Other comprehensive income	-	(358)
Closing net assets	327,141	238,111
Bank's share in %	30.42%	30.11%
Bank's share in Birr	99,516	71,695
Dividened Collected		
Carrying amount on the Bank's financial statement	99,516	71,695
Share of net profit of associate accounted for using the equity method	(27,083)	(12,580)
equity investment in associate	(16,423)	(5,199)
Net (increase) decrease in associate	(43,506)	(17,779)

19 Other financial assets

	'30 June 2024 Birr'000	'30 June 2023 Birr'000
Receivable from other banks	410,175	912,833
Staff Advance	1,011	1,090
Mastercard receivables	23,903	13,698
Visa card receivables	34,639	19,420
Money transfer receivable	13,582	28,135
Other receivables	694,757	588,499
ATS CHQ clearing suspense (Cheques and claims in transit)	461,610	269,303
Fintech receivable	36,743	306,606
Gross amount	1,676,420	2,139,584
Less: Specific impairment allowance (note 11)	(183,076)	(20,806)
	1,493,345	2,118,778

Receivable from other banks, Mastercard receivables and Visa card receivables are emnated from digital banking transaction through ATM and POS transaction.



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	2024			
In Birr'000	Stage 1	Stage 2	Stage 3	Total
Bond	205			205
Bank balances	232			232
Loss allowance on loan commitment & financial guarantee	1,761			1,761
Other receivable	30	614	182,432	183,076

	Bond	Bank balances	allowance on loan commitment & financial guarantee	Other receivable
Summary impairment allowance				
Balance at the Beginning of the year June	160	79	95	20,642
Net remeasurment of loss allowance	45	153	1,666	162,434
Balance at the end of the year June	205	232	1,761	183,076

Impairment Charge on Other receivables

v) **Determining whether outstanding Suspense account risk has increased significantly**

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

The outstanding suspense account risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the bank's suspense handling 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 suspense account handling 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 date provided the fund in respect of which full payment has not been received.

If there is evidence that there is no longer a significant increase in suspense account handling 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 outstanding suspense balance handling risk, such as legal cases, resigning or termination of employees, failure of guarantee provided, and looting of cash during the war in the northern region, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist.

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

The criteria are capable of identifying significant increases in outstanding suspense balance risk before an exposure is in

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 outstanding suspense account risk and default



NIB INTERNATIONAL BANK **REPORT AND FINANCIAL STATEMENT** **FOR THE YEAR ENDED 30 JUNE 2024** **NOTES TO THE FINANCIAL STATEMENTS**

Exposures are not generally transferred directly from 12-month ECL measurement to - long outstanding receivable-
 There is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage

vi) Definition of default

The Bank considers a financial asset to be in default when:
 The beneficiary is unlikely to pay its outstanding receivable obligations to the Bank in full
 The beneficiary is more than 90 days past due on any material suspense account obligation to the Bank.
 In assessing whether a beneficiary is in default, the Bank considers indicators that are:
 Qualitative: e.g. breaches of the bank suspense handling guide line;
 - based on data developed internally and obtained from external sources.
 The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Balance at the beginning of the year
 Charge for the year (Note 4.2.3 X)
 Closing balance of impairment Allowance

'30 June 2024	'30 June 2023
Birr'000	Birr'000
(20,642)	(20,642)
162,434	-
(183,076)	(20,642)

20 Other non-financial assets

Prepaid staff asset
 Repossessed collaterals
 Prepayments
 Withholding tax receivable
 Inventory

404,424	535,924
177,479	179,280
2,079	2,097
1,948	2,215
175,772	81,198
761,701	800,715

Maturity analysis

Current
 Non-Current

'30 June 2024	'30 June 2023
Birr'000	Birr'000
1,178,068	1,563,675
615,369	1,086,515
1,793,436	2,650,190

20a Impairment allowance on financial assets

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

Balance at the beginning of the year
 Balance at the end of the year
 (Reversal)/charge for the year (note 10)

