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Bank of Abyssinia

Annual Report 2022/23

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The Choice for All!

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Bank of Abyssinia



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Bank of Abyssinia

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Bank of Abyssinia

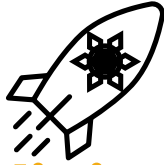
BANK OF ABYSSINIA

ANNUAL REPORT

2022-2023

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Vision

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



Mission

We are committed to provide excellent financial services through competent, motivated employees and digital technology in order to maximise value to all stakeholders.



Our Values



Customer Satisfaction

We are committed to provide the highest quality service to our customers at competitive price;
We continuously work towards achieving excellence in all our endeavours;



Caring for our Community

We promote sustainable and responsible business practices that are conscious of the community we operate in.



Team work and Collaboration

We foster teamwork and collaboration to achieve our goals.



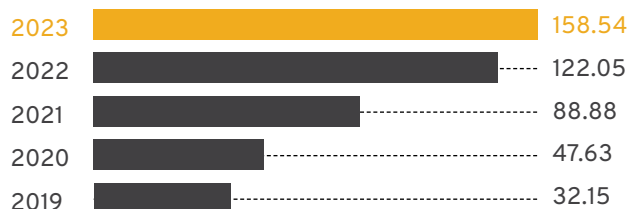
Integrity

We Promote and stand guard to a set of high moral standards and ethical values.

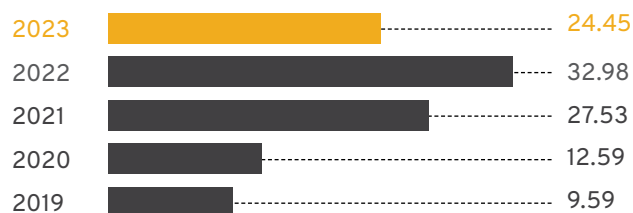
OPERATIONAL HIGHLIGHTS

(FY 2018/19 - 2022/23)

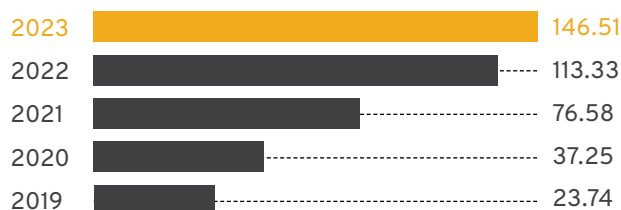
DEPOSITS (IN BILLIONS OF BIRR)



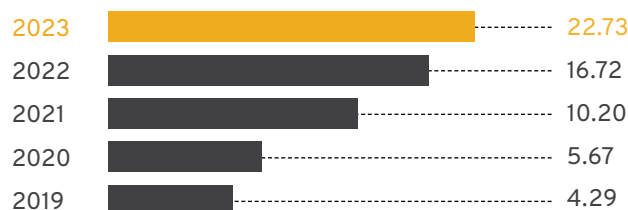
FCY EARNINGS (IN BILLIONS OF BIRR)



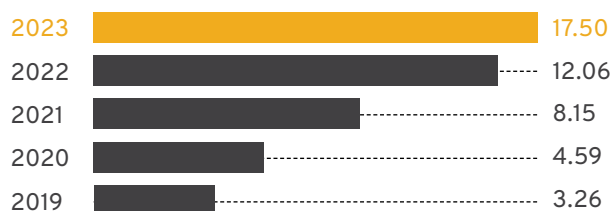
LOANS AND ADVANCES (IN BILLIONS OF BIRR)



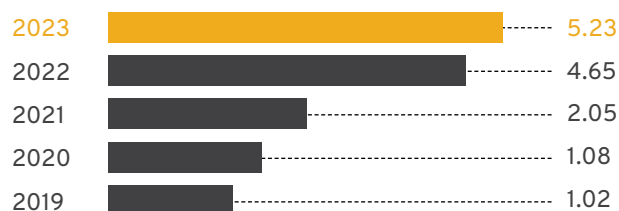
TOTAL INCOME (IN BILLIONS OF BIRR)



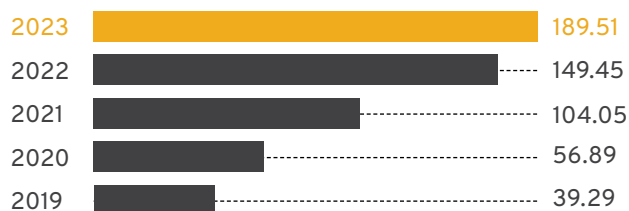
TOTAL EXPENSES (IN BILLIONS OF BIRR)



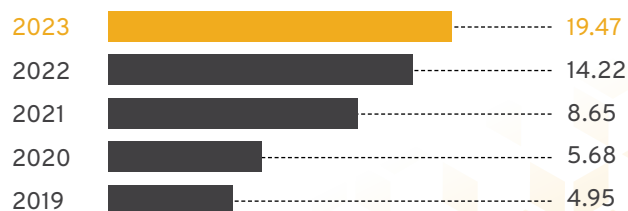
GROSS PROFIT BEFORE TAX (IN BILLIONS OF BIRR)



TOTAL ASSETS (IN BILLIONS OF BIRR)



TOTAL EQUITY (IN BILLIONS OF BIRR)



BANK OF ABYSSINIA

BOARD OF DIRECTORS



Ato Mekonnen Manyazewal
Board Chairperson



Ato Aemero Belete
Board Director



Ato Berhanu Jijo
Board Director



Prof. Belay Simane
Board Director



W/ro Emebet Woldeher
Board Director



Ato Messeret Taye
Board Director



Ato Meseret Melese
Board Director



Ato Yilikal Kassa
Board Director



Dr. Yifru Tafesse
Board Director



Ato Tewodros Tesfaye
Share Company Secretary



Sheikh Nuredin Delil
Sheri'ah Board Chairperson

BANK OF ABYSSINIA **SHARI'AH ADVISOR COMMITTEE**



Sheikh Abdulaziz Abdulweli
Sharia Advisory Committee Member



Sheikh Muhammed Ali
Shari'ah Advisory Committee Member



Ustaz Muhammed Abate
Shari'ah Advisory Committee Member

BANK OF ABYSSINIA EXECUTIVE MANAGEMENT



Bekalu Zeleke
Chief Executive Officer



Ato Seifu Bogale
Chief Corporate Human Resource Officer



Ato Asaminew Deribew
Chief Credit Business Officer



Ato Daniel Hallu
Chief Information System Officer



W/ro Meseret Asfaw
Chief Enterprise Service Officer



Ato Mehammod Nuredin
Chief International Banking Officer



Ato Abreham Gebeyehu
Chief Branch Banking Officer



W/ro Sosina Mengesha
Chief Digital Banking Officer



Dr. Kagnew Wolde
Vice President Marketing



Ato Dessalegn Yizengaw
Vice President Financial Management



Ato Abdulkadir Redwan
Vice President Interest Free Banking



Ato Wosenyeleh Aberra
Deputy Chief-Retail Business



Ato Elias Kassa
Deputy Chief-Retail Operation



Ato Biruk Walellegn
Executive Assistant to the CEO



Ato Alemayehu Hunde
Secretary to the Executive Management Committee



Message of the Board Chairperson

HONORABLE SHAREHOLDERS,

On behalf of the Board of Directors of the Bank of Abyssinia S.C and myself, it is an honor to present the Board of Directors' Report along with the Audited Financial Statements of the Bank to the 27th Ordinary Annual General Meeting of Shareholders for the Fiscal Year 2022/23 that ended June 30, 2023.

Fiscal Year 2022/23 featured a set of socioeconomic and geopolitical challenges in the global economy with notable repercussions on the financial industry. The global economic activity that demonstrated some resilience remained weak by historical standards owing mainly to the rise in central banks' policy rates in a bid to fight inflation, which continued to weigh on economic activity worldwide (IMF WEO update, July 2023). The policy tightening by central banks in response to inflation has brought about high economic costs, such as high borrowing costs for emerging and developing economies, constraining room for priority investments, and raising the risk of debt distress. As a result, output losses remained large and the global economic growth rate is believed to have slowed down to 3.0% in 2023 from 3.5% in 2022.

