ABAY BANK SHARE COMPANY
(S.C.)

FINANCIAL STATEMENTS AND AUDIT REPORT
30 JUNE 2023

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Tafesse, Shisema and Ayalew
Certified Audit Partnership
Chartered Certified Accountant (UK)
Authorized Auditors (Ethiopia)
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ABAY BANK SHARE COMPANY

NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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ABAY BANK SHARE COMPANY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Directors and Statutory Information

Directors	Title	Appointment date
Dr. Amlaku Asres	Chair person	December 26, 2016
Ato Tadesse Assefa	Vice Chair person	March 19, 2020
Ato Biyazen Enkuanhone	Member	June 16, 2017
Ato Demes Teshager Abeje	Member	April 4, 2023
W/ro Marta Ayenew Dagnachew	Member	April 4, 2023
Ato Mulat Tsega	Member	December 26, 2016
Ato Nebiyu Siyum	Member	April 4, 2023
Ato Tibebu Alula Getahun	Member	April 4, 2023
Ato Wubie Atnafu	Member	April 4, 2023

Executive management

Ato Yehuala Gessese	Chief Excutive Officer	August 17, 2015
Ato Abrham Ejigu	Chief Credit Officer	May 27, 2015
Ato Belete Kene	Chief Human Capital Officer	November 13, 2020
Ato Assefa Tefera	Chief Retail Banking Officer	January 04, 2023
Ato Wondifraw Tadesse	Chief Strategy Officer	December 15, 2020
Ato Elias Birhanu	Chief Information Officer	August 25, 2023
Ato Dawit Ayenew	Chief Internal Audit	November 13, 2020
Ato Tsega Mekonen	Chief Risk & Compliance Officer	December 01, 2011
Ato Desalegn Ayalew	Chief Corporate Services Officer	August 25, 2023
W/ro Tsige Ayalew	Chief International Banking Officer	August 25, 2023
Ato Daniel Legesse	Director - Strategy & Innovation	December 05, 2011
Ato Endakmew Getnet	Director - Legal Services	November 11, 2015

Independent auditor

Tafesse, Shisema and Ayalew Certified Audit Partnership (TMS PLUS)
Chartered Certified Accountants (UK)
Authorised Auditors (ETH)
Addis Ababa
Ethiopia

Principal bankers

Aktif Yatirim Bankasi A.S.
Bank of Africa
Bank of Beirut,Cyprus
Bank of Beirut, Great Britain
Bank of Beirut, Lebanon
Bank of Beirut, Uk Frankfurt
CAC International Bank Djibouti
East Africa Bank,Djibouti
EBISA Ecobank , Paris
EBISA Ecobank , Kenya
Exim Bank Djibouti S.A.
KCB - Kenya Commercial Bank
ODDO BHF Aktiengesellsellschaft
Equity Bank Kenya Ltd
Africa Export Import Bank (AFRI EXIM)
NCBA Bank Kenya Plc

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Report of Directors

The directors submit their report together with the financial statements for the year ended 30 June 2023, to the shareholders of Abay Bank (the Bank). This report discloses the financial performance and state of affairs of the Bank.

Incorporation and address

Abay Bank was incorporated in July 2010 and registered as a public share holding company in accordance with the banking business proclamation No. 592/2008. The Bank obtained its licence from the National bank of Ethiopia on July 14, 2010 and started its operation on November 4, 2010. The Bank is domiciled in Ethiopia.

Principal activities

The mandate of the Bank is to optimize the stockholder value through sustainable growth and profitability, provide wide range of innovative and customer focused Banking products and services, boost operational excellence by employing state-of-the-art information technology, to be the employer of choice by creating conducive working environment wherein employees achieve their career aspirations.

Results

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Total operating income	5,378,215	3,188,497
Profit / (loss) before tax	2,124,416	1,300,913
Tax (charge) / credit	(572,945)	(367,648)
Profit / (loss) for the year	1,551,471	933,265
Other comprehensive income / (loss) net of taxes	152,150	111,601
Total comprehensive income/ (loss) for the year	**1,703,621**	**1,044,866**
Earnings per share (Birr 1,000)	**360.03**	**295.08**

Directors

The directors who served during the year and up to the date of this report are set out on page 2.

ABAY BANK SHARE COMPANY

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 30 JUNE 2023

The Directors are responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards and in the manner required by the Commercial Code of Ethiopia of 2021 (proclamation No 1243/2021) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank is required to keep such records as are necessary to:

a) exhibit clearly and correctly the state of its affairs;
b) explain its transactions and financial position; and
c) enable the regulatory body 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 accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Banking Business Proclamation, Commercial code of 2021 (proclamation No 1243/2021) 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.

The Directors have made an assessment of the bank's ability to continue as a going concern and nothing has come to the attaention of the Directors to indicate that the company will not remain a going concern for atleast the next twelve months from the date of this statement.

Signed on behalf of the Directors by:

Dr Amlaku Asres__________________
Chairperson of Board of Directors

Yehuala Gessesse__________________
Chief Excutive Officer

TMS Plus
Tafesse,Shisema and Ayalew Certified Audit Partnership
Chartered Certified Accountants (UK) and Authorised Auditors (Ethiopia)
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INDEPENDENT AUDITOR'S REPORT ON THE ACCOUNTS OF ABAY BANK SHARE COMPANY

Report on the Audit of the financial statement

Opinion

We have audited the financial statements of Abay Bank Share Company specified on page 6-34, which comprise the statement of financial position as at 30 June 2023, the statement profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Ethiopian Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

As described in **notes 11 and12** to the financial statements, the impairment losses have been determined in accordance with IFRS 9 Financial Instruments. This was considered a key audit matter as IFRS 9 is a complex accounting standard which requires significant judgment to determine the impairment losses.

IFRS 13 requires entities to measure fair value using observable inputs whenever possible, and unobservable inputs only when observable inputs are not available. In the case of the Bank's investment in other entities, the Bank has determined that there are no observable inputs available to measure fair value. Therefore, the Bank has used a valuation model that incorporates unobservable inputs, such as the discount rate and future cash flows.

The use of unobservable inputs in the valuation model poses a risk of material misstatement, as the Bank's judgment in determining these inputs could be biased or inaccurate. We have identified this as a key audit matter because of the following factors:

- The Bank's investment in other entities is significant, is material to the financial statements.
- The valuation of the investment is complex and requires the use of a number of unobservable inputs.

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To address this key audit matter, we have performed the following audit procedures:

- We assessed the Bank's valuation methodology and evaluated the reasonableness of the key assumptions used in the valuation model.
- We compared the Bank's valuation results to those of independent market participants.

Based on our audit procedures, we believe that the Bank's valuation of its investment in other entities is reasonable and in accordance with IFRS 13. However, we recommend that the Bank consider the following actions to mitigate the risk of material misstatement in the future:

- Consider using a valuation methodology that incorporates more observable inputs.
- Regularly monitor the performance of the investment and update the valuation model as needed.

Also as indicated on **Note 38** of financial statements, the performance and advance payment guarantee issued to construction Companies casts uncertainty and the bank should adopt strict follow up and action to this matter.

Responsibilities of Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

Report on other Legal and Regulatory requirement

We have no comment to make on the report of your Board of Directors so far as it relates to these financial statements in accordance with the Commercial Code of Ethiopia of 2021 (Proclamation No-1243/2021), recommend approval of the financial statements. In addition, we have no objection on the amount of dividend proposed by the directors and hence in accordance with article 349 (3) of the commercial code of Ethiopia of 2021 recommended approval of the proposed dividend distribution.

