Oromia Bank
Baankii Oromiyaa ኦሮሚያ ባንክ

ANNUAL

REPORT 2022/ 23

Serving to
Empower You

oromiabank.com

Our Vision

To Become the Bank of Your First Choice

ANNUAL REPORT 2022/23

Our Mission

“We are committed in providing full-fledged and best quality commercial banking services within the pertinent regulatory requirements with due diligence to sustainable business while empowering the missing middle and discharging social responsibility by engaging highly qualified, skilled, motivated and disciplined employees and state-of-the- art information technology, adding real value to the shareholders interest and win the public trust.”

Our Values

We value persistence, endurance and tenacity;
We value the satisfaction of our highly esteemed customers;
We value total respect to our customers and employees
We value transparency, integrity and confidentiality;
We uphold team spirit and grooming potential successor
We value competent and motivated human resources;
We value a sense of belongingness among all our employees;
We promote making OIB a perpetually learning and innovative organization;
We uphold corporate citizenship.

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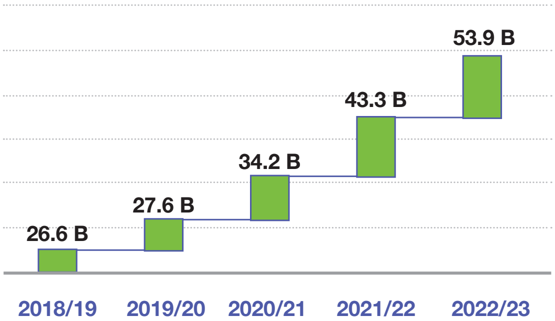
Key Performance Indicators as at June 30,2023

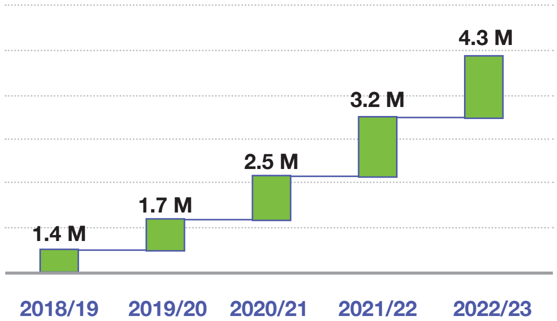
1.62B Net Profit	▲ 13%	**325** Earning per share	▲ 6%	**------** Average dividend Per share	▲ %
2.46B before Depreciation, provision, and Bonus	▲ 29%	**2.16B** Profit Before Tax	▲ 30%	**754.6M** Income Tax	▲ 30%
65.9B Asset	▲ 27%	**8.2B** Revenue	▲ 43%	**6.0B** Expense	▲ 48%
371M FCY	▲ 33%	**53.9B** Deposit	▲ 24%	**42.3B** Loan and IFB Financing	▲ 31%
9,987 Borrowers	▼ 8%	**5.4B** Paid-up Capital	▲ 23%	**9.12B** Total Capital	▲ 25%
503 Branches	▲ 27%	**4.3M** Regular Customers	▲ 33%	**2.56M** Digital Customers	▲ 133%
6,200 Permanent staff	▲ 24%	**9,161** Total Employees	▲ 14%	**945** Service Outlet	▲ 4%

Our Bank’s Key Performance Trend as at June 30,2023

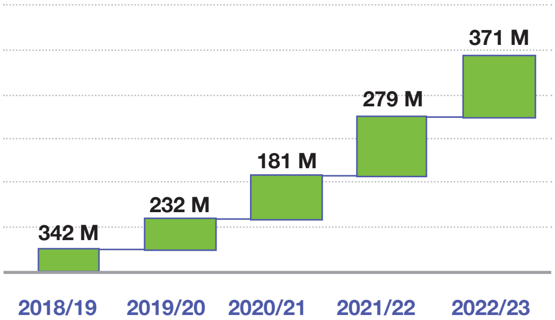
Deposit Mobilization



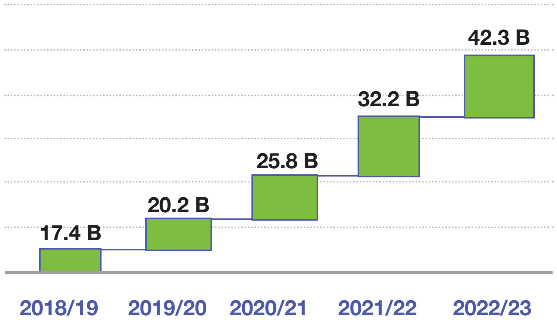
Deposit Accounts



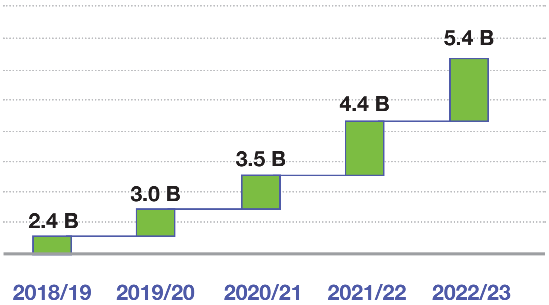
FCY Generation



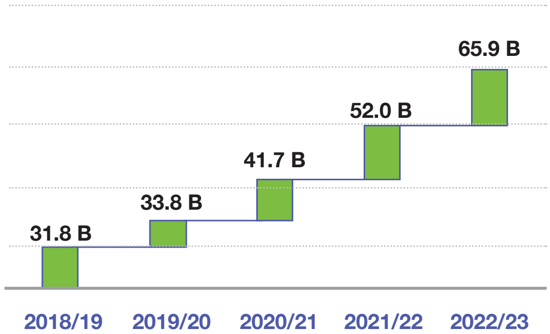
Loan and IFB Financing



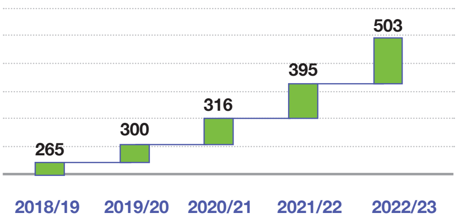
Ppaid up-capital



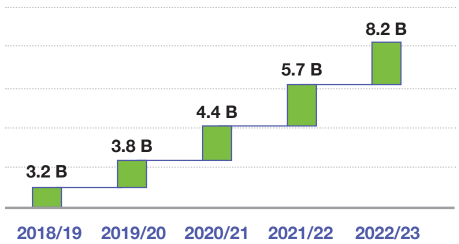
Total Asset



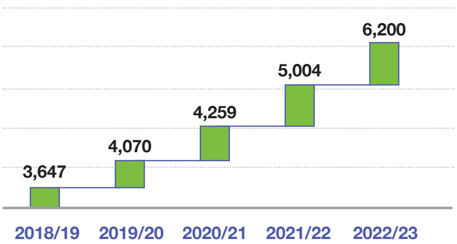
Branch network



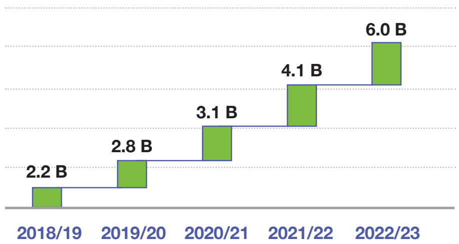
Income



Staff Strength



Expense



Board of Directors

Dr. Assefa Seme
Board Chairperson

Obbo Mulugeta Tujuba
V/Chairperson

Hon. Ajema Gondel
Member

Hon. Eshetu Temesgen (PhD)
Member

Gemechu Waktola (PhD)
Member

Obbo Deressa Kenea
Member

Girma Balcha (PhD)
Member

Fanta Tesgera (PhD)
Member

Hon. Gudeta Gelalcha
Member

Obbo Worku Homa
Member

Obbo Samuel Tesfa
Member, Representing Oromia Insurance S.Co.

Obbo Solomon Geda
Company Secretary

Message from the Board of Directors' Chairperson

A Draft Board Chairperson's Message for the 2022/23 AGM

Dear respected shareholders, invited guests, observers from the National Bank of Ethiopia, and Documents Authentication and Registration Agency;

Ladies and Gentlemen,

On behalf of the Board of Directors and myself, I am honored to welcome you all to the 14th Annual and 5th Extraordinary General Meetings of Shareholders. It is also a great privilege for me to present the Annual Report of the Board of Directors focusing on key performances of our Bank for the financial year ended June 30, 2023.

Respected Shareholders, Ladies and Gentlemen,

The global economy faced great uncertainty due to the continuing effects of COVID-19, Russia's invasion of Ukraine, and supply chain disruptions. This resulted in inflation reaching multi-decade highs in many countries last year, leading central banks to aggressively tighten monetary policy to bring inflation back to target and keep expectations anchored.

In Ethiopia, the annual inflation rate was 33% in May 2023, a 0.5% decline from April, mainly driven by falling food prices compared to the previous month.

Ladies and Gentlemen,

Against this backdrop, I am happy to report our Bank has shown resilience and maintained strong growth. We opened 103 new branches, which increased our total network to 503 across the country. Total deposit grew by 25% to Birr 53.9 billion, with deposit accounts up by 33.5% to 4.25 million. The number of Digital customers was up by 33.5% to 2.54 million.

Total loans and advances increased by 33% to Birr 42.69 billion, with the corporate NPL ratio improving to 1.63%. Foreign currency generation reached 371 million exceeding the planned target of USD 336.6 million, by 2%.

A total income of Birr 8.3 billion was generated, exceeding the target by 4% year-on-year. Profit before tax was Birr 1.99 billion, exceeding the target by 7.4%.

Our staff strength reached 6,200 as a result of extensive recruitment. Employees were aggressively trained on various areas pertaining to their duties with the view of building their capacities thereby ensuring superior customer experience, which is the central pillar of the Bank's strategy.

The Bank's equity investment reached 153 million birr as of June 30, 2023, a 15% increase from that of the previous year due to additional investments. Six companies, including Oromia Insurance, Ethswitch, and Tsehay Industry, were profitable. The Bank received a total of Br 17.1 million in dividends, 8.59 million from Oromia Insurance, 4.83 million from Tsehay Industry, and 3.68 million from Ethswitch, and the remaining amount from the rest three companies. Other companies have not yet paid dividends even though they are achieving their strategic purposes of their establishment.

Construction of the Gelan Excellence & Convention Centre is well underway, with central store and auxiliary works 61.83% completed. Construction of our new transitional Headquarters building in Goma-Kuteba is progressing with commendable pace. Our efforts to acquire plots of land from the Finfinne City Administration for the Bank's future Headquarters construction at Mexico locality, Senga Tera area, which is dubbed the country's 'financial hub', has continued despite challenges encountered. Efforts to secure plots of land in different major towns in the country mainly in Oromia are promising. Constructing our own buildings in major towns is believed to enhance the asset base of our bank and also supports the smooth running of banking operations.

A new digital platform, named Oroodigital, will shortly Golive, and it is believed to transform our digital banking services. Oroodigital, the omnichannel Solution supporting online banking, mobile apps, USSD, etc., will significantly increase the Bank's digital reach out to customers by enabling customers to seamlessly access various digital products on one platform, and this will play a pivotal role in the strategic objective of ensuring superior customer experience.

Our Bank has also continued discharging its corporate social responsibility mainly in response to calls for national development initiatives, and other social and humanitarian services like donation to drought-stricken communities. To this end, a total of Birr 73.5 million was donated during the reporting financial year.

Dear respected shareholders,

During the reporting financial year, the Board of Directors conducted 19 full board meetings (including regular and urgent meetings). Each of the Board sub-committees also conducted regular meetings as required by the National Bank of Ethiopia. During the reporting period, the Board passed various value-adding decisions and provided directions and guidance as per the policies and procedures of the Bank as well as the regulatory organ's directives. The Board has closely supervised the effective implementation of Board's three years agenda and the Bank's third strategic plan, which is believed to transform the entire operation of the Bank.

The Board thoroughly assessed the effectiveness of the full Board, its subcommittees and individual Directors twice during the reporting period. This important exercise gathered directors' perspectives on the effectiveness of the Board and areas for improvement. The findings were discussed at the Board meetings and affirmed that overall, directors are satisfied with the performance and effectiveness of the Board and its subcommittees.

Our commitment to service excellence, customer focus, and leadership development has continued to receive global and local recognition. Accordingly, we are proud to be awarded top prizes for quality services and leadership for second time.

During the reporting year, the Bank received the following awards:

- The 2023 award of International Diamond Quality Excellence Award from the European Society For Quality Research Award (ESQR), for the second time at a ceremony organized by ESQR in Brussels, Belgium;

- Industrial Higher Honor, first Level Quality Award and Trophy at 2023 Abyssinia Quality Awards; the CEO was awarded Legion of Honor and Nishan; and some senior management members were awarded Best Industrial Worker medals.

Respected Shareholders,

I would also like to provide information on directors and CEO remuneration as follows:

The total remuneration paid to Directors and key executives in 2023 is summarized as follows:

- As per the resolution of this esteemed general assembly, each Director received a monthly allowance of 10,000.00 Birr, with a maximum annual compensation of 150,000.00 Birr. This decision was implemented in compliance with the relevant provisions of NBE's directive no. SBB/71/2019.
- The CEO was paid Br 345,000.00 monthly salary with additional benefits of 174.3 thousand;
- As regards loans and collaterals, one board member, Dr. Fanta Tesgera had outstanding loan of Br 2.21, and the CEO had Br 10.22 million outstanding loans.

Details of remuneration and other benefits provided are disclosed in the audited financial statements.

Ladies and gentlemen,

The Board was successful in properly guiding the Bank navigate through challenging times. We strive to consolidate our position as a leading modern bank through technology transformation, innovative solutions, human resource and leveraging our unparalleled domestic presence.

Vote of Thanks

Finally, my thanks go to all our stakeholders - shareholders, customers, employees, regulators, and partners for their invaluable support and contribution to the overall success of our bank. Your insights and continued support are most welcome as we strive towards building a stronger, more resilient bank for the future.

Together, we will deliver our purpose of passionately creating value and positively impacting lives.

Thank you for your attention.
May God Bless Us All.

Dr. Assefa Seme
Chairperson, Board of Directors

Ergaa Dura Taa'aa Boordii Daayirektarootaa

Kabajamtoota Abbootii Aksiyoonaa, Keessumoonni affeeramtan, Bakka buutonni Baankii Biyyoolessaa Itoophiyaa, fi Ejensii Mirkaneessaa fi Galmee ragaalee irraa dhuftan,

Maqaa koo fi Maqaa Boordii Daarektarootaan, Yaa'ii Abootii Aksiyoonaa idilee 14ffaa fi yaa'ii ariifachiisaa 5ffaa kana irratti baga nagaan dhuftan yemmuun isiniin jedhu gammachuu guddaatu natti dhagahama. Kana malees, gabaasa boordii hojiilee ijoo baankii keenyaa kan barabaajata darbee, jechuunis kan xumura waggaa Waxabajjii 30, 2023 ALA tti yammuun isiniif dhiyeessu gammachuu guddaadhaani.

Kabajamtoota Abbootii Aksiyoonaa,

Itti fufiinsa Dhiibbaa COVID-19, lola Raashiyaafi Yuukireen gidduu jiru fi dhiyeessiin oomishaa addaan cituu irraa kan ka'e diinagdee addunyaa jeequmsa guddaan mudatee ture. Kunis, bara darbe biyyoota hedduu keessatti qaala'iinsi jireenyaa sadarkaa olaanaa irra akka ga'u taasiseera, kun ammoo baankonni imaammata maallaqaa isaanii cimsanii qaala'iinsa jireenyaa duubatti deebisuuf akka hojjetaniif dirqamsiiseera.

Itoophiyaa keessatti, qaala'iinsi jireenyaa kan waggaa ji'a Caamsaa, 2023 ALAtti dhibbeentaa 33 yammuu ta'u, kunis kan jia'a Eblaa iraa dhibbeentaa 0.5n gadi bu'iinsa argisiiseera. Kun kan ta'e irra jireessaan sababa gadi-bu'iinsa gatii nyaataa kan ji'a darbee waliin yammuu wal bira qabamee ilaalamuuni.

Kabajamtoota Abbootii Aksiyoonaa,

Haala kana keessatti, baankiin keenya dandamachuudhaan guddina cimaa akka argisiise yammuun isiniif gabaasu gammachuu guddaadhaani. Haaluma kanaan, bara darbe keessaa dameelee haaraa 103 banuudhaan bay'ina dameelee keenyaa gara 503tti guddisnee jirra. Kuufamni maallaqaa walii galaa dhibbeentaa 25'n guddachuun Birrii biliyoona 54.3 yemmuu gahu, herregni qusannaa dhibbeentaa 33.5 guddachuudhaan miliyoona 4.25 qaqqabeera. Kana malees, maamilli tajaajila baankii dijitaalaa dhibbeentaa 33.5% guddachuun miliyoona 2.54 gaheera.

Liqiin waliigalaa Birrii biliyoola 42.69 kan gahe yammuu ta'u, kan bara darbee irra dhibbeentaa 33'n ol guddateera. Liqiin hindeebi'in hafe (NPL) kan walii galaa gara dhibbeentaa 1.6'n gadi bu'eera. Sharafni maallaqa biyya alaa Doolaara Ameerikaa miliyoona 371 kan argamu yammuu ta'u, karoora qabame (Doolara miliyoona 336.6) dhibbeentaa 2'n caalee argameera.

Galiin walii galaa argame Birrii biliyoona 8.3 yammuu ta'u, karoora waggaa karoorfame dhibbeentaa 4'n caalee argameera. Bu'aan gibira duraa Birrii biliyoona 1.99 yammuu ta'u, kan karoorfame dhibbeentaa 7.4'n caalee argameera.

Qaxarrii bal'inaan taasifameen baay'inni hojjettoota keenaa 6200 qaqqabee jira. Utubaa tarsiimoo baankii keenyaa kan ta'e, tajaajila maamilaa olaanaa mirkaneessuuf, leenjiin dandeettii ijaaruu hojjettoota keenyaaf ballinaan kennameera.

Investimantiin kaappitaalaa (equity investment) baankichaa waxabajjii 30, 2023 ALA irratti Birrii miliyoona 153 kan qaqqabe yemmuu ta'u, kunis sababa invastimantii dabalataa ta'een, kan bara duraaniirra dhibbeentaa 15'n dabaleera. Kubbaaniyaawwan ja'a, Inshuraansii Oromiyaa, Eth-Switch, fi Indastirii Tsehaay dabalatee bu'aa kan argamsiisan turani. Walumaa galatti, baankichi hirmaannaa bu'aa (dividend) Birrii miliyoona 17.1 kan argate yammuu ta'u, kunis kan argame, Inshuraansii Oromiyaa irraa Birrii Miliyoona 8.59 , Indastirii Tsehaay irraa Birrii miliyoona 4.83 fi Ethswitch irraa Birr miliyoona 3.68 yammuu ta'u, kan hafe immoo Kubbaaniyaawwan sadan hafan irraa kan argame dha. Dhaabbileen biroo kaayyoo tarsiimoo hundeeffama isaanii galmaan ga'aa osoo jiranii hanga ammaatti garuu bu'aa hin kaffalle.

Ijaarsi Giddugala Gahumsaafi Konveenshinii Galaan haala gaariin kan adeemsifamaa jiru yemmuu ta'u, hojiiwwan mana kuusaa dhibbeentaa 64.37 xumurameera. Ijaarsi waajjira muummee cuhumsaa keenya haaraan naannoo Gommaa Quxxabaatti argamu saffisa gaariidhaan tarkaanfachaa jira. Ijaarsa waajjira muummee baankii keenya gara fuul duraaf Meksikoo, naannoo Sangaa Taraa, kan 'wiirtuu faayinaansii biyyattii' jedhamuun wamamutti jalqabuuf, Bulchiinsa Magaalaa Finfinnee irraa lafa argachuuf tattaaffiin gochaa jirru qormaanni kan mudate ta'us ittuma fufee jira. Magaalota gurguddoo biyyattii adda addaa keessatti, irra caalaan Oromiyaa keessatti lafa ijaarsaa mirkaneeffachuuf carraaqqiin taasifamaa jiru abdachiisaadha. Magaalota gurguddoo keessatti gamoo mataa keenyaa ijaaruun bu'uura qabeenya baankii keenyaa kan guddisu akkasumas hojiin baankii keenyaa haala gaariin akka hojjetamu kan deeggeru ta'uu isaatu amanama.

Tajaajila baankii dijiitaalaa haaraan 'Oroodigital jedhamu, yeroo gabaabaa keessatti hojii kan jalqabu yammuu ta'u, tajaajila baankii dijiitaalaa keenyaa ni jijjiira jedhamee amanama.

(Oroodigital, omnichannel Solution, mobile apps, USSD) fi kanneen biroon maamiltoonni tajaajila dijiitaalaa adda addaa bakka tokkotti haala mijataa ta'een akka argatan gochuun qaqqabummaa dijiitaala baankichaa maamiltoota biraan ga'uu haalaan kan guddisu yammuu ta'u, kunis galma tarsiimawaa kan ta'e tajaajila maamilaa olaanaa mirkaneessuu keessatti ga'ee olaanaa qaba.

Baankiin keenya dirqama hawwaasummaa isaa bahachuu kan itti fufe yammuu ta'u, kunis irra caalaa waamicha jalqabbii misooma biyyaalessaafi tajaajiloota hawwaasummaafi namoomaa kan akka arjooma hawwaasa gogiinsaan miidhamaniif deebii kennuun kan taasifameedha. Haaluma kanaan, bara baajataa darbe walumaagala Birrii miliyoona 73.5 arjoomeera.

Kabajamtoota Abbootii aksiyoonaa,

Bara baajataa darbe keessa Boordiin daayirektarootaa walgahii boordii guutuu 19 (wal gahii idileefi ariifachiisaa dabalatee) geggeessee jira. Kana malees, tokkoon tokkoon koreewwan xixiqqaa boordichaas akkaataa Baankii Biyyoolessaa Itoophiyaan irraa barbaaduun walgahii idilee geggeessaniiru. Boordichi murteewwan barbaachisoo adda addaa dabarsuudhaan akkaataa imaammata, hojimaata baankichaafi qajeelfama baheen kallattii kenneera. Aajandaa waggaa sadii boordichaafi karoora tarsiimoo sadaffaa baankichaa, kan hojii baankil keenyaa ni jijjiira jedhamee amanamuun hojiirra oolmaa isaa itti dhiyeenyaan to'ataa tureera.

Boordichi gabaasaa hojii Boordii guutuu, kan koree boordii akkasumas kan daayireektarootaa fi dhuunfaa yeroo lama gamaagameera. Muuxxannoon gaarii kun milkaa'ina fi fooyya'insa raawwii boordichaa irratti bu'aa gaarii fidee jira. Argannoon argames walgahii boordii irratti mari'atamee fi walumaagalatti daayireektarootaa fi koree nuusaa boordii biraattis haala gaariin fudhatameera.

Qulqullina tajaajilaa, maamiltootaaf xiyyeefannoo kennuu fi hoggansa cimaa ijaaruuf xiyyeeffannoon kennine beekkamtii biyya keessafi idil addunyaa argamsiisee jira. Kanaanis beekamtii idil addunyaa qulqullinaa yeroo lammataaf argamsiisee jira. Nutis beekkamtii akkasii argachuu keenyatti hedduu gammadna.

Bara gabaasa kanaattis,

- Badhaasa daayimandii idil addunyaa sadarkaa pilaatiniyeemii dhaabbata ESQR irraa Adoolessa 9 bara 2023 Beljiyeem Biraasils irratti badhaafameera.
- Dabalataanis badhaasa qulqullinaa Abisiiniyaa dameelee garagaraan badhaafameera. Sadarkaa Baankiitti Badhaasa Legiyoonii kabajaa olaanaa IndastIrii, sadarkaa hoji rawwachiisaatti, Badhaasa leegiyoonii Hogganaa fi Nishaanii indastrii, sadarkaa Manaajimantiitti Meedaliyaa indastirii Bulchiinsaa badhaafameera.

Kabajamtoota Abbootii Asiyoonaa

Kanatti aansee ragaalee kanfalaltii miseensota boordii daayirektarootaa fi Hoji raawwachiisaan isiniif dhiyeessa

- Akkaataa qajeelfama Baankii Biyyaalessaa Sbb/71/2019 bu'ureffachuun akkaatuma murtoo Yaa'ii kanaatiin Miseensota Boordii Daayirektarootaaf ji'aan durgoo Birrii 10,000 waggaatti immoo Birrii 150,000 dha.
- Hoji raawwachiisaa olaanaatiif faayidaalee garagaraa argatan Birrii 173,000.03 dabalatee mindaa ji'aa Birrii 345,000 ji'aan kanfalamaafi.
- Liqaa ilaachisee miseensii boordii Dr. Fantaa Tasgaraa birrii miliyoona 2.21 fi hoji raawachiisaa olaanaa birrii miliyoona 10.22 liqeeffataniiru.
- Faayidaalee fi mindaan garagaraa baafata herreegaa keessatti balinaan ibsamee jira.

Kabajamtoota Abbootii Aksiyoonaa

Boordiin keenya haala rakkisaa keessa taa'es hojiin hojjette bu'a qabeessa ture. Ce'umsa teekinoloojii, tooftaalee haaraa fi gahumsa humna namaa keenya fayyadamnee baankii keenya baankii ammayyaa taasisuuf jabaannee hojjenna.

Dhumarrattis, milkaa'ina hunda galeessa baankii keenyaatiif kanneen deeggarsa taasiftan abbootiin aksiyoonaa, maamiltoonni keenya, qaamonni to'annaa fi michoota keenya hundaaf galata guddaa galchuun barbaada.

Gara fuulduraattis imala baankii jabaa ijaaraa jirru keessatti deeggarsi keenya akka nu biraa hin hafne kabajaan gaafadha.

Waltaanee, tokkummaan kaanee, jabaannee hojjenne dhiibbaa gaarii uumuun gara mul'ata keenyaatti imalla.

Galatoomaa!
Horaa Bulaa!

Dr. Asaffaa Simee
Dura Taa'aa Boordii Daayirektarootaa

Executive Managment

Obbo Teferi Mekonnen
Chief Executive Officer (CEO)

Obbo Faysel Yassin
Chief Officer, Corporate Banking & Int'l Trade

Obbo Jote Kenate
Chief Officer, Corporate Strategy and Transformation Mgt

Obbo Worku Lema
Chief Officer, Retail & SME Banking

Obbo Geleta Bekuma
Chief Officer, IT Infrastructure and Services

Obbo Berhanu Edae
Chief, Internal Audit

Obbo Ketema Mengesha
Chief, Risk Mgt and Compliance

Obbo Kedir Abas
A/Chief Officer, Interest Free Banking

Obbo Tesfaye Dheressa
Deputy Chief Officer, Credit Operation Mgt.

