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BAGA GAMMADNE
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እንኳን ደስ አለን

Baankiin keenya dirqama lammummaa isaa bahachuun kanfaltoota gibiraa bara kanaa keessaa badhaasa sadarkaa pilaatiniyeemii argatee Baankii ummattummasaa mirkaneesseera.

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CONGRATULATIONS!

Our Bank has received top taxpayers platinum level recognition of the year.

ANNUAL
Report 2019/20

CARDINAL VALUES

Vision

"To Become the Bank of Your First Choice" ✓

Mission

"We are committed in providing full-fledged and best quality commercial banking services within the pertinent regulatory requirement 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."

Core Values

We value belongingness;
We value customer satisfaction;
We value persistence, endurance and tenacity;
We value competitive and motivated human resource with ever growing skills;
We value a learning and innovative organization;
We value transparency, integrity and confidentiality;
We value total respect to customers and employees;
We uphold corporate citizenship;
We uphold team spirit and grooming potential successor;

CONTENTS

BAANKII INTARNAASHINAALII OROMIYAA
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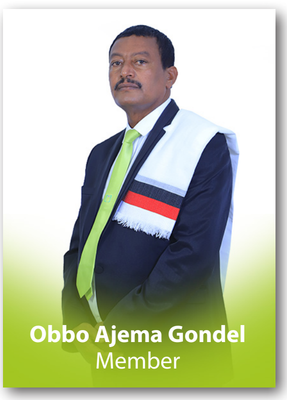
OROMIA INTERNATIONAL BANK S.C.

BOARD OF Directors

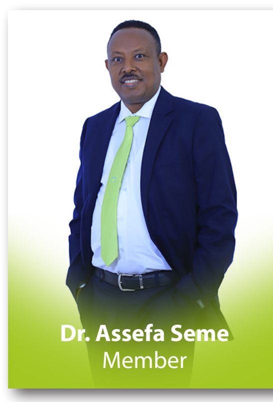

Obbo Asegid Regassa
Board Chairperson


Ambassador Aman Hassen
Vice Chairperson

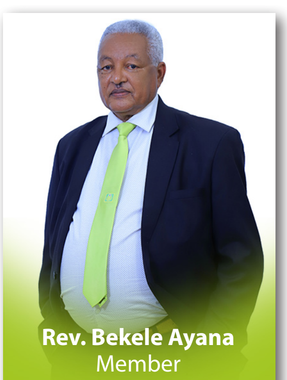

Obbo Mulugeta Tujuba
Member


Obbo Ajema Gondel
Member


Obbo Fayera Abdissa
Member

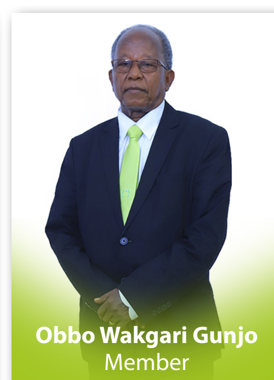

Dr. Assefa Seme
Member


Obbo Deressa Kenea
Member


Rev. Bekele Ayana
Member


ObboWorku Homa
Member


Obbo Birhanu Mamo
Member


Obbo Wakgari Gunjo
Member


Obbo Gezu Legesse
Member


Obbo Solomon Geda
Board Secretary

Message from the Chairperson; Board of Directors

Dear respected shareholders, invited guests, observers from the National Bank of Ethiopia, and Documents Authentication and Registration Agency (DARA), Ladies and Gentlemen;

On behalf of the Board of Directors and myself, I am honored to welcome you all to the 11th Annual and 3rd 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, 2020.

Respected Shareholders, Ladies and Gentlemen;

Before presenting the performances of our Bank, I would like to briefly point out the global and local situations in which our Bank was operating during the reporting financial year.

The outbreak of the COVID-19 pandemic has negatively affected the global economic activities in the first half of 2020; hence, global growth is projected to decline from an estimated 2.9% in 2019 to -4.9% in 2020. However, global growth is expected to rebound to 5.8% in 2021, well above trend, reflecting the normalization of economic activity from very low levels. The advanced economy group is forecast to grow at 4.5%, while growth for the emerging market and developing economy group is forecast at 6.6%.

The economy of Ethiopia grew by 6.1% in the 2019/2020 fiscal year; the growth was weakened mainly due to the impact of the COVID-19 pandemic. During 2019/20, Ethiopia's macro data showed better-than-expected outturns in many areas, including in tax collections, bank lending, export/airline receipts, and industrial park activity, despite low expectations following the onset of the COVID-19 pandemic. At the same time, still-high inflation, foreign currency shortages, and reduced activity in a few COVID-19 affected sub-sectors remain key challenges.

Despite the challenges encountered, our Bank managed to mobilize a deposit of Birr 27.7 billion showing 4% growth relative to that the previous year's position. Similarly, the efforts made to deploy the resources have boosted the outstanding loans and IFB financing to Birr 20.3 billion recording 17% year-on-year growth. The total income of our Bank surged by 19% to Birr 3.8 billion.

Ladies and Gentlemen;

At this juncture, I have a great pleasure to announce to respected shareholders that our Bank has managed to attain a record-high profit of Birr 1.07 billion (before tax); earning per share stood at Birr 320, a good achievement vis-à-vis the considerable growth (about 26%) in paid up capital during the period under review, and the global challenge posed by the outbreak of COVID-19. The total assets of our Bank grew by 6% and reached Birr 33.8 billion. Our Bank's paid up capital reached Birr 3 billion, and the subscribed capital was fully paid by the end of the reporting period.

With regard to branch expansion, our Bank has reached a total of 300 branches, opening 35 new branches during the reporting financial year. The total number of agents and ATMs reached 237 and 123, respectively, while the number of mobile banking users and ATM cardholders reached 139,976 and 173,905, respectively.

Our Bank has created job opportunity for 6,002 employees (4,066 permanent and the remaining 1936 outsourced on contractual basis). With the objective of building the capacity of our human resource and enhancing productivity, different relevant trainings were given for the employees during the reporting financial year. After the outbreak of COVID-19 pandemic, trainings were given online and in small groups at branches in areas like customer service and marketing by taking due care against COVID-19; our Bank has also effected a merit-based motivational initiatives (salary increment and bonus payment) with the view of motivating our employees in general and rewarding best performers in particular.

Our Bank has invested in nine different companies of financial and strategic importance. The Board would like to acknowledge that the investments in Oromia Insurance Company (S. Co.), Tsehay Industry (S. Co.), EthSwitch (S. Co.) and Elemo Qiltu House Building among others, have continued to serve the purpose and are in a rewarding state.

We are finalizing the fencing work around the 15 hectares of land we secured from Gelan City Administration. The preparation of design of the multi-purpose buildings on the land that includes the Future Center of Excellence and Convention is well underway. The completion work of construction of our four-storey building in Adama City is well underway, and it is planned to be fully completed within a year.

Our effort to acquire land from Finfinne City Administration for HQs construction at the area commonly known as future 'financial hub' (Senga Tera- Mexico locality) is promising. Moreover, the bid process of recruiting contractors for the planned construction at Goma Kuteba has been completed and the project will be awarded to the winner contractor in the near future.

Our Bank has also continued to discharging its corporate social responsibility mainly in response to calls for national development initiatives and environmental protection endeavors. To this end, a total of Birr 16.2 million was donated over the reporting financial year for the implementation of various projects of public interest (such as National and Regional Resource Mobilization Initiatives to combat COVID-19 pandemic, Gebeta Le Sheger Project, School Feeding Program and provision of educational materials for students in Finfine and its environs, and purchase of seedlings planted at our Gelan site).

During the reporting financial year, the Board of Directors conducted 17 full board meetings (including regular and urgent meetings); equivalent number of meetings were also held by each of the three Board sub-committees. In a way, the Board passed various value-adding decisions and provided directions and guidance as per the policies and procedures of our Bank as well as regulatory organ's directives; the Directors have also participated in various meetings convened by ad-hoc committees of the Board meant to advance operations of the Bank.

In the time ahead, I am confident that the Board and the entire employees of our Bank shall strive to ensure the sustainability of the achievements registered and shall continue working together to take our Bank to a much-greater height. To this end, our Bank has already finalized the preparation of the third strategic plan, which shall orientate the future course of actions and help sustain the growth momentum over the coming five years. We shall continue improving the quality of our services by working hard on e-banking services, expanding customer base and branch network so as to mobilize as much resource as possible thereby increasing our lending and financing capacity, closely managing NPLs as well as prudently managing expense, and working on the attitude of our employees towards the need for ensuring customer delight and innovative marketing thereby thriving to make our Bank stand among the leading banks in the industry in terms of major performance measurement parameters. We will also make unreserved and concerted efforts to complete the already commenced construction projects and launch the construction initiatives in the pipeline.

Finally, I would like to extend my heartfelt vote of thanks to our honourable shareholders for their confidence in us and unfailingly continued support; esteemed customers for banking with our Bank, and their intact confidence during difficult times; members of the Board of Directors for their dedication and successful leadership; the Sharia Advisory Committee for their advisory role in the IFB operations; the management and the staff for their strong ties, commitment and sense of ownership; my sincere appreciation also goes to the External Auditor, TAY Authorized Accountants and Auditors, for the professionalism it demonstrated in auditing accounts of our Bank. My heartfelt appreciation also goes to the National Bank of Ethiopia for its continued guidance and support. And I am grateful to other government organizations such as Documents Authentication and Registration Agency, Finfinne City Administration, and regional governments for their cooperation and steady support. Furthermore, I would like to thank different local Banks and correspondent Banks for their productive partnership and smooth working relationships.

OIB shall remain People's Bank!

God Bless You All!

Asegid Regassa Worji

Chairman, Board of Directors

BAANKII INTARNAASHINAALII OROMIYAA
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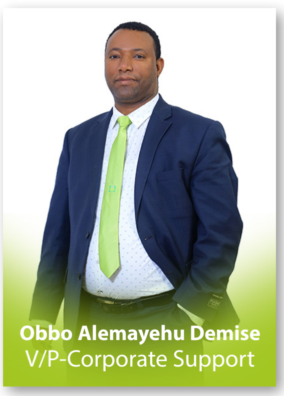
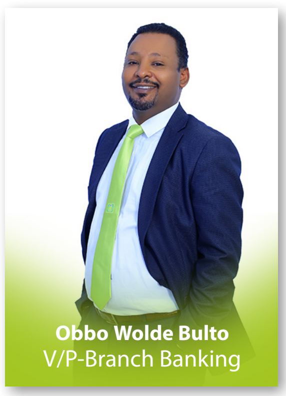
OROMIA INTERNATIONAL BANK S.C.

Senior Managment Members


Obbo Teferi Mekonnen
President


Obbo Alemayehu Demise
V/P-Corporate Support

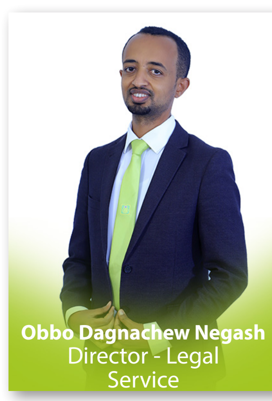

Obbo Wolde Bulto
V/P-Branch Banking


Obbo Geleta Bekuma
V/P-Information Technology


Obbo Jote Kenate
V/P-Strategy & Change Mgt


Obbo Berhanu Edae
Chief Internal Audit


Obbo Ketema Mengesha
Chief Risk Mgt. & Compliance


Obbo Dagnachew Negash
Director - Legal Service


Obbo Worku Lemma
Advisor to the President

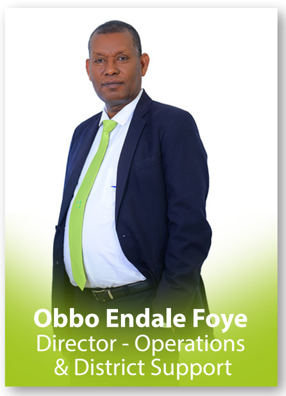

Obbo Gelana Leta
Director - Human Resource Mgt.

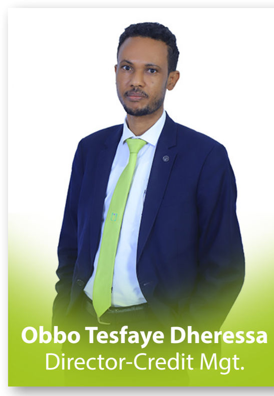

Obbo Berhanu Gonfa
Director- Procurement & Facility Mgt.


Obbo Faysel Yassin
Director- Interest Free Banking


Obbo Yishak Berhane
A/Director - Int'l Banking


Obbo Fati Haji
Director - IT Modernization


Obbo Endale Foye
Director - Operations & District Support


Obbo Tesfaye Dheressa
Director-Credit Mgt.


Obbo Tatek Negassa
Director-Electronic Banking


Obbo Mikyas Bogale
Director -Accounting & Treasury

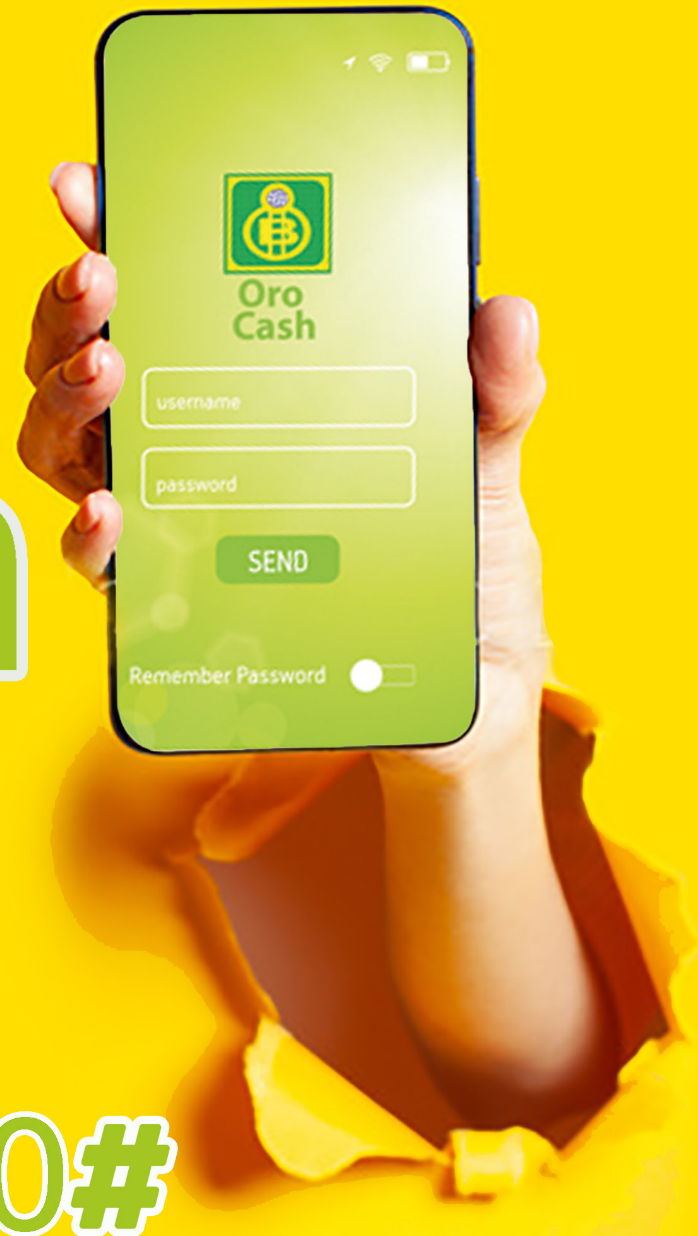

Obbo Belay Bayisa
Director -Strategic Mgt. & Business Dev't


Obbo Chala Diriba
Director - Change & Project Mgt.


Obbo Habtamu Gemechu
Director - Credit Monitoring & Recovery Mgt.


Obbo Bersisa Diro
Manager - IT Security Office

Oro Cash



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WESTERN UNION MONEY TRANSFER

XPRESS MONEY simple. fast. safe

Dahabshiil fast money transfer you can trust

TRANSFAST Worldwide Money Transfer

SHIFT Secure and Fast

MONEY EXCHANGE

لاري للصــرافة LARI EXCHANGE LARI

KENDY PAN-AFRICAN MONEY TRANSFER

Shaka Express

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SWIFT Code ORIRETAA

Ria MONEY TRANSFER

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Multiple Choice for World Wide Money Transfer

The President's Message

On behalf of the Management and employees of Oromia International Bank S.C.(OIB), I feel grateful to kindly welcome our esteemed shareholders, distinguished invited guests, our Bank's Management and Employees, and all stakeholders to this colorful 11th Annual Ordinary and 3rd Extra Ordinary General Meeting of Shareholders.

Above all, I am honored and delighted to convey my message to all of you as the President of this magnificent bank for the first time. For the last 11 successive General Assemblies, our Bank has maintained sustainable growth trajectory in deposit, total asset, total capital, customer base, Branch network and above all profit, against all odds in the market. These encouraging results are earned the hardest way while making formidable fight against the psycho-physical threats and tensions caused by the COVID-19, especially during the last four months of the financial year. Making use of this opportune moment, I would like to extend my heartfelt appreciation to our Bank's Management and Employees who formidably stayed duty-bounded and ensured our business continuity with better performance during that hard time.

We are very glad that we ensured 100% safety of our human capital (employees) against COVID-19 so far as a result of early orientation and continuous precautionary safety measures we took in compliance with the safety protocol and above all the help of God; few quarantined and recovered shortly. We exceptionally pioneered provision of transport facilities and deploying 13 buses for Finfine and Oromia Special Zone Branches by spending unplanned emergency average monthly expense of Birr 904,150 for six months from April 20 – September 11, 2020 in a view to minimize our employees' vulnerability.

The just ended financial year has witnessed enormous global and local dynamics that had brought significant challenges on smooth flow of business activities in general and banking industry in particular.

The world has faced a very devastating pandemic (COVID-19) unseen in the modern history of mankind. The pandemic has forced the world to lockdown in most parts during the last four months of the financial year, which has continued during the 1st quarter of the current financial year. Although the impact of COVID-19 on the global and local economy is not sufficiently and empirically evaluated yet, it has resulted in a huge decline of growth figures at local and global levels.

According to the World Economic Outlook report (WEO July 2020), the global economic growth was projected to decline to -4.9 % in 2020 from estimated 2.9% in 2019, mainly due to downgraded consumption growth for most economies, and reflecting larger-than anticipated disruption to domestic activities, mainly due to the worldwide adverse impacts of COVID-19. The projections of weaker private consumption reflect a combination of a large adverse aggregate demand shock from social distancing and lockdowns, as well as a rise in precautionary savings. Moreover, investment is expected to be subdued as firms defer capital expenditures amid high uncertainty. Policy support may partially offset the deterioration in private domestic demand. Similarly, Sub-Saharan Countries' economic growth was forecasted at -3.2% in 2020 from estimated growth of 3.1% in 2019.