Tafesse,Shisema and Ayalew Certified Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors (ETH)

Addis Ababa
07 October 2023

ABAY BANK SHARE COMPANY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Interest income	5	5,547,522	3,543,341
Interest expense	6	(1,569,189)	(1,126,413)
Net interest income		**3,978,333**	**2,416,928**
Fee and commission income	7	1,241,979	640,140
Fee and commission expense	8	(54,407)	(17,650)
Net Fee and commission income		**1,187,572**	**622,490**
Net gain on foreign exchange valuation	9	154,927	112,972
Other operating income	10	57,383	36,107
		212,310	**149,079**
Total operating income		**5,378,215**	**3,188,497**
Loan impairment charge	11	(207,867)	(92,175)
Other Assets Impairement Charge	12	(11,444)	(6,978)
Net operating income		**5,158,904**	**3,089,344**
Personnel expenses	13	(1,966,996)	(1,094,626)
Depreciation & Amortization of PPE & Intangible assets	23-24	(121,535)	(87,281)
Depreciation expense on right of use asset	21	(180,979)	(133,241)
Interest Expense on lease liability	22	(10,241)	(23,281)
Other operating expenses	14	(754,737)	(450,002)
Profit before tax		**2,124,416**	**1,300,913**
Income tax expense	15	(572,945)	(367,648)
Profit After Tax		**1,551,471**	**933,265**
Other comprehensive income (OCI)			
Items that will not be subsequently reclassified into profit or loss:			
Re-measurement gain/(loss) on defined benefits obligations	30	(36,051)	(4,085)
Financial assets at FVOCI (equity investments)	18	199,016	116,911
Deferred tax (liability)/asset on re-measurement gain or loss	15	(10,815)	(1,226)
		152,150	111,601
Total comprehensive income for the period		**1,703,621**	**1,044,866**
Earnings per share (Birr 1,000)	32	**360.03**	**295.08**

The notes on pages 10 to 34 are an integral part of these financial statements.

ABAY BANK SHARE COMPANY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
ASSETS			
Cash and bank balance	16	8,247,918	7,920,786
Loans and advances to customers	17	36,474,351	26,594,569
Equity investments at fair value -OCI	18	505,679	298,728
Other financial assets	19	5,667,844	3,182,409
Other non Financial assets	20	705,778	941,906
Right of use assets	21	927,495	639,439
Property, plant and equipment	23	1,141,539	575,235
Intangible Assets-Software	24	19,582	27,032
Construction in progress	25	1,359,729	501,634
Non current asset held for sale	26	7,351	13,758
Net deferred tax (asset) liabilities	15	850	-
Total assets		**55,058,113**	**40,695,496**
LIABILITIES			
Deposits from customers	27	41,769,515	32,397,350
Current income tax liability	15	572,945	367,648
Other Financial liabilities	28	4,364,775	1,571,928
Lease Liabilities	22	507,520	391,992
Non financial liabilities	29	53,257	44,154
Defined benefits obligation	30	119,001	65,219
Net deferred tax (asset) liabilities	15	-	610
Total liabilities		**47,387,013**	**34,838,901**
EQUITY			
Share Capital	31	4,733,303	3,971,031
Share Premium	31	35,388	35,208
Retained Earnings	33	1,041,760	658,748
OCI-Definded Employee Benefit	30	(61,611)	(25,560)
OCI-Equity Investment	18	370,768	171,751
Legal Reserve	34	1,308,302	920,434
Regulatory Risk Reserve	35	243,190	124,983
		7,671,100	**5,856,595**
Total equity and liabilities		**55,058,113**	**40,695,496**

The notes on pages 10 to 34 are an integral part of these financial statements.

The financial statements on page 10 - 34 were approved by the board of directors on September 22 2023 were signed on its behalf by:

Dr Amlaku Asres
Chairperson of Board of Directors

Yehuala Gessesse
Chief Excutive Officer

ABAY BANK SHARE COMPANY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Share Capital Birr'000	Share Premium Birr'000	Retained Earnings Birr'000	OCI-Defínded Employee Benefit Birr'000	Legal Reserve Birr'000	Regulatory Risk Reserve Birr'000	OCI-Equity Investment Birr'000	TOTAL Birr'000
As at 1 July 2021		**2,812,741**	**28,365**	**600,916**	**1,364**	**687,116**	**65,438**	**32,001**	**4,227,941**
Issues of ordinary shares	31	1,158,290	6,843	-	-	-	-	-	1,165,133
Profit for the year	32	-	-	933,265	-	-	-	-	933,265
Dividend paid	33	-	-	(548,685)	-	-	-	-	(548,685)
Board remunerations fee	33	-	-	(1,350)	-	-	-	-	(1,350)
Re-measurement on defined benefit plan	30	-	-	-	(4,085)	-	-	-	(4,085)
OCI-Equity Investment	18	-	-	-	-	-	-	116,911	116,912
Regulatory Risk Reserve	35	-	-	(59,545)	-	-	59,545	-	-
Deferred tax liabilities	33	-	-	18,843	-	-	-	-	18,843
Transfer to legal reserve	34	-	-	(233,318)	-	233,318	-	-	-
Prior period adjustment	33	-	-	(51,378)	(22,839)	-	-	22,839	(51,378)
As at 30 June 2022		**3,971,031**	**35,208**	**658,748**	**(25,560)**	**920,434**	**124,983**	**171,751**	**5,856,595**
As at 1 July 2022		**3,971,031**	**35,208**	**658,748**	**(25,560)**	**920,434**	**124,983**	**171,751**	**5,856,594**
Issues of ordinary shares	31	762,272	180	-	-	-	-	-	762,452
Profit for the year	32	-	-	1,551,471	-	-	-	-	1,551,471
Dividend paid	33	-	-	(658,748)	-	-	-	-	(658,748)
Board remunerations fee	33	-	-	(1,350)	-	-	-	-	(1,350)
Re-measurement on defined benefit plan	30	-	-	-	(36,051)	-	-	-	(36,051)
OCI-Equity Investment	18	-	-	-	-	-	-	199,016	199,016
Regulatory Risk Reserve	35	-	-	(118,207)	-	-	118,207	-	-
Deferred tax liabilities	33	-	-	1,459	-	-	-	-	1,459
Transfer to legal reserve	34	-	-	(387,868)	-	387,868	-	-	-
Prior period adjustment	33	-	-	(3,745)	-	-	-	-	(3,745)
As at 30 June 2023		**4,733,303**	**35,388**	**1,041,760**	**(61,611)**	**1,308,302**	**243,190**	**370,767**	**7,671,100**

The notes on pages 10 to 34 are an integral part of these financial statements.

Accounting and Auditing Board of Ethiopia ቁ.2 0118661200 0111541235 Original Copy Submitted to the Board

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ABAY BANK SHARE COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Cash flows from operating activities			
Cash generated from operations	36	4,207,523	2,196,388
Income tax paid	15	(367,648)	(305,743)
Prior period adjustment	33	(3,745)	(52,230)
Net cash (outflow)/inflow from operating activities		**3,836,130**	**1,838,414**
Cash flows from investing activities			
Proceed of investment securities	19 a	(2,063,927)	942,653
Purchase of equity investment	18	(7,934)	(5,000)
Purchase of construction in progress	25	(858,095)	(172,221)
Purchase of intangible assets	24	-	-
Purchase of property, plant and equipment	23	(681,873)	(101,751)
Proceed from sale of property, plant and equipments	36	476	2,042
Net cash (outflow)/inflow from investing activities		**(3,611,353)**	**665,723**
Cash flows from financing activities			
Dividend paid	33	(658,748)	(548,685)
Proceeds from issue of shares	31	762,452	1,165,133
Board remuneration fee	33	(1,350)	(1,350)
Net cash (outflow)/inflow from financing activities		**102,354**	**615,098**
Net increase/(decrease) in Cash and bank balances		**327,132**	**3,119,235**
Cash and bank balance at the beginning of the year	16	7,920,786	4,801,551
Net cash increase/(decrease) during the year	16	327,132	3,119,235
Cash and bank balances at the end of the year	16	**8,247,918**	**7,920,786**

The notes on pages 10 to 34 are an integral part of these financial statements.

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TMS Plus
Certified Audit Partnership

1 General information

Abay Bank SC or "the Bank" is a private commercial Bank domiciled in Ethiopia. The Bank was established on 14 July 2010 in accordance with the provision of the commercial code of 1960 and the banking business proclamation No. 592/2008. The Bank registered office is at:

Zequala complex,

Jomo Kenyatta Avenue,

Addis Ababa, Ethiopia

The Bank is principally engaged in the provision of diverse range of commercial banking services.