Obbo Gelana Leta
Deputy Chief Officer, Human Resources

Obbo Theodros Haile
Deputy Chief Officer, Marketing and Partnership

Obbo Alemayehu Demisse
Deputy Chief Officer, Corporate Services

Obbo Eriste W/Mariam
Executive Director, Digital Banking Service

Obbo Endale Foye
Deputy Executive Assistant to the CEO

Obbo Estifanos Befikadu
Deputy Executive Assistant to the CEO

Obbo Dagnachew Negash
Director, Legal Service Directorate

Directorate Directors

Obbo Teshite Suleman
Director, Financing and Investment Management Directorate

Obbo Meseret Mekonnen
Director, Digital Banking Operation and Support Directorate

Obbo Olyad Degu
Director, Credit Monitoring & Recovery Mgt. Directorate

Obbo Mikyas Bogale
Director, Financial Management Directorate

Obbo Habtamu Gemechu
Director, Sales and CRM Directorate

Obbo Merga Dugassa
Director, Procurement and Facility Directorate

Obbo Gadisa Gurmu
Director, International Trade Services Directorate

Obbo Bersisa Diro
Director, Cyber Security Directorate

Obbo Kaleb Burayu
Director, IT Innovation and Modernization Directorate

Obbo Zeleke Begna
Director, IT System Operation Directorate

Obbo Guluma Abdisa
Director, Strategy Management Directorate

Obbo Lemessa Tesema
Director, Human Resource Operations Directorate

Obbo Girma Gobu
Director, Marketing and Research Directorate

Obbo Lemma Muleta
Director, Credit Analysis and Appraisal Directorate

Obbo Haregewoyn Deyu
Director, Capital Market & Foreign Banks Strategic Partnership Project Office

Obbo Habte Ashenafi
Director, Change and Project Management Directorate

Obbo Nebiyu Samuel
Director, Human Resource Development Directorate

Obbo Tibebu Wakjira
Director, Operation and Support Directorate

Department Directors

Adde Asha Mohammed
Director, IFB Operations Department

Obbo Edile Etana
Director, Corporate Banking Department


10th
ANNIVERSARY
OroBaraka
أورو بركة
Oromia Bank
Baankii Oromiyaa ኦሮሚያ ባንክ
Baga Hundeeffama
OrooBarakaa Waggaa
10ffaatiin Isin Gahe
OrooBarakaa Hundaaf!
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Message from Chief Executive Officer

Dear Honorable Shareholders & Invited Guests;

I am thrilled to warmly welcome our respected shareholders, members of the Board of Directors, Management at all levels, employees, and invited guests to our colorful 14th General Assembly of Shareholders of our Bank.

I'm equally pleased to passionately navigate through the annual performance journey of our Bank for the fiscal year just ended as at June 30, 2023. To begin with, despite the unfavorable international and national multifaceted challenges, market odds and the unusually prolonged sectorial liquidity stress, the year has proven to be another incredibly rewarding year of success for our Bank when and where we maintained our growth trajectory and strengthened our resource base, customer base, asset position, capital buffer, branch network, asset quality, innovation, profitability, institutional maturity, and service excellence, owing to utmost team spirit and unity of direction and purpose among the Board of Directors, Management, and all employees. Above all, we proved our vigilance, resilience and shock absorbing capability by managing the lingering liquidity challenge of the banking sector to the best interest of our Bank while demonstrating superior customer experience.

As per the IMF, April 2023 report, the global economy is yet again at a highly uncertain moment, with the cumulative effects of the past three years of adverse shocks most notably, the adverse marks of COVID-19 pandemic and Russia-Ukraine war manifesting its impact in many unforeseen ways. Spurred by pent-up demand, lingering supply disruptions, and commodity price hikes, inflation reached multi-decade highs last year in many economies, leading nations to pursue restrained fiscal policy while central banks decide to tighten their monetary instruments to bring it back toward their targets and keep inflation expectations anchored. Inflation remains elevated in many countries and is expected to remain above pre-pandemic levels beyond 2024. Excluding China, EMDEs are expected to make next to no progress at closing the gap in per capita incomes with advanced economies over the forecast horizon. Advanced-economy growth is projected to slow to an annual average of 0.7% in 2023. In its latest World Economic Outlook (July 2023), IMF has projected global growth to fall from an estimated 3.5% in 2022 to 3% in both 2023 and 2024.

Domestically, the Ethiopian economy has grown at 6.4% in 2022, pretty better than the previous two years' growth rates of 6.1% and 6.3%, respectively, but a drop from the previous five-year average of 9%. In addition to global macroeconomic pressures, the domestic economy has been hampered by liquidity challenge, high inflation, unemployment, a mounting budget deficit, external debt pressure and state of peace and security. To address the critical issues threatening the country's macroeconomic situation, the government has implemented a variety of monetary and fiscal policy measures, such as the liberalization and privatization of state-owned enterprises, the establishment of a capital market, broadening the tax base, restrained fiscal policy, tighter monetary policy, foreign currency retention, treasury bond, and so on.

The economic growth of our country is expected to remain relatively stronger at 6.1% as the effects of multiple domestic and external shocks are expected to subside. The swift implementation of macroeconomic and structural reforms has the potential to lead to an even higher growth rate in the 2023 fiscal year and in the medium term.

As a sector, the banking industry has faced challenging conditions in the year under review due to the macroeconomic and political situation of our country coupled with the worldwide political and economic tensions. These challenges brought about a slowing down of overall business ecosystem, high inflation, shortage of foreign currency and, insecurity and instability in most parts of the country that has negatively impacted the operation of substantial number of our branches and has made business mobility challenging, among others.

Honorable Shareholders & Invited Guests;

Being leapfrogged by a very transformational strategy, our Bank continued progressively providing superior service in general and a just-in-time superior ever international trade corresponding service in compliance with national and international regulatory requirements in particular. Our customers, our correspondent banks, suppliers for our customers, international money transfer agents and other associates are living witnesses for this. Worth to note, we settle discrepancy-free import documents same day we receive in a t+0 bases, keeping the best interest of all the 3 parties involving in international trade transaction; Buyer, Seller and corresponding (advising) banks. As a result, our local importers most of the time enjoy both recognition and discount from their respective suppliers. The sum total of our continuous transformation in this regard puts again our bank in the driving-seat in international trade service superiority among homegrown commercial banks. As a result, the lion's share of our back-to-back award from the ESQR with International Diamond Prize for Excellence in Quality 2023 at Platinum Category, on a convention held in Brussels, Belgium, on July 9, 2023, which consolidated our Platinum Year, goes to sustainability of this superior customer experience. Moreover, in recognition of our bank's efforts to provide excellent services across our channels, we have earned the coveted "Abyssinia Service Quality Award" in various categories (Industrial Higher Honor Trophy Award at Bank Level, Industrial Leadership Legion & Nishan Award at CEO Level & Best Industrial Medal Award at Management Level) from the Abyssinia Quality Award of Ethiopia. Such worldwide and national honors exemplify our bank's transformational efforts and dedication to provide exceptional customer service at a global standard, while also strengthening our national image on a global scale.

In view of our bold marks we are printing in the banking industry, we are very glad when we are consistently recognized for such globally and nationally recognized and impactful award and this will surely further inspire our team for more success, boost our customer reliability and trust as well as stakeholders' confidence in our Bank. We feel our stakeholders in general and our customers and renowned correspondent banks in particular are the secrets behind our strength and these back-to-back awards, and they feel proud and benefited as well. Equally, our Board of Directors, our Management Team, Our staffs, Our shareholders and our regulatory organs including the National Bank of Ethiopia are irreplaceable pillars of this achievement.

Honorable Shareholders & Invited Guests;

Despite the multifaceted challenges during the fiscal year including the continued adverse impact of unusually prolonged liquidity stress, socio-political instability, macroeconomic imbalances and policy actions, tighter competition, and regulatory requirements, our Bank-Oromia Bank has scored another success during the year. The results we posted during the year and in previous years have demonstrated that we can continue to build on our solid foundations and our strategy even in challenging circumstances and indeed, showed our tenacity and drive to provide the best value to our stakeholders. The high-level snapshot of our Bank's key performance perspectives are highlighted as below.

Our Bank's branch network has reached a total of 503 branches. This expansion is attributed to the opening of 103 new branches representing an impressive plan accomplishment of 103%. The deposit customer base of our Bank has reached 4.25million recruiting 1,066,134 new customers during the year. Compared to last year's similar period, it is a growth of 33.5%. Composition wise, 73.8% of our customer base is contributed by conventional banking and the remaining 26.2% share goes to IFB customers. As of June 30, 2023, the total corporate deposit of our Bank has reached Birr 53.9billion showing a plan achievement of 84.5% mobilizing a net deposit of Birr 10.6billion with a year-on-year growth of 24. 4% from June 30, 2022.

As of June 30, 2023, the International Banking operation has generated a total foreign currency of USD 371million, representing a plan achievement of 102.1%. Compared to the same period last year, our Bank's foreign currency resource generation showed a year-on-year growth of 32.8%, which is the highest growth in the Ethiopian Banking Industry.

Our Bank maintained a healthy balance sheet with Total Assets of Birr 65.85billion registering a year-on-year growth of 26.73% and our Paid-up Capital grew to Birr 5.37billion at the end of the fiscal year.

The total Loans & Advances including IFB Financing reached Birr 42.69billion as of June 30, 2023, showing a plan achievement of 89.8% and year-on-year growth of 32.7%, with a very healthy loan portfolio of non-performing loans with (NPLs) ratio of 1.63%-a record low in our 14-year history and far lower than the regulatory limit of 5% and industry average. Favorably, this key performance indicator of asset quality is the best in the Ethiopian Banking Industry vindicating the very healthiness of our Bank.

Oromia Bank's financial profitability performance during the year has demonstrated a pretty encouraging growth trend. Accordingly, total revenue grew by 43% (Birr 2.45 billion) from the last year's same period and reached Birr 8.3 billion while the total expense of the year reached Birr 6.3 billion with 49% growth compared to last year's same period; our total revenue growth flying well with the most striking component being interest income of 72%; whereas our cost base obviously suffered from the inflationary pressure as well as from significantly increasing cost of fund and salary and benefit.

As a result, gross profit before tax reached a milestone of Birr (Birr 1.99 billion), indicating a year-on-year growth of 32% compared to the previous year's same period. The results we posted this year and in previous years have demonstrated that we can continue to build on our solid foundations and our strategy even in challenging circumstances. The reporting year was comprehensive in that it saw the completion of multiple concurrent construction and other projects on top of operational performance. Despite all national and international problems, the progress of our Intermediate Headquarters construction project at the 'Goma Kuteba' site has reached 23.32%, with structural construction progress of 5basement+14. The 14th Floor column, shear wall, beam and slab concrete, and rebar work has been completed as of now.

The Gelan Future Excellence and Convention Center development 1st Phase construction has reached 64.37% completion. In parallel, the Second Phase construction of this Center to build mixed-use building (G+9) and other multipurpose facilities has been approved and just embarked on implementation. With the Board of Directors' and Senior Management's careful move, after tackling a multitude of challenges, we succeeded to recourse the court case on Segatera Headquarter Site in favor of our Bank's interest, after more than five years of struggle. As a result, subsequent provisional lease agreement and other decisive milestone actions that get us closer to full ownership of the land are underwent.

The bank has maintained its growth trajectory and has made progress on the implementation and monitoring of its five-year strategic plan. The year was undoubtedly the moment when we began to reap the benefits of some of our bank-wide strategic initiatives. In response to internal assessments and business realities, the Bank has revised its organizational structure and added additional structures in tandem with the business growth demand and the prevailing environmental dynamics. During the reporting period under consideration, three new district offices in Jimma, Dire Dawa, and Hawassa became operational in an effort to deliver customer- centric and dependable banking services, to sum up the total number of district offices to eleven.

We continued to make progress towards our vison of becoming the first choice of our clients by developing and introducing Miiltoo and Daboo Savings Accounts and Qaroo lending products for retail clients during the fiscal year under review. We also delivered new value propositions to our customers in the Interest-Free Banking space by launching eight distinct investment(saving) products(Mudarabaha, Handhuraa, Siinqee, Hayyuu, Subii, Labbaik, Diaspora and Soorama) aimed at different categories of our Interest-Free Banking customers.

The efforts we made to increase both physical and digital channels were instrumental in bringing us closer to our ever-increasing number of customer base and transactions. Considering the existing huge market potential and in a bid to satisfy the needs of our digital banking customers, we are on the verge of launching a user-friendly and seamless world class digital banking OMNI Channel platform, which we branded as OrooDigital.

We believe our employees are our most valuable assets and true brand ambassadors of our culture and core values. Hence building and retaining a team capable of performing to the best of their ability is critical to our success. As a result, our bank continues to invest in building and developing its talent and employee skills through employee up-skilling and re-skilling at all levels and functions. As of June 30, 2023, capacity building training was provided to 20,552 staff-training participated on different topics in line with the intended human resource development objectives showing a plan achievement of more than 100%. Accordingly, Birr 133 million has been invested in human resource development and training in a bid to bring about service excellence superiority.

Concerning our strategic asset, human capital, the previous fiscal year saw the adoption of an employee performance management system at the individual level, which gives us a competitive advantage in the sector. Our performance management practice will be constantly refined in order to better match rewards with performance and foster a high-performance culture among workers and management. In addition to in-house and external training, the bank has completed the succession management program, which included a 360-degree assessment of the executive and senior management leadership group.

In a bid to ensure operational efficiency, the Bank's strategic investments in its information technology infrastructure and applications have continued as planned. Accordingly, projects such as center infrastructure Management (DCIM), AI CHATBOT, Chabot API Integration, and Front-end Development, IP CCTV Surveillance System, Derash Integration, LiyuBus Bus Ticket Payment Collection Integration, Redmine Project Management Tool (Issue Tracking), Unicash School fee/Utility Payment System Integration, Digital Lending System, National ID API Integration and Front-end App Development, Privilege Access Management (PAM, CBS Application and Database Version Upgrade to Oracle 19C have been completed successfully during the reporting period.

To make proactive move and reap a first-mover advantage from the impending developments related to the establishment of the Capital Market and the entry of foreign competitor banks, our bank has begun an internal readiness by establishing a new Capital Market Directorate and a brand new innovation hub project office.

As a responsible Corporate Citizen, Oromia Bank aspires to empower the missing middle and make a positive impact on the community in order to tackle various social, economic, political, and environmental events. During the period in review, we paid back to the community by supporting national and local causes through generous funding and active engagement.

Last, but not least, I proudly declare that our Bank has become one of the two top-rated cleanliest, healthiest and stable compliant commercial banks in the view of the regulator.

Finally, I would like to thank all our respected customers for choosing us to serve them and being a reason for Oromia Bank's successive growth with more new heights from year to year. Our shareholders also deserve vote of thanks for continuously investing in and supporting the continuous transformation and growth of our Bank. Our Board of Directors are also key to the successful achievements of our Bank in the financial year and beyond for their commitment and professional strategic directions for which I humbly thank with more to come. Moreover, management members and employees of our Bank as key secrets deserve appreciations for their commitment and dedication to make our Bank the bank of first choice for all. I also like to extend my thanks to the National Bank of Ethiopia, and both regional and federal governments for their unwavering continuous guidance and support, respectively, as always.

Honorable shareholders, members of the board of directors, members of management, employees and invited guests, once again thank you and welcome to our colorful General Assembly as usual, wishing a fruitful discussions and resolutions.

Indeed we are serving to empower you... I thank you!

Teferi Mekonnen Yadete

Ergaa Hoji Raawwachiisaa Olaanaa

Kabajamtoota Abbootii Aksiyoonaa fi keessummoota Affeeramtan.

Kabajamtoota Abbootii Aksiyoonaa, kabajamtoota miseensota Boordii, Hoggantootni baankii keenyaa sadarkaa adda addaa irra jirtan akkasumas hojjettootaa fi keessummootni afferamtan, gara yaaî waliigalaa idilee 14ffaa fi Ariifachiisaa 5ffaa Baankii keenyaatti baga nagaan dhuftan yammuun isiniin jedhu gammachuu guddaatu natti dhagahama.

Raawwiin hojii Baankii keenyaa bara bajata xumurame yeroo ilaalamu imala milkaaínaa irra jiraachuu isaa namatti agarsiisaa. Calaqaba irraa eegalee haalli gabaa addunyaa fi biyya keessaa rakkoolee gargaraan guutamus, hanqinni sochii maallaqaa jiru indastrii baankii haalaan hubus, baankiin keenya qormaatilee mudatan hunda dandamachuun badhaasota idil addunyaa garagaran dabalaamee guddina isaa itti fufsiisuu danda'eera. Milkaa'inni bara darbee kan madaalamus gama horannaa qabeenyaan, bu'uura maamilaan, kaappitalaa galmaa'een, baay'ina dameeleen, qulqullina qabeenyaan, bu'aa fi keenninsa tajaajilaan tarkaanfiin tokko tarkaanfatamee jira. Kun immoo cichooma hojii hojjettootaa, kallattii Boordiin daayirektarootaa fi manajimeentiin kenne hojirra oolchuun kan argame dha.

Akka gabaasni dhaabatta Maallaqaa Addunyaa bara 2023 agarsiisutti dinagdeen addunyaa waaggoota sadan darban haala amansiisaa hin taane keessa jira. Kanaaf sababni immoo KOVID 19 dabalatee waraanni Raashaaa fi Yukreen dhiibbaa olaanaa qaqqabsiisee jira. Fedhii fi ciccitinsi dhiyeessii, gatiin shaqaxaa haalaan dabaluu, jireenyi qaala'uun waaggoottan kurnan darban dachaan dabalee dinagdee addunyaa irraan dhiibbaa geessisee jira. Kunis biyyoonni addunyaa imaammata dinagdee daangeffame akka isaan hordofan dirqisiisuun baankiileen biyyaalessaa seerota jabaan akka hogganaman taasisee jira. Biyyoota hedduutti Qaalainnsi jireenyaa haalan kan dabale yoo ta'u bara 2024tti kana bara weerara kovid caalee argamuu akka danda'u raagameera. Akka EMDEtti raagetti China malee biyyootni dinagdee guddaa ijaaran qaawwaa galii namoota dhuunfaa cuufuuf foyyainsi jiraatu akka hin jirre ni eegama. Biyyoota dinagde jabaa ijaaran guddinni isaanii giddu galeessaan harkas 0.7 akka hir"atu tilamaamee jira. Akka tilmaama IMF tti Bara 2023tti guddinni dinagdee addunyaa bara 2022 harka 3.5 ture bara 2023 fi 2024 gara harka 3tti gadiu buúu raagee jira.

Akka biyya keenyaatti Dinagdeen Itiyoophiyaa bara 2022 harka 6.4 guddateera. Guddinni galmaa'ees kan baroota lamaan darbani irra fooyyee qabatus giddu galeessaan guddina waggoottan shanan darban galmaa'e irraa dhibbeentaa 9'n gadi bu'eera. Tasgabbii dhabu dinagdee gooroo addunyaa, qala'insa jireenya olaanii, hoji dhabdummaa, hir'ina bajataa dabalaa dhufuu, dhibbaa idaa alaa fi rakkoon nageenyaa sababa ijoo dha. Dinagdee gooroo biyya keessaa dhimmootni balaa irra buusan hiikuuf mootummaan tarkaanfilee imaammata dinagdee garagaraa hojiirra oolchuun dhaabbilee mootummaa gara dhuunfaatti naanneessuuf. Gabaa kaappitalaa hundessuu, carraalee taaksii bal'isuu, imaammata mallaqaa jabaa baasuu sharafa alaa tursiisuu, fi kkf hojirra oolchee jira.

Rakkooleen biyya keessaa fi dhiibbaa alaa furmaata argachaa deema jedhamee waan yaadamuuf dinagdeen biyya keenyaa harka 6.1 irra jabaatee itti fufuu akka danda'u ni eegama. Foyya'insi imaammata dinagdee gooroo irratti taasifamaa jiru bara 2023 irratti giddu galeessaan guddina gaarii fiduudhaaf human jabaa qabu.

Haalli dinagdee gooroo biyya keenya mudateefi siyaasaa akkasumas qormaatileen dinagdee addunyaa mudate buúureffachuun sektara Baankii biyya keenyaa qormaata hamaa keessa galchee jira. Haalli dinagdee biyya keenyaa qabbanaa'uu, qalaínsa jireenyaa, hanqinni sharafa alaa fi rakkoon nageenyaa bakka garagaraa mudate hojimaata dameelee keenyaa rakkisaa taasisuun dinagdee irratti qormaata ta'eera.

Kabajamtoota Abbootii Aksiiyoonaa keessummootni affeeramtan

Baankiin keenya jijjirama tarsiimawaa keessa jiraachuu isaatiin kenninsa tajaajila irratti fullefatee yeroo dhaa gara yerootti guddina gaarii irra jira. Keessumaa tajaajila daldala idil addunyaa olaanaa kennuun seerota biyya keessaafi idil addunyaa kabajee hojjechuu isaa itti fufee jira. Kanaafis, maamiltootni keenya, baankonni michuu biyya alaa, dhiyeessitootnii fi dhaabbileen daddabrsa maallaqaa ragaa dha.

Asi irratti wanti hubatamuu qabu sanadoonni fichiisiistotaa qulqullaa'anii wayita dhufan bu'uura (T+0) tiin guyyaama nu qaqqabe fedhii qaamota sadanii daldala idil addunyaa keessatti hirmaatan gurguraa, bitaa fi baankota michuu giddu galeessa taasisnee raawwanna. Kanaanis, fichisiistonni keenya yeroo hedduu tajaajila kanaan dhiyeessitoota irraa faayidaa meeshaa gatii fooyyeen bitachuuf carraa argatu. Gama kanaan, baankiin keenya tajaajila daldala idil addunyaa kennun indastirii baankii keessaa bakka olaanaa irra gahee jira. Bu'uuruma kanaanis, badhaasa Daayimandii idil addunyaa sadarkaa pilaatiniyeemii dhaabbata ESQR irraa Adoolessa 9 bara 2023 Beljiyeem Biraasils irratti badhaafameera. Kun immoo baankii keenyaaf barri darbe bara pilaatiniyeemii akka ta'e mirkaneessa. Dabalataanis, baankiin keenya hojii jajjaboo hojjeteen beekkamtii olaanaa biyya keessaa badhaasa qulqullina Abisiiniyaa dameelee garagaraan badhaafameera. Sadarkaa Baankiitti Badhaasa Leegiyoonii kabajaa olaanaa Indastirii, sadarkaa hoji rawwachiisaatti, Badhaasa leegiyoonii Hogganaa fi Nishaanii indastirii, sadarkaa manajimentiitti Meedaliyaa indastirii Bulchiinsaa badhaafameera. Beekkamtiileen biyya keessaa fi idil addunyaa jijjirama baankiin keenya keessa jiru agarsiisuun cinaatti maqaa gaarii biyya keenya roga gaariin ijaaruuf shoora olaanaa qaba.

Indastirii baankii keessatti ashaaraa mula'atu kaa'uu keenyaa ilaalcha keessa galchuun beekkamtiileen biyya keessaa fi addunyaa walitti aansuun gonfachaa jirru gammachuu nutti uumuun cinaatti hojjettoota kakaasuu fi maamiltoonni baankii keenya irraa amantaa akka horatan taasisa. Maamiltoonni, Michoonni keenyaa fi baankiileen idil addunyaa nu waliin hojjetan milkaa'inaa fi beekamtii walitti aansuun arganneef lafee dugdaa waan ta'aniif hedduu isaanitti boonna. Akkasumas, Boordiin Daayirektarootaa, miseensonni manaajimentii, hojjettoonni keenyaa, abbootiin aksiiyoona fi Baankii Biyyaalessa Itoophiyaa milkaa'ina kanaaf gahee bakka hin bu'amne qabu.

Kabajamtoota Abbootii aksiiyoonaa keessummootni affeeramtan

Bara bajataa xumurame rakkooleen dhangala'insa maallaqa yeroo dheeraa ture, rakkoo nageenyaa fi hawaasummaa, tasgabbii dhabuu dinagdee gooroo, dorgommiin hammaa ta'e osoo jiruu baankiin keenya Baankiin Oromiyaa injifannoo biraas galmeessisee jira. Barootа darban milkaa'ina galmeessisne haala rakkisa keessatti ta'us bu'uura cimaa gadi dhaabuu fi tarsiimoo jabaa ijaaruu akka dandeenyu akkasumas michoota keenyaaf bakka olaanaa akka qabnu agarsiisnee jirra. Safartuulee gurguddoo baankii keenyaan milkaa'inni argame akka armaan gadiitti ibsamee jira.

Baay'inni Damee keenyaa waliigalaan 503 gahee jira. Bara kana dameelee 103 banuudhaadhaan raawwii keenya dhibbeentaa 103 raawwannee jirra. Baay'inni maamiltoota keenyaa miliyoona 4.52 gahee jira. Kan bara darbee waliin wal bira qabamee wayita ilaalamu dhibbeentaa 33.5'n guddina agarsiisee jira. Maamiltoota keenya keessaa dhibbeentaan 73.8 kan baankii idilee wayita ta'u dhibbeentaan 26.2 ammoo fayyadamtoota tajaajila baankii dhala irraa bilisaati. Waxabajjii 30 bara 2023tti waliigalaan maallaqni kuufamaan baankii keenyaa billiyoona 53.9 kan gahe yoo taú. Galma kawwanne keessaan dhibbeentaa 84.5 kan milkeesine yoo ta'u birrii Biliyoona 10.6 dabaluun kan waxabajjii bara 2022 irra dhibbeentaa 24.4n ol guddateera.

Waxabajjii 30 bara 2023 irratti daldala idil addunyaan sharafni biyya alaa argame Doolaara Ameerikaa miliyoona 371 kan argame yoo ta'u,karoora keenya dhibbeentaa 102.1 akka raawwannee agarsiisa. Kan bara darbee waliin wal bira qabamee wayita ilaalamu, dhibbeentaa 32.8tiin guddina agarsiisee jira. Kunis indastirii baankii biyya keenyaa keessaa guddina isa ol aanaa dha. Baankiin keenya bara bajataa xumurame qabeenya waliigalaa Birrii Billiyoona 65.85 kan horate yoo taú guddina dhibbeentaa 26.73 galmeessisuunis fayyaalummaa isaa eegsisee jira. Kaappitaalli kanfalames gara billiyoona 5.37 tti ol guddateera.

Faayinaansii IFB dabalatee liqiin waliigalaa baankii keenyaasBirrii Billiyoona 42.69 kan gahe yoo liqiin hindeebi'in hafe(NPL) dhibbeentaa 1.63'n gadi bu'eera. Seenaa baankii keenyaa waggoota 14 darbaniittis gadi aanaa yoo ta'uun seera dhimma kanaaf ba'e dhibbeentaa 5 waliin wal bira qabamee wayita ilaalamu indastirii baankii keessaa isa fooyyee dha. Safartuun kun qulqullina qabeenyaa horatame irratti murteessituu waan taateef baankiin keenya baankota Itoophiyaa keessaa fayyaalummaa fooyyee qabaachuu kan mirkaneesse dha.

Baankiin Oromiyaa waggaa keessatti bu'aan faayinaansii galmeesise guddina abdachiisaadha. Kanaanis galiin argame kan bara darbee waliin wayita ilaalamu dhibbeentaa 43n ol guddachuun Birrii Billiyoona 8.3 kan gahe yoo ta'u, baasiin kan bara darbee irra wayita ilaalamu dhibbeentaa 49n dabaluun Birrii Billiyoona 6.3 gahee jira. Walumaagalatti, guddinni galii keenyaa haala fooyyeen deemaa kan jiru yoo ta'u, galiin dhalaas dhibbeentaa 72 gahee jira. Haata'u malee, qaala'insi jireenyaa fi baasiin mindaafi faayidaa hojjettootaa baasii keenya haalaan kan hube dha.

Bu'uuruma kanaan, bu'aan taaksii duraa Birrii Billiyoona 1.99 kan gahe yoo ta'u, kan bara darbee waliin wayita ilaalamu dhibbeentaa 32 guddina agarsiisee jira. Kanaanis haala rakkisaa keessa bu'aa argamsiisuu akka dandeenyu mirkaneessinee jirra. Barri gabaasa kana hunda galeessa ture. Ijaarsonni hedduun kan itti xumuramaniifi pirojektootni raawwii ol ta'an heddunis kan itti xumuaraman turan.