'30 June 2024	'30 June 2023
Birr'000	Birr'000
20,642	20,642
(183,076)	(20,642)
(162,434)	0.00



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20b Inventory

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

Stationery
Uniform
Token
Stamps
Signs
Stock of fuel coupons
Gold and silver coins
Cheque book
Other stock

'30 June 2024	'30 June 2023
Birr'000	Birr'000
72,974	23,455
16,449	9,985
149	149
865	825
-	-
1,648	1,659
27	27
11,354	9,659
69,440	32,671
172,906	78,431



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21 Investment property

Cost:

At the beginning of the year

Acquisitions

Reclassification

At the end of the year

Accumulated amortisation:

At the beginning of the year

Charge for the year

At the end of the year

Net book value

30 June 2024 Birr'000	30 June 2023 Birr'000
24,385	24,385
-	-
-	-
24,385	24,385
2,795	2,378
417	417
3,212	2,795
21,173	21,590

30 June 2024 Birr'000	30 June 2023 Birr'000
124,860	101,935
(57,252)	(57,252)
67,608	44,683

21a Amounts recognised in profit or loss for investment properties

Rental income (Note 9)

Direct operating expenses from property that generated rental income

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 2024 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:



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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.

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.

21b Fair value hierarchy

Details of the Bank's Investment properties and information about the fair value hierarchy at 30 June 2024 and 30 June 2023 respectively are as follows:

	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
30 June 2023				
Investment properties	21,173	-	-	60,114
30 June 2022				
Investment properties	21,590	-	-	70,028



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22 Intangible Assets

Cost:

As at 1 July 2022

Acquisitions

As at 30 June 2023

As at 1 July 2023

Acquisitions

As at 30 June 2024

Accumulated amortisation and impairment losses

As at 1 July 2022

Amortisation for the year

Reclassification

Impairment losses

As at 30 June 2023

As at 1 July 2023

Amortisation for the year

Reclassification

Impairment losses

As at 30 June 2024

Net book value

As at 30 June 2023

As at 30 June 2024

Purchased software Birr'000	Total Birr'000
169,548	169,548
9,763	9,763
179,311	179,311
179,311	179,311
93,169	93,169
272,481	272,481
96,357	96,357
10,008	10,008
2,000	2,000
-	-
108,365	108,365
108,365	108,365
11,418	11,418
(2,000)	(2,000)
-	-
117,782	117,782
70,946	70,947
154,698	154,698



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23 Right-of-use asset

Cost:

As at 1 July 2022

Additions

Disposals

As at 30 June 2023

As at 1 July 2023

Additions

Disposals

As at 30 June 2024

Accumulated depreciation

As at 1 July 2022

Charge for the year

Adjustment

As at 30 June 2023

As at 1 July 2023

Charge for the year

Adjustment

As at 30 June 2024

Net book value

As at 30 June 2023

As at 30 June 2024

Right-of-use asset: Office space Birr'000	Right-of-use asset: Land Birr'000	Total Birr'000
1,450,465	26,876	1,477,341
313,499	-	313,499
-	-	-
1,763,965	26,876	1,790,840
1,763,965	26,876	1,790,840
363,341	-	363,341
-	-	-
2,127,306	26,876	2,154,181
711,760	1,700	713,460
330,200	698	330,898
-	-	-
1,041,960	2,398	1,044,358
1,041,960	2,398	1,044,358
406,192	569	406,761
-	-	-
1,448,151	2,967	1,451,119
722,005	24,478	746,483
679,154	23,908	703,063

The Bank acquires land through lease, it has been accounted as a finance lease in line with IFRS 16: Leases. The lease term cover a time range of two to Five years



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24 Property, Plant and Equipment

Cost:

	Buildings Birr'000	Motor vehicles Birr'000	Furniture and fittings Birr'000	Computer equipments Birr'000	Capital work in Progress Birr'000	Total Birr'000
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
As at 1 July 2023	3,243,490	209,431	519,265	429,288	431,978	4,833,453
Additions	(2,026)	-	159,536	95,243	68,362	321,115
Reclassification	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
As at 30 June 2024	3,241,465	209,431	678,801	524,531	500,340	5,154,568