2 Summary of significant accounting policies

The accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

i) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

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.

ii) Basis of measurement

The financial statement have been prepared on the historical cost basis except:

- Financial asset at FVTOCI are measured at fair value
- Prepaid staff benefits are measured at fair value and
- The liability for defined benefit obligation is measured at present value using discount method

iii) Functional and presentation currency

The financial statements are presented in Ethiopian Birr which is the functional currency of the primary economic environment in which the Bank operates. Except otherwise indicated, financial information presentation has been rounded to the nearest thousands (Birr ' 000).

iv) Going concern

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

v) Use of estimates and judgements

In preparing the financial statements management has made judgments, estimates and assumptions that affect the application of the bank's accounting poilicies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and undelying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated in to functional currency using closing rate as at the reporting date.

2.3 Recognition of income and expenses

2.3.1 Interest income and expenses

Income is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the receipt is being made. Expense is recognized to the extent that it is probable that the economic benefits will flow to other party and the expense can be reliably measured, regardless of when the payment is being made.

For all financial instruments measured at amortized cost, interest income and expenses are recognized in profit or loss using the effective interest rate (EIR) which is the rate that exactly discounts estimated future cash payments or receipts.

Tadesse, Shisema & Ayalew TMS Plus

ABAY BANK SHARE COMPANY
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2.3.2 Fees and commission

Fees and commission income (commission on letters of credit, service charges, guarantees commissions, etc.) are recognized as the related services are performed. Fees and commission expenses are recognized as the related services are received.

2.3.3 Dividend income

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

2.3.4 Foreign exchange revaluation gains or losses

These are gains or 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.

2.3.5 Income tax

i) Current income tax

Current income tax expense is recognized in profit or loss except to the extent that it related to items recognized directly in equity or other comprehensive income. Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

ii) Deferred tax

Deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rate that has been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are only offset when there is a legally enforceable right to offset current tax liabilities against current tax assets and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.4 Financial assets and financial liabilities

i) Recognition and initial measurement

All financial assets are recognized when the Bank becomes a party to a financial asset contract, that is, when it gains a contractual right to receive cash or other financial assets from a contracting party. Financial liabilities are recognized when the Bank enters in to a contractual obligation to deliver cash or other financial asset to a contracting party.

A financial asset or financial liability is recognized initially at fair value. The acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added of deducted from the fair value of the financial assets or financial liabilities respectively.

ii) Classification and subsequent measurement

For the purpose of subsequent measurement, the Bank classifies its financial assets based on the objective of the business model in which the financial asset is held at portfolio level.

Financial assets that are held with the objective of collecting contractual cash flows on a specified date and the cash flows are solely principal and interest are classified in to Financial assets and subsequently measured at amortized cost. Financial assets classified under this category are loans and advances, deposits with local and foreign banks, NBE bills and other financial receivables.

Equity investments are measured at FVOCI as they are not held for trading. Subsequent changes in their value is presented in other comprehensive income (OCI).

All financial liabilities are subsequently measured at amortized cost.

iii) Impairment of financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost are credit impaired. Financial assets are credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 loans and advances. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or
- The disappearance of an active market for a security because of financial difficulties

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ABAY BANK SHARE COMPANY
NOTE TO THE FINANCIAL STATEMENTS
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The bank recognizes loss allowances for expected credit losses (ECL) on the following financial instruments:

- Loans and advances
- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued

No impairment loss is recognized on equity investments.

The Bank recognizes life time ECL for stage 3 (non performing) loans and 12-month ECL for stage 1 and 2 loans. Stage 1 loans refers to normal loans including loans that are past due up to 29 days. Stage 2 loans are past due loans between 30 to 89 days and stage 3 loans are those loans that are past due 90 days and above.

Life-time ECL is the ECL that result from all possible default events over the expected life of the financial instrument. 12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

12-month loss allowance is also recognized for financial assets that are determined to have low credit risk and on which credit risk has not increased significantly since their initial recognition.

iv) Measurement of ECL

The bank measures ECL on collective basis for portfolio of loans that share similar economic risk characterstics.

ECL is calculated by multiplying 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. ECL for exposure in stage 2 and stage 3 are calculated by multiplying lifetime PD by LGD and by EAD.

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. 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. EAD represents the expected exposure in the event of default.

v) Write off

Loans and debt securities are written off when the bank has no reasonable expectations of recovering the financial asset (either partially or in full). This is the case when the bank determines that the borrower doesn't have assets or source 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 writenoff. Recoveries resulting from previously writtenoff will result in impairment gains which will be presented in net impairment loss on financial assets in the statement of profit or loss.

vi) Derecognition of financial assets and financial liabilities

Financial assets are derecognized when contractual right to the cash flows from the financial asset expires or all the risks and rewards of ownership of the financial asset is transferred to another party. Financial liabilities are derecognized when contractual obligations are discharged or cancelled, or expire.

vii) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when and only when the bank currently has a legally enforceable right to set of the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS standards or for gain and losses arising from a group of similar transactions such as in the bank's trading activities

2.5 Cash and bank balances

Cash and bank balances 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. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

For the purposes of the cash flow statement, cash and bank balances include cash and restricted balances with National Bank of Ethiopia.

2.6 Property, plant and Equipment

a) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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b) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that future economic benefits of the expenditure will flow to the bank. recurrent repairs and maintenance are expensed as incurred.

c) Depreciation

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of property, plant and equipment. The annual depreciation rates in use are:

Asset class	Estimated useful life (In years)	Residual value (In %)
Buildings	50	5
Motor vehicles	10	1
Furniture and fittings	10 - 20	1
Office equipment	5 - 10	1
Computer and accessories	7	1

The residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date. Changes in the expected useful life, residual values or methods of depreciation are accounted for as changes in accounting estimates.

d) De-recognition

Property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses arising on disposal of an item of property and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the item and are recognized net within 'other operating income' in profit or loss.

2.7 Intangible assets

Intangible assets (soft wares) acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is recognized in profit or loss in the year 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 amortized on a straight-line basis over a period of six (6) years from the date that they are available for use.

The amortization method, useful life and the residual value are reviewed at each reporting date and adjusted if appropriate. Changes in the expected useful life, residual value or amortization method are accounted for as changes in accounting estimates.
There are no intangible assets with indefinite useful lives.

2.8 Non-current assets held for sale

Repossessed non-financial collaterals acquired by the Bank in settlement of overdue loans and whose carrying amount will be recovered principally through a sale transaction rather than through use and a sale is considered highly probable are classified as non-current assets held for sale. They are measured at the lower of their carrying amount or fair value less costs to sell. Depreciation is not calculated on these assets.

2.9 Impairment of non-financial assets

The Bank assesses whether there is an indication that an asset may be impaired. If any indication such as decline in market value of the asset, changes in technology, physical damage, obsolescence, etc. exist, impairment loss will be recognized to ensure that non-financial assets are carried at no more than their recoverable amount.

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2.10 Other assets

Other assets are payments made in advance for goods to be received or services to be enjoyed in future. They are initially recognized up on occurrence of event or transaction and subsequently canceled when the goods are received or amortized over the period in which the service is to be enjoyed.

2.11 Right of use assets

Right of use assets conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Right of use assets are recognized at the comencement of the lease contract and is measured at cost less accumulated depreciation and accumulated impairment. Rights of use assets are depreciated over the useful life of the lease term on a straight line basis. Right of use assets are derecognized at the expiration of a lease contract.

2.12 Prepaid employee benefit

The bank provides loans to its employee at below market rate of interest. Under IFRS such loans are recognized at their fair value on the inception date. The fair value of employee loans below market rate are determined as the present value of future cash flow receipts (installment payments) using the prevailing market rate of interest as a discounting factor. The market rate is determined by reference to what the staff members would have been charged to access a similar loan facility from other banks. The market rate is determined by the Ethiopian Bankers Association. The difference between the fair value and the contractual value of employee loans are recognized as prepaid employee benefit and amortized throughout the life the loan.