As far as the Ethiopian Economy is concerned, during 2019/20, GDP was estimated at 6.0% growth whereas the industry sector grew by 11%, agriculture 4.3% and service sector by 4.0% (CEPHEUS, 2020). During the year, there was high inflation, foreign currency shortages, and very quiet business activity in a few COVID-19 affected sectors, which remain key challenge in the future as well.

Despite the much-admired significance of the Ethiopia's aggregate economy in the region, which scored successive average double-digit growth for over a decade, the chronic shortage in foreign currency which is choking the economy, the still unsettled political unrest, the escalation of inflation and unemployment were shadowing the huge efforts being made by the government under the theme of Home-grown Economic reform. Foreign currency generation through export has not been as expected because of huge slow-down of international trading activities. Moreover, international incoming remittance has declined due to loss of livelihood as a result of lockdowns in the different parts of the world. Almost all industries were significantly affected by shortage of raw materials due to lack of the foreign currency and COVID-19 pandemic. These challenges against our international trade (import/export) and others have caused and may cause significant credit default risk to the Banking Industry.

As a result of all of the above and many other factors, the banking industry was navigating through stiff competition for critical resources such as deposit, foreign currency, skilled human resource, and convenient branch office sites.

Dear Shareholders and Stakeholders

During the year under review, we opened 35 new branches across the country in a bid to become more accessible to the public at large and the total number of our Bank branches reached 300. To further strengthen our services outlet, we recruited 10 additional Oro-agents for our agent banking service, which raised our agent banking service providers to 237 across the country while we managed to have about 139,976 Oro- cash (mobile banking) user customers. We also deployed 123 Automatic Teller Machines (ATM) that were interfaced with the national ATM networks that connected thousands of ATMs via national switch managed by EthSwitch S.C and as a result our Oro-card users reached 173,905 as at 30 June 2020. Moreover, we managed to launch Corporate Internet Service and owned about 121 internet banking service user customers. To further enhance our service and accessibility to our customers, our Bank has started the process of certification of accepting Visa, Mastercard, and UnionPay on our ATMs as well and the implementation of Point of Sales (POS) service is at the final stage.

In terms of job creation and staff quality enhancement, total number of permanent staff of our Bank reached 4,066 as of June 30,2020, showing a net increment of 419 staffs from June 30, 2019 staff number of 3,647. Our Bank has given various local and overseas capacity building training to 7,547 employees (some employees attended trainings more than once) in an intention to have skilled and well-disciplined human capital.

A very good news to all our stakeholders was that the Interest- free banking (IFB) convention, which our Bank pioneered its introduction to the Ethiopian Banking Industry, has been upgraded to full-fledged branches based on the National Bank of Ethiopia's (NBE) regulation. Accordingly, among the new branches inaugurated and opened in colorful ceremony during the financial year, 14 branches were IFB full-fledged branches. Moreover, in view of creating value propositions to our customers, our Bank has implemented internet banking (Oro- Click), instant card banking whereby a customer can get ATM cards on spot and GuzoGo an airline booking system were introduced in addition to previously existing E- banking digital services such as mobile banking (Oro-Cash) and agent banking (Oro- agent). Customer service standards and 11 (Eleven) new deposit varieties such as Siinqee, Handhuura, Hayyuu, Retirement Saving and etc were introduced during the financial year.

Dear Respected Shareholders,

During the reporting year, the resource mobilization effort generated a 4% increment on our deposit compared to its base year position and reached Birr 27.7 billion as of June 30, 2020 comprising both conventional and interest-free banking investment deposits. With regard to other crucial resources, international banking operations generated a total foreign currency of USD 229 million during the year. Our Bank has fully collected its authorized and subscribed capital of Birr 3 billion.

The credit portfolio including interest-free financing has reached at Birr 20.3 billion as of June 30, 2020, growing by 17% from last year same period. The loan and interest-free financing portfolio asset quality (NPL) was also managed at 3.4% a very healthy non-performing loan ratio (NPLs) below NBE's regulatory limit of 5%.

Our Bank's revenue grew by 19% from the last year same period and reached Birr 3.8 billion while the year's expense reached 2.8 billion which resulted in a new record-high profit of Birr 1.07 billion before tax. The total asset of our Bank has grown at 6% and reached Birr 33.8 billion as at June 30, 2020.

As well articulated in our Board Chairperson's message, we are well in command of our construction projects and Future Headquarters Tower site securing; finalizing fencing work for the Future Center of Excellence and Convention at the Gelan town and preliminary work to design the facilities, the finishing construction of our four-storey building in Adama City is under progress, our effort to acquire land for its future Headquarters park from Finfinne City Administration a key site at Senga Tera(Future 'Financial Hub') is on the right track, and the bid process of recruiting contractor for the planned construction of transitional Headquarters at Goma Kuteba has been completed and the project will be awarded to the winner contractor in the near future.

Ladies and Gentlemen,

In view of ensuring the corporate social, national and developmental initiative responsibility aspects of its mission and corporate values, our Bank has continued discharging its responsibilities; National and Regional Resource Mobilization Initiatives to combat COVID-19 pandemic, Gebeta Le Sheger Project, School Feeding Program and provision of educational materials for students in Finfine and Oromia Special Zones, and Seedlings Program at our Gelan Future Center of Excellence and Convention.

It worth mentioning that in a recognition to its consistent regulatory compliance in general and being loyal tax payer in particular, our Bank is granted at a Platinum Award for the year 2012 E.C. being among the top-20 loyal tax payers at national level and among top-2 private commercial banks. This award, which is secured ahead of its age is a considerable intangible asset(goodwill) for our Bank in boosting public trust at all levels.

To cope up with the tendency of intensifying competition, our Bank's Board and Management has crafted new 3rd five years Strategic Plan to be implemented beginning from the just started financial year. Moreover, the management based on the decision of the board of directors has hired international consultant that will help to develop functional strategies, redesigned processes and to implement a performance management system supported by contemporary information technology solution.

Therefore; supported by these new initiatives, the management will focus on resource mobilization while service excellence is a top priority parallel to deepened relationships with customers of our Bank in bid to enhance the growth of our business on top of intensive utilization of technology.

Finally, I would like to extend my gratitude to all our respected customers for choosing us to serve them and being an engine for our Bank's successive and sustainable growth for a period of more than one decade. Our shareholders also deserve many thanks for always investing in our Bank and being with us in irreplaceable all-rounded support for continuous improvement and growth of our Bank. The strategic direction of our Board of Directors was also a key for the successful achievements of our Bank in the financial year for which I shall also say thank you, loudly.

Last, but not least, my sincere appreciation goes to the National Bank of Ethiopia for their constructive supervisory support which was complementary for our financial safety and soundness, and of course strengthened our prudential and compliance culture. I am also grateful to our External Auditor (TAY& Co.), KPMG East Africa, the Oromia Regional Government, Finfinne City Administration, Ethswitch, ECX, Ethio Telecom, Ethiopian Electric Power Corporation, the DARA, Domestic peer Banks, Our Correspondent Banks, our Remittance Partner- Agents, the Ethiopian Commodity Exchange, the Courts, the Media and all stakeholders for their trust in partnering with us and for their continued support and cooperation.

Respected Shareholders, members of the Board of Directors, Stakeholders, Management and employees, and invited guests, I thank you once again and welcome to our colorful general assembly while expressing our passionate and ambitious commitment to come up with more successes and results in the years to come.

I thank you all!

Teferi Mekonnen Yadete

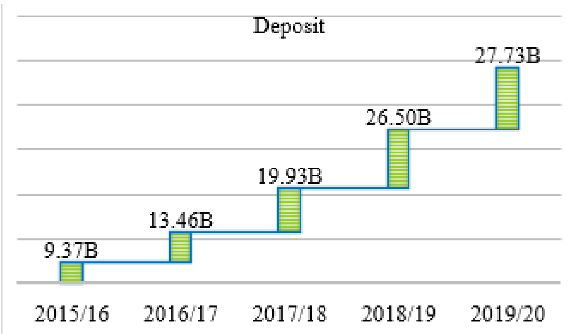
President

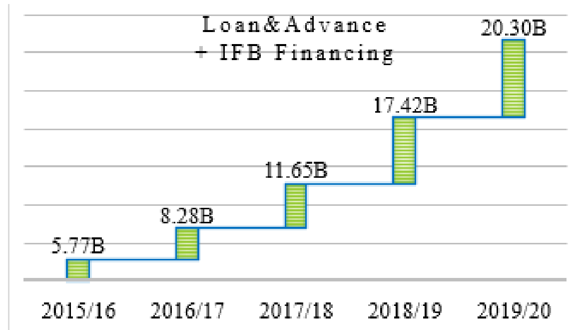
Oromia International Bank

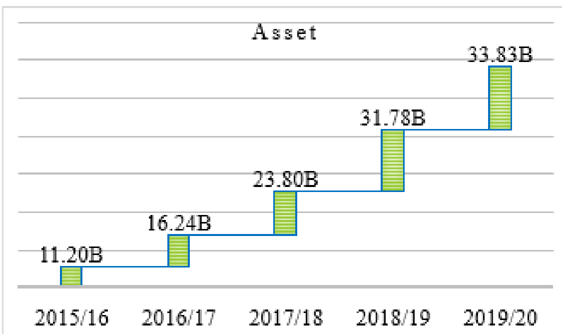
KEY PERFORMANCE INDICATORS OF 2019/20

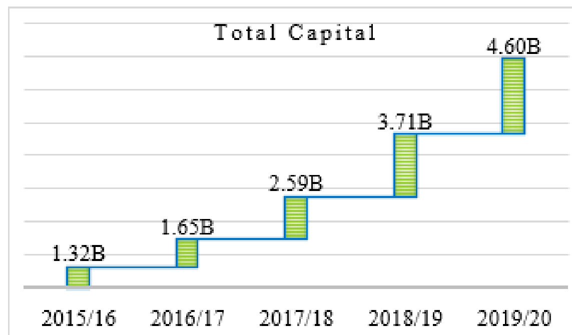
4,066 Permanent Staff	▲11%	33.8B Asset	▲6%	3.8B Revenue	▲19%
6,002 Total Employment	▲15%	27.7B Deposit	▲4%	2.8B Expense	▲24%
660 Service Outlet	▲16%	20.3B Loan and IFB Financing	▲17%	1.07B Profit before tax	▲6%
300 Branches	▲13%	6.07B NBE Bill	▼14%	204.5M Income Tax	▼20%
1.72M Regular Customers	▲23%	229M FCY	▼33%	860.5M Net Profit	▲15%
314,002 E-channel Customers	▲52%	4.6B Total Capital	▲24%	320 Earning Per share	▼15
10,740 Borrowers	▲5%	3.0B Paid Up Capital	▲26%	226M IFB Profit Before Tax	▲4%

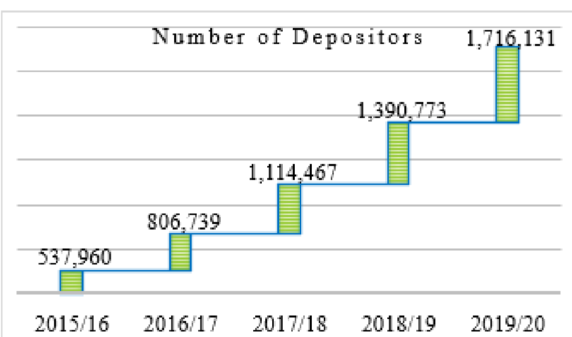
Our Bank's Key Performance Trend as of June 30,2020

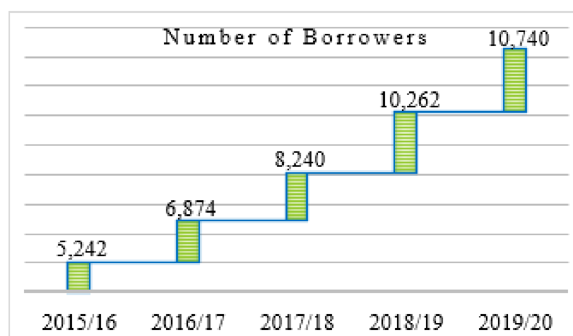


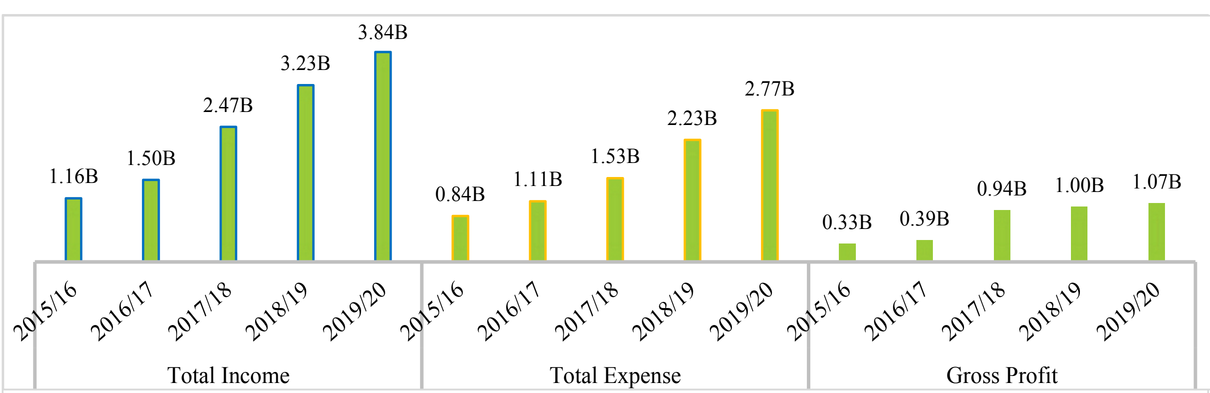












BOARD OF DIRECTORS' REPORT

The Board of Directors of Oromia International Bank S.C hereby presents the Annual Performance Report of our Bank for the year ended 30 June 2020 to the 11th Annual General Meeting Shareholders as follows;

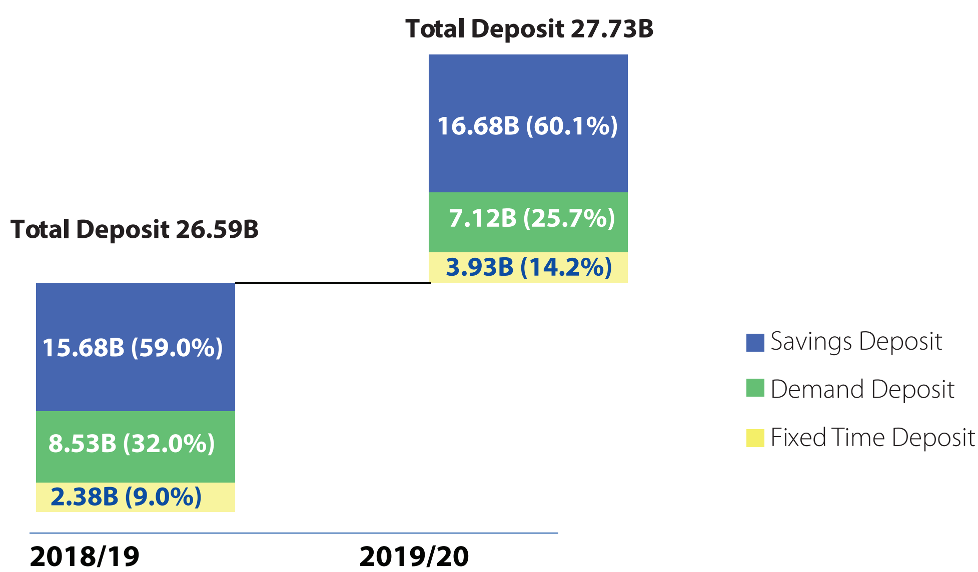
1. OPERATIONAL PERFORMANCE HIGHLIGHTS

It is evident that the COVID-19 pandemic has posed a negative impact on the global and local economy in general and individual organization's financial performance in particular. Our Bank is not an exception as it has been operating in such a challenging year. It has registered encouraging operational and financial results with the objective of achieving its establishment vision and mission. In view of this, the following parts of the report tries to present key financial positions and high-level performance for the year with emphasis on achievements, challenges, and future plans of our Bank.

1.1 Deposit

The corporate total deposit of our Bank surged to Birr 27.73 billion, which is a 4% growth compared with that of the previous year similar period.

Chart 1: Deposit Composition by Type

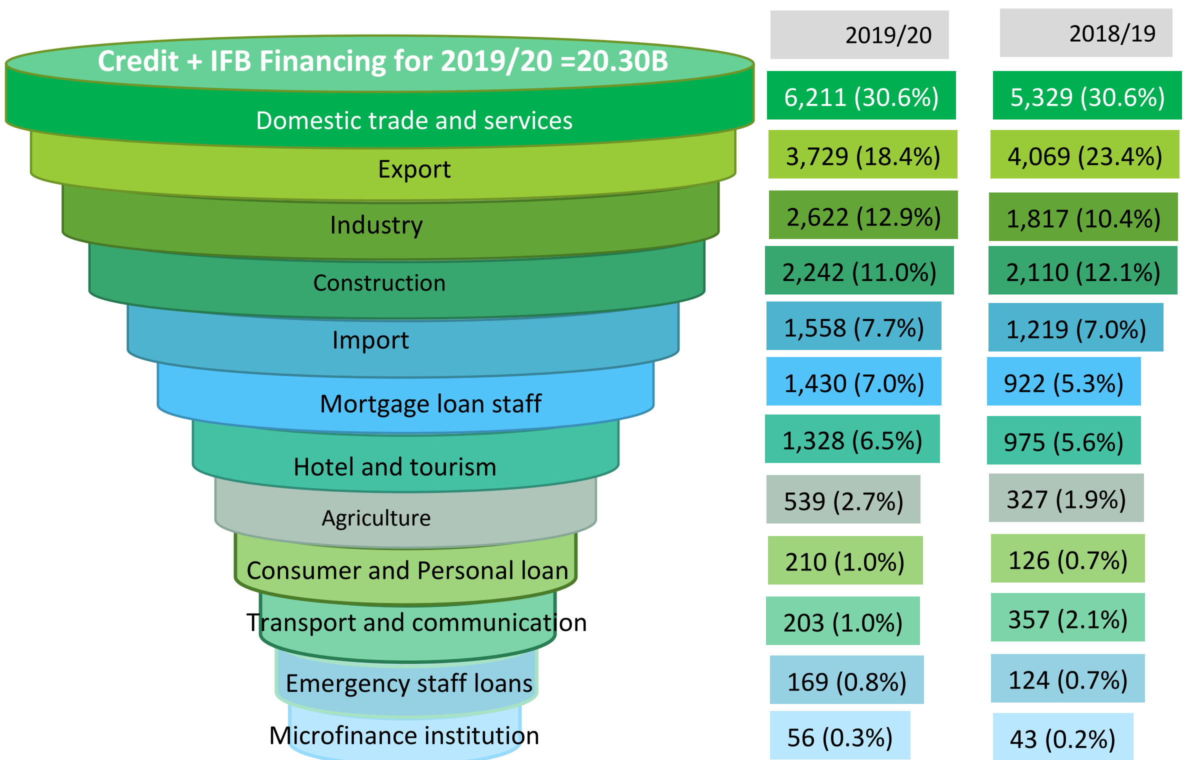


1.2 Loans and Advances plus IFB Financing

The total outstanding loans and advances plus IFB financing has reached Birr 20.3 billion as at June 30, 2020, exhibiting a growth of 17% over the position attained at the end of the preceding year.

