አቢሲንያ ባንክ
Bank of Abyssinia

Annual Report 2021/22

የሁሉም ምርጫ!
The Choice for All!


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ቼክ መመንዘር
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አቢሲንያ ባንክ
Bank of Abyssinia

ANNUAL REPORT
2021-2022

የሁሉም ምርጫ !
The Choice for All!

VISION

To become a leading commercial bank in East Africa by 2030.

MISSION

To provide excellent financial services through competent, motivated employees and digital technology in order to maximize value to all stakeholders.

CORE VALUES

- ✓ Customer satisfaction
- ✓ Integrity
- ✓ Team work and collaboration
- ✓ Caring for the community

Bank of Abyssinia S.C
Report and Financial Statements
For The Year Ended 30th June 2022

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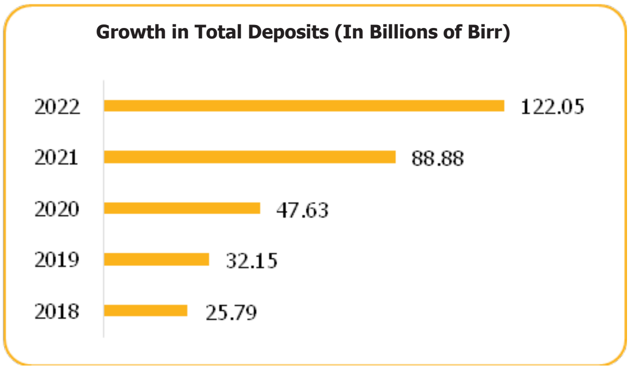
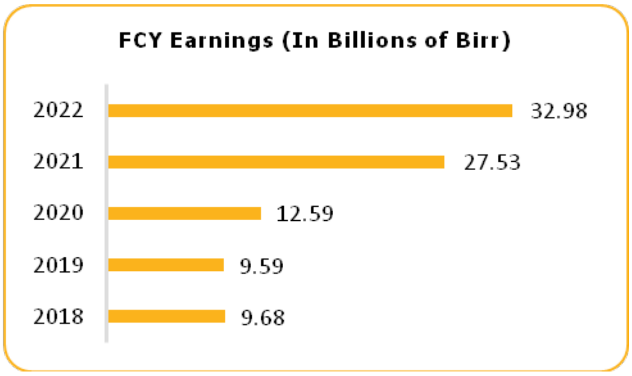
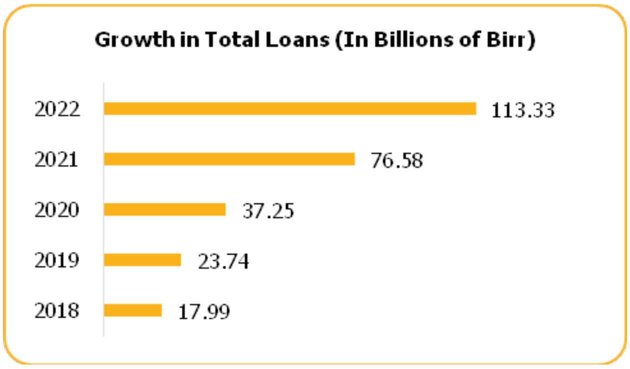
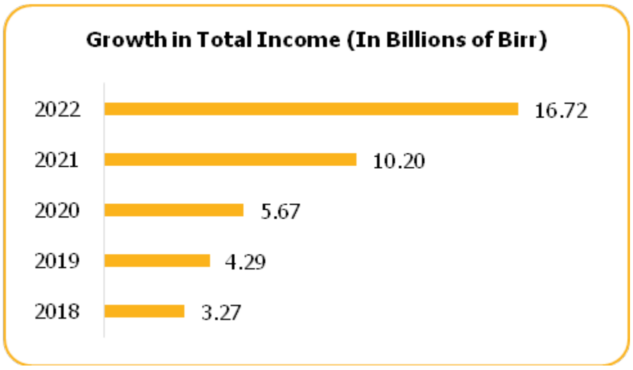
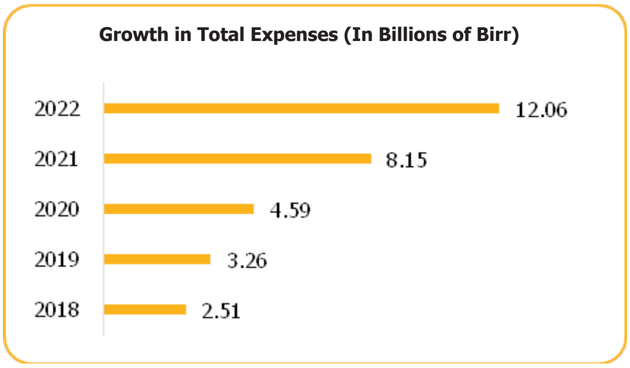
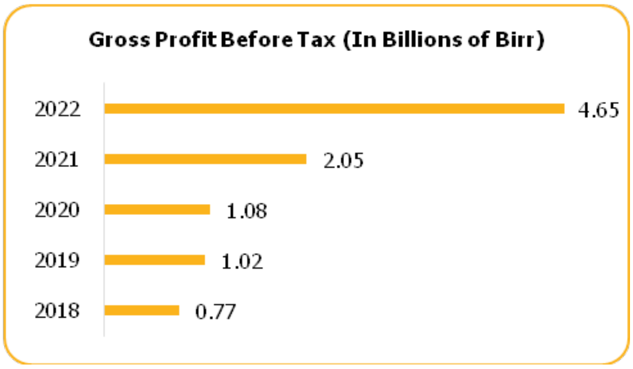

Growth in Total Deposits (In Billions of Birr)
2022
122.05
2021
88.88
2020
47.63
2019
32.15
2018
25.79

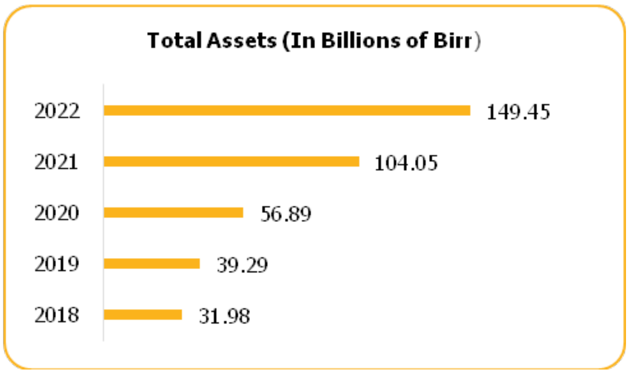

FCY Earnings (In Billions of Birr)
2022
32.98
2021
27.53
2020
12.59
2019
9.59
2018
9.68

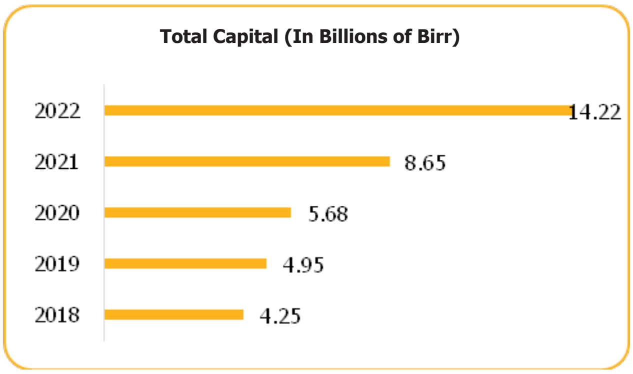

Growth in Total Loans (In Billions of Birr)
2022
113.33
2021
76.58
2020
37.25
2019
23.74
2018
17.99


Growth in Total Income (In Billions of Birr)
2022
16.72
2021
10.20
2020
5.67
2019
4.29
2018
3.27


Growth in Total Expenses (In Billions of Birr)
2022
12.06
2021
8.15
2020
4.59
2019
3.26
2018
2.51


Gross Profit Before Tax (In Billions of Birr)
2022
4.65
2021
2.05
2020
1.08
2019
1.02
2018
0.77


Total Assets (In Billions of Birr)
2022
149.45
2021
104.05
2020
56.89
2019
39.29
2018
31.98


Total Capital (In Billions of Birr)
2022
14.22
2021
8.65
2020
5.68
2019
4.95
2018
4.25

Ato Mekonnen Manyazewal
Board Chairperson

Ato Aemero Belete
Board Director

Ato Birhanu Jijo
Board Director

Prof. Belay Simane
Board Director

W/ro Emebet Woldeher
Board Director

Ato Messeret Taye
Board Director

Ato Meseret Melese
Board Director

Dr. Yifru Tafese
Board Director

Ato Yilkal Kassa
Board Director

MEMBERS OF THE BOARD OF DIRECTORS

Haji Nuredin Delil
Shariah Advisory Chairperson

Ustaz Mohammed Abate
Shariah Advisory Committee Member

SHARIAH ADVISORY COMMITTEE

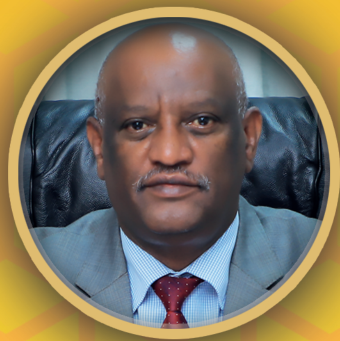
Ato Bekalu Zeleke
Chief Executive Officer

Ato Abreham Gebeyehu
Chief Branch Banking Officer

Ato Daniel Hailu
Chief Information System Officer

Ato Asaminew Deribew
Chief Credit Business Officer

W/ro Meseret Asfaw
Chief Enterprise Service Officer



Ato Seifu Bogale
Chief Corporate Human Resource Officer

Ato Mohammod Nuredin
Chief International Banking Officer

W/ro Sosina Mengesha
Chief Digital Banking Officer

Ato Dessalegn Yizengaw
Vice President Financial Management

Dr. Kagnew Wolde
Vice President Marketing

Ato Abdulkadir Redwan
Vice President Interst Free Banking

Ato Biruk Walellegn
Executive Assistant to the CEO

MEMBERS OF THE EXECUTIVE MANAGEMENT

MESSAGE OF THE BOARD CHAIRPERSON

Honorable Shareholders,

On behalf of the Board of Directors of the Bank of Abyssinia S.C. and myself, it is a great honor to present the Board of Directors' report along with the "Audited Financial Statements" of the Bank to the 26th Ordinary Annual General Meeting of Shareholders for the Fiscal Year 2021/22 that ended June 30, 2022.

The past year was a challenging time for the global economy when it experienced contraction after a brief recovery, owing to several shocks that hit it. The global economic activity already weakened by the pandemic, faced a higher-than-expected inflation worldwide - especially in the United States and European economies-triggering tighter financial conditions, and negative spillovers from the war in Ukraine (IMF WEO update, July 2022). With increasing prices continuing to compress living standards worldwide, tighter monetary policy stances ensued which has real economic costs. High energy and food prices compounded by persistent supply chain disruptions are believed to have reduced the global economic growth to 3.2% in 2022 from 6.1% in 2021 (IMF July 2022).

On the domestic front, the Ethiopian economy which has been working out of the effects of the pandemic was affected by continued socioeconomic and security challenges. The challenges to the economic activities remained the persistent foreign exchange shortage, high inflation, drought incidents, and internal conflicts.

Noticeably, the inflationary pressure remained high suggesting increased cost of living and doing business, and contracted savings. Despite these combined challenges, the Ethiopian economy managed to register positive economic growth.

In the financial regulatory environment, several policy changes were made by the National Bank of Ethiopia during the Fiscal Year, in a bid to put in place prudential regulation and monetary management, such as amendments to deposit reserve requirement and foreign currency utilization which had phenomenal repercussion on banks' operational performance and profitability.

It was a commendable performance that the Bank of Abyssinia registered in asset growth and profitability under such tight macroeconomic conditions.The Bank of Abyssinia continued to build upon its past accomplishments through better services and accessibility. As a result, the Bank marked yet another successful year in this third strategic implementation year.

Continuing its past higher accomplishments in the ended Fiscal Year, the Bank of Abyssinia achieved a gross profit before tax of Birr 4.65 billion, grew by 126.83 per cent from that of the preceding year. The Bank has also registered substantial growth in incremental deposits, wherein the total deposit amount reached Birr 122.05 billion as at June 30, 2022, exhibiting a 37.3% growth from last year's level. Total loans and advances also increased by 48% from last year's position and reached Birr 113.33 billion (Principal plus interest) at the end of 2021/22. The Bank's total assets also grew by 43.6% and reached Birr 149.5 billion while total equity rose by 67.4% and reached Birr 14.22 billion.

This year, business development and service expansion have received do focus in line with the Bank's strategic orientation of availing excellent banking services. The Bank continued investing in accessibility and customer base through increased branch opening and digital banking channels, products and services expansion. Towards excellent banking services, therefore, several activities and projects of strategic importance have been carried out including the introduction of new and value-adding products and services, as well as customizing of existing products and service features on existing ones, which would ultimately enhance the Bank's competitiveness. During the Fiscal Year, the Bank also made a lot of progress in further strengthening its interest-free banking services in which the Bank has introduced -several products and services tailored to the needs and preferences of the target customer segment. The products and services have been offered through more number of the Bank's branches during the year demonstrating much progress in terms of operational and customer excellence.

In promoting its digital banking services, the Bank has made commendable advances in overall IT and digital capabilities and efficiency. As an integral part of enhancement of efficiency and effectiveness, various initiatives that were geared towards improving system and service availability have been implemented; as a result of which systems and customer- facing channels uptime have significantly increased. As a match-up to this effort, the Bank has also implemented a set of IT security management programs that elevated the Bank's security and compliance. The Bank has continued this year also to provide more innovative and value- adding solutions to customers. Notably this year, the Bank deployed more virtual banking centers (VBC) outside of Addis, and one IFB-branded VBC in Addis Ababa, as the services gather momentum and popularity. The Bank also continued expanding digital banking services by instilling yet another set of innovative and value-added services such as launching of voice-guided ATM service for the blind, ATM locator Telegram Bot and enabled security features on e-commerce transactions for both domestic and international cardholders.

As the Bank's asset building progresses, the Bank has invested more resources in finalizing ongoing construction projects. In this regard, construction works of Ras Branch Building continued and floors fifth and above of both towers have been completed; while the fourth floor and below will be completed within seven months into the new Fiscal Year. In a related development, during the year, the Bank has signed a contract agreement with a design-build contractor for constructing the Bank's future Headquarters building around Mexico Square in Addis, site hand over of which has been finalized and site examination works are underway.

During the reporting year, the Bank's Board of Directors continued to make relentless efforts to keep the growth momentum achieved in the past and added impetus through strategic leadership and measured directions, so that the Bank achieved growth according to the performance indicators. The Board continues to carry out its oversight role and guidance, by coordinating efforts along with its three subcommittees and top management, with full commitment to ensure the Bank operates prudently and in compliance with regulatory requirements, the Bank's policies and procedures.

Honorable Shareholders

As the business environment travels along an ever-changing track, as more diverse players are welcomed, new developments emerge following economic, political and societal dynamics, the Bank shall keep track of such dynamic landscape and devise winning courses accordingly. The Bank endeavors to overcome foreseeable challenges, strives to benefit from the wide opportunities that the country's growth prospect may lend while keeping an eye on possible business risks.

Despite the numerous challenges observed in the industry, the Bank has managed to keep its pace of growth in major performance indicators, which is to be upheld by tackling operational and financial hurdles towards the realization of its Vision. In this connection, the Bank of Abyssinia S.C. shall strengthen its capital in a manner that facilitates its strategic investments and continued business growth.

I would like to assert here that the Board of Directors keenly evaluates thoroughly the environment dynamics to set the Bank's journey in the right direction and meet the Bank's aspirations. It is with ample confidence that I envision that by leveraging the support of all stakeholders on our side, our Bank will definitely achieve its strategic objectives in the years ahead, and deliver results to the satisfaction of all stakeholders.

Finally, on behalf of the Board of Directors and myself, it is with great pleasure that I express my sincere gratitude to our esteemed customers for their confidence and trust to continue banking with Bank of Abyssinia. I would also like to send my gratitude to our shareholders for their support, to my fellow members of the Board of Directors, the Executive Management and employees of the Bank of Abyssinia for their dedication and commitment, and the National Bank of Ethiopia for its guidance and support.

Thank you all,

Mekonnen Manyazewal

MESSAGE OF THE CHIEF EXECUTIVE OFFICER

Dear Shareholders,

It is with great pleasure and honor that I present to you the annual performance report of the Bank of Abyssinia for the Fiscal Year ending June 30, 2022.

During the year, we have accomplished a lot in financial and operational areas, despite the wide -ranging shortfalls in the overall operating environment. The year 2021/22 has witnessed a number of challenges by the global economy which tended to reverse the gains attained from the recovery of the COVID-19 pandemic. The global economy was subjected to multiple shocks from the scarring of the pandemic to war in Ukraine which has worsened overall activities, as a result of which, according to IMF's July 2022 update, growth is anticipated to go lower than 3.2% for 2022 from an estimated 6.1% in 2021. Global inflation has gone higher than anticipated and broadening beyond food and energy prices, which, thereby prompted major central banks to announce further monetary tightening measures with ample weigh on the recovery.

The domestic economy has remained largely resilient after having passed through a range of challenges that include the lack of security and war in the northern part of the country, intensifying Foreign Exchange shortages, drought and flood incidents, and spillovers from the war in Ukraine. This situation has exacerbated with rising general price level that weakened socioeconomic activities. In the year under review, the banking industry has been operating under tough conditions mainly due to political instability and civil unrests in some parts of the country, and reduced business activities due to the negative impact of the pandemic which rendered businesses slow pace to bounce back.

Against such challenging background, Bank of Abyssinia has achieved growth in assets and earnings. With the unrelenting and focused efforts in effectively implementing business strategies, the Bank registered significant growth in profitability as the profit before tax grew to ETB 4.65 billion this year from Birr 2.05 billion last year, up by Birr 2.6 billion or by 127%. Furthermore, the Bank has seen an incremental deposit growth of Birr 33.16 billion, while the total deposit reached Birr 122.05 billion. The total outstanding loans and advances amount (Principal plus interest) reached Birr 113.33 billion, showing a 48% increase over that of the preceding year balance. The total assets of the Bank has significantly increased to Birr 149.5 billion in the year just ended from Birr 104.05 billion last year, representing a 44% increment, that is, an increase of Birr 45.4 billion.

During the Fiscal Year, the Bank has invested intensive time and resources on the expansion of accessibility through modern technology and digital channels, in addition to opening of strategically located branch outlets. The Bank has opened 125 additional service outlets during the year and the total number of service outlets has reached 748. Moreover, the Bank's virtual banking centers reached 16 with an additional 11 centers launched during the reporting period.

The Bank's customer base overall as well as on its digital banking platform has attracted well over 7.5 million deposit account holders; out of which Interest-Free Banking accounts comprised more than 1 million. There were 1.25 million card holders, 2.26 million mobile banking users while the number of internet banking users reached nearly 31,000.

In line with its strategic aim of strengthening its digital capability, the Bank has continued investing resources in digital banking service expansion to satisfy the ever-changing customer needs and to exploit the available opportunities to the optimal level. The efforts have been increased over time and fruits of increasing digital capabilities are being observed in terms of an increased share of digital transactions while at the same time a safe and secure environment has been in the making as security enhancement works have ripened.

The Bank kept on presenting new and innovative digital banking solutions to the domestic market. During the year under review, the Bank has been working on yet another new solution with unique features of self-service on mobile phones, the implementation of which should go in full vigor during the upcoming Fiscal Year.

Respected Shareholders,

As successful as it was, this year has also featured ups and downs in the operating environment indicative of the challenges that the coming year holds for banks operating in the country, from uncertainty in the security situation to more competition coming from local and potentially foreign participants both in the form of bank operators and non-bank players.

We anticipate opportunities so that we embrace the new Fiscal Year cognizant of such developments and with renewed commitment and dedication. By surfing through the environment dynamics through continued scanning, I am sure, as ever, that the Bank shall proactively devise and implement well-measured mechanisms to effectively match the developments and deliver its desired outcomes.

To this end, the Bank keeps on pushing innovative products and banking solutions towards satisfying its customers, through cultivating a performance culture, and developing our employees, so that we ensure sustainable growth and profitability.

By leveraging on the farsighted leadership from the Board of Directors, and with the strong commitment and dedication from the Executive Management and staff, I am confident that the Bank will see yet another set of high financial results and growth in the year ahead.