The Ethiopian economy also faced a number of interlocking challenges during the year. The economy has been suffering from ongoing conflicts with impact on normal economic operations and development. On top of the security challenges, macroeconomic imbalances such as persistent inflation and foreign exchange shortage, and food insecurity and drought prevalence have also added to the economy's ailments. The unabated inflationary pressure has exacerbated cost of doing business affecting the industry. Nevertheless, according to IMF's report of April 2023, the economy managed to register a positive economic growth estimated to be 6.1% during FY 2022/23. Ethiopia has begun to implement a series of economic

Bank of Abyssinia has once again proved to have built up a strong capability and internal strength by registering a commendable set of results during the year in the major indicators, having passed through testing environment dynamics. Accordingly, the Bank has achieved growth in assets by 26.81% and an increase in profitability by 12.36% under the duress of such a competitive market and tough macroeconomic conditions.

reforms and took steps to give impetus to digital economy which entailed a number of policy and regulatory changes. Such changes include the provision of license to non-bank financial service provider institutions to engage in payment and other financial services such as telcos and payment instrument issuers. Other reform steps of great significance for the financial industry as well as the economy, taken during the year, include the enactment of policy direction for the opening up of the banking business for foreign investors and steps for the establishment of a functioning capital market. Numerous policy changes were also introduced during the year by the government, with the view of setting forth prudential regulation and monetary management, such as requirements of banks to purchase government treasury bonds, and amendment to payment system proclamation. All these developments present both opportunities as well as threats in the form of intensified competition to the incumbents.



DEAR SHAREHOLDERS,

Bank of Abyssinia has once again proved to have built up a strong capability and internal strength by registering a commendable set of results during the year in the major indicators, having passed through testing environment dynamics.

Accordingly, the Bank has achieved growth in assets by 26.81% and an increase in profitability by 12.36% under the duress of such a competitive market and tough macroeconomic conditions. Total assets have increased by Birr 40.15 billion over that of last year and reached Birr 189.60 billion, while the Bank earned a gross profit (before tax) of Birr 5.23 billion representing an increase of Birr 574.13 million from that of the preceding year. Deposits increased by Birr 36.49 billion, which is a 29.89% growth over that of the preceding year, and the total deposits amount was raised to Birr 158.54 billion as at June 30, 2023. Total loans and advances increased by 29.27% from last year's position and reached Birr 146.51 billion (P+I).

The Bank's interest free banking business has also made progress. During the year, the Bank mobilized a total of Birr 6.04 billion in IFB deposits, which brought total IFB deposits to Birr 18.07 billion. In addition, the Bank has been increasing its interest free financing products, and outstanding financing has become Birr 3.03 billion as at June 30, 2023. The Bank shall continue to further strengthen IFB services with more innovative products and service offerings tailored to the needs and preferences of customers. The number and composition of service outlets across the Bank in which the Bank extends IFB services have increased over time accompanied by enhanced operational efficiency and service excellence.

During the year, the Board, the Management and employees have collectively invested time and energy in navigating through the tough environment to bolster the Bank's resilience and to keep the growth momentum. In this regard, the Bank has conducted various strategic initiatives and plans of actions that have been implemented to safely cut through the operational impediments, and hence which were instrumental in managing regulatory requirements and sustaining the Bank's growth and profitability.

The Bank has continued its custom of introducing innovative and value-adding digital banking solutions, one of which is the launching of the Apollo Digital Bank, which is a fully digital banking solution, a first of its kind to the market.

The Bank expanded customer service outlets both in branch openings and in innovative digital banking services. In this connection the Bank's number of branches grew to 849 while more ATMs, PoS terminals and virtual banking centers were launched during the year.

The Bank has continued its custom of introducing innovative and value-adding digital banking solutions, one of which is the launching of the Apollo Digital Bank, which is a fully digital banking solution, a first of its kind to the market, that enables customers to get nearly all the services they get at branch offices from the comfort of their mobile phones. The service offering is picking up popularity and growing fast among customers.

Aimed at enhancing efficiency and effectiveness, the Bank has also undertaken activities/initiatives in IT among which the upgrading of the core banking system (CBS) to the latest version and the acquiring of PCI DSS certification are notable ones. During the year the Bank has successfully upgraded its CBS to the latest version which enables the optimization of service processing overall. In the same way, the Bank got certified for PCI DSS compliance version 3.2.1 after successful implementation of the project. As PCI DSS is a continuous engagement, the Bank proceeds with the security exercises and remains compliant. In addition, the Bank has implemented a set of IT security management programs that would enable the safe and secure conduct of the Bank's business in an era of continually disrupting digital banking and IT services space.

The Bank's human resources management was another area of strategic intervention in which the Bank has made big strides by implementing a range of HR development programs. These programs cover all-rounded HR management practices with impactful and long term benefits to the Bank and staff development, which include talent development, performance management, and career and succession management. All of these implemented programs will be vital in building organizational and HR capabilities that would elevate the Bank's potential for transcending its long-term goals and aspirations.

In a continued effort to create conducive working environment and service provision, the Bank is constructing a number of corporate buildings across the Country, and a lot of works were done towards finalizing ongoing construction projects. In this regard, the Ras Branch Building construction works progressed well and the ground to fourth floors are near completion. The construction works of the Bank's future Headquarters Building Project around Mexico Square in Addis kicked off during the year wherein most of the project's initial phase works, such as, site mobilization and shoring works are performed with subsequent tasks well underway.

HONORABLE SHAREHOLDERS,

Cognizant of the fact that the Bank operates in an ever-changing business environment, the Bank strives to stay adequately informed of the environment dynamic so as to chart out courses appropriately and sustain the Bank's growth and profitability. The banking industry is poised to confront stiffer competition across banking and payment services as newly joined banks and non-bank players which recently came in shall gather strength, while new entrants, both local and foreign, are to be welcome, and other reform initiatives by the government strike ground. Since the years ahead are expected to present more challenges as well as opportunities, the Bank's management and Board shall keep track of developments, striving to convert opportunities into business prospects while at the same time staying vigilant to overcome business risks.

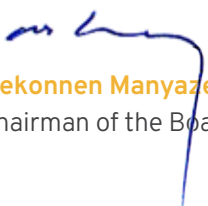
The Board of Directors, as always, closely follows the environment dynamics in order to set the Bank's journey in the right direction to meet the Bank's aspirations.

The upcoming fiscal year marks the end of the term for the incumbent Board, which is poised to welcome an incoming Board of Directors for the Bank which shall take up and advance the strategic guidance and oversight roles with utmost commitment and dedication.

I am confident that, with the support of all stakeholders on our side, Bank of Abyssinia will uphold its unique capabilities of delivering on key strategic objectives in the years ahead, and register higher financial and operational results to the satisfaction of stakeholders.

Finally, on behalf of the Board of Directors and myself, I express my sincere gratitude to our esteemed customers for their continued business connections with us. I would also like to thank our shareholders for their support, my fellow members of the Board of Directors, the Executive Management and employees of BoA for their dedication and commitment, and the National Bank of Ethiopia for its guidance and support.

Thank you all,



Mekonnen Manyazewal
Chairman of the Board



Message of the Chief Executive Officer

DEAR SHAREHOLDERS,

I am greatly honored to present to you the annual performance report of the Bank of Abyssinia for the fiscal year 2022/23.

During the reporting period, Bank of Abyssinia has registered remarkable growth in asset, and across financial and operational areas amid the challenges faced in the operating environment. The year 2022/23 witnessed a number of hindrances in the world economy which was in a state of recovery, albeit weak, from the forces that affected growth in 2022. Global inflation remained high which forced cost of borrowing to rise, constraining economic activity in most of advanced economies, and at the same time elevating the debt costs of developing economies.