With regard to composition of Loans and Advances plus IFB financing, Domestic trade and services takes the highest share of 30.6% followed by Export 18.4%, Industry 12.9% and Construction 11% during the reporting financial year.

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



1.3 Foreign Currency Generation

The total foreign currency generated by International Banking function of our Bank as at June 30, 2020 was USD 229 million. Earning from Export stood at USD 108 million while inward transfers were 99 million USD, the forex purchase and forex dealing generated USD 22 million.

The outbreak of the COVID- 19 pandemic hugely affected the export sector and incoming transfer due to lockdown action taken by different countries in bid to overcome the impact of the pandemic, especially during the last four months of the financial year.

Table 1: Breakdown of Foreign currency generation

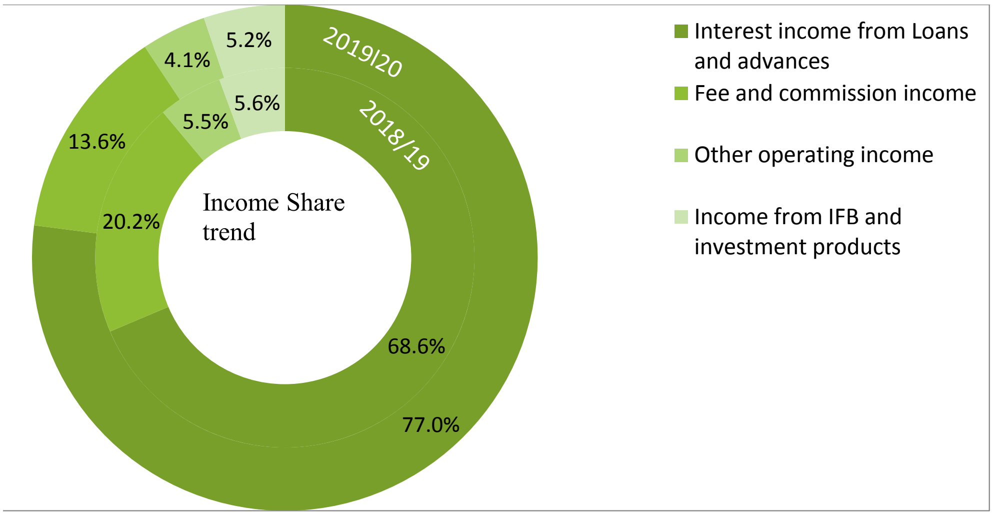
FCY by Type	Amount in USD		Growth	Share	
	2019/20	2018/19		2019/20	2018/19
Export Proceeds	108M	175M	(38)	47.1	51.3
Incoming Transfer	99M	134M	(26)	43.1	39.3
Forex Purchase	21M	31M	(32)	9.3	9.1
Forex Dealing	1M	1M	(17)	0.4	0.4
Total	**229M**	**342M**	**(33.0)**	**100.0**	**100.0**

2. FINANCIAL PERFORMANCE

2.1 Income

By the end of the financial year 2019/20, our Bank earned an aggregate income of Birr 3.84 billion showing an increment of 19% relative to the balance of achieved in 2018/2019 fiscal year.

Chart 3: Income composition for the financial year ended June 30, 2020



2.2 Expense

The expense of our Bank increased by 24% (Birr 532 million) during the reporting budget year. The increase of expense is mainly due to amortization of right of use assets (108 %), followed by Interest Expense (49%), Impairment losses on other assets (43%) and Personnel expenses (21%) during the financial year under review. The growth of amortization of the right use of assets expense is due to the reclassification from other operating expenses in bid to comply with the requirement of IFRS-16.

Table 2: Expense Composition by type as at June 30, 2020

Expense by Type	Amount in Birr		Growth	Share	
	2019/20	2018/19		2019/20	2018/19
Interest expense	1,247M	837M	49	45.0	37.5
Personnel expenses	968M	799M	21	35.0	35.8
Other operating expenses	286M	365M	(22)	10.3	16.4
Amortisation of intangible assets	151M	-		5.4	-
Depreciation and impairment of property, plant and equipment	81M	69M	18	2.9	3.1
Lease Expense	24M			0.9	-
Amortization of right of use assets	9M	4M	108	0.3	0.2
Impairment losses on other assets	4M	3M	43	0.1	0.1
Loan impairment charge	-	153M	(100)	-	6.9
Distribution to depositors- IFB Products		13	(100)		0.0
Total	**2,770M**	**2,230M**	**24.2**	**100.0**	**100.0**

2.3 Profit

Profit before tax hit yet another record-high and reached at Birr 1.07 billion, showing a growth of 6% compared with that of last year same period of Birr 1.01 billion. Our Bank has managed to generate a net profit of Birr 860.5 million after holding provision of Birr 204.5 million for income tax of 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 3.2% for the financial year 2019/20, while return on Equity (ROE) expressed as the ratio of profit before tax to average capital is 25.6%. These ratios basically measure management efficiency in utilization of assets and capital in converting to profit, and the higher ratio is better achievement. Moreover, the net profit margin of our Bank (net profit after tax divided by total income) is 22.4% for the year ended June 30, 2020. Likewise, earning per share of our Bank (net profit divided by average number of shares outstanding) is Birr 320.

2.5 Distribution of Net Profit

Our Bank has secured a net profit of Birr 860.5 million after income tax provision of Birr 204.5 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 (214.6 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) 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 prudential provision is greater than IFRS provision; the excess provision resulting should be transferred from the retained earnings account to regulatory risk reserve.

* If prudential provision is less than 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 157.3 million is transferred from retained earning account to 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 29.7 million is transferred to regulatory risk reserve from retained earning account due to write backed suspended interest adjustment as indicated in the audited financial statement note 5.4.6.

Thus, the Board of Directors requests the General Assembly to approve the distribution of Birr 457 million to the shareholders after holding the above-mentioned reserves and deducting the Directors' share of the profit.

Table 3: Retained Earnings of 2019/20

S/No	Particulars	Amount in "000"
1	Beginning Retained Earnings	-
2	Net Profit for the year	860,545
3	Transfer to legal reserve	(214, 612)
4	Transfer to regulatory risk reserve	(187,045)
5	Directors' share on profit	(1,518)
Closing Retained Earnings		**457,370**

3. RESOURCE BUILDING

3.1 Human Capital

The total staff of our Bank by the end of June 2020 reached 4,066 showing an increment of 11%, which is a net addition of 419 staff from that of last year number of 3,647 staff. Human resource development has been among major concerns of our Bank since its establishment. To this end, during the financial year, various local and overseas trainings were given for 7,545 employees on a number of topics to build their capacity thereby boost efficiency, productivity and above all customer service.

3.2 Information Technology

In order to fulfill the current and future needs of our customers, implementation of advanced technology plays paramount role in every aspect. To this effect, our Bank has implemented an up to date core-banking system that connects all its branches and delivers prompt and modern banking services to its esteemed customers. 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, 2020, the number of ATM machines reached 123, and Oro cardholders are 173,905 while the number of Oro cash (mobile banking) users reached 139,976. There are 237 Oro-Agents recruited by our Bank on top of having 123 internet banking service user customers.

3.3 Branch 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 300. Our Bank opened 35 new branches across the country with the view of becoming for accessible to the public at large. As a result, the number of our Bank service outlets reached 660 including ATM and Agency Banking.

4. INTEREST- FREE BANKING (IFB) PERFORMANCE

Oromia International Bank (OIB), is a pioneer in implementing 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 and/or services. Special saving products have also been introduced to encourage saving culture.

In this part of the report, IFB financial and operation 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 3.95 billion from Intertest Free Banking wing, showing slight decrease by 5% compared with that of last year same period achievement. During the reporting period, IFB deposit by category reveals that, Wadi'ah deposit accounted for 73.9% and Amana deposit took 26.1%. On the other hand, the IFB deposit of our Bank constituted 14.25% of the total corporate deposit portfolio slightly lower compared with 15.6% share of last year's.

Table 4: IFB Deposit breakdown by type

IFB deposit By Type	Amount in Birr		Growth	Share	
	2019/20	2018/19		2019/20	2018/19
Wadi'ah deposits	2,916M	2,848M	2	73.9	68.6
Amana deposits	1,031M	1,307M	(21)	26.1	31.4
Total	**3,948M**	**4,155M**	**(5)**	**100.0**	**100.0**

4.2 IFB Financing

At the close of the reporting period, the total IFB Financing availed to different economic sectors reached over Birr 2.90 billion, up by Birr 1.07 million (59%) from that of last year similar period. As a result, the IFB Financing to deposit ratio of the IFB of our Bank stood at 0.73:1; increasing from last year similar period's 0.44:1. In terms of sector distribution, IFB financing portfolio of our Bank covered a wide range of sectors of the economy. Among these, Domestic Trade and services took the lion's share followed by construction.

The IFB financing outstanding balance has reached 14% of the total corporate consolidated Loans and Advances plus IFB financing from 10% of that of last year showing an increment of 4 percentage point.

Table 5: Composition of IFB financing by sector

IFB Financing By Economic Sector	Amount in Birr		Growth	Share	
	2019/20	2018/19		2019/20	2018/19
Murahabah Financing- DTS	757M	648M	17	26.1	35.6
Murahabah Financing- Construction	713M	251M	184	24.6	13.8
Murahabah Financing- Industry	549M	330M	66	18.9	18.1
Murahabah Financing- Export	300M	-		10.3	-
Murahabah Financing- Agriculture	251M	101M	150	8.6	5.5
Murahabah Financing- Import	174M	159M	10	6.0	8.7
Murahabah Financing- Agriculture Merchandize	58M	-		2.0	-
Murahabah Financing- Hotel and Tourism	44M	18M	141	1.5	1.0
Murahabah Financing- Transport and Communication	39M	107M	(63)	1.4	5.9
Muruhabah Financing- Consumer and Personal	18M	-		0.6	-
Interest Free Export Facility Financing	-	208M	(100)	-	11.4
Total	**2,903M**	**1,822M**	**59.32**	**100.0**	**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 12 million. During 2019/20, IFB's foreign currency generation has contributed 5.4% of aggregate corporate total foreign currency generation.

4.4 IFB Income

The IFB wing has generated a total income of Birr 242 million during the financial year 2019/20. Out of the total corporate income of our Bank, IFB income constitutes 6%.

4.5 IFB Expense

During the period under review, the expense of IFB reached Birr 16 million showing a 6% decline from that of last year similar period.

4.6 IFB Profit

During the financial year 2019/20, IFB wing has generated a profit of Birr 226 million showing a growth of 4% from last year similar period.

Table 6: IFB Income and expense by type as of June 30, 2020

IFB Income	Amount in Birr		Growth	Share	
	2019/20	2018/19		2019/20	2018/19
Income from Muaraba Financing	199M	181M	10	82.2	74.3
Fee and commission income	43M	63M	(31)	17.7	25.6
Other operating income	0.27M	0.18M	48	0.1	0.1
Total	**242M**	**244M**	**(1)**	**100.0**	**100.0**
IFB Expense					
Personnel expenses and other operating Expense	16M	18M	(6)	100.0	64.2
Loan impairment charge		10M	(100)	-	35.8
Distribution to depositors- IFB Products		13	(100)	-	0.0
Total	**16M**	**27M**	**(40)**	**100.0**	**100.0**
Profit Before Tax	**226M**	**217M**	**4**	**21%**	**22%**

4.7 IFB Window Services and Full-Fledged IFB Branches

Oromia International Bank has been providing window-based interest-free banking services almost at all branches starting from the introduction of services in our country. Immediately after the issuance of NBE directive that allowed the establishment of full-fledged IFB branches, our Bank opened several IFB dedicated branches in Finfinne City and other towns.

Currently, our Bank is providing window-based Sharia-compliant Interest -Free Banking Service at almost all of its conventional branches and in 14 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 375,980 showing an increment of 15% from its last year customer base of 328,296. The number of IFB borrowers also reached 656 just at the end of the reporting year. This indicates that the customers have developed big trust in our services as we are dedicated in offering the products and/or services that best fits 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 acquisition of new customers underpin the sustainable growth of our business.

5. CORPORATE GOVERNANCE

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 NBE.

The General Assembly of Shareholders voted as per their respective shareholdings for preferred candidates from the proposed nominees and aggregate high voted candidates in their sequence and in terms of earned votes have been submitted to the regulator for review and approval; and the regulator (NBE) gave final approval after checking the fulfillment of directors fit and proper requirement laid down in the relevant directive.

The BOD consists of 12 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 NBE.

5.2. Structure of the Board

The BOD has a Chairperson, a Deputy Chairperson, Secretary and three sub-committees, namely Internal Audit, Risk and Compliance, and Human Resources and Business Affairs.

5.3. The Functions of the Board

The BOD 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.

5.4. Role of the Subcommittees of the Board of Directors Internal Audit Sub- committee

The Audit sub-committee is established to provide independent oversight of our Bank's financial reporting and internal control system and ensuring check and balance within our Bank.

Risk Management and Compliance Sub- Committee

The BOD Risk and Compliance Sub- Committee oversees senior management's activities in managing credit, market, liquidity, operational, legal and other risks to ensure that appropriate risk management system/ process is in place and functioning.

Human Resources and Business Affairs Sub- Committee

The primary objective of this committee is to provide formal and transparent proposal on the employment and removal of senior management members based on the relevant legal framework and on the overall compensation /benefits systems of our Bank. The Sub-committee also reviews annual plan and budget, our Bank's performances as well as other business affairs.

5.5. Directors' Allowance

The directors are entitled to monthly allowance of Birr 10,000.00 as well as a maximum of annual remuneration of Birr 150,000.00 each, which are effected in accordance with the pertinent provisions of NBE directive SBB/63/2016.

5.6 Internal Audit, Risk Management and Compliance

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

5.7 The President and Senior Management Officers

Our Bank's day to day operations are run by the President and members of Senior Management nominated by the BOD and approved by NBE as per the pertinent directive. The President has established a various committee which are assisting him to successful discharge his responsibilities in effective and efficient manner.

6. EXTERNAL AUDITORS

TAY & Co. Chartered Certified Accountants (UK) and Authorized Auditors (Ethiopia) are OIB's external auditors nominated by the General Assembly of Shareholders and Approved by NBE.

7. FUTURE PLANS

Our Bank will further strengthen and continue investing in and implementing technology-based banking solutions with the view of providing fast, efficient and modern banking services to its customers. Most of the IT projects are finalized, and the remaining few are expected to be finalized during the upcoming financial year. Thus, the upgrading of its technology is believed to enhance customer service; improve management information system, and the overall synchronization of operational activities of our Bank.

In the new fiscal year, our Bank has planned to open new conventional and IFB branches at different outlets and introduce new products in a way it advances the financial accessibility. Among these, introduce some saving deposit and credit products, expand new card banking products, mobile banking and agent banking which are already operational. Moreover, Visa, Master card, and Point of Sales (POS) terminal are on pilot test and will be implemented in the coming fiscal year.

Human resource development is among our Bank's primary endeavors. Thus, our Bank will continue to emphasize on its staff development and capacity building at all levels through providing local and overseas trainings. Introducing innovative services backed by state-of-the-art technologies is also the core focus of our Bank thereby creating convivence of our customers.

Our Bank has recently hired a well-known international consultancy firm which develops functional strategies for the key operational units of our Bank, works out process reengineering, revise organogram, develops and implements performance management platform supported by IT solution system to enhance efficiency, and productivity through a modern IT architecture, and a rigorous performance management system such a venture is to enable and develop a culture that accelerates the business growth through extended relationships and other activities with our customers on top of reinventing our Bank to become a disruptive force in the market and set a new standards of excellence for the banking industry in Ethiopia.

During the fiscal year under review, our Bank has been in the forefront in discharging its corporate social responsibility by donating about Birr 16.2 million to the National and Regional initiatives of fighting against COVID-19 pandemic, and in response to calls for national development initiatives and environment protection endeavors. Our Bank will scale up its response to the society's concerns and continue discharging its corporate social responsibility in multiple ways.

Our Bank is about to launch the construction of its transitional Headquarters at Goma Kuteba on its own land in the current fiscal year. We are also working hard to finalize securing land from Finfinne City Administration at prime site at Senga Tera (Future 'Financial Hub'), for its Future Headquarters Park. Moreover, our Bank is finalizing the fencing work for the 15 hectares of land we secured from Gelan City Administration. The design work of the multi-purpose buildings on the land that includes the Centre of excellence is progressing well.

8. INTRODUCTION OF IFRS-16

IFRS-16: Lease

Our Bank has adopted IFRS-16 issued in January 2016 with the date of initial application of 01 July 2019. Our Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to our Bank. Under IFRS 16, our Bank recognizes right-of-use assets and lease liabilities for most of these leases – i.e. on-balance sheet.

Our Bank has not restated comparative information for 2019 for financial instruments in the scope of IFRS 16. Therefore, the comparative information for 2019 does not reflect the requirements of IFRS 16 and is not comparable to the information presented for 2020. Differences arising from the adoption of IFRS 16 have been recognized directly in retained earnings as of 1 July 2019 as indicated in the audited financial statement.

Other amendments to IFRSs which are effective for the annual accounting period starting from 1 July 2019, did not have any material impact on the accounting policies, financial position or performance of our Bank.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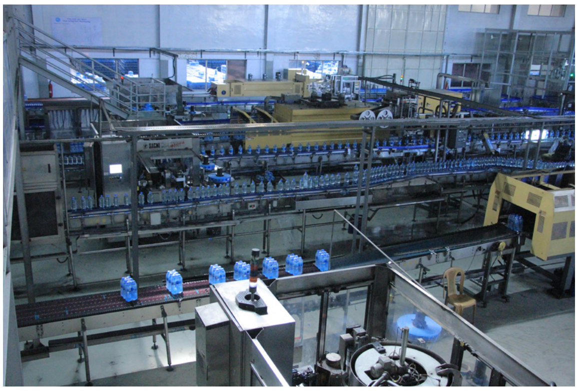
Projects Financed



Abba Hawa Trading, One Water Project

Alfoz PLC

Berhan Cosmetics

Corporate Socoal Responsibility

OIB Donated Birr eight million In Support of national COVID- 19 Mitigation Initiative

Events of our Bank held during the year

10th Annual General Meeting of Shareholders

Semi-Annual Management Meeting

IFB Dedicated branch opening Ceremony

Tree Planting event by OIB Staff

Oromia International Bank S.C

Sharia Advisory Committee (SAC)

Statement for the Fiscal Year Ended June 30, 2020

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 2020.