Rakkoon biyya keessaa fi idil addunyaa akkuma jirutti ta'ee Magaalaa Finfinnee naannoo Gommaa Quxxabaatti Gamoon Waajjira Muummee ce'umsaa ijaaramaa jiru dhibbeentaa 23.32 irra gahee jira. Ijaarsisaas 5B +14 irra gahee jira. Gamoo 14ffaa armaataa fi konkiriitii guutuun hojiin isaa xumuramee jira.

Ijaarsi Giddu Gala Gahoominaa fi Konveenshinii Galaan marsaan duraa dhibbeentaa 64.37 irra gahee jira. Kanuma cinaadhaan ijaarsi marsaa lammataa giddu gala kanaa abbaa gamoo darbii sagalii murtee argatee hojiitti seenamee jira. Kallattii miseensota Boordii Daayirektarootaa fi qabsoo waggaa shanii olii kan ta'e bakki ijaarsa waajjira muummee baankii keenyaa Sanga Taraatti yaadame haala fedhii baankii keenyaan eeggateen murtee mana murtee argatee jira. Waliigalteen liizii fi dhimmotni muraasni yoo xumuraman abbummaan lafaa baankii keenyaa lafa kana ni mikanaa'a jedhamee eegama.

Baankiin keenya tarsiimoo waggaa shanii baase hojirra oolchuun guddina itti fufinsa qabu galmeessaa jira. Barichi shakki tokko malee tarsiimoo hojirra oolchineen bu'aalee tokko tokko itti argachuu bara itti eegalle dha. Baankiin keenya haala keessaa gamaaggamuu fi gaaffii guddina biizinasii adeemaa jiruuf deebii kennuuf akkasumas haala jijjiramaa mul'ataa jiru giddu galeessa taasisuun caasaalee hojii dabalataa diriirsee jira. Maamiltoota giddu galeessa godhachuu fi tajaajila baankii amansiisaa ta'e kennuuf Distriiktiin Dirree Dawaa, Jimmaa fi Hawaasaa dabalataan banamaniiru. Walumaagalatti, baay'inni distrikitota keenya 11 gahee jira.

Bara bajataa darbe maamiltootaf gosoota herreega qusannaa Daboo, Miiltoo fi Herreega liqaa Qaroo jedhaman eegaluun hojirra oolchee jira. Gama tajaajila baankii dhala irraa bilisaatiin immoo goosoota herreega qusannaa investimentii 8(saddeet) eegalchiisuun maamiltoota keenyaaf carraa dabalataa uumnee jirra. Isaanis (Mudarabah, Handhura, Siinqee, Hayyu, Subi, lebeyik, sooramaa fi diyaaspooraa) dha.

Tattaaffiin chaanaloota dijitaalaa keenya babal'isuuf taasisaa jirru maamiltoota keenya heddummeessuun sochiin daddabrsa maallaqaa haalaan dabalaa jira. Fedhii maamiltootaa yeroo irraa gara yerootti baankii diijitaalaa irratti dabalaa jirufi carraa gabaa damee kanaa giddu galeessa godhachuun tajaajila baankii dijitaalaa (omni channel) mijataa ta'e maqaa 'OrooDigital' jedhu moggaasnee hojii eegalchiisuuf jirra.

Hojjettoonni keenya qabeenya ijoo fi ambassadaroota keenya jennee yaadna. Kanaaf, garee oomshtummaa dabalu ijaaruun milkaa'ina keenyaaf murteessaa dha. Kanaafis, baankiin keenya dandeettii fi raawwii hojjettootaa dabaluuf hojjettoota irratti gatii guddaa baasaa jira. Waxabajjii 30 bara 2023tti dandeettii hojjettootaa cimsuuf leenjiin hojjettoota 20,552 mata duree garagaraa irratti kennamee jira. Kunis raawwii keenya dhibbeentaa 100 raawwatameera. Kanaanis, kenninsa tajaajila caalmaa fiduuf, ijaarsa humna namaa irratti Birriin miliyoonni 133 hojiirra ooleeraa.

Qabeenya tarsiimawaa keenyaa kan ta'e humni namaa keenya bara darbe sirna bulchiinsa raawwii hojjettootaa sadarkaa nama dhuunfaatti hoji irra oolchuun damee kanaan dorgomaa nu taasisa. Baadhaasota raawwii hojii waliin wal qabsiisuun aadaa raawwii hojii cimsuu gabbisa. Baankiin keenya leenjii biyya keessaa fi biyya alaa dabalatee madaallii raawwii hoji raawwachiftotaa fi manaajimentii roga 360 keessa kan jiru sirna bulchiinsa duuka buutotaa hojiirra oolchee xumureera.

Saffisa raawwii hojii mirkaneessuuf tooftaaleen buúuraalee misoomaa fi moosaajii irratti investimantiin taasifnu ammas cimee itti fufee jira. Bu'uuruma kanaan, giddu gala bulchiinsa bu'uuraalee misoomaa (DCIM), AI CHATBOT, CHATbotAPI Integration, Front End Development, IP CCTV Surveillance System, Derash Integration, Liyu Bus Ticket Payment Integration, RedMine Project Management Tools (Issue Tracking) Unicash fi kkf waliin sirna kanfalatii waaltessuun kanfaltiilee mana barumsaa fi kaffaltiiwwan biroo walitti hidhuu, Liqii Dijitaalaa, Waraqaa Eenyummeessaa biyyaalessaa, PAM, CBS fi ORACLE 19C bara darbee haalaa milkaa'aa taéen xumurameera.

Hundeeffama gabaa kaappitalaa fi baankota biyyaa alaa galan waliin wal qabatee qormaatilee dhufan qollachuu fi carraalee jiran dursa fayyadamuuf Daayireektooreetii gabaa kaappitalaa hundeessuuf qophiin keessaa taasifamaa jira.

Baankiin Oromiyaas baankii lammiileen itti gaafatamummaa isaanitti dhagahamu waan ta'eef lammiilee jireenya giddu galeessaa qaban gahoomsuun cinaatti lammiilee rakkoolee siyaasaa, dinagdee fi hawaasummaatiin hubaman gargaaruuf dhiibbaa gaarii uumuuf hojjetameera.

Walumaa galatti baankiin keenya qaama seeraa indastirii baankii to'aturraa baankii qulqulluu , tasgabba'aa fi fayyaalummaa qaban lama biyya keenyaa keessaa isa tokko ta'uu keenya yeroon ibsu gammachuu guddaatu natti dhagahama.

Xumura irrattis, akka isin tajaajilluuf waan nu filattaniif, Baankiin keenya yeroo irraa gara yerootti guddina haaraa akka galmeessisuuf milkaa'ina keenyaaf waan sababa taataniif maamiltoonni keenya hundi galatoomaa jechuun barbaada. Abbootiin aksiiyoonaa guddina fi itti fufinsa baankii keenyaaf walitti fufinsaan invest waan gootaniif galatatu isiniif mala. Miseensonni Boordii Daayirektarootaa milkaa'ina baankii keenyaaf shoora olaanaa waan taphataniif Galatoomaa. Miseensotni Manajimantii fi hojjettoonni baankii keenyaa hundi Baankiin keenya baankii filannoo jalqabaa akka ta'uuf halkanii guyyaa waan hojjettaniif galatatu isiniif mala. Akkasumas Baankiin Biyyaalessa Itoophiyaa, mootummoonni naannolee fi Federaalaa deeggarsa walitti fufaa waan nuuf taasistaniif ulfaadhaa.

Kabajamtootaa Abbootii Aksiiyonaa, Boordii Daayirektarootaa, Miseensonni Manaajimantii fi hojjettoonni, keessummootni waamichi isiniif taasifame hunduma keessanuu galatoomaa jechaa akkuma baratame yaa'iin waliigalaa keenya kan milkii akka ta'un hawwa.

Milkaa'ina keessaniif Hojjenna

Galatoomaa!

Tafarii Makonnin Yaadatee

Report of the Board of Directors

Board of Directors' Report

The Board of Directors of Oromia Bank hereby presents the Annual Performance Report of our Bank for the year ended 30 June 2023 to the 14th Annual General Meeting of Shareholders as follows;

1. Operational Performance

The global economy is yet at a highly uncertain moment, with the cumulative effects of the past three years of adverse shocks most notably, the COVID-19 pandemic and Russia and Ukraine war manifesting in unforeseen ways. Despite all odds of lingering supply disruptions, commodity price spikes and inflation affecting the global and domestic business on one hand and the ever-growing competition in the industry. On the other hand, our Bank registered commendable results in almost all Key Performance Indicators in the financial year that ended on 30 June 2023.

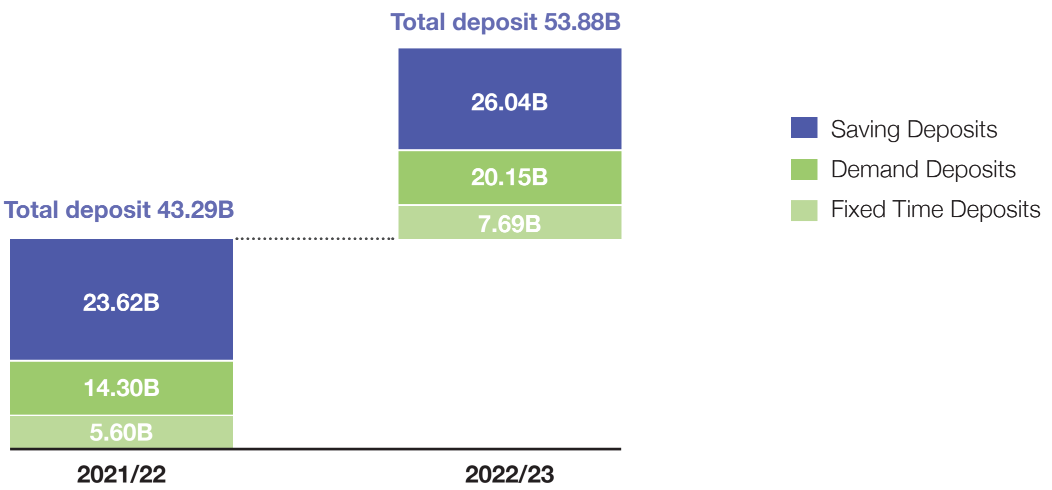
1.1 Deposits

At the end of the reporting year, the corporate total deposit of our Bank reached Birr 53.88 billion, showing a growth of 24% compared to that of the previous year's same period.

Table 1: Deposit by type

Deposit type	Amount in Birr		%Growth	%Share	
	2022/23	2021/22		2022/23	2021/22
Demand Deposit	20,147 MIL	14,299 MIL	41%	37%	33%
Saving Deposit	26,035 MIL	23,619 MIL	10%	48%	54%
Fixed Time Deposit	7,694 MIL	5,604 MIL	37%	14%	13%
Total	**53,876 MIL**	**43,522 MIL**	**24%**	**100%**	**100%**

Figure 1: Deposit Composition by Type in two Consecutive Financial Years



1.2 Loans and Advances plus IFB Financing

The total outstanding loans and advances plus IFB financing have reached Birr 42.66 billion as at June 30, 2023, exhibiting a growth of 33% over the position attained at the end of the preceding year. With regard to the composition of Loans and Advances plus IFB financing, Domestic trade and Services took the highest share of (25 %) followed by Export (20 %), Industry (14%), Import (13%), and Construction (10%) during the reporting financial year.

Table 2: Loans and Advances plus IFB financing by Economic Sector composition (in millions)

Loan and IFB Financing by Economic Sector	Amount in Birr		%Growth	%Share	
	2020/21	2019/20		2020/21	2019/20
Domestic Trade & Service	10,668 MIL	8,714 MIL	22%	25%	27%
Export	8,398 MIL	7,012 MIL	20%	20%	22%
Industry	5,853 MIL	4,181 MIL	40%	14%	13%
Construction	4,249 MIL	3,136 MIL	35%	10%	10%
Import	5,368 MIL	3,094 MIL	73%	13%	10%
Hotel & Tourism	2,106 MIL	1,613 MIL	31%	5%	5%
Mortgage Loan Consumer & personal	1,609 MIL	1,132 MIL	42%	4%	4%
Agriculture	1,046 MIL	965 MIL	8%	2%	3%
Mortgage Loan staff	1,028 MIL	835 MIL	23%	2%	3%
Transport & Communication	1,029 MIL	565 MIL	82%	2%	2%
Consumer loans	612 MIL	301 MIL	103%	1%	1%
Emergency staff loans	368 MIL	296 MIL	24%	1%	1%
Personal Loan staff	190 MIL	158 MIL	20%	0%	0%
Financial Institution	82 MIL	104 MIL	-21%	0%	0%
Consumer Loan staff	18 MIL	21 MIL	-14%	0%	0%
Mines, Power & Water Resource	32 MIL	13 MIL	146%	0%	0%
Total	**42,656 MIL**	**32,140 MIL**	**33%**	**100.0**	**100.0**

1.3 Foreign Currency Generation

The total foreign currency generated by the International Banking function of our Bank as at June 30, 2023, was USD 370.8 million showing a growth of 33% from last year's similar period. Earnings from Export stood at USD 190 million while inward transfers were USD 166.9 million, forex purchase was USD 13.2 million, and forex dealing generated USD 0.7 million.

Table 3: FCY Generation Composition as at June 30, 2023

FCY by Type	Amount in USD		%Growth	%Share	
	2022/23	2021/22		2022/23	2021/22
Export Proceeds	190.0 M	140.4 M	35%	51%	50%
Inward transfers	166.9 M	127.6 M	31%	45%	46%
Forex purchase	13.2 M	10.4 M	28%	4%	4%
Forex dealing	0.7 M	1.1 M	-33%	0.2%	0.4%
Total	**370.8 M**	**279.4 M**	**33%**	**100%**	**100%**

2. Financial Performance

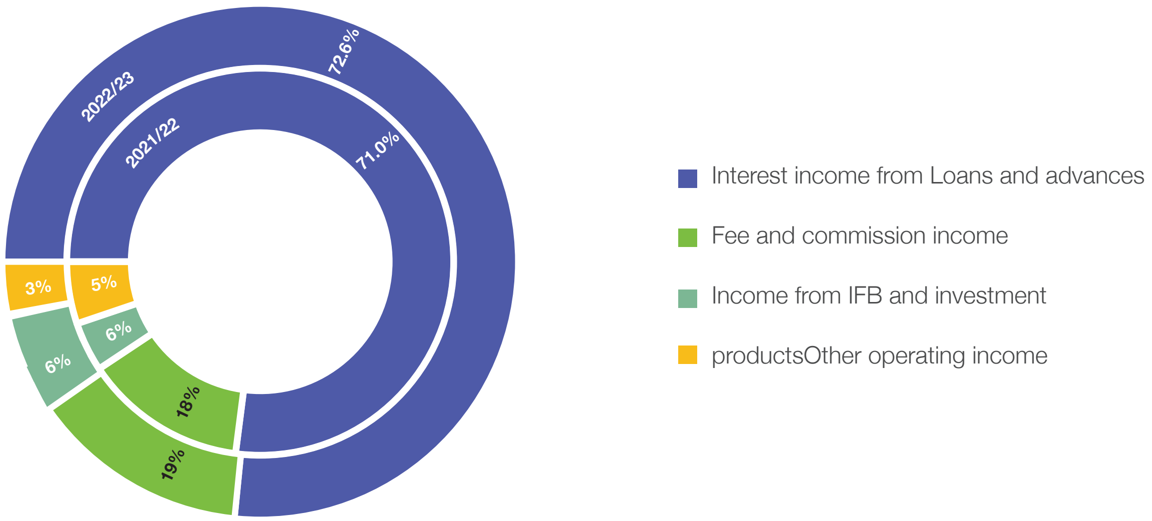
2.1 Income

By the end of the financial year 2022/23, our Bank earned an aggregate income of Birr 8.2 billion showing an increment of 43% relative to the balance achieved in the 2021/22 fiscal year.w

Table 3: FCY Generation Composition as at June 30, 2023

FCY by Type	Amount in USD		%Growth	%Share	
	2022/23	2021/22		2022/23	2021/22
Interest Income from loan and Advances	5,939 MIL	4,109 MIL	45%	72%	71%
Fee and Commission income	1,551 MIL	1,020 MIL	52%	19%	18%
Income from IFB and investment products	510 MIL	358 MIL	42%	6%	6%
Other Income - Local	262 MIL	303 MIL	-13%	3%	5%
Total Income	**8,262 MIL**	**5,790 MIL**	**43%**	**100%**	**100%**

Figure 2. Income Composition by type as at June 30, 2023



2.2 Expense

In the 2022/23 budget year, the total expenses of our Bank increased to Birr 6.3 billion, exhibiting a 47% upsurge over the previous year's amount of Birr 4.3 billion. This increasing expense is mainly attributed to interest expenses which constituted (37.3 %) followed by personnel expenses (37.1 %), other operating expenses (15.6%), and amortization of right of use asset expenses (4.7 %) during the financial year under review.

Table 5: Expense composition by type as at June 30, 2023

Income by type	Amount in 'mill' Birr		%Growth	%Share	
	2022/23	2021/22		2022/23	2021/22
Interest Expense	2,335.30	1,654.00	41%	37.3%	38.7%
Personnel Expenses	2,325.99	1,543.00	51%	37.1%	36.1%
Other Operating Expenses	978.78	599.00	63%	15.6%	14.0%
Amortization of Right of Use Assets	295.08	216.00	37%	4.7%	5.1%
Depreciation and Impairment of Property, Plant and Equipment	157.21	109.00	44%	2.5%	2.6%
Impairment Losses on other assets	(21.68)	52.00		-0.3%	1.2%
Lease expense	39.16	33.00	19%	0.6%	0.8%
Distribution to depositors - IFB products	30.34	31.00	-2%	0.48%	0.7%
Amortization of intangible assets	32.51	19.00		0.52%	0.4%
loan impairment charge	91.89	16.00		1.5%	0.4%
Total Expense	**6,264.56**	**4,272.00**	**47%**	**100%**	**100%**

2.3 Profit

Profit before tax hit yet another record-high and reached Birr 1.99 billion, showing a growth of 32% compared with that of last year's same period of Birr 1.52 billion. Our Bank has managed to generate a net profit of Birr 1.58 billion after holding a provision of Birr 417 million for income tax for the fiscal year.

2.4 Return on Asset and Capital

Return on asset (ROA), expressed as the ratio of profit before tax to average assets of our Bank is 3.1% for the financial year 2022/23, while return on Equity (ROE), expressed as the ratio of profit before tax to average capital is ---%. These ratios basically measure management efficiency in the utilization of assets and capital in converting to profit, and the higher the ratio the better achievement. Moreover, the net profit margin of our Bank (net profit after tax divided by total income) is 19.1% for the year ending June 30, 2023. Likewise, the earnings per share of our Bank (net profit divided by the average number of shares outstanding) is Birr 325.

2.5 Distribution of Net Profit

Our Bank has secured a net profit of Birr 1.58 billion after an income tax provision of Birr 417 million. In accordance with the Articles of Association of our Bank, and article 19 of the Proclamation No 592/2008 Licensing and Supervision of Banking, 25% of the profit after tax (--- million) is transferred to legal reserve until the balance reaches 100% of the paid-up capital. Provisions under prudential guidelines are determined using the time-based provisioning prescribed by the National Bank of Ethiopia (NBE's) Directives. This is at variance with the expected credit loss model required by International Financial Reporting Standards (IFRS) under IFRS-9. When the difference occurs between the two approaches, the IFRS provision should be compared with provisions determined under the NBE Directives and the difference is treated as follows;

If the prudential provision is greater than the IFRS provision, the excess provision resulting should be transferred from the retained earnings account to the regulatory risk reserve.

* If the prudential provision is less than the IFRS provision, IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the Retained Earning Account. Accordingly, Birr 7.37 million is transferred from retained earning account to the regulatory risk reserve as the provision computed as per the prudential provision under NBE directives is greater than the provision computed as per the requirement of IFRS-9 by the same amount. Moreover, Birr --- million is transferred to retained earning account from the regulatory risk reserve account due to write-backed suspended interest adjustment as indicated in the audited financial statement note --- . Thus, the Board of Directors requests the Annual General Meeting to approve the distribution of Birr ------ million to the shareholders after holding the above-mentioned reserves and deducting the Directors' share of the profit and prior year (over)/under provision.

Table: 6 Retained Earnings of 2020/21

S.No	Particulars	Amount in "000"
1	Beginning Retained Earnings	869,024
2	Net Profit for the Year	1,579,622
3	Transfer to legal reserve	(394,905)
4	Transfer to Regulatory Risk Reserve	(7,368)
5	Directors' share on profit	(1,555)
6	Prior year (over)/ under provision	-
	Closing Retained Earnings	1,158,950

3. Resource Building

3.1 Human Capital

The total staff of our Bank by the end of June 2023 reached 6,200 showing an increment of 32% which is a net addition of 1,767 staff from that of last year's number of the same period. Human resource development has been among the major concerns of our Bank since its establishment. To this end, during the financial year, various local and overseas trainings were given to 20,552 employees on a number of topics to build their capacity and thereby boost efficiency, productivity, and above all the quality of superior customer service.

3.2 Information Technology and Digital Banking Services

During the year under review, Oromia Bank continued to strategically investing on information technology infrastructure and digital services. To this effect, projects such as center infrastructure Management (DCIM), AI CHATBOT, Chabot API Integration, and Front-end Development, IP CCTV Surveillance System, Derash Integration, LiyuBus Bus Ticket Payment Collection Integration, Redmine Project Management Tool (Issue Tracking), Unicash School fee/Utility Payment System Integration, Digital Lending System, National ID API Integration and Front-end App Development, Privilege Access Management (PAM, CBS Application and Database Version Upgrade to Oracle 19C have been completed successfully during the reporting period. Our Bank is also providing round-the-clock banking services through well-developed and organized electronic channels branded as Oro-card for ATM, Oro-cash for mobile banking, Oro-agent for agency banking, and Oro- click for internet banking services. As at June 30, 2023, the number of ATM machines reached 147, and Oro cardholders are 579,885 while the number of Oro cash (mobile banking) users reached 1,578,289. There are 654 Oro-Agents recruited by our Bank on top of having 390,302 internet banking service user customers.

3.3 Branches and Service outlet Expansion

Our Bank has continued getting closer to its esteemed customers through its extensive branch network, electronic, and digital channels. During the just ended financial year, the total number of our Bank branches reached 498 Our Bank opened 103 new branches across the country with the view of becoming accessible to the public at large. As a result, the number of our Bank service outlets reached 801 including ATM and Agency Banking.

3.4 Construction of Own Buildings

The construction of our 33-storey (4B&1/2+G+28F) transitional headquarters at Goma Kuteba is well underway. So far, the percentage of completion reached about 20%. Our excellence and convention center at Gelan has a completion rate of about 47%.

4. Interest- Free Banking (IFB) Performance

Oromia Bank is a pioneer in introducing interest-free banking services in Ethiopia. With the objective of scaling up the service, our Bank has opened IFB- dedicated branches, which have gone operational across the country. Our Bank offers a wide range of deposit, financing, and various banking products/ services. Special saving products have also been introduced to encourage a saving culture. In this part of the report, IFB financial and operational performance is separately presented even though it was already included and presented in the corporate report.

4.1 IFB Fund Mobilization

At the end of the reporting year, our Bank has mobilized Birr 8.2 billion from Interest- Free Banking wing, showing an increment of 27% compared with that of last year's same period achievement. During the reporting period, IFB deposit by category reveals that Wadi'a deposit accounted for 56% followed by Amana Deposit 41%. On the other hand, the IFB deposit of our Bank constituted 15.22% of the total corporate deposit portfolio showing 0.5 percentage improvement from last year similar period.

Table 7: IFB Deposit by Type

IFB deposit by type	Amount in Birr		%Growth	%Share	
	2022/23	2021/22		2022/23	2021/22
Wadi'ah deposits	4,601 M	3,992 M	15%	56%	62%
Amana Deposits	3,343 M	2,166 M	54%	41%	33%
Mudarabah	269 M	314 M	-14%	3%	5%
Total	**8,213**	**6,472 M**	**27%**	**100%**	**100%**

4.2 IFB Financing

At the close of the reporting period, the total IFB Financing availed to different economic sectors reached over Birr 5.1 billion, up by Birr 0.5 billion (11% growth) from that of last year's similar period. As a result, the IFB Financing to deposit ratio of our Bank stood at 63% at the end of June 30, 2023. In terms of sector distribution, the IFB financing portfolio of our Bank covered a wide range of sectors of the economy. Among these, Domestic trade Services took (25%) followed by Export (22%), Construction (19%), and Agriculture (12%). The IFB financing outstanding balance has reached 14.5% of the total corporate consolidated Loans and Advances plus IFB financing.

Table 8: IFB Financing by Type

IFB Financing By Economic Sector	Amount in Birr		%Growth	%Share	
	2022/23	2021/22		2022/23	2021/22
Murahabah Financing- DTS	1,296 MIL	1,169 MIL	11%	25%	25%
Murahabah Financing- Export	1,119 MIL	1,126 MIL	-1%	22%	24%
Murahabah Financing- Construction	1,001 MIL	959 MIL	4%	19%	21%
Murahabah Financing- Agriculture	601 MIL	545 MIL	10%	12%	12%
Murahabah Financing- Industry	537 MIL	518 MIL	4%	10%	11%
Murahabah Financing- Import	264 MIL	156 MIL	69%	5%	3%
Murahabah Financing- Transport and Communication	194 MIL	126 MIL	54%	4%	3%
Murahabah Financing- Hotel and Tourism	92 MIL	25 MIL	267%	2%	1%
Muruhabah Financing- Consumer and Personal	44 MIL	21 MIL	110%	1%	0%
Total	**5,149 MIL**	**4,645 MIL**	**11%**	**100%**	**100.0**

4.3 IFB Foreign Currency Generation

At the end of the financial year under review, the IFB wing generated a total foreign currency of USD 35.67 million from export proceeds showing a growth of 53% from last year's similar period. During 2022/23, IFB's foreign currency generation contributed 9% of aggregate corporate total foreign currency generation.

4.4 IFB Income

The IFB wing has generated a total income of Birr 797 million during the financial year 2022/23. Out of the total corporate income of our Bank, IFB income constituted 10%.

Table 9: IFB Financing by Type

IFB Income	Amount in Birr		%Growth	%Share	
	2022/23	2021/22		2022/23	2021/22
Income from Muaraba Financing	510 MIL	358 MIL	42%	64%	73%
Fee and commission income	254 MIL	116 MIL	119%	32%	24%
Other Operating income	33 MIL	16 MIL	105%	4%	3%
Total	**797 MIL**	**490 MIL**	**63%**	**100%**	**100%**

4.5 IFB Expense

During the period under review, the total expense of IFB reached Birr 224 million showing a 51% increment from that of last year's similar period.

Table 10: IFB Expense by Type Type

IFB Expense	Amount in Birr		%Growth	%Share	
	2022/23	2021/22		2022/23	2021/22
Personal expenses and other operating expenses	185 MIL	108 MIL	71%	83%	73%
Distribution to depositors_ IFB products	30 MIL	31 MIL	-2%	14%	21%
Loan Impairment charge	8 MIL	9 MIL	-9%	4%	6%
Sub-total	**224 MIL**	**148 MIL**	**51%**	**100%**	**100%**

4.6 IFB Profit

During the financial year 2022/23, the IFB wing generated a profit of Birr 396.4 million showing a growth of 65% from last year's similar period.