Finally, I would like to seize this opportune moment to extend my sincere gratitude to our esteemed customers and the Bank's shareholders for their patronage; the Board of Directors for their guidance; the Executive Management and the entire staff of Bank of Abyssinia for their commitment and dedication and the National Bank of Ethiopia for the assistance provided to us during the reporting Fiscal Year.

Thank you all,

Bekalu Zeleke

Report of the Board of Directors

1. Operational Performance

1.1 Deposits

The Bank sustained its momentous growth trajectory in the 2021/22 Fiscal Year; and the total incremental deposits mobilized in the reporting period reached Birr 33.17 billion, up 37.3% from the level of deposits at the end of the previous Fiscal Year. As a result, the total outstanding deposit of the Bank reached Birr 122.05 billion during the year.

All deposit forms saw growth in the Fiscal Year, with saving deposits showing a significant increment followed by IFB and demand deposits. Saving, demand, IFB, and fixed time deposits made up, respectively, 67.5%, 18.7%, 9.9%, and 3.9% of the total outstanding deposits of the Bank in the reporting year.

Fig. 1: Deposits Mobilized

(In Billions of Birr)

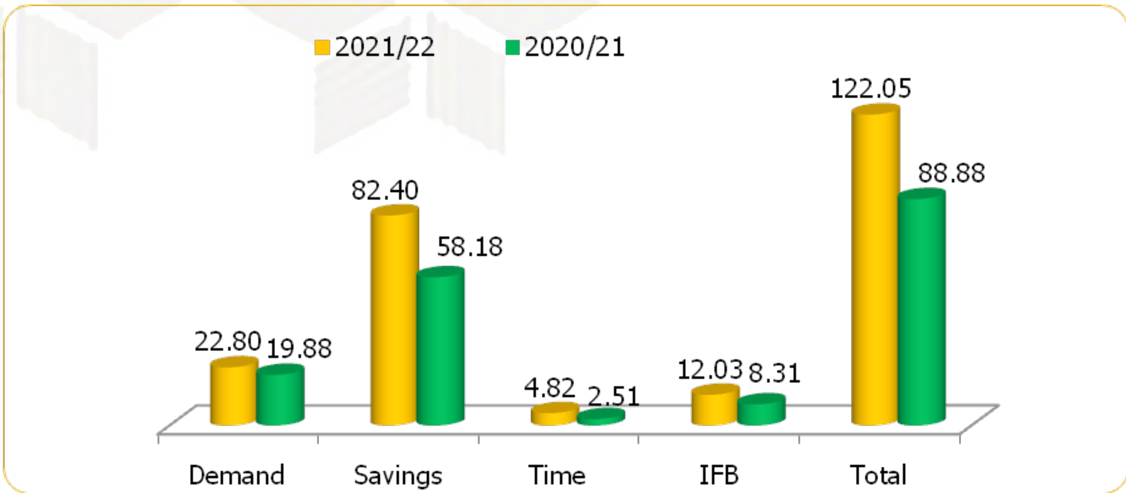
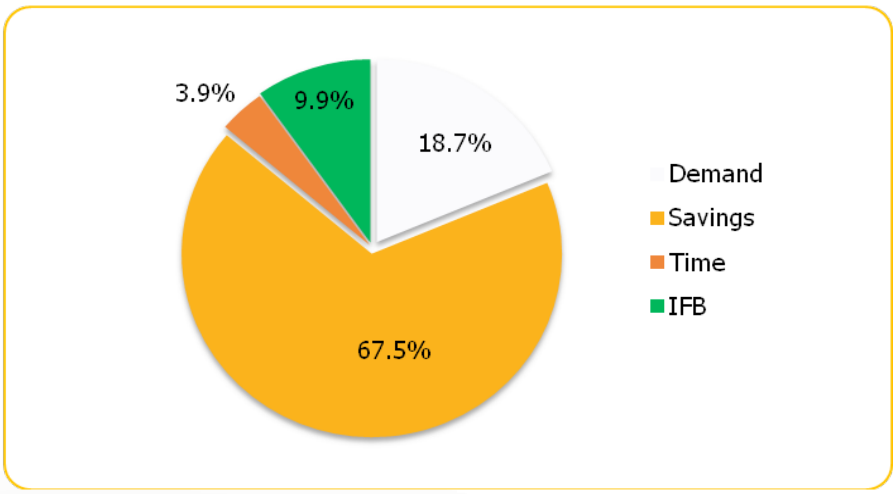


Fig. 2: Percentage Share of Deposits

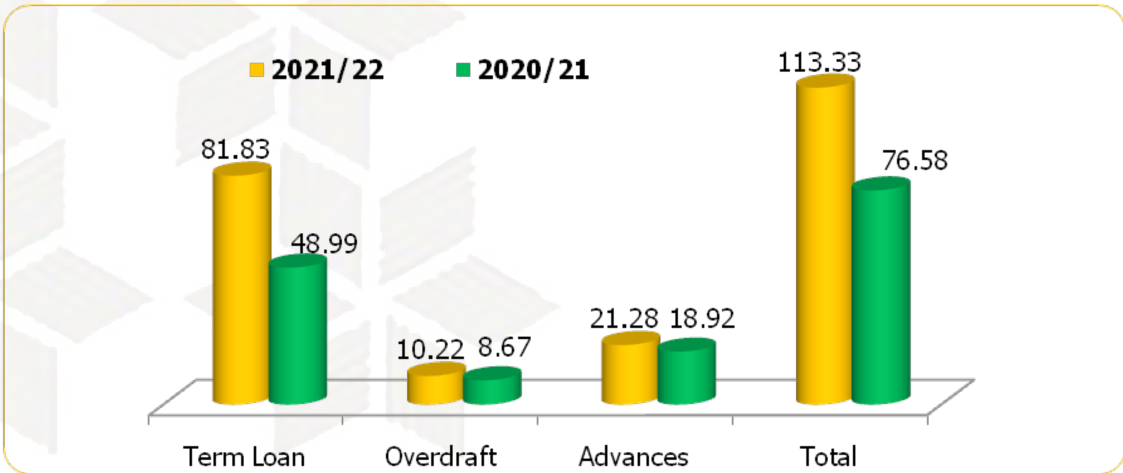


1.2 Loans and Advances

At the end of FY 2021/22, the total outstanding loans and advances (P+I) of the Bank reached Birr 113.33 billion exhibiting an increase by Birr 36.75 billion or 48.0% from that of the preceding year. The growth resulted from the increase in term loans by Birr 32.8 billion or 67.0%, overdraft by Birr 1.56 billion or 17.9%, and advances by Birr 2.36 billion or 12.5%.

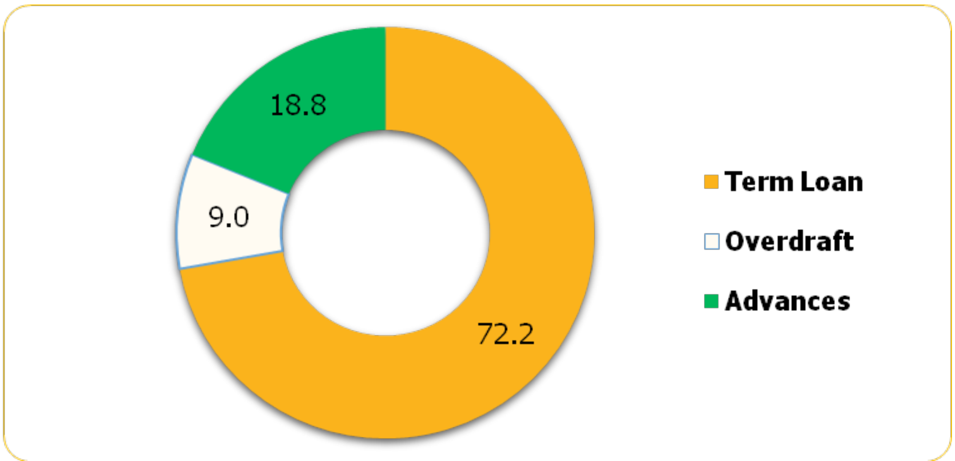
Fig. 3: Outstanding Loans and Advances

(In Billions of Birr)



The share of term loans, overdrafts, and advances from total outstanding loans and advances stood at 72.2%, 9.0%, and 18.8%, respectively.

Fig. 4: Percentage Share of Loans and Advances



In terms of loan distribution in the period under review, the loans and advances grew significantly across all economic sectors. As can be seen from the table below, loans availed to transport, other sectors and the Agriculture Sector showed a significant percentage increase compared to the previous period with loans and advances growth of 183.5%, 126.4%, and 121.6% respectively. On the other hand, loans for Export and Industry Sectors have shown the biggest net increase with Birr 9.50 billion (35.0%) and Birr 8.32 billion (59.7%), respectively. Loans extended to Domestic Trade Service Sector have shown a modest growth with Birr 4.2 billion (25.8%) from the previous period balance.

Table 1: Loans and Advances by Economic Sector

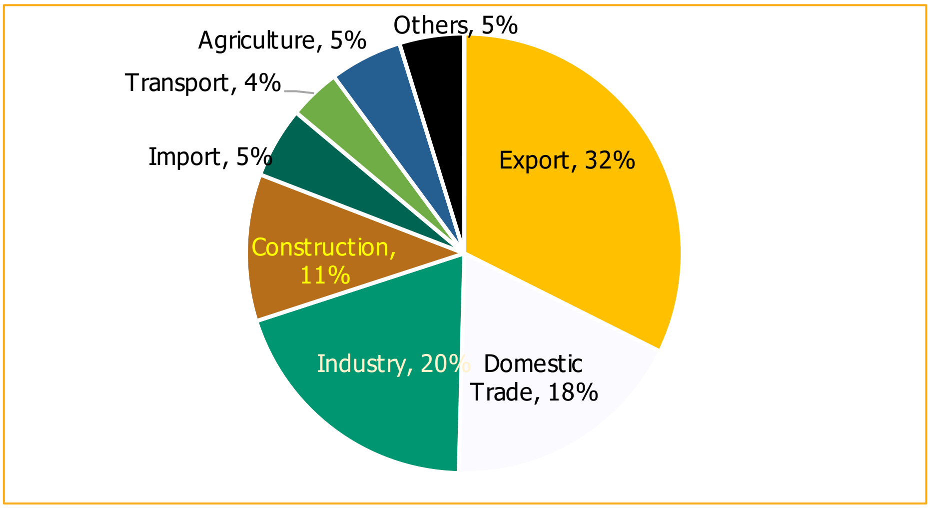
(In Millions of Birr)

Sector	2021/22	2020/21	Growth	
			Absolute	%age
Export	36,658.55	27,156.72	9,501.83	34.99
Domestic Trade	20,461.85	16,260.50	4,201.35	25.84
Industry	22,248.60	13,928.76	8,319.84	59.73
Construction	12,234.56	8,504.39	3,730.17	43.86
Import	5,915.61	4,065.76	1,849.85	45.50
Transport	4,299.94	1,516.61	2,783.33	183.52
Agriculture	6,076.35	2,742.18	3,334.17	121.59
Others	5,438.55	2,401.74	3,036.80	126.44
Total	**113,334.01**	**76,576.66**	**36,757.35**	**48.00**

Note: The above data indicates the gross amount of loans and advances

The sectoral distribution of loans and advances exhibits that the top three sectors took 70% of the total loans, i.e. exports 32.3%, industry 19.6%, and domestic trade 18.1%. The remaining 30% of the loans and advances went to the remaining five sectors.

Fig. 5: Percentage Share by Economic Sector



1.3 International Banking Services

In the review period, the Bank earned a foreign currency amounting to USD 674.64 million from international banking services, slightly lower than that of the previous year.

The Bank continued to further enhance its foreign currency earnings by expanding relationships with international partners and strengthening service excellence in all its endeavors.

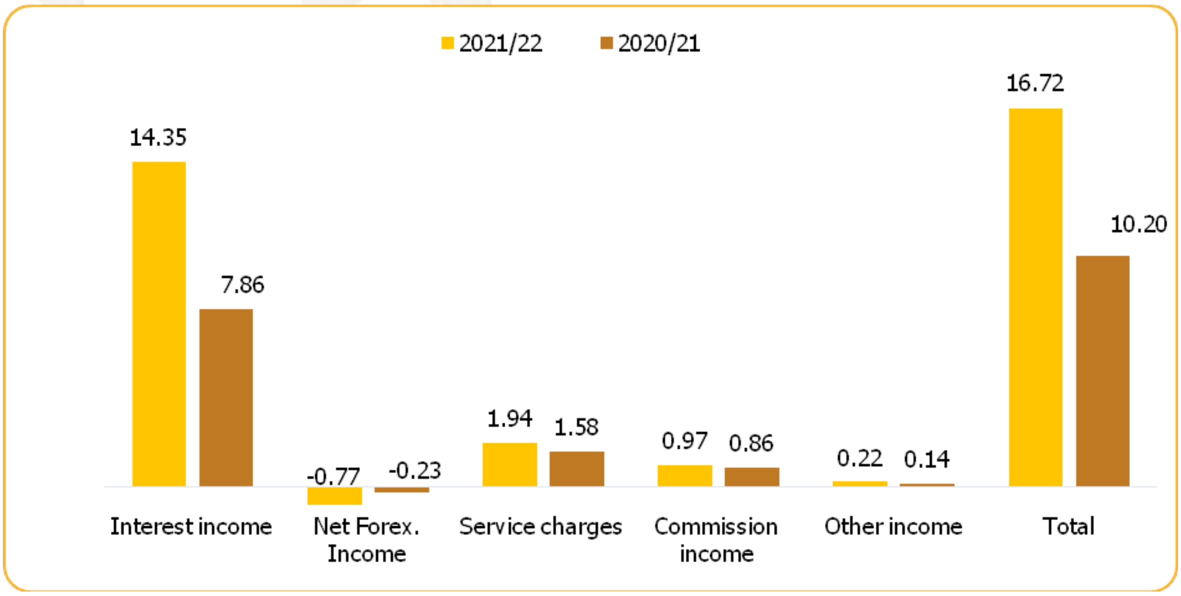
2. Financial Performance

2.1 Income

The total income earned during the year was Birr 16.72 billion, surpassing that of the previous Fiscal Year by Birr 6.52 billion (higher by 63.9%). Interest income took the highest proportion with 85.8%, while service charges, commission income, and other income made up the rest at 11.6%, 5.8% and 1.3%, respectively.

Fig. 6: Income by Major Categories

(In Billions of Birr)



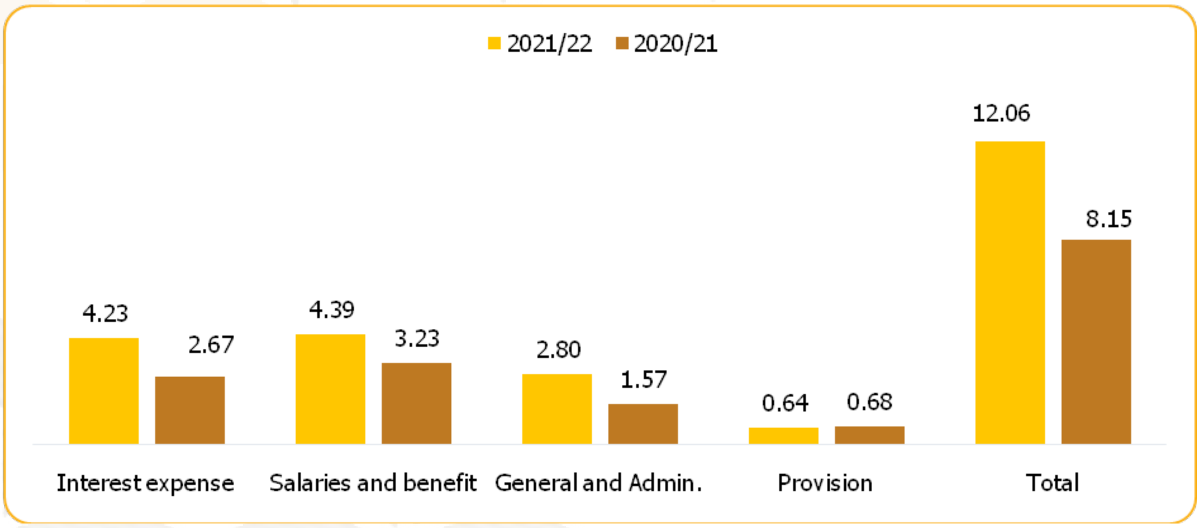
2.2 Expenses

Total expenses for the financial year increased by Birr 3.9 billion (higher by 47.9%) and reached Birr 12.1 billion. Salaries and benefits expenses constituted the major portion of expenses with 36.4% share, followed by interest expenses that constituted 35.1% of total expenses. General and administrative expenses and provisions accounted for the remaining 23.2% and 5.3%, respectively.

The increase in cost of funds in the main expense items, i.e. interest and non-interest expenses, was primarily due to higher deposits and aggressive branch network expansion activities (savings and salaries and general expenses).

Fig. 7: Expense by Major Categories

(In Billions of Birr)

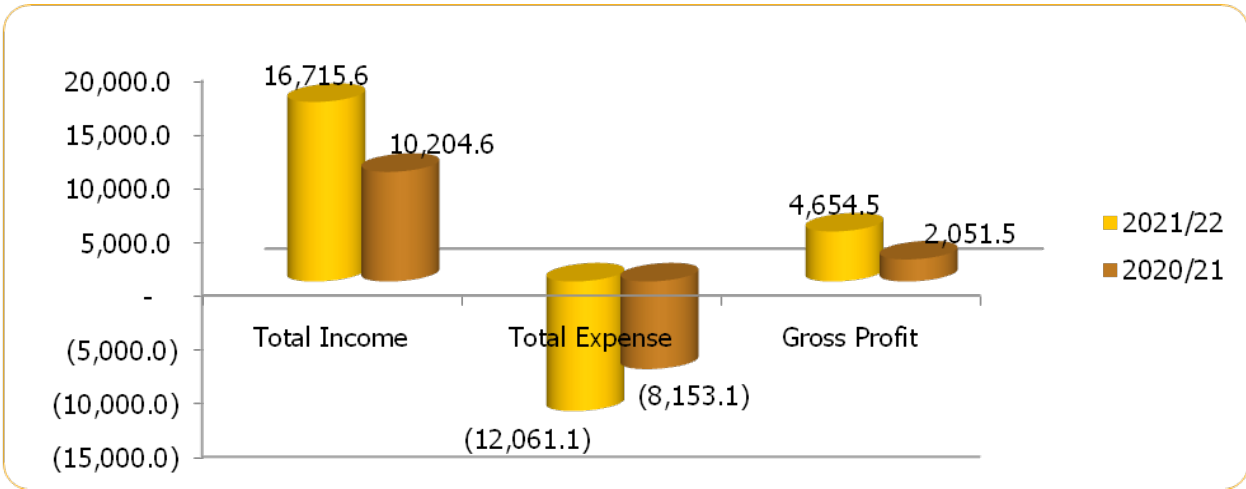


2.3 Profitability

The Bank earned a remarkable profit in the year registering a profit before tax of Birr 4.65 billion as at June 30, 2022 exceeding the preceding year's profit by 127%.

Fig. 8: Comparison of Income, Expense and Gross Profit

(In Millions of Birr)



2.4 Total Asset

The size of the Bank's assets significantly increased during the period under review. Total assets reached Birr 149.45 billion by June 30, 2022, an increase of Birr 45.4 billion (43.6%) over that of the preceding year, which stood at Birr 104.05 billion.

Loans and advances made up the majority of the Bank's assets, accounting for 74.7% of total assets; followed by cash and cash equivalents, 12.4%, and investment securities, which accounted for 5.8%. The remaining asset position is composed of property, plant and equipment, investment property, other assets and intangible assets which together constituted 7.2% of the Bank's total asset position.