The domestic economy has also been experiencing challenges owing to internal conflicts, global spillover effects, and macroeconomic forces such as high inflation and foreign currency shortages. These situations have affected socioeconomic activities which naturally include the financial industry. During the fiscal year under review, the banking sector, in general, has been operating under elusive conditions arising from instability due to intermittent conflicts in parts of the country that restricted business activities.

Having gone through such challenging situations, and with the coordinated effort of the Bank's Board of Directors, Executive Management and staff, Bank of Abyssinia has achieved commendable growth in asset and earnings. Total assets of the Bank have significantly increased to Birr 189.51 billion in the reporting year from Birr 149.45 billion in the preceding year, indicating a 26.81% increment. The Bank has also

The Bank's virtual banking centers reached 20 with additional 4 centers launched during the reporting year. The Bank has further increased the number of ATM and PoS terminals deployed,

registered growth in profitability as profit before tax reached Birr 5.23 billion this year from Birr 4.65 billion last year, up by 12.36%. Furthermore, the Bank achieved incremental deposit growth of Birr 36.49 billion, the highest among private banks, while the total deposit reached Birr 158.54 billion, including IFB deposits.

The Bank's interest-free banking activities have strengthened further, and an outstanding performance was registered in incremental IFB deposits amounting to Birr 6.04 billion and raised the total IFB deposits to Birr 18.07 billion. The total outstanding loans and advances amount (P+I) reached Birr 146.51 billion, showing a 29.27% increase over that of the preceding year. While much progress has been observed in the financing of Abyssinia Ameen customers, which has increased to Birr 3.03 billion, the Bank is prepared to scale up the financing to its esteemed customers.

The Bank's equity growth was commendable during the year with a total equity growth of Birr 5.44 billion, which is, a 38.28% rise, while share capital showed an increase of Birr 3.58 billion, a 43.02% annual growth.



Bank of Abyssinia has stepped up the expansion of accessibility to customers through modern technology and digital channels, in addition to the opening of branch outlets. The Bank's virtual banking centers reached 20 with additional 4 centers launched during the reporting year. The Bank has further increased the number of ATM and PoS terminals deployed, as well as expanded the service availability and the number and volume of digital transactions. The Bank's agent banking has kept expanding during the year wherein the agent and merchant network has increased to 15,003 agents and 49,977 merchants across the Country. In this connection, as part of the continuous improvement works and with the view of further enhancing the Bank's Gizepay services and VBC services, adjustments have been made in the organizational setup after the conduct of careful study and situational assessment. Accordingly, the agent and virtual banking has been reorganized in a manner to upscale the agent and merchant networks as well as VBC operations with new and innovative modes of operation. During the year, the Bank has opened 123 additional branches bringing the total number of branches to 849.

The Bank's customer base both on traditional and digital banking platforms has increased over the reporting year, and the number of deposit account holders reached 10.3 million out of which Interest-Free Banking accounts constituted more than 1.46 million. In addition, there were 2.94 million card holders, and 2.76 million mobile banking users, while the number of internet banking users reached nearly 64,000.

With a view to satisfying the ever-changing customer needs and to expand service opportunities, the Bank continued investing in digital banking service expansion. In a nation where the youth constitute the majority of the population, providing tailor-made digital products will help to attract this economically active section of society and thereby ensure the Bank's sustainable growth. In line with that, the Bank has introduced a number of service improvements and newly added innovative digital banking products and solutions.

The Bank's customer base both on traditional and digital banking platforms has increased over the reporting year, and the number of deposit account holders reached 10.3 million out of which Interest-Free Banking accounts constituted more than 1.46 million. In addition, there were 2.94 million card holders, and 2.76 million mobile banking users, while the number of internet banking users reached nearly 64,000.

During the past year the Bank has executed notable tasks aimed at ensuring service excellence and efficiency, such as upgrading the core banking system to the latest version of R22, which enables rendering of much optimized and efficient services to customers, as well as improves internal processes from the back end with added functionalities. The Bank also got certified for PCI DSS compliance (version 3.2.1) which uplifts the security standards for protecting cardholder account data and privacy.

The Apollo Project also got traction during the year, with full-blown operationalization that incorporates a range of services including micro loans. Furthermore, the Bank has introduced a new service, 'banking on wheels', which is a pioneering banking option in the country. These efforts not only enhanced the Bank's capacity to process the ever growing transactions at any given time, but most importantly to meet the evolving customer service needs, security, and convenience.

RESPECTED SHAREHOLDERS,

Observing the tides of time, we foresee that the upcoming Fiscal Year is anticipated to present yet another set of challenges to the banking industry ranging from faltering security situations in parts of the country to high inflation which will apparently cause a diminutive appetite for

investment and weakened economic activities in the affected areas. There will, however, be wide opportunities as well, which our Bank will note of and move along in a proactive manner by leveraging its internal strength to sustain the streak of good performance. The Bank shall capitalize on its competitive advantage, opportunities in the market, and readily available dedicated and committed management and staff to meet organizational goals.

The Bank shall be engaged in crafting its strategic plan in the coming Fiscal Year taking into account the overall business environment and context and shall develop a strategy plan adaptable to changing circumstances, so as to help achieve the Bank's long-term goals and aspirations. The Bank's steadfast resolve of delivering superior value to its customers shall continue and it shall keep on investing in modernizing its services through more innovative and value-adding service offerings, that have garnered the attention of the general public thus far, which will ultimately bear fruit in attracting new customers and retaining existing ones.

With the well-established governance, oversight, and leadership received from the Board of Directors, and the strong commitment and dedication from the Executive Management and staff, I am confident that the Bank will achieve its profitability and growth objectives in the coming year too.

In my final remarks, I would like to extend my sincere gratitude to our esteemed customers, and the Bank's shareholders for their patronage. I would like to thank also the Board of Directors for their guidance and offering of collective wisdom in addressing pressing issues the Bank came across. My sincere gratitude also goes to the Management Team and the entire staff for their commitment and dedication. I also appreciate the National Bank of Ethiopia for the guidance and oversight during the year.

Thank you all !!!



Bekalu Zeleke

Chief Executive Officer



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Bank of Abyssinia

849
Branches



1,277
ATM Machines

20
Virtual Banking Sites



1,195
POS Machines



Report of the Board of Directors

1. OPERATIONAL PERFORMANCE

1.1. Deposits

The Bank maintained its remarkable growth trends in the Fiscal Year 2022/23, and total incremental deposits mobilized throughout the reporting period reached Birr 36.49 billion, a 29.89% growth from last fiscal year. Accordingly, the Bank's total outstanding deposits stood at Birr 158.54 billion as at June 30, 2023.

Deposits showed increase across all deposit types, with saving deposits leading the way, followed by IFB and demand deposits. The deposit stock was composed of 68.22% savings, 15.99% demand, 11.40% IFB, and 4.39% fixed time deposits.