4.7 IFB Window Services and Full-Fledged IFB Branches

Oromia Bank has been providing window-based interest-free banking services through almost at all branches starting from the introduction of services in our country. Immediately after the issuance of the NBE's directive that allowed the establishment of full- fledged IFB branches, our Bank opened several IFB-dedicated branches in Finfinnee City and other towns. Currently, our Bank is providing window-based Sharia- compliant Interest-Free Banking Services at almost all of its conventional branches and in --7-- newly opened full-fledged IFB branches.

4.8 IFB Customer Base

In terms of customer base, the number of IFB customers is significantly increasing year-on-year and reached 1,115,653 showing an increment of 35% from its last year's customer base of 828,481. The number of IFB borrowers also reached ---- just at the end of the reporting year. This indicates that the customers have developed big trust in our services as we are dedicated to offering the products and services that best fit our esteemed customers' banking needs. Besides, consistent growth in the customer base of the IFB services has significantly increased transactional accounts and volume. Hence, we strongly believe that establishing customer relationships alongside the acquisition of new customers underpin the sustainable growth of our business.

5. Corporate Governance Statement

The Board of Directors (BOD) of our Bank is committed to maintaining high standards of corporate governance and ethical conduct. The board recognizes that good governance is fundamental to the bank's long-term success and ability to create value for shareholders.

The board believes the bank's corporate governance structures and processes are robust. However, governance practices require continual refinement as expectations dynamically evolve. The board is committed to regularly reviewing governance arrangements to ensure they remain fit-for-purpose and reflect high standards of accountability to shareholders and other stakeholders.

5.1 Appointment, Composition, Size and Qualifications of Board of Directors

Members of the Board of Directors (BOD) of our Bank were nominated and elected by the shareholders through a well-established and transparent process handled by an independently organized Nomination Committee and subsequently approved by the National Bank of Ethiopia.

The BOD consists of eleven members, who meet the requirement of a mix of core competencies, representation of the interest of non-influential shareholders and educational qualification as per the corporate governance directives of the National Bank of Ethiopia.

5.2 Structure of the Board

The Board had a Chairperson, a Deputy Chairperson, and five sub-committees namely: Branch Transformation, IT and Marketing Affairs; HR, Projects, and Investment; IFB, Credit, and IBS Affairs; Audit; and Risk Management and Compliance Sub-Committees, and a non-voting Secretary. Recently the Board restructured itself by reducing the number of its sub-committees to four. The current subcommittees are Strategy and IT management; HR, Projects, and Investment; Audit; and Risk Management and Compliance Sub-Committees.

5.3 The Functions of the Board

The Board has ultimate responsibility for the development and implementation of the Bank's appropriate business strategy and financial soundness, decision on key personnel, internal organization and governance structure and practices, and risk management and compliance requirements.

In order to reinforce the achievements of our Bank and ensure its sustainable growth over the years to come, the Board crafted and has been implementing a three year agenda for its effective functioning through new and innovative approaches to transform our Bank beyond the established structures, systems, and culture into a truly innovative key player in the market. Accordingly, the Board had identified priority and focus areas that guide its corporate strategic oversight both in the short and mid-terms. It has been consistently reviewing the five years strategic plan and has recently conducted mid-term strategic review where successes have been appreciated and endorsed while challenges hindering the achievement of strategic goals and the way forward have been thoroughly discussed. Accordingly, the management was directed to revise the strategy taking into account the current global and national ecosystem.

5.4 Role of the Subcommittees of the Board of Directors

Strategy and IT Management Subcommittee

Chaired by Fanta Tesgera (PhD), the Strategy and IT Management Board Subcommittee consists of six Directors. The subcommittee oversees the effective implementation of all the functional strategies (except HR functional strategy), IT Projects and the review of procurements and policies related to IT.

The subcommittee, whose members have diverse knowledge, talent and experience, is effectively directing and supporting the management to effectively implement the aforementioned duties.

HR, Projects, and Investment Sub-Committee:

Chaired by Dr. Assefe Seme, the Human Resource, Projects, and Investment Affairs Board Subcommittee consists of six Directors. The subcommittee supervises the proper implementation of the Human Resource functional strategy, which is part of the third strategic plan of our Bank, handle HR related matters, business related matters like reviewing procurement requests, reviewing corporate plans and performances, following up the progress of construction projects, and investment-related issues, among others.

The subcommittee, whose members have diverse knowledge, talent and experience, is effectively directing and supporting the management to effectively carry on the aforementioned major duties.

Audit-Sub Committee:

Chaired by Mr. Mulugeta Tujuba, the Audit Board Subcommittee consists of three Directors. The subcommittee supervises the proper performance of the audit activities of our Bank with the view of ensuring that effective internal control system and process are put in place and properly function. The subcommittee, whose members have diverse knowledge, talent and experience, is effectively supervising the performance of auditing function of our Bank.

Risk Management and Compliance Sub-Committee:

Chaired by Mr. Ajema Gondel, Risk Management and Compliance Board Subcommittee consists of three Directors. The subcommittee supervises the proper performance of the Risk Management and Compliance activities of our Bank with the view of monitoring our Bank's risk exposure and risk management and ensure compliance of our Bank's overall operation with various pertinent laws of the land and own policies and procedure. The subcommittee, whose members have diverse knowledge, talent and experience, is effectively supervising the Risk Management and Compliance functions of our Bank.

5.5 Board, Its Sub-committees and Individual Directors' Performance Evaluation

The Board bi-annually evaluates the effectiveness of the full Board as a team, its subcommittees and individual directors. This important exercise gave valuable insight on the effectiveness of the Board and areas for improvement. The findings of the evaluation were discussed at the Board meetings and affirmed that overall, directors are satisfied with the performance and effectiveness of the Board and its subcommittees.

5.6 Statements Regarding Remuneration of Directors and Chief Executive Officer

The total compensation paid to each director and the CEO last year, including CEO's salary, bonuses, benefits, and any other forms of remuneration, was as follows:

6. OVERVIEW OF THE 3rd FIVE-YEAR CORPORATE AND FUNCTIONAL STRATEGIES IMPLEMENTATION

Our Bank recently conducted a mid-term evaluation of its third five-year corporate and functional strategies. The purpose of the evaluation was to assess our strengths and limitations during the implementation period, incorporate new developments in the market, and intensify the implementation of strategic tactics. Our goal is to support the growth of our Bank and withstand the fierce competition from foreign banks in the coming years. Moving forward, our Bank will strategically focus on ensuring superior customer experience at every touch-point. Making OB the center of superior customer experience will continue to be the core of our strategic plan. The management and board of directors will closely monitor the strategic tactics implementation.

Table 11: Remuneration Paid to Directors

S.No	Particulars	Annual Allowance Paid	Annual remuneration
1	Dr. Assefa Seme	120,000.00	142,105.26
2	Mr. Mulugeta Tujuba	120,000.00	150,000.00
3	Gemechu Waktola (PhD)	120,000.00	142,105.26
4	Girma Balcha (PhD)	120,000.00	142,105.26
5	Oromia Insurance Company (S. Co.) (represented by Mr. Samuel Tesfa)	120,000.00	150,000.00
6	Hon. Eshetu Temesgen (PhD)	120,000.00	142,105.26
7	Mr. Worku Homa	120,000.00	150,000.00
8	Mr. Deressa Kenea	120,000.00	118,421.05
9	Hon. Mr. Ajema Gondel	120,000.00	150,000.00
10	Hon. Mr. Gudeta Gelalcha	120,000.00	126,315.79
11	Fanta Tesgera (PhD)	120,000.00	142,105.26
Total		1,320,000.00	1,555,263.16

Table 12: Remuneration paid the CEO

No	Name	Annual basic salary	Annual representation allowance	Annual housing allowance	Annual provident fund	2022/23 FY Year-end bonus
1	Mr. Teferi Mekonnen Yadate	4,140,000	331,200	1,140,000	165,600	

Note: In addition, the CEO is provided with vehicle and unlimited mobile allowance.

Moreover, the Bank discloses the following loans or securities that were extended to directors and the CEO last year:

Table 13: Loans extended to directors and the CEO

No	Name	Loan disbursed (in millions)	Percentage against capital	Total out-standing loan (in millions)
1	Mr. Teferi Mekonnen Yadate			
	The CEO			
	Mr. Teferi Mekonnen Yadate	10.22	0.15	9.47
	Board Directors			
1.	Fanta Tesgera Jetu	2.21	0.03	1.4

6.7 Internal Audit, Risk Management and Compliance

Oromia Bank has a well-organized and properly resourced Internal Audit, and Risk Management and Compliance units functionally reporting to the Board and administratively to the CEO. The Board deliberates and takes proper actions on reports of these functions at a minimum on monthly basis.

6.8 The CEO and Senior Management

Our Bank's day to day operations are run by the Chief Executive Officer and members of Senior Management nominated by the Board and approved by the NBE in accordance with the pertinent National Bank of Ethiopia's directives. The CEO has established various committees which are assisting him to successfully discharge his responsibilities in effective and efficient manner.

7. External Auditors

Degefa and Tewodros Audit Service Partnership was the external auditor for Oromia Bank, having been nominated by the General Assembly of Shareholders. Recently, the partnership changed to Tewodros and Fikre Audit Service Partnership due to the death of one of the partners. This change was approved by the National Bank of Ethiopia.

Project Financed


Aleph Abriha Construction


AGTA PLC

Our Buildings on Constraction


Future Head Quarter


Gelan Excellence and Conventation Centre

Events of Our Bank Held During the Year

13th Annual General Meeting of Shareholders

Shareholders Consultative Meeting

Iftar Program

Green Legacy


To Become the
Bank of Your
First Choice

Oromia Bank S.C

Sharia Compliance Committee (SCC)

Statement for the Fiscal Year Ended June 30, 2023

Pursuant to the Oromia International Bank S.C Corporate Governance Framework and its provisions related to Interest- Free Banking Services, and in accordance with the Accounting and Auditing Organization for Islamic Financial Institutions Shariah Standard and the Bank's Sharia Advisory Committee Charter, the SAC presents the following report for the fiscal year ended 30 June 2023.

Interest-Free Banking wing offers a wide range of deposits, financing and various banking products and services comparable to other banking services in Oromia International Bank (S.C) irrespective of race, religion or company.

We are honored to announce that OIB through its IFB has mobilized deposit of Birr 8.21 billion, generated Foreign Currency of USD 61.5 Million, and earned profit before tax of Birr 570 million from interest free banking business during the budget year ended 30 June 2023.

As Shariah compliance Committee of the Bank, we have given our highest dedication to ensure best quality and demonstrated commitment to Shariah compliance in the products, process, documentations, marketing and other related matters applicable by the Bank during the fiscal year.

Besides regular banking businesses, the Shariah Committee also supports the development of other Shariah based products and services initiated by the Bank and awareness creation to fulfill the needs of the Ummah at large.

It is our responsibility to form an independent opinion, based on our review of the Bank's operation, and report to you. Our monitoring comprised of reviewing several questions and inquiries forwarded by the Bank on issues related to sharia compliance on which we delivered our opinion. We have also undertaken several consultation meetings and exchanged views, with OB's board members and management, on overall sharia compliance assurance mechanism.

Based on review of various interests -free banking reports and to the best of our knowledge, we are of opinion that:

a) The mechanism in place to ensure shari'a compliance of overall operations and transactions of IFB services is workable and up to the general standard of interest free banking operational modalities;

b) The contracts, transactions and dealings entered in by the Bank during the year ended June 30, 2023 are generally in compliance with the sharia standards;

c) All amounts realized from sources like penalties were not incorporated to the Bank's revenue. It is placed and reported separated in the charity account;

d) The allocation of profit and charging of loses related to the investment accounts conform to the basis that had been approved by SCC in accordance with Islamic shari'a laws and rules;

e) The responsibility of paying Zakat falls on the shareholders. The Bank's Management is not authorized to pay Zakat directly, as there is no law to that effect, and the Bank's Articles of Association do not stipulate such an action nor do the decisions of the General Assembly or the shareholders' authorization.

f) The shari'a board has been provided adequate resources enabling it to discharge its duties responsibilities.

We hope and anticipate that IFB services will continue to contribute more by upholding similar Sharia compliance dedication, implementations and applications without undermining the ever-ending quest of customers and by addressing banking needs of the unbanked community, serving the missing middle and accommodating all those who are far from Banks due to their value system.

Finally, the Sharia Advisory Committee takes this opportunity to express its gratitude to the Board of Directors, the Bank's management and staffs for their co-operation and their keenness in understanding and adherence to the rules of the noble Sharia Principles.

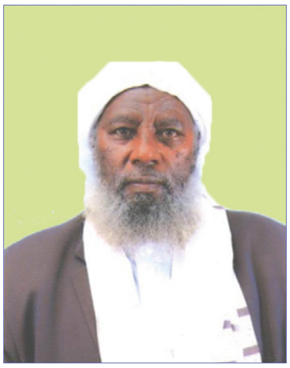
Thank you!

Sheik Haji Ibrahim Tufa
SAC Chairperson

Dr. Ahmed Abdurrahman
SAC Vice Chairperson

Sheik Mahmud Hussain
SAC member

Shariah Advisory Committee Members



Sheik Haji Ibrahim Tufa
SAC Chairperson

Dr. Ahmed Abdurrahman
SAC Vice Chairperson

Sheik Mahmud Hussain
SAC member

Audited Financial Statement for the Year ended June 30, 2023

Oromia International Bank S.C.

Directors, professional advisers and registered office

For the year ended 30 June 2023

Company registration number KK/AA/3/0007345/2007

Directors (As of 30 June 2023)

Gemechu Waktola (PhD)	Chairperson	Appointed March 25, 2021
Obbo Mulugeta Tujuba	Vice-Chairperson	Appointed April 05, 2018
Dr. Assefa Seme	Member	Appointed January 29, 2020
Obbo Ajema Gondel	Member	Appointed January 29, 2020
Obbo Deressa kenea	Member	Appointed January 29, 2020
Obbo Worku Homa	Member	Appointed March 25, 2021
Oromia Insurance Company s.c represented by Obbo Samuel Tesfa	Member	Appointed March 25, 2021
Eshetu Temesgen (PhD)	Member	Appointed March 25, 2021
Obbo Gudeta Gelalcha	Member	Appointed March 25, 2021
Girma Balcha (PhD)	Member	Appointed March 25, 2021
Fanta Tesgera (PhD)	Member	Appointed March 25, 2021

Executive Management (As of 30 June 2023)

Obbo Teferi Mekonnen	Chief Executive Officer	Appointed 01 June 2020
Obbo Geleta Bekuma	Chief Officer IT Infrastructure & Services	Appointed 01 June 2018
Obbo Jote Kenate	Chief Officer Corporate Strategy & Transformation Management	Appointed 01 August 2019
Obbo Fayisel Yassin	Chief Officer Corporate Banking and International Trade	Appointed 20 January 2021
Obbo Worku Lema	Chief Officer Retail & SME Banking	Appointed 17 August 2022
Obbo Alemayehu Demise	Deputy Chief Officer Corporate Support	Appointed 01 July 2019
Oboo Gelana Leta	Deputy Chief Officer Human Resource	Appointed 17 August 2022
Obbo Tesfaye Deressa	Deputy Chief Officer Credit Operation Management	Appointed 01 January 2022
Obbo Berhanu Edea	Chief Internal Audit	Appointed 21 April 2016
Obbo Ketema Mengesha	Chief Risk Management and Compliance	Appointed 20 February 2017
Obbo Girma Gobu	A/Deputy Chief Officer Marketing and Partnership	Appointed 17 April 2023

Independent Auditor

Tewodros and Fikre

Audit Service Partnership

Addis Ababa

Ethiopia

Corporate office

P.O.Box 27530/1000

Bole Road

Oromia Bank Building

Addis Ababa

Ethiopia

Company secretary

Solomon Geda
P.O.Box 27530/1000
Bole Road
Oromia Bank Building
Bole Road, Kirkos
Addis Ababa, Ethiopia

Oromia International Bank S.C.

Directors, professional advisers and registered office

For the year ended 30 June 2023

The directors submit their report together with the financial statements for the year ended 30 June 2023, to the members of Oromia Bank S.C. ("OB or the Bank"). This report discloses the financial performance and state of affairs of the Bank.

Incorporation

Oromia Bank share company has been established in Addis Ababa as per the Commercial Code of Ethiopia 1960 (as replaced by Commercial code of Ethiopia of 2021), and it was licensed by the National Bank of Ethiopia in September 2008 with the objective to engage in banking service in accordance with the Banking Business Proclamation No. 84/1994 (as amended by 592/2008). . The Bank started operation in October 2008.

Principal activities

Oromia Bank S.C (OB) engages in full-fledged banking business as per Banking Business Proclamation of Ethiopia No. 84/1994 (as amended by 592/2008). Accordingly, it accepts deposits in the form of current (demand) deposits, saving deposits and fixed time deposits. To address the need of certain types of its customers some features are added on those deposit types such as diaspora deposit accounts. It also extends different types of credit products based on the need of its customers. Some of its credit products have terms ranging from short term to long term while others have revolving nature such as overdraft and pre-shipment facilities. International trade facilitation through letter of credit and other means of payment is the other major business of the Bank. The Bank also undertakes both local and international money remittance services. Moreover, it has specialized services such as interest free banking services, card banking services, mobile banking and agent banking services.

Results

The Bank's results for the year ended 30 June 2023 are set out on page 4. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Interest income	5,938,869	4,109,365
Profit / (loss) before tax	1,997,094	1,518,572
Tax (charge) / credit	(417,472)	(317,497)
Profit / (loss) for the year	1,579,622	1,201,075
Other comprehensive income/ (loss) net of taxes	99,763	7,876
Total comprehensive income /(loss) for the year	**1,679,385**	**1,208,951**

Directors

The directors who held office during the year and to the date of this report are set out on page 1.

Dr. Assefa Seme
Chairperson,Board of Directors
Addis Ababa, Ethiopia

Oromia International Bank S.C.

Directors, professional advisers and registered office

For the year ended 30 June 2023

In accordance with the Banking Business Proclamation No. 84/1994 (as amended by No. 592/2008), the National Bank of Ethiopia (NBE) may direct the Bank to prepare financial statements in accordance with international financial reporting standards, whether their designation changes or they are replaced, from time to time.

The Directors are responsible for the preparation and fair presentation of these financial statements in conformity with reporting requirements in Ethiopia and in the manner required by the Commercial Code of Ethiopia of 1960 (as replaced by Commercial code of Ethiopia of 2021) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank is required to keep such records as are necessary to:

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

b) Explain its transactions and financial position; and

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

The Directors accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards, Banking Business Proclamation, Commercial code of Ethiopia and the relevant directives issued by the National Bank of Ethiopia.

The 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 bank will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Dr. Assefa Seme	**Obbo Teferi Mekonnen**
Chairperson of the Board of Directors	**Chief Executive Officer**

Oromia International Bank S.C.

Directors, professional advisers and registered office

For the year ended 30 June 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Interest income from loans and advances	6	5,938,869	4,109,365
Income from interest free financing and investment products	7	509,802	358,343
Interest expense	8	(2,335,296)	(1,653,553)
Profit Sharing- Interest Free Banking Products	8	(30,339)	31,370)
Net interest income and income from interest Free banking products net of Profit sharing		4,083,036	2,782,786
Fee and commission income	9(a)	1,550,515	1,019,769
Less: Fee and commission expense	9(b)	-	-
Net fees and commission income		1,550,515	1,019,769
Other operating income	10	262,472	302,565
Total operating income		**5,896,023**	4,105,120
Loan impairment charge	11	(91,888)	(15,689)
Impairment losses on other assets	12	21,679	(51,766)
Net operating income Less:		**5,825,814**	**4,037,665**
Personnel expenses	13	(2,325,988)	(1,542,833)
Amortisation of intangible assets	21	(32,510)	(19,498)
Depreciation andimpairment of property, plant and equipment	23	(157,214)	(109,281)
Amortization of right of use assets	22	(295,075)	(216,350)
Lease expense	14(a)	(39,156)	(32,536)
Other operating expenses	14(b)	(978,777)	(598,595)
		(3,828,720)	**(2,519,093)**
Profit before tax		**1,997,094**	**1,518,572**
Less: Income tax expense	15(a)	(417,472)	(317,497)
Profit after tax		**1,579,622**	**1,201,075**
Other comprehensive income (OCI) net on income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	28	(22,952)	(9,071)
Deferred tax on Remeasurement difference benefits obligations	19 30	6,886	2,721
		(16,066)	**(6,350)**
Net change in equity investment at FVOCI		165,471	20,322
Deferred tax on change in equity investment at FVOCI		(49,641)	(6,097)
		115,830	**14,226**
Total other comprehensive income for the period		**99,763**	**7,876**
Total comprehensive income for the period		**1,679,385**	**1,208,951**
Earnings per share of Ethiopian Birr 1000		**324**	**307**

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

Dr. Assefa Seme
Chairperson of the Board of Directors

Obbo Teferi Mekonnen Chief Executive Officer

Oromia International Bank S.C.

Directors, professional advisers and registered office

For the year ended 30 June 2023

ASSETS	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Cash and cash equivalents	16	10,987,908	9,799,766
Loans and advances to customers	17	37,100,493	27,216,536
Interest Free Financing	18	4,461,244	4,038,858
Non current Asset held for sale	24	60,886	44,399
- Financial assets at fair value through OCI	19(a)	405,363	219,983
- Financial assets at amortized cost	19(b)	5,253,361	5,851,603
Other assets	20	3,190,006	2,383,340
Intangible assets	21	137,394	116,524
Property, plant and equipment	23	2,548,137	1,435,614
Right of use leased assets	22	1,268,480	938,555
Total assets		**65,413,272**	**52,045,177**
LIABILITIES			
Deposits from customers	25	46,459,570	37,050,177
Interest free customers' deposits	26	7,807,992	6,471,139
Current tax liabilities	15 (a)	465,680	316,080
Deferred tax liabilities	15 (d)	26,783	33,626
Lease liabilities	38	404,876	345,404
Other liabilities	27	1,419,418	891,804
Retirement benefit obligations	28	170,631	94,078
Total liabilities		**56,754,950**	**45,202,309**
EQUITY			
Share capital	29	5,371,537	4,364,892
Share premium		8,172	8,172
Retained earnings	31	1,158,950	869,024
Legal reserve	32	1,770,099	1,375,194
Regulatory risk reserve	33	220,080	195,869
Other reserve		129,484	29,721
Total equity		8,658,322	6,842,872
Total equity and liabilities		**65,413,272**	**52,045,177**

The financial statements on pages 4 to 7 were approved and authorised for issue by the board of directors on 31 October 2023 and were signed on its behalf by:

The accompanying notes on page 8 to 72 are an integral part of theses financial statements.

Dr. Assefa Seme
Chairperson of the Board of Directors

Obbo Teferi Mekonnen
Chief Executive Officer

Oromia International Bank S.C.
Notes to the financial statements
For the year ended 30 June 2023

	Notes	Share capital Birr'000	Premium Birr'000	Retained Earnings Birr'000	Legal reserve Birr'000	Other Reserve Birr'000	risk reserve Birr'000	Total Birr'000
As at 1 July 2022		4,364,892	8,172	869,024	1,375,194	29,721	195,869	6,842,872
Profit for the year	31			1,579,622	-	-	-	1,579,622
Other comprehensive income:				-				
Net change in equity investment at FVOCI	19			-		115,830	-	115,830
Re-measurement gains on defined benefit plans (net of tax)	28			-	-	(16,066)	-	(16,066)
Directors' Share on Profit				(1,555)	-	-	-	(1,555)
Proceeds from issue of shares	31	408,747	-	-	-	-	-	408747
Dividend capitalised	31	597,898	-	(597,898)	-	-	-	-
Transfer to legal reserve	31			(394,905)	394,905	-	-	-
Dividends paid	31			(231,447)	-	-	-	(231,447)
Dividend held in payable account	31			(39,679)	-	-	-	(39,679)
Transfer from regulatory risk reserve				-				
Suspended Interest transferred to regulatory risk reserve account	33	-	-	(3,410)	-	-	3,410	-
Transfer to regulatory risk reserve for excess NBE provision for other assets	33			(3,958)	-	-	3,958	-
Transfer to Regulatory risk reserve for excess NBE provisions for loans and advances	33	-		(16,843)	- -	-	16,843	-
Total Change in equity for the year		1,006,645		289,926	394,905	99,763	24,211	1,815,451
As at 30 June 2023		5,371,537	8,172	1,158,950	1,770,099	129,484	220,080	8,658,322

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

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

Dr. Assefa Seme
Chairperson of the Board of Directors

Obbo Teferi Mekonnen
Chief Executive Officer

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Tewodros and Fikre Audit Services
Partnership
P.O. Box 8118
E-mail: chalatewodros@gmail.com
Addis Ababa Ethiopia

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF OROMIA INTERNATIOANL BANK S.C.

OPINION

We have audited the accompanying financial statements of *OROMIA INTERNATIOANL BANK S.C.* which comprise the statement of profit and loss and other comprehensive income for the year ended 30 June 2023, statement of financial position as at 30 June 2023, statement of changing equity and statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of *OROMIA INTERNATIOANL BANK S.C.* as at 30 June 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by IASB.
As required by the commercial code of Ethiopia, based on our audit we report as follows:

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

ii) Pursuant to article 349 (2) of the commercial code of Ethiopia, 2013 E.C, We recommend the financial statements be approved.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' code of Ethics for Professional

Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon; we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to be separately communicated in our report.

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

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

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

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

Auditors Responsibility for the Audit of the financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Tewodros and Fikre Audit Services
Partnership
Chartered Certified Accountants

Addis Ababa
October 31, 2023

Oromia International Bank S.C.

Directors, professional advisers and registered office

For the year ended 30 June 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Cash flows from operating activities			
Cash generated from operations	34	1,215,130	1,480,107
Defined benefits paid	28	(24,111)	(7,224)
Income tax paid prior year adjustment		-	-
Income tax paid	15	(317,472)	(249,460)
Net cash (outflow)/inflow from operating activities		**873,542**	**1,223,423**
Cash flows from investing activities			
Proceed disposal of fixed asset	19	1,126	1,656
Purchase of investment securities	21	578,333	436,763
Purchase of intangible assets	23	(53,380)	(59,708)
Purchase of property, plant and equipment		(1,274,893)	(637,740)
Net cash (outflow)/inflow from investing activities		**(748,814)**	**(259,029)**
Cash flows from financing activities			
Proceeds from issues of shares	29	408,747	362,570
Payments of principal portion of the lease liability	38	-	-
Dividend paid	31	(265,122)	(189,966)
Directors' share on Profit	31	(1,555)	(1,533)
Net cash (outflow)/inflow from investing activities		**142,070**	**171,071**
Net increase/(decrease) in cash and cash equivalents		**266,802**	**1,135,465**
Cash and cash equivalents at the beginning of the year	16	6,738,766	5,341,051
Foreign exchange (losses)/ gains on cash and cash equivalents		201,340	262,250
Cash and cash equivalents at the end of the year	16	**7,206,908**	**6,738,766**

The financial statements on pages 4 to 7 were approved and authorised for issue by the board of directors on 31 October 2023 and were signed on its behalf by:

The accompanying notes on page 8 to 72 are an integral part of theses financial statements.

Dr. Assefa Seme
Chairperson of the Board of Directors

Obbo Teferi Mekonnen Chief
Executive Officer

Oromia International Bank S.C.