Fig 9: Asset Growth

(In Billions of Birr)

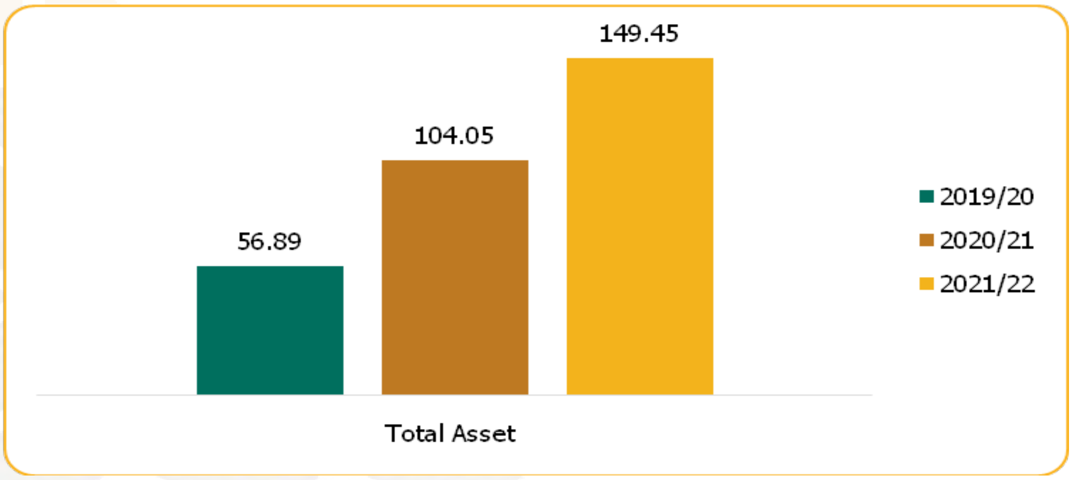


Table 2: Total Assets by Category

Asset Category	2021/22	2020/21	Growth amount	Growth %age
Cash and Cash equivalents	18,475.30	12,091.04	6,384.26	52.8%
Loans and Advances (net-off provision)	111,579.52	75,451.98	36,127.54	47.9%
Investment Securities	8,701.09	7,518.85	1,182.24	15.7%
Other Assets	3,638.63	2,875.97	762.66	26.5%
Investment property	11.03	11.27	(0.23)	-2.1%
Intangible assets	430.82	370.70	60.12	16.2%
Right of use Leased asset	2,122.87	1,841.17	281.71	15.3%
Property, plant and Equipment	4,492.15	3,889.36	602.79	15.5%
Total	**149,451.43**	**104,050.34**	**45,401.08**	**43.6%**

2.5 Equity of the Bank

The Bank's equity totaled 14.22 billion Birr at the end of the Fiscal Year 2021/22, an increase of Birr 5.6 billion (64.4%). The paid-up capital increased by Birr 3.14 billion (60.5%) from the previous Fiscal Year's amount reaching Birr 8.32 billion.

Table 3: Equity of the Bank

Capital Category	2021/22		2020/21		Growth	
	Amount (A)	% Share	Amount (B)	% Share	Absolute (A-B)	% age change
Share Capital	8,319.68	58.52	5,182.21	59.91	3,137.47	60.54
Share Premium	6.00	0.04	6.00	0.07	0.00	0.00
Retained Earnings	2,140.15	15.05	1,087.56	12.57	1,052.60	96.79
Revaluation Surplus Account	438.87	3.09	442.75	5.12	-3.89	-0.88
Legal Reserve	2,356.01	16.57	1,547.05	17.89	808.96	52.29
Regulatory Risk Reserve	623.06	4.38	332.45	3.84	290.60	87.41
Special Reserve	25.92	0.18	25.92	0.30	0.00	0.00
Other Reserve	306.51	2.16	25.71	0.30	280.80	1,092.13
Total	**14,216.18**	**100**	**8,649.65**	**100**	**5,566.53**	**64.36**

3. Strategic Issues

3.1 Human Resources

The Bank's journey toward realizing its vision of becoming a leading commercial bank in East Africa relies on competent and motivated employees. Cognizant of this fact, the Bank has been undertaking several intervention activities focused on improving the essential elements of the Bank's human capital revolving around people, process and technology improvements. Accordingly, the Bank has made a stride in capacity development to realize its strategic objectives through competent and motivated employees. During the year, a number of HR initiatives were developed and made functional in the areas of talent management, talent development, employee performance management, and career and succession management programs.

In line with HR developmental activities, various HR operational activities have been performed out of which is manpower recruitment. During the FY 2021/22, a total of 1,664 employees were recruited making the total staff strength reach at 9,677, indicating an 18.79% increase from that of the preceding year which stood at 8,146, after accounting for attrition of 133 . Various staff trainings were conducted, in addition to facilitating short and long term educational programs.

3.2 Expansion of Branches

Expanding service outlets has been one of the major business expansion activities done to reach out to more customers. In this regard, a total of 125 service outlets were opened during the year 2021/22 of which 115 were new branches and 10 sub-branches. Accordingly, the total number of service outlets increased to 748 including a special service outlet at the International Banking.

Table 4: New Branches Opened in 2021/22

Districts	Number of Branches opened in 2021/22	Total number of Branches as at June 30, 2022
Adama	11	58
Bahir Dar	23	94
Central	14	92
Dessie	13	52
Dire Dawa	15	57
East Addis	10	122
Hawassa	13	65
Jimma	13	49
Mekele	-	51
West Addis	13	107
Special outlet at International Banking	-	1
Total	**125**	**748**

3.3 Business Development

The Bank has a firm stand and ample experience in developing and introducing new products and services as well as designing and implementing innovative solutions having customers' needs in mind. As an ongoing endeavor, the Bank introduced this year also a set of new products and services in various areas. In an effort to satisfy target customer preferences, and thereby enhance resource mobilization, the Bank launched deposits-based products, namely Saving Plus, Asrat Bekurat, and Minor Saving account with an amended value proposition. Also in view of strengthening IFB services, strategic initiatives directed towards the IFB business were implemented close follow- up and monitoring which has been conducted during the year to ensure their effectiveness. The projects and activities involved in this connection include: capacity building works in IFB such as review and enhancement of process, workflows and organization, IFB operational system implementation, and in areas of business development such as the conduct of programmed campaigns, product briefing, and relationship building sessions with customers in collaboration with Sharia'h Advisors, and launch of IFB branded virtual banking center in Addis, which are all believed to have scaled up the Bank's IFB services.

Various activities that are guided by the Bank's business strategies were conducted aiming at invigorating the resources mobilization efforts, in both deposit and forex mobilization, which have contributed to the performance in these areas.

3.4 Information Systems and Digitalization

With the understanding and commitment towards enhancing the Bank's competitiveness through strengthening technological and organizational capabilities, the Bank carried out several improvement and enhancement works in this area, which enabled the Bank's capacity of providing a variety of innovative products and services to customers and internal users, as well as systems to support enterprise-wide applications. In this regard, a number of systems development and configuration works were implemented to include new set of services to customers and internal users, third party system integrations and upgraded and/or customized services. In general, following the extensive works and investments made in connection with systems optimizations, upgrading and new implementations, the Bank's systems availability and resilience have been boosted, along with the elevation of IT security which ultimately adds up to customer service efficiency and effectiveness.

In relation to digital banking service enhancements, the Bank has progressively increased its digital banking capability which has now put the Bank in a heightened competitive position. Leveraging on the continuous efforts made in the past in expanding digital banking service accessibility, the Bank has managed to significantly increase active usage rates since service availability initiatives have improved the systems back-end readiness.

During the year, the Bank has made preparations to provide its customers with yet another new and advanced digital banking platform, BoA's Digital Bank, which empowers customers to conduct a wide range of business transactions at their conveniences in reliable and secure manner. The ground works for the service is underway as the Bank is set to launch the service early into the coming Fiscal Year.

The Bank shall keep on investing in the most advanced and customer-friendly digital banking technologies sustaining its salient duty of providing excellent and effective service to its customers. In sum, the Bank of Abyssinia can safely claim to be on the right track and at the forefront in the digital banking environment.

4. Interest Free Banking Business

Following the directives issued by the National Bank of Ethiopia (No.SBB/51/2011) allowing banks to operate an Interest-free banking business, the Bank of Abyssinia has launched IFB services as of December 2017. Subsequently, the Bank has rebranded the IFB service as "Abyssinia Ameen" having a tagline "Committed to respect your values" which aims to work towards the fulfillment of the target customers banking service request. Since then, the Bank has been expanding its IFB operations, reaching out and addressing the ever-increasing needs of target customers by offering a wide range of deposits, financing, and other banking services.

4.1 IFB Deposit

The Bank has managed to mobilize an incremental deposit of Birr 3.7 billion during the year via Wadiah and Mudarabah Deposit with the performance indicating a 45% increase from the preceding year. Accordingly, the IFB deposits have reached Birr 12.03 billion as of June 30, 2022, constituting 9.9% of the Bank's total deposits.

4.2 IFB Customer Base

The number of IFB customers has been increasing over the years. By the end of current Fiscal Year 2021/22, the Bank's IFB customer base has reached over 1 million, registering a 60% increase from that of the preceding year constituting a 13.1% of the Bank's total customer base.

4.3 Interest Free Financing

The Bank has been providing Shariah-Compliant Interest-Free financing to its customers engaged in various sectors of the economy through different financing modalities. At the end of the FY 2021/22, the total outstanding Interest-Free financing reached Birr 1.46 billion which shows a 174% increment from the preceding year. Of the total financing amount more than half or 51% is used for Domestic Trade and service and other sectors Consumer Finance, Manufacturing, and Construction constitute 17%, 14% and 12%, respectively.

Table 5: IF Financing amount by sector

Sector	Outstanding Amount	% age Share
Domestic Trade and Services	749,248,353	51%
Personal Finance	246,669,016	17%
Manufacturing	199,867,579	14%
Construction	169,285,010	12%
Import	51,028,486	3%
Others	29,832,246	2%
Agriculture	19,632,006	1%
Total	**1,465,562,696**	**100%**

Note: The outstanding balance indicates the gross amount of IFB Financing.

In the coming years, the Bank plans to strengthen the IFB business by opening IFB focused/dedicated branches in potential areas and by introducing more suitable products and service offerings to satisfy the demands of target customers.

4.4 Accessibility in IFB

The Bank of Abyssinia has envisaged strengthening its IFB operations given through all of the branches. To this effect, 31 dedicated and 28 IFB-focused branches were opened where high market potential is believed to exist. Besides providing IFB service through all available digital means, the Bank has introduced one IFB- branded virtual banking center during the Fiscal Year demonstrating, once again, the Bank's commitment to satisfying the demands of target customers.

5. Corporate Social Responsibility

Ever since its start of operation, Bank of Abyssinia has been engaged in activities supporting different societal causes and developmental endeavors. As one of its core values, "Caring for Our Community", the Bank accords due attention for societal values and wellbeing in the course of doing business. In fulfilling its corporate social responsibility, the Bank has expensed a total of Birr 30.32 million during the Fiscal Year.

The Bank of Abyssinia is known for its permanent membership to the Ethiopian Red Cross Society, Ethiopian Heritage Trust, and Addis Ababa Chamber of Commerce with honorable membership status. Moreover, in the ended Fiscal Year, the Bank has also become an honorable member of Mary Joy Ethiopia, acknowledging the very cause of its established objectives in serving the destitute.

The Bank of Abyssinia has been also praised for its favorable responses to various requests, by Governmental and Non-governmental organizations, Developmental Association, and Individuals to participate in donations.

6. The Way Forward

As ever, the Bank of Abyssinia actively reviews the operating environment and stays vigilant to manage the potential impacts of unfavorable situations and exploit opportunities that the coming year holds. To this end, the Bank consolidates its internal strength and accumulated knowledge to meet its strategic objectives. More effort will be exerted to maximize the usage rate of the Bank's digital banking services and on top of expanding its outreach throughout the nation. The Bank's IFB services shall be further strengthened by expanding IFB products and services delivered across all channels.

7. Appropriation of Retained Earnings

During the Fiscal Year 2021/22, the Bank secured a net profit (after tax) of Birr 3,235.82 million. The Board of Directors, therefore, recommends that Birr 2,140.15 million be distributed to shareholders proportionate to their respective paid-up shares after appropriate deductions made of legal reserve, regulatory risk reserve and share of the Board of Directors fee.

8. Vote of Thanks

The Bank of Abyssinia's Board of Directors and the Executive Management would like to seize this opportunity to express their gratitude to the esteemed customers of the Bank, shareholders, employees and the National Bank of Ethiopia for their unreserved assistance in enabling the Bank to achieve its objectives.

Members of the Board of Directors

Ato Mekonnen Manyazewal	Chairperson
Ato Aemero Belete	Member
Prof. Belay Simane	Member
Ato Berhanu Jijo	Member
W/ro. Emebet Woldeher	Member
Ato Meseret Melese	Member
Ato Messeret Taye	Member
Dr. Yifru Tafesse	Member
Ato Yilikal Kassa	Member

Mekonnen Manyazewal
Chairperson of the Board of Directors

Bekalu Zeleke
Chief Executive Officer

Shariah Advisory Board's Report
on
Interest-Free Banking Business of Bank of Abyssinia

In carrying out the roles and responsibilities as a Shariah Advisory Board (SAB) for the Bank of Abyssinia under the Shariah rules and principles, National Bank of Ethiopia (NBE) Directives, Charter of the Board as well as the Policy and Procedures of the Bank, we hereby submit the Board's report for the financial year ended June 30, 2022.

The Advisory Board has held regular and extraordinary meetings during the Fiscal Year to effectively discharge its responsibilities. The Advisory Board has duly scrutinized the financing and retail operations of the Bank to ensure the services rendered in compliance with Shariah's rules and principles. The Board has also had a series of discussions with customers in different cities of the country and received feedback on the Bank's services. Henceforth, the Advisory Board has forwarded its findings to the Management of the Bank on matters that require due attention and also attended to the clarifications presented by the Management as well.

The Management of the Bank bears the responsibility for all operational activities carried out following the Shariah rules and principles, directives of the National Bank of Ethiopia, and the Bank's Policy and Procedures. The Advisory Board's responsibility is limited to expressing an independent opinion on whether the Bank has complied with Shariah's rules and principles and specific Fatwas (Shariah Decisions). Based on our review of all the necessary information which is sufficient to make reasonable assertions, the Board upholds the view that the Bank has not contravened Shariah's rules and principles. In our opinion:

Financing and retail operations concluded by the Bank of Abyssinia during the Fiscal Year that ended June 30, 2022, conformed with Shariah's rules and principles.

Haji Nuredin Delil
Chairperson of Shariah Advisory Board

Mohammed Abate
Shariah Advisory Board Member

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Bank of Abyssinia
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Bank of Abyssinia

Bank of Abyssinia
Financial Statements and Notes
For the year ended 30 June 2022

Board Directors (As of June 30, 2022)

Mr. Mekonnen Manyazewal	Board Chairperson	(Appointed on March 25, 2021)
Mr. Aemero Belete	Board Director	(Appointed on March 25, 2021)
Prof. Belay Simane	Board Director	(Appointed on March 25, 2021)
Mr. Berhanu Jijo	Board Director	(Appointed on March 25, 2021)
Mrs. Emebet Woldeher	Board Director	(Appointed on May 25, 2021)
Mr. Meseret Melese	Board Director	(Appointed on March 25, 2021)
Mr. Messeret Taye	Board Director	(Appointed on August 18, 2021)
Dr. Yifru Tafesse	Board Director	(Appointed on March 25, 2021)
Mr.Yilikal Kassa	Board Director	(Appointed on March 25, 2021)

Independent Auditor

Getachew Kassaye & Simon Audit Partnership
Chartered Certified Accountants
P. O. Box 1432
Addis Ababa
Ethiopia

Corporate Office

Ras Branch
Legehar Building
Gambia Street
P. O. Box 12947
Addis Ababa, Ethiopia

The directors submit the report together with the audited financial statements for the period ended 30 June 2022, in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by Accounting and Auditing Board of Ethiopia which discloses the financial performance and state of affairs of the Bank.

Incorporation and address

Bank of Abyssinia ("the Bank") was established in 1996 and registered as a public owned share holding company in accordance with the provision of the Licensing and Supervision of Banking Business Proclamation No. 84/94 (as amended by 592/2008) and the 2021Commercial Code of Ethiopia. The Bank's registered office is at:

Legehar Building
Gambia Street
P. O. Box 12947
Addis Ababa, Ethiopia

Principal activities

The Bank's principal activity is providing commercial banking services.

Result and dividends

The Bank's results for the year ended 30 June 2022 are set out on Page 36. The profit for the year has been transferred to retained earnings. The summarized results are presented below:

	30 June 2022 Birr '000	30 June 2021 Birr '000
Total Operating income	12,483,670	7,509,710
Profit / (loss) before tax	4,654,543	2,051,544
Tax (Charge) / credit	(1,418,720)	(709,591)
Profit / (loss) for the year	3,235,824	1,341,953
Other comprehensive income / (loss) net of taxes	280,798	16,831
Total comprehensive income / (loss) for the year	3,516,622	1,358,784
Earnings Per Share	14.20	9.78

Directors

The directors who held Office during the year and to the date of this report are set out on Page 30.

Mekonnen Manyazewal
Chairperson of Board of Directors
Addis Ababa Ethiopia

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

In accordance with the Financial Reporting Proclamation No. 847/2014, Bank of Abyssinia is required to prepare its financial statements in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Commercial Code of Ethiopia of 2021. The Directors of the Bank are responsible for the preparation and fair presentation of these financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. The Bank is required to keep such records as are necessary to:

a. Exhibit clearly and correctly the state of its affairs;
b. Explain its transactions and financial position; and
c. Enable the Accounting and Auditing Board of Ethiopia and other concerned organs to determine whether the Bank had complied with the provisions of the Financial Reporting Proclamation and regulations and directives issued for the implementation of the aforementioned proclamation.

The Bank's directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and other relevant laws and regulations of Ethiopia.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit or loss.

The Directors 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 Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Mekonnen Manyazewal	**Bekalu Zeleke**
Chairperson of Board of Directors	**Chief Executive Officer**
September 30, 2022	September 30, 2022

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Getachew Kassaye & Simon Audit Partnership Addis Ababa

Getachew Kassaye & Simon Audit Partnership
(Formerly Getachew Kassay & Co.)
Chartered Certified Accountants

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+251 91- 317 50 76

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ADDIS ABABA
ETHIOPIA

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BANK OF ABYSSINIA SHARE COMPANY

Opinion

We have audited the accompanying financial statements of Bank of Abyssinia Share Company (hereinafter referred to as the Bank), which comprise the statement of financial position as at 30 June 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Commercial Code of Ethiopia of 2013 E.C.

We have no comments to make on the report of the Board of Directors relating to the financial matters and pursuant to Article 349 (1) and (2) of the Commercial Code of Ethiopia of 2013 E.C, and recommend the above mentioned financial statements be approved.

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 'Auditors' Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Federal Democratic Republic of Ethiopia, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Getachew Kassaye & Simon Addis Ababa Audit Partnership

Other Information

The Directors are responsible for the other information, which comprises the report of the Board of Directors' as required by the Commercial Code of Ethiopia 2013 E.C and A Proclamation to Provide for Banking Business No. 592/2008 of the Federal Democratic Republic of Ethiopia, and directives of the National Bank of Ethiopia.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, and then we are required to report that fact. We have nothing to report in this regard.

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

The Management of the Bank are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Commercial Code of Ethiopian of 2013 E.C, 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concernbasis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of account ing estimates and related disclosures made by management.

Getachew Kassaye & Simon Audit Partnership Addis Ababa

- Conclude on the appropriateness of management's use of the going concern basis of account ing and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Bank or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely respon sible for our audit opinion.

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.

Getachew Kassaye & Simon Audit Partnership
Chartered Certified Accountants

Getachew Kassaye & Simon * Audit Partnership * Addis Ababa

Addis Ababa
October 4, 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30 June 2022 Birr '000	30 June 2021 Birr '000
Interest Income	5	14,351,498	7,856,665
Interest Expense	6	(4,231,929)	(2,672,202)
Net Interest Income		**10,119,569**	**5,184,462**
Net Foreign Exchange income	7	(774,203)	(231,042)
Service Charges		1,942,401	1,576,100
Commission earned	8	974,914	859,815
Net Fees and commission Income		**2,143,112**	**2,204,872**
Dividend income	9	8,030	9,873
Other operating income	10	212,959	133,237
Total other income		**220,989**	**143,110**
Total Operating Income		**12,483,670**	**7,532,446**
Loan impairment charge	11	(629,802)	(674,791)
Impairment losses on Financial assets	12	(12,556)	(4,275)
Net Operating Income		**11,841,312**	**6,853,380**
Personnel expenses	13	(4,389,301)	(3,228,008)
Amortization of intangible assets	21	(46,562)	(13,856)
Depreciation and impairment of property, plant and equipment	23	(313,063)	(209,404)
Depreciation on investment property	20	(234)	(234)
Amortization of Right of use assets	22	(536,186)	(411,433)
Interest expense on lease liability	22	(18,897)	(22,736)
Other operating expenses	15	(1,882,524)	(916,165)
Profit Before Tax		**4,654,545**	**2,051,544**
Income tax expense	15	(1,418,721)	(709,591)
Profit After Tax		**3,235,824**	**1,341,953**
Other comprehensive income (OCI) net on income tax			
Items that will not be subsequently reclassified into profit or loss:			
Re-measurement gain (loss) on retirement benefits obligations (Net)	26	(67,021)	19,459
Net change in equity investment at FVOCI	32	347,819	(2,628)
Total comprehensive income for the period		**3,516,622**	**1,358,784**
Earnings per Share	28	14.20	9.78

The notes on Page 40 to 113 are an integral part of these financial statements.