2.13 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

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

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

b) Defined benefit plan

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit cost 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 and past service cost of the defined benefit plan is recognized in the profit or loss statement Re-measurements of the net defined benefit liability, which compromise actuarial gains and losses are recognized immediately in other comprehensive income.

2.14 Provisions

The Bank recognizes provisions when it has present obligation (legal or constructive) as a result of 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. The amount of provision is determined using best estimate of the expenditure expected to settle the obligation at the reporting date.

2.15 Contingent liabilities

Letters of credit, guarantees 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.

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2.16 Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

2.17 Dividends

Dividends are recognized as a liability in the period in which they are declared, that is when the shareholders of the bank approve dividend distribution to the bank's shareholders.

2.18 Share capital and reserve

Ordinary shares are classified as share capital in equity. Any premium received over and above the par value of the shares is classified as share premium.

3 Significant accounting estimates and judgments

The following are key estimates and judgments that the management has used in the process of applying the bank's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

3.1 Impairment losses on loans and advances

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 this drivers will affect each other. The key inputs in measuring Expected Credit Loss (ECL) are Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). See note 2.4 (iv). All these are estimates and judgments which are highly subjective.

3.2 Fair value 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 value of quoted financial instrunments in active markets are based on current prices with no subjective judgjements. There are no financial instrunments currently measured at fair value except equity investment and prepaid employee benefit. If the market for a financial instrument does not exist, a degree of judgment is required to establish fair values judgment include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.3 Defined benefit plans

The present value of the defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making various assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty and a change in any of the assumptions will alter the carrying amount of defined benefit obligations.

3.4 Property, plant and equipment

Property plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values may vary depending on a number of factors. In reassessing asset lives and residual values, factors such as technological innovation, product life cycles, maintenance programs and future market conditions are taken into account which involves extensive subjective judgment which may have significant impact on financial statements.

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3.5 Taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax provisions in the period in which such determination is made.

4 Financial risk management

4.1 Introduction

The Bank is exposed to various types of financial risks, the most important of which are credit risk, liquidity risk and market risk. The Bank's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Bank's financial performance.

4.1.1 Risk management structure

The Board of Directors has the overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established various committees, which are responsible for monitoring the Bank's risk in their specified areas. The senior management has the responsibility to develop and implement risk management policies and procedures. The risk and compliance department is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank and reports to the Board regarding risk management issues. Asset Liability Committee (ALCO) is responsible for managing the Bank's financial assets and financial liabilities and the overall financial performance.

4.1.2 Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur. Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk mitigation

The Bank uses various mitigating techniques to reduce its risk to the level acceptable. It uses Board approved risk tolerance limit as a risk limit control. This risk tolerance limit is composed of risk limit by sector, by credit product, by maturity, by geography and risk grade. The Bank also apply the limits imposed by National Bank of Ethiopia such as single borrower limit, related party limit, off balance sheet exposure limit, liquidity requirement, capital adequacy, etc. In addition, the Bank has established an appropriate risk management environment, sound credit, liquidity and capital management policies and strategies.

4.2 Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank's main income generating activity is lending to customers and therefore credit risk is the principal risk. Exposure to credit risk is managed through periodic analysis of the ability of borrowers and potential borrowers to determine their capacity to meet principal and interest thereon, and restructuring such limits as appropriate. Exposure to credit risk is also mitigated, in part, by obtaining collateral, commercial and personal guarantees.

4.2.1 Management of credit risk

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

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4.2.2 Credit quality

An analysis of the Bank's credit risk exposure per class of financial assets without taking into account the effects of any collateral or other credit enhancements is provided on the following table:

Loans and advances to customers

	Stage 1	Stage 2	Stage 3	30 June 2023 Birr'000 Total	30 June 2022 Birr'000 Total
Stage 1	33,341,813			33,341,813	25,065,178
Stage 2		2,166,915		2,166,915	1,160,662
Stage 3			1,542,915	1,542,915	756,672
Total gross exposure	**33,341,813**	**2,166,915**	**1,542,915**	**37,051,643**	**26,982,512**
Loss allowance	(182,842)	(19,431)	(375,019)	(577,292)	(387,944)
Net carrying amount	**33,158,971**	**2,147,484**	**1,167,896**	**36,474,351**	**26,594,569**

Off balance sheet items

	Stage 1	Stage 2	Stage 3	30 June 2023 Birr'000 Total	30 June 2022 Birr'000
Stage 1	5,429,674			5,429,674	2,999,225
Stage 2		26,212		26,212	8,291
Stage 3			-	-	
Total gross exposure	**5,429,674**	**26,212**		**5,455,886**	**3,007,516**
Loss allowance	(17,620)	(464)	-	(18,084)	(25,550)
Net carrying amount	**5,412,053**	**25,748**	-	**5,437,801**	**2,981,965**

The off balance sheet items include Loan commitments of Revolving credit facilities and Overdraft facilities (Unutilized Amounts) and Financial Guarantee.

4.2.3 Credit concentrations by sector

The bank focuses on the diversification of its lending portfolio by setting sectoral limits to ensure that its is not negatively impacted by a large exposure default.

The Bank monitors credit risk by sectorial distribution against its own risk concentration limit. An analysis of concentrations of credit risk at 30 June 2023 is give below.

Sectors	30 June 2023 Birr'000	30 June 2022 Birr'000
Agriculture	296,339	255,064
Construction and Building	5,311,732	4,007,260
Consumer Loan	3,237,753	1,284,817
Domestic Trade Services	6,642,514	4,696,828
Export and Import	14,365,691	12,028,032
Hotel and Tourism	823,713	550,020
Manufacturing and Industry	3,916,539	2,106,260
Transport and Communication	2,457,362	2,054,232
Total gross exposure	37,051,643	26,982,512
- Less impairment	(577,292)	(387,944)
Net	**36,474,351**	**26,594,569**

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4.2.4 Collateral on loans and advances

The Bank holds collateral against loans and advances to customers in the form of building, machinery, truck and other registered securities over assets and guarantees. The value of collaterals in respect of loans and receivables are given below:

Collateral Concentration by sector

Sector	Building	Machinery	Truck	Others	30 June 2023 Birr'000 Total Collaterals	30 June 2022 Birr'000 Total Collaterals
Agriculture	316,373	-	207,299	-	523,672	446,088
Construction and Building	8,416,246	221,101	2,636,137	874,324	12,147,808	9,610,071
Consumer Loan	4,537,320	-	792,122	2,900	5,332,342	2,235,703
Domestic Trade Services	12,884,214	-	1,141,791	553,584	14,579,589	11,776,305
Export and Import	14,126,503	35,000	1,370,078	2,197,218	17,728,800	13,835,225
Hotel and Tourism	1,816,785	-	9,400	37,954	1,864,139	1,503,575
Manufacturing and Industry	4,393,638	30,234	395,071	868,997	5,687,940	4,185,609
Transport and Communication	879,972	-	4,476,697	26,891	5,383,560	4,626,351
Total	**47,371,050**	**286,335**	**11,028,596**	**4,561,868**	**63,247,849**	**48,218,927**
Less: Impairment					(577,292)	(387,944)
Net					**62,670,558**	**47,830,983**

Management is confident in its ability to continue to control and effectively manage the credit risk exposure in the Bank's loan and advances portfolio.

4.2.5 Loss allowance movement

The following table summerizes the movement of the loss allowance during the year.

	Stage 1	Stage 2	Stage 3	30 June 2023 Birr'000 Total	30 June 2022 Birr'000 Total
Balance at 1 July, 2022	209,924	11,609	166,411	387,944	295,769
Transfer to 12 months ECL	4,907	(1,168)	(3,739)	-	-
Transfer to Lifetime ECL not credit impaired	(10,134)	10,640	(505)	-	-
Transfer to Lifetime ECL credit impaired	(4,325)	(470)	4,796	-	-
Net remeasurement of Loss allowance	(11,342)	(620)	239,852	227,890	86,162
Net financial assets originated or purchased	117,470	8,242	3,687	129,399	160,717
Financial assets derecognised	(123,657)	(8,801)	(35,483)	(167,941)	(154,704)
Balance at 30 June 2023	**182,842**	**19,431**	**375,019**	**577,292**	**387,944**

4.2.6 Guarantees and commitments

The maximum exposure to credit risk related to guarantees and letter of credit is the maximum amount the bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk related to loan commitment is the full amount of the commitment. The table below shows the bank's maximum credit risk exposure for guarantees and commitments.