Directors, professional advisers and registered office

For the year ended 30 June 2023

1. General information

Oromia Bank S.C. (" the Bank") is a private commercial Bank domiciled in Ethiopia. The Bank was established on September 18,200 in accordance with the provisions of the Commercial Code of Ethiopia of 1960 (as replaced by Commercial Code of Ethiopia of 2021)an the Licensing and Supervision of Banking Business Proclamation No. 84/1994 (as amended by 592/2008). The Bank registered office i at:

P.O.Box 27530/1000
Bole Road
Oromia International Bank Building
Addis Ababa
Ethiopia

The Bank is principally engaged in the provision of diverse range of financial products and services to a wholesale, retail and small and medium enterprise clients based in Ethiopian Market.

2. Basis of preparation

a) Statement Of Compliance

The financial statements for the period ended 30 June 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by national regulations is included where appropriate.

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

b) Basis of measurement

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

- Assets held for sale – measured at fair value less cost of disposal, and
- The present value of the defined benefit obligation less the net total plan assets, plus unrecognized actuarial gains less unrecognized past service cost and unrecognized actuarial losses.
- Financial assets at FVTOCI are measured at fair value.

c) Functional and Presentation of Currency

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

d) Use of estimates and judgements

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.

e) Going concern

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

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented on these financial statements and have been applied consistently by the bank.

Oromia International Bank S.C.
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(a) New standards, amendments and interpretations

(i) **New standards, amendments, and interpretations and effective adopted during the year.**
A number of new standards or amendments are effective from 1 July 2022, but they do not have a material effect on the Bank's financial statements.

(ii) **New standards, amendments and interpretations issued but not adopted.**

Standard	Description	Effective date	Impact
IAS 1 "Presentation of Financial Statements"	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	Effective January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments are effective for reporting periods beginning on or after January 1, 2024. The amendments are applied retrospectively in accordance with IAS 8 and earlier application is permitted.	Do not have material effect on the bank financial statement.
IFRS 16-Leases	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	Effective January 1, 2019, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted..	Do not have material effect on the bank financial statement.
IFRS 17 — Insurance Contracts	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022.[The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]Effective January 1, 2021. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.	Do not have material effect on the bank financial statement.
Definition of Accounting Estimates (Amendments to IAS 8)	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	Effective for annual reporting periods beginning on or after 1 January 2023.	Do not have a material effect on the Bank's financial statements.

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Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	Effective for annual reporting periods beginning on or after 1 January 2023.	The bank shall apply the amendment when due. The amendments are expected to have an impact on the bank's financial statements.
IAS 12 amendments on deferred tax	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.	The amendments are effective for annual periods beginning on or after 01, January 2023	Do not have significant impact on the banks's financial results or position
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. It addressing the presentation of liabilities and the associated cash flows arising out of supplier finance arrangements, as well as disclosures required for such arrangements.	The amendments will be effective for annual reporting periods beginning on or after 1st January 2024, with early application permitted	The Bank opted to apply the amendments when due.
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	Annual periods beginning on or after 1 January 2024.	The Bank opted to apply the amendments when due.

3.1 Functional and presentation Currency

a. Transactions and balances

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

b. Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

3.2 Recognition of income and expense

(i) Interest income and expenses

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

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

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

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

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

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

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

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

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

For information on when financial assets are credit-impaired, see Note 3.3

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- Interest on financial assets and financial liabilities measured at amortised cost;
- Interest on debt instruments measured at FVTOCI;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.
- Other interest income presented in the statement of profit or loss and OCI includes interest income on finance leases
- Interest expense presented in the statement of profit or loss and OCI includes:
- Financial liabilities measured at amortised cost; and
- 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.

Interest income and expense on all trading assets and liabilities are considered 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

3.2.1 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income (for example commission on drafts, cash payment order (CPO),letter of credit (LC), guarantee etc) are recognised on an accrual basis as the related services are performed.

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expenses relates mainly to transaction and service fees are expensed as the services are received.

3.2.2 Dividend income

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

3.2.3 Foreign Exchange revaluation gains and losses

These are gains and losses arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. This amount is recognised in the income statement, and it is further broken down into realised and unrealised portion if any.

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

3.3 Financial assets and liabilities

(a) Financial instruments – key measurement terms

Depending on their classification financial instruments are carried at fair value or amortized cost as described below.

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 best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is , derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs

Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchange and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost

Is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write – down for incurred impairment losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method

Is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest reprising date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

(i) Recognition and initial measurement

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

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(ii) Classification and measurement of financial instruments financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

IFRS 9 specifically requires:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at Fair Value Through Other Comprehensive Income (FVTOCI);
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.
- However, the Bank may make the following irrevocable election /designation at initial recognition of a financial asset on an asset- by asset basis:

(i) The Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and

(ii) The Bank may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt instruments at amortised cost or at FVTOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how Banks of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument; therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument by-instrument basis.

The Bank has more than one business model for managing its financial instruments which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Bank has not identified a change in its business models. When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment explanation below,

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (nonrecourse loans). The Bank applies judgment in assessing whether the nonrecourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgement:

- Whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan.
- The fair value of the collateral relative to the amount of the secured financial asset.
- The ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral.
- Whether the borrower is an individual or a substantive operating entity or is a special purpose entity.
- The Bank's risk of loss on the asset relative to a full recourse loan.
- The extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- Whether the Bank will benefit from any upside from the underlying assets.

Financial assets at FVTPL

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 3.1 Fair value of financial instruments.

Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

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Collateral Valuation

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

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. The Bank revalues its property at least after every 3 years and revalues motor vehicles at least once in every 2 years.

Renegotiated loans

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

Impairment of financial assets

In line with IFRS 9, the Bank assesses the under listed financial instruments for impairment using Expected Credit Loss (ECL) approach:

- Amortized cost financial assets.
- Debt securities classified as at FVTOCI; • Off-balance sheet loan commitments; and
- Financial guarantee contracts.

Equity instruments and financial assets measured at FVTPL are not subjected to impairment under the standard.

Expected Credit Loss Impairment Model

The Bank's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Bank follows a three-stage approach for impairment assessment based on changes in credit quality since initial recognition.

Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (lifetime expected credit loss), unless there has been no significant increase in credit risk since origination.

Measurement of Expected Credit Losses

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical parameters/inputs are as follows:

PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs. The Bank obtains the constant and relevant coefficients for the various independent variables and computes the outcome by incorporating forward looking macroeconomic variables and computing the forward probability of default.

Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures. PDs are limited to the maximum period of exposure required by IFRS 9. The Bank obtains 3 years forecast for the relevant macroeconomic variables and adopts exponentiation method to compute cumulative PD for future time periods for each obligor.

EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

To estimate expected credit loss for off balance sheet exposures, credit conversion factor (CCF) is usually computed. CCF is a modelled assumption which represents the proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring.

It is a factor that converts an off-balance sheet exposure to its credit exposure equivalent. In modelling CCF, the Bank considers its account monitoring and payment processing policies including its ability to prevent further drawings during periods of increased credit risk. CCF is applied on the off-balance sheet exposures to determine the EAD and the ECL impairment model for financial assets is applied on the EAD to determine the ECL on the off balance sheet exposures.

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires that:

The Bank uses internal subject matter consultant to consider a range of relevant forward-looking data, including macroeconomic forecasts and assumptions, for the determination of unbiased general economic adjustments in order to support the calculation of ECLs.

Macro-economic variables taken into consideration include, but are not limited to, inflation, Exchange rate, Gross Domestic Product, debt, stratification and requires an evaluation of both the current and forecast direction of the macroeconomic cycle.

Macro-economic variables considered have strong statistical relationships with the risk parameters (LGD, EAD, CCF and PD) used in the estimation of the ECLs and are capable of predicting future conditions that are not captured within the base ECL calculations.

Forward looking adjustments for both general macro-economic adjustments and more targeted at portfolio / industry levels. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

Macroeconomic factors

The Bank relies on a broad range of forward-looking information as economic inputs, such as: GDP growth, debt, household spending, consumer price index, inflation rates and foreign exchange rates. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

The macroeconomic variables and economic forecasts as well as other key inputs are reviewed and approved by management before incorporated in the ECL model. Any subsequent changes to the forward looking information are also approved before such are inputted in the ECL model.

The macro economic variables are obtained for 5 years in the future and are reassessed every 6 months to ensure that they reflect prevalent circumstances and are up to date.

Where there is a non-linear relationship, one forward looking scenario is never sufficient as it may result in the estimation of a worst-case scenario or a best case scenario. The Bank's ECL methodology considers weighted average of multiple economic scenarios for the risk parameters (basically the forecast macroeconomic variables) in arriving at impairment figure for a particular reporting period. The model is structured in a manner that the final outcome, which is a probability cannot be negative.

SICR is assessed once there is an objective indicator of a deterioration in credit risk of customer. In addition, the Bank as part of its routine credit processes perform an assessment on a quarterly basis to identify instances of SICR.

Multiple forward-looking scenarios

The Bank determines allowance for credit losses using three probability-weighted forward-looking scenarios. The Bank considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Bank prepares the scenarios using forecasts generated by credible sources such as Business Monitor International (BMI), International Monetary Fund (IMF), Ministry of Finance (MF), World Bank (WB), and Ethiopian Central statistical Agency (ECSA).

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The Bank estimates three scenarios for each risk parameter (LGD, EAD, CCF and PD) – Base, Upside and Downside, which in turn is used in the estimation of the multiple scenario ECLs. The 'Base case' represents the most likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

Assessment of significant increase in credit risk (SICR)

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and nonretail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region.

The Bank adopts a multi factor approach in assessing changes in credit risk. This approach considers: Quantitative (primary), Qualitative (secondary) and Back stop indicators which are critical in allocating financial assets into stages.

The quantitative models considers deterioration in the credit rating of obligor/counterparty based on the Bank's internal rating system or External Credit Assessment Institutions (ECAI) while qualitative factors considers information such as expected forbearance, restructuring, exposure classification by licensed credit bureau, etc.

A backstop is typically used to ensure that in the (unlikely) event that the primary (quantitative) indicators do not change and there is no trigger from the secondary (qualitative) indicators, an account that has breached the 30 days past due criteria for SICR and 90 days past due criteria for default is transferred to stage 2 or stage 3 as the case may be except there is a reasonable and supportable evidence available without undue cost to rebut the presumption.

Definition of Default and Credit Impaired Financial Assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired. A financial asset is '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; others include death, insolvency, breach of covenants, etc.
- A breach of contract such as a default or past due event.
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; •It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually 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, loans that are more than 90 days past due are considered impaired.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy which applies for corporate and retail lending.

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When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then.
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Bank deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Bank considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated- credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised paramount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- The remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Banks's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL.

If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Bank performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Bank calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account in 'Losses on modification of financial assets'. Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss.

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A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Collateral Repossessed

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

Write off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

Presentation of allowance for ECL in the statement of financial position

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

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.
- For loan commitments and financial guarantee contracts: as a provision; and
- 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.

Financial Liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss

For an explanation of how the Bank classifies financial liabilities under IFRS 9, see below:

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a Bank of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the banking is provided internally on that basis; or
- It forms part of a hybrid (combined) contract, containing one or more embedded derivatives that significantly modifies the cash flows of the contract, or it is clear with little or no analysis that separation of the embedded derivative is not prohibited.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in the profit or loss account.

However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For issued loan commitments and financial guarantee contracts that are designated as at FVTPL all gains and losses are recognised in profit or loss.

In making the determination of whether recognising changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Bank assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income section" above.

Modification and derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. To determine if the modified terms of a liability are substantially different to the original terms a similar process with modification of financial assets is followed. The modification is assessed at first on a qualitative basis, factors such as a change in currency or the introduction of a non-closely related embedded derivative that significantly modifies the cash flows are regarded as substantially different. If it is not clear from the qualitative assessment that a modification has resulted in a substantial change in a financial liability, a quantitative assessment is applied. It is assumed that the terms of the financial liability are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the Bank recalculates the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. The Bank recognises any adjustment to the amortised cost of the financial liability in profit or loss as income or expense at the date of the modification. The financial liability modification gain/loss is not significant for the Bank Modification gains are presented in 'other income' and modification losses are presented in 'other expenses' in the profit or loss account.

3.4 Offsetting financial instruments

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

3.5 Interest Free Financing and Investment products

In addition to conventional banking products, the Bank offers its customers certain non-interest based banking products which are approved by its Sharia'h Supervisory Committee.

All Interest Free banking products are accounted for in conformity with the accounting policies described below:

With regard to Interest free banking products, the ECL policy of interest free financing products are similar with the policy stated above.

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(iii) Definition of Key Terms

Murabaha

An agreement whereby the bank sells to a customer a commodity or a property which the bank has purchased and acquired based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises of the cost of the commodity and an agreed profit margin.

Istisna

An agreement between the bank and a customer, whereby the bank develops and sells a property to the customer according to the specifications agreed upon. The bank may develop the property on its own or through a subcontractor, and then hand it over to the customer on a pre-agreed date and against fixed price.

Ijarah

An agreement whereby the bank (lesser) leases an asset to a customer (lessee), for a specific period against certain rent instalments. Ijarah could end in transferring the ownership of the asset to the lessee at the end of the lease period. Also, the bank transfers substantially all the risks and returns related to the ownership of the leased asset to the lessee.

Salam

A contract whereby the bank purchases a fixed quantity of a specified commodity and pays the full Salam price of the commodity in advance, whereas the customer delivers the quantity of the commodities in accordance with an agreed delivery schedule. The bank makes profit on Salam transactions, when the Salam commodities are received from the Salam customer and subsequently sold to a third party at profit.

Interest Free Export Financing Facility

A non-profit bearing financing enables the borrower to use the borrowed amounts for a specific period of time, at the end of which the same borrowed amounts would be repaid free of any charges or profits.

Mudaraba

A contract between the bank and a customer, whereby one party provides the funds (Rab Al Mal) and the other party (the Mudarib) invests the funds in a project or a particular activity and any generated profits are distributed between the parties according to the profit shares that were pre-agreed upon in the contract. The Mudarib is responsible of all losses caused by his misconduct, negligence or violation of the terms and conditions of the Mudaraba; otherwise, losses are borne by Rab Al Mal.

Musharaka

A contract between the bank and a customer to enter into a partnership in an existing project (or to be established), or in the ownership of a specific asset, either ongoing basis or for a limited time, during which the bank enters in particular arrangements with the customer to sell to him/her its share in this partnership until he/she becomes the sole owner of it (diminishing musharaka). Profits are distributed according to the mutual agreement of the parties as stipulated in the contract; however, losses are borne according to the exact shares in the Musharaka capital on a pro-rata basis.

Accounting policy for Interest Free Financing and Investment Products

a) Murabaha financing

Murabaha financing receivables are deferred sale agreements whereby the Bank sells to a customer a commodity or an asset, which the Bank has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Amounts receivable from Murabaha financing receivables are initially stated in the Statement of Financial Position at selling price. And subsequently, they shall be stated at selling price less unearned income and provision for impairment at the reporting date.

b) Istisna

Istisna is an agreement between the Bank and a customer whereby the Bank sells to the customer an asset which is either constructed or manufactured by the purchaser on behalf of the Bank according with agreed-upon specifications, for an agreed upon price.

Istisna'a assets in progress represent disbursements made as well as the accrued income as of the date of the statement of financial position against assets being either constructed or manufactured.

After completion of the project, the Istisna asset is transferred to the Istisna receivable account and carried at the value of amounts disbursed, plus income accumulated over the manufacturing period, less ECL.

c) Ijarah assets

Ijarah assets are initially stated in the Financial Statement of the Bank at cost. Subsequently, they shall be stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged from the date of recognition of ijarah assets on a straight line basis over the period of Ijarah. Impairment of Ijarah assets is determined on the same basis as that of operating fixed assets.

d) Salam Financing

Salam financings are reflected in the Financial Position of the Bank as receivables at the invoiced amount. Profit not due for payment is deferred and is recognized on a time proportion basis.

e) Interest Free Export Financing Facility

Interest Free Export Financing Facility is a short term financing given to the borrower for three months free of any charge or profit and not subject to discounting being a short term facility. Interest Free Export Facility Financing is stated in the statement of financial Position of the bank at the fair value of the consideration given (amounts of disbursement). and
Subsequently, they shall be stated at disbursement amount less ECL.

f) Mudaraba Investment

Mudaraba investment is based on the profit-sharing and loss-bearing Mudaraba contract where profits are shared between the parties based on the terms of the Mudaraba agreement. Initially Mudaraba contracts are stated in the statement of financial Position of the bank at fair value of the consideration given (amount of disbursement) and subsequently, they shall be stated at fair value of the consideration given, less ECL.

g) Musharaka

In Musharaka based financing, the Bank enters into a Musharaka based on partnership for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic rental payment agreement for the utilization of the Bank's Musharaka share by the customer. Initially Musharaka and Diminishing Musharaka Financing are stated in the statement of financial Position of the bank at fair value of the consideration given (amount of disbursement) and subsequently, they shall be stated in the financial Position of the Bank at disbursement amount less ECL.
Allowance for impairment is made against Interest Free financing and investment products when their recovery is in doubt taking into consideration IFRS requirements (as explained in Note 3.3). Interest Free financing and investment products are written off only when all possible courses of action to achieve recovery have proved unsuccessful.

(iii) Revenue recognition policy

Income from the following financing and investing receivables is recognized on the as follows policy:

(i) Murabaha
Murabaha income is recognized on a time apportioned basis over the period of the contract based on the outstanding principal amounts.

(ii) Istisna
Istisna revenue and the associated profit margin (difference between the cash price to the customer and the bank's total Istisna cost) are accounted for on a time proportion basis.

(iii) Ijara
Ijara income is recognized on a time apportioned basis over the lease term.

(iv) Salam
Salam profit is internally accounted for on a time-apportioned basis over the period of the Salam contract based on the value of the outstanding Salam commodities.

(v) Mudaraba
Income or losses on Mudaraba financing are recognized on an accrual basis if they can be reliably estimated. Otherwise, income is recognized on distribution by the Mudarib, whereas the losses are charged to the Bank's Statement of profit and loss on their declaration by the Mudarib.

(vi) Musharaka
Income is accounted for on the basis of the reducing balance of Musharaka on a time apportioned basis that reflects the effective yield on the asset. (vii) Forfeited income
According to the Bank's Fatwa and Sharia'a Supervisory committee, the bank is required to identify any income deemed to be derived from transactions not acceptable under Sharia'a principles, as interpreted by Fatwa and Sharia'a Supervisory committee, and to set aside such amount in a separate account used to pay for charitable causes and activities.

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(vii) Interest Free Banking customers' deposits and distributions to depositors

a) Interest Free Banking customers' deposits

Interest Free Banking customers' deposits such as Amana, Wadiaha and Mudaraba and other deposits are initially measured at fair value which is normally consideration received net of directly attributable transaction costs incurred, and subsequently measured at their carrying value.

b) Profit distribution

Profits or losses of Mudaraba based depositors' accounts are calculated and distributed in accordance with the Banking Service Agreement between the Bank and the investment account holders.

3.6 Cash and cash equivalents

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

3.7 Property, plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in income statement as incurred. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

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

Asset class	Useful life (years)
Buildings	50
Furniture and fittings	10-20
Equipment	5-10
Motor Vehicles	10
Computer and accessories	7-10

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

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

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

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

3.8 Intangible assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented as a separate line item in the income statement.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

- Swift software – 6 years
- Core Banking software – 6 years
- Mobile and agent banking software – 6 years

3.9 Leases

At 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 in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS16.

(i) 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 not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use 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 remeasurements 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, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analysing its cost of fund incurred for mobilizing deposits as there is no experience of borrowings from different external sources.

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 at 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 amortised cost using the effective interest method. It is remeasured 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 or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured 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 and lease liabilities in the statement of financial position separately.

(ii) As a lessor

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.

3.10 Investment property

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

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

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

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

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

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

3.11 Non-current assets held for sale or disposal and discontinued operation

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

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

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

Non-current assets classified as held for sale and the assets of a disposal Bank classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal Bank 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 co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

3.12 Impairment of non-financial assets

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

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

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

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

3.13 Other assets

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

(a) Prepayment

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

(b) Other receivables

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

3.14 Fair value measurement

The Bank measures financial instruments classified as available-for-sale at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Notes 4 and Note 15.14.1
- Quantitative disclosures of fair value measurement hierarchy Note 15.14.2
- Financial instruments (including those carried at amortised cost) Note 15.14.2

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

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

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

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

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

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

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

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

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.

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

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

There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

3.15 Employee benefits

The Bank operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment benefits.
(a) Defined contribution plan

The Bank operates two defined contribution plans;

I. Pension scheme in line with the provisions of Ethiopian pension of private organisation 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 5% and 15% by employees and the Bank respectively.

Both schemes are based on the employees' salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

(b) Defined benefit plan
The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.
The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.
Past-service costs are recognised immediately in income.
Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.
(c) Termination benefits
Termination benefits are payable to 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 recognises 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.

3.16 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in income statement net of any reimbursement.

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

3.17 Contingent liabilities

Letters of credit, acceptances, guarantees, Approved Loan and Financing but not disbursed and performance bonds are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date that the financial statements are approved for issue by the Directors.

3.18 Related parties

In the normal course of business, the Bank has entered into transactions with related parties.

3.19 Operating segment

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Bank's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

3.20 Share capital

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

3.21 Earnings per share

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

3.22 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Bank receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to income statement over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

3.23 Income taxation

(a) ***Current income tax***

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

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

(b) ***Deferred tax***

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

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

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

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

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

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4. Significant accounting judgements, estimates and assumptions

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

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

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

4.1 Judgements

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

Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 3.3). The Bank determines the business model at a level that reflects how Groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk: As explained in note 3.3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to note 3.3 for more details.

Establishing Groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are ranked on the basis of shared risk characteristics. Refer to note 3.3 for details of the characteristics considered in this judgment. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that Bank of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used: The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 1 and note 3.3 for more details on ECL and note 5.14 for more details on fair value measurement.

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.

Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

All financial instruments are initially recognized at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Bank's financial instruments are carried at fair value. The fair values of quoted financial instruments in active markets are based on current prices with no subjective judgments. If the market for a financial instrument does not exist or is not active including for unlisted securities, the Bank establishes fair value by using valuation techniques.

These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data. The fair value for the majority of the Bank 's financial instruments is based on observable market prices or derived from observable market parameters. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Impairment losses on loans and advances

The following are key estimations that the directors have used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario: When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to note 3.3 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward-looking information.

Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See note 3 for more details, including analysis of the sensitivity of the reported ECL.

Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See note 3.3 for more details, including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

Fair value measurement and valuation process: In estimating the fair value of a financial asset or a liability, the Bank uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Bank uses valuation models to determine the fair value of its financial instruments. Refer to note 5.14 for more details on fair value measurement.

Leases

The right of use is depreciated over the lease term considering the renewal option. The bank will renew the lease when it is reasonably certain that the lease location is still economically viable to conduct business. The bank will bear restoration costs upon relocation or end of lease where such is stipulated in the lease agreement.

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 determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Depreciation and carrying value of property, plant and equipment

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account which involves extensive subjective judgment. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The rates used are set out on accounting policy 3.8

Impairment of non-financial assets

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

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Taxes

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

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

Development cost

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

5. Financial risk management

5.1 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.

5.2 The independent risk control process does not include business risks such as changes in the environment, technology, and industry. Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board of Directors Risk Management and Compliance Committee (BDRMCC) has the overall responsibility for the development of risk strategy and implementing principles, framework, polices and limit. This subcommittee is also responsible for managing risk decisions and monitoring risk levels and report on monthly and quarterly basis to regulatory organ and the management.

The Risk Management and Compliance unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. This unit closely works with BDRMCC to ensure that procedures are complaint with overall framework.

The risk management function is a carried out in respect of financial risks (credit, market, and liquidity risks) and operational risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The Risk Management and Compliance Department is also responsible for ensuring that appropriate balance is established between risk and return, whilst minimizing any potential adverse effects on the Bank's financial performance. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

The Bank's risk management methodology polices and assessment procedures are designed to identify, analyze, mitigate and manage the risk faced by the Bank. This is accomplished through setting of appropriate risk limits and controls, whilst ensuring suitable monitoring of risk levels and compliance with the limits and procedures on an ongoing basis. The risk management policies and procedures are reviewed regularly to reflect changes in market conditions, and new products and services offered, this is to ensure that "best practices" are implemented in the Bank.

Risk management policies and processes around the assessment, approval, monitoring and control of risks are performed by a number of specialized bodies within the Bank, including committees and departments to comply with the requirement of the pertinent laws and industry best practices.

The Board of Directors has overall responsibility for the oversight of the risk management framework. This includes the management of key risks, along with the review and approval of risk management polices and key risk limits such as large exposures, economic and product sector limits. It also delegates certain risk supervision authority levels to the Management, the Risk Management Committee, the Credit Committee, the Audit Committee and the Asset and Liability Committee ("ALCO"). The Risk Management and Compliance sub Committee is appointed by and reports directly to the Board of Directors.

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5.2.1 Risk measurement and reporting systems

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

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

5.2.2 Risk mitigation

The bank uses board approved risk tolerance limit as a risk limit control. This risk tolerance limit composed of risk limit by economic sector, by credit product, by maturity, by geography and risk grade. There also limitation imposed by the regulatory organ such as single borrower limit, related party limit, off balance sheet exposure limit and connected counterparties limit to which all banks should comply.

As the credit risk mitigation, the bank established an appropriate risk environment, sound credit strategies, policies and procedures. In addition, there is active portfolio management, appropriate credit administration and monitoring and effective loan review function.

The other credit risk mitigation measures are obtaining sufficient collateral securities and guarantees for loans and advances as the second way out in case of default.

5.3 Financial instruments by category

The Bank's financial assets are classified into the following measurement categories: Amortized cost and Fair Value through Other

Comprehensive income and the financial liabilities are classified into other liabilities at amortised cost.

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

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

30 June 2023	Notes	FVTOCI Birr'000	Amortized Cost Birr'000	Total Birr'000
Cash and cash equivalents	16	-	10,987,908	10,987,908
Loans and advances to customers	17	-	37,100,493	37,100,493
Interest Free Financing	18	-	4,461,244	4,461,244
Noncurrent Asset held for sale				
- Financial assets at fair value through OCI	19(a)	405,363	-	405,363
-Financial assets at amortized cost	19(b)	-	5,253,361	5,253,361
Other assets	20	-	1,477,568	1,477,568
Total financial assets		**405,363**	**59,280,574**	**59,685,937**

30 June 2022	Notes	FVTOCI Birr'000	Amortized Cost Birr'000	Total Birr'000
Cash and cash equivalents	16	-	9,799,766	9,799,766
Loans and advances to customers	17	-	27,216,536	27,216,536
Interest Free Financing	18	-	4,038,858	4,038,858
Investment securities:		-	-	-
- Financial assets at fair value through OCI	19(a)	219,983	-	219,983
-Financial assets at amortized cost	19(b)	-	5,851,603	5,851,603
Other assets	20	-	1,153,383	1,153,383
Total financial assets		**219,983**	**48,060,145**	**48,280,128**

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5.4 Credit Risk

The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge his/her/its obligation. Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties giving rise to financial assets including likelihood that borrower or counterparty fails to meet their obligations in accordance with agreed terms.

The bank manages and controls credit risk by setting limits on the amount of risk it is willing to take or accept for individuals counterparties and for economic sector, product and maturity concentration and by monitoring exposures in relation to such limits.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment.