Accumulated Depreciation

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
As at 1 July 2023	134,945	115,728	261,603	196,083	-	708,359
Charge for the year	60,968	9,418	43,823	35,546	-	149,755
Disposals	-	-	-	-	-	-
Reclassification	-	-	1	13	-	14
As at 30 June 2024	195,913	125,146	305,427	231,642	-	858,128

Net book value

As at 30 June 2023	3,108,545	93,704	257,662	233,205	431,978	4,125,095
As at 30 June 2024	3,045,552	84,285	373,374	292,889	500,340	4,296,440



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25 Deposits from Customers

Demand deposits
Saving deposits
Special saving deposit
Fixed term deposits

30 June 2024	30 June 2023
Birr'000	Birr'000
8,003,006	11,536,743
19,301,911	27,360,991
4,492,061	8,924,628
13,261,321	11,538,491
45,058,301	59,360,853

25a Maturity Analysis

	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 As of June 2024	5,563,988	4,205,148	5,370,653	5,837,917	24,080,595	45,058,301
Deposits from customers As of June 2023	2,764,730	3,062,664	3,171,247	2,090,129	48,272,083	59,360,853

26 Borrowings

National Bank of Ethiopia
Development Bank of Ethiopia

30 June 2024	30 June 2023
Birr'000	Birr'000
5,339,710	2,502,500
44,057	114,304
5,383,766	2,616,804

26a Reconciliation of Bank Borrowings

A reconciliation of the changes in borrowings is as follows:

	30 June 2024 Birr'000	30 June 2023 Birr'000
Balance at the beginning of the year	2,616,804	139,106
Proceeds from borrowings	17,690,613	17,690,613
Repayment of borrowings	(14,923,651)	(15,212,915)
Accretion of interest	-	-
Balance at the end of the year	5,383,766	2,616,804

26b Maturity Analysis

	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
Borrowings As of June 2024	-	2,839,710	2,544,057	-	-	5,383,766
Borrowings As of June 2023	373,829	1,121,487	1,121,487	-	-	2,616,804



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27 Other Financial Liabilities

Margin held on letter of credit	
Deposit for Guarantees Issued	
Cash payment order payable	
Exchange payable to NBE	
Current accounts blocked	
Deposit Act in Process Opening	
Customers loan deposit accounts	
Due to other banks	
Telegraphic transfer payable	
Money transfer payable	
Loss allowance on loan commitment & financial guarantee	

30 June 2024	30 June 2023
Birr'000	Birr'000
195,043	88,732
2,497	3,009
158,890	270,597
39,131	62,576
42,905	26,307
1,075	1,844
19	342
47,185	515,426
3,826	4,642
1,602	1,193
1,761	95
493,933	974,764

28 Other Non-Financial Liabilities

Defined Contribution liabilities	
Defined benefit plans	
Stamp Duty Payable	
Other tax payable	
Unearned Profit on IFB Financing	
Unearned Revenue-office rent	
Other payables	
Fintech payable	
Dividend payable	
Board of director's allowance	
Allowance for Board of director's election nomination committee	

30,452	22,305
314,234	443,298
882	7,091
106,868	90,177
268,740	288,787
12,156	14,562
3,781,310	3,047,955
21,236	80,816
249,430	96,271
1,800	1,800
-	375
4,787,106	4,093,433
5,281,039	5,068,198

Gross amount

At the fiscal year-end, adjustments were made to the Other payables balance to correct material errors identified in the outstanding foreign correspondent bank balances birr 515.02 million, as well as MasterCard and Visa card bank balances Birr 177.24 million. Additionally, a prior year correction was made regarding the valuation of liabilities for severance benefits, now restated to include a guarantee fail of foreign currency account balance not yet recognized birr 172.54 Million and deducted the payment which were already effected to non-managerial employees Birr 13.26 million. In total of these prior period adjustments were accounted for through the other payables balance, amounting to Birr 851.54 million.