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 3.95 billion, generated Foreign Currency of USD 12 million, earned profit before tax of Birr 226 million from interest-free banking business during the budget year ended 30 June 2020.

As Shariah Advisory 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 OIB's board members and management, on overall sharia compliance assurance mechanism.

Based on review of various interest -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, 2020 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 SAC 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 Hajji Ebrahim Tufa
SAC Chairperson

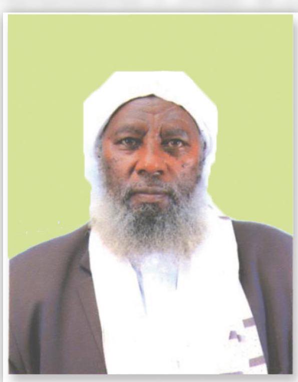
Dr Jeilan Geleta Mami
V/Chair person

Dr Mohammad Kamal Tilmo
SAC Member

Sheik Nuradin Abda Alo
SAC Member

Sheik Abdulaziz Mohammad Said
SAC Member

SHARIAH ADVISORY COMMITTEE MEMBERS



Sheik Hajji Ebrahim Tufa
SAC Chairperson

Dr. Jeilan Geleta Mami
V/Chairperson

Dr Mohammad Kamal Tilmo
SAC Member

Sheik Nuradin Abda Alo
SAC Member

Sheik Abdulaziz Mohammad Said
SAC Member

TOP TAX PAYER OF THE YEAR AWARD

Oromia International Bank S.C.

Audited Financial Statements

For the year ended 30 June 2020

Contents

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

Directors (As of 30 June 2020)		
Obbo Asegid Regassa	Chairperson	Appointed April 05, 2018
Ambassador Aman Hassen	Vice-Chairperson	Appointed April 05, 2018
Oromia Insurance Company s.c Represented by Obbo Berhanu Mamo	Member	Appointed April 05, 2018
Dr. Assefa Seme	Member	Appointed April 05, 2018
Obbo Ajema Gondel	Member	Appointed April 05, 2018
Obbo Mulugeta Tujuba	Member	Appointed April 05, 2018
Obbo Feyera Abdissa	Member	Appointed April 05, 2018
Rev. Bekele Ayana	Member	Appointed January 29, 2020
Obbo Deressa kenea	Member	Appointed January 29, 2020
Obbo Worku Homa	Member	Appointed January 29, 2020
Obbo Gezu Legesse	Member	Appointed January 29, 2020
Obbo Wakgari Gunjo	Member	Appointed January 29, 2020

Executive Management (As of 30 June 2020)		
Obbo Teferi Mekonnen	President	Appointed 01 June 2020
Obbo Geleta Bekuma	V/P- Information Technology	Appointed 01 June 2018
Obbo Wolde Bulto	V/P- Branch Banking	Appointed 01 July 2019
Obbo Alemayehu Demise	V/P- Corporate Support	Appointed 01 July 2019
Obbo Jote Kenate	V/P- Strategy and Change Management	Appointed 01 August 2019
Obbo Berhanu Edea	Chief- Internal audit	Appointed 21 April 2016
Obbo Ketema Mengesha	Chief -Risk Management and Compliance	Appointed 20 February 2017

Independent Auditor

TAY Authorised Auditors and Accountants
Addis Ababa
Ethiopia
www.tayauditing.com

Corporate office

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

Company secretary

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

The directors submit their report together with the financial statements for the year ended 30 June 2020, to the members of Oromia International Bank S.C. ("OIB or the Bank"). This report discloses the financial performance and state of affairs of the Bank.

Incorporation

Oromia International Bank share company has been established in Addis Ababa as per the Commercial Code of Ethiopia 1960, 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 number 592/2008 . The Bank started operation in October 2008.

Principal activities

Oromia International Bank S.C (OIB) engages in full-fledged banking business as per Banking Business Proclamation of Ethiopia number 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 over draft 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 2020 are set out below. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2020	**30 June 2019**
	Birr'000	**Birr'000**
Interest income	2,954,615	2,218,072
Profit / (loss) before tax	1,065,078	1,001,346
Tax (charge) / credit	204,534	255,493
Profit / (loss) for the year	860,545	745,853
Other comprehensive income / (loss) net of taxes	25,908	6,549
Total comprehensive income / (loss) for the year	**25,908**	**6,549**

Directors

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

Company Secretary
Addis Ababa, Ethiopia

In accordance with the Banking Business Proclamation No. 592/2008, the National Bank of Ethiopia (NBE) may direct the Bank to prepare financial statements in accordance with international financial 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, 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 1960 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 company and of its profit or loss.

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

Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Obbo Asegid Regassa	**Obbo Teferi Mekonnen**
Chairman of Board of Directors	**President**

Independent auditor's report on the Financial statements of Oromia International Bank S.C.
To the shareholders of Oromia International Bank S.C

Opinion

We have audited the financial statements of Oromia International Bank S.C, which comprise the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, the financial position of Oromia International Bank S.C as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

We have no comments to make on the report of the Board of Directors of the Bank in so far as it relates to these financial statements and pursuant to Article 375 of the Commercial Code of Ethiopia 1960, we recommend the approval of these financial statements.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The consistent application of the accounting policies, the impact of COVID 19 on the financial statements of the current period and the risk management function of the bank have been considered as key audit matters for our audit during the year.

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TAY Authorized Accountants & Auditors
011 442 1336
091 151 5039
093 001 4106
1335
Addis Ababa, Ethiopia

A member of Kreston International | A global network of independent accounting firms
Ethio-China Friendship Street, Wengelawit Tadesse Building 1st Floor
Tel. (011) 442 1336, 442 0062, (011) 470 7092, (011) 470 7094 - Mob. (093) 001 4106, (091) 151 5038/39
Fax (011) 442 1338 - e-mail: info@tayauditing.com - www.tayauditing.com - P.O. Box 1335 - Addis Ababa, Ethiopia

As a result, our audit covered verification of whether management has been consistently applying those accounting policies in the preparation and presentation of the current year financial statements and the comparative figures, whether management has considered and included the impact of COVID 19 in the determination of the reported balances of financial assets and financial liabilities and whether management has maintained adequate risk management function that is consistent with the nature of the financial sector and the requirements of the regulatory body.

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

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

In preparing the financial statements, 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 of accounting unless management either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

TAY Authorized
Accountants & Auditors

Addis Ababa
25 November, 2020

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Oromia International Bank S.C.

Statement of profit or loss and other comprehensive income

For the year ended '30 June 2020

	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
Interest income from Loans and advances	6	2,954,615	2,218,072
Income from Interest free financing and investment products	7	198,958	181,386
Less:Interest expense	8	1,246,887	836,803
Less:Distribution to depositors- Interest Free Banking Products	9	-	13
Net interest income and income from Interest Free Banking products net of distribution to depositors		**1,906,686**	**1,562,642**
Fee and commission income	9	522,380	654,204
Less:Fee and commission expense	9	-	-
Net fees and commission income		522,380	654,204
Other operating income	10	159,077	177,641
Total operating income		**2,588,143**	**2,394,487**
Loan impairment charge	11	-	152,921
Impairment losses on other assets	12	4,110	2,881
Net operating income		**2,584,033**	**2,238,685**
Less:			
Personnel expenses	13	968,243	798,704
Amortisation of intangible assets	21	9,178	4,409
Depreciation and impairment of property, plant and equipment	23	81,119	68,802
Amortization of right of use assets	22	150,603	-
Lease Expense	14	23,923	-
Other operating expenses	14	285,888	365,424
Profit before tax		**1,065,078**	**1,001,346**
Less:Income tax expense	**15**	**204,534**	**255,493**
Profit after tax		**860,545**	**745,853**
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	1,106	(6,951)
Net change in equity investment at FVOCI	19	24,802	13,500
Deferred tax (liability)/asset on remeasurement gain or loss	15	-	-
		25,908	6,549
Total other comprehensive income for the period		**25,908**	**6,549**
Earnings per share of Ethiopian Birr 1000	**-**	**320**	**374**

The notes on pages 46 to 126 are an integral part of these financial statements.

	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
ASSETS			
Cash and cash equivalents	16	5,319,219	5,120,927
Loans and advances to customers	17	17,162,613	15,323,833
Interest Free Financing	18	2,421,043	1,890,738
Investment securities:			
- Financial assets at fair value through OCI	19	135,076	95,478
-Financial assets at amortized cost	19	6,056,154	7,073,001
Other assets	20	1,222,606	1,466,746
Intangible assets	21	42,321	3,556
Property, plant and equipment	23	815,013	774,084
Right of Use Leased Assets	22	626,210	-
Deferred tax assets		-	-
		33,800,255	31,748,364
Non-current assets held for sale	24	31,221	30,942
Total assets		**33,831,476**	**31,779,308**
LIABILITIES			
Deposits from customers	25	23,783,114	22,434,183
Interest Free customers' deposits	26	3,947,742	4,154,943
Current tax liabilities	15	197,069	261,305
Deferred tax liabilities	15	5,704	7,840
Lease Liabilities	38	247,715	-
Other liabilities	27	1,001,418	1,167,522
Retirement benefit obligations	28	49,578	40,934
Total liabilities		**29,232,340**	**28,066,727**
EQUITY			
Share capital	29	3,000,000	2,385,981
Share premium		8,377	7,694
Retained earnings	31	457,370	613,086
Legal reserve	32	856,845	642,233
Regulatory risk reserve	33	253,883	66,838
Other Reserve		22,660	(3,248)
Total equity		**4,599,135**	**3,712,581**
Total equity and liabilities		**33,831,476**	**31,779,308**

The notes on pages 46 to 126 are an integral part of these financial statements.

The financial statements on pages 46 to 126 were approved and authorised for issue by the board of directors on 23 November 2020 and were signed on its behalf by:

Obbo Asegid Regassa
Chairman of Board of Directors

Obbo Teferi Mekonnen
President

No. 7 Oromia International Bank S.C.

TAY Authorized Accountants & Auditors Addis Ababa Ethiopia

	Notes	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Other Reserve Birr'000	Regulatory risk reserve Birr'000	Total Birr'000
As at 1 July 2019		2,385,981	7,694	613,086	642,233	(3,248)	66,838	**3,712,583**
Profit for the year	31	-	-	860,545	-	-	-	**860,545**
Reversal of loans and IFB financing loss allowance recognized as per IAS 39	31	-	-	-	-	-	-	-
Day one IFRS 9 transition adjustment for loans and IFB financing	31	-	-	-	-	-	-	-
Reversal of other assets loss allowance recognized as per IAS 39	31	-	-	-	-	-	-	-
Day one IFRS 9 transition adjustment for other assets	31	-	-	-	-	-	-	-
Other comprehensive income:		-	-		-	-	-	-
Net change in equity investment at FVOCI	19	-	-	-	-	24,803	-	**24,803**
Re-measurement gains on defined benefit plans (net of tax)	28	-	-	-	-	1,106	-	**1,106**
Prior year (over)/ under provision	31	-	-	-	-	-	-	-
Directors' Share on Profit		-	-	(1,518)	-	-	-	**(1,518)**
Proceeds from issue of shares	31	181,192	683	-	-	-	-	**181,875**
Dividend capitalised	31	432,827	-	(432,827)	-	-	-	-
Transfer to legal reserve	31	-	-	(214,612)	214,612	-	-	-
Dividends paid	31	-	-	(128,491)	-	-	-	**(128,491)**
Dividend held in payable account	31		-	(51,767)	-	-	-	**(51,767)**
Transfer to regulatory risk reserve	33	-	-	-	-	-	-	-
Suspended Interest transferred to regulatory risk reserve account	33	-	-	(29,743)	-	-	29,743	-
Suspended Interest transferred to Retained earnings being collected in cash	33	-	-	-	-	-	-	-
Transfer to regulatory risk reserve for excess NBE Provission for other Assets	33			(17,633)			17,633	-
Transfer to Regulatory risk reserve for excess NBE provissions for Loans and Advances	33	-	-	(139,669)	-	-	139,669	-
Total Change in equity for the year		**614,019**	**683**	**(155,716)**	**214,612**	**25,909**	**187,045**	**886,552**
As at 30 June 2020		**3,000,000**	**8,377**	**457,370**	**856,845**	**22,660**	**253,883**	**4,599,135**

The notes on pages 46 to 126 are an integral part of these financial statements.

	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
Cash flows from operating activities			
Cash generated from operations	34	(390,409)	1,184,620
Interest received		-	-
Defined benefits paid		(1,402)	(581)
Income tax paid	15	(261,305)	(210,658)
Net cash (outflow)/inflow from operating activities		**(653,116)**	**973,382**
Cash flows from investing activities			
Purchase of investment securities	19	977,249	(2,243,957)
Purchase of intangible assets	21	(47,943)	(1,002)
Purchase of property, plant and equipment	23	(123,274)	(199,166)
Proceeds from sale of property, plant and equipment	34		-
Proceed on disposal of Asset held for sale	24		-
Net cash (outflow)/inflow from investing activities		**806,032**	**(2,444,124)**
Cash flows from financing activities			
Proceeds from issues of shares	29	181,875	468,334
Payments of principal portion of the lease liability	38	(36,489)	-
Dividend paid	31	(128,491)	(54,276)
Directors' Share on Profit	31	(1,518)	(1,511)
Net cash (outflow)/inflow from financing activities		**15,377**	**412,548**
Net increase/(decrease) in cash and cash equivalents		**168,293**	**(1,058,195)**
Cash and cash equivalents at the beginning of the year	16	3,750,927	4,809,127
Foreign exchange (losses)/ gains on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	**16**	**3,919,219**	**3,750,927**

The notes on pages 46 to 126 are an integral part of these financial statements.

1. GENERAL INFORMATION

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

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 2020 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.

(a) New standards, amendments and interpretations

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

A number of new standards are also effective from 1 July 2019 but they do not have a material effect on the Bank's financial statements. Due to the transition method chosen by the bank in applying IFRS 16, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

IFRS 16 Leases
IFRS 16 Leases was issued by the IASB on 13 January 2016 and is effective for periods beginning on or after 1 July 2019. IFRS 16 replaces the following standards and interpretations: IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

The Bank applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) New standards, amendments and interpretations (continued)
(i) New standards, amendments and interpretations effective and adopted during the year (continued)
IFRS 16 Leases (continued)

A. Definition of a lease
Previously, the Bank determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Bank now assesses whether a contract is or contains a lease based on the definition of a lease. On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

B. As a lessee
As a lessee, the Bank leases many buildings for the operation of its business and land for communcing construction . The Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognises right-of-use assets and lease liabilities for most of these leases – i.e. on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

C. Leases classified as operating leases under IAS 17
On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at 1 July 2019

Right-of-use assets are measured at their carrying value as if IFRS 16 had been applied since the commencement date, discounted using the incremental borrowing rate at the date of initial application.

The Bank used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Bank:

* relied on its assessment of whether leases are onerous under IAS 37 immediately before date of initial application as an alternative to performing an impairment review;
* did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
* did not recognise right-of-use assets and liabilities for leases of low value assets
* excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
* used hindsight when determining the lease term.

D. As a lessor

The Bank leases out some portion of its building to others. The Bank has classified these leases as operating leases. The Bank is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Bank does not sub-lease its properties. Under IAS 17, the head lease contracts were classified as operating leases.

E. Impact on financial statements

On transition to IFRS 16, the Bank recognised additional right-of-use assets, and additional lease liabilities, recognising the difference in retained earnings if any. The impact on transition is summarised below

1 July 2019	ETB in millions
Right-of-use assets – Property and equipment	498,298
Deferred tax asset	-
Lease liabilities	190,158
Retained earnings	-

When measuring lease liabilities for leases that were classified as operating leases, the Bank discounted lease payments using its incremental borrowing rate as at 1 July 2019. The weighted-average rate applied is 10%.

01 July 2019	ETB in millions
Operating lease commitments at 31 June 2019 as disclosed under IAS 17 in the Bank's financial statements	186,157.00
Discounted using the incremental borrowing rate at 1 July 2019	190,158.05
Finance lease liabilities recognised as at 30 June 2018	-
Recognition exemption for leases of low-value assets	-
Recognition exemption for leases with less than 12 months of lease term at transition	-
Extension options reasonably certain to be exercised	-
Lease liabilities recognised at 1 July 2019	**190,158.05**

3. *Summary Of Significant Accounting Polices (continued)*

a. New standards, amendements and interpretations

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

—IFRIC 23 Clarification on accounting for Income tax exposures

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made. Uncertainty is reflected in the overall measurement of tax and separate provision is not allowed.

The entity is required to measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty (that is, the entity should use either the most likely amount method or the expected value method when measuring an uncertainty). The entity will also need to provide disclosures, under existing disclosure requirements, about

(a) judgments made;
(b) assumptions and other estimates used; and
(c) potential impact of uncertainties not reflected.

The new Standard is effective for annual periods beginning on or after 1 July 2019.

The following amended standards are not expected to have a significant impact on theBank's financial statements

*Prepayment Features with Negative Compensation (Amendments to IFRS 9)
*Long-term Interests in Associates and Joint Ventures 1 (Amendments to IAS 28)
*Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards
*Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

(ii) New standards, amendments and interpretations issued but not adopted
The bank does not plan to adopt these standards early. These are summarised below;

New Standard or amendments
Definition of material (Amendments to IAS 1 and IAS 8) Effective for annual periods beginning on or after 1 July 2020
Amendments to references to the Conceptual Framework in IFRS Standards Effective for annual periods beginning on or after 1 July 2020

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 '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 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 '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.

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 creditimpaired, 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

Financial assets and financial liabilities are recognised in the Banks's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

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:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

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.

(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 directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

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 non-recourse 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.

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 assesment 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 (life time expected credit loss), unless there has been no significant increase in credit risk since origination.

Oromia International Bank S.C. No. 7

TAY Authorized Accountants & Auditors Addis Ababa Ethiopia

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 macro-economic 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 relationships, one forwardlooking scenario is never sufficient as it may result in the estimation of a worst-case scenario or a bestcase 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).

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 non-retail 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.

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 creditimpaired 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 par amount 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 creditimpaired. 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.

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 either financial liabilities 'at FVTPL' or 'other financial liabilities'. For all financial liabilities the amount presented on the statement of financial position represent all amounts payable including interest accruals.

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. Fair value is determined in the manner described in note 3.1

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.

(i) 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 installments. 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.

(V) 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.

(vi)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.