The principal credit risk management methods used is described in the formal Credit Policy adopted and implemented by the Bank, These include the setting of limits and the diversification of the credit portfolio based upon defined criterion (such as industry, duration, related persons, region, etc). Credits will also be classified at initiation and throughout the life of the loan based upon a risk level determined using best practice rating and scoring systems. Such tools will also be used to establish appropriate provisions for potential losses as necessary. All restrictions and norms issued by the National Bank of Ethiopia (NBE), related to lending operations, have also been carefully considered and embedded into the Bank's credit policy.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrowers, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual or more frequent reviews.

The Bank established control over authorization of the loans issued. The credit Committee reviews and approves all loans exceeding certain amount and or having exceptional terms.

Loan applications originated by the relevant client relationship managers are passed on to the relevant credit committee for approval of the credit limit. Exposure to credit risk is also managed, kin part, by obtaining collateral and corporate and personal guarantees. In order to monitor credit risk exposures, regular reports are produced by the Credit Monitoring and Loan Recovery, Credit management, Interest free banking and compliance and risk management departments. Based on a structured analysis, deteriorating creditworthiness is reported to, and reviewed by, the Management and Board of Directors.

The Bank does not use formalized internal credit ratings for retail loans to monitor exposure to credit risk. Management monitors and follows up on past due balances on monthly basis.

The Bank's credit monitoring and Loan recovery office reviews the ageing analysis of outstanding loans and follows up on past due balances on monthly basis. Management, therefore, considers it appropriate to provide ageing and other information about credit risk.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the loan contract. The Bank uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

5.4.1 Management of credit risk

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

5.4.2 Credit related commitment risks

The Bank holds collateral against loans and receivables to customers in the form of bank guarantees and property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing.

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5.4.3 Maximum exposure to credit risk before collateral held or credit enhancements.

(a) Types of credit exposure

The banks maximum exposure to credit risk at 30 June 2023 and 30 June 2022 is represented by the net carrying amounts in the statement of financial position.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Cash and cash equivalents	10,987,908	9,799,766
Loans and advances to customers	37,100,493	27,216,536
Interest Free Financing	4,461,244	4,038,858
Investment securities:		
- Financial assets at fair value through OCI	405,363	219,983
-Financial assets at amortized cost	5,253,361	5,851,603
Other assets	1,477,568	1,153,383
Total Financial assets	**59,685,937**	**48,280,128**
Credit risk exposures relating to off balance sheets are as follows:		
Loan commitments	3,514,124	2,614,705
Financing commitment on interest free banking	759,228	1,077,900
Letter of credit net of margin held	1,570,248	528,232
Commitment on letter of credit net of urbun held	133,875	143,652
Guarantees	6,963,436	7,705,671
Total off balance sheet exposure	12,940,911	12,070,159
Total maximum exposure	**72,626,848**	**60,350,287**

(b) Assets obtained by taking possession of collateral

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Buildings	53,063	40,541
Motor vehicles	-	-
	53,063	40,541

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

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(c) Loans and advances to customer at amortized cost,

(i) Gross loans and advances to customers per sector is analyzed as follows.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Agriculture	444,714	420,170
Industry	5,316,212	3,663,223
Domestic trade and services	9,371,994	7,544,971
Export	7,279,613	5,885,705
Import	5,103,365	2,937,423
Construction	3,247,804	2,177,260
Transport and communication Hotel and tourism	834,851	438,674
	2,014,143	1,587,639
Mining, power and water resources	31,978	12,975
Microfinance institution	82,116	104,112
Mortgage loan- staff	1,027,596	835,052
Mortgage loan- customer	1,565,244	1,132,215
Personal loan -staff loans	145,453	137,759
Emergency staff loans	368,076	296,488
Consumer loans- customer	612,036	301,452
Gross Loans and advances	**37,445,195**	**7,475,118**

(ii) Interest free financing per sector is analyzed as follows

	30 June 2023 Birr'000	30 June 2022 Birr'000
Murahabah financing- agriculture	539,678	454,792
Murahabah financing- construction	1,001,305	958,586
Murahabah financing- agriculture merchandize	61,593	89,785
Murahabah Financing- Industry	537,078	518,032
Murahabah financing- DTS	1,296,109	1,169,437
Murahabah Financing- Export	1,118,681	1,125,929
Murahabah Financing- Import	264,208	156,241
Murahabah Financing- Hotel and Tourism	91,755	25,272
Murahabah Financing- Transport and Communication	194,314	126,416
Muruhabah Financing- Consumer and Personal	44,127	20,574
Gross Interest Free Financing	**5,148,848**	**4,645,064**

(iii) Gross loans and receivables to customers per National Bank of Ethiopia impairment guidelines is analyzed as follows;

	30 June 2023 Birr'000	30 June 2022 Birr'000
Pass	34,646,987	26,025,018
Special mention	2,242,610	962,640
Substandard	177,270	125,961
Doubtful	86,751	205,911
Loss	354,672	218,462
Gross Loans and Advances	**37,508,289**	**27,537,993**

(iv) Interest Free Financing per National Bank of Ethiopia's impairment guidelines is analysed as follows.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Pass	3,443,884	3,150,694
Special mention	1,622,685	1,408,758
Substandard	21,926	15,937
Doubtful	1,515	33,511
Loss	58,838	36,164
Gross Interest Free Financing	**5,148,848**	**4,645,066**

5.4.4 Credit quality analysis

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

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 3.3.

(i) Loans and advances to customers at amortized cost

Birr'000	2023				2022
Credit risk exposure	**Stage 1 12 Month ECL**	**Stage 2 Life time ECL**	**Stage 3 Life time ECL**	**TOTAL**	**Total**
Stage 1 – Pass	34,646,987			34,646,987	26,025,018
Stage 2 – special mention		2,242,610		2,242,610	962,640
Stage 3 - Non performing			618,693	618,693	550,335
Total gross exposure	**34,646,987**	**2,242,610**	**618,693**	**37,508,290**	**27,537,993**
Loss allowance	(202,709)	(24,216)	(135,940)	(362,865)	(279,149)
Net Carrying amount	**34,444,278**	**2,218,394**	**482,752**	**37,145,424**	**27,258,843**

(ii) Interest Free Financing measured at amortized cost.

Birr'000	2023				2022
Financing risk exposure	**Stage 1 12 Month ECL**	**Stage 2 Life time ECL**	**Stage 3 Life time ECL**	**Total**	**Total**
Stage 1 – Pass	3,443,884			3,443,884	3,150,694
Stage 2 – special mention		1,622,685		1,622,685	1,408,758
Stage 3 - Non performing			82,279	82,279	85,613
Total gross exposure	**3,443,884**	**1,622,685**	**82,279**	**5,148,848**	**4,645,065**
Loss allowance	(12,171)	(16,163)	(32,445)	(60,779)	(52,607)
Net Carrying amount	**3,431,712**	**1,606,522**	**49,834**	**5,088,069**	**4,592,458**

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(iii) Other financial assets

Birr'000	2023		
Credit risk exposure	**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and cash equivalents	10,987,908	(468)	10,987,440
Investment securities (debt instruments)	5,253,361	(263)	5,253,098
Other receivables and financial assets	1,477,568	(34,310)	1,443,258
Totals	**7,718,837**	**(35,041)**	**17,683,797**

(iv) other financial assets (continued)

Birr'000	2022		
Credit risk exposure	**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and cash equivalents	9,799,766	(291)	9,799,475
Investment securities (debt instruments)	5,851,603	(316)	5,851,287
Other receivables and financial assets	1,153,383	(8,613)	1,144,770
Totals	**16,804,752**	**(9,220)**	**16,795,532**

(v) Credit quality analysis disclosures for on balance sheet facilities as at 30 June 2023 (continued)

Title	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Pass	37,717,881	-	-	37,717,881
Special Mention	-	3,852,177	-	3,852,177
Non-Performing	-	-	1,087,079	1,087,079
Total Exposure	**37,717,881**	**3,852,177**	**1,087,079**	**42,657,137**
Loss Allowance	(359,416)	(8,244)	(55,985)	(423,644)
Carrying Amount	**37,358,465**	**3,843,933**	**1,031,095**	**42,233,493**

(vi) Credit quality analysis disclosures for off balance sheet facilities as at 30 June 2023 (continued)

Title	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Pass	4,845,641	-	-	4,845,641
Special Mention	-	-	-	-
Non-Performing	-	-	37,413	37,413
Total Exposure	**4,845,641**	**-**	**37,413**	**4,883,054**
Loss Allowance	(723)	-	(15,437)	(16,160)
Carrying Amount	**4,844,918**	**-**	**21,976**	**4,866,894**

(vii) Credit quality analysis disclosures for on balance sheet facilities as at 30 June 2022 (continued)

Title	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Pass	29,175,711	-	-	29,175,711
Special Mention	-	2,371,398	-	2,371,398
Non-Performing	-	-	635,948	635,948
Total Exposure	**29,175,711**	**2,371,398**	**635,948**	**32,183,057**
Loss Allowance	(136,795)	(26,916)	(168,046)	(331,757)
Carrying Amount	**29,038,916**	**2,344,482**	**467,902**	**31,851,300**

(viii) Credit quality analysis disclosures for off balance sheet facilities as at 30 June 2022 (continued)

Title	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Pass	1,432,781,399	-	-	1,432,781,399
Special Mention	-	-	-	-
Non-Performing	-	-	107,311,829	107,311,829
Total Exposure	**1,432,781,399**	**-**	**107,311,829**	**1,540,093,228**
Loss Allowance	(277,221)	-	(42,081,856)	(42,359,077)
Carrying Amount	**1,432,504,178**	**-**	**65,229,973**	**1,497,734,151**

Credit quality (continued)

Loans and advances to customers at amortised cost (on balance sheet exposures)	**2023**			
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 July	136,795	26,916	168,046	331,756
Transfer to 12 months ECL	95,547	(425)	(12)	95,111
Transfer to Lifetime ECL not credit impaired	(18,520)	212	-	(18,308)
Transfer to Lifetime ECL credit impaired	(65,046)	-	56,027	(9,019)
Net remeasurement of Loss allowance	96,074	(15,788)	(121,195)	(40,908)
Net financial assets originated or purchased	155,377	5,513	91	160,982
Financial assets derecognised	(40,811)	(8,184)	(46,974)	(95,969)
Balance as at 30 June 2022	**359,416**	**8,244**	**55,985**	**423,644**

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Credit quality (continued)

Loans and advances to customers at amortised cost (on balance sheet exposures)	**2022**			
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 July	75,599	18,814	221,654	316,067
Transfer to 12 months ECL	39,584	(743)	(340)	38,501
Transfer to Lifetime ECL not credit impaired	(6,409)	1,287	(882)	(6,004)
Transfer to Lifetime ECL credit impaired	(41,436)	(6,762)	88,788	40,591
Net remeasurement of Loss allowance	39,296	(983)	(129,604)	(91,291)
Net financial assets originated or purchased	65,093	16,056	35,814	116,962
Financial assets derecognised	(34,933)	(753)	(47,383)	(83,069)
Balance as at 30 June 2021	**136,795**	**26,916**	**168,046**	**331,756**

Credit Quality (continued)

Loan commitments and financial guarantee contracts (off balance sheet exposures)	**2023**			
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 July	42,082	3	277	42,363
Transfer to 12 months ECL	(30)	-	-	(30)
Transfer to Lifetime ECL not credit impaired	(0)	-	-	(0)
Transfer to Lifetime ECL credit impaired	-	-	(6,207)	(6,207)
Net remeasurement of Loss allowance	(41,768)	(3)	47,457	5,686
Net financial assets originated or purchased	1,736	-	8,736	10,471
Financial assets derecognised	(247)	-	(35,875)	(36,122)
Balance as at 30 June 2022	**1,772**	-	**14,388**	**16,160**

Credit Quality (continued)

Loan commitments and financial guarantee contracts (off balance sheet exposures)	**2022**			
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 July	121,842	3,432		125,274
Transfer to 12 months ECL	359,066	-	-	359,066
Transfer to Lifetime ECL not credit impaired	(51)	-	-	(51)
Transfer to Lifetime ECL credit impaired	-	-	-	-
Net remeasurement of Loss allowance	(27,006)	(3,432)	-	(30,438)
Net financial assets originated or purchased	52,792	-	-	52,792
Financial assets derecognised	(231,596)	-	-	(231,596)
Balance as at 30 June 2021	**275,046**	-	-	**275,046**

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Credit Quality (continued)

Other financial assets	2023				
In Birr'000	**Cash and balances with banks**	**Investment securities (debt instruments)**	**Emergency staff loans**	**Other receivables and financial assets**	**Total**
Balance as at 1 July	408	279	12	13,829	**9,220**
Net remeasurement of loss allowance	60	(16)	9	4,299	**4,352**
New financial assets originated or purchased	-	-	-	-	-
Balance as at 30 June 2022	**468**	**263**	**21**	**18,129**	**18,880**

Credit Quality (continued)

Other financial assets	2022				
In Birr'000	**Cash and balances with banks**	**Investment securities (debt instruments)**	**Emergency staff loans**	**Other receivables and financial assets**	**Total**
Balance as at 1 July	291	316	12.23	8600	**9,220**
Net remeasurement of loss allowance	117	-	-	5,229	**5,346**
New financial assets originated or purchased	-	-		-	-
Balance as at 30 June 2020	**408**	**316**	**12**	**13,829**	**14,566**

Credit quality (continued)

The following table provides a reconciliation between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and the 'impairment losses on financial instruments' line item in the statement of profit or loss and other comprehensive income.

Charge to statement of profit or loss and other comprehensive income.	2023			
In Birr'000	**Loans and advances to customers at amortised cost**	**Investment securities (debt instruments)**	**Other financial assets**	**Total charge/(credit)**
Net remeasurement of loss allowance	(40,908)	5,686	1,613	**(33,609)**
New financial assets originated or purchased	160,982	10,471.20	-	**171,453**
Financial assets derecognised	(95,969)	(36,122)	-	**(132,091)**
Amounts directly written off during the year	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Total	**24,104**	**(19,965)**	**1,613**	**5,753**

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Credit quality (continued)

Charge to statement of profit or loss and other comprehensive income.	2022			
In Birr'000	**Loans and advances to customers at amortised cost**	**Investment securities (debt instruments)**	**Other financial assets**	**Total charge/(credit)**
Net remeasurement of loss allowance	(91,291)	(30)	5,309	**(86,013)**
New financial assets originated or purchased	116,962	52.79	-	**117,015**
Financial assets derecognised	(83,069)	(232)	-	**(83,300)**
Amounts directly written off during the year	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Total	**(57,398)**	**(209)**	**5,309**	**(52,298)**

Credit quality (continued)

ECL Reconciliation Disclosures for on balance sheet facilities.	2023			
Title	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at 1 July	136,795	26,916	168,046	331,756
Transfer to 12 months ECL	95,547	(425)	(12)	95,111
Transfer to Lifetime ECL not credit impaired	(18,520)	212	-	(18,308)
Transfer to Lifetime ECL credit impaired	(65,046)	-	56,027	(9,019)
Net remeasurement of Loss allowance	96,074	(15,788)	(121,195)	(40,908)
Net financial assets originated or purchased	155,377	5,513	91	160,982
Financial assets derecognised	(40,811)	(8,184)	(46,974)	(95,969)
Balance as at 30 June 2023	**359,416**	**8,244**	**55,985**	**423,644**

Credit quality (continued)

ECL Reconciliation Disclosures for on balance sheet facilities.	2022			
Title	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at 1 July	75,599	18,814	221,654	316,067
Transfer to 12 months ECL	39,584	(743)	(340)	38,501
Transfer to Lifetime ECL not credit impaired	(6,409)	1,287	(882)	(6,004)
Transfer to Lifetime ECL credit impaired	(41,436)	(6,762)	88,788	40,591
Net remeasurement of Loss allowance	39,296	(983)	(129,604)	(91,291)
Net financial assets originated or purchased	65,093	16,056	35,814	116,962
Financial assets derecognised	(34,933)	(753)	(47,383)	(83,069)
Balance as at 30 June 2022	**136,795**	**26,916**	**168,046**	**331,756**

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Credit quality (continued)

ECL Reconciliation Disclosures for off balance sheet facilities.	2023			
Title	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at 1 July	42,082	3	277	42,363
Transfer to 12 months ECL	(30)	-	-	(30)
Transfer to Lifetime ECL not credit impaired	(0)	-	-	(0)
Transfer to Lifetime ECL credit impaired	-	-	(6,207)	(6,207)
Net remeasurement of Loss allowance	(41,768)	(3)	47,457	5,686
Net financial assets originated or purchased	1,736	-	8,736	10,471
Financial assets derecognised	(247)	-	(35,875)	(36,122)
Balance as at 30 June 20223	**1,772**	-	**14,388**	**16,160**

Credit quality (continued)

ECL Reconciliation Disclosures for off balance sheet facilities.	2022			
Title	**12-month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at 1 July	121,842	3,432		125,274
Transfer to 12 months ECL	359,066	-	-	359,066
Transfer to Lifetime ECL not credit impaired	(51)	-	-	(51)
Transfer to Lifetime ECL credit impaired	-	-	-	-
Net remeasurement of Loss allowance	(27,006)	(3,432)	-	(30,438)
Net financial assets originated or purchased	52,792	-	-	52,792
Financial assets derecognised	(231,596)	-	-	(231,596)
Balance as at 30 June 2022	**275,046**	-		**275,046**

x) Loans and advances to corporate customers

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

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

xi) Investment securities designated as at FVTPL

At 30 June 2023, the Bank had no exposure to credit risk of the investment securities designated as at FVTPL

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5.4.4.1 Amounts arising from ECL.

I. **inputs, assumptions and techniques used for estimating impairment**

See accounting policy in note 3.3

II. Significant increase in credit risk

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

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

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

III. Credit risk grades

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

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

a. Term loan exposures

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

b. Overdraft exposures

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

IV. Generating the term structure of PD

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

V. Determining whether credit risk has increased significantly

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

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

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

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

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

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

VI. Definition of default

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

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

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

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

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

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.

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

Sector/Product	Macroeconomic factors				
Agriculture Consumer Loans Overdraft Interest Free Financing	Goods exports, USD	-	-	-	-
Domestic Trade Services Mining and Energy Transport Health Merchandise Financial Services	-	-	-	-	-
Building and Construction Hotel and Tourism Manufacturing and Production Industry Real Estate Housing and Construction	Goods imports, USD	Nominal GDP, USD	Real GDP per capita, USD (2010 prices)	-	-
Export Import Advance against Import Bills International Trade	Goods imports, USD	-	-	-	-

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:

Macro-economic factor	2022	2023	2024
Consumer price index inflation, 2010=100, ave	584	763	935
GDP: GDP per capita, USD	549	567	589
GDP EXPENDITURE: Exports of goods and services, USD per capita	7.95	9.40	10.69
GDP EXPENDITURE: Exports of goods and services, ETBbn	382,338	503,898	605,981
EXCHANGE RATE: ETB/USD	48	53	57
GDP EXPENDITURE: Imports of goods and services, USDbn	15.48	16.58	17.74
FISCAL: Current expenditure, USDbn	523.14	681.89	857.97
GDP EXPENDITURE: Imports of goods and services, ETBbn	741	888	1,005
Consumer price index inflation, 2010=100, eop	591	757	893
DEBT: Government domestic debt, ETBbn	1,312	1,601	1,832
EXCHANGE RATE: Real effective exchange rate, index	25.00	15.00	10.00
GDP EXPENDITURE: Private final consumption, USDbn	75	88	99
STRATIFICATION: Household Spending, ETBbn	4,198	5,495	6,585
FISCAL: Total revenue, USDbn	8	9	11
DEBT: Total government debt, USDbn	36	40	45

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

viii) Modified financial assets.

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

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

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

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

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

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

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

VIII. Measurement of ECL

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

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

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

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

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

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

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

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

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

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

- Instrument Type;
- Credit Risk Grading;
- Collateral Type;
- Ltv Ratio For Retail Mortgages;
- Date Of Initial Recognition;
- Remaining Term To Maturity;
- Industry; And
- Geographic Location Of The Borrower.

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

5.4.5 Credit quality analysis

(a) Credit quality of cash and cash equivalents

The credit quality of cash and cash equivalents and short-term investments that were neither past due nor impaired as at 30 June 2022 and 30 June 2021 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. However, cash and cash equivalents that held in foreign banks can be assessed by reference to credit rating agency designation as shown in the table below.

	30 June 2023 Birr'000	30 June 2022 Birr'000
AAA+	-	-
AA	-	-
B	-	-
BBB	2,073,595	2,691,223
Not rated	8,914,313	7,108,543
Total	**10,987,908**	**9,799,766**

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5.4.6 Statement of Prudential adjustments

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

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

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

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

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

(b) The non-distributable reserve should be classified under Tier 1 as part of the core capital."

During the period ended 30 June 2023, the Bank transferred an amount of Birr 233.86 million to the regulatory risk reserve. This amount represents the difference between the provisions for credit and other known losses as determined under the NBE Directives, and the impairment reserve as determined in line with IFRS -9 as at year end.

In line with the same directive of the NBE, the Bank compared the provision based on the Directive with impairment under IFRS-9 for comparative periods and hence the bank transferred an amount of Birr 211.14 million from retained earnings to the regulatory risk reserve as the impairment balance under IFRS was lower for the year 30 June 2022.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Total impairment based on IFRS	423,644	331,756
Total impairment based on NBE Directives	657,502	543,157
Variation	**(233,858)**	**(211,400)**

In line with the directive of the NBE, the Bank compared the provision for other assets based on the Directive with impairment for other assets under IFRS-9 for same period and hence the bank transferred an amount of Birr 8.09 million from retained earnings to the regulatory risk reserve as the impairment balance under IFRS was lower for the year ended 30 June 2023.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Total Impairment for other Assets Based on IFRS	35,041	61,111
Total Impairment for other Assets Based on NBE directives	43,134	63,927
Excess amount for other assets provision	(8,093)	(2,816)
Total amount transferred to regulatory risk reserve	**(241,951)**	**(214,216)**

As per the requirements of IFRS, banks should recognize interest income on the written down amount of the loan after the impairment loss, on an accrual basis, using the EIR. However, As per the requirement of National Bank of Ethiopia, banks should derecognize interest income on impaired exposures, special attention should be paid to impaired exposures with a higher number of days past due (e.g. more than 90 days past due).

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	30 June 2023 Birr'000	30 June 2022 Birr'000
Write backed Suspended interest	73,555	67,060
Realized interest from last year Non impaired loans and advances	-	-
Net amount transferred to regulatory risk reserve	**73,555**	**67,060**

5.4.7 Credit concentrations

The Bank monitors concentrations of credit risk by economic sector. An analysis of concentrations of credit risk at 30 June 2023 and 30 June 2022. The Bank concentrates all its financial assets in Ethiopia.

30 June 2023	Domestic and Trade Services Birr'000	Export Birr'000	Housing and construction Birr'000	Others Birr'000
Cash and cash equivalents				10,987,908
Loans and receivables	9,371,994	7,279,613	3,247,804	17,545,784
Interest Free Financing	1,296,109	-	1,001,305	2,851,434
Investment securities:				
• Financial assets at fair value through OCI	-	-	-	405,363
• Financial assets at amortized cost	-	-	-	5,253,361
Other financial assets	-	-	-	1,477,568
Total financial assets	**10,668,103**	**7,279,613**	**4,249,109**	**38,521,418**

30 June 2022	Domestic and Trade Services Birr'000	Export Birr'000	Housing and construction Birr'000	Others Birr'000
Cash and cash equivalents				9,799,766
Loans and receivables	7,544,971	5,885,705	2,177,260	11,867,182
Interest Free Financing	1,169,437	-	958,586	2,517,041
Investment securities:				
• Financial assets at fair value through OCI	-	-	-	219,983
• Financial assets at amortized cost	-	-	-	5,851,603
Other financial assets	-	-	-	1,153,383
Total financial assets	**8,714,408**	**5,885,705**	**3,135,846**	**31,408,958**

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5.4.8 Nature of security in respect of loans and advances to customers

30 June 2023	Secured against real estate Birr'000	Cash Birr'000	Machinery Birr'000	Vehicles Birr'000	Others Birr'000
Agriculture	669,766	-	64,368	183,488	275,536
Domestic trade	14,729,432	21,852	129,622	1,345,783	369,249
Export	4,167,943	8,208	187,205	107,182	534,956
Financial Institution	24,616	11,920	-	-	5,000
Hotel and tourism	3,623,557	-	313	160,557	-
Housing and construction	7,248,31	19	136,271	296,491	11,735
Import	5,338,442	374,609	65,556	259,389	486,875
Industry	4,653,462	857,351	509,729	86,829	174,963
Mines, Power and Water Resource	9,525	-	-	58,185	4,282
Mortgage Consumer Loan	2,068,482	1,626	-	47,621	11,804
Mortgage Staff Loan	1,787,931	3,346	-	25,377	21,979
Personal Consumer Loan	379,096	-	-	513,422	4,232
Personal Staff Loan	309,552	1,111	1,968	49,171	2,166
Transport and communication	605,277	-	9,241	738,779	5,518
Total	**45,615,393**	**1,280,042**	**1,104,272**	**3,872,274**	**1,908,295**

30 June 2022	Secured against real estate Birr'000	Cash Birr'000	Machinery Birr'000	Vehicles Birr'000	Others Birr'000
Agriculture	614,223	-	26,138	125,666	76,365
Domestic trade	13,738,021	52,200	61,826	434,025	129,601
Export	3,344,285	-	85,275	194,008	934,757
Financial Institution	14,591	34,620	-	-	5,000
Hotel and tourism	2,969,815	-	-	86,498	5,045
Housing and construction	4,451,829	8,216	148,504	151,274	3,252
Import	3,102,959	20,000	125,213	77,984	138,091
Industry	3,598,975	450,000	162,459	22,000	150,309
Mines, Power and Water Resource	5,360	-	-	9,341	-
Mortgage Consumer Loan	1,595,343	-	-		2,366
Mortgage Staff Loan	1,462,812	341	-	18,038	3,442
Personal Consumer Loan	348,781	-	-	209,238	1,911
Personal Staff Loan	445,756	59	-	16,556	770
Transport and communication	700,730	-	12,575	297,509	-
Total	**36,393,480**	**565,437**	**621,990**	**1,704,468**	**1,450,909**

5.4.9 Nature of security in respect of Interest Free Financing

30 June 2023	Secured against real estate Birr'000	Cash Birr'000	Machinery Birr'000	Vehicles Birr'000	Others Birr'000
Agriculture	514,443	1,458	12,828	460,648	-
Construction	1 ,711,481	-	-	1,705,617	-
Domestic Trade Services	1,319,938	-	41,889	1,140,057	
Export	1,178,181	-	253,346	387,284	42,726
Hotel and Tourism	97,697	-	-	97,697	-
Import	311,760	-	-	263,492	-
Industry	575,866	-	-	604,853	-
Personal Consumer Loan	34,562	-	-	34,205	-
Transport and Communication	178,885	1,563	-	165,673	-
Total	**5,922,812**	**3,020**	**308,063**	**4,859,527**	**42,726**

30 June 2022	Secured against real estate Birr'000	Cash Birr'000	Machinery Birr'000	Vehicles Birr'000	Others Birr'000
Agriculture	472,820	4,581	248,034	78,096	-
Construction	3,259,067	-	52,178	42,021	2,752
Domestic Trade Services	1,830,167	-	75,578	178,767	1,101
Export	647,214	-	167,644	128,802	454,493
Hotel and Tourism	91,179	-	-	-	-
Import	261,068	-	27,147	7,859	1,101
Industry	543,176	-	232,669	181,356	1,101
Personal Consumer Loan	-	-	-	-	-
Transport and Communication	99,680	1,563	8,655	88,038	-
Total	**7,204,371**	**6,144**	**811,905**	**704,939**	**460,547**

5.4.10 Collateral held and their financial effect

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. Staff loans are secured 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, liens and guarantees. The Bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on creditworthiness, the Bank aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.