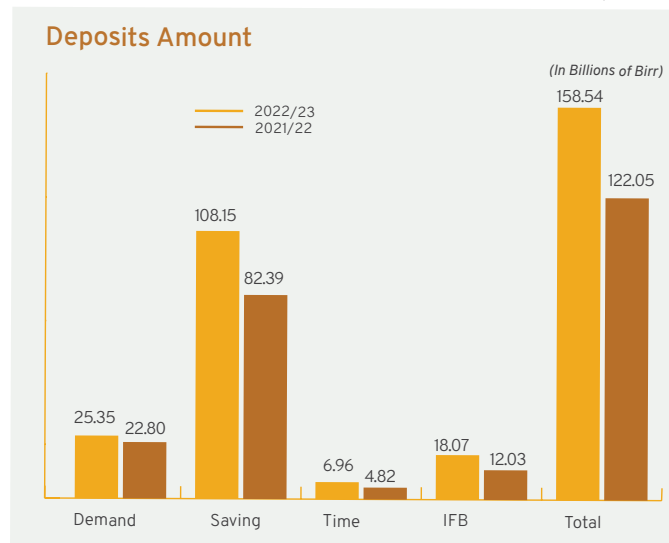


Fig 1: Deposits Amount

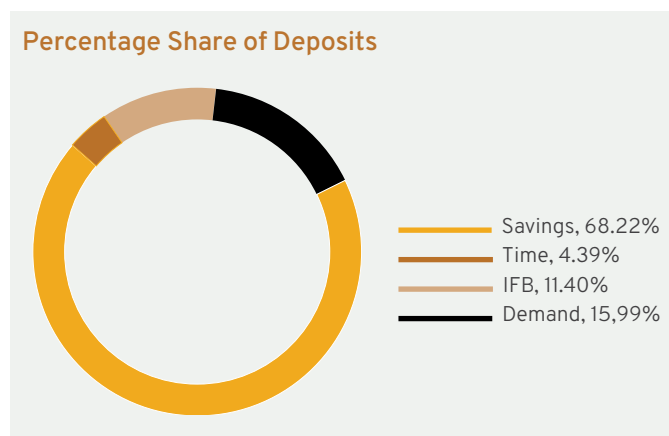


Fig 2: Percentage Share of Deposits

1.2. Loans and Advances

The Bank's total outstanding loans and advances (P+I) and IF financing reached Birr 146.51 billion at the end of FY 2022/23, up by Birr 33.18 billion, or by 29.27% from the previous period.

Term loans increased by Birr 38.42 billion, or 46.95%, and overdrafts increased by Birr 3.28 billion, or 32.09%, while advance loans showed a decrease of Birr 8.52 billion.

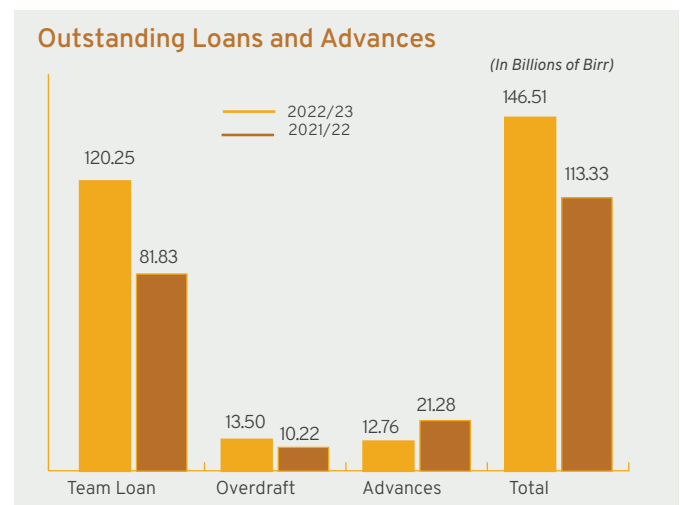


Fig 3: Outstanding Loans and Advances

In terms of composition, the shares of Term Loans and Overdrafts have increased while that of Advances has shown a decline during the reporting year, wherein they accounted for 82.07%, 9.22%, and 8.71% of total outstanding loans and advances, respectively.

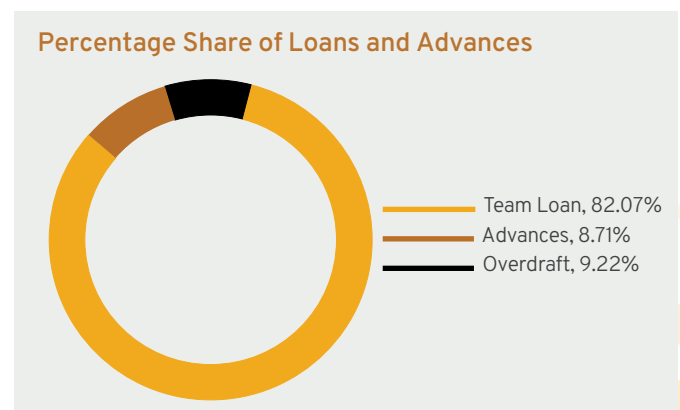


Fig 4: Percentage Share of Loans and Advances



The loan distribution by sector indicates that while increases are registered in all economic sectors during the year, substantial percentage increases were observed in Murabaha Finance, followed by Agriculture, and Construction sectors from previous levels, with loans and advances increasing

by 196.41%, 75.25%, and 47.39%, respectively. In absolute terms, however, loans to the Industry sector showed the highest net increase, i.e. an increase of Birr 8.57 billion, followed by Construction and Agriculture sectors.

(In Millions of Birr)				
Sector	2022/23	2021/22	Growth	
			Amount	%Age
Export	38,528.01	36,658.55	1,869.46	5.10
Domestic Trade	24,567.52	20,461.85	4,105.67	20.06
Industry	30,819.13	22,248.60	8,570.53	38.52
Construction	18,032.13	12,234.56	5,797.58	47.39
Import	7,251.71	5,915.61	1,336.10	22.59
Transport	5,287.50	4,299.94	987.55	22.97
Agriculture	10,648.68	6,076.35	4,572.33	75.25
Murabaha Finance	3,026.05	1,020.89	2,005.15	196.41
Others/Personal	8,350.30	4,417.65	3,932.65	89.02
Total	146,511.02	113,334.01	33,177.02	29.27

Table 1: Loans and Advances by Economic Sector

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

Looking at the sectoral distribution of loans and advances, the top three sectors, i.e. Exports (26.30%), Industry (21.04%), and Domestic Trade (16.77%), together accounted for 64.10% of total loans and advances, with the remaining portion being distributed among the other six sector categories.

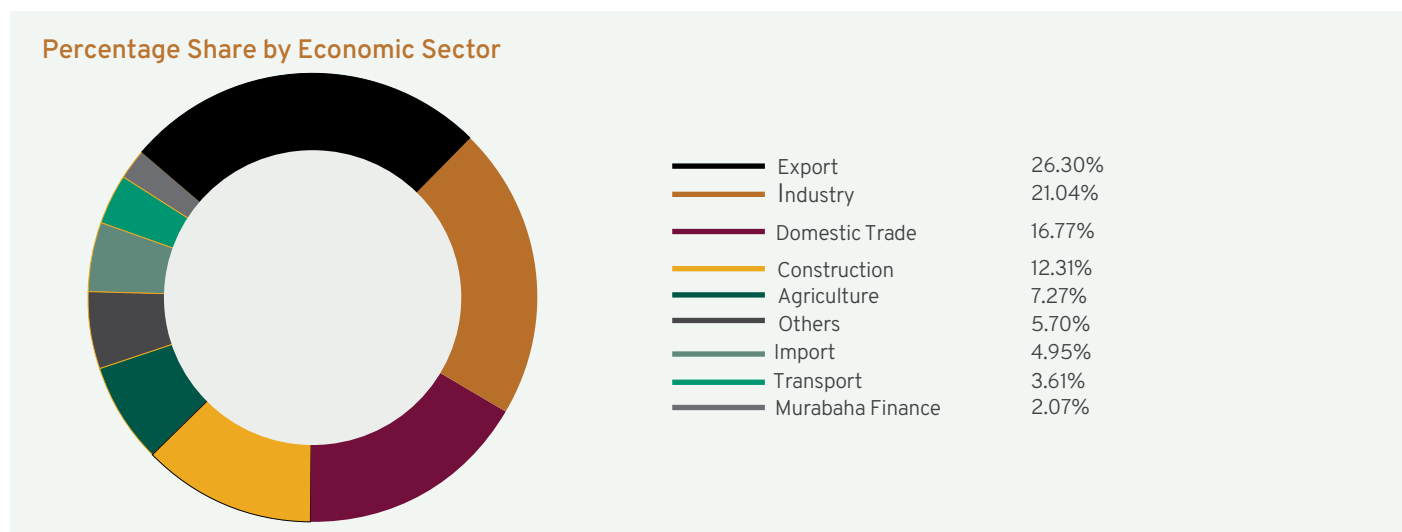


Fig 5: Percentage Share by Economic Sector

1.3. International Banking Services

Foreign currency earnings in the fiscal year totaled USD 457.87 million, exhibiting a lower level than the preceding year's mobilizations.