BANK OF ABYSSINIA
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	30 June 2022 Birr '000	30 June 2021 Birr '000
ASSETS			
Cash and Cash Equivalents	16	18,475,298	12,091,041
Loans and Advances to Customers	17	111,579,524	75,451,979
Investments Securities;	18		
- Debit securities at amortized cost		7,859,450	7,063,543
- Financial assets at fair value through OCI		841,642	455,311
Other Assets	19	3,638,629	2,875,968
Investment Property	20	11,034	11,269
Intangible assets	21	430,822	370,703
Right of use Leased assets	22	2,122,877	1,841,166
Property, Plant and Equipment	23	4,492,154	3,889,363
Total Assets		**149,451,430**	**104,050,343**
LIABILITIES			
Deposit from Customer	24	122,045,419	88,884,125
Other liabilities	25	11,173,015	5,249,497
Current Tax Liabilities	15	1,365,460	682,094
Lease Liabilities	22	404,094	427,051
Retirement Benefits Obligations	26	206,114	142,093
Deferred Tax Liabilities	15	41,143	15,829
Total Liabilities		**135,235,245**	**95,400,689**
EQUITY			
Share Capital	27	8,319,678	5,182,212
Share Premium		5,998	5,998
Retained Earnings	29	2,140,154	1,087,557
Revaluation Surplus Account	34	438,866	442,754
Legal Reserve	30	2,356,007	1,547,051
Regulatory Risk Reserve	31	623,055	332,452
Special Reserve		25,919	25,919
Other Reserve	32	306,508	25,711
Total Equity		**14,216,185**	**8,649,654**
Total Equity and Liabilities		**149,451,430**	**104,050,343**

The notes on Page 40 to 113 are an integral part of these financial statements.

The financial statements on Pages 36 to 113 were approved and authorized for issue by the board of directors on September 30, 2022 and were signed on its behalf by:

Mekonnen Manyazewal
Chairperson of Board of Directors

Bekalu Zeleke
Chief Executive Officer

BANK OF ABYSSINIA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Share Capital Birr '000	Share Premium Birr '000	Retained Earnings Birr '000	Revaluation Surplus Account	Regulatory Risk Reserve Birr '000	Legal Reserve Birr '000	Special Reserve Birr'000	Other Resere Birr'000	Total Birr '000
As at July, 2020		3,149,158	5,998	419,578	462,205	394,093	1,211,563	25,919	8,880	5,677,394
Profit for the Period	29	-		1,341,953	-	-	-	-	-	1,341,953
Capitalization of Shares		250,914		(250,914)						-
Capitalization from cash		1,782,140								
Other comprehensive income	32	-		-	-	-	-	-	16,830	16,830
Re-measurement gains on defined benefit plans (net of tax)				19,451	(19,451)					
Transfer to Legal Reserve	30	-		(335,488)			335,488			-
Transfer from Regulator Risk Reserve	-			61,641	-	(61,641	-	-	-	-
Dividends Paid		-		(168,663)	-	-	-	-	-	(168,663)
Total Comprehensive Income for the Period			-	**1,341,953**	-	-	-	-	-	**1,190,120**
As at 30 June 2020		5,182,212	5,998	1,087,557	442,754	332,453	1,547,051	25,919	25,711	8,649,654
As at 1 July 2021		**5,182,212**	**5,998**	**1,087,557**	**442,754**	**332,453**	**1,547,051**	**25,919**	**25,711**	**8,649,654**
Profit for the Period	29	-		3,235,824	-	-	-	-	-	3,235,824
Capitalization of Shares		822,420		(822,420)						-
Capitalization from cash or acc.		2,315,046								
Other comprehensive income	32	-		-	-	-	-	-	280,797	280,797
Periodic depreciation for revalued building				3,888	(3,888)					
Transfer to Legal Reserve	30	-		(808,956)			808,956			-
Transfer to Regulatory Risk Reserve	31	-		(290,602)		290,602	-	-	-	-
Dividends Paid				(265,137)						(265,137)
Total Comprehensive Income for the Period			**-**	**3,235,824**	**-**	**-**	**-**	**-**	**-**	**3,251,484**
As at 30 June 2022		**8,319,678**	**5,998**	**2,140,154**	**438,866**	**623,055**	**2,356,007**	**25,919**	**306,508**	**14,216,185**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30 June 2022 Birr '000	30 June 2021 Birr '000
Cash Flows from Operating Activities			
Cash Generated from Operations	33	8,437,992	7,102,481
Capital Gain Tax Paid		-	-
Withholding Tax		(10,430)	(10,744)
Income Tax Paid		(682,094)	(220,855)
Other Tax Paid		-	-
Net Cash (Outflow) Inflow from Operating Activities		**7,745,468**	**6,870,882**
Cash Flows from Investing Activities			
Purchase of Equity Investments	18	(37,538)	(290)
Purchase of Treasury Bills	18	(20,209)	-
Purchase of DBE bonds		(775,729)	
Purchase of Investment Property	20	-	-
Purchase of Intangible Assets	21	(106,681)	(139,194)
Purchase of Property, Plant and Equipment	23	(913,713)	(1,531,633)
Cash Paid for Lease Payment	22	(833,097)	(856,594)
Proceeds from Sale of Property, Plant and Equipment	33	-	-
Proceed on Disposal of Acquired Asset	33	127	14,039
Net Cash (Outflow) Inflow from Investing Activities		**(2,686,840)**	**(2,513,672)**
Cash Flows from Financing Activities			
Proceeds from Issues of Shares	27	2,315,046	2,033,054
Dividends Paid	25	(215,214)	(424,465)
Net Cash (Outflow) Inflow from Financing Activities		**2,099,832**	**1,608,589**
Net Increase / (Decrease) in Cash and Cash Equivalents		**7,158,460**	**5,965,799**
Cash and cash equivalents at the beginning of the year		12,091,041	6,356,285
Foreign Exchange (Losses) / Gains on Cash and Cash Equivalents	7	(774,203)	(231,042)
Cash and Cash Equivalents at the End of the Year	16	**18,475,298**	**12,091,041**

The notes on Pages 40 to 113 are an integral part of these financial statements.

1. General Information

Bank of Abyssinia ("the Bank") is a public owned share company domiciled in Ethiopia. The Bank was established in (1996) in accordance with the Licensing & Supervision of Banking Business Proclamation No. 84/1994 (as amended by 592/2008) and the Commercial Code of Ethiopia of 1960. The Bank opened branches throughout the Country. The Bank's registered office is at:

Legehar Building
Gambia Street
P. O. Box 12947
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 client's 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 period ended 30 June 2022 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, except for the following;

- Buildings under property, plant and equipment – measured at fair value as deemed cost;
- Assets held for sale – measured at fair value less cost of disposal, and
- Defined benefit pension plans – plan assets measured at fair value;
- Equity Investment at fair value through other comprehensive income are measured at fair value.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.2.1 Going concern

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

These financial statements were approved by the Board of directors on September 30, 2022. The manage ment has assessed the BoA ability to continue as a going concern. This assessment has been made having considered the impact of COVID-19 macroeconomic headwinds, including:

- A review of the Strategy and Corporate Plan, both of which cover a year from the date of signing the annual report;
- An assessment of the actual performance to date, loan book quality, credit impairment, legal, regulatory and compliance matters, and the updated annual budget;
- Analysis of the capital position of the Company including the capital ratios, and the Internal Capital Adequacy Assessment;
- BoA has sufficient capital to continue as a going concern and meet minimum regulatory capital requirements;
- An analysis of BoA liquidity position and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due. Further, liquidity was considered in the context of the risk appetite metrics;
- Based on the analysis performed, the directors confirm they are satisfied that BoA has adequate resources to continue in business for a period of at least 12 months from the date of approval of these financial statements;

For this reason, BoA continues to adopt the going concern basis of accounting for preparing the financial Statements.

2.2.2 Changes in accounting policies and disclosures

(i) New standards, amendments, interpretations effective and adopted during the year

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021 and earlier applications are permitted and have not been applied in preparing these financial statements.

Reference of the Conceptual Framework- Amendments to IFRS 3	1 Jan 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 Jan 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 Jan 2022
AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 Jan 2022
AIP IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for de-recognition of financial liabilities	1 Jan 2022

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments have no material impact on BoA financial statements.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

Effective in 2022, proceeds from the sale of items (e.g. extracted minerals, test products) before the related property, plant and equipment (PPE) is available for its intended use are no longer deducted from the cost of PPE. Instead, proceeds are recognized in profit or loss, together with the costs of producing those items. Accordingly, like US GAAP, companies will need to clearly distinguish between the costs of producing and selling items before the PPE is available for its intended use, and the costs of making the PPE available for its intended use. These amendments had no impact on BoA financial statements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

Under IFRS Standards, onerous contracts – those in which the unavoidable costs of meeting the contractual obligation outweigh the expected benefits – must be identified and accounted for. The International Accounting Standards Board recently revised IAS 371 to clarify which costs should be used to identify onerous contracts. As a result, from 2022 companies may need to recognize more and larger contract loss provisions. Even without the amendments, many revenue-generating or purchasing contracts could become onerous due to COVID-19.

AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. These amendments had no impact on BoA financial statements.

Fees in the '10 per cent' test for DE recognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.

• An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

• An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. BoA should assess this amendment in accordance to the IFRS guidance.

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

Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 Jan 2023
Definition of Accounting Estimates - Amendments to IAS 8	1 Jan 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 Jan 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 Jan 2023

2.3. Functional currency & translation of foreign currency

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"Birr "using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated using the closing rate as **at the** reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement.

At the end of a reporting period non-monetary items carried at historical amounts continue to be measured using transaction-date exchange rates, monetary items are retranslated using the closing rate and non-monetary items carried at fair value are measured at valuation-date exchange rates.

Impairment test Measure non-monetary assets at the lower of either:

- Carrying amount multiply by historical rate.
- Net realizable value/recoverable amount multiply by closing rate at the end of the period.
- Translation gains or losses on asset/liability recognized in profit or loss.

2.4. Financial instruments

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

2.4.1 Financial assets

2.4.1.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. The Bank initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or debt instruments at fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the settlement date, i.e., the date that the Bank receives the asset on purchase or delivers the asset on sale.

2.4.1.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and Losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of Cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss.

i) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Bank. The Bank measures financial assets atamortised cost if both of the following conditions are met:The financial asset is held within a business model with the objective to hold financial assets in order 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 on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is de-recognized, modified or impaired.

ii) Financial assets at fair value through OCI (debt instruments)

The Bank measures debt instruments at fair value through OCI if both of the following conditions are met:

The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; andthe contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

iii) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Bank can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments:

Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss.

Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

Equity instruments designated at fair value through OCI are not subject to impairment assessment.The Bank elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future.

iv) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Not with standing the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

2.4.1.3 Impairment of financial assets

Overview of Expected Credit Loss (ECL) principles

The Bank recognizes loss allowances for expected credit losses “ECL” for financial assets that are debt instruments and are not measured at FVTPL.

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

- Fixed income securities that are determined to have low credit risk at the reporting date;
- and other financial instruments for which credit risk has not increased significantly since initial recognition.

2.4.2 Financial liabilities

2.4.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

2.4.2.2 Subsequent measurement

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

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Bank has not designated any financial liability as at fair value through profit or loss.

ii) Loans and borrowings

This is the category most relevant to the Bank. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are de-recognized as well as through the EIR amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

2.4.3. Impairment

i) Restructured financial assets

Where the terms of a financial asset are renegotiated or modified or an existing financial assets is replaced with a new one due to financial difficulties of the borrower, then the Bank shall assess whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in de-recognition 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 de-recognition of the existing asset, then the expected fair value of the new asset is related as the final cash flow from the existing financial asset at the time of its de-recognition.This amount is included in calculating the cash shortfalls from the exist ing financial asset that are discounted from the expected date of de-recognition to the reporting date using the original effective interest rate of the existing financial asset.

ii) Credit-impaired financial assets

At each reporting date, the Bank shall assess whether financial assets carried at amortized 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 of terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganiza tion; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to 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.

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

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

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components.

The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- For debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of those assets is their fair value. However, the loss allowance shall be disclosed and is recognized in the fair value reserve.

iv) 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-of. 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.

v) Non-integral financial guarantee contracts

The Banks shall assess whether a financial guarantee contact 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 debit instrument and when measuring ECL.

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

2.4.4. De-recognition

i) Financial Assets

The Bank shall derecognize financial asset when:

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

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) 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 recognized in OCI shall be recognized in profit or loss.

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

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

ii) Financial Liabilities

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

2.4.5 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 derecognized and a new financial asset shall be recognized 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 de-recognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize 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 amortized cost or FVOCI does not result in de-recognition 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 recognizes 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 amortized over the remaining term of the modified financial asset.

Where such a modification is carried out because of financial difficulties of 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 derecognize 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 recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized 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 de-recognition, then the amortized 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 recognized in profit or loss. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

2.4.6 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 realize 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.

2.4.7 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 other wise arise.

2.5 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted and restricted reserve requirement balances held with NBE 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 amortized cost in the statement of financial position.

2.6 Property, plant and equipment

i) Initial recognition

The amount capitalized at initial recognition is the purchase price of the asset along with any further costs incurred in bringing the asset to its present condition and location.

ii) Subsequent valuation

Subsequent costs are included in the asset's carrying amount of recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognized. 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 recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in income statement as incurred.

iii) Depreciation

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Depreciation Rate (% or years)	
Asset Class	Useful Life (Years)	Residual Value
Building	50	5%
Motor Vehicle	10	5%
Computer and Related items	7	1%
Furniture and Fittings	10	1%
Medium lived furniture and fittings	10	1%
Long lived furniture and fittings	20	1%
Equipment:		
Short lived equipment	5	1%
Medium lived equipment	10	1%
Lift and roofing	15	1%

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

iv) Gain or losses on the disposal of property, plant and equipment

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal.

Any gain or loss arising on de-recognition 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 derecognized.

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

2.7 Intangible assets

i) Initial recognition

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in income statement in the period in which the expenditure is incurred.

ii) Amortization

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization 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 amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expenses on intangible assets with finite lives is presented as separate line item in the income statement.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives. Except for undisclosed useful life in the contract the Bank has used 6 years' usefullife for all intangible assets the rest will use as per contract, the residual rate will be zero percent for all intangible asset.

2.8 Investment property

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

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

Investment properties are measured initially at cost, including transaction costs. The Bank has opted to subsequently carry investment property at cost and disclose fair value. Fair value is based on comparative 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 professional values who hold recognized and relevant professional qualifications and have recent experience in location and category of the investment property being valued. These valuations from the basis for the carrying amounts in the financial statements.

The fair value of investment property reflects, the near 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 capitalized 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 derecognized. Investment properties are derecognized when they have been disposed. Where the Bank disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of changes in net assets available for benefit.

2.9 Lease

At an inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified assets, the Bank uses the definition of a lease in IFRS 16.This policy is applied to contracts entered into before, on or after 1 July 2019 that were previously identified as leases.

Bank Acting as a Lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Bank has elected to separate non-lease components from the space rental payment obligations.

The Bank recognizes a right-of-use of asset and a lease liability at the lease commencement date,The right-of-use of asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, thebank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate at the discount rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Bank is reasonably certain to exercise lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase extension or termination option if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in property and equipment and lease liabilities in other liabilities in the statement of financial position.

Short-term Leases and Leases of Low-value Assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for lease of low value assets and short-term leases, including ATM rent payments. The Bank recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

Bank Acting as a Lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the bases of their relative stand-alone selling prices.

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset, if this is the case, then the lease is a finance lease; if not; then it is an operating lease as part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank applies thede-recognition and impairment requirement in IFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

2.10 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and as safe 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 exempted from this requirement.

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when:

- **a)** Their carrying amounts will be recovered principally through sale;
- **b)** They are available for immediate sale in their present condition;
- **c)** Their sale is highly probable.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized 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 recognized.

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

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plant to dispose of such a line of business of area of operations, or is a subsidiary acquired exclusively with a view of resale. The results of discontinued operations are presented separately in the statement of profit or loss.

2.11 Impairment of non-financial assets

The Bank assesses, 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 Units (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 pre-tax discount rate that reflects current market assessments of the time value of money and the risk 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, and 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 recognized 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 recognized 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 recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

2.12 Other assets

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

(a) Prepayment

Prepayments are payment 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 amortized over the period in which the service is to be enjoyed.

(b) Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received. The Bank's other receivables are rent receivables and other receivables from debtors.

2.13. Inventories

Held in the form of materials or supplies to be consumed in the Bank's operations orin rendering of services. For BoA, inventories would normally comprisematerials and supplies not directly expended at the time of their purchase, such as stationery and printing materials, uniform, CPO, passbook, office and other general supplies.

The cost of inventories of items that are ordinarily interchangeable and have not been produced and segregated for specific projects is determined by using the first-in, first-out (FIFO) or weighted average cost formula. The Bank uses FIFO method for measuring its inventories.The cost of inventory is recognized as an expense when the inventory is used.

2.14 Fair value measurement

The Bank measures financial instruments classified as (FVTPL) and (FVOCI) 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, summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Notes 3 and Note 4.7.1.
- Quantitative disclosures of fair value measurement hierarchy Notes 4.7.2.
- Financial instruments (including those carried at amortized cost) Notes 4.7.2.

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

- In 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 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 technique that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 observable.

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

The Bank's management determines the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.15 Employee benefits

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

(a) Defined contribution plan

The Bank operates two defined contribution plans;

i) Pension scheme in line with the provisions of Ethiopian Pension of private organization employee's proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank, respectively;

ii) Provident fund contribution, funding under this scheme is 6% and 12% by employees and the Bank, respectively; based on the employees' salary. Employer's contribution 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 liability or asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The liability recognized in the statement of financial position in respect of defined benefit pension plans if 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, recognized 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 recognized immediately income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(c) Termination benefits

Termination benefits are payable to Bank employees and executive directors when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(d) Profit-sharing and bonus plans

The Bank recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Bank recognizes a provision where contractually obliged or where there is a past practice that has created a construction obligation.

2.16 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it's 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 recognized 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 recognized as other operating expenses.

2.17 Share capital

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

2.18 Earnings per share

The Bank presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholder of the Bank by weighted average number of shares outstanding during the period.

2.19 Income taxation

(a) Current Income tax

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

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

(b) Deferred tax

Deferred tax is recognized 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 recognized 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 at the time of the transaction affects neither accounting nor taxable profit nor 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 realized or the deferred tax liability is settled.

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

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 tax 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.

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.20 Interest Free Banking (IFB)

2.20.1 Murabaha

Murabaha is an Islamic financial 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/good and a pre-agreed profit margin.

It is treated as financial receivables. Financial 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 recognized as it accrues over the life of the contract using the effective profit method (EPRM) on the principal balance outstanding.

These products are carried at amortized cost less impairment.

2.21. Recognition of income and expenses

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

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

2.21.1. Interest and similar income and expense

For all the government bills measured at amortized cost and interest bearing financial assets classified as available –for-sale interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instruments (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 expenses 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 recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.21.2. Net trading income

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

2.21.3 Net interest income

a) Effective interest rate and amortized cost

Interest income and expense are recognized 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 amortized 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 payments 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) Amortized cost and gross carrying amount

The 'amortized 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 amortization using the effective interest method or any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment, allowance before 1 July, 2018).

The 'gross carrying amount of a financial asset' is the amortized 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 amortized 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 amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized 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 amortized cost calculated on an effective interest basis;
- Interest on debt instruments measured at FVOCI calculated on an effective interest basis;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- The effective portion of fair value changes in qualifying hedging derivative 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.

2.21.4. Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset-government bills or liability are included in the measurement of the effective interest rate. Other fees and commission income; money transfer, letter of credit, payment orders, uncleared effects, ATM and POS transactions etc. are recognized 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 recognized on a straight-line basis over the commitment period.
Other fees and commission expense relates mainly to transaction and service fees are expensed as the services are received.

2.21.5. Dividend income

This is recognized when the Bank's right to receive the payment is established, which is generally when the shareholders approve and declare the dividend.

2.21.6. 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 of the functional currency's; spot rate of exchange at the reporting date. This amount is recognized in the income statement and it is further broken down into realized and unrealized portion.