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

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

The fair value of collaterals other than properties such as share certificates, cash, NBE bills etc. 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.

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5.4.11 Write-off policy

The Bank writes off Loans and Advance balance, and any related allowances for impairment losses, when Bank determines that the Loans and advances or security is uncollectible and after approval is obtained. This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans and advances, write-off decisions generally are based on a product-specific past due status. There was no amount write off during the year.

5.5 Liquidity risk

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

Liquidity risk management in the Bank is solely determined by Assets and Liabilities 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 we meet our maturing obligations.

5.5.1 Management of liquidity risk

The day-to-day liquidity management is performed by the Financial Management Directorate, with in a comprehensive framework set by the Assets and Liabilities Committee, and monitored independently by the Chief Risk Management and Compliance. The Bank monitors and reports liquidity risk daily, paying particular attention to ensuring that there are optimal levels of cash and cash equivalent instruments to fund increases in assets, unexpected decreases in liabilities, as well as meeting legal requirements, while optimizing the cost of carrying any excess liquidity.

To manage liquidity risk, the Bank performs daily monitoring of future expected cash flows on clients' and banking operations' which forms part of the asset and liability management process. The Bank also has to comply with minimum levels of liquidity required by the National Bank of Ethiopia (NBE). This ratio is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 19.96% as at 30 June 2023 whereas the minimum percentage required by the NBE is 15%.

The Bank seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits. The Bank invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The liquidity management of the Bank requires consideration of the level of liquid assets necessary to settle obligations as they fall due, maintaining access to a range of funding sources, maintaining funding contingency plans, and monitoring liquidity ratios against regulatory requirements including minimum levels of liquidity required by the NBE.

The Financial Management Directorate receives information about the liquidity profile of the financial assets and liabilities. The Financial Management Directorate then provides for an adequate portfolio of short-term liquid assets, made up of short-term deposits with banks to ensure that sufficient liquidity is maintained within the Bank as a whole.

5.5.2 Maturity analysis of financial liabilities

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

	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Cash and balances due from NBE	3,366,780	646,560	771,460	826220	2,563,341
Balances due from banks and non-ban	739,952	-	-	-	-
Balances due from banks -abroad	2,073,590	-	-	-	-
Net investment	-	-	2923070	-	2735654
Net loans and advances	1,721,090	3660750	5062240	5401890	25,715,767
Net fixed assets	-	-	-	-	2,548,135
Others	-	-	-	-	4,656,767
Total financial assets	**7,901,412**	**4,307,310**	**8,756,770**	**6,228,110**	**38,219,664**
Deposits from customers	4,836,721	7,907,676	9,435,235	10,104,935	14,175,002
Interest Free customers' deposits	812,859	1,328,964	1,585,685	1,698,235	2,382,250
Debt securities issued	-	-	-	-	-
Borrowings	552,036	-	-	-	-
Other liabilities	513,820	-	-	-	-
Lease liabilities	1,236	2,964	18,795	32,748	349,134
Total financial liabilities	**6,716,672**	**9,239,604**	**11,039,715**	**11,835,918**	**16,906,386**
Net Mismatch	**1,184,740**	**(4,932,294)**	**(2,282,945)**	**(5,607,808)**	**21,313,278**

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
Cash and balances due from NBE	3,008,896	-	-	-	3,372,342
Balances due from banks and non-bank -local	727,305	-	-	-	-
Balances due from banks -abroad	2,691,223	-	-	-	-
Net investment	-	-	-	5,851,603	219,983
Net loans and advances	2,089,138	2,865,530	3,579,110	3,480,780	19,240,835
Net fixed assets	-	-	-	-	1,435,614
Others	-	-	-	-	3,482,818
Total financial assets	**8,516,562**	**2,865,530**	**3,579,110**	**9,332,383**	**27,751,592**
Deposits from customers	7,074,070	1,806,157	1,119,294	1,029,393	26,021,262
Interest Free customers' deposits	1,235,549	315,461	195,495	179,793	4,544,842
Debt securities issued	-	-	-	-	-
Borrowings	-	-	-	-	-
Other liabilities	534,379	-	-	-	-
Lease liabilities	2,848	6,549.50	11,070.47	54,185.62	326,278
Total financial liabilities	**8,846,846**	**2,128,168**	**1,325,859**	**1,263,371**	**30,892,382**
Net Mismatch	**(330,284)**	**737,362**	**2,253,251**	**8,069,012**	**(3,140,790)**

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5.6. Market risk

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

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

5.6.1 Management of market risk

The bank manages and control market risk exposures within acceptable limits, while optimizing the return on risk. The Cheif Risk Management and Compliance is in charge of managing market risk, regularly, to identify any adverse movement in interest rate and foreign currency exchange rate.

(i) Interest rate risk

Interest rate risk is the potential loss on the bank arising from mismatch between positions, which are subject to interest rate adjustment within a specified period, or in any other interest rate relationship. The Bank's lending, funding and investment activities give rise to interest rate risk. The bank conduct thorough and stress testing on unexpected changes in the general level of interest rate, market interest rate, key assumptions and parameters, and monitor interest rate risk factor on ongoing basis.

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

30 June 2023	Fixed Birr'000	Floating Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	2,813,547	-	8,174,361	10,987,908
Loans and advances to customers	37,100,493	-	-	37,100,493
Interest Free Financing	-	-	4,461,244	4,461,244
Investment securities	5,253,361	-	-	5,253,361
Total	**45,167,401**	**-**	**12,635,605**	**57,803,006**
Liabilities				
Deposits from customers	29,203,521	-	17,256,049	46,459,570
Interest Free customers' deposits	-	-	7,807,992	7,807,992
Debt securities issued	-	-	-	-
Borrowings	552,036	-	-	552,036
Lease liabilities	400,931	-	-	400,931
Other liabilities	-	-	513,820	513,820
Total	**30,156,488**	**-**	**25,577,861**	**55,734,349**

5.6.2 Management of market risk (continued)

30 June 2022	Fixed Birr'000	Floating Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	3,418,528	-	6,381,238	9,799,766
Loans and advances to customers	27,216,536	-	-	27,216,536
Interest Free Financing	-	-	4,038,858	4,038,858
Investment securities	5,851,603	-	-	5,851,603
Total	**36,486,667**	**-**	**10,420,096**	**46,906,762**
Liabilities				
Deposits from customers	24,917,230	-	12,132,947.00	37,050,177
Interest Free customers' deposits	-	-	6,471,139	6,471,139
Borrowings	-	-	-	-
Lease liabilities	281,894	-	-	281,894
Other liabilities	-	-	534,379	534,379
Total	**25,199,124**	**-**	**19,138,465**	**44,337,589**

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate non–trading financial assets and financial liabilities held at 30 June 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 2023	Increase (decrease) In bas is points Birr'000	Sensitivity of profit or loss Birr'000	Sensitivity of equity Birr'000
	10%	11	11
	-10%	(11)	(11)
30 June 2022	**Increase (decrease) In bas is points Birr'000**	**Sensitivity of profit or loss Birr'000**	**Sensitivity of equity Birr'000**
	10%	6	6
	-10%	**(6)**	**(6)**

(ii) Foreign exchange risk

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

The Bank is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The Bank's foreign currency bank accounts act as a natural hedge for these transactions. Management has set up a policy to manage the Bank's foreign exchange risk against its functional currency.

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

The total foreign currency denominated assets and liabilities exposed to risk as at 30 June 2023 was Birr 2,126.32 million and Birr 1489.97 million respectively.

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Foreign currency denominated balances

30/Jun/2023	USD Birr'000	EURO Birr'000	GBP Birr'000	Total Birr'000
Financial assets				
Cash and bank balances	2,063,542	53,956	8,824	2,126,322
Financial liabilities				
Deposit from customers	1,473,630	15,454	885	1,489,969
Net foreign currency				
denominated balances	**589,912**	**38,502**	**7,939**	**636,353**

30/Jun/2022	USD Birr'000	EURO Birr'000	GBP Birr'000	Total Birr'000
Financial assets				
Cash and bank balances	2,585,286	171,616	438	2,757,340
Financial liabilities				
Deposit from customers	1,403,437	14,169	803	1,418,408
denominated balances	**1,181,850**	**157,447**	**(365)**	**1,338,932**

Sensitivity analysis for foreign exchange risk

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

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
10% appreciation in exchange rate for USD	58,991	82,729
10% depreciation in exchange rate for USD	(58,991)	(82,729)
10% appreciation in exchange rate for EURO	3,850	11,021
10% depreciation in exchange rate for EURO	(3,850)	(11,021)
10% appreciation in exchange rate for GBP	794	(26)
10% depreciation in exchange rate for GBP	(794)	26

5.7. Capital management

The Bank’s objectives when managing capital are (i) To ensure that the bank has adequate capital and effective plans to prudently manage its capital and meets regulatory requirements; (ii) To ensure that the Bank’s risk appetite is based on a capital adequacy ratio sufficient for the Bank to continue its business activities;(iii) To ensure that Bank’s capital is adequate to absorb unforeseen losses and thus provide a source of protection to depositors and other creditors in the event of difficulties; (v) Establishing and implementing sound and prudent policies governing the quantity and quality of capital required to support the bank (vi) Developing and implementing appropriate and effective policies to monitor, on an ongoing basis, bank’s capital requirements and capital position to ensure that the institution meets its capital requirements and will continue to meet its future capital requirements.

5.7.1 Capital adequacy ratio

According to the Licensing & Supervision of Banking Business Directive No. SBB/50/2011 of the National Bank of Ethiopia, the Bank has to maintain capital to risk weighted assets ratio of 8% at all times, the risk weighted assets being calculated as per the provisions of Directive No SBB/9/95 issued on August 18, 1995.

According to the Licensing & Supervision of Banking Business Directive No. SBB/50/2011 of the National Bank of Ethiopia, the Bank has to maintain capital to risk weighted assets ratio of 8% at all times, the risk weighted assets being calculated as per the provisions of Directive No SBB/9/95 issued on August 18, 1995.

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The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base.

Capital includes capital contribution, retained earnings, legal reserve and other reserves to be approved by the National Bank of Ethiopia.

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Capital		
Capital contribution	5,379,709	4,373,064
Retained earnings	-	869,024
Legal reserves	1,770,099	1,375,194
Regulatory Risk Reserve	-	195,869
	7,149,808	6,813,150
Risk weighted assets		
Risk weighted balance for on-balance sheet items	50,714,589	38,024,775
Credit equivalents for off-balance Sheet Items	5,959,218	5,833,515
	56,673,807	43,858,290
Risk-weighted Capital Adequacy Ratio (CAR)	**13%**	**16%**
TIER 1 CAR Minimum required capital	**8%**	**8%**
Excess	5%	8%

5.8 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the banks processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the bank's operations and are faced by all business entities.

The bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall bank standards for the management of operational risk in the following areas:

a) Requirements for appropriate segregation of duties, including the independent authorization of transactions
b) Requirements for the reconciliation and monitoring of transactions,
c) Compliance with regulatory and other legal requirements,
d) Documentation of controls and procedures,
e) Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified,
f) Requirements for the reporting of operational losses and proposed remedial action,
g) Development of contingency plans,
h) Training and professional development,
i) Ethical and business standards,
j) Risk mitigation, including insurance where this is effective.

Compliance with bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the bank.

5.9 Strategic risk

Strategic risk arises from choosing a wrong strategy, unsuccessful implementation of strategy, changes in the competitive environment or responding too slowly to changes. Strategic risks are minimized by means of regular updates of strategic and annual plans. Analyses of the condition and development of the OIB, as well as other analyses and estimates concerning the development of the sector, competition and financial operating environment are utilized in the planning.

5.10 Sharia Non-compliance Risk

This potential loss is arising from the failure to comply with the Sharia rules and principles. The bank manages this risk by strictly adhering to Sharia rules and principles, own policy and procedures and NBE directives.

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5.11 Rate of return

A variable rate of return on investment account holders introduces uncertainty regarding the real value of deposit. Asset preservation in terms of minimizing the risk of loss due to a lower rate of return may be important factors in depositors' withdrawal decisions. From the bank perspective, this introduces a "withdrawal risk" that is linked to the lower rate of return relative to other financial institution.

The bank will manage the rate of return risk by putting in place appropriate systems for identifying and measuring the factors which give raise to rate of return risk.

5.12 Displaced Commercial Risk

It is the risk that the bank may confront commercial pressure to pay returns that exceeds the rate that has been earned on its assets financed by investment account holders. The bank forgoes part or its entire share of profit in order to retain its fund providers and dissuade them from withdrawing their funds

5.13 Equity investment risk

This is the risk arising from entering into a parternership for the purpose of undertaking or participating in a particular financing or general business activity as described in the contract, and in which the provider of finance shares in the business risk. This risk type is relevant under Mudharabah and Musharakah contract. While investment made via Mudharabah and Musharakah instruments may contribute substantially to IFBWS earnings, they entail significant counterparty, market, liquidity, credit and other risks, potentially raising giving rise to volatility in earning and capital.

As the risk mitigation instrument IFBW may require the Mudarib or Musharakah partner to provide collateral or guarantee.

5.14 Equity investment risk

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

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

15.14.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

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

● Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

●Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) .This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

● Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

b. 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 values recognized in the statement of financial position.

30-Jun-23 **Financial assets**	**Level 1** **ETB'000**	**Level 2** **ETB'000**	**Level 3** **ETB'000**	**Tota** **ETB'000**
Equity investments	-	405,363	-	**405,363**
Total	**-**	**405,363**	**-**	**405,363**

Valuation technique using significant unobservable inputs – Level 3

The Bank has no financial asset measured at fair value on subsequent recognition.

Transfers between the fair value hierarchy categories

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

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

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

30 June 2023	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	10,987,908	10,987,908	-	-	10,987,908
Loans and advances to customers	37,100,493	-	-	37,100,493	37,100,493
Interest Free Financing	4,461,244	-	-	4,461,244	4,461,244
Investment securities	5,658,724	-	-	5,658,724	5,658,724
Total	**58,208,369**	**10,987,908**	**-**	**47,220,461**	**58,208,369**
Financial liabilities					
Deposits from customers	46,459,570	-	-	46,459,570	46,459,570
Interest Free customers' deposits	7,807,992	-	-	7,807,992	7,807,992
Lease Liabilities	404,876	-	-	404,876	404,876
Other liabilities	1,065,856	-	-	1,065,856	1,065,856
Total	**55,738,294**	**-**	**-**	**55,738,294**	**55,738,294**

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	9,799,766	9,799,766	-	-	9,799,766
Loans and advances to customers	27,216,536	-	-	27,216,536	27,216,536
Interest Free Financing	4,038,858	-	-	4,038,858	4,038,858
Investment securities	6,071,586	-	-	6,071,586	6,071,586
Total	**47,126,745**	**9,799,766**	**-**	**37,326,979**	**47,126,745**

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

Financial liabilities					
Deposits from customers	37,050,177	-	-	37,050,177	37,050,177
Interest Free customers' deposits	6,471,139	-	-	6,471,139	6,471,139
Lease Liabilities	345,404			345,404	345,404
Other liabilities	534,379	-	-	534,379	534,379
Total	**44,401,099**	**-**	**-**	**44,401,099**	**44,401,099**

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15.14.4 Valuation technique using significant unobservable inputs – Level 3

The Bank has no financial asset measured at fair value on subsequent recognition.

15.14.5 Transfers between the fair value hierarchy categories

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

5.15 Offsetting financial assets and financial liabilities

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

		30 June 2023 Birr'000	30 June 2022 Birr'000
6	**Interest income from Loans and advances**		
	Interest income earned on deposits	140,156	118,932
	Interest on Investment securities	426,124	371,223
	Interest on Agriculture loans	74,474	56,629
	Interest on Industry loans	811,656	519,814
	Interest on Domestic loans	1,626,907	1,096,046
	Interest on Export loans	814,980	187,048
	Interest on Import loans	709,949	389,596
	Interest on Construction loans	472,724	335,152
	Interest on Mortgage loans	229,924	177,415
	Interest on Personal loans	58,365	29,004
	Interest on Transport loans	134,555	545,928
	Interest on Hotel and Tourism loans	326,762	209,772
	Interest on Microfinance loans	14,686	13,404
	Interest on Mines, Power and Water loans	2,661	5,511
	Interest Earned -on Non- Performing Loan	6,495	-20,167
	Interest On Staff Loans	88,451	74,058
	Total	**5,938,869**	**4,109,365**

Included within various line items under interest income for the year ended 30 June 2023 is a total of Birr -6.49 million (30 June 2022: Birr -20.17 million) relating to impaired financial assets.

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		30 June 2023 Birr'000	30 June 2022 Birr'000
7	**Income from Interest free financing and investment products**		
	Income From Murabaha Financing	12,692	9,944
	Income from Interest Free Banking-Agriculture	70,910	47,338
	Income from Interest Free Banking-Industry	70,540	50,212
	Income from Interest Free Banking-DTS	178,470	105,908
	Income from Interest Free Banking-Import	28,226	20,501
	Income from Interest Free Banking-Construction	113,318	110,065
	Income from Interest Free Banking-Transport and communication	24,217	10,824
	Income from Interest Free Banking-Hotel and Tourism	11,429	3,551
	Total	**509,802**	**358,343**

		30 June 2023 Birr'000	30 June 2022 Birr'000
8	**Interest expense**		
	Interest on fixed time deposits	995,408	570,399
	Interest on saving deposits	1,096,107	994,356
	Interest on demand deposits	65,935	12,893
	Interest on NBE Borrowing	177,846	75,905
	Total	**2,335,296**	**1,653,553**
	Distribution to depositors- Interest Free Banking Products		
	Profit share on Mudharaba deposits	30,339	31,370
	Total	**30,339**	**31,370**

		30 June 2023 Birr'000	30 June 2022 Birr'000
9	**Net fees and commission income**		
9(a)	**Fee and commission income**		
	Miscellaneous income	156,945	121,981
	Commission on letters of credit	-	107,528
	Inspection and estimation income	28,196	19,911
	Service charge	226,517	3,375
	Commitment fee	30,908	17,753
	Opening commission	525,757	361,603
	Extension commission	-	-
	Confirmation commission	1,453	2,454
	Service charge- foreign	570,324	378,648
	Swift charges	10,415	6,516
		1,550,515	**1,019,769**
9(b)	**Fee and commission expense**		
		-	-
	Net fees and commission income	**1,550,515**	**1,019,769**

	30 June 2023	30 June 2022

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		Birr'000	Birr'000
10	**Other operating income**		
	Dividend income	17,114	11,428
	Gain on disposal of assets	7,303	4,094
	Sundry income	27,930	17,391
	Rental income	8,785	7,402
	Gain on foreign exchange	201,340	262,250
	Total	**262,472**	**302,565**

		30 June 2023 Birr'000	30 June 2022 Birr'000
11	**Loan impairment charge**		
	Loans and receivables - charge for the year (Conventional Banking)	83,716	6,955
	Interest Free Financing - charge for the year (Interest Free Banking)	8,172	8,734
	Total	**91,888**	**15,689**

		30 June 2023 Birr'000	30 June 2022 Birr'000
12	**Impairment losses on other assets**		
	Other assets - charge for the year (note 17)	(21,679)	51,766
	Total	**(21,679)**	**51,766**

		30 June 2023 Birr'000	30 June 2022 Birr'000
13	**Personnel expenses**		
	Salaries and wages	1,517,576	991,547
	Pension costs – defined contribution plan	186,949	132,550
	Bonus	119,664	148,610
	Other staff expenses	368,697	164,180
	Prepaid staff benefit expense	87,326	68,620
	Leave expense	45,776	37,326
	Total	**2,325,988**	**1,542,833**

		30 June 2023	30 June 2022
		Birr'000	Birr'000

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14 Other operating expenses

14 (a) Lease Expense

Interest expense on lease liability	39,156	32,536
Total	**39,156**	**32,536**

14 (b) Other Operating Expense

Insurance	21,771	17,985
Repair and maintenance	45,632	31,306
Sundry expenses	279,260	175,543
Professional expenses	10,323	2,316
Occupancy cost	754	578
Promotional and related expenses	153,574	85,613
Office expenses	105,747	68,456
Employee travel expenses	73,866	34,055
Wages	176,614	127,637
Water and electricity	15,833	6,410
Bank charge	2,409	818
Severence pay	77,713	19,869
Legal	276	18,365
Transport	14,211	7,492
Loss on disposal of assets	615	2,040
Amortization of lease	179	112
Total	**978,777**	**598,595**

	30 June 2023 Birr'000	30 June 2022 Birr'000
15 Company income and deferred tax		
15 (a) Current income tax		
Company income tax	467,072	316,463
Prior year (over)/ under provision	-	-
Deferred income tax/(credit) to profit or loss	(49,599)	1,033
Total charge to profit or loss	417,472	317,497
Tax (credit) on other comprehensive income	42,756	3,375
Total tax in statement of comprehensive income	460,228	320,872

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15(b) Reconciliation of effective tax to statutory tax

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Profit before tax	1,997,094	1,518,572
		-
Add : Disallowed expenses		-
Entertainment	4,591	1,982
IFRS 16 Deperciation and Interest on leased asset	334,230	248,886
Accrude Leave expense for 2023	23,590	-
Accrude Leave expense for 2022	29,464	-
Other disallowed expense	23,944	18,411
Sponsorship	5,855	2,562
General assembly	3,028	4,305
Management meeting and promotion	1,721	1,466
Severance expense	54,093	12,645
Prize linked promotion	-	2,253
Legal case	-	18,074
Advertisment, inaguration & rebranding	12,547	6,519
Third party payment for motor vehicle	853	64
Gifts	-	71
Training	20,849	9,268
Provision for other asset	(21,679)	51,766
Provision for loans and advances as per IFRs	91,888	15,689
Depreciation for accounting purpose	189,724	109,281
Green legacy-tree planting	410	592
Total disallowable expenses	775,110	503,834
Less :		
Depreciation for tax purpose	214,512	142,742
Provision for loans and advances for tax as per NBE (80%)	91,476	81,769
Dividend income taxed at source	17,114	11,428
Interest income taxed at source- Treasury Bills, NBE Bills		
DBE Bonds	426,124	371,223
Interest income taxed at source-Local Deposit	140,156	118,932
Office Rent As per GAAP	325,916	241,435
	1,215,298	967,528
Taxable profit	1,556,906	1,054,878
Current tax at 30%	**467,071.74**	**316,463**

	30 June 2023	**30 June 2022**

		Birr'000	Birr'000
15 (c)	**Current income tax liability**		
	Balance at the beginning of the year	316,080	249,460
	Current year provision	467,072	316,463
	WHT Notes utilised	1,392	383
	Payment during the year	316,080	249,460
	Balance at the end of the year	**465,680**	**316,080**

15(d) Deferred income tax

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	(26,783)	(33,626)
To be recovered within 12 months	-	-
Total	**(26,783)**	**(33,626)**

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

Deferred income tax assets/(liabilities):	As at 30 June 2022Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2023 Birr'000
Property, plant and equipment	(35,805)	(6,252)	-	(42,057)
Equity securities	(26,044)	-	(49,641)	(75,686)
Annual leave pay		39,771		39,771
Post employment benefit obligation	28,223	16,080	6,886	51,189
Total deferred tax assets/(liabilities)	**(33,626)**	**49,599**	**(42,756)**	**(26,783)**

Deferred income tax assets/(liabilities):	As at 30 June 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	(30,978)	(4,827)	-	(35,805)
Equity securities	(19,948)	-	(6,097)	(26,044)
Unrealised exchange gain	-	-	-	-
Tax losses charged to profit or loss	-	-	-	-
Post employment benefit obligation	21,709	3,793	2,721	28,223
Total deferred tax assets/(liabilities)	(29,217)	(1,033)	(3,375)	(33,626)

30 June 2023 **30 June 2022**

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		Birr'000	Birr'000
16	**Cash and cash equivalents**		
	Cash in hand	1,624,708	1,635,091
	Balance held with National Bank of Ethiopia	6,549,653	4,746,147
	Deposits with local banks	739,952	727,305
	Deposits with foreign banks	2,073,595	2,691,223
	Total	**10,987,908**	**9,799,766**

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	7,206,908	6,738,766
Non-Current	3,781,000	3,061,000
Total	**10,987,908**	**9,799,766**

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

		30 June 2023 Birr'000	30 June 2022 Birr'000
17	**Loans and advances to customers**		
	Agriculture	444,714	420,170
	Industry	5,316,212	3,663,223
	Domestic trade and services	9,371,994	7,544,971
	Export	7,279,613	5,885,705
	Import	5,103,365	2,937,423
	Construction	3,247,804	2,177,260
	Transport and communication	834,851	438,674
	Hotel and tourism	2,014,143	1,587,639
	Mining, power and water resources	31,978	12,975
	Microfinance institution	82,116	104,112
	Mortgage loan staff	1,027,596	835,052
	Mortgage loan customer	1,565,244	1,132,215
	Personal loan staff	145,453	137,759
	Emergency staff loans	368,076	296,488
	Consumer loans	612,036	301,452
	Consumer loans staff	18,163	20,567
	Gross amount	**37,463,358**	**27,495,685**
	- Stage 1 12 month ECL	(202,709)	(125,408)
	- Stage 2 Life time ECL	(24,216)	(16,056)
	- Stage 3 Life time ECL	(135,940)	(137,685)
	Total Loss allowance	**(362,865)**	**(279,149)**
	Total carrying amount	**37,100,493**	**27,216,536**

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	16,124,161	14,817,743
Non-Current	20,976,332	12,398,793
Total	**37,100,493**	**27,216,536**

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17(a) **Impairment allowance on loans and advances to customers**

A reconciliation of the allowance for impairment losses for loans and receivables as at 30 June 2023 is as folllows:

	As at 01 July 2022	Charge for the year	As at 30 June 2023
Stage 1 12 month ECL	125,408	77,301	202,709
Stage 2 Life time ECL	16,056	8,160	24,216
Stage 3 Life time ECL	137,685	(1,745)	135,940
Total	**279,149**	**83,716**	**362,865**

A reconciliation of the allowance for impairment losses for loans and receivables by class as at 30 June 2022 was as follows:

	As at 01 July 2021	Charge for the year	As at 30 June 2022
Stage 1 12 month ECL	69,982	55,426	125,408
Stage 2 Life time ECL	11,811	4,245	16,056
Stage 3 Life time ECL	190,401	(52,715)	137,685
Total	**272,194**	**6,955**	**279,149**

17b **Tigray region loans and advances report as stated below;**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Principal Loans and Advances	103,752	102,934
Accrued Interest Suspended	43,484	24,717
Total Oustanding Loans and Advances	147,237	127,651
Total cummulative loan provistion as per NBE for Tigray reagion only	(18,282)	(21,388)
Net loans and Advances in Tigray reagion	**128,955**	**106,264**

18 **Interest Free Financing**

	30 June 2023 Birr'000	As at 30 June 2022 Birr'000
Murahabah Financing- Agriculture	539,678	454,792
Murahabah Financing- Construction	1,001,305	958,586
Murahabah Financing- Agriculture Merchandize	61,593	89,785
Murahabah Financing- Industry	537,078	518,032
Murahabah Financing- DTS	1,296,109	1,169,437
Murahabah Financing- Export	1,118,681	1,125,929
Murahabah Financing- Import	264,208	156,241
Murahabah Financing- Hotel and Tourism	91,755	25,272
Murahabah Financing- Transport and Communication	194,314	126,416
Muruhabah Financing- Consumer and Personal	44,127	20,574
Gross amount	5,148,848	4,645,064

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Profit receivable from Murubaha Financing		
Less: Deferred profit	(626,825)	(553,599)
Less: Impairment allowance (note 15a)		
- Stage 1 12 month ECL	(12,171)	(11,387)
- Stage 2 Life time ECL	(16,163)	(10,860)
- Stage 3 Life time ECL	(32,445)	(30,361)
Total Loss allowance	**(60,779)**	**(52,607)**
Total carrying amount	**4,461,244**	**4,038,858**

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	1,938,891	1,210,331
Non-Current	2,522,353	2,828,527
Total	**4,461,244**	**4,038,858**

18(a) Impairment allowance on Interest Free Financing

A reconciliation of the allowance for impairment losses for Interest free financing as at 30 June 2023 is as folllows:

	As at 01 July 2022	Charge for the year	As at 30 June 2023
Stage 1 12 month ECL	11,387	785	12,171
Stage 2 Life time ECL	10,860	5,303	16,163
Stage 3 Life time ECL	30,361	2,084	32,445
Total	**52,607**	**8,172**	**60,779**

A reconciliation of the allowance for impairment losses for Interest free financing as at 30 June 2022 was as follows:

	As at 01 July 2021	Charge for the year	As at 30 June 2022
Stage 1 12 month ECL	5,617	5,770	11,387
Stage 2 Life time ECL	7,003	3,857	10,860
Stage 3 Life time ECL	31,253	(892)	30,361
Total	**43,873**	**8,734**	**52,607**

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19	Investment securities	30 June 2023 Birr'000	30 June 2022 Birr'000
19(a)	**Financial assets at fair value through OCI**		
	Financial assets at fair value through OCI	405,363	219,983
		405,363	219,983
19(b)	**Other Financial assets at amortized cost**		
	Treasury bonds	1,540,729	-
	Treasury bills	3,085,046	5,576,184
	Ethiopian Government bonds	627,586	275,419
	Gross amount	5,253,361	5,851,603
	Less individual allowance for impairment	-	-
	Carrying amount	**5,253,361**	**5,851,603**

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	4,625,775	5,576,184
Non-Current	627,586	275,419
Total	**5,253,361**	**5,851,603**

The equity investments made by the Bank is as summarized below:

The primary valuation technique adopted by the bank in undertaking the valuation of the investee companies is the market approach. This is because the financial information available on the investee companies consists of historical audited financial statements.