By strengthening relationships with foreign and local partners, upholding service excellence and by seeking various resolutions, the Bank is poised to expand its foreign currency earnings to the fullest potential.

2. FINANCIAL PERFORMANCE

2.1. Income

The total revenue for the year was Birr 22.73 billion, increasing by Birr 6.01 billion (a 35.94% increase) from the previous Fiscal Year. The highest proportion was derived from interest income, with 92.21% of the share from total earnings, followed by commission income, which stood at 3.21%.

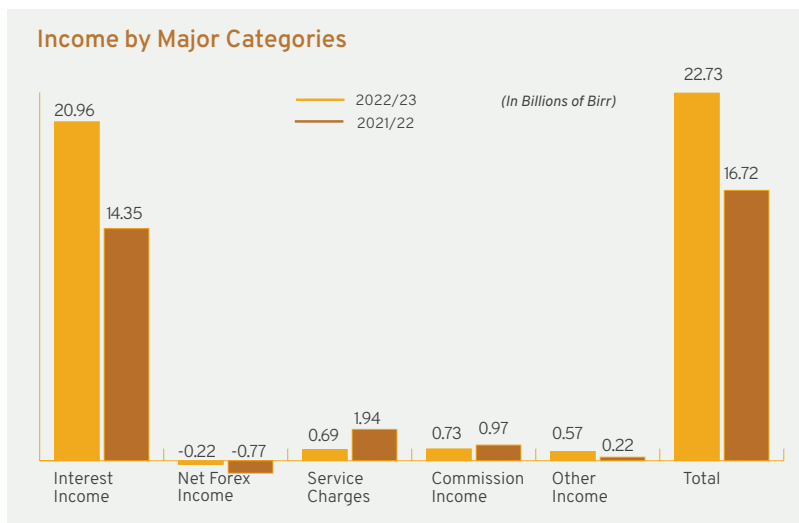


Fig 6: Income by Major Categories

2.2. Expenses

The total amount of expenses in the fiscal year rose by Birr 5.44 billion (or 45.10%) and reached Birr 17.50 billion. The largest share of expenses were those of salaries and benefits at 42.46%, followed by interest expenses, which made up 35.09%. General and administrative expenses and provision expenses made up the remaining portion, at 16.92% and 5.50%, respectively.

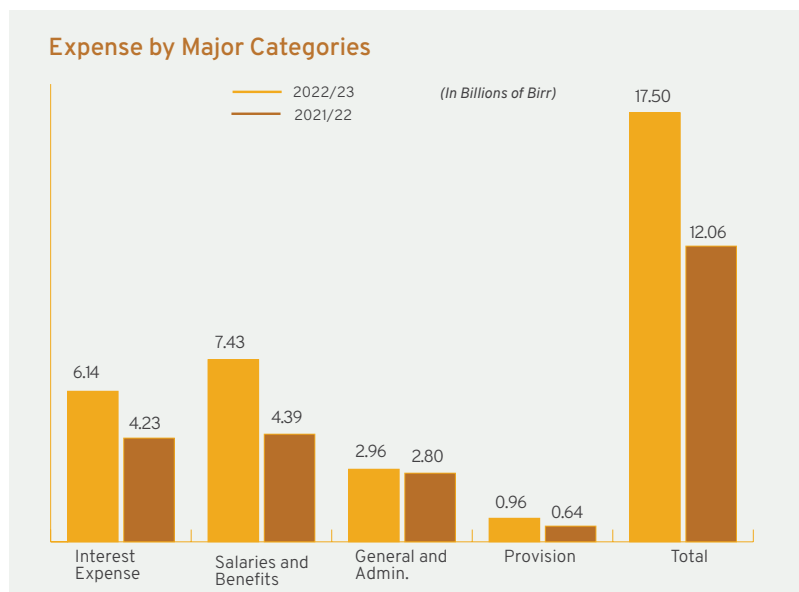


Fig 7: Expense by Major Categories

2.3. Profitability

The Bank recorded a profit before tax of Birr 5.23 billion for the year ended June 30, 2023, higher by 12.36% over the profit earnings of the preceding year.

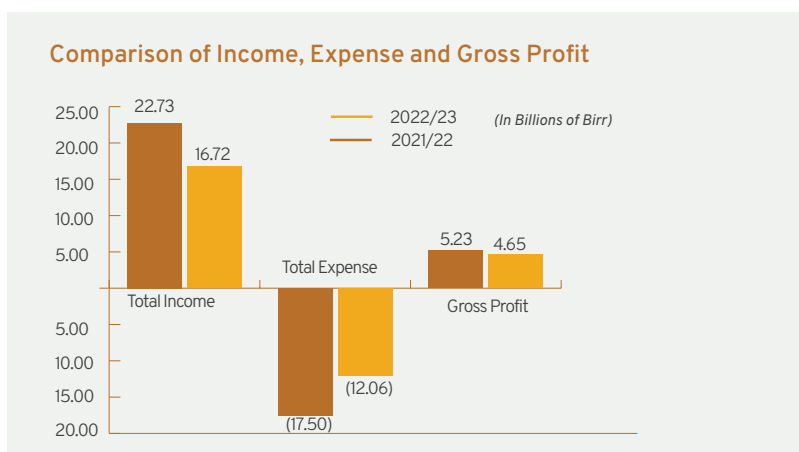


Fig 8: Comparison of Income, Expense and Gross Profit



2.4. Total Asset

The Bank's assets have risen significantly in size over the year. Total assets increased from Birr 149.45 billion of June 30, 2022, to Birr 189.51 billion as at June 30, 2023, a growth of Birr 40.06 billion (26.81%).

Loans and advances made up the majority of the Bank's assets, at 75.88% of total assets, followed by cash and cash equivalents

(11.15%), investment securities (4.94%), and other assets (3.48%). Property, plant and equipment, investment property, right-of-use leased assets, and intangible assets make up the remaining asset position, which collectively made up 4.54% of the Bank's overall asset position.

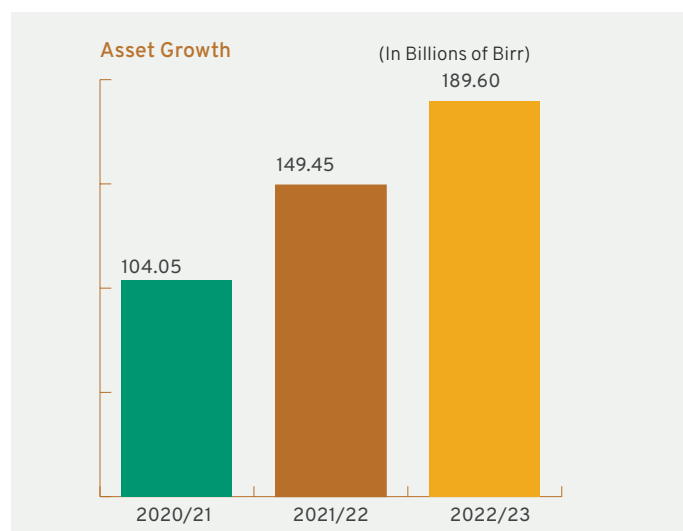


Fig 9: Asset Growth

Asset Category	2022/23	2021/22	(In Millions of Birr)	
			Amount	%age
Cash and Cash equivalents	21,148.14	18,475.30	2,672.85	14.47%
Loans and Advances (net-off provision)	143,796.17	111,579.52	32,216.64	28.87%
Investment Securities	9,362.73	8,701.09	661.64	13.27%
Other Assets	6,596.67	3,638.63	2,958.02	81.30%
Investment property	10.80	11.03	(0.23)	-2.12%
Intangible assets	522.58	430.82	91.76	21.30%
Right of use Leased asset	2,574.75	2,122.88	451.87	21.29%
Property, plant and Equipment	5,500.42	4,492.15	1,008.27	22.45%
Total	189,512.27	149,451.43	40,060.84	26.81%

Table 2: Total Assets by Category

2.5. Equity of the Bank

The Bank's total equity has increased to Birr 19.47 billion at the end of Fiscal Year 2022/23, showing a net increase of Birr 5.26 billion (36.99%), while the paid-up capital has increased by Birr 3.58 billion (43.03%) and reached Birr 11.90 billion.