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

a) Interest Free Banking customers' deposit

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:

3.7 Property, plant and Equipment (continued)

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

Policy applicable before 1 July 2019
For contracts entered into before 1 July 2019, the Bank determined whether the arrangement was or contained a lease based on the assessment of whether: fulfilment of the arrangement was dependent on the use of a specific asset or assets; and the arrangement had conveyed a right to use the asset.

(i) As a lease
Assets held under other leases were classified as operating leases and were not recognised in the Bank's's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii)As a lessor

When the Bank acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease. To classify each lease, the Bank made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Bank considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Policy applicable from 1 July 2019

(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 straightline 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 experince 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

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

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

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 asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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.

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 employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank respectively;

ii) provident fund contribution, funding under this scheme is 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.

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 Note 5.7
- Financial risk management and policies Note 5
- Sensitivity analyses disclosures Note 5.6.2

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.

lessee

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.

4.2 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 EC

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.

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.

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.

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

5.2 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.

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:

		FVTOCI	Amortized Cost	Total
30 June 2020	**Notes**	**Birr'000**	**Birr'000**	**Birr'000**
Cash and cash equivalents	16	-	5,319,219	5,319,219
Loans and advances to customers	17	-	17,162,613	17,162,613
Interest Free Financing	18	-	2,421,043	2,421,043
Investment securities:		-	-	135,076
- Financial assets at fair value through OCI	19	135,076		6,056,154
-Financial assets at amortized cost	-	-	6,056,154	-
Other assets	20	-	867,688	867,688
Total financial assets		**135,076**	**31,826,717**	**31,961,793**

30 June 2019		FVTOCI	Amortized Cost	Total
	Notes	**Birr'000**	**Birr'000**	**Birr'000**
Cash and cash equivalents	16	-	5,120,927	5,120,927
Loans and advances to customers	17	-	15,323,833	15,323,833
Interest Free Financing	18	-	1,890,738	1,890,738
Investment securities:		-	-	-
- Financial assets at fair value through OCI	19	95,478	-	95,478
-Financial assets at amortized cost	-	-	7,073,001	7,073,001
Other assets	20	-	837,537	837,537
Total financial assets		**95,478**	**30,246,036**	**30,341,514**

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 department's. 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.

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 2020 and 30 June 2019 is represented by the net carrying amounts in the statement of financial position.

	30 June 2020	30 June 2019
	Birr'000	Birr'000
Cash and cash equivalents	5,319,219	5,120,927
Loans and advances to customers	17,162,613	15,323,833
Interest Free Financing	2,421,043	1,890,738
Investment securities:		
- Financial assets at fair value through OCI	135,076	95,478
-Financial assets at amortized cost	6,056,154	7,073,001
Other assets	867,688	837,537
Total Financial assets	**31,961,793**	**30,341,514**
Credit risk exposures relating to off balance sheets are as follows:		
Loan commitments	1,652,040	2,242,471
Financing commitment on Interest Free Banking	882,497	1,799,804
Letter of credit net of margin held	268,988	455,292
Commitment on letter of credit net of urbun held	49,932	39,800
Guarantees	2,140,416	1,365,208
Total off balance sheet exposure	**4,993,873**	**5,902,575**
Total maximum exposure	**36,955,666**	**36,244,089**

(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 2020	30 June 2019
	Birr'000	Birr'000
Buildings	28,722	28,863
Motor vehicles	-	-
	28,722	28,863

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.

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

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

	30 June 2020	30 June 2019
	Birr'000	Birr'000
Agriculture	230,470	226,738
Industry	2,072,599	1,486,938
Domestic trade and services	5,454,549	4,681,099
Export	3,429,277	3,860,093
Import	1,383,460	1,060,543
Construction	1,528,406	1,858,505
Transport and communication	163,404	250,135
Hotel and tourism	1,283,920	957,211
Mining, power and water resources	-	-
Microfinance institution	56,443	42,535
Mortgage Loan- Staff	814,533	588,619
Mortgage Loan- Customer	615,258	333,748
Personal Loan -Staff loans	117,894	87,061
Emergency staff loans	169,377	123,533
Consumer Loans- Customer	74,615	39,332
Gross Loans and advances	**17,394,205**	**15,596,090**

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

	30 June 2020	30 June 2019
	Birr'000	Birr'000
Murahabah Financing- Agriculture	250,951	100,505
Murahabah Financing- Construction	713,432	251,261
Murahabah Financing- Agriculture Merchandize	57,641	-
Murahabah Financing- Industry	549,483	330,038
Murahabah Financing- DTS	756,810	648,393
Murahabah Financing- Export	299,730	-
Interest Free Export Facility Financing	-	208,425
Murahabah Financing- Import	174,471	158,561
Murahabah financing	-	-
Murahabah Financing- Hotel and Tourism	43,750	18,177
Murahabah Financing- Transport and Communication	39,409	107,117
Muruhabah Financing- Consumer and Personal	17,815	-
Gross Interest Free Financing	**2,903,492**	**1,822,477**

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
Pass	15,916,468	14,651,264
Special mention	779,344	389,441
Substandard	396,749	254,324
Doubtful	136,919	146,258
Loss	164,724	154,803
Gross Loans and Advances	**17,394,204**	**15,596,091**

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
Pass	2,222,139	1,554,596
Special mention	624,310	162,779
Substandard	7,376	54,275
Doubtful	5,190	8,515
Loss	44,476	42,312
Gross Interest Free Financing	**2,903,492**	**1,822,477**

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				2020	2019
Credit risk exposure	**Stage 1 12 Month ECL**	**Stage 2 Life time ECL**	**Stage 3 Life time ECL**	**Total**	**Total**
Stage 1 – Pass	15,916,468	-	-	15,916,468	14,651,264
Stage 2 – special mention	-	779,344	-	779,344	389,441
Stage 3 - Non performing	-	-	698,393	698,393	555,386
Total gross exposure	**15,916,468**	**779,344**	**698,393**	**17,394,205**	**15,596,091**
Loss allowance	(77,875)	(9,673)	(144,044)	(231,592)	(272,257)
Net Carrying amount	**15,838,593**	**769,671**	**554,349**	**17,162,613**	**15,323,833**

(ii) Interest Free Financing measured at amortized cost

Birr'000	**2020**				**2019**
Financing risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Stage 3 Life time ECL	Total	Total
Stage 1 – Pass	2,222,139	-	-	2,222,139	1,554,596
Stage 2 – special mention	-	624,310	-	624,310	162,779
Stage 3 - Non performing	-	-	57,042	57,042	105,102
Total gross exposure	**2,222,139**	**624,310**	**57,042**	**2,903,491**	**1,822,477**
Loss allowance	(6,060)	(5,983)	(24,986)	(37,030)	(53,427)
Net Carrying amount	**2,216,079**	**618,327**	**32,056**	**2,866,461**	**1,769,051**

(iii) Other financial assets

Birr'000	**2020**		
Credit risk exposure	Gross exposure	Loss allowance	Net carrying amount
Cash and cash equivalents	5,319,219	(184)	5,319,035
Investment secuities (debt instruments)	6,056,154	(303)	6,055,851
Other receivables and financial assets	867,688	(10,071)	857,617
Total	**12,243,061**	**(10,558)**	**12,232,503**

(iv) other financial assets (continued)

Birr'000	**2019**		
Credit risk exposure	Gross exposure	Loss allowance	Net carrying amount
cash and cash equivalents	5,120,927	(181)	5,120,746
Investment secuities (debt instruments)	7,073,001	(354)	7,072,647
Other receivables and financial assets	844,174	(6,637)	837,537
Total	**13,038,102**	**(7,172)**	**13,030,930**

(v) Credit Quality Analysis Disclosures for On Balance Sheet facilities as at 30 June 2020 (continued)

Title	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Pass	17,460,428,513	-	-	**17,460,428,513**
Special Mention	-	2,026,940,579	-	**2,026,940,579**
Non-Performing	-	-	695,327,129	**695,327,129**
Total Exposure	**17,460,428,513**	**2,026,940,579**	**695,327,129**	**20,182,696,221**
Loss Allowance	(71,724,507)	(15,577,622)	(169,029,618)	**(256,331,747)**
Carrying Amount	17,388,704,007	2,011,362,956	526,297,511	**19,926,364,474**

(vi)Credit Quality Analysis Disclosures for Off Balance Sheet facilities as at 30 June 2020 (continued)

Title	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Pass	1,998,946,223	-	-	**1,998,946,223**
Special Mention	-	3,355,703	-	**3,355,703**
Non-Performing	-	-	-	**-**
Total Exposure	**1,998,946,223**	**3,355,703**	**-**	**2,002,301,926**
Loss Allowance	(12,391,418)	(78,382)	-	**(12,469,800)**
Carrying Amount	**1,986,554,804**	**3,277,321**	**-**	**1,989,832,126**

(vii) Credit Quality Analysis Disclosures for On Balance Sheet facilities as at 30 June 2019 (continued)

Title	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Pass	14,899,075,866	-	-	**14,899,075,866**
Special Mention	-	427,251,421	-	**427,251,421**
Non-Performing	-	-	615,949,221	**615,949,221**
Total Exposure	**14,899,075,866**	**427,251,421**	**615,949,221**	**15,942,276,509**
Loss Allowance	(110,031,334)	(12,891,303)	(165,573,113)	**(288,495,750)**
Carrying Amount	**14,789,044,532**	**414,360,118**	**450,376,109**	**15,653,780,759**

(viii)Credit Quality Analysis Disclosures for Off Balance Sheet facilities as at 30 June 2019 (continued)

Title	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Pass	3,070,656,090	-	-	**3,070,656,090**
Special Mention	-	182,471,132	-	**182,471,132**
Non-Performing	-	-	8,142,613	**8,142,613**
Total Exposure	**3,070,656,090**	**182,471,132**	**8,142,613**	**3,261,269,835**
Loss Allowance	(25,389,465)	(6,093,329)	(5,740,027)	**(37,222,821)**
Carrying Amount	**3,045,266,625**	**176,377,803**	**2,402,586**	**3,224,047,014**

Credit Quality (continued)

Loans and advances to customers at amortised cost (on balance sheet exposures)		2020		
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 July	114,952	15,198	165,573	295,723
Transfer to 12 months ECL	1,050	(1,050)	-	-
Transfer to Lifetime ECL not credit impaired	(1,348)	1,348	-	-
Transfer to Lifetime ECL credit impaired	(32)	(50)	82	-
Net remeasurement of Loss allowance	(1,645)	35	764	(847)
Net financial assets originated or purchased	70,268	13,557	168,183	252,008
Financial assets derecognised	(111,520)	(13,459)	(165,573)	(290,553)
Balance at 30 June	**71,725**	**15,578**	**169,030**	**256,332**

Credit Quality (continued)

Loans and advances to customers at amortised cost (on balance sheet exposures)			2019	
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 July	57,359	7,313	94,626	159,298
Transfer to 12 months ECL	13,507	(2,408)	(11,098)	-
Transfer to Lifetime ECL not credit impaired	(816)	1,575	(759)	-
Transfer to Lifetime ECL credit impaired	(1,345)	(459)	1,804	-
Net remeasurement of Loss allowance	2,324	2,373	80,691	85,388
Net financial assets originated or purchased	56,723	8,656	36,997	102,376
Financial assets derecognised	(17,719)	(4,158)	(36,688)	(58,566)
Balance at 30 June	**110,031**	**12,891**	**165,573**	**288,496**

Credit Quality (continued)

Loan commitments and financial guarantee contracts (off balance sheet exposures)			2020	
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 July	20,468	3,787	5,740	**29,996**
Transfer to 12 months ECL	-	-	-	**-**
Transfer to Lifetime ECL not credit impaired	-	-	-	**-**
Transfer to Lifetime ECL credit impaired	-	-	-	**-**
Net remeasurement of Loss allowance	-	-	-	**-**
Net financial assets originated or purchased	12,391	78	-	**12,470**
Financial assets derecognised	(20,468)	(3,787)	(5,740)	**(29,996)**
Balance at 30 June	**12,391**	**78**	**-**	**12,470**

Credit Quality (continued)

Loan commitments and financial guarantee contracts (off balance sheet exposures)			2019	
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 July	11,980	0	1,533	**13,513**
Transfer to 12 months ECL	-	-	-	**-**
Transfer to Lifetime ECL not credit impaired	(354)	354	-	**-**
Transfer to Lifetime ECL credit impaired	(37)	-	37	**-**
Net remeasurement of Loss allowance	4,701	223	3,521	**8,445**
Net financial assets originated or purchased	15,230	5,517	809	**21,555**
Financial assets derecognised	(6,131)	(0)	(159)	**(6,291)**
Balance at 30 June	**25,389**	**6,093**	**5,740**	**37,223**

Credit Quality (continued)

Other financial assets **2020**

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	181	354	-	5,926	**6,461**
Net remeasurement of loss allowance	3	(51)	8	4,145	**4,105**
New financial assets originated or purchased	-	-	-	-	**-**
Balance as at 30 June	**184**	**303**	**8**	**10,071**	**10,566**

Credit Quality (continued)

Other financial assets 2019

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	196	243	169,369.05	3265	**3,705**
Net remeasurement of loss allowance	(15)	111	7.96	2,661	**2,757**
New financial assets originated or purchased	-	-	-	-	**-**
Balance as at 30 June	**181**	**354**	**169,377**	**5,926**	**6,461**

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.
2020

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	(847)	-	4,105	**3,258**
New financial assets originated or purchased	252,008	12,470	-	**264,478**
Financial assets derecognised	(290,553)	(29,996)	-	**(320,548)**
Amounts directly written off during the year	-	-	-	**-**
Recoveries of amounts previously written off	-	-	-	**-**
Total	**(39,391)**	**(17,526)**	**4,105**	**(52,812)**

Credit Quality (continued)

Charge to statement of profit or loss and other comprehensive income.

2019

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	85,388	8,445	2,757	**96,590**
New financial assets originated or purchased	102,376	21,555	-	**123,931**
Financial assets derecognised	(58,566)	(6,291)	-	**(64,856)**
Amounts directly written off during the year	-	-	-	**-**
Recoveries of amounts previously written off	-	-	-	**-**
Total	**129,198**	**23,710**	**2,757**	**155,665**

Credit Quality (continued)

ECL Reconciliation Disclosures for on balance sheet facilities.

30 June 2020

Title	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at 1 July	114,952,339	15,197,516	165,573,113	**295,722,968**
Transfer to 12 months ECL	1,049,785	(1,049,785)	-	**-**
Transfer to Lifetime ECL not credit impaired	(1,347,745)	1,347,745	-	**-**
Transfer to Lifetime ECL credit impaired	(32,201)	(50,156)	82,357	**-**
Net remeasurement of Loss allowance	(1,645,458)	34,692	764,066	**(846,700)**
Net financial assets originated or purchased	70,267,995	13,556,862	168,183,194	**252,008,050**
Financial assets derecognised	(111,520,208)	(13,459,251)	(165,573,113)	**(290,552,571)**
Balance at 30 June	**71,724,507**	**15,577,622**	**169,029,618**	**256,331,747**

Credit Quality (continued)

ECL Reconciliation Disclosures for on balance sheet facilities.

30 June 2019

Title	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at 1 July	57,358,892	7,312,988	94,625,719	**159,297,599**
Transfer to 12 months ECL	13,506,707	(2,408,482)	(11,098,225)	**-**
Transfer to Lifetime ECL not credit impaired	(816,479)	1,575,185	(758,706)	**-**
Transfer to Lifetime ECL credit impaired	(1,345,207)	(458,507)	1,803,713	**-**
Net remeasurement of Loss allowance	2,323,629	2,372,971	80,691,177	**85,387,777**
Net financial assets originated or purchased	56,723,008	8,655,612	36,997,383	**102,376,004**
Financial assets derecognised	(17,719,217)	(4,158,465)	(36,687,949)	**(58,565,631)**
Balance at 30 June	**110,031,334**	**12,891,303**	**165,573,113**	**288,495,750**

Credit Quality (continued)

ECL Reconciliation Disclosures for off balance sheet facilities. — **30 June 2020**

Title	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 July	20,468,459	3,787,116	5,740,027	**29,995,603**
Transfer to 12 months ECL	-	-	-	**-**
Transfer to Lifetime ECL not credit impaired	-	-	-	**-**
Transfer to Lifetime ECL credit impaired	-	-	-	**-**
Net remeasurement of Loss allowance	-	-	-	**-**
Net financial assets originated or purchased	12,391,418	78,382	-	**12,469,800**
Financial assets derecognised	(20,468,459)	(3,787,116)	(5,740,027)	**(29,995,603)**
Balance at 30 June	**12,391,418**	**78,382**	**-**	**12,469,800**

Credit Quality (continued)

ECL Reconciliation Disclosures for off balance sheet facilities. — **30 June 2019**

Title	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 July	11,979,966	139	1,532,734	**13,512,839**
Transfer to 12 months ECL	-	-	-	**-**
Transfer to Lifetime ECL not credit impaired	(353,579)	353,579	-	**-**
Transfer to Lifetime ECL credit impaired	(36,619)	-	36,619	**-**
Net remeasurement of Loss allowance	4,701,090	222,763	3,521,329	**8,445,182**
Net financial assets originated or purchased	15,229,669	5,516,987	808,746	**21,555,402**
Financial assets derecognised	(6,131,061)	(139)	(159,402)	**(6,290,602)**
Balance at 30 June	**25,389,465**	**6,093,329**	**5,740,027**	**37,222,821**

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 2020, the Bank had no exposure to credit risk of the investment securities designated as at FVTPL

5.4.4.1 Amounts arising from ECL

i) inputs, assumptions and techniques used for estimating impairement

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.

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

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

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

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

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

vi) Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any 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 macro-economic projections based on a measure of historical macroeconomic volatilities.

In line with the expected, as well as experienced, Expected Credit Loss forward - looking volatility arising from the economic impact of the Covid 19 global crisis, the Bank has conducted, and overlaid, additional scenario analysis on the macroeconomic overlay model. This includes application of higher probability weights on the downside scenario, lower probability weights on the upside scenario, as well as stress tests on macroeconomic projections. The Bank continues to monitor the economic impact of Covid 19 on it's credit risk profile as well as forward - looking Expected Credit Loss estimates and shall update the same on it's IFRS 9 forward - looking estimates as and when significant changes in the overall macroeconomic environment are experienced.

External information considered includes economic data and forecasts published by Business Monitor International, an external and independent macroeconmic date body, This is in addition to industry-level, semi annual NPL trends across statically 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 foreach portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

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

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

The economic scenarios used as at 30 June 2020 included the following key indicators for Ethiopia for the years 2020 to 2022:

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

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

viii) Modified financial assets

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

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

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

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

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

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

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

ix) Measurement of ECL

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

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

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

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'. LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recoverycosts of any collateral that is integral to the financial asset.