Over the valuation period; it was confirmed that severance benefits were extended to non-management employees, whereas in previous valuations only management employees were eligible for severance benefits. This has a significant impact on the number of employees who are eligible for benefits and therefore leads to a significant increase in the obligation.

Maturity analysis

Current
 Non-Current

30 June 2024	30 June 2023
Birr'000	Birr'000
4,922,141	3,746,911
358,900	271,016
5,281,041	4,017,927



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Impairment losses on loan commitment & financial guarantee

Opening Impairment losses on loan commitment & financial guarantee
Ending Impairment losses on loan commitment & financial guarantee
Charge for the year

95	916
1,761	95
(1,666)	821

29 Operating Lease Commitments

Opening office space lease liability
Opening land lease liability
Increase (decrease) office space lease
Increase (decrease) land lease

Gross amount

The Bank leases various properties under non-cancellable operating lease agreements. The lease terms are between one and two years, and majority of these lease agreements are renewable at the end of the each lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows: The Bank has commitments, not provided for in these financial statements, of Birr 184,196 (30 June 2023: Birr 188,454 million). The lease term cover time range between two to five years period.

30 June 2024	30 June 2023
Birr'000	Birr'000
176,793	176,793
11,661	11,661
(3,789)	-
(565)	-
184,100	188,454

Lease liabilities: Office Space
Lease liabilities: Land

Gross amount

Maturity analysis

Current
Non-Current

30 June 2024	30 June 2023
Birr'000	Birr'000
173,005	176,793
11,096	11,661
184,100	188,454
86,373	86,373
97,727	149,951
184,100	236,324

30 Retirement benefit obligations

Defined benefits liabilities:

– Severance pay (note 30a)

Liability in the statement of financial position

30 June 2024	30 June 2023
Birr'000	Birr'000
408,386	330,117
408,386	330,117



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Income statement charge included in personnel expenses:

– Severance pay (note 30a)

Total defined benefit expenses

Remeasurements for:

– Severance pay (note 30a)

96,575	16,810
96,575	16,810
(1,539)	38,567
(1,539)	38,567

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 and non 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:

A Liability recognised in the financial position

30 June 2024	30 June 2023
Birr'000	Birr'000
408,386	330,117

B Amount recognised in the profit or loss

Current service cost

Interest cost

30 June 2024	30 June 2023
Birr'000	Birr'000
24,835	3,940
71,740	12,870
96,575	16,810

C Amount recognised in other comprehensive income:

Remeasurement (gains)/losses arising from changes on economic assumptions

Remeasurement (gains)/losses arising from changes on

Tax credit /(charge)

(1,539)	-
-	38,567
-	-
(1,539)	38,567



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

At the beginning of the year
 Closing balance adjustment
 Current service cost
 Interest cost
 Remeasurement (gains)/
 losses
 Benefits paid

At the end of the year

30 June 2024	30 June 2023
Birr'000	Birr'000
330,117	46,006
	242,414
24,835	3,940
71,740	12,870
(1,539)	38,567
(16,767)	(13,680)
408,386	330,117

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

Discount Rate (p.a)
 Long term salary
 increase(p.a)
 Average Rate of Inflation
 (p.a)

30 June 2024	30 June 2023
Birr'000	Birr'000
24.50%	24.50%
19.30%	19.30%
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	Females
20	0.00306	0.00223
25	0.00303	0.00228
30	0.00355	0.00314
35	0.00405	0.00279
40	0.00515	0.00319
45	0.00450	0.00428
50	0.00628	0.00628
55	0.00979	0.00979
60	0.01536	0.01536



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iii) Withdrawal from Service

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

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

Impact on defined benefit obligation					
	30 June 2024		30 June 2023		
	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%	(80,159)	80,683	(4,113)	4,520

The expected contribution to post-employment benefit plan for the year ending 30th June 2025 is 85.09 million.