Capital Category	2022/23		2021/22		(In Millions of Birr)	
	Amount (A)	% Share	Amount (B)	% Share	Amount (A-B)	%Age Change
Share Capital	11,898.42	60.53%	8,319.68	58.52%	3,578.74	43.02%
Share Premium	6.00	0.03%	6.00	0.04%	0.00	0.00%
Retained Earnings	2,877.75	14.78%	2,140.15	15.05%	737.59	34.46%
Revaluation Surplus Account	428.61	2.18%	438.87	3.09%	-10.26	-2.34%
Legal Reserve	3,341.54	17.16%	2,356.01	16.57%	978.53	41.83%
Regulatory Risk Reserve	704.45	3.62%	623.06	4.38%	81.39	13.06%
Special Reserve	25.92	0.13%	25.92	0.18%	0.00	0.00%
Other Reserve	192.61	0.99%	306.51	2.16%	(113.89)	(37.16%)
Total	19,475.29	100%	14,216.18	100%	5,259.11	36.99%

Table 3: Equity of the Bank by Category

3. STRATEGIC MATTERS

3.1. Human Resources

BoA has been actively engaged in executing several human resource management activities focused on improving the Bank's human capital in general by aligning the HR programs and policies with the Bank's business strategy. Alongside implementing the various programs, the Bank's HR has been undergoing different enhancement works touching upon essential elements of the HR services spanning people, processes and technology improvements. All the HR programs, which were kicked off four years ago have gained maturity over the years and the Bank has made tremendous progress in transforming the HR process as well as staff capacity development, such as skills and knowledge accumulation, employee productivity, and/or job performance.

In addition to facilitating short and long-term educational programs, various trainings technical and developmental were conducted. These trainings featured essential skills in key areas such as Information Technology and Cyber Security, Anti-money Laundering, Domestic and International Banking Operations, Customer Services and various leadership courses through classroom-based and eLearning platforms. On top of providing training for its employees, the Bank continued to sponsor educational support for its employees with a total of over Birr 200 million invested on staff training and education during the FY 2022/23.

During the review period, the Bank recruited 2,145 employees raising the total number of employees of the Bank to 11,508 as at June 30, 2023, showing an increment of 18.92% over that of the preceding year.

3.2. Expansion of Branches

In its relentless effort towards satisfying the banking service needs of customers, the Bank has continued to invest in multiple service centers and outlets in the reporting year. In order to reach out to more clients, the Bank has expanded its service outlets as 123 new branches have become operational during the year, of which 4 were sub-branches upgraded to full-fledged branches, so that the total number of service outlets of the Bank reached 864 including 849 branches and 15 sub branches.

The Bank has also continued to provide technology-based services available 24/7 equipped with features of convenience and safety through digital banking service delivery channels of ATMs, POS terminals, internet banking, mobile banking, agent banking and virtual banking centers.

Districts	Number of new branches operational in 2022/23	Total number of outlets
Adama	14	72
Bahir Dar	20	114
Central Addis	8	100
Dessie	21	73
Dire Dawa	11	68
East Addis	12	133
Hawassa	9	76
Jimma	13	59
Mekele	0	51
West Addis	11	117
Special outlet at International Banking	-	1
Total	119	864

Table 4: New Branches Opened in 2022/23

3.3. Business Development

Consistent with the change in the industry, the Bank has strengthened the digital banking space by transforming its service offerings across customer interaction points with the Bank via a range of banking channels, all tailored to the demands and preferences of customers. Accordingly, customers are now empowered by the Bank's multiple ways to bank with BoA based on their needs. The Bank has come closer to its customers through the Bank's physical outlets as well as alternative channels such that the number of ATMs deployed has reached 1,277, and POS terminals of 1,195 sprawling across strategically located sites, while the agent banking network has expanded to 15,003 agents and 49,977 merchants. BoA digital banking service has brought a new dynamism into the area by establishing virtual banking centers now available in 19 different locations whereby 20 self-service machines are actively functioning and providing services to the public. The Bank has also availed more ways of service accessibility via digital platforms. As at June 30,



2023, the number of mobile banking users reached more than 2.76 million while internet banking users increased to nearly 64,000, more by 122% as compared with the preceding year. On its e-commerce platform, the Bank offers a user-friendly ecommerce system that provides payment services online from any location, and serves as a payment gateway for customers. In its keen interest in providing advanced digital banking services, the Bank once again introduced a new digital banking service offering to the market dubbed 'Apollo Digital Bank' which is the first of its kind in Ethiopia. Endowed with its advanced features of instant and fully digital and value-added services including higher interest rates for savings, deals and discounts on transactions at merchant sites, instant loan, digital cards and more, the service is gaining more popularity and momentum in the market.

As an ongoing endeavor, in the review period, the Bank has pushed further and produced a variety of banking products to deposit account holders and other customer segments with a view to offering banking solutions and customer convenience.

The Bank has further continued to strategically engage in IFB business advancement and accomplished key business goals in its journey thus far. Furthermore, the Bank has set the tone and environment for the long-term objectives of the Bank's IFB business. During the year, a number of IFB products were newly introduced, and product assessment was conducted with a view to satisfy the banking needs of the different segments of the target customer. In addition, a wide range of IFB strategic initiatives implementation was completed.

3.4. Information Systems and Digitalization

Bank of Abyssinia has made significant strides in the IT and Digital front in the past years by successfully concluding projects that focused on enhancing availability, increasing automation, ensuring security and strengthening the competitive position of the Bank by creating customer facing solutions and enhancements. Various state-of-the-art technology solutions have been deployed through internal capabilities and acquisitions.

The Bank continues to invest in technology with a view to ensure and sustain the provision of leading and most reliable multi-channel banking services across customer touch points. Different developments, enhancements, and integration works have been carried out during the fiscal year 2022/23, which saw the successful rollout of a number of IT and Digital

projects that have been initiated and implemented. One case in point in this regard is the launching of the Apollo Digital Bank, which is now rolled out to the market with its unique features on the app wherein its users have now reached nearly 76,000. Instant loan on the Apollo Digital Bank has become operational and more than 12,000 loans were extended with a total value of Birr 274 million. On top of that, new products are underway to scale up the uptake of the new services such as the Salary Advance.

With a view to enhancing the Bank's services availability and convenience, an initiative has been put in place that elevates the customer onboarding and authentication processes, termed as Identity Management (IDEMIA) which has now become operational supporting both on self on-boarding and assisted on-boarding at branch and other outlets.

One notable business solution that the Bank developed and brought out to its customers was BoA School Management System which is a robust system solution that enables to offer a wide range of school management solutions (School ERP) tailored to the specific needs of educational institutions.

Another major undertaking of the Bank in the year was the successful upgrading of its T24 core banking system to the latest release (R22) which went live in March 2023. In this connection, in recognition of the BoA's innovative and impactful banking projects, the Bank was named the winner of the prestigious Temenos Innovation Hero Award held in May 2023, in Vienna. The Temenos Innovation Hero Award is an important recognition program that celebrates organizations that are working hard to make a difference in their local communities through innovative banking projects. With the new upgrade, additional functionalities are integrated while at the same time, the system has become easy to manage a number of tasks technically.