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

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

The 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 increasein credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

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

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

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

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 at as 30 June 2020 and 30 June 2019 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 2020 Birr'000	30 June 2019 Birr'000
AAA+	-	-
AA	-	-
B	-	-
BBB	810,150	1,291,200
Not rated	4,509,069	3,829,727
Total	**5,319,219**	**5,120,927**

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 2020, the Bank transferred an amount of Birr 139,203 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 transfered an amount of Birr 23.26 million to retained earnings from the regulatory risk reserve as the impairment balance under IFRS was higher for the year 30 June 2019.

	30 June 2020 Birr'000	30 June 2019 Birr'000
Total impairment based on IFRS	268,621	325,683
Total impairment based on NBE Directives	407,824	302,422
Variation	***(139,203)***	***23,261***

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 transfered an amount of Birr 17.63 million after deducting the last year banalce of Birr 16.01 million from the total amount of Birr 33.64 million from retained earnings to the regulatory risk reserve as the impairment balance under IFRS was lower for the year 30 June 2020.

	30 June 2020 Birr'000	30 June 2019 Birr'000
Total Impairment for other Assets Based on IFRS	10,746	6,637
Total Impairement for other Assets Based on NBE directives	44,387	45,906
Excess amount for Other Assets Provission	(33,641)	(39,269)
Amount Transferred to Regulatory Risk Reserve	**(172,844)**	**(16,008)**

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 derecognized 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).

	30 June 2020	30 June 2019
	Birr'000	Birr'000
Write backed Suspended interest	29,743	41,351
Realized interest from last year Non impaired loans and advances	-	(14,586)
Net amount transferred to regulatory risk resrve	**29,743**	**26,765**

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 2020 and 30 June 2019. The Bank concentrates all its financial assets in Ethiopia.

	Domestic and Trade Services	Export	Housing and construction	Others
30 June 2020	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Cash and cash equivalents				5,319,219
Loans and receivables	5,454,549	3,429,277	1,528,406	6,981,973
Interest Free Financing	756,810	-	713,432	1,433,250
Investment securities:				
- Financial assets at fair value through OCI	-	-	-	135,076
-Financial assets at amortized cost	-	-	-	6,056,154
Other financial assets	-	-	-	867,688
Total financial assets	**6,211,359**	**3,429,277**	**2,241,838**	**20,793,360**

	Domestic and Trade Services	Export	Housing and construction	Others
30 June 2019	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Cash and cash equivalents	-	-	-	5,120,927
Loans and receivables	4,681,099	3,860,093	1,858,505	5,196,393
Interest Free Financing	648,393	208,425	251,261	714,398
Investment securities:	-	-	-	
- Financial assets at fair value through OCI	-	-	-	95,478
-Financial assets at amortized cost	-	-	-	7,073,001
Other financial assets	-	-	-	837,537
Total financial assets	**5,329,492**	**4,068,518**	**2,109,766**	**19,037,734**

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

	Secured against real estate	Cash	Machinery	Vehicles	Others
30 June 2020	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Agriculture	533,683	-	-	3,675	25,000
Domestic trade	10,464,603	-	11,083	71,058	57,806
Export	2,771,660	-	45,040	114,096	97,674
Financial Institution	27,587	2,100	-	-	-
Hotel and tourism	2,833,136	-	-	11,100	2,000
Housing and construction	3,435,391	-	151,589	20,811	7,851
Import	2,119,376	12,150	5,422	11,743	13,703
Industry	2,620,014	37,351	-	-	142,641
Mines, Power and Water Resource	-	-	-	-	-
Mortgage Consumer Loan	949,445	-	-	2,525	-
Mortgage Staff Loan	1,895,967	-	-	1,275	-
Personal Consumer Loan	222,183	391	-	16,563	823
Personal Staff Loan	275,709	-	-	1,477	-
Transport and communication	438,861	-	-	46,817	208
Total	**28,587,615**	**51,991**	**213,135**	**301,139**	**347,705**

	Secured against real estate	Cash	Machinery	Vehicles	Others
30 June 2019	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Agriculture	526,113	-	4,493	-	-
Domestic trade	8,716,190	852	16,620	62,526	6,652
Export	4,016,838	3,000	77,077	193,088	146,615
Financial Institution	33,049	2,100	-	-	-
Hotel and tourism	2,694,872	-	-	-	15,918
Housing and construction	3,784,579	-	148,122	89,738	-
Import	1,529,263	500	7,500	77,249	-
Industry	2,507,733	12,647	-	2,350	72,253
Mines, Power and Water Resource	-	-	-	-	-
Mortgage Consumer Loan	549,772	-	740	-	-
Mortgage Staff Loan	1,438,248	-	-	500	-
Personal Consumer Loan	147,127	-	-	11,565	357
Personal Staff Loan	196,047	-	-	2,365	-
Transport and communication	514,404	-	-	171,376	-
Total	**26,654,235**	**19,099**	**254,552**	**610,757**	**241,796**

5.4.9 Nature of security in respect of Interest Free Financing

	Secured against real estate	Cash	Machinery	Vehicles	Others
30 June 2020	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Agriculture	420,447	-	21,252	3,939	56,579
Construction	1,830,043	-	-	-	-
Domestic Trade Services	1,388,435	-	4,308	-	-
Export	1,040,062	-	-	-	4,252
Hotel and Tourism	169,081	-	-	-	-
Import	279,365	-	-	-	8,675
Industry	713,567	-	156,065	-	-
Mortagage	31,257	-	-	-	-
Transport and Communication	134,263	-	1,856	6,561	-
Total	**6,006,521**	**-**	**183,480**	**10,500**	**69,506**

	Secured against real estate	Cash	Machinery	Vehicles	Others
30 June 2019	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Agriculture	238,123	-	-	-	-
Construction	1,218,092	-	-	-	-
Domestic Trade Services	1,263,908	-	-	-	-
Export	621,725	-	-	-	30,000
Hotel and Tourism	2,776	-	-	-	-
Import	580,641	-	-	-	-
Industry	748,009	-	-	-	-
Mortagage	18,619	-	-	-	-
Transport and Communication	322,964	-	-	3,375	-
Total	**5,014,858**	**-**	**-**	**3,375**	**30,000**

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.

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 Accounting and Treasury Department with in a comprehensive framework set by the Assets and Liabilities Committee, and monitored independently by the Risk Management and Compliance Department. 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 21.14% as at 30 June 2020 and 19.72% as at 30 June 2019 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 Accounting and Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Accounting and Treasury Department 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 liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.

	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year
30 June 2020	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Deposits from customers	17,837,336	3,567,467	1,189,156	713,493	475,662
Interest Free customers' deposits	2,960,807	592,161	197,387	118,432	78,955
Debt securities issued	-	-	-	-	-
Borrowings	-	-	-	-	-
Other liabilities	845,839	-	-	-	-
Lease liabilities	660.00	4,153.31	5,673.96	19,203.13	218,024.19
Total financial liabilities	**21,644,641**	**4,163,782**	**1,392,217**	**851,129**	**772,641**

	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year
30 June 2019	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Deposits from customers	16,825,637	3,365,127	1,121,709	673,025	448,684
Interest Free customers' deposits	3,116,207	623,241	207,747	124,648	83,099
Debt securities issued	-	-	-	-	-
Borrowings	-	-	-	-	-
Other liabilities	1,002,263	-	-	-	-
Total financial liabilities	**20,944,108**	**3,988,369**	**1,329,456**	**797,674**	**531,783**

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 Risk Management and Compliance Department 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 2020	Fixed	Floating	Non-in-terest bearing	Total
	Birr'000	Birr'000	Birr'000	Birr'000
Assets				
Cash and balances with banks	1,641,202	-	3,678,017	5,319,219
Loans and advances to customers	17,162,613	-	-	17,162,613
Interest Free Financing	-	-	2,421,043	2,421,043
Investment securities	6,056,154	-	-	6,056,154
Total	**24,859,969**	**-**	**6,099,060**	**30,959,029**
Liabilities				
Deposit from customers	23,783,114	-	-	23,783,114
Interest Free customers' deposits	-	-	3,947,742	3,947,742
Debt securities issued	-	-	-	-
Borrowings	24,403	-	-	24,403
Lease liabilities	247,714.59	-	-	24,403
Other liabilities	-	-	821,436	821,436
Total	**24,055,232**	**-**	**4,769,178**	**28,601,098**

5.6.2 Management of market risk (continued)

30 June 2019	Fixed	Floating	Non-in-terest bearing	Total
	Birr'000	Birr'000	Birr'000	Birr'000
Assets				
Cash and balances with banks	1,793,437	-	3,327,490	5,120,927
Loans and advances to customers	-	-	-	-
Interest Free Financing	-	-	1,890,738	1,890,738
Investment securities	7,840	-	-	7,840
Total	**1,801,277**	**-**	**5,218,228**	**7,019,505**
Liabilities				
Deposits from customers	22,434,183	-	-	22,434,183
Interest Free customers' deposits	-	-	4,154,943	4,154,943
Borrowings	-	-	-	-
Other liabilities	-	-	1,002,263	1,002,263
Total	**22,434,183**	**-**	**5,157,206**	**27,591,389**

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 2020 and 30 June 2019. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

	Increase (decrease) in basis points	Sensitivity of profit or loss	Sensitivity of equity
30 June 2020	**Birr'000**	**Birr'000**	**Birr'000**
	10%	(7)	(7)
	(10%)	7	7

	Increase (decrease) in basis points	Sensitivity of profit or loss	Sensitivity of equity
30 June 2019	**Birr'000**	**Birr'000**	**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 year end was Birr 902,165.00 million (30 June 2019: Birr 708,888 million).

Foreign currency denominated balances

30 June 2020

	USD Birr'000	EURO Birr'000	GBP Birr'000	Total Birr'000
Financial assets				
Cash and bank balances	838,270	59,761	4,435	**902,465**
Financial liabilities				
Deposit from customers	659,569	10,737	218	**670,524**
Net foreign currency				
denominated balances	**178,701**	**49,024**	**4,217**	**231,942**

30 June 2019

	USD Birr'000	EURO Birr'000	GBP Birr'000	Total Birr'000
Financial assets				
Cash and bank balances	1,365,000	17,502	3,777	**1,386,279**
Financial liabilities				
Deposit from customers	666,072	11,203	117	**677,391**
Net foreign currency				
denominated balances	**698,928**	**6,299**	**3,660**	**708,888**

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 2020 Birr'000	30 June 2019 Birr'000
10% appreciation in exchange rate for USD	7,098	69,893
10% depreciation in exchange rate for USD	(7,098)	(69,893)
10% appreciation in exchange rate for EURO	2,294	630
10% depreciation in exchange rate for EURO	(2,294)	(630)
10% appreciation in exchange rate for GBP	(16)	366
10% depreciation in exchange rate for GBP	16	(366)

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.

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 2020 Birr'000	30 June 2019 Birr'000
Capital		
Capital contribution	3,008,377	2,393,675
Retained earnings	457,370	613,086
Legal reserves	856,845	642,233
Regulatory Risk Reserve	253,883	66,838
	4,576,475	3,715,831
Risk weighted assets		
Risk weighted balance for on-balance sheet items	23,157,514	27,370,016
Credit equivalents for off-balance Sheet Items	2,438,151	1,793,153
	25,595,665	29,163,169
Risk-weighted Capital Adequacy Ratio (CAR)	18%	13%
TIER 1 CARMinimum required capital	8%	8%
Excess	**9.88%**	**4.74%**

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.

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 in to 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 Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

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.

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.

	Carrying amount	Level 1	Level 2	Level 3	Total
30 June 2020	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Financial assets					
Cash and balances with banks	5,319,219	5,319,219	-	-	**5,319,219**
Loans and advances to customers	17,162,613	-	-	17,162,613	**17,162,613**
Interest Free Financing	2,421,043	-	-	2,421,043	**2,421,043**
Investment securities	6,191,230	-	-	6,191,230	**6,191,230**
Total	**31,094,105**	**5,319,219**	**-**	**25,774,886**	**31,094,105**
Financial liabilities					
Deposits from customers	23,783,114	-	-	23,783,114	**23,783,114**
Interest Free customers' deposits	3,947,742	-	-	3,947,742	**3,947,742**
Lease Liabilities	247,715	-	-	247,715	**247,715**
Other liabilities	845,839	-	-	845,839	**845,839**
Total	**28,824,410**	**-**	**-**	**28,824,410**	**28,824,410**

	Carrying amount	Level 1	Level 2	Level 3	Total
30 June 2019	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Financial assets					
Cash and balances with banks	5,120,927	5,120,927	-	-	5,120,927
Loans and advances to customers	15,323,833	-	-	15,323,833	15,323,833
Interest Free Financing	1,890,738	-	-	1,890,738	1,890,738
Investment securities	7,168,479	-	-	7,168,479	7,168,479
Total	**29,503,977**	**5,120,927**	**-**	**24,383,050**	**29,503,977**

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

Financial liabilities					
Deposits from customers	22,434,183	-	-	22,434,183	22,434,183
Interest Free customers' deposits	4,154,943	-	-	4,154,943	4,154,943
Other liabilities	1,002,263	-	-	1,002,263	1,002,263
Total	**27,591,389**	**-**	**-**	**27,591,389**	**27,591,389**

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 2020 Birr'000	30 June 2019 Birr'000
6. INTEREST INCOME FROM LOANS AND ADVANCES		
Interest income earned on deposits	52,318	62,107
Interest on Investment securities	262,504	179,421
Interest on Agriculture loans	39,746	36,485
Interest on Industry loans	311,711	202,572
Interest on Domestic loans	853,576	602,160
Interest on Export loans	442,617	424,539
Interest on Import loans	197,166	136,115
Interest on Import Bills	-	-
Interest on Construction loans	307,739	237,467
Interest on Mortgage loans	103,807	56,956
Interest on Personal loans	14,823	9,879
Interest on Transport loans	95,434	45,401
Interest on Hotel and Tourism loans	197,897	134,535
Interest on Microfinance loans	5,666	6,848
Interest on Mines, Power and Water loans	-	-
Interest Earned -on Non- Performing Loan	29,743	41,383
Interest On Staff Loans	39,868	42,204
	-	
Total	**2,954,615**	**2,218,072**

	30 June 2020 Birr'000	30 June 2019 Birr'000
7. INCOME FROM INTEREST FREE FINANCING AND INVESTMENT PRODUCTS		
Income From Murabaha Financing	2,154	163,133
Income from Interest Free Banking-Agriculture	22,499	928
Income from Interest Free Banking-Industry	37,556	4,502
Income from Interest Free Banking-DTS	85,134	5,194
Income from Interest Free Banking-Import	7,925	1,227
Income from Interest Free Banking-Construction	34,142	3,985
Income from Interest Free Banking-Transport and communication	8,238	857
Income from Interest Free Banking-Hotel and Tourism	1,310	1,338
Income from Interest Free Banking-Export	-	159
Income from Interest Free Banking-Mines ,Power & Water	-	63
Total	**198,958**	**181,386**

Included within various line items under interest income for the year ended 30 June 2020 is a total of Birr 9,291 million (30 June 2019: Birr 24,512 million) relating to impaired financial assets.

	30 June 2020 Birr'000	30 June 2019 Birr'000
8. INTEREST EXPENSE		
Interest on fixed time deposit	344,226	191,942
Interest on saving deposit	767,636	644,568
Interest on demand deposit	6,559	293
Interest on NBE Borrowing	128,466	-
Interest due to local banks	-	-
Total	**1,246,887**	**836,803**
Distribution To Depositors- Interest Free Banking Products		
Profit share on Mudharaba deposits	-	13

	30 June 2020 Birr'000	30 June 2019 Birr'000
9. NET FEES AND COMMISSION INCOME		
Fee and commission income		
Miscellaneous income	53,101	28,675
Commission on letters of credit	44,380	36,544
Inspection and estimation income	16,265	25,027
Service charge	2,405	3,443
Commitment fee	14,653	12,054
Opening commission	148,956	127,517
Extension commission	-	30,254
Confirmation commission	2,193	14,988
Service charge- Foreign	237,108	372,323
Swift charges	3,319	3,379
Interest free banking commissions	-	-
Fee and commission expense	522,380	654,204
	-	-
Net fees and commission income	**522,380**	**654,204**

	30 June 2020 Birr'000	30 June 2019 Birr'000
10. OTHER OPERATING INCOME		
Dividend income	5,546	6,572
Gain on disposal of assets	1,863	1,572
Sundry income	76,802	8,815
Rental income	9,741	14,272
Gain on foreign exchange	65,125	146,410
Total	**159,077**	**177,641**

	30 June 2020 Birr'000	30 June 2019 Birr'000
11. LOAN IMPAIRMENT CHARGE		
Loans and receivables - charge for the year (Conventional Banking)	-	143,146
Interest Free Financing - charge for the year (Interest Free Banking)	-	9,775
Loans and receivables - reversal of provision (note 15a)	-	-
Total	**-**	**152,921**

	30 June 2020 Birr'000	30 June 2019 Birr'000
12. IMPAIRMENT LOSSES ON OTHER ASSETS		
Other assets - charge for the year (note 17)	4,110	2,881
Interest free financing-charge for the year	-	-
Other assets - reversal of impairment losses (note 17)	-	-
Total	**4,110**	**2,881**

	30 June 2020 Birr'000	30 June 2019 Birr'000
13. PERSONNEL EXPENSES		
Salaries and wages	639,502	497,981
Pension costs – Defined contribution plan	82,870	64,030
Bonus	68,094	75,539
Other staff expenses	116,170	100,779
Prepaid staff benefit expense	37,487	42,204
Leave expense	24,120	18,171
Total	**968,243**	**798,704**

	30 June 2020 Birr'000	30 June 2019 Birr'000
14. OTHER OPERATING EXPENSES		
14 (a) Lease Expense		
Interest expense on lease liability	23,923	-
Total	**23,923**	**-**
14 (b) Other Operating Expense		
Insurance	8,243	7,449
Repair and maintenance	19,110	14,652
Sundry Expenses	43,137	37,973
Professional Expenses	4,196	982
Occupancy Cost	565	140,146
Promotional and Related Expenses	51,796	49,952
Office Expenses	50,709	45,124
Employee Travel Expenses	19,941	19,323
Wages	64,356	32,858
Water	5,424	3,901
Bank	2,349	2,491
Bonus expense	-	-

Severence pay	11,152	7,639
Legal	2,358	-
Impairment on non-current assets	-	-
Transport	2,356	2,461
Loss on disposal of assets	84	143
Amortization of lease	112	330
Total	**285,888**	**365,424**

15. COMPANY INCOME AND DEFERRED TAX

15 (a) Current income tax

	30 June 2020 Birr'000	30 June 2019 Birr'000
Company income tax	206,670	261,555
Prior year (over)/ under provision	-	-
Deferred income tax/(credit) to profit or loss	(2,136)	(6,062)
Total charge to profit or loss	**204,534**	**255,493**
Tax (credit) on other comprehensive income	-	-
Total tax in statement of comprehensive income	**204,534**	**255,493**