The below table shows the bank's maximum credit risk exposure guarantee, letter of credit and loan commitment.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Guarantees issued and outstanding	10,563,800	697,159
Letters of credit net-off margin held	1,279,276	447,375
Loan commitments	1,933,098	2,233,461
	13,776,174	3,377,995

4.3 Liquidity risk

Liquidity risk is the risk that the Bank, though solvent either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due or can secure them only at excessive costs.
The bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

4.3.1 Management of liquidity risk

Liquidity risk arrises because of the possibility that the bank might be unable to meet its payment obligations when they fall due as a result of missmatches in the timing of the cashflows under both normal and stress circumstances.

The daily liquidity position of the Bank is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions to ensure that sufficient liquidity is maintained. The key measures used by the bank for managing liquidity risk are the ratio of net liquid assets to net current liabilities and maturity analysis. Details of the reported Bank' s ratio of net liquid assets to net current liabilities at the reporting date and during the reporting year were as follows:

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Ratio of net liquid assets to net current liabilitites

	30 June 2023	30 June 2022
At Close of the year	20.52%	23.80%
Average for the year	20.77%	21.71%
Maximum for the year	26.30%	24.30%
Minimum for the year	18.01%	19.00%

4.3.2 **Maturity analysis of financial asset and liabilities**

The table below summarizes the Bank's liquidity risk as at 30 June 2023, categorized into relevant maturity groupings based on contractual maturity date.

30 June 2023	0-30 days Birr'000	31-90 days Birr'000	91-180 days Birr'000	181-365 days Birr'000	Over 1 year Birr'000	30 June 2023 Total Birr'000	30 June 2022 Total Birr'000
Financial Assets							
Cash and bank balances	5,430,750	158,930.00	202,670	292,280	2,163,288	8,247,918	7,920,786
Loans & advances to customers	967,400	2,986,050	4,306,200	5,910,570	22,304,131	36,474,351	26,594,569
Equity investments	-	-	-	-	505,679	505,679	298,728
Other financial Assets	1,054,530	1,529,410	1,314,590	100,000	1,669,314	5,667,844	3,182,409
Total Financial Assets (a)	**7,452,680**	**4,674,390**	**5,823,460**	**6,302,850**	**26,642,412**	**50,895,792**	**37,996,492**
Financial Liabilities							
Deposits from customers	1,392,425	1,611,717	2,923,490	4,091,690	30,666,090	40,685,412	32,397,350
Deposits from other banks	271,586	712,463	-	100,000	-	1,084,049	-
Other financial liabilities	644,974	185,240	3,134,231	35,550	364,780	4,364,775	1,571,928
Total financial liabilities (b)	**2,308,985**	**2,509,420**	**6,057,721**	**4,227,240**	**31,030,870**	**46,134,236**	**33,969,278**
NET Mismatch (a - b)	**5,143,695**	**2,164,970**	**(234,261)**	**2,075,610**	**(4,388,458)**	**4,761,556**	**4,027,214**
Cumulative Mismatch	**5,143,695**	**7,308,665**	**7,074,404**	**9,150,014**	**4,761,556**	**9,523,112**	**8,054,428**

The cash flows presented in the table above are the undiscounted amounts to be settled in the future. The analysis shows that the Bank will not be exposed to liquidity risk in the future. The maturity analysis is based on NBE requirements.

4.4 **Market risk**

Market risk is the risk of loss that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities.

i) **Foreign exchange risk**

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments 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 currencies other than Ethiopian Birr. Management has set limits to manage the Bank's foreign exchange risk against its functional currency.

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NOTE TO THE FINANCIAL STATEMENTS
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The table below summarizes the foreign currency exposure as at 30 June 2022 and 30 June 2023

30 June 2023	USD Birr'000	GBP Birr'000	EUR Birr'000	AED Birr'000	ZAR Birr'000	Total Birr'000
Financial Assets:						
Cash and bank balance	1,027,540	1,226	181,995	8,110	5,922	1,224,793
Other assets	-	-	-	-	-	-
Total	**1,027,540**	**1,226**	**181,995**	**8,110**	**5,922**	**1,224,793**
Financial Liabilities:						
Deposit from customer	371,151	84	19,685	-	-	390,920
Other liabilities	-	-	-	-	-	-
Total	371,151	84	19,685	-	-	390,920
Net exposure	656,389	1,142	162,309	8,110	5,922	833,873

30 June 2022	USD Birr'000	GBP Birr'000	EUR Birr'000	AED Birr'000	ZAR Birr'000	Total Birr'000
Financial Assets:						
Cash and bank balance	1,062,986	21,239	5,086	2,153	-	1,091,464
Other assets	-	-	-	-	-	-
Total	**1,062,986**	**21,239**	**5,086**	**2,153**	**-**	**1,091,464**
Financial Liabilities:						
Deposit from customer	535,606	19,213	38	-	-	554,857
Other liabilities	-	-	-	-	-	-
Total	**535,606**	**19,213**	**38**	**-**	**-**	**554,857**
Net exposure	**527,380**	**2,026**	**5,047**	**2,153**	**-**	**536,606**

ii) Sensitivity analysis for foreign exchange risk

Sensitivity analysis of foreign exchange risk measures the impact of currency rate fluctuation on profitability of the Bank with all other variables held constant. The following table summarizes the sensitivity of profit due to increase or decrease in foreign currency rate by 10% on foreign currency denominated monetary assets and liability accounts:

Description	At 30 June 2023 Carrying Amount Birr'000	10% Depreciation Birr'000	10% Appreciation Birr'000	At 30 June 2022 Carrying Amount Birr'000	10% Depreciation Birr'000	10% Appreciation Birr'000
Assets						
USD	1,027,540	(102,754)	102,754	1,062,986	(106,299)	106,299
GBP	1,226	(123)	123	21,239	(2,124)	2,124
EUR	181,995	(18,199)	18,199	5,086	(509)	509
AED	8,110	(811)	811	2,153	(215)	215
ZAR	5,922	(592)	592	-	-	-
	1,224,793	**(122,479)**	**122,479**	**1,091,464**	**(109,146)**	**109,146**
Liabilities						
USD	535,606	53,561	(53,561)	554,857	55,486	(55,486)
GBP	19,213	1,921	(1,921)	-	-	-
EUR	38	4	(4)	-	-	-
AED	-	-	-	-	-	-
ZAR	-	-	-	-	-	-
	554,857	**55,486**	**(55,486)**	**554,857**	**55,486**	**(55,486)**
Total (Decrease)/increase effect on gross profit	**1,779,650**	**(66,994)**	**66,994**	**1,646,321**	**(53,661)**	**53,661**

At 30 June 2023 if the Birr had weakened/strengthened by 10% against the major trading currencies, with all other variables held constant, profit before tax would have been lower/higher 66.99 million Birr.

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iii) Interest rate risk

Interest rate is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. Interest margin may decrease as a result of such changes but may increase losses in the event that unexpected movement arises. The Bank closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of financial assets and liabilities carried on the statement of financial position.

Sensitivity analysis for interest rate risk

Sensitivity analysis of interest rate risk measures the impact of interest rate fluctuation on profitability of the Bank with all other variables held constant. The following table summarizes the sensitivity of profit due to increase or decrease in interest rate by 10% on interest bearing financial assets and liabilities. The sensitivity is measured based on the assumption that there is parallel shift in the yield curve.