The fact that the Bank got certification for PCI-DSS compliance version 3.2.1, shall further enhance its stance in heightened IT security, thereby boosting the confidence of customers as well as ensuring the fortified card security of the Bank.

All in all, in its IT and digitalization journey, the Bank has observed commendable achievements in leveraging information technology. Driven by the optimum use of technology, BoA has been on the right track of employing the right technology solutions that are aligned with the Bank's business needs and corporate objectives of maximizing productivity, and ensuring cost efficiency and growth.

4. CORPORATE SOCIAL RESPONSIBILITY

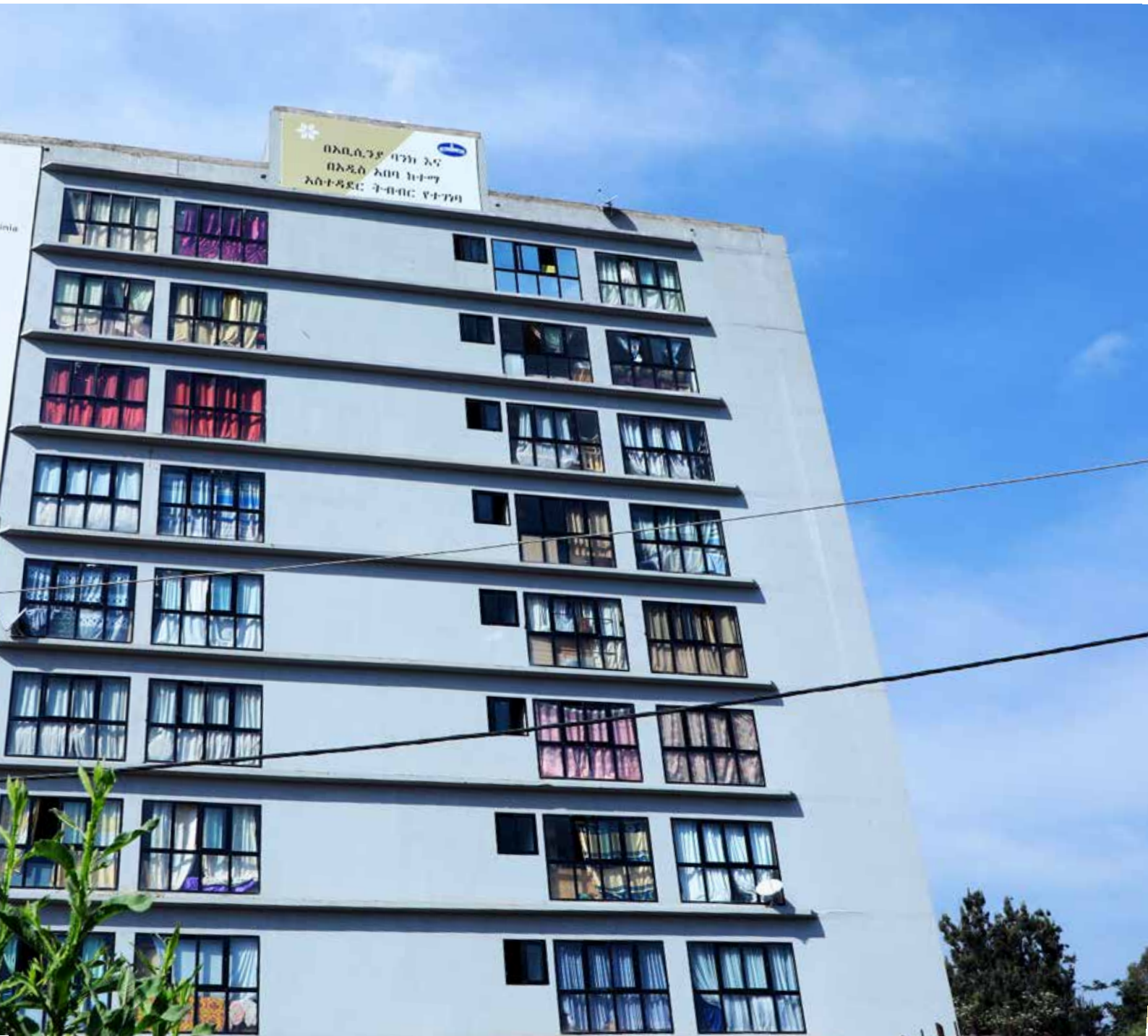
It is with a strong commitment that Bank of Abyssinia puts high regard to societal values and wellbeing in all its endeavors. The Bank proudly establishes and cultivates long-standing partnerships with humanitarian and charitable organizations in support of societal and developmental causes.

In line with its value promise of “caring for the community”, the Bank made donations, among others, in support of efforts of the Addis Ababa City Administration to provide

housing for the poor, as well as the Deborah Foundation in its effort to better the lives of youth born with Down's syndrome and intellectual disabilities.

Besides, Bank of Abyssinia is a permanent member of several charitable and nonprofit organizations including, The Ethiopian Red Cross Society, Ethiopian Heritage Trust, Mary Joy Ethiopia and Parkinson Patients Association.

Overall, the Bank has made donations and contributions of total Birr 214.96 million during the fiscal year.





5. THE WAY FORWARD

The banking industry in particular, and the financial sector, in general, is going through a rapid change, driven by shifts in the competitive environment and by changes in the regulatory and macroeconomic stances. The Bank anticipates the policy changes and new directives being introduced will change the banking sector landscape.

To this effect the Bank shall devise and implement strategies and tactics in a proactive manner so as to address foreseeable unfavorable developments. On top of that, the Bank shall implement the right plans of action to capture opportunities that the market holds by further augmenting its internal capability and strength, and sustain its profitability and growth. To that end, the Bank shall continue working towards operational efficiency emphasizing productive efficiency and cost effectiveness through continuous improvement initiatives underway. With a clear direction of organizational goals and coordinated effort of all stakeholders across the Bank, these objectives shall be fulfilled in the year ahead.

6. APPROPRIATION OF RETAINED EARNINGS

During the Fiscal Year 2022/23, the Bank secured a net profit (after tax) of Birr 3,872.83 million. The Board of Directors, therefore, recommends Birr 2,877.75 million to be distributed to shareholders proportionate to their respective paid-up shares after appropriate deductions are made for legal reserve, regulatory risk reserve and share of the Board of Directors fee.

7. VOTE OF THANKS

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

MEMBERS OF THE BOARD OF DIRECTORS

Ato Mekonnen Manyazewal

Ato Aemero Belete

Prof. Belay Simane

Ato Berhanu Jijo

W/ro. Emebet Woldeher

Ato Meseret Melese

Ato Messeret Taye

Dr. Yifru Tafesse

Ato Yilikal Kassa

Chairperson

Member

Member

Member

Member

Member

Member

Member

Member

Mekonnen Manyazewal
Chairperson, Board of Directors

Bekalu Zeleke
Chief Executive Officer



AbyssiniAmeen Annual Report For Fiscal Year 2022/23

ዕድሜዎን ያከበረ!
Committed to
respect your values



Report on Interest-Free Banking Business

Shari'ah Advisory Board's Report On the Interest-Free Banking Business

TO THE SHAREHOLDERS AND CUSTOMERS OF THE BANK

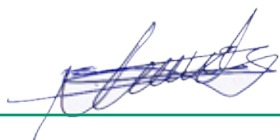
In carrying out the roles and responsibilities of a Shariah Advisory Committee (SAC) for the Bank of Abyssinia under the Shariah rules and principles, the National Bank of Ethiopia (NBE) Directives, the Charter of the Board as well as the Policy and Procedures of the Bank, we hereby submit the Board's report for the financial year ended June 30, 2023.

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

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

In our opinion:

IFB Financing and retail operations concluded by the Bank of Abyssinia during the fiscal year ended June 30, 2023 were in conformity with Shariah's rules and principles.