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

3. Significant accounting judgments, estimates and assumption

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liability, 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 period.

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

- Capital management
- Financial risk management and policies
- Sensitivity analyses disclosure

3.1 Judgments

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

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

3.3 Defined benefit plans

The cost of the defined benefit pension plan, long service awards, gratuity scheme and post-employment medical benefits and the present value of these defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future.

These include the 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.

3.4 Deprecation and carrying value of property, plant and equipment

The estimate of the useful lives of assets is based on Management's judgment. 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

3.5 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 purpose.

3.6 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 recognized for unused tax losses to the extent that this is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

3.7 Development cost

The Bank capitalizes development costs for a project in accordance with the accounting policy. Initial capitalization of costs is based on Management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to established project management model.

In determining the amounts to be capitalized, 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 capitalized by the Bank relates to those arising from the development of computer software.

4. Financial risk management

4.1 Introduction

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

The Bank is exposed to credit risk, liquidity risk and market risk. It is also subject to country risk and various operating risks.

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

4.1.1 Risk management structure

The Asset-Liability Management Committee, 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 Asset-Liability Management Committee has the overall responsibility for the development of the risk and implementing principles, frameworks, policies and limits. It is also responsible for managing risk decisions and monitoring risk levels and reports on a quarterly basis to the Board risk committee.

The Credit Risk Management Committee is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Management Risk Committee to ensure that procedures are compliant with overall framework.

The Risk Management Unit is responsible for monitoring compliance with risk principles, policies and limits across the Bank. It carries out an assessment of risk on an ad hoc basis to monitor the Bank's independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

Expectations are reported, where necessary, to Senior Management and further to the board risk committee and the relevant actions are taken to address expectations and any areas of weakness.

The Bank Treasury operation unit is responsible for managing the Bank's financial assets, financial liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risk of the Bank.

The Bank's policy in the risk management processes throughout the Bank are audited annually by the Internal Audit function, which examine both the adequacy of the procedures and the Bank's compliance with the procedures. Internal audit function discusses the result of all assessments with management, and reports its findings recommendations to the Board Audit Committee.

4.1.2 Risk measurement and reporting systems

The Bank's risks are measured using a method that reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on scenario analysis. The analysis makes used 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 risk 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 the 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 aggregated risk exposure across all risk types and activities.

4.1.3 Risk mitigation

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

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

4.2 Financial instruments by category

The Bank's financial assets are classified in to the following measurement categories: measured at amortized cost and fair value through other comprehensive income (FVOCI).

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

The Bank's classification of financial assets is summarized in the table below:

30 JUNE 2022	Notes	FVOCI Birr'000	Amortized Cost Birr'000	Total Birr'000
Cash and cash equivalents	16	-	18,475,298	18,475,298
NBE Bills	18		7,859,450	7,859,450
Equity Investments	18	841,642		841,642
Loans and advance to customers	17		111,579,524	111,579,524
Other assets	19		3,638,629	3,638,629
Total financial asset		**841,642**	**141,552,901**	**142,394,542**

30 JUNE 2021	Notes	FVOCI Birr'000	Amortized Cost Birr'000	Total Birr'000
Cash and cash equivalents	16	-	12,091,041	12,091,041
NBE bills	18		7,063,543	7,063,543
Equity Investments	18	455,311		455,311
Loans and advance to customers	17		75,451,979	75,451,979
Other assets	19		2,675,968	2,675,968
Total financial asset		**455,311**	**97,282,530**	**97,737,842**

4.3 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counter party to financial instrument fail to meet its contractual obligations, and arises principally from the Bank's loan and advance to customers and other banks and other financial assets.

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

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and the term of the financial instruments 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. At same time, it sets limits of NPLs ratio of 5% with reporting requirement on quarterly basis.

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

4.3.1 Credit quality analysis

The following table sets out information about the credit quality of financial asset measured at amortized cost, FVOCI debt investment and available-for-sale debt assets. Unless specifically indicated, for financial assets, the amount in the table represent gross carrying amounts.

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

	2022			
In millions of ETB Stage 1		**Stage 2**	**Stage 3**	**Total**
Loan and advance to customers at amortized cost				
Stage 1 -pass	104,438,685		-	104,438,685
Stage 2 -special mention	-	6,361,997	-	6,361,997
Stage 3 -non performing	-	-	2,533,324	2,533,324
Total gross exposure	**104,438,685**	**6,361,997**	**2,533,324**	**113,334,007**
Loss allowance	(822,830)	(137,150)	(794,503)	(1,754,483)
Net carrying amount	**103,615,855**	**6,224,848**	**1,738,821**	**111,579,524**

		2021		
In millions of ETB	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan and advance to customers at amortized cost				
Stage 1 -pass	67,681,338		-	67,681,338
Stage 2 -special mention	-	6,361,997	-	6,361,997
Stage 3 -non performing	-	-	2,533,324	2,533,324
Total gross exposure	**67,681,338**	**6,361,997**	**2,533,324**	**76,576,659**
Loss allowance	(544,067)	(121,215)	(459,398)	(1,124,681)
Net carrying amount	**67,137,271**	**6,240,782**	**2,073,926**	**75,451,979**

		2022		
In millions of ETBs Other financial asset (debt instrument)		**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and balance with banks	12 month ECL	12,525,677	(686)	12,524,991
Investment securities (debt instrument)	12 month ECL	7,859,827	(377)	7,859,450
Other receivables and financial asset	Life time ECL	1,487,158	(92,177)	1,394,981
Total	-	**21,872,662**	**(93,239)**	**21,779,422**

	2021			
In millions of ETB Other financial asset (debt instrument)		**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and balance with banks	12 month ECL	8,852,336	(444)	8,851,892
Investment securities (debt instrument)	12 month ECL	6,922,844	(346)	6,922,498
Other receivables and financial asset	Life time ECL	540,349	(82,546)	457,803
Total	-	**16,315,529**	**(83,336)**	**16,232,193**

4.3.2 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 2022	Secured against real estate Birr'000	Machinery Birr'000	vehicles Birr'000	others Birr'000
Domestic trade and services	24,188,150	317,106	826,253	1,982,434
Import	7,481,946	9,385	156,690	977,871
Construction	13,294,749	37,720	90,857	737,610
Transport	2,146,325	163,157	3,323,783	35,833
Industry	14,027,544	1,393,028	784,263	1,340,246
Export	16,241,385	707,005	1,205,771	3,287,594
Agriculture	8,200,103	-	282,770	577,268
Consumer or personal	5,147,348	-	1,083,921	577,212
Others	157,902	30,702	14,890	104,081
	90,885,452	**2,658,103**	**7,769,198**	**9,620,149**

30 June 2021	Secured against real estate Birr'000	Machinery Birr'000	Vehicles Birr'000	Others Birr'000
Domestic trade and services	24,865,094	323,038	814,830	930,999
Import	5,185,475	-	23,726	1,762,362
Construction	4,360,247	64,859	152,489	16,616
Transport	794,679	128,852	859,789	1,466
Industry	7,361,565	194,852	103,106	384,987
Export	14,704,962	68,027	94,953	5,048,575
Agriculture	922,492	-	11,380	338,586
Consumer or personal	11,683,991	1,508	235,318	294,753
	69,878,505	**781,136**	**2,295,591**	**8,778,344**

i) Loans and advances to corporate customers

The general creditworthiness of corporate customers tends to be the most relevant indicator of credit quality of a loan extended to him/her/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 loans 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 loan is monitored more closely. For credit-impaired loans, the Bank obtains appraisal of collateral because it provides input in to determining the Management credit risk actions.

ii) Investment securities designated as at FVTPL

At 30 June 2022, the Bank had no exposure to credit risk of the investment securities designated at the FVTPL.

Amount arising from ECL

i) Inputs, assumption and techniques used for estimating impairment

See accounting policy in note 4.3.1 (ix)

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, expert credit assessment and including forward-looking information.

The objective of assessment is to identify whether 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 recog nition of the exposure (adjusted when relevant for changes in prepayment expectation).
- 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 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 judgment. 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 grade 1 and 2 is smaller than the difference between credit risk grade 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 exposure

- Information obtained during periodic review of customer file –e.g. Audited financial state ments, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratio, debt service coverage, compliance with the Banks policies and procedures.
- Data from credit reference agencies, press articles, changes in external credit ratings

- Actual and expected significant changes in the political, regulatory and technological environ ment of the borrower or in its business activities
- Internally collected data on customer behavior –e.g. utilization of credit card facilities afford ability metrics of borrower's financial and non-financial information.

b. Overdraft exposure

- Payment record-this includes overdue status as well as a range of variables about payment ratio.
- Utilization of the granted limit.
- Request for and granting of forbearance given due to customer financial difficulty.
- Existing and forecast changes in business, Financial and economic conditions of the customer economic sector

iv) Generating the term structure of PD

Credit risk grades are a primary input in to the determination of the term structure of PD for exposures.

The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrowers as well as by credit risk grading. The Bank employs statistical model to analyze 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 weather credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant differs for different types of lending.

The credit risk may also have 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 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 not 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 persist after the indicator itself has ceased to exist. In these case, the Bank determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently.

When contractual term of a loan has been modified, evidence that the criteria for recognizing 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 increase 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; -exposure are not generally transferred directly from 12-month ECL mea surement 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 realizing security (if any is held);
- The borrower is more than 90 days past due on any material credit obligation to the Bank;
- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- It is becoming probable that the Borrower will restructure the asset as result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

- Qualitative: e.g. breaches of covenant;
- Quantitative: e.g. overdue statues and non-payment on another obligation of some issuer to the Bank; and
- Based on data developed internally and obtained from external sources.
- Inputs to the assessment of weather a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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

vii) Incorporation of forward-looking information

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

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

External information considered includes economic data and forecasts published by Fitch Solutions formerly known as Business Monitor International, an external and independent market intelligence and research institution. 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 macroeconomic 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	**Macroeconomic factor**				
Cluster 1 Agriculture Consumer Loans	Goods exports, USD	Services imports, USD		-	-
Cluster 2 Domestic Trade Services Transport and communication	-	-		-	-
Cluster 3 Industry Housing and Construction	Goods imports, USD	Real GDP, LCU (2010 prices)	Real GDP, USD (2010 prices)	-	-
Cluster 4 Export Import	Goods imports, USD	Consumer price index inflation, 2010=100, eop	Real GDP, USD (2010 prices)	Current account balance, USD	Import cover months

The Bank defined a statistically significant correlation threshold with macroeconomic of 50%. No statistically significant correlation was observed for Cluster 2, as a result no macroeconomic adjustment is observed.

The economic scenarios used included the following key indicators for Ethiopia :

Indicator	30-Jun-21	30-Jun-22	30-Jun-23
Consumer price index inflation, 2010=100, ave	447	585	335
Exports of goods and services, USD	7,062	7,949	4,312
Government domestic debt, LCU	1,029,705	1,311,530	741,300
LCU/USD, ave	39	48	26
Nominal GDP, LCU	3,761,684	4,841,072	2,766,563
Private final consumption, LCU	2,686,027	3,602,073	2,096,494
Total domestic demand, LCU	4,094,336	5,199,565	2,953,086
Savings, LCU	1,056,115	1,058,363	525,050
Population	116,419,908	119,344,463	60,406,349
Consumer price index inflation, 2010=100, eop	440	581	328
M1, LCU	398,990	463,645	244,950
M2, LCU	1,192,960	1,450,580	776,445
Current expenditure, LCU	285,099	396,721	237,925
Goods imports, USD	13,056	14,996	7,821
Goods exports, USD	3,626	4,022	2,023
Current account balance, USD	(3,353)	(4,482)	(2,489)
Import cover months	2	2	1
Total household spending, LCU	3,112,045	4,197,597	2,446,608
Nominal GDP, USD	95,669	100,847	53,483
Real GDP, LCU (2010 prices)	913,754,000,00	944,211,000,000	484,272,500,000
Real GDP, USD (2010 prices)	63,412,863,646	65,526,523,984	33,607,629,636
Real GDP per capita, USD (2010 prices)	545	549	278
Nominal GDP, USD (PPP)	285,914,796,233	315,978,796,495	169,280,154,928
Private final consumption, USD	68,171	74,903	40,529
Government final consumption, LCU	336,123	406,173	223,935
Government final consumption, USD	8,567	8,490	4,329
Exports of goods and services, LCU	278,927	382,338	223,026
Imports of goods and services, LCU	616,897	740,831	409,549
Imports of goods and services, USD	15,741	15,481	7,917
Total domestic demand, USD	104,195	108,379	57,089
Unemployment, % of labour force, ave	4	3	2
Real effective exchange rate index	60	27	10
LCU/USD, eop	44	52	27
Total revenue, LCU	296,550	363,207	204,726
Total revenue, USD	7,571	7,576	3,958
Total expenditure, LCU	398,379	523,143	307,089
Total expenditure, USD	10,153	10,869	5,937
Current expenditure, USD	7,242	8,225	4,600
Budget balance, LCU	(101,830)	(159,936)	(102,363)
Budget balance, USD	(2,582)	3,293)	(1,979)
Services imports, USD	5,530	5,858	3,032
Services exports, USD	4,730	5,202	2,704
Total reserves ex gold, USD	3,016	2,955	1,463
Total external debt stock, USD	31,859	35,573	18,896
Long-term external debt stock, USD	30,311	33,809	18,006
Public external debt stock, USD	30,311	33,809	18,006
Total government debt, USD	55,355	60,625	32,895
Total debt service, USD	1,999	2,172	1,172

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

The below scenario weightings have been observed:

Summary of scenario weightings			
Scenario	Base	Downturn (downside)	Optimistic (upside)
Cluster 1	97%	3%	-
Cluster 2	94%	3%	3%
Cluster 3	91%	4.50%	4.50%
Cluster 4	94%	3%	2%

viii) Modified financial assets

The contractual term 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 derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out.

When the term of financial assets are modified and the modification dose not result in de-recognition, 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 result de-recognition, a new loan is recognized and allocated to stage 1 (assuming it is not credit- impaired at the time).

The Bank renegotiates on loans to customers in financial difficulties (referred to as `forbearance activities`) to maximize collection opportunities and minimize 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 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 revised terms.

The revised term usually includes extending the maturity, changing the timing of interest payment and amending the term 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 asset modified as part of the Bank's forbearance policy, the estimate of PD reflect 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 evaluate the borrower's payment performance against the modified contractual term and considers various behavioral indicators.

Generally, forbearance is qualitative indicator of 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 behavior 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 in to the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default

ECL for exposure 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 default. The Bank estimate 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 cost of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the events 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 amortization. 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 of the guaranteed exposure when the financial guarantee becomes payable. For financial assets, EAD is determining by modeling 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 purpose, 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 component, or guarantee.

However, for overdraft that include both a loan and 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 facilitates 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 in to 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 in to a loan with fixed repayment terms.

Where modeling 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 ECL reconciliation from the opening to the closing balance of the loss allowance

	2022			
In millions of ETB	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan and advance to customers at amortized cost (on balance sheet exposure)				
Balance as at 1 July 2021	**544,067**	**121,216**	**459,398**	**1,124,681**
Transfer to 12 month ECL	27,968	8,925	(36,894)	-
Transfer to lifetime ECL not credit impaired	35,331	(44,854)	9,523	-
Transfer to lifetime ECL credit impaired	(136,891)	69,046	67,844	-
Net measurement of Loss allowance	122,456	(39,599)	1,031,296	1,114,153
Net financial asset originated or purchased	328,035	32,857	(523,633)	(162,742)
Financial assets derecognized	(98,136)	(10,441)	(213,033)	(321,609)
Balance as at 30 June 2022	**822,830**	**137,150**	**794,503**	**1,754,483**

	2021			
In millions of ETB	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan and advance to customers at amortized cost (on balance sheet exposure)				
Balance as at 1 July 2020	**230,813**	**13,898**	**205,177**	**449,888**
Transfer to 12 month ECL	-	-	-	-
Transfer to lifetime ECL not credit impaired	-	-	-	-
Transfer to lifetime ECL credit impaired	-	-	-	-
Net measurement of Loss allowance	(147,194)	30,648	(174,396)	3,445
Net financial asset originated or purchased	542,051	121,207	457,824	1,121,082
Financial assets derecognized	(375,990)	(44,538)	(29,207))	(449,735)
Balance as at 30 June 2021	**544,067**	**121,216**	**459,398**	**1,124,681**

	2022			
In millions of ETB	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan and advance to customers at amortized cost (off balance sheet exposure)				
Balance as at 1 July 2021	387	-	-	387
Transfer to 12 months ECL	-	-	-	-
Transfer to lifetime ECL not credit impaired	-	-	-	-
Transfer to lifetime ECL credit impaired	-	-	-	-
Net measurement of Loss allowance	(237)	-	-	(237)
Net financial asset originated or purchased	-	-	-	-
Financial assets derecognized	-	-	-	-
Balance as at 30 June 2022	**150**	**-**	**-**	**150**

	2021			
In millions of ETB	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan and advance to customers at amortized cost (off balance sheet exposure)				
Balance as at 1 July 2020	94	-	-	94
Transfer to 12 months ECL	-	-	-	-
Transfer to lifetime ECL not credit impaired	-	-	-	-
Transfer to lifetime ECL credit impaired	-	-	-	-
Net measurement of Loss allowance	293	-	-	293
Net financial asset originated or purchased	-	-	-	-
Financial assets derecognized	-	-	-	-
Balance as at 30 June 2021	**387**	**-**	**-**	**387**

Other financial assets	2022				
In Birr'000	**Cash and balances with banks**	**Investment securities (debt instruments**	**Advance on salary**	**Other Receivables And financial assets**	**Total**
Balance as at 1 July 2021	444	346	**25**	36,279	37,094
Net measurement of loss allowance	242	31	10	10,424	10,707
Net financial asset originated Or purchased	-	-	-	-	-
Balance as at 30 June 2022	**686**	**377**	**35**	**46,703**	**47,801**

Other financial assets In Birr'000	2021 Cash and balances with banks	Investment securities (debt instruments	Advance on salary	Other Receivables And financial assets	Total
Balance as at 1 July 2020	171	346	**19**	31,613	32,148
Net measurement of loss allowance	273	-	6	4,667	4,946
Net financial asset originated Or purchased	-	-	-	-	-
Balance as at 30 June 2021	**444**	**346**	**25**	**36,279**	**37,094**

The following table provides reconciliation between amount shown in the above tables reconciling opening and closing balance of loss allowance per classes of financial instrument; and the impairment losses on financial instruments' line item in the consolidated statement of profit or loss and comprehensive income.

Charge to statement of profit or loss and other comprehensive income. In Birr'000	2022 Loan and advance to customers at amortized cost	Loan commitments and financial Guarantee Contracts	Other financial asset	Total Charge/ (credit)
Net measurement of loss allowance	1,114,153	150	94,504	1,208,807
New financial asset originated or purchased	(162,742)			(162,742)
Financial assets derecognized	(321,609)			(321,609)
Amounts directly written off during the year				
Recoveries of amounts previously written off				
Total	**629,802**	**150**	**94,504**	**724,457**

Charge to statement of profit or loss and other comprehensive income. In Birr'000	2021 Loan and advance to customers at amortized cost	Loan commitments And financial Guarantee contracts	Other financial asset	Total Charge/ (credit)
Net measurement of loss allowance	3,445	387	37,094	40,926
New financial asset originated or purchased	1,121,082	-	-	1,121,082
Financial assets derecognized	(449,735)	-	-	(449,735)
Amounts directly written off during the year	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Total	**674,792**	**387**	**37,094**	**712,273**

4.3.3 Concentration of credit risk

The Bank monitors concentration of credit risk by social sector. An analysis of concentrations of credit risk as at 30 June 2022. The Bank concentrates all its financial asset in Ethiopia.

30 June 2022	Domestic and Trade services Birr'000	Export Birr'000	Housing and Construction birr'000	Others Birr'000
Cash and cash equivalents				18,475,298
Loan and receivables	20,461,848	36,658,550	12,234,556	43,979,052
Investment securities:				
- Equity investment FVOCI				841,642
-Loan and receivables				7,859,450
Other assets				3,638,629
	20,461,848	**36,658,550**	**12,234,556**	**74,794,070**

30 June 2021	Domestic and Trade services Birr'000	Export Birr'000	Housing and Construction birr'000	Others Birr'000
Cash and cash equivalents				12,091,041
Loan and receivables	16,260,503	27,156,717	8,504,387	24,655,052
Investment securities:				
- Equity investment FVOCI				455,311
-Loan and receivables				7,063,543
Other assets				2,675,968
	16,260,503	**27,156,717**	**8,504,387**	**46,940,915**

4.3.4 Offsetting financial assets and financial liabilities

The Bank does not offset financial assets against financial liabilities.