Interest rate risk

	30 June 2023 Birr'000		
	Carrying Amount	10% Increase	10% Decrease
Interest Bearing assets			
Loans and Advance to Customers at amortized cost	37,051,643	3,705,164	(3,705,164)
Fixed Time deposit	1,662,267	166,227	(166,227)
Total Interest Bearing assets	**38,713,910**	**3,871,391**	**(3,871,391)**
Interest Bearing liabilities			
Deposits from customers	38,338,600	3,833,860	(3,833,860)
Fixed Time deposit	3,430,916	343,092	(343,092)
Total Interest Bearing Liabilities	41,769,516	4,176,952	(4,176,952)
Net interest income increase/decrease	(3,055,606)	(305,561)	305,561

If interest rate had increased/decreased by 10% against interest bearing assets and liabilities, 'with all other variables held constant, profit before tax would have been lower/higher by 305.56 million Birr respectively.

4.5 Capital management

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

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	30 June 2023 Birr'000	30 June 2022 Birr'000
Share capital	4,733,303	3,971,031
Share premium	35,388	35,208
Legal reserve	1,308,302	920,434
Total regulatory capital	6,076,993	4,926,673
Total risk weighted assets	49,246,297	36,629,539
Primary Capital Adequacy Ratio (CAR)	12.34%	13.45%
Minimum required capital ratio	8.00%	8.00%
Excess /short-fall	4.34%	5.45%

5 Interest income

	30 June 2023 Birr'000	30 June 2022 Birr'000
Loans and advances to customers	5,265,006	3,361,327
Treasusy Bills	122,485	123,911
NBE bills	-	29,748
Treasury Bond	34,640	-
Government Bonds	28,267	2,307
Time deposits	97,124	26,048
	5,547,522	3,543,341

6 Interest expense

	30 June 2023 Birr'000	30 June 2022 Birr'000
Deposits from customers	1,412,513	1,090,025
Deposits from cooperatives and other Banks	152,685	35,212
Deposits from public agencies	3,991	1,176
	1,569,189	1,126,413

7 Fee and commission income

	30 June 2023 Birr'000	30 June 2022 Birr'000
Commission income Local	273,596	210,707
Commission income Foreign	363,970	135,078
Service charges Local	27,134	12,626
Service charges Foreign	548,216	270,860
Processing fees	29,063	10,869
	1,241,979	640,140

8 Fee and commission expense

	30 June 2023 Birr'000	30 June 2022 Birr'000
Legal Fees	130	40
Manucipality Fees	4,241	1,834
Membership fee	551	268
License Fees	445	372
Correspondent Charges	1,846	2,347
Motor Vehicles Inspection & Circulation Fees	252	778
Bank Charges & Commissions	36,028	4,605
Ethswitch Remote-on us expense	9,449	5,936
Swift charge	1,465	1,469
Agent commission expense	-	-
	54,407	17,650

9 Net gain on foreign exchange valuation

	30 June 2023 Birr'000	30 June 2022 Birr'000
Gain on Forign Exchange Valuation	218,300	216,946
Loss on Forign Exchange Valuation	(63,373)	(103,974)
	154,927	112,972

10 Other operating income

	30 June 2023 Birr'000	30 June 2022 Birr'000
Rental income	6,029	562
Gain on disposal of properties	390	1,618
Penalty Charge Income	14,195	226
Dividend earned	15,216	7,445
Other income	21,553	26,256
	57,383	36,107

11 Loan impairment charge

	30 June 2023 Birr'000	30 June 2022 Birr'000
Loan impairment charge	207,867	92,175
	207,867	92,175

12 Impairment losses on other assets/liabilities

	30 June 2023 Birr'000	30 June 2022 Birr'000
Impairment losses on other assets	11,335	6,841
Impairment losses on Court Case	-	-
Impairment losses on Treasury Bill	103	(11)
Impairment losses on Cash & bank Balance	6	148
	11,444	6,978

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13 Personnel expenses

	30 June 2023 Birr'000	30 June 2022 Birr'000
Staff Salaries	1,004,896	582,460
Staff allowances	485,815	229,626
Pension costs – Definded Employee Benefit	110,778	64,235
Definded Employee Benefit	26,648	15,747
Other staff expenses	338,859	202,558
	1,966,996	1,094,626

14 Other operating expenses

	30 June 2023 Birr'000	30 June 2022 Birr'000
Advertisement & publicity	53,305	20,108
Amortisation Leasehold Land	2,661	2,687
Donations	34,555	10,110
Audit fees	423	423
Consultancy fee	5,751	2,416
Directors' related expenses	1,580	1,130
Entertainment	901	274
Event organization expense	114	539
Fuel and lubricants	19,159	8,045
Insurance	15,921	11,933
IT support	102,104	65,675
Loss on Desposal of Assets	1,398	590
Office supplies	106,288	53,173
Other Operating expenses	99,776	75,558
Perdiem administration	9,796	7,006
Repairs and maintenance	20,282	10,641
Security,Messengers & Janitors expenses	198,406	119,787
General assembly	1,985	660
Meeting accomodation	6,299	2,193
Fund transfer fees and expenses	8,795	5,953
Staff loan - Amortisation	9,309	12,068
Sundries	2,126	2,427
Telephone expenses	27,798	19,187
Provision Expense on LCS	67	(27)
Provision Expense on Financial Gurantee	535	10
Provision expense on Court Case	1,104	-
Provision expense on OD & Revolving Facilities	(8,068)	-
Sponsorship expense	8,990	2,330
Transport and fuel	14,843	9,557
Utilities	5,751	3,552
Wages for non-permanent employees.	2,785	1,997
	754,737	450,002

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15 Company income and deferred tax liability

Reconciliation of effective tax to statutory tax

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
IFRS accounting profit	2,124,416	1,300,913
Add : Disallowed expenses		
Entertainment	901	274
Donation: which is not donated to the federal/regional government	-	-
Penalty	330	1,499
Award/Gifts	2,890	235
Sport Expense	366	480
Current service cost, past service cost and interest	26,648	15,747
Impairment on other assets	110	136
Legal Provision	1,104	-
IFRS depreciation and Amortization expense	121,535	87,281
Impairment on Loans and Advances as per IFRS	207,867	92,175
Interest expense on Lease liability	10,241	23,281
Depreciation Expense - ROUA	180,979	18,283
Depreciation Expense - ROUA_leasehold land	2,641	3,111
Prepaid staff expense	9,309	12,068
Additional interest income recognized on employee benefit	114,434	58,670
Accrued-Leave expenses	46,241	43,589
Loss on Disposal of Asset (As per IFRS)	1,398	590
Provision expense of LCs & Guarantee	602	16
Other receivable impairment expense	11,335	6,842
Sub total	738,931	364,279
Less: tax exempted income and allowed expenses		
Depreciation for tax purpose	171,523	106,930
80% of NBE provision on loans	172,299	127,675
80% of Other receivable asset provision	97,851	11,209
Interest income taxed at source- local deposit	97,124	26,048
Interest income taxed at source- NBE bill	-	29,748
Interest income taxed at source- Treasury Bill	122,485	123,911
Interest income taxed at source- Foreign	-	-
Interest Earned on Treasury Bonds	34,640	-
Interest income taxed at source- Government Bond	28,267	2,307
Dividend income taxed at source	15,216	7,445
Gain on Disposal of property, plant and equipments (As per IFRS)	390	1,618
Defind employee benefit paid as per tax base	8,917	2,808
Accrued-Leave expenses as per tax base	8,211	-
Quara Building Rent Income	6,029	-
Provision expense on OD & Revolving Facilities	8,068	-
Office rent amortization expense as per tax base	188,540	-
Sub total	959,559	439,698
Taxable profit	1,903,788	1,225,494
Current tax @30%	571,136	367,648
Add: Rental income tax (6,029*.3)	1,809	-
Income tax expense recognized in profit or loss	572,945	367,648

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Current income tax liability

	30 June 2023 Birr'000	30 June 2022 Birr'000
Balance at the beginning of the year	367,648	305,743
Prior year over /under paid	14,849	52,230
Payment during the year	(382,497)	(357,973)
Current year profit tax	571,136	367,648
Current year rent income tax	1,809	-
	572,945	367,648

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):	1 July , 2022 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to OCI Birr'000	30 June 2023 Birr'000
Property, plant and equipment	20,176	14,675	-	34,851
Post employment benefit obligation	(19,565)	(5,319)	(10,815)	(35,700)
Total net deferred tax (assets)/liabilities	610	9,356	(10,815)	(849)