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

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The duration of the liabilities, on which the assumptions have been set, was calculated to be 12 years on the current valuation assumptions and data.

iv) The projected benefit payments for the next 5 years have been estimated as follows:

	30 June 2024
	ETB'000
Projected benefit payments	
Year ending 30 June 2025	(31,267)
Year ending 30 June 2026	(35,553)
Year ending 30 June 2027	(45,177)
Year ending 30 June 2028	(56,406)
Year ending 30 June 2029	(58,150)
Total projected benefit payments over 5 years	(226,553)

	Year Ending
	30 Jun 2025
	ETB'000
v) Projected Defined Benefit Obligation	
Defined Benefit Obligation at the beginning of the period	408,386
Current Service Cost (excluding interest)	36,158
Benefit payments	(31,267)
Interest Cost	80,206
Expected Defined Benefit Obligation at the end of the period	493,483

vi) The Benefits are unfunded, in that there is no separate fund established for the purposes of paying the benefits.

V) The Benefits are unfunded, in that there is no separate fund established for the purposes of paying the benefits.



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The sensitivity of the main results to changes in the principal assumptions rate have been calculated. The changes in the Defined Benefit Obligation are reflected below:

Sensitivity	Base DBO ETB 000	changed assumptions ETB 000	% change
Discount rate + 1%	100,919	92,254	8.6%
Discount rate - 1%	100,919	110,496	9.7%
Salary increase + 1%	100,919	110,718	9.7
Salary increase - 1%	100,919	91,929	-8.9%

31 Share capital and share premium

Authorised:

Ordinary shares of Birr 500 each

Issued and fully paid:

Ordinary shares of Birr 500 each

Share premium

Total share capital and share premium

Birr'000	Birr'000
10,000,000	5,000,000
7,580,411	6,001,221
-	-
7,580,411	6,001,221

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 2023	12,002	6,001,221	-	6,001,221
Issued during the year	3,158	1,579,191	-	1,579,191
As at 30th June 2024	15,161	7,580,411	-	7,580,411

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 2024 Birr'000	30 June 2023 Birr'000
Profit attributable to shareholders	957,020	1,506,800
Weighted average number of ordinary shares in issue	13,613	10,868
Basic & diluted earnings per share (Birr)	70	139



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Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2024:nil), hence the basic and diluted earning per share have the same value.

33 Retained earnings

At the beginning of the year
 Prior years Adjustment
 Profit/Loss for the year
 Transfer to regulatory risk reserve
 Transfer to legal reserve
 Transfer to special reserve
 Dividend paid
 Board of directors' remuneration
 Allowance for Board of director's election nomination committee
 Other

30 June 2024	30 June 2023
Birr'000	Birr'000
175,614	895,815
-	(872,423)
957,020	1,506,800
(221,609)	(79,788)
(239,255)	(376,700)
(100)	(100)
(1,048,037)	(895,815)
(1,800)	(1,800)
-	(375)
-	-
(378,167)	175,614

At the end of the year

At the fiscal year-end, adjustments were made to the retained earnings balance to correct material errors identified in the outstanding foreign correspondent bank balances birr 424.89 million, as well as MasterCard and Visa card bank balances Birr 146.22 million. Additionally, a prior year correction was made regarding the valuation of liabilities for severance benefits, now restated to include non-management employees and a guarantee fail of foreign currency account balance not yet recognized, Birr 171.89 million and 129.41 Million respectively. The current year's financials reflect this update, factoring in the inclusion of non-management staff in severance benefits. In total of these prior period adjustments were accounted for through the retained earnings balance, amounting to Birr 872.41million.

34 Legal reserve

At the beginning of the year
 Prior years Adjustment
 Transfer from profit or loss
 At the end of the year

30 June 2024	30 June 2023
Birr'000	Birr'000
2,149,682	1,994,564
-	(221,581)
239,255	376,700
2,388,938	2,149,682

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.



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At the fiscal year-end, adjustments were made to the legal reserve balance to address significant errors related to the outstanding foreign correspondent bank balances birr 90.13 million and MasterCard and Visa card bank balances birr 31.02 million. A correction was also made for a prior year's severance benefits liability, restated to include non-management employees and a guarantee fail of foreign currency account balance not yet recognized, Birr 57.30 million and 43.13 Million respectively. This year's figures reflect the inclusion of non-management staff in severance benefits. Overall, a prior period adjustments were charged against the legal reserve balance, totaling Birr 221.58 million.