4.3.5 Risk limit control and mitigation policies

a) Collateral held and their financial effect

The general creditworthiness of a customer tends to be the most relevant indicators of credit quality of a loan extended to him/her/it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. Staff loans are secured to the extent of the employee's continued employment in the Bank.

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

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

The fair value of collaterals are based on the last revaluations carried out by the Bank's in-house engineers. The valuation technique adopted for properties is in line with the Bank's valuation manual and the revalued amount is similar to the fair value of the properties with similar size and location.

The fair value of collaterals other than properties such as share certificates, cash, NBE bills etc. As disclosed at the carrying amount as management is of the opinion that the cost of the process of establishing the fair value of the collateral exceeds benefits accruable from the exercise.

4.4 liquidity risk

Liquidity risk is the risk that the Bank cannot meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fail due as a result of mismatches in the timing of the cash flows under normal and stress circumstance.

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

4.4.1 Management of liquidity risk

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

The Bank has incurred indebtedness in the form of borrowings. The Bank evaluate 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 condition, without incurring unacceptable losses or risk damage to the Bank's reputation.

4.4.2 Maturity analysis of financial liabilities

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

30 June 2022	0-30 Days Birr'000	31-90 Days Birr'000	91-180 Days Birr'000	181-365 Days Birr'000	Over 1 Year Birr'000
Deposit from customers	7,870,228	11,338,082	9,357,861	18,255	93,460,994
Debt securities issued					
borrowings				46,981	
Other liabilities					11,173,015
Total financial liabilities	**7,870,228**	**11,338,082**	**9,357,861**	**65,235**	**104,634,009**
30 June 2021	**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**
Deposit from customers	25,451,852	5,888,095	5,919,963	9,084,407	42,539,807
Debt securities issued					
borrowings				60,052	
Other liabilities					3,995,531
Total financial liabilities	**25,451,852**	**5,888,095**	**5,919,963**	**9,144,460**	**46,535,338**

4.5 Market risk

Market risk is defined as the risk of loss that the fair value or future cash flows 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 institution.

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

4.5.1 Management of market risk

The main objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, therebyoptimizing the return on risk.

Market risk is monitored by the Risk Management Department regularly, to identify any adverse movement in the underlining variables

(i) Interest rate risk

Interest rate risk is the risk that 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 also exposed on fixed rate financial assets and financial liabilities. The Bank's investment portfolio is comprised of treasury bills, loans and receivables and cash deposits.

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

30 June 2022	Fixed Birr'000	Floating Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balance with banks	4,057,307		14,417,991	18,475,298
Loan and receivables	7,859,450			7,859,450
Investment securities-FVOCI	-		841,642	841,642
Total	**11,916,756**		**15,259,633**	**27,176,389**
Liabilities				
Deposit from customers	87,210,510		34,834,909	122,045,419
Debt securities issued				
Borrowings	46,981			46,981
Other liabilities			11,173,015	11,173,015

Total	**87,257,490**		**46,007,924**	**133,265,415**
30 June 2021	**Fixed Birr'000**	**Floating Birr'000**	**Non-interest bearing Birr'000**	**Total Birr'000**
Assets				
Cash and balance with banks	2,469,614		9,621,427	12,091,041
Loan and receivables	7,063,543		-	7,063,543
Investment securities-FVOCI	-		455,311	455,311
Total	**9,533,157**		**10,076,738**	**19,609,895**
Liabilities				
Deposit from customers	60,693,328		28,190,797	88,884,125
Debt securities issued				
Borrowings	60,052			60,052
Other liabilities			5,476,548	5,476,548
Total	**60,753,380**		**33,667,346**	**94,420,725**

The sensitivity of the income statement is the effect of the assumed changes in saving 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 2022 and 30 June 2021 the total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

30 June 2022	**Average Saving Interest Rate (base Point)**	**Increase(decrease) In basis Points" Birr'000**	**Impact of an Increase P/L And equity Birr'000**	**Impact of a decrease P/L and Equity Birr'000**
Average cost of fund	5.05%	10%		
Interest expense	0.50%		370,029	(370,029)
Base average saving deposit (73.29 Billion)				
Average monthly interest expense (308.35 million)				

30 June 2021	**Average Saving Interest Rate(base Point)**	**"increase (decrease) In basis Points" Birr'000**	**Impact of an Increase P/L And equity Birr'000**	**Impact of a decrease P/L and Equity Birr'000**
Average cost of fund	5.34%	10%		
Interest expense	0.53%		240,644	(240,644)
Base average saving deposit (45.02 Billion)				
Average monthly interest expense (200.53 million)				

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Bank is exposed to exchange rate risk to the extent of assets and liabilities (balance) denominated in a currency other than the Ethiopian birr. Accordingly, the mismatch between the foreign denominated asset and foreign denominated liabilities and the direction of foreign exchange rate will determine the level of the Bank's foreign exchange risk exposure. Management has set up a policy to manage the Bank's foreign exchange risk against its functional currency.

The table below summarizes the impact of increases/decreases of 10% on equity and profit or loss arising from the Bank's foreign denominated borrowings and cash and bank balances.

The total foreign currency denominated assets and liabilities exposed to risk as at year end was birr 9.78 billion as FCY liability (30 June 2021: birr 1.17 billion).

Foreign currency denominated balances

	30 June 2022 Birr'000	30 June 2021 Birr'000
Cash and bank balance	476,625	1,499,823
Net other foreign asset & Libilities	(5,648,018)	423,978
Deposit from customers and other liabilities	(4,610,559)	(3,091,096)
	(9,781,952)	**(1,167,295)**

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

	30 June 2022 Birr'000	30 June 2021 Birr'000
Impact on profit or loss	(9.781.952)	(1,167,295)
10% Appreciation exchange rates	(978,195)	(116,730)
10% Deprecation exchange rates	978,195	116,730

4.6 Capital management

The Bank's objectives when managing capital are to comply with the capital requirements set by the National Bank of Ethiopia; safeguard its ability to continue as a going concern, and to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Due to this, the capital increase decision has been passed from 4 billion to 10 billion on the 12th shareholders meeting due to the following reasons:

- BoA capital balance is not aligned with overall growth of the Bank and in order to comply with the NBE requirement;
- Regarding the fulfillment of the Capital Adequacy Ratio;
- Regarding BoA five years Strategic Plan in respect of loan and deposit growth;
- In order to engage in construction of various BoA' premises;
- In order to compete with peer banks.

4.6.1 Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted assets base. The Bank's capital is divided into two tiers:

- Tier 1 capital includes share capital, retained earnings and deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. Regulatory risk reserve is not recognized as a component of qualifying capital. However, any balance, should be netted-off against the total risk weighted assets (RWA).
- Tier 2 capital includes qualifying subordinated liabilities and certain provisions for loan losses that are presently unidentified on an individual basis.

Tier 1 capital-CET 1	**30 June 2022 Birr'000**	**30 June 2021 Birr'000**
Share capital	8,319,678	5,182,212
Retained earnings	2,140,151	1,087,555
Deduction:		
- Intangible asset	(430,822)	(370,703)
- Deferred tax other than temporary differences	-	-
Other regulatory adjustments	3,311,488	1,905,422
	13,340,494	**7,804,486**
Tier 2 capital		
Qualifying subordinated liabilities	-	-
Other liabilities	-	-
Total regulatory capital	13,340,494	7,804,486
Total risk weighted assets	**114,219,122**	**79,381,763**
Risk-weighted capital adequacy ratio (CAR)		
Tier 1 CAR	11.68%	9.83%

4.7 Fair value of financial asset 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 categorized within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

4.7.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs 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 categorized with in the fair value hierarchy, described as follows, based on the lowest level that is significant to the fair value measurement as a whole.

- Level 1: inputs that quoted prices (unadjusted) in active markets for identical asset 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 price in active markets for similar instruments; quoted price for identical or similar instruments in market that are consid ered 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 input). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have significant effect on the asset or liability's valuation.This category include instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustment or assumptions are required to reflect differences between the instruments.

4.7.2. Financial instruments not measured at a fair value –fair value hierarchy

The following table summarizes 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 categorized. The amounts are based on the value recognized in the statement of financial position.

30 June 2022	Carrying Amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets					
Cash and balances with banks	18,475,298			18,475,298	18,475,298
Loan and receivables	7,859,450			7,859,450	7,859,450
Total	**26,334,748**	-	-	**26,334,748**	**26,334,748**
Financial liabilities					
Deposit from customers	122,045,419			122,045,419	122,045,419
Debt securities issued				-	-
Borrowings	46,981			46,981	46,981
Other liabilities	11,173,015			11,173,015	11,173,015
Total	**133,265,415**			**133,265,415**	**133,265,415**

30 June 2021	Carrying Amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets					
Cash and balances with banks	12,091,041			12,091,041	12,091,041
Loan and receivables	7,063,543			7,063,543	7,063,543
Total	**19,154,584**	-	-	**19,154,584**	**19,154,584**
Financial liabilities					
Deposit from customers	88,884,125			88,884,125	88,884,125
Borrowings	60,052			60,052	60,052
Other liabilities	5,476,548			5,476,548	5,476,548
Total	**94,420,725**			**94,420,725**	**94,420,725**

4.7.3. Fair value of financial assets and liabilities

The following table shows an analysis of financial and non-financial instruments measured at fair value by level of the fair value hierarchy.

30 June 2022	Carrying Amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets					
Investment securities					
FVOCI	493,823	-	-	841,642	841,642
Total	**493,823**			**841,642**	**841,642**

4.8 Offsetting financial assets and financial liabilities

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

5. Interest income

	30 June 2022 Birr'000	30 June 2021 Birr'000
Interest on Term loans	8,363,192	4,649,658
Interest on Over Drafts	1,729,737	1,116,371
Interest on Import and Export bills	121,541	63,600
Interest on Advance Sales Contract	2,430,248	1,108,142
Interest from Penalty	907,815	518,171
Interest on NBE bills	79,875	267,376
Interest earn on DBE Bond	21,209	
Interest on Deposit from placement	404,334	131,477
Interest on Treasury bills	293,127	1,870
	14,351,498	**7,856,665**

6. Interest Expense

	30 June 2022 Birr'000	30 June 2021 Birr'000
Interest on Saving accounts	(3,700,293)	(2,406,445)
Interest on Time Deposit	(513,099)	(264,633)
Interest on Loans	(18,538)	(1,124)
	(4,231,929)	**(2,694,938)**

7. Net foreign exchange income

	30 June 2022 Birr'000	30 June 2021 Birr'000
Loss on foreign exchange	(7,077,041)	(4,579,542)
Gain on foreign exchange	6,302,838	4,348,499
	(774,203)	**(231,042)**

8. Net fees and commission income

	30 June 2022 Birr'000	30 June 2021 Birr'000
Fee and commission income		
Letters of credit and other import/export facilities	780,953	746,257
Money and telegraphic transfers and direct debit charges	7,294	4,500
Letter of guarantees	68,486	66,773
Other commissions	118,181	42,285
Total	**974,914**	**859,815**
Fee and commission expense		
Net fee and commission income	**974,914**	**859,815**

9. Dividend Income

	30 June 2022 Birr'000	30 June 2021 Birr'000
Dividend income from investing activities	**8,030**	**9,873**

10. Other operating income

	30 June 2022 Birr'000	30 June 2021 Birr'000
Rental income	11,613	4,817
Gain on disposal of fixed asset	7,125	109
Gain on disposal of acquired asset	20	219
Postage	1	335
Loan processing fee income	63,660	54,192
Bad debts recovered	45	
Income from Murabaha financing	66,180	20,073
Other income	64,314	53,492
	212,959	**133,237**

11. Loan impairment charge

	30 June 2022 Birr'000	30 June 2021 Birr'000
Loan and receivables-charge for the year (note 17)	(629,802)	(674,791
	(629,802)	**(674,791**

12. Impairment losses on other assets

	30 June 2022 Birr'000	30 June 2021 Birr'000
Other assets -charge for the year (note 19)	(12,556)	(4,275)
Other assets –reversal of impairment losses (note 19a)	-	-
	(12,556)	**(4,275)**

13. Personnel expenses

	30 June 2022 Birr'000	30 June 2021 Birr'000
Clerical staff salary	(1,950,316)	(1,508,807)
Contractual staff salary	(273,579)	(212,155)
Non-Clerical staff salary	(135,442)	(117,350)
Bonus	(355,986)	(256,739)
Provident fund	(249,095)	(192,743)
Fuel allowance	(489,671)	(340,860)
Leave pay	(71,061)	-
Training and education	(186,053)	(104,817)
Living allowance	(146,913)	(112,291)
Cash indemnity allowance	(41,782)	(30,905)
Medical	(32,354)	(14,808)
Staff insurance	(50,866)	(34,023)
Car and representation allowance	(94,923)	(84,115)
Uniform	(14,615)	(14,606)
Amortization of prepaid employee benefit	(103,859)	(3,011)
Other staff expenses	(181,342)	(200,779)
	-	-
	(4,389,301)	**(3,228,008)**

14. Other operating expenses

	30 June 2022 Birr'000	30 June 2021 Birr'000
Postage, telephone, telegram, telex/fax	(4,291)	(13,197)
Stationary and printing	(152,965)	(110,106)
Advertising	(132,237)	(81,813)
Repair and maintenance	(49,920)	(38,736)
Fuel and lubricant	(26,681)	(13,780)
Insurance	(41,162)	(27,839)
Per diem and travel	(24,756)	(13,606)
Correspondent charges	(7,761)	(5,670)
Swift services	-	(88)
Utilities	(10,110)	(5,810)
Donation and contribution	(100,028)	(45,705)
Annual reception	(3,068)	(2,127)
Bank charges	(3,493)	(10,019)
Entertainment	(10,699)	(11,872)
Legal fees and consultancy fee	(19,295)	(5,122)
Wage for non-employees	(5,427)	(4,060)
Transportation of currency	(23,256)	(16,748)
Audit fees	(531)	(684)
ATM and POS card issuance fee	(6)	(5)
Software license fee	(156,395)	(48,421)
Impairment of non-current asset	(40,064)	-
Directors fee	(3,219)	(3,714)
IT support and maintenance expense	(113,302)	(13,969)
Mudarabah profit accrual	(123)	
Mudarabah cost of fund	(2,946)	
Provision on salary, other expense and asset damage for North Ethiopia conflict	(550,000)	(200,000)
Other administration expense	(400,790)	(243,073)
	(1,882,524)	**(916,165)**

15. 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 stationary income tax rate is as follows:

15a. Component of tax expenses

	30 June 2022 Birr'000	30 June 2021 Birr'000
Current tax expenses	1,375,889	692,838
Deferred tax (15e)	42,831	16,753
	1,418,720	**709,590**

15b. Current tax

	30 June 2022 Birr'000	30 June 2021 Birr'000
IFRS Accounting profit	**4,654,543**	**2,051,543**
Add: Disallowed expenses		
Entertainment	10,699	11,872
Donation	74,057	98
Penalty	38,896	3,127
Depreciation for accounting purpose	313,298	209,639
Amortization for accounting purpose	46,562	13,856
Severance payment	2,819	35,902
Being impairment on equity investment	-	(1,270)
Impairment of non-current asset	-	-
Accrued leave	61,577	
Cash indemnity reserve	37,954	
Legal expense	7,714	
Unrealized foreign exchange gain or loss	(2,100)	
Provision for other asset	12,556	4,275
Provision for loans and advances as per IFRS	629,802	674,791
Written- Off loan	5,781	
Provision on salary, other expense and asset damage for Nortl Ethiopia conflict	550,000	200,000
Tax payment as per tax audit work	125,038	103,938
Directors share of profit	1,350	1,350
Staff loan Interest Income as per Tax	203,283	
	2,119,287	**1,257,578**
Less:		
Depreciation for tax purpose	433,482	256,759
Amortization for tax purpose	64,702	17,331
Interest income taxed at source-foreign deposits	404,334	113
Dividend income taxed at source	8,030	9,873
Interest income taxed at source-Treasury bills	293,127	1,870
Interest income taxed at source-NBE bills	79,875	267,376
Interest income taxed at source-DBE bonds	21,209	
Staff loan Interest Income as per IFRS	186,845	
provision for loans and advances as per NBE 80%	696,146	446,377
	2,187,751	**999,700**
Taxable profit	4,586,079	2,309,421
	1,375,824	**692,826**
Add:10% of interest on foreign deposit	66	11
Current tax at 30%	**1,375,889**	**692,838**

15c. Statement of financial position (current income tax liability)

	30 June 2022 Birr'000	30 June 2021 Birr'000
Balance at the beginning of the year	682,094	220,855
Charge for the year:		
Income tax expense	1,375,889	692,838
Prior year (over)/under provision		
WHT notes utilized	(10,430)	(10,744)
Payment during the year	(682,094)	(220,855)
Balance at the end of the year	**1,365,459**	**682,094**

15d. deferred income tax

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilized.

	30 June 2022 Birr'000	30 June 2021 Birr'000
Differed tax liability	41,143	15,829
	41,143	**15,829**

The analysis of differed tax assets (liabilities)is as follows

Deferred income tax assets and liabilities, differed tax charge (credit) in profit or loss (P/L), in equity and other comprehensive income are attributable to the following items:

Differed income tax assets /(Liabilities):	**" As at 1July 2021" Birr'000**	**Credit/ (charge) to P/L Birr'000**	**Credit/ (charge) to equity Birr'000**	**30 June 2022 Birr'000**
Property, plant and equipment	(57,493)	(42,831)		(100,324)
Provision	-	-		-
Unrealized exchange gain	-			-
Tax losses charged to profit or loss	-	-		-
Post-employment benefit obligation	41,664	-	17,517	59,181
Total differed tax assets/(liabilities)	(15,829)	(42,831)	17,517	(41,143)

Differed income tax asses /(Liabilities):	"As at 1July 2020" Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2021 Birr'000
Property, plant and equipment	(40,740)	(16,753)		(57,493)
Provisions				-
Unrealized exchange gain				-
Tax losses charged to profit or loss				-
Postemployment benefit obligation	34,023		7,641	41,664
Total differed tax assets/(liabilities)	**(6,718)**	**(16,753)**	**7,641**	**(15,829)**

15e. Deferred tax Liability

Deferred tax liabilities	30 June 2022 Birr'000	30 June 2021 Birr'000
Deferred tax (liability) asset as per GAAP	-	
Deferred tax (liability) asset as per IFRS	15,829	6,718
Add: Temporary difference	25,314	9,111
Deferred tax liability	**41,143**	**15,829**
PPE-carrying amount	2,933,570	1,712,790
PPE-tax base	2,599,157	1,521,147
	334,413	191,643
Deferred tax liability-@30%	**100,324**	**57,493**
Severance pay-carrying amount	206,114	142,093
Severance pay-tax base	8,844	3,213
Severance pay temporary difference	**197,270**	**138,880**
Deferred tax asset -@ 30%	59,181	41,664
Deferred tax liability - @30%	**41,143**	**15,829**

16. Cash and cash equivalents

	30 June 2022 Birr'000	30 June 2021 Birr'000
Cash on hand	4,556,575	3,287,403
Reserve account with National Bank of Ethiopia	8,520,046	4,450,000
Other accounts with National Bank of Ethiopia	155,600	194,856
Deposit with foreign banks	1,186,455	1,689,611
Deposit with local banks	4,057,307	2,469,614
	18,475,983	**12,091,484**
Less: Impairment allowance for bank balance	(686)	(444)
	18,475,298	**12,091,041**

Maturity analysis	**30 June 2022 Birr'000**	**30 June 2021 Birr'000**
Current	9,955,937	7,641,484
Non-current	8,520,046	4,450,000
	18,475,983	**12,091,484**

The reserve with National Bank of Ethiopia represents regulatory cash ratio requirements based on customer deposits with the Bank. As at 30 June 2022, the cash ratio requirement was 7%. The fund are not available for the day to day operations of the Bank and are non-interest bearing.
Amounts included in the cash and cash equivalent are current. Cash and balance with National Bank of Ethiopia are non-current cash and balance with National Bank of Ethiopia are classified as 'loans and receivables'.