16	**Cash and bank balance**	30 June 2023 Birr'000	30 June 2022 Birr'000
	Cash on hand	2,201,800	1,988,265
	Cash held on NBE	4,862,253	4,880,508
	Deposits with local banks	2	2
	Deposits with foreign banks	1,184,166	1,052,308
	Less: Bank balance impairement	(303)	(297)
		8,247,918	7,920,786
	Maturity analysis		
	Current	8,247,918	7,920,786
	Non Current		
		8,247,918	7,920,786

17	**Loans and advances to customers**	30 June 2023 Birr'000	30 June 2022 Birr'000
	Agriculture	296,339	255,064
	Construction and Building	5,311,732	4,007,260
	Consumer Loan	3,237,753	1,284,817
	Domestic Trade Services	6,642,514	4,696,828
	Export and Import	14,365,691	12,028,032
	Hotel and Tourism	823,713	550,020
	Manufacturing and Industry	3,916,539	2,106,260
	Transport and Communication	2,457,362	2,054,232
	Total gross exposure	37,051,643	26,982,512
	- Less impairment	(577,292)	(387,944)
		36,474,351	26,594,569
	Maturity analysis		
	Current	10,200,891	9,932,070
	Non Current	26,273,460	16,662,499
		36,474,351	26,594,569

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18 Equity Investments

Equity investments	FV as at '30 June 2022 Birr'000	Investment during the year Birr'000	FV - OCI of the period Birr'000	FV as at '30 June 2023 Birr'000
Abay Insurance S.C	31,282	5,000	16,844	53,127
Abay Industries S.C	76,553	-	112,331	188,884
Addis-Africa Int. Conv. & Exh. Center	943	-	(595)	348
Dessie Hidassie Building .C	100	-	-	100
Ethiswitch S.C	171,750	2,934	74,320	249,003
ACSI Bank S.C	18,101	-	(3,884)	14,217
	298,728	**7,934**	**199,016**	**505,679**

OCI Equity investment	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	171,752	54,840
Equity investment for the period	199,016	116,912
At the end of the year	370,768	171,752

The fair value of equity investments are estimated by independent consultant, price waterhouse Coopers (PWC). Pwc used fairvalue of comparative companies and adjusted for specific factors as a basis for fair valuation. It applied level II inputs in determining fair value of bank's equity investments.

19 Other Financial assets

a) Investment Securities	30 June 2023 Birr'000	30 June 2022 Birr'000
Time deposit	1,662,267	101,718
Treasury bill	1,214,605	2,177,107
Treasury bond	1,141,920	-
Government Bond	527,354	203,394
National Bank of Ethiopia bill		
	-	-
	4,546,146	2,482,219
Less Impairement on NBE and Treasury Bills	(227)	(124)
	4,545,919	**2,482,095**

b) Other receivables	30 June 2023 Birr'000	30 June 2022 Birr'000
Receivable from money transfer agents	200,437	119,790
Staff receiveable	1,384	1,605
Other receivables	937,296	584,846
Less: impairment allowance	(17,192)	(5,927)
	1,121,925	**700,314**
Total Other Financial Assets	5,667,844	3,182,409

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	601,915	2,273,096
Non Current	5,065,929	909,313
	5,667,844	3,182,409

20 Other Non-financial assets	30 June 2023 Birr'000	30 June 2022 Birr'000
Prepayments	265,797	205,067
Inventory in stock	267,860	300,047
Prepaid employee benefit	170,933	436,181
Other receivable	1,188	611
Total other Non Financial Assets	705,778	941,906

Prepaid employee benefit measured at fair valuation

Stages	30 June 2023 Total Birr'000	30 June 2022 Total Birr'000
Stage 1	557,681	397,369
Stage 2	2,392	8,372
Stage 3	8,686	11,130
Grand Total	568,759	416,871

21 **Right of Use Asset**

The statement of financial position shows separate line item for the right of use asset which comprises the following; Weigheted Average Cost of Capital of the bank was used to discount lease liability. The rate applied for this computation was 6%.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Right-of-use assets balance – As at July 1, 2022	639,439	416,155
Add: ROUA addition	321,585	248,942
Add: Lease liability addition	176,649	107,583
Add(Less): Depreciation expense on right of use asset	(180,979)	(133,241)
Prior Period adjustment	(29,199)	-
Total	927,495	639,439

	30 June 2023 Birr'000	30 June 2022 Birr'000
Office Rent	800,392	510,284
Land	127,103	129,155
Total Right of use asset	927,495	639,439

22 **Lease liabilities**

The statement of financial position shows separate line item for the lease liability which comprises the following; Weigheted Average Cost of Capital of the bank was used to discount lease liability. The rate applied for this computation was 6%.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Lease liabilities balance – As at July 1, 2022	391,992	138,860
Add: Lease liability addition of the year	105,287	229,852
Add: Current year interest expense on lease liability	10,241	23,281
Total	507,521	391,992

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23 Property, plant and equipment

Description	Buildings Birr'000	Motor Vehicles Birr'000	Furniture & Fittings Birr'000	Office Equipment Birr'000	Computer & Accessories Birr'000	Total Birr'000
Cost:						
As at 1 July 2022	91,175	189,248	148,310	148,110	290,584	867,427
Additions	74,813	210,584	98,145	205,944	92,387	681,873
Disposals	-	(994)	(147)	(1,052)	(2,485)	(4,679)
Reclassifcation	-	-	-	-	-	-
Prior Year Adjustment	-	-	-	-	-	-
	165,988	398,838	246,308	353,002	380,485	1,544,620
Accumulated depreciation:						
As at 1 July 2022	2,052	67,141	39,411	62,633	120,955	292,192
Charge for the year	2,363	24,897	16,042	28,590	42,193	114,086
Disposals	-	(941)	(94)	(747)	(1,414)	(3,196)
Prior Year Adjustment	-	-	-	-	-	-
	4,415	91,097	55,359	90,477	161,734	403,082
Net book value:						
30 June 2022	89,123	122,106	108,899	85,477	169,629	575,235
30 June 2023	161,573	307,741	190,949	262,525	218,751	1,141,539

24 Intangible Assets

Description	30 June 2023 Birr'000	30 June 2022 Birr'000
Cost:		
As at 1 July 2022	78,833	78,833
Additions	-	-
Prior Period Adjustment	-	-
Reclassification	-	-
30 June 2023	78,833	78,833
Accumulated amortization		
As at 1 July 2022	51,801	42,298
Charge for the year	7,450	9,504
Disposals	-	-
Prior Period Adjustment	-	(1)
30 June 2023	59,251	51,801
Net book value:		
30 June 2022	27,032	36,535
30 June 2023	19,582	27,032

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25 Construction in progress

	30 June 2023 Birr'000	30 June 2022 Birr'000
As at 1 July 2022	501,634	329,413
Additions for the year	858,095	172,221
	1,359,729	501,634

26 Non current asset held for sale

	30 June 2023 Birr'000	30 June 2022 Birr'000
Cost		
Opening	13,758	13,758
Additions/deduction	(6,407)	-
Balance at the end of the year	7,351	13,758

The Bank's policy is to pursue realization of the collateral in a timely manner.