As at 30 June 2023

Investment	Number of shares '000	Net changes in equity investments at FVOCI	Balance of FVOCI	Percentage shareholding (at FV)
Oromia Insurance S.C	50,000	30,879	80,879	20.0%
Gutu Oromia Business S.C	3,250	-	3,250	0.8%
Elemtu Integrated Dairy Industry S.C	10,000	10,698	20,698	5.1%
Elemo Kiltu House Buliding	500	707	1,207	0.3%
OIB ODA Real Estate PLC	10,000	(8,909)	1,091	0.3%
Ethio Switch S.C	40,877	191,451	232,328	57.3%
TPO Printing and Publishing S.C	15,000	(8,778)	6,222	1.5%
Tsehay Industry S.C	20,000	38,435	58,435	14.4%
Sheger Micro Finance S.C	3,200	(2,196)	1,004	0.2%
Sheger Smart City S.C	250	-	250	0.1%
Grand Total	**153,077**	**252,286**	**405,363**	**100%**

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Sheger Smart City and Gutu Oromia Business Share Company are still under formation. Management has assessed investments held in the Companies approximates fair value.

On disposal of these equity investments, any related balance within the fair value / other reserve is reclassified to retained earnings.

As at 30 June 2022

Investment	Number of shares '000	FV day 1 adjustment gain/(loss)	Balance of FVOCI	Percentage shareholding (at FV)
Oromia Insurance S.C	50,000	5,519	55,519	25.2%
Gutu Oromia Business S.C	3,250	-	3,250	1.5%
Elemtu Integrated Dairy Industry S.C	10,000	9,998	19,998	9.1%
Elemo Kiltu House Buliding	500	1,016	1,516	0.7%
OIB ODA Real Estate PLC	10,000	(4,026)	5,974	2.7%
Ethio Switch S.C	20,968	67,207	88,175	40.1%
TPO Printing and Publishing S.C	15,000	(7,289)	7,711	3.5%
Tsehay Industry S.C	20,000	16,575	36,575	16.6%
Sheger Micro Finance	3,200	(2,185)	1,015	0.5%
Sheger Smart City S.C	250	-	250	0.1%
Grand Total	**133,168**	**86,815**	**219,983**	**100%**

Investment	Balance of FVOCI 01 July 2022	Balance of FVOCI 30 June 2023	Net changes in equity investments during the year
Oromia Insurance S.C	55,519	80,879	25,360
Gutu Oromia Business S.C	3,250	3,250	-
Elemtu Integrated Dairy Industry S.C	19,998	20,698	700
Elemo Kiltu House Buliding	1,516	1,207	(309)
OIB ODA Real Estate PLC	5,974	1,091	(4,883)
Ethio Switch S.C	88,175	232,328	144,152
TPO Printing and Publishing S.C	7,711	6,222	(1,489)
Tsehay Industry S.C	36,575	58,435	21,860
Sheger Micro Finance	1,015	1,004	(11)
Sheger Smart City S.C	250	250	-
Grand Total	**219,983**	**405,363**	**185,380**

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Additional investment during the year

Investment	30 June 2022	Addition for the year	30 June 2023
Oromia Insurance S.C	50,000	-	50,000
Gutu Oromia Business S.C	3,250	-	3,250
Elemtu Integrated Dairy Industry S.C	10,000	-	10,000
Elemo Kiltu House Buliding	500	-	500
OIB ODA Real Estate PLC	10,000	-	10,000
Ethio Switch S.C	20,968	19,909	40,877
TPO Printing and Publishing S.C	15,000	-	15,000
Tsehay Industry S.C	20,000	-	20,000
Sheger Micro Finance	3,200	-	3,200
Sheger Smart City S.C	250	-	250
Grand Total	**133,168**	**19,909**	**153,077**

		30 June 2023 Birr'000	30 June 2022 Birr'000
20	**Other assets**		
	Financial assets		
	Accounts receivables	10,932	3,346
	Uncleared effects-Local	293,774	-
	Uncleared effects-Foreign	35,516	129,767
	Miscellaneous	238,283	282,770
	Guarantee for Overseas Employment Agencies	934,104	798,611
	Gross amount	**1,512,609**	**1,214,494**
	Less:		
	ECL for other financial asset	(35,041)	(61,111)
	Carrying amount	**1,477,568**	**1,153,383**
	Non-financial assets		
	Prepayments	1,008,824	701,569
	Prepaid staff asset	544,676	456,611
	Prepaid staff loans	-	-
	Branches under opening	42,720	28,409
	Inventory	116,218	43,368
	Total	**1,712,438**	**1,229,957**
	Gross amount	**3,190,006**	**2,383,340**

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	2,101,866	1,653,380
Non-Current	1,088,140	729,959
Total	**3,190,006**	**2,383,340**

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20(a) ECL allowance on other assets

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

	30-Jun-2023 Birr'000	30 June 2022 Birr'000
Balance at the beginning of the year	**(61,111)**	**(6,637)**
(Reversal)/charge for the year (note 10)	21,679	(54,474)
Other financial assets written-off	4,392	
Balance at the end of the year	**(35,041)**	**(61,111)**

20(b) ***Inventory***

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

	30-Jun-2023 Birr'000	30 June 2022 Birr'000
Supplies stock account- IFB	809	573
Supplies stock account	115,409	42,795
Total	**116,218**	**43,368**

21 Intangible Assets

	Other Software Birr'000	Core Banking Software Birr'000	Other Intangable Asset Birr'000	Total Birr'000
Cost:				
As at 30 June 2022	10,656	144,092	40,838	195,587
Acquisitions	9,471	-	43,909	53,380
As at 30 June 2023	**20,127**	**144,092**	**84,748**	**248,967**
Accumulated Amortisation and Impairment Losses				
As at 30 June 2022	269	78,145	649	79,063
Amortisation for the year	2,870	17,065	12,576	32,510
As at 30 June 2023	**3,139**	**95,210**	**13,224**	**111,573**
Net book value				
As at 30 June 2022	10,387	65,948	40,189	116,524
As at 30 June 2023	16,988	48,883	71,523	137,394

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22 Right of Use Assets

	Building lease 'Birr '000'	Land Lease 'Birr '000'	Total 'Birr '000'
COST			
As at July 1,2022	629,305	47,606	676,911
Addition	861,375	25,269	886,644
As at 30 June 2023	**1,490,680**	**72,875**	**1,563,555**
Depreciation			
Charge for the year	294,364	710	295,075
As at 30 June 2023	**294,364**	**710**	**295,075**
Carrying amount At 30 June 2023	**1,196,316**	**72,165**	**1,268,480**

23 Property, plant and equipment

	Buildings	Motor vehicles	Furniture and fittings	Computer and accessories	Office equipment	Construction in progress	Total
	Birr'000	Birr'000	Birr'000	Birr'000			Birr'000
Cost:							
As at 30 June 2022	**452,414**	**384,222**	**221,713**	**364,590**	**185,937**	**369,759**	**1,978,636**
Additions	-	120,110	192,689	259,948	191,061	511,085	1,274,893
Disposals	-	-	(1,451)	(802)	(1,662)		(3,915)
Reclassification	-	-	(1,048)	(12,000)	(1,783)	-	(14,830)
As at 30 June 2023	**452,414**	**504,332**	**411,895**	**611,736**	**373,560**	**880,844**	**3,234,782**
Accumulated depreciation							
As at 1 July 2022	**45,907**	**157,296**	**70,745**	**166,665**	**102,418**	**-**	**543,031**
Charge for the year	8,596	38,673	29,890	54,293	25,763	-	**157,214**
Reclassification	-	-	(397)	(8,392)	(1,453)		**(10,242)**
Disposals	-	-	(980)	(738)	(1,637)	-	**(3,355)**
As at 30 June 2023	**54,503**	**195,969**	**99,258**	**211,827**	**125,091**	**-**	**686,647**
Net book value							
As at 01 July 2022	**406,508**	**226,926**	**150,968**	**197,925**	**83,519**	**369,759**	**1,435,605**
As at 30 June 2023	**397,912**	**308,363**	**312,637**	**399,909**	**248,469**	**880,844**	**2,548,135**

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		30 June 2023 Birr'000	30 June 2022 Birr'000
24	**Non-current assets held for sale**		
	Balance at the beginning of the year	44,399	31,221
	Additional repossessed collateral from the borrower for the year	38,897	13,538
	Transfer to property, plant and equipment	-	-
	Transfer from property, plant and equipment	4,069	1,120
	Disposals of repossessed collateral	(26,375)	(8,035)
	Disposals of property, plant and equipment	(104)	(195)
	Fair value gain/(loss) on assets held for sale	-	-
	Balance at the end of the year	**60,886**	**44,399**

Oromia International Bank S.C. took over collateral of some customers and these were recorded in the books as Assets classified as held for sale as the Bank had no intention to make use of the property for administrative use. Management initiated a plan to dispose of these assets to willing buyers and expects to have completed the transaction before the end of the next financial period.

These assets have been valued by in-house engineers responsible for collateral valuation using the market approach determined using Level 3 inputs.

		30 June 2023 Birr'000	30 June 2022 Birr'000
25	**Deposits from customers**		
	Demand deposits	17,256,049	12,132,947
	Saving deposits	21,434,448	19,627,238
	Fixed time deposits	7,769,073	5,289,992
	Foreign currency accounts	-	-
	Gross amount	**46,459,570**	**37,050,177**
	Maturity analysis	**30 June 2023 Birr'000**	**30 June 2022 Birr'000**
	Current	32,284,568	11,028,915
	Non-Current	14,175,002	26,021,262
		46,459,570	**37,050,177**
26	**Interest Free customers' deposits**		
	Amana deposits	2,762,611	2,165,638
	Wadi'ah deposits	4,628,363	3,991,698
	Mudharaba deposits	417,018	313,803
	Gross amount	**7,807,992**	**6,471,139**

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Maturity analysis

	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	5,425,742	1,926,297
Non-Current	2,382,250	4,544,842
	7,807,992	**6,471,139**

		30 June 2023 Birr'000	30 June 2022 Birr'000
27	**Other liabilities**		
	Financial liabilities		
	TT payable	9,726	12,581
	CPO & Certified Cheques issued	155,133	161,623
	Account Payable Miscellaneous	136,841	191,456
	Income tax payable	18,119	8,689
	Tax payable on interest	11,563	6,923
	Pension payable	7,739	3,981
	Tax on capital gain	384	180
	VAT payable	122	53
	Witholding tax payable	12,130	4,007
	Stamp duty charges	3,152	5,894
	Exchange payable to NBE	13,171	6,912
	Audit fee	518	518
	Dividend Payable	78,223	72,219
	Charity Fund Payable	65,347	32,961
	Uncleared effects- Local	-	24,554
	Cost Sharing Payable	97	295
	Borrowings- Short Term	552,036	-
	Directors Share on Profit	1,555	1,533
		1,065,856	**534,379**
	Non-financial liabilities		
	Other provisions for legal cases	22,584	22,584
	Accrued leave payable	132,569	108,979
	Deferred income-rent	-	642
	Unearned income	80,159	77,039
	Bonus provision	118,254	148,181
		353,566	**357,425**
	Gross amount	**1,419,422**	**891,804**

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Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	1,419,422	891,804
Non-Current	-	-
	1,419,422	**891,804**

		30 June 2023 Birr'000	30 June 2022 Birr'000
28	**Retirement benefit obligations**		
	Defined benefits liabilities:		
	– Severance pay	170,631	94,078
	Liability in the statement of financial position	**170,631**	**94,078**
	Income statement charge included in personnel expenses:		
	– Severance pay	23,620	7,224
	– Long service awards	491	
	Total defined benefit expenses	**24,111**	**7,224**
	Remeasurements for:		
	– Severance pay	22,952	9,071
`		**22,952**	**9,071**

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

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	23,620	7,224
Non-Current	147,011	68,632
	170,631	75,857

Severance and gratuity 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 met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 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. In addition to the severance benefits, the Bank has introduced a new Gratuity benefit, which is payable on resignation, death and retirement to all employees, with a minimum of 12 years' service on exit. The benefit is calculated as 30% of monthly salary for each year of service above 12 years, subject to a maximum of 6 months of salary.

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

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28 Retirement benefit obligations (continued)

		30 June 2023 Birr'000	30 June 2022 Birr'000
A	**Liability recognised in the financial position**	170,631	94,078

		30 June 2023 Birr'000	30 June 2022 Birr'000
B	**Amount recognised in the profit or loss**		
	Current service cost	55,489	8,693
	Interest cost	22,224	11,176
		77,713	19,869
C	**Amount recognised in other comprehensive income:**		
	Remeasurement (gains)/losses arising from changes in demographic assumptions	-	-
	Remeasurement (gains)/losses arising from changes in the economic assumptions	4,767	(4,555)
	Remeasurement (gains)/losses arising from experience	18,185	13,626
	Tax credit /(charge)		
		22,952	9,071

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	94,078	72,362
Current service cost	12,876	8,693
Interest cost	22,224	11,176
Remeasurement (gains)/ losses	22,952	9,071
Past Service Cost	42,613	-
Benefits paid	(24,111)	(7,224)
At the end of the year	170,631	94,078

The significant actuarial assumptions were as follows:

i) <u>Financial Assumption Long term Average</u>

	30 June 2023 Birr'000	30 June 2022 Birr'000
Discount Rate (p.a)	20.60%	23.60%
Long term Salary Increases(p.a)	17.10%	19.30%
Inflation Rate	15.10%	17.30%
Net pre-retirement rate	2.99%	3.60%

	30 June 2023	30 June 2022

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		Birr'000	Birr'000
29	**Ordinary share capital**		
	Authorised:		
	Ordinary shares of Birr 1000 each	6,000,000	6,000,000
	Issued and fully paid:		
	Ordinary shares of Birr 1000 each	5,371,537	4,364,892

30 Earnings per share

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Profit after tax	1,579,622	1,201,075
Weighted average number of ordinary shares in issue	4,868,215	3,914,276
Basic & diluted earnings per share (%)	32.4%	30.7%

30 Earnings per share (Contd)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2023:nil and 30 June 2022: nil), hence the basic and diluted loss per share have the same value.

		30 June 2023 Birr'000	30 June 2022 Birr'000
31	**Retained earnings**		
	At the beginning of the year	869,024	735,467
	Profit/ (Loss) for the year	1,579,622	1,201,074
	Directors share on Profit	(1,555)	(1,533)
	Transfer to legal reserve	(394,905)	(300,269)
	Dividends paid	(231,447)	(157,285)
	Dividends held in payable account	(39,679)	(39,520)
	Dividend capitalised	(597,898)	(538,662)
	Transfer to regulatory risk reserve		
	Transfer from regulatory risk reserve - Suspended interest	(3,410)	10,613
	Transfer to regulatory risk reserve- Provission other Assets	(3,958)	24,030
	Transfer to retained earnings for excess NBE provissions for Loans and Advances	(16,843)	(64,891)
	At the end of the year	1,158,950	869,024

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32 Legal reserve

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	1,375,194	1,074,925
Transfer from profit or loss	394,905	300,269
At the end of the year	**1,770,099**	**1,375,194**

	30 June 2023 Birr'000	30 June 2022 Birr'000
33 Regulatory risk reserve		
At the beginning of the year	195,869	165,620
Transfer to retained earnings for excess NBE provisions no longer required on application of IFRS 9	-	-
Transfer from retained earnings- write backed suspended Interest	3,410	(10,613)
Transfer to retained earnings	-	-
Transfer from retained earnings- Provision for Other Assets	3,958	(24,030)
Adjustment of Regulatory risk reserve against loan account	16,843	64,891
At the end of the year	**220,080**	**195,869**

33 Regulatory risk reserve (Contd)

The Regulatory risk reserve is a non-distributable reserve required by the regulations of the National Bank of Ethiopia (NBE) to be kept for impairment losses on loans and receivables in excess of IFRS charge as derived using the expected credit loss 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 expected credit 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 expected credit loss model under IFRS, the difference is transferred from regulatory risk reserve to the retained earnings to the extent of the non-distributable reserve previously recognised.

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		Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
34	**Cash generated from operating activities**			
	Profit before tax		1,997,094	1,518,572
	Adjustments for non-cash items:			
	Depreciation of property, plant and equipment	23	157,214	109,281
	Amortisation of intangible assets	21	32,510	19,498
	Gain/(Loss) on disposal of property, plant and equipment		(565)	(4,094)
	Impairment on loans and advances	17	83,716	6,955
	Impairment on interest free financing	16	8,172	8,734
	Impairment losses on other assets	20	(21,679)	51,766
	Retirement benefit obligations accrual	28	77,713	21,716
	Adjustment on Property, Plant and equipment		4,595	3,575
	Foreign exchange (gains) / losses on cash and cash equivalents		(201,340)	(262,250)
	Fair Value adjustment for equity investment	18		
	Adjustment of Provision for Legal			
	Amortization of right of use assets		-	-
	Interest on leased assets	14	39,156	32,536
	Changes in working capital:			
	-Decrease/ (Increase) in loans and advances to customers	17	(9,967,673)	(5,264,393)
	-Decrease/ (Increase) in interest free financing	18	(430,558)	(1,062,279)
	-Decrease/ (Increase) in other assets	20	(784,988)	(939,481)
	-Decrease/ (Increase) in Right of Use Assets	22	(329,926)	(261,644)
	-Decrease/ (Increase) in noncurrent assets held for sale	20	(16,487)	(6,428)
	-Increase/ (Decrease) in deposits from customers	23	9,409,393	7,582,588
	-Increase/ (Decrease) in Interest Free customers' deposits	24	1,336,853	1,593,216
	-Increase/ (Decrease) in Other liabilities	22	521,614	(358,387)
	-Decrease/ (Increase) in Restricted Deposit	15	(720,000)	(1,341,000)
	-Increase/ (Decrease) in lease liabilities	15	20,316	31,625
			1,215,130	**1,480,107**

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

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35 Related party transactions

Oromia International Bank S.C. is a wholly owned private financial institution.

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

35(a) *Transactions with related parties*

	30 June 2023 Birr'000	30 June 2022 Birr'000
Deposits	945,272	726,987
Loans disbursed	270,434	298,725
Total	**1,215,706**	**1,025,712**

35 b *Key management compensation*

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2023

	30 June 2023 Birr'000	30 June 2022 Birr'000
Basic Salary (short term employee benefit)	21,280	11,346
Representation Allowance (short term employee benefit)	1,327	560
Provident fund (short term employee benefit)	3,215	1,585
Housing allowance	2,162	1,194
Bonus (short term employee benefit)	5,460	6,132
Directors Allowance	1,320	1,320
Directors' Share on profit	1,555	1,533
Total	**30,859**	**23,671**

Compensation of the Bank's key management personnel includes salaries, non-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 2023 is Birr 279,194,481.02. Provision of birr 22.58 million has been made in the financial statements as the Directors believe that it is probable that the economic benefits would flow out of the Bank in respect of these legal actions.

36b Guarantees and letters of credit

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

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Guarantees Issued and Outstanding	6,963,436	7,705,671
Commitments on Letter of Credit net of Margin Paid	1,570,248	528,232
Commitments on Letter of Credit net of Urbun Held	133,875	143,652
TCG Issued and Outstanding	-	-
Loan Approved but not Disbursed and IFB Financing approved but not yet Financed	1,921,249	1,621,272
Unutilized Overdraft and Other Facility	1,876,890	1,664,898
Undrawn IFB Export Facility Financing	475,213	406,436
Total	**12,940,911**	**12,070,159**

37 Commitments

	30 June 2023 Birr'000	30 June 2022 Birr'000
Share Subscribed but not paid	-	17,932
Capital projects	2,210,955	2,210,955
Total	**2,210,955**	**2,228,887**

38 Lease liablites - Bank as lessee

(i) Lease liability

Maturity analysis – Contractual cash flows	30 June 2023 Birr'000	30 June 2021 Birr'000
Expected to be settled within 12 months after the year end	**55,743**	**61,053**
Expected to be settled more than 12 months after the year end	**345,188**	**283,687**
Total	**400,931**	**345,404**
Amounts recognised in statement of cash flows:		
Payments of principal portion of the lease liability	-	-
Interest paid on lease liabilities	39,156	28,695
Movement for the year ended 30 June 2023		
At the beginning of the year	345,404	281,243
Additions	107,679	74,623
Interest Expense in Profit and loss	39,156	32,536
Lease payments	87,362	42,998
Total	**404,876**	**345,404**

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(ii) Amounts recognised in profit or loss

	30 June 2022 Birr'000	30 June 2021 Birr'000
Interest on lease liabilities	39,156	32,536
Depreciation of right to use asset	295,075	216,350
Expenses relating to short-term leases		
Total	**334,231**	**248,886**

39 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Bank as at 30 June 2023 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

40 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are different from those of other segments . Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker is the person or Bank that allocates resources to and assesses the performance of the operating segments of an entity.

The Bank has determined the Board of Directors as its chief operating decision maker. All transactions between business segments are conducted on commercial terms basis with intra-segment revenue and costs being eliminated at Bank level.

Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and to assess its performance.

Information reported to the Bank's Board of Directors for the purposes of resource allocation and assessment of segment performance is focused on products and services.

The accounting policies of the reportable segments are the same as the Bank's accounting policies described in note 2.

For management purposes, the Bank has been organised into two operating segments based on products and services, as follows:

1. Interest Free Banking- All Islamic banking products offered to customers are included under the Islamic Banking segment. These products inlcude Wadiah deposits, Amanah deposits and mudarabah investments.
2. Conventional Banking- The conventional banking segment comprises of corporate and commercial banking customers in various sectors which include agriculture, manufacturing, domestic trade, construction, hotel and tourism, microfinance institutions, mortgage loans and personal loans

Segment reporting (continued)

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are based on the Bank's internal pricing framework.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2020 or 2021.

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Profit segments

At 30 June 2023

	Conventional Banking	Interest Free Banking	Total
	Birr "000	Birr "000	Birr "000
Interest income	5,938,869	-	5,938,869
Income from Interest free financing and investment products	-	509,802	509,802
Interest expense	2,335,296		2,335,296
Distribution to depositors- Interest Free Banking Products		30339	30339
Net interest income and income from Interest Free Banking products net of distribution to depositors	3,603,573	479,463	4,083,036
Fee and commission income	1,296,523	253,992	1,550,515
Fee and commission expense	-	-	-
Net fees and commission income	1,296,523	253,992	1,550,515
Other operating income	229,658	32,814	262,472
Loan impairment charge	83,716	8,172	91,888
Impairment losses on other assets	(21,679)	-	(21,679)
Inter–segment revenues/expenses			
Net operating income	167,621	24,642	192,263
Armotisation of intangible assets	(32,510)	-	(32,510)
Depreciation of property and equipment	(150,519)	(6,695)	(157,214)
Personal and Other operating expenses	(3,453,968)	(185,027)	(3,638,996)
Segment Profit before tax	**1,430,719**	**566,375**	**1,997,094**
Income tax expense	(587,385)	169,912	(417,472)
Segment profit after tax	**2,018,104**	**396,462**	**2,414,566**
Assets			
Additions to property and equipment	1,239,873	35,020	1,274,893
Additions to other intangible assets	53,380	-	53,380
Total assets	**60,263,416**	**5,149,854**	**65,413,270**
Total liabilities	**52,001,559**	**4,753,392**	**56,754,951**

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Segment reporting (continued)

At 30 June 2022

	Conventional Banking	Interest Free Banking	Total
	Birr "000	Birr "000	Birr "000
Interest income	4,109,366	-	4,109,366
Income from Interest free financing and investment products	-	358,343	358,343
Interest expense	1,653,553		1,653,553
Distribution to depositors- Interest Free Banking Products		31,370	31,370
Net interest income and income from Interest Free Banking products net of distribution to depositors	**2,455,813**	**326,973**	**2,782,786**
Fee and commission income	904,136	115,633	1,019,769
Fee and commission expense	-	-	-
Net fees and commission income	904,136	115,633	1,019,769
Other operating income	286,459	16,106	302,565
Loan impairment charge	6,955	8,734	15,689
Impairment losses on other assets	51,766	-	51,766
Inter–segment revenues/expenses			-
Net operating income	227,738	7,372	235,110
Armotisation of intangible assets	(19,498)	-	(19,498)
Depreciation of property and equipment	(109,281)	-	(109,281)
Personal and Other operating expenses	(2,282,761)	(107,879)	(2,390,640)
Segment Profit before tax	**1,176,147**	**342,425**	**1,518,572**
			-
Income tax expense	(214,769)	(102,728)	(317,497)
Segment profit after tax	**961,377**	**239,698**	**1,201,075**
Assets			
Additions to property and equipment	637,740	-	637,740
Additions to other intangible assets	8,213	-	8,213
Total assets	**46,895,323**	**5,149,854**	**52,045,177**
Total liabilities	**40,292,153**	**4,910,156**	**45,202,309**


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Oromia Bank

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