17. Loan and advance to customers

	30 June 2022 Birr'000	**30 June 2021 Birr'000**
Domestic trade and services	20,461,848	16,260,503
Import	5,915,611	4,065,756
Construction	12,234,556	8,504,387
Transport	4,299,944	1,516,613
Industry	22,248,600	13,928,759
Export	36,658,550	27,156,717
Agriculture	6,076,352	2,742,179
Murabaha Financing	1,020,894	382,738
Quard Financing	-	-
Consumer or personnel	4,417,651	2,019,007
Gross amount	**113,334,007**	**76,576,659**
Loan loss Allowance-stage 1	(822,830)	(544,067)
Loan loss Allowance-stage 2	(137,150)	(121,215)
Loan loss Allowance-stage 3	(794,503)	(459,398)
	111,579,524	**75,451,979**

Maturity analysis	**30 June 2022 Birr'000**	**30 June 2021 Birr'000**
Current	35,350,080	31,487,333
Non-current	77,983,926	45,089,326
	113,334,007	**76,576,659**

18. Investment securities

Financial assets which are not held at amortized, classified as "Fair value through profit or losses" and" Fair value through OCI" are stated at fair value.

Financial assets at fair value through OCI	**30 June 2022 Birr'000**	**30 June 2021 Birr'000**
Financial assets at FVOCI (Equity investment)	841,642	455,311
	841,642	**455,311**
Financial assets at amortized cost (loan and receivables)		
Ethiopian Government bills	-	7,063,889
Investment on DBE bond	775,729	
Investment in Treasury Bills	7,084,098	
	7,859,827	**7,063,889**
Less loss allowance	(377)	(346)
	7,859,450	**7,063,543**

Maturity analysis At 30 June 2022	**Financial instruments at amortized cost**	**Held at Fair value through OCI**	**Total**
Less than 1 year	7,084,098	-	7,084,098
1-5 years	775,729		775,729
Over 5 years	-	841,642	841,642
	7,859,827	**841,642**	**8,701,469**
As at 30 June 2021	**Financial instruments at amortized cost**	**Held at Fair value through OCI**	**Total**
Less than 1 year	2,059,375	-	2,059,375
1-5 years	5,004,514		5,004,514
Over 5 years	-	455,311	455,311
	7,063,889	**455,311**	**7,519,200**

The investments comprise of:

As at 30 June 2022	**Number of shares**	**Par value (Birr)**	**Amount (Birr)**
Eth Switch S.C.	12,002	1,000	211,025
Addis Africa International. Convention &Exhibition Center	20,481	1,000	17,501
Hohete Tibeb S.Co	10,549	500	17,212
Ethiopian Reinsurance S.C	2,160	1,000	569,244
Abay Industrial Development S.C	3,729	-	25,782
Yetebaberut Petroleum S.C	179		599
Nile Insurance S.C			279
			841,642

At 30 June 2021	**Number of shares**	**Par value (Birr)**	**Amount (Birr)**
Eth Switch S.C.	12,002	1,000	37,059
Addis Africa International. Convention	20,481	1,000	10,133

&Exhibition Center			
Hohete Tibeb S.Co	10,549	500	14,109
Ethiopian Reinsurance S.C	2,160	1000	20,116
Abay Industrial Development S.C	3,729		372,900
Yetebaberut Petroleum S.C	179		894
Nile Insurance S.C	100		100
			455,311

19. Other assets

	30 June 2022 Birr’000	30 June 2021 Birr’000
System suspense	37,343	37,903
Acquired collaterals	160,351	195,030
Sundry receivable	1,311,068	1,504,699
Items in course of collection from other banks	207,808	137,665
Deposit and prepayment	227,593	53,426
Prepaid staff asset	1,786,642	1,029,791
Gross amount	**3,730,806**	**2,958,514**
Less: other asset-ECL	(92,177)	(82,546)
	3,638,629	**2,875,968**

*The asset held for sale comprises repossessed collaterals. The buildings are measured at fair value decreased in value while various spare parts are not impaired.

**Out of Sundry Receivable Accounts, Receivable balance worth birr 298,908,564 was paid to Ethiopian Roads Authority (ERA) in relation to advance payment guarantee for road construction contract issued by the Bank takes counter guarantee issued by the State Bank of India (SBI) and the case is under process of legal action to collect the money from the Stated Bank of India.

Maturity analysis	**30 June 2022 Birr’000**	**30 June 2021 Birr’000**
Current	2,743,889	1,997,197
Non-current	986,917	961,317
	3,730,806	**2,958,514**

19a. Impairment allowance on other .assets

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

	30 June 2022 Birr’000	30 June 2021 Birr’000
Balance at the beginning of the year	82,546	77,966
(Reversal)/ charge for the year (note 10)	7,631	4,580
Balance at the end of the year	**90,177**	**82,546**

20. Investment property

	Total Birr'000
Cost:	
As at 1 July 2020	12,339
Acquisitions	-
Transfer from property and equipment	(0)
As at 30 June 2021	**12,339**
	12,339
As at 1 July 2021	
As at 1 July 2021	
Acquisitions	-
Transfer from property and equipment	(0)
As at 30 June 2022	**12,339**
Accumulated depreciation and impairment losses	
As at July 1 2020	
Transfer from property and equipment	(836)
Amortization for the year	(234)
Impairment losses	-
As at 30 June 2021	**(1,070)**
As at 1 July 2021	(1,070)
Amortization for the year	(234)
Impairment losses	-
As at 30 June 2022	**(1,305)**
Net book value	
As at 30 June 2021	**11,269**
As at 30 June 2022	**11,034**

The investment property comprises of the following properties:

1. Dila building outside Addis Ababa region birr 12.34 million

20a. Amount recognized in profit or loss for investment properties

	Notes	30 June 2022 Birr'000	30 June 2021 Birr'000
Rental income		11,613	4,817
Direct operating expense from property that generated		-	
Rental income			-
		11,613	**4,817**

20b. Fair value measurement of the Bank's investment properties

The Banks investment property is measured at cost. These properties include those held for rental purpose 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 reliability 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 residual value 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 June 30, 2016 has been arrived at by in-house engineers qualified estate surveyors and reviewed and approved by independent values. These values have appropriate qualifications and recent experience in the valuations of properties in the relevant locations.

The fair value was determined based on the replacement cost concept which approximate the estimated amount for which a property should exchange on the date of valuation between knowledgeable willing parties in an arm's length transaction after proper marketing, prudently and without compulsion.

This implies a market comparable approach that reflects the recent transaction price for similar properties). In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

20c. Fair value Hierarchy

Details of the Bank's investment properties and information about the fair value hierarchy at 30 June 2021,and at 30 June 2022 respectively, are as follows:

30 June 2022	**Carrying Amount Birr'000**	**Level 1 Birr'000**	**Level 2 Birr'000**	**Level 3 Birr'000**
Investment properties	12,339			12,339

30 June 2021	**Carrying Amount Birr'000**	**Level 1 Birr'000**	**Level 2 Birr'000**	**Level 3 Birr'000**
Investment properties	12,339			12,339

21. Intangible Assets

	Birr'000
Cost:	344,299
As at July 1 2020	
Acquisitions	216,117
Internal development	-
Transfer from property and equipment	-
WIP	(76,923)
As at 30 June 2021	**483,493**
As at July 2021	483,493
acquisitions	147,354
WIP	(40,674)
Internal development	-
Transfer from property and equipment	-
As at 30 June 2022	**590,174**

Intangible Assets (Contd)

Accumulated depreciation and impairment losses	
As at 1 July 2020	
Transfer from property and equipment	98,933
Amortization for the year	13,856
Impairment losses	-
As at 30 June 2021	**112,790**
As at July 2021	112,790
Amortization for the year	46,562
Impairment losses	-
As at 30 June 2022	**159,352**
Net book value	
As at 30 June 2021	370,703
As at 30 June 2022	430,822

22. Leases

22.1. Leases as Lessee

The Bank leases a number of branch, office premises and land lease. The Leases typically option to renew the lease after that expiry date. Information about leases for which the Bank is a Lessee is presented below:

22.1.1. Right –of use Assets and lease obligation

Information about leases for which the Bank is a lease is presented below;
Right-of Use Assets

Cost:	land Birr'000	Building Birr'000	Total Birr'000
Balance at 01 July 2021	83,909	2,452,040	2,535,949
Adjustments	3,598	(23,145)	(19,548)
Addition	-	833,097	833,097
Balance as at 30 June 2022	**87,506**	**3,261,992**	**3,349,498**
Amortization			
		694,783	694,783
Balance at 01 July 2021			
Adjustments	3,598		3,598
Charge for the year	8,626	519,616	528,241
Balance at 30 June 2022	**12,223**	**1,214,399**	**1,226,622**
Net Carrying Value at 30 June 2021	83,909	1,757,257	1,841,166
Net Carrying Value at 30 June 2022	**75,283**	**2,047,594**	**2,122,877**

Ii Lease Liabilities	land Birr'000	Building Birr'000	Total Birr'000
Balance at 01 July 2021	44,480	382,571	427,051
Adjustments			
Additions		20,499	20,499
Interest expense in P & L	5,152	13,745	18,897
Payment of Leases		(62,353)	(62,353)
Balance at 30 June 2022	**49,632**	**354,461**	**404,094**

At 30 June 2022, the future minimum lease payments under non-cancellable operating leases were payable as follows;

Maturity analysis- contractual undiscounted cash flows

	30 June 2022 Birr'000	30 June 2021 Birr'000
Less than one year	73,244	114,688
Between one and five years	268,533	283,859
More than five years	21,638	3,013
Total undiscounted lease liabilities as at 30 June2022	**363,414**	**401,560**

	30 June 2022 Birr'000	30 June 2021 Birr'000
Interest expense on lease liabilities (Note 6)	18,897	22,736
Short term leases of low value assets(ATM rent)	14,321	6,837

Amounts recognized in statement of cash flows

	30 June 2022 Birr'000	30 June 2021 Birr'000
Total cash outflows for leases	833,097	856,594

22.2. Leases as Lessor

22.2.1. Finance Lease

The Bank does not hold any finance Leases in its capacity as a Lessor.

22.2.2. Operating Lease

The Bank lease out its buildings property. The Bank has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 23 sets out information about the operating leases of property and equipment.

Rental income recognized by the Bank during the year ended 30 June 2022 was 8.54 million (2021 birr 4.47 million)

23. Property and equipment

	Land and Buildings Birr'000	Motor Vehicles Birr'000	Office and other Equipment Birr'000	Furniture & fittings Birr'000	Computer & related items Birr'000	Construction in Progress Birr'000	Total Birr'000
As at 1 July 2020	**326,232**	**397,058**	**374,401**	**262,588**	**368,117**	**1,352,639**	**3,081,035**
Additions	185,649	324,734	577,708	198,015	211,239	34,289	1,531,633
Reclassification	-	-	-	-			-
Disposals		-	(34,834)	(14,302)	(61,689)		(110,826)
As at 30 June 2021	**511,881**	**721,792**	**917,274**	**446,300**	**517,666**	**1,386,929**	**4,501,842**
As at 1 July 2021	**511,881**	**721,792**	**917,274**	**446,300**	**517,666**	**1,386,929**	**4,501,843**
Additions	89,597	23,310	380,131	262,569	38,387	119,719	913,713
Reclassification							-
Disposals					(22)	(1,057)	**(1,079)**
As at 30 June 2022	**601,478**	**745,103**	**1,297,406**	**708,869**	**556,031**	**1,505,590**	**5,414,477**
Accumulated depreciation							
As at 1 July 2020	21,091	131,013	120,874	72,934	166,886	-	512,798
Transfer to intangible assets	-						
Charge for the year	7,157	47,640	72,770	27,809	54,025	-	209,401
Right-use-asset Depreciation charges							
Reclassification	-	-	-				
Accumulated depreciation on disposals			(34,486)	(14,159)	(61,072)	-	(109,718)
As at 30 June 2021	**28,248**	**178,653**	**159,158**	**86,584**	**159,839**	-	**612,481**
As at 1 July 2021	28,248	178,653	159,158	86,584	159,839	-	612,481
Charge for the year	10,242	62,300	115,943	46,723	74,650		309,858
Reclassification	-	-	-	-	-	-	-
Accumulated depreciation on disposals	-	-	-	-	(16)	-	(16)
As at 30 June 2022	**38,490**	**240,953**	**275,101**	**133,306**	**234,473**		**922,323**
Net book value							
As at 30 June 2021	483,633	543,139	758,116	359,717	357,827	1,386,928	3,889,361
As at 30 June 2022	**562,988**	**504,150**	**1,022,305**	**575,563**	**321,558**	**1,505,590**	**4,492,154**

Customer deposits are financial instruments classified as liabilities as amortized cost.

24. Deposits from customers

	30 June 2022 Birr'000	30 June 2021 Birr'000
Private sector & Staffs	94,156,437	71,382,173
Co-operatives & Associations	3,080,782	3,478,486
Domestic banks	3,665,667	1,769,516
NR - Transferable Birr accounts	29,612	34,045
Public agencies & enterprises	4,708,162	991,235
NR - Non-transferable Birr accounts	63,856	33,880
NR- Foreign currency accounts	3,597,679	1,992,575
Residents	708,679	896,137
Wadiah deposit-Private sector & Staffs	11,920,533	8,154,893
Wadiah Deposit-Co-operatives & Associations	79,916	143,313
Wadiah Deposit-Public agencies & enterprises	7,974	7,351
Wadiah Deposit-Domestic banks	19,047	521
Mudarabaha Saving Account	7,075	-
	122,045,419	**88,884,125**

Customer deposits are financial instruments classified as liabilities as amortized cost.

25. Other Liabilities

	30 June 2022 Birr'000	30 June 2021 Birr'000
Cashiers' payment orders	550,230	579,044
MTs and TTs payable - local and foreign	313	4,615
Dividend payable	69,319	45,911
Exchange and auction payable to NBE	313,305	255,945
Accrued leave payable	231,033	169,456
Board of Director fee	1,285	1,350
Margins held on letters of credit	1,212,291	2,952,215
Other payables	7,530,385	572,542
Bonus accrual	354,400	254,286
Unearned income	113,475	154,081
Provision on salary, other expense and asset damage for north Ethiopi conflict	750,000	200,000
Borrowings NBE	46,981	60,052
Gross amount	**11,173,015**	**5,249,497**

	30 June 2022 Birr'00	30 June 2021 Birr'000
Current	11,173,015	5,249,497
Non-current*	-	-
	11,173,015	**5,249,497**

*Non-current liability is represents a lease liability

26. Retirement benefit obligations

	30 June 2022 Birr'000	30 June 2021 Birr'000
Defined benefits liabilities :		
-Severance pay (note 26a)	206,114	142,093
-Long service awards		
-Pension prize		
Liability in the statement of financial position	**206,114**	**142,093**
Income statement charge included in personal expenses:		
-Severance pay (note 26a)	(11,663)	39,115
-Long service awarded		
-Pension prize		
Total defined benefit expenses	**(11,663)**	**39,115**
Re-measurements for:		
-severance pay (note 26a)	84,538	(11,818)
-long service awarded		
-pension prize		
	84,538	**(11,818)**

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

26a. Severance Pay

The Bank operates an unfunded severance pay plan for its employees who have served the Bank for 5 years and above and are below the retirement age (i.e. has not meet 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 1 month salary for the first year in employment plus 1/3 of monthly salary for each subsequent in employment to a maximum of 12 months final monthly salary.
The Bank has updated executive management staff regulation Manual, which shows amended benefit payable to Executive, management as follows

Service at exit	Severance benefit
0-3 years	30 days of salary for the first year of services and 10 days of salary for Each year thereafter (only if exit on death)
3-5 years	90 days of salary for the first year of services and 10 days of salary for Each year thereafter
5-7 years	90 days of salary for the first year of services and 15 days of salary for Each year thereafter
More than 7 years	90 days of salary for the first year of services and 30 days of salary for Each year thereafter

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

A Liability recognized in the financial position	**30 June 2022 Birr'000**	**30 June 2021 Birr'000**
	206,114	**142,093**

B Amount recognized in the profit or loss	**30 June 2022 Birr'000**	**30 June 2021 Birr'000**
Current service cost	18,750	18,841
Interest cost	24,244	20,274
Past service cost	(54,657)	-
	(11,663)	**39,115**

C Amount recognized in other comprehensive income:		
Re- measurement (gains)/losses arising from changes in demographic assumptions	85,854	(5,310)
Re -measurement (gains)/losses arising from changes in financial assumptions	(1,316)	(6,508)
	(17,517)	
Tax credit/(charge)		(7,641)
	67,021	**(19,459)**

Re-measurement (loss) on retirement benefits obligations of 2022 birr 84 million and 2021 12 million it's Other Component of Equity (OCE) with debit balance and should be accounted to retained earnings.

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

	30 June 2022 Birr'000	30 June 2021 Birr'000
At the beginning of the year	206,114	142,093
Current service cost		
Interest cost		
Re-measurement (gains)/losses		
Benefits paid		
At the end of the year	**206,114**	**142,093**

The significant actuarial assumptions were as follows:

i) Financial Assumptions Long term Average	30 June 2022 Birr'000	30 June 2021 Birr'000
Discount Rate (p.a)	23.80%	15.00%
Rate of Pension Increase(p.a)	17.30%	10.00%
Average Rate of Inflation (p.a)	17.30%	10.00%
	5.54%	**5%**

ii) Mortality In service

The rate of mortality assumed for employees are those according to the British A49/52 ultimate table published by the institution of Actuaries of England. These rates combined are approximately summarized as follows:

Age	Males mortality rate	Females mortality rate
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%	0.001536%

iii) Withdrawals from Service

The withdrawal rates are believed to be reasonable representative of the Ethiopian experience. The valuation assumed a rate of withdrawals of 10% at youngest age falling with increasing age to 2.5% at age 44.

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

Impact on defined benefit obligation

	Change in assumption	30 June 2022 Impact of an Increase	30 June 2022 Impact of a Decrease	30 June 2021 Impact of an Increase	30 June 2021 Impact of a Decrease
		Birr'000	Birr'000	Birr'000	Birr'000
Discount rate	1.00%	194,464	218,573	129,344	156,227
Salary increase	1.00%	219,173	193,739	156,831	128,624

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 recognized within the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the severance pay plan at the end of the reporting period is 2.78 year.

27. Ordinary share capital

	30 June 2022 Birr'000	30 June 2021 Birr'000
Authorized:		
400,000,000 ordinary shares of birr 25 each	10,000,000	10,000,000
Issued and fully paid:		
207,991,945ordinary shares of birr 25 each	8,319,678	5,182,212

28. 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 2022 Birr'000	30 June 2021 Birr'000
Profit after tax	3,516,620	1,358,783
Weighted average number of ordinary shares in issue	6,190,260	3,473,505
Average number of shares	247,610	138,940
Earnings per share (per value of Birr 25)	14.20	9.78
Basic & diluted earnings per share (Birr)	56.81	39.12

29. Retained earnings

	30 June 2022 Birr'000	30 June 2021 Birr'000
At the beginning of the year	1,087,557	419,578
Profit/(loss) for the year	3,235,824	1,341,953
Dividend paid	(1,087,557)	(419,578)
Transfer to legal reserve	(808,956)	(335,488)
Transfer to regulatory risk reserve	(290,602)	61,641
Transfer from Revaluation Surplus	3,888	19,451
Other comprehensive income	-	
At the end of the year	**2,140,154**	**1,087,557**

30. legal reserve

	30 June 2022 Birr'000	30 June 2021 Birr'000
At the beginning of the year	1,547,051	1,211,563
Transfer from Profit or loss	808,956	335,488
At the end of the year	**2,356,007**	**1,547,051**

The NBE directive no.SBB/4/95 state 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 present) of the annual net profit.

31. Regulatory risk reserve

	30 June 2022 Birr'000	30 June 2021 Birr'000
At the beginning of the year	332,453	394,093
Transfer (from) to retained earnings	290,602	(61,641)
At the end of the year	**623,055**	**332,453**

The Regulatory risk reserve is a non-distributable reserves required by the regulations of the National Bank of Ethiopia (NBE) guidelines is higher than the loan loss impairment determined using the expected credit model.

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is higher than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the Bank.
Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is less than the loan loss impairment determined using the incurred loss model under IFRS, the

difference is transferred from regulatory risk reserve to the retained to the extent of the non-distributable reserve previously recognized.

Where the 70% of suspended interest income kept under this regulatory reserve account until the regulatory organ (NBE) amend the directive related to provision.