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 2020 Birr'000	30 June 2019 Birr'000
Profit before tax	1,065,078	1,001,346
Add : Disallowed expenses		
Entertainment	1,922	2,584
Donation	-	260
Penalty	164	-
Sponsorship	10,837	3,529
General Assembly	1,480	1,214
Management Meeting and Promotion	-	2,329
Severance Expense	11,152	7,990
Prize linked Mobile Gift	4,291	
Legal Case	2,205	83
10th Year Anniversary	-	4,735
Third Party Payment for Motor Vehicle	-	246
Adjustment for Inter branch Transaction	-	69
Loss on Disposal of OLD Assets	84	
Provision for Other Asset	4,109	7,666
Provision for loans and advances as per IFRs	-	155,802
Depreciation for accounting purpose	91,666	73,211
Branch Inauguration	763	-
Total disallowable expenses	**128,673**	**259,718**

Less :		
Depreciation for tax purpose	100,509	80,958
Provision for loans and advances for tax as per NBE (80%)	83,976	60,155
Dividend income taxed at source	5,546	6,572
Interest income taxed at source-NBE Bills	262,504	179,421
Interest income taxed at source-Local Deposit	52,318	62,107
Legal Provission taxed last year	-	-
Write back suspended Interest Taxed previous year	-	-
	504,853	**389,215**
Taxable profit	**688,898**	**871,850**
Current tax at 30%	**206,670**	**261,555**

15 (c) Current income tax liability	30 June 2020 Birr'000	30 June 2019 Birr'000
Balance at the beginning of the year	261,305	210,658
Current year provision	206,670	261,555
Prior year (over)/ under provision	-	
WHT Notes utilised	9,600	250
Payment during the year	261,305	210,658
Balance at the end of the year	**197,069**	**261,305**

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 2020 **Birr'000**	**30 June 2019** **Birr'000**
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	(5,704)	(7,840)
To be recovered within 12 months	-	-
Total	**(5,704)**	**(7,840)**

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

Deferred income tax assets/(liabilities):	At 30 June 2019	Credit/ (charge) to P/L	Credit/ (charge) to equity	30 June 2020
	Birr'000	**Birr'000**	**Birr'000**	**Birr'000**
Property, plant and equipment	(20,120)	(457)	-	(20,578)
Provisions	-	-	-	-
Unrealised exchange gain	-	-	-	-
Tax losses charged to profit or loss	-	-	-	-
Post employment benefit obligation	12,280	2,593	-	14,873
Total deferred tax assets/(liabilities)	**(7,840)**	**2,136**	**-**	**(5,704)**

Deferred income tax assets/(liabilities):	At 30 June 2018	Credit/ (charge) to P/L	Credit/ (charge) to equity	30 June 2019
	Birr'000	Birr'000	Birr'000	Birr'000
Property, plant and equipment	(21,980)	1,860	-	(20,120)
Provisions	-	-	-	-
Unrealised exchange gain	-	-	-	-
Tax losses charged to profit or loss	-	-	-	-
Post employment benefit obligation	8,078	4,202	-	12,280
Total deferred tax assets/(liabilities)	**(13,902)**	**6,062**	**-**	**(7,840)**

	30 June 2020	**30 June 2019**
	Birr'000	**Birr'000**
16. CASH AND CASH EQUIVALENTS		
Cash in hand	1,644,699	1,503,709
Balance held with National Bank of Ethiopia	2,033,318	1,823,781
Deposits with local banks	831,052	502,237
Deposits with foreign banks	810,150	1,291,200
Total	**5,319,219**	**5,120,927**

Maturity analysis	**30 June 2020**	**30 June 2019**
	Birr'000	**Birr'000**
Current	3,919,219	3,750,927
Non-Current	1,400,000	1,370,000
Total	**5,319,219**	**5,120,927**

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 2020	**30 June 2019**
	Birr'000	**Birr'000**
17. LOANS AND ADVANCES TO CUSTOMERS		
Agriculture	230,470	226,738
Industry	2,072,599	1,486,938
Domestic trade and services	5,454,549	4,681,099
Export	3,429,277	3,860,093
Import	1,383,460	1,060,543
Construction	1,528,406	1,858,505
Transport and communication	163,404	250,135
Hotel and tourism	1,283,920	957,211
Mining, power and water resources	-	-
Microfinance institution	56,443	42,535
Mortgage loan - staff	814,533	588,619
Mortgage Loan - Customer	615,258	333,748
Personal Loan - Staff	117,894	87,061
Emergency staff loans	169,377	123,533
Consumer loans	74,615	39,332
Gross amount	**17,394,205**	**15,596,090**

- Stage 1 12 month ECL	(77,875)	(127,455)
- Stage 2 Life time ECL	(9,673)	(11,819)
- Stage 3 Life time ECL	(144,044)	(132,982)
Total Loss allowance	**(231,592)**	**(272,257)**
Total carrying amount	**17,162,613**	**15,323,833**

Maturity analysis	30 June 2020 Birr'000	30 June 2019 Birr'000
Current	9,343,995	10,420,207
Non-Current	7,818,618	4,903,627
Total	**17,162,613**	**15,323,833**

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 2020 is as folllows:

	As at 01 July 2019	Charge for the year	As at 30 June 2020
Stage 1 12 month ECL	127,455	(49,580)	77,875
Stage 2 Life time ECL	11,819	(2,146)	9,673
Stage 3 Life time ECL	132,982	11,061	144,044
Total	**272,257**	**(40,665)**	**231,592**

A reconciliation of the allowance for impairment losses for loans and receivables by class as at 30 June 2019 is as follows:

	As at 01 July 2018	Charge for the year	As at 30 June 2019
Stage 1 12 month ECL	60,285	67,170	127,455
Stage 2 Life time ECL	5,023	6,797	11,820
Stage 3 Life time ECL	63,803	69,179	132,982
Total	**129,111**	**143,146**	**272,257**

18. INTEREST FREE FINANCING

	June 30, 2020 Birr'000	June 30, 2019 Birr'000
Murahabah Financing- Agriculture	250,951	100,505
Murahabah Financing- Construction	713,432	251,261
Murahabah Financing- Agriculture Merchandize	57,641	-
Murahabah Financing- Industry	549,483	330,038
Murahabah Financing- DTS	756,810	648,393
Murahabah Financing- Export	299,730	-
Interest Free Export Facility Financing	-	208,425
Murahabah Financing- Import	174,471	158,561
Murahabah financing	-	-
Murahabah Financing- Hotel and Tourism	43,750	18,177
Murahabah Financing- Transport and Communication	39,409	107,117
Muruhabah Financing- Consumer and Personal	17,815	-
Gross amount	**2,903,492**	**1,822,477**

Profit receivable from Murubaha Financing	-	399,065
Less: Deferred profit	(445,419)	(277,377)
Less: Impairment allowance (note 15a)		
- Stage 1 12 month ECL	(6,060)	(7,930)
- Stage 2 Life time ECL	(5,983)	(7,165)
- Stage 3 Life time ECL	(24,986)	(38,331)
Total Loss allowance	**(37,030)**	**(53,427)**
Total carrying amount	**2,421,043**	**1,890,738**

Maturity analysis	30 June 2020 Birr'000	30 June 2019 Birr'000
Current	725,518	1,247,887
Non-Current	1,695,525	642,851
Total	**2,421,043**	**1,890,738**

18(a) Impairment allowance on Interest Free Financing

A reconciliation of the allowance for impairment losses for Interest free financing as at 30 June 2020 is as folllows:

	As at 01 July 2019	Charge for the year	As at 30 June 2020
Stage 1 12 month ECL	7,930	(1,870)	6,060
Stage 2 Life time ECL	7,165	(1,182)	5,983
Stage 3 Life time ECL	38,331	(13,345)	24,986
Total	**53,427**	**(16,397)**	**37,030**

A reconciliation of the allowance for impairment losses for Interest free financing as at 30 June 2019 is as folllows:

	As at 01 July 2018	Charge for the year	As at 30 June 2019
Stage 1 12 month ECL	9,005	(1,075)	7,930
Stage 2 Life time ECL	2,291	4,875	7,166
Stage 3 Life time ECL	32,356	5,975	38,331
Total	**43,652**	**9,775**	**53,427**

	30 June 2020 Birr'000	30 June 2019 Birr'000
19. INVESTMENT SECURITIES		
Financial assets at fair value through OCI		
Financial assets at fair value through OCI	135,076	95,478
	135,076	**95,478**

Financial assets at amortized cost		
NBE Bills	6,045,354	7,062,601
Ethiopian Government bonds	10,800	10,400
Gross amount	**6,056,154**	**7,073,001**
Less individual allowance for impairment	-	-
Carrying amount	**6,056,154**	**7,073,001**

The equity investments made by the Bank is as summarised 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 2020

Investment	Number of shares '000	Net changes in equity invest-ments at FVOCI	Balance of FVOCI	Percentage shareholding (at FV)
Oromia Insurance S.C	25,000	23,495	48,495	35.9%
Gutu Oromia Business S.C	3,250	-	3,250	2.4%
Elemtu Integrated Dairy Industry S.C	10,000	(10,000)	-	0.0%
Elemo Kiltu House Buliding	500	597	1,097	0.8%
OIB ODA Real Estate PLC	10,000	(3,476)	6,524	4.8%
Ethio Switch S.C	12,002	18,208	30,210	22.4%
TPO Printing and Publishing S.C	15,000	-	15,000	11.1%
Tsehay Industry S.C	17,572	10,355	27,927	20.7%
Sheger Micro Finance S.C	3,200	(877)	2,323	1.7%
Sheger Smart City S.C	250	-	250	0.2%
Grand Total	**96,774**	**38,302**	**135,076**	**100%**

	As at 30 June 2019		As at 01 July 2019	
Investment	**Number of shares '000**	**FV day 1 adjust-ment gain/ (loss)**	**Balance of FVOCI**	**Percentage shareholding (at FV)**
Oromia Insurance S.C	12,500	5,179	17,679	18.5%
Gutu Oromia Business S.C	3,250	-	3,250	3.4%
Elemtu Integrated Dairy Industry S.C	10,000	(10,000)	-	0.0%
Elemo Kiltu House Buliding	500	268	768	0.8%
OIB ODA Real Estate PLC	10,000	(4,205)	5,795	6.1%
Ethio Switch S.C	12,002	14,800	26,802	28.1%
TPO Printing and Publishing S.C	15,000	-	15,000	15.7%
Tsehay Industry S.C	15,526	7,565	23,091	24.2%
Sheger Micro Finance	3,200	(107)	3,093	3.2%
Grand Total	**81,978**	**13,500**	**95,478**	**100%**

Investment	Balance of FVOCI 01 July 2019	Balance of FVOCI 30 June 2020	Net changes in equity investments during the year
Oromia Insurance S.C	17,679	48,495	30,816
Gutu Oromia Business S.C	3,250	3,250	-
Elemtu Integrated Dairy Industry S.C	-	-	-
Elemo Kiltu House Buliding	768	1,097	329
OIB ODA Real Estate PLC	5,795	6,524	729
Ethio Switch S.C	26,802	30,210	3,408
TPO Printing and Publishing S.C	15,000	15,000	-
Tsehay Industry S.C	23,091	27,927	4,837
Sheger Micro Finance	3,093	2,323	(771)
Sheger Smart City S.C	-	250	250
Grand Total	**95,478**	**135,076**	**39,599**

Additional investment during the year

Investment	**30 June 2019**	**Addition for the year**	**30 June 2020**
Oromia Insurance S.C	12,500	12,500	25,000
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	12,002	-	12,002
TPO Printing and Publishing S.C	15,000	-	15,000
Tsehay Industry S.C	15,526	2,046	17,572
Sheger Micro Finance	3,200	-	3,200
Sheger Smart City S.C	-	250	250
Grand Total	**81,978**	**14,796**	**96,774**

As at 30 June 2019

Investment	**Number of shares '000**	**Percentage shareholding**
Oromia Insurance S.C	12,500	15%
Gutu Oromia Business S.C	3,250	4%
Elemtu Integrated Dairy Industry S.C	10,000	12%
Elemo Kiltu House Buliding	500	1%
OIB ODA Real Estate PLC	10,000	12%
Ethio Switch S.C	12,002	15%
TPO Printing and Publishing S.C	15,000	18%
Tsehay Industry S.C	15,526	19%
Sheger Micro Finance	3,200	4%
Grand Total	**81,978**	**100%**

Maturity analysis	30 June 2020 Birr'000	30 June 2019 Birr'000
Current	10,267	837,369
Non-Current	6,045,887	6,235,632
Total	**6,056,154**	**7,073,001**

	30 June 2020 **Birr'000**	**30 June 2019** **Birr'000**

20 .OTHER ASSETS

Financial assets		
Accounts receivables	801	(1,198)
Uncleared effects- Local	61,085	57,806
Uncleared effects-Foreign	48,703	70,484
Accrued interest receivable on Government Bonds	-	-
Accrued interest receivable on NBE Bills	-	-
Accrued receivables-Share companies	-	-
Miscellaneous	103,099	97,429
Guarantee for Overseas Employment Agencies	664,746	619,653
Gross amount	**878,434**	**844,174**
Less:	-	-
ECL for other financial asset	(10,746)	(6,637)
Carrying amount	867,688	837,537
Non-financial assets		
Prepayments	106,525	443,305
Prepaid staff asset	204,373	156,751
Prepaid staff loans	-	-
Branches under opening	13,076	8,771
Inventory	30,944	20,382
Total	**354,918**	**629,209**
Gross amount	**1,222,606**	**1,466,746**

Maturity analysis	**30 June 2020** **Birr'000**	**30 June 2019** **Birr'000**
Current	850,862	1,020,769
Non-Current	371,744	445,977
Total	**1,222,606**	**1,466,746**

20(a) ECL allowance on other assets

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
Balance at the beginning of the year	(6,637)	18,235
(Reversal)/charge for the year (note 10)	(4,109)	(11,598)
Balance at the end of the year	**(10,746)**	**(6,637)**

20(b) Inventory

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
Supplies stock account- IFB	-	-
Supplies stock account	30,944	20,382
	30,944	**20,382**

	Swift Soft-ware Birr'000	Core Banking Software Birr'000	Mobile and agent banking software Birr'000	Total Birr'000
21. INTANGIBLE ASSETS				
Cost:				
As at 30 June 2019	-	41,704	-	41,704
Acquisitions	-	47,943	-	47,943
Internal development				-
Transfer from property, plant and equipment				-
As at 30 June 2020	**-**	**89,648**	**-**	**89,647**
Accumulated Amortisation and Impairment Losses				
As at 30 June 2019	-	38,148	-	38,148
Amortisation for the year	-	9,178	-	9,178
Impairment losses				-
As at 30 June 2020	**-**	**47,326**	**-**	**47,326**
21. Intangible Assets (Contd)				
Net book value				
As at 30 June 2019	-	3,556	-	3,556
As at 30 June 2020	-	**42,321**	**-**	**42,321**

22. RIGHT OF USE ASSETS

	30 June 2020 BIRR '000'		
	Building lease	**Land Lease**	**Total**
COST			
At 1 July	273,469.49	34,670.67	308,140.16
IFRS 16 transition adjust-ment	175,802.53	14,355.52	190,158.05
Addition	278,694.17	-	278,694.17
As at 30 June 2020	**727,966.19**	**49,026.19**	**776,992.38**
Amortisation			
At 1 July	-	-	-
IFRS 16 transition adjustment	-	-	-
Charge for the year	150,072.33	710.05	150,603.19
As at 30 June 2020	**150,072.33**	**710.05**	**150,603.19**
Carrying amount At 30 June 2020	**577,893.86**	**48,316.15**	**626,210.01**

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 2019	435,255	188,569	112,595	200,246	115,957	3,140	**1,055,762**
Additions	-	32,530	27,541	47,931	8,472	6,800	**123,274**
Disposals	-	(619)	(20)	(142)	(197)		**(978)**
Reclassification	-	-	(512)	(776)	(2,303)		**(3,591)**
As at 30 June 2019	**435,255**	**220,479**	**139,609**	**247,260**	**121,929**	**9,940**	**1,174,472**
Accumulated depreciation							
As at 1 July 2019	**26,391**	**91,045**	**37,533**	**70,645**	**56,064**		**281,677**
Charge for the year	8,293	18,969	10,833	27,938	15,086	-	**81,119**
Impairement	-	-	-	-	-	-	**-**
Disposals	-	(163)	(283)	(719)	(2,172)		**(3,337)**
As at 30 June 2020	**34,683**	**109,851**	**48,082**	**97,864**	**68,978**	**-**	**359,459**
Net book value							
As at 01 July 2019	**408,864**	**97,524**	**75,062**	**129,601**	**59,893**	**3,140**	**774,084**
As at 30 June 2020	**400,572**	**110,628**	**91,527**	**149,395**	**52,951**	**9,940**	**815,013**

24. NON-CURRENT ASSETS HELD FOR SALE

	30 June 2020	**30 June 2019**
	Birr'000	**Birr'000**
Balance at the beginning of the year	30,942	32,185
Additional Repossessed collateral from the borrower for the year	-	-
Transfer to property, plant and equipment	-	-
Transfer from property, plant and equipment	-	-
Disposals of Repossessesd collateral	(142)	(1,067)
Disposals of property, plant and equipment	(176)	(176)
Fair value gain/(loss) on assets held for sale	-	-
Balance at the end of the year	**31,221**	**30,942**

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.

There is no cumulative income or expenses in OCI relating to assets held for sale.