35 Special reserve

At the beginning of the year
Transfer from profit or loss
At the end of the year

30 June 2024	30 June 2023
Birr'000	Birr'000
2,400	2,300
100	100
2,500	2,400

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.

36 Cash generated from operating activities

Profit before income tax

Adjustments for non-cash items:

Depreciation of right-of-use asset
Depreciation of property, plant and equipment
Amortisation of intangible assets
(Gain)/Loss on disposal of property, plant and equipment
Impairment on loans and receivables
Net interest income
Profit Equalization reserve and Investment risk reserve
(Gain)/Loss on Effect of exchange rate movement
Retirement benefit obligations

Changes in working capital:

-Decrease/ (Increase) in loans and advances to customers
-Decrease/ (Increase) in restricted deposits
-Decrease/ (Increase) in other assets
-Increase/ (Decrease) in other liabilities

Notes	30 June 2024	30 June 2023
	Birr'000	Birr'000
	1,204,880	1,973,512
23	406,761	330,898
24	150,173	111,597
22	11,418	10,008
24	-	-
15	403,723	102,996
	(5,200,443)	(4,714,610)
	503	-
	(9,997)	(25,960)
30	96,575	16,810
15	4,558,970	(14,439,127)
14	1,031,100	345,000
19	502,177	(1,178,531)
27	218,191	1,534,394
	3,374,030	(15,933,014)

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



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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:

a Transactions with related parties

Loans and advances to key management

30 June 2024	30 June 2023
Birr'000	Birr'000
10	772,849
10	772,849

These loans are provided to senior management of the bank at a lower market rate of 7%, and these are measured as per IAS 19, which is employee benefit.

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 2024.

Salaries and other short-term employee benefits
Post-employment benefits
Sitting allowance
Board of directors' remuneration

30 June 2024	30 June 2023
Birr'000	Birr'000
87,010	51,919
11,311	6,620
7,284	3,611
3,240	3,240
108,845	65,390

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 follows:

Managerial and Supervisory
Professional
Clerical
Non-Clerical

30 June 2024	30 June 2023
617	619
1,120	1,093
2,355	2,549
3,118	3,400
7,210	7,661



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39 Contingent liabilities

37a Claims and litigation

The Bank is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The maximum exposure of the Bank to these legal cases as at 30 June 2024 is Birr 769.68 million (30 June 2023: Birr 285.97 million). As of June 30, 2024, a provision of Birr 538.5 thousand has been held for these legal cases (June 30 2023: 826.2 thousand)

37 Guarantees and letters of credit

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

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

	30 June 2024 Birr'000	30 June 2023 Birr'000
Guarantees issued	3,338,812	3,989,285
Letters of credit	605,103	1,699,658
Memorandum on letters of credit	(48,164)	(303,499)
	3,895,751	5,385,443

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 2024 Birr'000	30 June 2023 Birr'000
Loan commitments	1,673,820	4,068,396
Purchase commitments		55,561
Total Commitments	1,673,820	4,123,956

41 Profit Equalization and Investment Risk Reserve

Investment risk reserve is the amount appropriated by the bank out of the income of mudraha account holders after allocating the mudarb's share in order to cushion against future investment losses.

Profit equalization reserves:- It is the amount appropriated by the bank out of the income arising from the assets pertaining to Mudarabah customers in order to maintain a certain level of return on investment for such stakeholder.

42 Events after reporting period

The country's recent decision to float its currency is expected to have a substantial effect on the bank's overall performance. Hence the board of directors have noted that fluctuations in the foreign currency exchange rate after the balance sheet date have resulted in significant events that could materially impact the bank's financial position as of 30 June 2025 as well as its profits for the period ending on that date. These events have not yet been fully accounted for or disclosed. This could materially impact the financial statements of next fiscal period.



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