32. Other Reserves

	30 June 2022 Birr'000	30 June 2021 Birr'000
At the beginning of the year	25,710	8,880
Fair value reserve-equity investment	347,819	(2,628)
Re-measurements gains on defined befit plan(Net of tax)	(67,021)	19,459
At the end of the year	**306,508**	**25,710**

33. Cash generated from operating activities

	Notes	30 June 2022 Birr'000	30 June 2021 Birr'000
Profit before tax		4,654,545	2,051,543
Adjustments of non-cash items:			
Depreciation of property, plant and equipment	23	313,063	209,404
Depreciation of investment property	20	234	234
Depreciation of right use of asset	22	536,186	411,433
Amortization of intangible asset	21	46,562	13,856
Gain/(loss)on disposal of property, plant and equipment	10	(7,125)	(109)
Gain/(loss) on sale of acquired property	10	(20)	(219)
Impairment on loans and receivables	11	629,802	674,791
Impairment on other Financial assets	12	12,556	4,275
Provition on salary, other expense and asset damage for North Ethiopia conflict	15b	550,000	200,000
Loss on fair value through PL		-	(1,270)
Interest on lease liability	6	18,897	22,736
Severance payment	13	2,819	35,902
Net gain foreign currency transaction and translations		774,203	231,042

change in working capital:

-Decrease/ (increase) in loans and advance	17	(36,757,347)	(39,328,756)
-Decrease/ (increase) in other assets	19	(772,292)	(956,755)
-Increase (decrease) in other liabilities	25	5,274,625	2,277,860
-Increase (decrease) in deposit by customers	24	33,161,294	41,256,513
		8,437,992	**7,102,481**

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

	30 June 2022 Birr'000	30 June 2021 Birr'000
Proceeds from disposal acquired property	127	14,039
Net book value of property, plant and equipment disposed	(107)	(13,831)
Capital gain tax paid		
Gain/(loss) on sales of property, plant and equipment		
	19	**209**

34. Revaluation surplus account

	30 June 2022 Birr'000	30 June 2021 Birr'000
At the beginning of the year	442,754	462,205
Adjustment for depreciation for the year	(3,888)	(19,451)
	438,866	**442,754**

The Revaluation surplus account is a non-distributable to shareholders and non-taxable income kept under equity section which is the net revalued amount for building asset in order the Bank followed fair value approach as deemed cost for first time adoption of IFRS until tax authority recognized fair value approach regarding property, plant and equipment. However, during the year the revaluation surplus amount has reduced by the depreciated amount and transfer to retained earnings.

35. Related party transactions

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both.

There are other companies which are related to Bank of Abyssinia through common shareholdings or common directorships.

In the normal course of business, a number of banking transactions are entered into related parties i.e staff, directors, their associates and companies associated with directors. These include loans, deposits and foreign currency transactions. Loans and advances to customers include loans and advances to staff and to companies associated with directors.

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

35a. loans and advances to directors

The outstanding loan balances to directors arose from the ordinary course of business and are substantially on the same term, including interest rates and security, as for comparable transactions with third-party counterparties. The amount are as follows;

	30 June 2022 Birr'000	30 June 2021 Birr'000
Loan to directors and executive management	430,084	356,240

35b. Key management compensation

Key management has been determined to be the member of Board of Directors and Executive Management of the Bank. The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2022.

	30 June 2022 Birr'000	30 June 2021 Birr'000
Salaries and other short-term employee benefits	30,425	27,287
Sitting allowance	3,219	2,073
	33,644	**29,360**

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

36. Contingent liabilities

36a. 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 2022 is birr 2.2 million (30 June 2021: birr2.2 million) No provision has been made in the financial statements as the Directors believe that it is not probable that the economic benefit would flow out of the Bank in respect of the legal actions.

36b. Guarantees and letter of credit

"The Bank conducts business involving performance bond and guarantees. These instruments are given as a security to support the performance of customer to third parties. As the Bank will only

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

	30 June 2022 Birr'000	30 June 2021 Birr'000
Financial guarantees	1,933,577	600,310
Loans and advances approved but not disbursed	532,533	309,171
Unutilized overdraft and other revolving facilities	74,892	240,829
Letter of credit	2,665,234	1,900,000
At the end of the year	**5,206,237**	**3,050,310**

37. Events after reporting period

In the opinion of the Directors, there was no significant post balance sheet events which could have a material effect on the state of affairs of the bank as at 30 June 2022 and the profit for the period ended on that date, which have not been adequately provided for or disclosed..

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የ፳፻፲፩ ዓ.ም የኦዲተሮች ሪፖርት

የትርፍና ኪሳራ፣ሌሎች ገቢዎች
እንዲሁም
የሀብትና እዳ መግለጫ

	ማብራሪያ	2014 ብር(000)	2013 ብር(000)
ከወለድ የተገኘ ገቢ	5	14,351,498	7,856,665
ሲቀነስ:-የወለድ ወጪ	6	(4,231,929)	(2,672,202)
የተጣራ የወለድ ገቢ		**10,119,569**	**5,184,462**
ከውጪ ሀገር ገንዘብ ምንዛሬ ተመን ለውጥ የተገኘ ትርፍ	7	(774,203)	(231,042)
ከአገልግሎት ገቢ		1,942,401	1,576,100
ከኮሚሽን ገቢ	8	974,914	859,815
የተጣራ የአገልግሎትና ኮሚሽን ገቢ		**2,143,112**	**2,204,872**
ከትርፍ ክፍፍል ገቢ	9	8,030	9,873
ከልዩ ልዩ ገቢ	10	212,959	133,237
		220,989	**143,110**
አጠቃላይ መደበኛ ገቢ		**12,483,670**	**7,532,446**
ለብድር የተያዘ መጠባበቂያ	11	(629,802)	(674,791)
ለሌሎች ሀብቶች የተያዘ መጠባበቂያ	12	(12,556)	(4,275)
የተጣራ መደበኛ ገቢ		**11,841,312**	**6,853,380**
ለሠራተኞች ደመወዝና ጥቅማ ጥቅሞች	13	(4,389,301)	(3,228,008)
ሀልዎት ለሌላቸው (Intangible) ሀብት የማቋቋሚያ ወጪ	21	(46,562)	(13,856)
የቋሚ ሀብት እርጅና ተቀናሽ	23	(313,063)	(209,404)
የኢንቨስትመንት ሀብት እርጅና ተቀናሽ	20	(234)	(234)
የቤት ኪራይ ወጪ	22	(536,186)	(411,433)
ከቤት ኪራይ ጋር የተያያዘ የወለድወጪ	22	(18,897)	(22,736)
ሌሎች መደበኛ ወጪዎች	14	(1,882,524)	(916,165)
ትርፍ - ከትርፍ ግብር በፊት		**4,654,545**	**2,051,544**
ሲቀነስ:-የትርፍ ግብር መጠባበቂያ	15	(1,418,721)	(709,591)
ትርፍ - ከትርፍ ግብር በኋላ		3,235,824	1,341,953
ሌሎች ገቢዎች ከትርፍ ግብር በኋላ			
በትርፍና ኪሳራ መዝገብ የማይካተቱ ገቢዎች/ወጪዎች/			
በጡረታ ጊዜ ለሰራተኞች ሊከፈል የሚችል ጥቅማጥቅም	26	(67,021)	19,459
አ. ማህበራት ኢንቨስትመንት በወቅታዊ ግምት የመጣ ገቢ	32	347,819	(2,628)
የአመቱ አጠቃላይ የተጣራ ገቢ		**3,516,622**	**1,358,784**
እያንዳንዱ አክሲዮን ያስገኘው ትርፍ	28	14.20	9.78

መኮንን ማንያዘዋል
የዳሬክተሮች ቦርድ ሊቀ መንበር

ቢቃሉ ዘለቀ
ዋና ሥራ አስፈፃሚ

	ማብራሪያ	2014 ብር(000)	2013 ብር(000)
ሀብት			
ጥሬ ገንዘብ እና ጥሬ ገንዘብ አከል ሀብት	16	18,475,298	12,091,041
ለደንበኞች የተሰጡ ብድሮች	17	111,579,524	75,451,979
ኢንቨስትመንት	18		
የብሔራዊ ባንክ ሰነድ ግዢ		7,859,450	7,063,543
በተለያዩ አ.ማህበራት የተደረገ ኢንቨስትመንት		841,642	455,311
ሌሎች ሀብቶች	19	3,638,629	2,875,968
የኢንቨስትመንት ሀብት	20	11,034	11,269
ሀልዎት የሌላቸው (Intangible) ሀብት	21	430,822	370,703
ለቤት ክራይ የተከፈለ	22	2,122,877	1,841,166
ቋሚ ሀብት	23	4,492,154	3,889,363
አጠቃላይ ሀብት		**149,451,430**	**104,050,343**
የዕዳ ሚዛን			
የደንበኞች ተቀማጭ ገንዘብ	24	122,045,419	88,884,125
ሌሎች ዕዳዎች	25	11,173,015	5,249,497
ተከፋይ የትርፍ ግብር	15	1,365,460	682,094
በውል ዘመኑ ሌከፈል የሚችል የቤት ክራይ	22	404,094	427,051
በጡረታ ጊዜ ለሰራተኞች የሚከፈል ጥቅማጥቅም	26	206,114	142,093
ወደፊት የሚከፈል የትርፍ ግብር	15	41,143	15,829
አጠቃላይ የዕዳ ሚዛን		**135,235,245**	**95,400,689**
የካፒታልና መጠባበቂያ ሒሳቦች			
የተከፈለ ካፒታል	27	8,319,678	5,182,212
በአክሲዮን ሽያጭ ዋጋ ብልጫ የተከፈለ		5,998	5,998
ያልተከፈለ ትርፍ	29	2,140,154	1,087,557
ለህንፃዎች ወቅታዊ ግምት በልዩነት የተያዘ	34	438,866	442,754
ሕጋዊ የመጠባበቂያ ሒሳብ	30	2,356,007	1,547,051
በብሔራዊ ባንክ መመሪያ መሰረት ለብድር የተያዘ ተጨማሪ መጠባበቂያ	31	623,055	332,452
ልዩ የመጠባበቂያ ሒሳብ		25,919	25,919
ሌሎች የመጠባበቂያ ሒሳቦች	32	306,508	25,711
አጠቃላይ ካፒታልና የመጠባበቂያ ሒሳቦች ሚዛን		**14,216,185**	**8,649,654**
አጠቃላይ ዕዳዎች ካፒታልና የመጠባበቂያ ሒሳብ ሚዛን		**149,451,430**	**104,050,343**

መኮንን ማንያዘዋል
የዳሬክተሮች ቦርድ ሊቀ መንበር

በቃሉ ዘለቀ
ዋና ሥራ አስፈፃሚ

ከባንካችን ጋር የሚሠሩ ገንዘብ አስተላላፊ ድርጅቶች

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Thunes.

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Bank of Abyssinia

አቢሲንያ አሚን
AbyssiniAmeen

ሙስኒን
የቁጠባ ሒሳብ

ዕድሜያቸው
ከ 50 ዓመት በላይ
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ዕድሜያቸው
ከ 18 ዓመት በላይ
ለሆናቸው ሴቶች

ፈቲያህ
የቁጠባ ሒሳብ

ዕድሜያቸው
ከ 18 እስከ 29 ዓመት
ለሆናቸው ወጣቶች

ዘካህ
የግዴታ ምጽዋት
የቁጠባ ሒሳብ

የባንካችን አዳዲስ ከወለድ ነፃ የቁጠባ አገልግሎቶች ተጠቃሚ ይሁኑ!

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The Choice for All !

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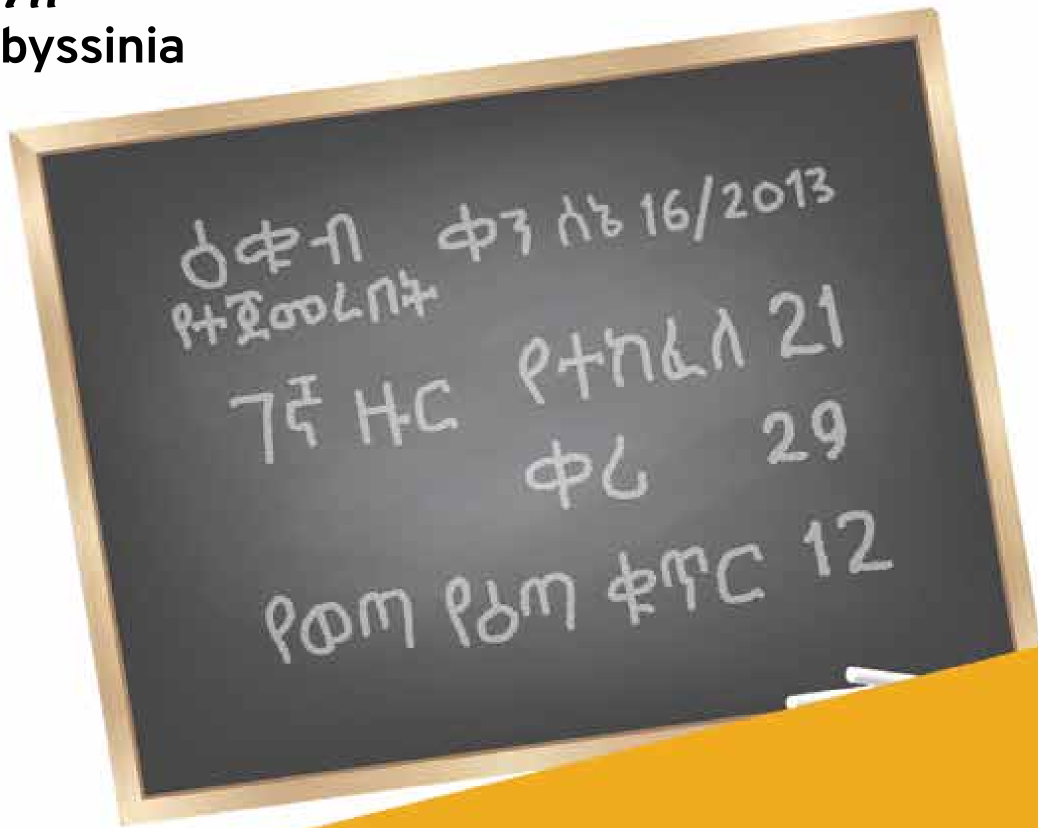
Bank of Abyssinia



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የሁሉም ምርጫ!
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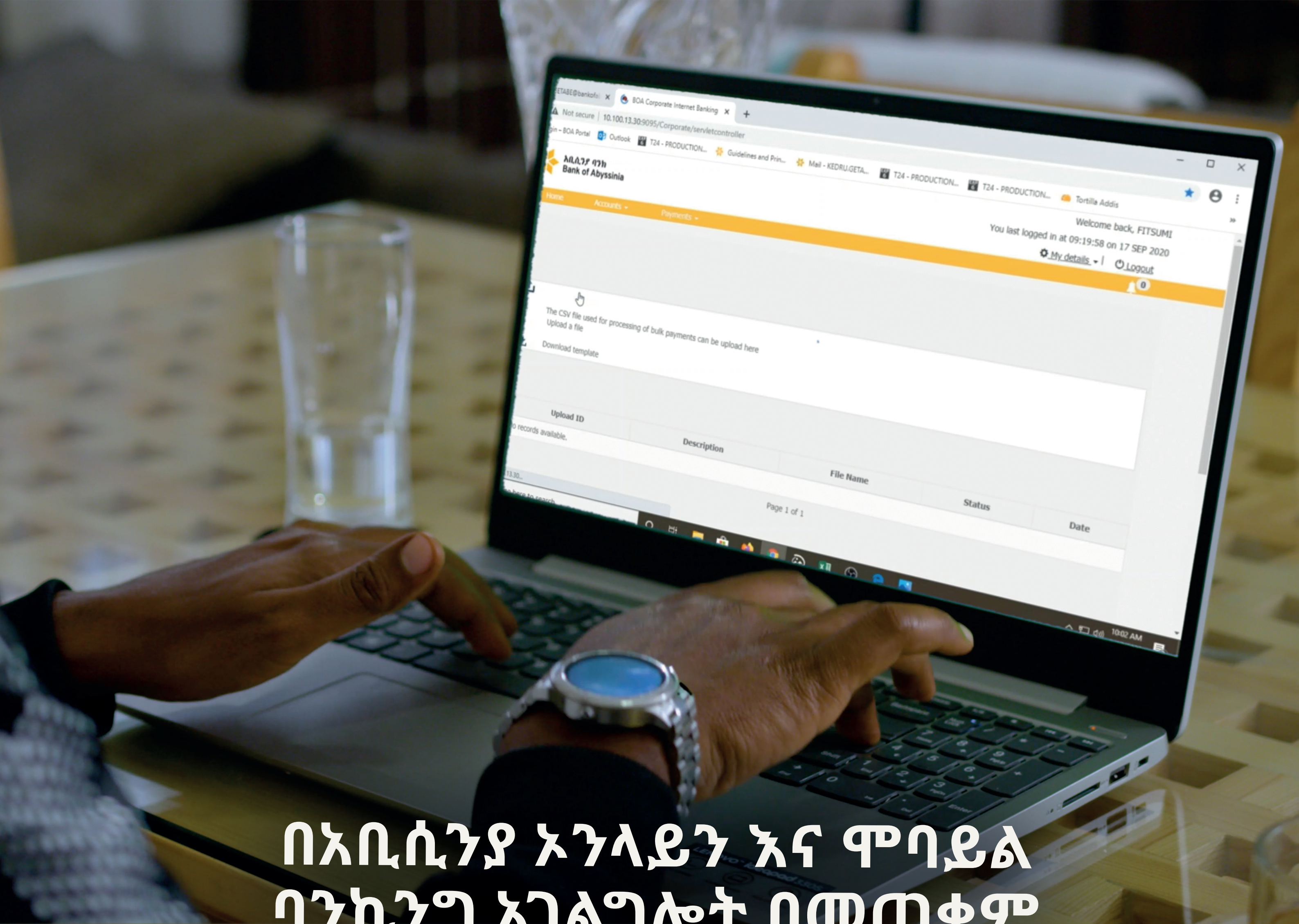
የሁሉም ምርጫ!
The Choice for All !



በአቢሲንያ ኦንላይን እና ሞባይል
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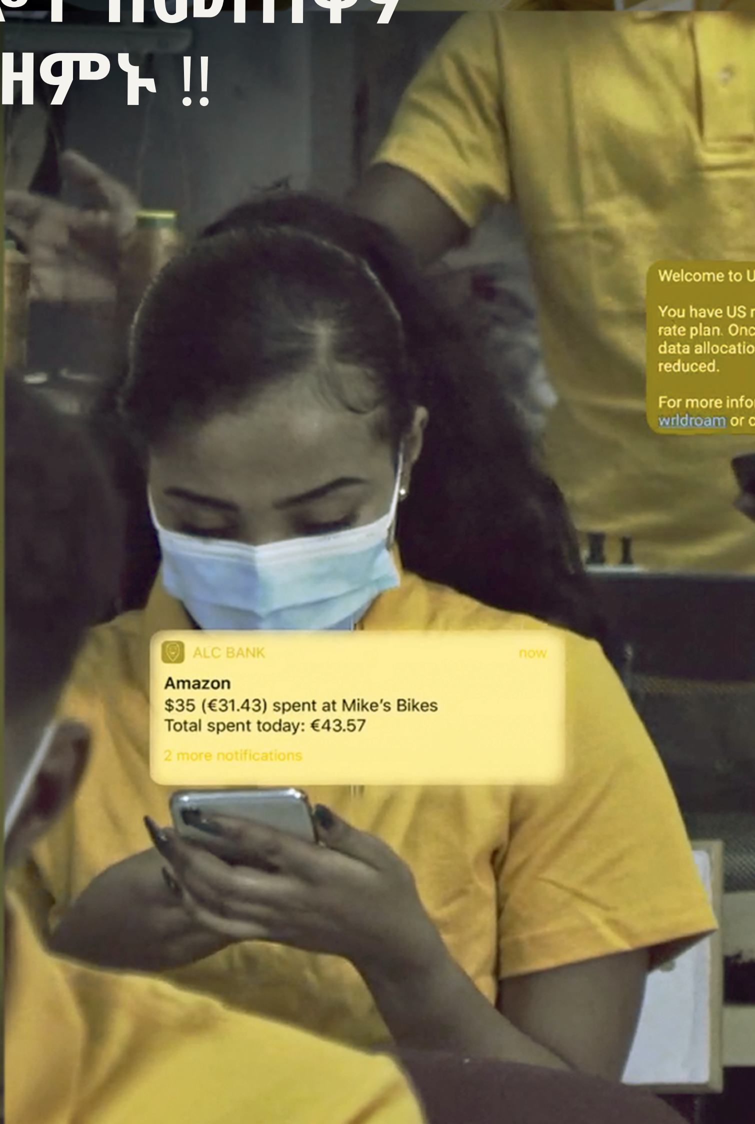
ኑሮዎን ያዘምኑ !!



በመገንባት ላይ ያለው የዋናው መሥሪያ ቤት ሕንፃ

አቢሲንያ ባንክ
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