	30 June 2020	30 June 2019
	Birr'000	Birr'000

25. DEPOSITS FROM CUSTOMERS

Demand deposits	6,086,128	7,223,812
Saving deposits	13,763,109	12,830,259
Fixed Time deposits	3,933,877	2,380,112
Foreign Currency Accounts	-	-
Gross amount	**23,783,114**	**22,434,183**

Maturity analysis	30 June 2020	30 June 2019
	Birr'000	Birr'000
Current	23,307,452	21,985,499
Non-Current	475,662	448,684
	23,783,114	**22,434,183**

26. INTEREST FREE CUSTOMERS' DEPOSITS

Amana deposits	1,031,270	1,306,650
Wadi'ah deposits	2,916,472	2,848,293
Mudharaba deposits	-	-
Gross amount	**3,947,742**	**4,154,943**

Maturity analysis	30 June 2020	30 June 2019
	Birr'000	Birr'000
Current	3,868,787	4,071,844
Non-Current	78,955	83,099
	3,947,742	**4,154,943**

	30 June 2020	30 June 2019
	Birr'000	Birr'000

27. OTHER LIABILITIES

Financial liabilities

TT payable	9,963	10,647
CPO & Certified Cheques issued	136,292	237,678
Account Payable Miscellaneous	222,004	27,376
Income tax payable	5,553	5,575
Tax payable on interest	3,659	7,176
Pension payable	2,937	3,037
Tax on capital gain	102	94
VAT payable	134	51

Witholding tax payable	1,242	1,308
Stamp duty charges	2,696	3,416
Exchange payable to NBE	869	8,950
Accrued Interest On Fixed Time Deposit	-	-
Audit fee	493	413
Dividend Payable	76,341	36,601
Letter of credit margin payables	344,994	642,689
Hamish Jiddya Payable	3,578	8,722
Charity Fund Payable	9,036	6,992
Uncleared effects- Foreign	-	-
Uncleared effects-Local	-	-
Deferred Murabaha profit		-
Cost Sharing Payable	25	27
Borrowings- Short Term	24,403	-
Directors Share on Profit	1,518	1,511
	845,839	**1,002,263**
Non-financial liabilities		
Other provisions for legal cases	2,205	-
Accrued leave payable	67,944	55,547
Deferred Income-rent	5,550	4,643
Unearned income	22,820	30,667
Bonus provision	57,060	74,402
	155,579	165,259
Gross amount	**1,001,418**	**1,167,522**

27. OTHER LIABILITIES (CONTINUED)

Maturity analysis	30 June 2020 Birr'000	30 June 2019 Birr'000
Current	1,001,418	1,167,522
Non-Current	-	-
	1,001,418	**1,167,522**

	30 June 2020 Birr'000	30 June 2019 Birr'000
28. RETIREMENT BENEFIT OBLIGATIONS		
Defined benefits liabilities:		
– Severance pay	49,578	40,934
Liability in the statement of financial position	49,578	40,934
Income statement charge included in personnel expenses:		
– Severance pay	1,402	7,058
– Long service awards		
Total defined benefit expenses	**1,402**	**7,058**
Remeasurements for:		
– Severance pay	(1,106)	6,951
`	**(1,106)**	**6,951**

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 2020 Birr'000	30 June 2019 Birr'000
Current	1,402	7,058
Non-Current	48,176	21,067
	49,578	**28,125**

Severance pay

The Bank operates an unfunded severance pay plan for its employees who have served the Bank for 5 years and above and are below the retirement age (i.e. has not 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.

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

28. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	30 June 2020 Birr'000	30 June 2019 Birr'000
A. Liability recognised in the financial position	8,644	8,637

	30 June 2020	30 June 2019
B. Amount recognised in the profit or loss	Birr'000	Birr'000
Current service cost	5,956	3,195
Interest cost	5,196	3,017
	11,152	**6,212**
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	(8,952)	2,633
Remeasurement (gains)/losses arising from experience	7,846	4,318
Tax credit /(charge)		
	(1,106)	**6,951**

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
At the beginning of the year	40,934	26,925
Current service cost	5,956	4,214
Interest cost	5,196	3,776
Remeasurement (gains)/ losses	(1,106)	6,951
Benefits paid	(1,402)	(932)
At the end of the year	**49,578**	**40,934**

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2020 Birr'000	30 June 2019 Birr'000
Discount Rate (p.a)	14.10%	11.25%
Long term Salary Increases(p.a)	10.00%	12.00%
Inflation Rate	12.00%	10.00%
Net pre-retirement rate	**1.87%**	**-0.67%**

	30 June 2020 Birr'000	30 June 2019 Birr'000
29. ORDINARY SHARE CAPITAL		
Authorised:		
Ordinary shares of Birr 1000 each	3,000,000	3,000,000
Issued and fully paid:		
Ordinary shares of Birr 1000 each	**3,000,000**	**2,385,981**

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 2020 Birr'000	30 June 2019 Birr'000
Profit after tax	860,545	745,853
Weighted average number of ordinary shares in issue	2,692,991	1,387,385
Basic & diluted earnings per share (Birr)	**0.320**	**0.538**

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 2020:nil and 30 June 2019: nil), hence the basic and diluted loss per share have the same value.

	30 June 2020 Birr'000	30 June 2019 Birr'000
31 Retained earnings		
At the beginning of the year	613,086	383,710
Profit/ (Loss) for the year	860,545	745,853
Prior year (over)/ under provision	-	-
Reversal of loans and IFB financing loss allowance recognized as per IAS 39	-	133,426
Day one IFRS 9 transition adjustment for loans and IFB financing		(172,762)
Reversal of other assets loss allowance recognized as per IAS 39		18,017
Day one IFRS 9 transition adjustment for other assets		(3,756)
Directors share on Profit	(1,518)	(1,511)
Transfer to legal reserve	(214,612)	(184,948)
Dividends paid	(128,491)	(54,276)
Dividends held in payable account	(51,767)	(18,737)
Dividend capitalised	(432,827)	(310,698)
Transfer to regulatory risk reserve	(29,743)	(41,351)

Transfer from regulatory risk reserve - Suspended interest	-	14,586
Transfer to regulatory risk reserve- Provission other Assets	(17,633)	(16,008)
Transfer to retained earnings for excess NBE provissions for Loans and Advances plus IFB financing.	(139,669)	121,540
	-	-
At the end of the year	**457,370**	**613,086**

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 2020	30 June 2019
	Birr'000	Birr'000
At the beginning of the year	642,233	457,285
Transfer from profit or loss	**214,612**	**184,948**
At the end of the year	**856,845**	**642,233**

	30 June 2020	30 June 2019
	Birr'000	Birr'000

33. REGULATORY RISK RESERVE

At the beginning of the year	66,838	145,605
Transfer to retained earnings for excess NBE provissions no longer required on application of IFRS 9	-	(121,540)
Transfer from retained earnings- write backed suspended Interest	29,743	41,351
Transfer to retained earnings	-	(14,586)
Transfer from retained earnings- Provission for Other Assets and exess NBE provision for loans and advance plus IFB financing	157,302	16,008
Adjustment of Regulatory risk reserve against loan account	-	-
At the end of the year	**253,883**	**66,838**

33 Regulatory risk reserve (Contd)

The Regulatory risk reserve is a non-distributable reserves 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 earning to the extent of the non-distributable reserve previously recognised.

	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
34. CASH GENERATED FROM OPERATING ACTIVITIES			
Profit before tax		1,065,078	1,001,346
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	23	81,119	68,802
Amortisation of intangible assets	21	9,178	4,409
Gain/(Loss) on disposal of property, plant and equipment		-	-
Impairment on loans and advances	17	(40,665)	180,340
Impairment on interest free financing	16	(16,397)	11,917
Impairment losses on other assets	20	4,109	(11,598)
Retirement benefit obligations	28	1,106	(6,951)
Adjustment on De-Recognised Property, Plant and equipment		1,232	1,129
Adjustment of Property, Plant and equipment		-	-
Fair Value adjustment for equity investment	18	(24,802)	(13,500)
Adjustment of Provision for Legal		2,205	-
Amortization of right of use assets		-	
Interest on leased assets	14	23,923	-
Prior Period Adjustment		-	-
Changes in working capital:			
-Decrease/ (Increase) in loans and advances to customers	17	(1,798,115)	(5,535,601)
-Decrease/ (Increase) in interest free financing	18	(513,908)	(281,362)
-Decrease/ (Increase) in other assets	20	240,031	(663,674)
-Decrease/ (Increase) in Right of Use Assets	22	(626,210)	
-Decrease/ (Increase) in non current assets held for sale	20	(279)	1,243
-Increase/ (Decrease) in deposits from customers	23	1,348,931	5,520,445
-Increase/ (Decrease) in Interest Free customers' deposits	24	(207,201)	1,141,666
-Increase/ (Decrease) in Other liabilities	22	(166,104)	121,999
-Increase/ (Decrease) in Retirement benefit obligations	24	8,644	14,009
-Decrease/ (Increase) in Restricted Deposit	15	(30,000)	(370,000)
-Decrease/ (Increase) in lease liabilities	15	247,715	-
		(390,409)	**1,184,620**

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
Proceeds on disposal	-	-
Net book value of property, plant and equipment disposed (Note 19)	-	-
Gain/(loss) on sale of property, plant and equipment	-	-

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:

35a Transactions with related parties

	30 June 2020	30 June 2019
	Birr'000	Birr'000
Deposits	181,391	152,035
Loans	20,525	17,358
Total	**201,916**	**169,393**

35b 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 2020

	30 June 2020	30 June 2019
	Birr'000	Birr'000
Basic Salary (short term employee benefit)	6,919	5,802
Representation Allowance (short term employee benefit)	295	330
Provident fund (short term employee benefit)	1,038	804
Bonus (short term employee benefit)	522	707
Directors Allowance	1,400	1,008
Directors' Share on profit	1,518	1,511
Total	**11,691**	**10,162**

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

36 (a) Claims and litigation

The Bank is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The maximum exposure of the Bank to these legal cases as at 30 June 2020 is Birr 59,246,553 . Provision of birr 2.2 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.

36 (b) Guarantees and letters of credit

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

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
Guarantees Issued and Outstanding	2,096,245	1,321,037
Commitments on Letter of Credit net of Margin Paid	268,988	455,292
Commitments on Letter of Credit net of Urbun Held	49,932	39,800
TCG Issued and Outstanding	44,171	44,171
Loan Approved but not Disbursed and IFB Financing approved but not yet Financed	968,149	1,618,896
Unutilized Overdraft and Other Facility	1,230,801	1,478,840
Undrawn IFB Export Facility Financing	335,586	944,539
Total	**4,993,873**	**5,902,575**

37. COMMITMENTS

	30 June 2020 Birr'000	30 June 2019 Birr'000
Share Subscribed but not paid	2,428	-
Capital projects	82,413	68,943
Total	**84,841**	**68,943**

38. LEASE LIABLITES - BANK AS LESSEE

(i) Lease liability

Maturity analysis – Contractual cash flows	30 June 2020 Birr'000	30 June 2019 Birr'000
Expected to be settled within 12 months after the year end	68,074	14,802
Expected to be settled more than 12 months after the year end	179,640	171,354
Total	**247,715**	**186,187**

Amounts recognised in statement of cash flows:

Payments of principal portion of the lease liability	36,489	-
Interest paid on lease liabilities	23,923	-

Movement for the year ended 30 June 2020

Balance on adoption of IFRS 16	190,158	-
Additions	70,123	-
Interest Expense in Profit and loss	23,923	-
Lease payments	36,489	-
Total	**247,715**	**-**

(ii) Amounts recognised in profit or loss

	30 June 2020	30 June 2019
	Birr'000	**Birr'000**
Interest on lease liabilities	23,923	-
Depreciation of right to use asset	150,603	-
Expenses relating to short-term leases		
Total	**174,526**	**-**

The Bank leases various properties under non-cancellable operating lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of the each lease period at market rate.
The future aggregate minimum lease payments under non-cancellable operating leases are as follows: As at 30 June 2019, the future minimum lease payment under non cancellable operating leases were payable as follows

	30 June 2020	30 June 2019
	Birr'000	**Birr'000**
No later than 1 year	-	14,802
Later than 1 year and no later than 2 years	-	32,355
Later than 2 years but not later than 5 years	-	139,000
Total	**-**	**186,157**

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 2020 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

40 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 2019 or 2020.

Profit segments

At 30 June 2020

	Conventional Banking	Interest Free Banking	Segment adjustments	Bank
	Birr "000	Birr "000	Birr "000	Birr "000
Interest income	2,954,615	-	-	2,954,615
Income from Interest free financing and investment products	-	198,958	-	198,958
Interest expense	1,246,887	-	-	1,246,887
Distribution to depositors- Interest Free Banking Products				
Net interest income and income from Interest Free Banking products net of distribution to depositors	**1,707,728**	**198,958**	**-**	**1,906,686**
Fee and commission income	479,481	42,899	-	522,380
Fee and commission expense	-	-	-	-
Net fees and commission income	479,481	42,899	-	522,380
Other operating income	158,809	268	-	159,077
Loan impairment charge	-	-	-	-
Impairment losses on other assets	4,110	-	-	4,110
Inter–segment revenues/expenses				
Net operating income	154,699	268	-	154,967
Armotisation of intangible assets	9,178	-	-	9,178
Depreciation of property and equipment	81,119	-	-	81,119
Personal and Other operating expense	1,237,641	16,490	-	1,254,131
Segment Profit before tax	**1,013,970**	**225,635**	**-**	**1,239,605**
Income tax expense	**136,843**	**67,690**	**-**	**204,534**
Segment profit after tax	**877,127**	**157,944**	**-**	**1,035,071**

Assets			
Additions to property and equipment	123,274	-	123,274
Additions to other intangible assets	47,943	-	47,943
Total assets	**29,404,259**	**4,427,217**	**33,831,476**
Total liabilities	**25,008,450**	**4,223,890**	**29,232,340**

40 Segment reporting (continued)

At 30 june 2019

	Conven-tional Banking	Interest Free Banking	Segment adjust-ments	Bank
	Birr "000	Birr "000	Birr "000	Birr "000
Interest income	2,218,072	-	-	2,218,072
Income from Interest free financing and investment products	-	181,386	-	181,386
Interest expense	836,803	-	-	836,803
Distribution to depositors- Interest Free Banking Products	-	13	-	13
Net interest income and income from Interest Free Banking products net of distribution to depositors	**1,381,269**	**181,373**	**-**	**1,562,642**
Fee and commission income	591,682	62,522	-	654,204
Fee and commission expense	-	-	-	-
Net fees and commission income	591,682	62,522	-	654,204
Other operating income	177,460	181	-	177,641
Loan impairment charge	143,146	9,775	-	152,921
Impairment losses on other assets	2,881	-	-	2,881
Inter–segment revenues/expenses				-
Net operating income	31,433	(9,594)	-	21,839
Armotisation of intangible assets	4,409	-	-	4,409
Depreciation of property and equipment	68,802	-	-	68,802
Personal and Other operating expenses	1,146,621	17,507	-	1,164,128
	-	-	-	-
Segment Profit before tax	**784,552**	**216,794**	-	**1,001,346**
Income tax expense	190,455	65,038	-	255,493
Segment profit after tax	**594,097**	**151,756**	-	**745,853**
Assets				
"Additions to property and equipment"	199,166	-	-	199,166
"Additions to other intangible assets"	1,002	-	-	1,002
Total assets	**27,335,836**	**4,443,472**	-	**31,779,308**
Total liabilities	**23,842,837**	**4,223,890**	-	**28,066,727**

Note

Note

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OROMIA INSURANCE COMPANY S.C.

Where Passion, Experience and Dedication meet!

MAJOR TYPES OF INSURANCE PRODUCTS

Oromia Insurance Company provides General and Long Term Insurance Services.

They are :-

NON-LIFE

- All Risks Insurance
- Burglary and House Breaking Insurance
- Bonds
  - Performance bond
  - Supply bond
  - Customs bond
  - Bid bond
  - Maintenance bond
  - Advance payment bond
  - Retention and release bond
- Condominium Insurance
- Consequential Loss
- Engineering
  - Boiler Insurance
  - Contractors All Risks Insurance
  - Contractors Plant & Machinery Insurance
  - Deterioration of Stock Insurance
  - Erection All Risks Insurance
  - Electronic Equipment Insurance
  - Machinery Breakdown Insurance
  - Machinery Loss of Profit Insurance
- Fidelity Guarantee Insurance
- Fire and Allied Perils Insurance
- Goods-in-Transit
- Horticulture-plantation Insurance
- Inland Carriers Liability Insurance
- Marine Cargo Insurance
- Money Insurance
- Motor Insurance
- Personal/ Group Personal Accident Insurance
- Plate Glass Insurance
- Product Liability Insurance
- Professional Indemnity Insurance
- Public Liability Insurance
- Warehouse Operators Liability Insurance
- Workmen's Compensation Insurance
- Travel Health Insurance for Travelers

LIFE INSURANCE

MICROINSURANCE

AGRICULTURAL INSURANCE

HEAD OFFICE ORGANS ADDRESS

No	Name of Offices & Departments	Telephone	Fax	P.o.Box
1	President Office	011 557 20 01	011 557 20 00	27530/1000
2	V/P– Corporate Support	011 557 20 06	011 557 21 00	27530/1000
3	V/P–Credit and Int'l Banking	011 558 62 33	011 558 78 31	27530/1000
4	V/P – Branch Banking	011 557 21 03	011 557 20 66	27530/1000
5	V/P-Strategy & Change Management	011 557 20 05	011 557 2084	27530/1000
6	V/P–Information Technology	011 558 99 23	011 558 56 19	27530/1000
7	Chief -Internal Audit	011 557 21 02	011 557 20 08	27530/1000
8	Chief-Risk Management and Compliance	011 557 20 13/14	011 557 20 12	27530/1000
9	Legal Services	011 557 21 06/07	011 557 21 04	27530/1000
10	Interest –Free Banking	011 557 20 70/72	011 558 64 87	27530/1000
11	Strategic Management and Business Development	011 557 21 13/2002	011 557 21 10	27530/1000
12	International Banking Services	011 557 20 26/35	011 557 20 24	27530/1000
13	Operation & District Support Management	011 557 20 65/67	011 557 20 69	27530/1000
14	Credit Management	011 557 20 18	011 557 20 17	27530/1000
15	Procurement and Facility Management	011 557 20 95/96	011 557 20 91	27530/1000
16	IT Modernization Office	011 557 20 47	011 557 20 42	27530/1000
17	IT System Operations	011 557 20 38	011 557 20 42	27530/1000
18	Electronic Banking	011 558 90 98/5674	011 558 65 17	27530/1000
19	Credit Monitring & Recovery Management	011 557 20 23	011 558 94 53	27530/1000
20	Human Resources Management	011 557 20 51/53	011 557 20 50	27530/1000
21	Change & Project Management	011 558 64 76	011 558 94 41	27530/1000
22	Accounting and Treasury	011 557 20 80/78	011 557 20 76	27530/1000
23	IT Security Office	011 558 64 96	011 557 20 42	27530/1000
24	Board Secretary office	011 557 21 09	011 557 20 36	27530/1000

DISTRICT OFFICES ADDRESS

No	Name of Districts	Telephone	Fax	P.o.Box
1	West Finfinne District	+251-115-57-35-00	+251-115-57-35-20	27530/1000
2	East Finfinne District	+251-115-58-53-07	+251-115-58-53-87	27530/1000
3	North Finfinne District	+251-116-73-42-27	+251-116- 73 -37-24	27530/1000
4	South Finfinne District	+251- 462-11-03-53	+251-462-11- 03- 54	27530/1000
5	Adama District	+251-222-11-03-37	+251-222-11- 03- 55	27530/1000
6	Shashemene District	+251-462-11 03 53/1419	+251-462-11- 03- 54	27530/1000
7	Nekemte District	+251-576-60-51-09	+251-576-60-51-07	27530/1000
8	Dessie Relationship Office	+251-333-12-63-04	+251-333-12-62-94	27530/1000