27 Deposits from customers

	30 June 2023 Birr'000	30 June 2022 Birr'000
Demand deposits	12,883,713	9,075,677
Savings deposits	25,454,887	21,513,729
Fixed Time deposit	3,430,916	1,807,944
	41,769,516	32,397,350
Maturity analysis		
Current	41,769,516	32,397,350
Non Current	-	-
	41,769,516	32,397,350

28 Other Financial liabilities

	30 June 2023 Birr'000	30 June 2022 Birr'000
Audit fee payables	423	423
Borrowing from DBE	208,166	180,411
Borrowing from NBE	-	-
Cash payment order payable	169,477	174,894
Customers payables	351,074	265,721
Provision for bonus	150,000	51,693
Deferred guarantee income	5,605	1,795
Directors share of profit payable	1,350	1,350
Dividend payables	33,008	35,163
Exchange commission payable	17,367	14,666
Foreign transfers payables	45,134	67,766
Impairement Financial Gurantee	845	310
Impairement on L/C	89	22
Provision - on Overdraft Facility	2,906	-
Provision - on Revolving Facility	14,244	-
Long Outstanding payables	64,564	43,200
Margin Held Accounts	3,117,081	400,028
Refund payable	37	96
Shareholders payables	808	804
Staff leave payables	124,896	86,854
Cash indemnity allowance	24,270	14,194
Sundry payables	33,431	232,538
	4,364,775	1,571,928

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29 Non-financial liabilities

	30 June 2023 Birr'000	30 June 2022 Birr'000
Stamp duty payable	2,365	475
Tax payables	31,674	22,861
Pension payable	9,720	10,320
Provisions	1,104	-
Other payables	8,394	10,498
	53,257	**44,154**
Total other financial and non financial liabilities	4,418,032	1,616,082

*Sundry payables includes blocked accounts payables, court cases payables, telephone payable and other miscellaneous.

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	4,364,775	1,571,928
Non Current	53,257	44,154
	4,418,032	**1,616,082**

30 Defined Employee Benefit Obligation

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.

Liabilities recognized in the statement of financial position is as follows:

	30 June 2023 Birr'000	30 June 2022 Birr'000
Defined benefits obligation	119,001	65,219
Total defined employee benefit obligation	**119,001**	**65,219**

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

Amount recognized in the profit or loss	30 June 2023 Birr'000	30 June 2022 Birr'000
Current service cost	9,560	7,448
Interest cost	17,088	8,299
Past service cost	-	-
Total expense recognized	26,648	15,747

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Amount recognized in other comprehensive income:

The movements recognized under other comprehensive income (OCI) for the year ended 30 June 2023 are

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	25,560	21,475
Actuarial (Gains)/Losses on economic assumptions	8,870	(4,739)
Actuarial (Gains)/Losses on experience	27,181	8,824
Expense/(Income) recognized in OCI during the year	36,051	4,085
At the end of the year	**61,611**	**25,560**

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	65,219	48,195
Current service cost	9,560	7,448
Interest cost	17,088	8,299
Remeasurement (gains)/losses	36,051	4,085
Benefits paid	(8,917)	(2,808)
Past service cost	-	-
Prior Period Adjsutment	-	-
At the end of the year	**119,001**	**65,219**

The key financial assumptions applied in the valuation, compared to those applied in the previous valuation are summarized as follows:

Assumptions

	30 June 2023 Birr'000	30 June 2022 Birr'000
Discount Rate	20.8%	24.3%
Inflation Rate	15.1%	17.3%
Salary increase Rate	15.1%	17.3%
Net pre-retirement Rate	4.95%	5.97%

31 **Share capital**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Authorized:		
Ordinary shares of Birr 1000 each	5,000,000	5,000,000
Issued and fully paid:		
Ordinary shares of Birr 1000 each	4,733,303	3,971,031
Share premium	35,388	35,208
	4,768,691	4,006,239

The Bank shares are owned by individuals and companies.

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32 Earnings per share

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Profit after tax	1,551,471	933,265
Weighted average number of ordinary shares in issue	4,309	3,163
Basic earnings per share (Birr)	**360.03**	**295.08**

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.

33 Retained earnings

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	658,748	600,916
Dividend paid	(658,748)	(548,685)
Carried forward		
Profit/ (Loss) for the year	1,551,471	933,265
Board remuneration fee	(1,350)	(1,350)
Legal reserve	(387,868)	(233,318)
Regulatory risk reserve	(118,207)	(59,545)
Deferred tax liabilities	1,459	18,843
Prior period adjustment	(3,745)	(51,378)
At the end of the year	**1,041,760**	**658,748**

34 Legal reserve

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	920,434	687,116
Legal reserve transferred during the period	387,868	233,318
At the end of the year	**1,308,301**	**920,434**

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

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35 Regulatory risk reserve	30 June 2023 Birr'000	30 June 2022 Birr'000
On loans		
Loan impairement under IFRS 9	(577,292)	(387,944)
NBE directive requirement	584,799	455,363
	7,507	67,419
On other assets		
Other Assets impairement under IFRS 9	(17,192)	(5,927)
NBE directive requirement	128,171	13,096
	110,979	7,169
Suspended interest		
Suspended interest Computed as per NBE directive requirement	124,705	50,395
	124,705	50,395
Regulatory risk reserve ending balance	243,190	124,983

The Regulatory risk reserve is a non-distributable reserve required by the regulation of National Bank of Ethiopia to be kept for impartment losses on loans and other receivables in excess of IFRS 9 charges. When the loan loss impairment determined using the NBE guidelines is higher than loss impairment determined under IFRS 9 model, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the bank.

Where the loss impairment determined using the NBE guidelines is less than the loan loss impairment determined using under IFRS 9 model, the difference is transferred from regulatory risk reserve to the retained earnings to the extent of non-distributable reserve previously recognized. Moreover, according to NBE directives interest income on impaired loans are not distributable to shareholders of the bank. The amount net-off tax is transferred to regulatory risk reserve.

36 Cash generated from operating activities	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Profit before tax		2,124,416	1,300,913
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	23	114,086	77,776
Amortization of intangible assets	24	7,450	9,504
Gain/(Loss) on disposal of property, plant and equipment	36	1,007	(1,027)
Impairment on loans and advances	11	207,867	92,175
Adjustment for reclassification of loan write off to loan provision		(18,518)	
Impairment on other receivable, NBE bill and Treasury Bill	19 a & 19 b	11,368	6,180
Employee benefit obligations	30	(36,051)	(4,085)
Proceed from sale of non current asset held for sale	26	6,407	-
Changes in working capital:			
-Decrease/ (Increase) in loans and advances	17	(10,069,130)	(6,820,112)
-Decrease/ (Increase) in other financial asset	19 b	(432,876)	(380,693)
-Decrease/ (Increase) in Other Non Financial assets	20	236,128	(886,147)
-Decrease/ (Increase) in Right of use assets	21	(288,056)	(223,284)
-Increase/ (Decrease) in deposits from customers	27	9,372,165	8,491,526
-Increase/ (Decrease) in Other Financial liabilities	28	2,792,847	256,066
-Increase/ (Decrease) in Lease Liabilities	22	115,528	253,132
-Increase/ (Decrease) in Defined benefits obligation	30	53,782	17,024
-Increase/ (Decrease) in Non financial liabilities	29	9,103	7,440
		4,207,523	**2,196,388**

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Cost of Property, plant and equipments sold	4,679	7,067
Accumulated depreciation of property, plant and equipment sold	(3,196)	(6,053)
Gain/(loss) on sale of property, plant and equipment	(1,007)	1,027
Proceed of property, plant and equipment sold	**476**	**2,042**

37 Related party transactions

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

a) Transactions with related parties

	Nature of Relationship	30 June 2023 Birr'000	30 June 2022 Birr'000
Loans to related parties	Board of Directors	8,629	380,616
	Executive Management	128,011	135,090
		136,641	**515,706**

b) Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management is shown.

There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2023.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Annual salary and other shorterm benefit	23,249	14,912
Directors share on annual profit	1,350	1,350
Directors annual sitting allowance	1,080	1,080
	25,679	**17,342**

Compensation of the Bank's key management personnel includes salaries, allowances and bonus.

38 Contingent liabilities

i) 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 summarizes the fair value amount of contingent liabilities for the account of customers:

	30 June 2023 Birr'000	30 June 2022 Birr'000
Guarantees issued and outstanding	10,563,800	697,159
Letters of credit net-off margin held	1,279,276	447,375
	11,843,075	**1,144,534**

ii) Commitments

The bank has commitments, not provided for in these financial statements being unutilized facilities as follows:

	30 June 2023 Birr'000	30 June 2022 Birr'000
Unutilized revolving facilities	1,106,328	1,019,404
Unutilized overdraft facilities	826,771	1,214,057
	1,933,098	**2,233,461**

39 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the bank as at 30 June 2023 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.