Sheikh Nuredin Delil
Chairperson, Shari'ah Advisory Board



Ustaz Mohammed Abate
Shari'ah Advisory Board Member



Abyssinia Ameen

(INTEREST-FREE BANKING BUSINESS)

Along with its conventional banking service, the Bank of Abyssinia introduced an interest-free banking service named “Ameen” in December 2017 in accordance with NBE Directive No. SBB/51/2011. The name of this service was derived from the Arabic word meaning “faithful, trustworthy, honest, or truthful”, representing the Bank’s commitment to providing ethical, transparent, and reliable Sharia-compliant services to its clients.

As part of its four-year strategic plan, Bank of Abyssinia revamped its interest-free banking service, rebranding it as AbyssiniAmeen with the tagline “Committed to Respect Your Values” and unveiled a range of new products and services aimed at achieving widespread customer satisfaction.

For the facilitation of its Sharia-compliant operations, Abyssinia Ameen uses a robust interest-free core banking platform called iMAL, which the Bank launched for the first time in Ethiopia in 2021. iMAL offers a broad and complete set of capabilities, flexibility, and compliance with AAOIFI’s Sharia and accounting standards.

PERFORMANCES

Abyssinia Ameen Deposit

To meet client needs, in the year under review, eight new Mudarabah investment deposit accounts - the Ameen Goal, Ordinary S/A, Hajj and Umrah, Musnin (Senior Citizens),

Fityah(Youth), Zahra(Women), Idir, and Iqub deposit accounts have been introduced.

As a result, there are now 24 different deposit products available, including 15 Wadi’ah (safekeeping), 8 Mudarabah (investment) saving products, and a fixed-time Mudarabah (investment) product with attractive value propositions and competitive profit sharing rates.

Through Abyssinia Ameen, the Bank was able to mobilize an incremental deposit of Birr 6.04 billion during the year through Wadi’ah and Mudarabah deposit contracts, with the performance representing a 50.15% increase from that of the preceding year. As a result, the IFB’s deposits have grown to Birr 18.07 billion as of June 30, 2023, constituting 11.40% of the total Bank’s deposit.

About 99% of the deposit was mobilized through Wadia’h deposit products and the remaining 1% through Mudarabah deposit products. Among the Wadi’ah products, Wadi’ah Ordinary S/A took the lion’s share, which is 61% of the total Wadi’ah product contribution, followed by Wadi’ah demand, comprising 13% of the total Wadi’ah deposits. Zahrah, Musnin, and Fityah Wadi’ah deposit accounts have a 21.28% contribution to the total Wadi’ah deposit.

With regard to the Mudarabah deposit, 44% and 31% of the deposit were mobilized through the Ameen Goal Mudarabah and Mudarabah fixed-time deposits, respectively.

Abyssinia Ameen Deposit Trends

Deposit Product	(In ‘000,000 Birr)			
	2019/20	2020/21	2021/22	2022/23
Wadiah Demand	475	1,482	1,673	2,230
Wadiah Saving	2,331	6,824	10,385	15,584
Mudarabah Fixed Time Deposit	-	-	7	80
Mudarabah Saving Deposit	-	-	-	175
Total Deposit	2,806	8,306	12,065	18,070

Abyssinia Ameen Customer Base

The customer base growth of IFB has shown tremendous progress in the past few years. By the end of 2022/23 fiscal year, the Customer Base had reached more than 1.55 million, registering a 55% increase from that of the preceding year, and constituting 15% of the bank's total bank customer base.

Among the products, Wadi'ah S/A contributed about 65% to customer recruitment, and Fityah and Zahrah Wadi'ah S/A accounted for 29% of the total customer base of the IFB customers.

Abyssinia Ameen Customer Base

Deposit Product	2020/2021	2021/2022	2022/2023
Wadiah Demand	6,243	9,244	12,726
Wadiah Saving	618,023	996,815	1,517,342
Mudarabah Fixed Time Deposit		27	69
Mudarabah Saving Deposit			1,436
Total customer	624,266	1,006,086	1,531,573

Abyssinia Ameen Financing

The Bank has been providing Shari'ah-compliant interest-free financing to its customers engaged in various sectors of the economy through different financing modalities. The total amount of interest-free financing reached Birr 4.2 billion at the end of FY 2022/2023, an increase of 187% from the preceding year.

DTS (Domestic Trade Service) financing accounted for 32.8% of the total financing, followed by manufacturing financing which is 22%. The remaining amount of finance is provided to sectors of Agriculture, Building and Construction, Import, Export, Consumer, Motor Vehicle, and Machinery and Equipment.

IFB financing amount by sector

Sector	(In '000 Birr)	
	Out. Bal. as at June 30, 2023	% age share
Agriculture	354,619	8.4%
Building and Construction	525,723	12.4%
Int'l trade-export MT	61,664	1.5%
Int'l trade-import MT	30,791	0.7%
Machinery and Equipment	63,381	1.5%
Manufacturing	928,735	22%
Motor Vehicle	221,259	5.2%
DTS (Domestic trade service)	1,386,268	32.8%
Consumer	653,507	15.5%
Total	4,225,947	100%

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



Bank of Abyssinia S.C.
Notes to the Interest Free Banking (AbyssiniaAmeen) Financing Maturity Analysis
for the Year Ended 30 June 2023

	Jun-30-2023 Birr '000
Interest free financing	
Agricultural	354,619
Building and construction	525,723
Intl trade-export MT	61,664
Intl trade-import MT	30,791
Machinery And Equip	63,381
Manufacturing	928,735
Motor Vehicle	221,259
DTS (Domestic Trade Service)	1,386,268
Consumer	653,507
Total	4,225,947

MATURITY ANALYSIS	Jun-30-2023 Birr '000
With in 3 month	29,128
3 Month up to 1 year	254,087
1 year up to 2 years	327,555
2 years up to 3 years	1,602,744
3 years up to 5 years	890,757
> 5 years	1,121,676
Total	4,225,947

ACCESSIBILITY

The Bank of Abyssinia has envisaged strengthening its IFB operations through more than 850 branches. To this effect, 35 dedicated and 30 IFB-focused branches were opened in locations where high market potential is believed to exist. Besides providing IFB service through all available digital means, the bank has introduced one IFB-branded virtual banking center.

During the fiscal year, Wadi'ah S/A operations have been hosted through the Apollo digital platform. All these indicate the Bank's commitment to satisfying the demands of its target customers.

By opening IFB-focused and dedicated branches in potential locations and by introducing more suitable product and service offerings to meet the needs of target customers, the Bank intends to strengthen the IFB business in the upcoming years.

CORPORATE SOCIAL RESPONSIBILITIES (CSR)

Abyssinia Ameen constantly attempts to be a dependable corporate citizen, upholding our obligations to the communities in which we operate. We do this because we are an essential component of society. Our operating tradition is deeply rooted in our dedication to the highest standards of corporate behavior. It's outlined in our code of business ethics.

During the year, Abyssinia Ameen has been participating in various corporate social activities, among them:

- Providing support for people with disabilities;
- Blood donation campaign;
- Working with NGOs to help the destitute;
- Award program for top-graded students, and
- The first round the Ameen Award Entrepreneurship Contest.

According to the impact assessment conducted, the Ameen Award competition has been very successful in many ways such as encouraging more entrepreneurs to start businesses, supporting new business ideas, and making connections between business talents and the community.

DEMONSTRATIONS OF MAJOR CSR ACTIVITIES

1. Ameen award entrepreneurship contest

The Abyssinia Ameen entrepreneurship contest was conducted in the fiscal year 2022/2023 aiming to support entrepreneurs and up to Birr 1 million was awarded to the winners of the contest.





2. Ameen Award for top-graded students

Abyssinia Ameen has presented certificate and monetary rewards to top graded students at 6 Schools in Addis Ababa, Dire Dawa, Dessie, and Jimma district.



3. Wheelchair support for people with disabilities via Eman Islamic Association

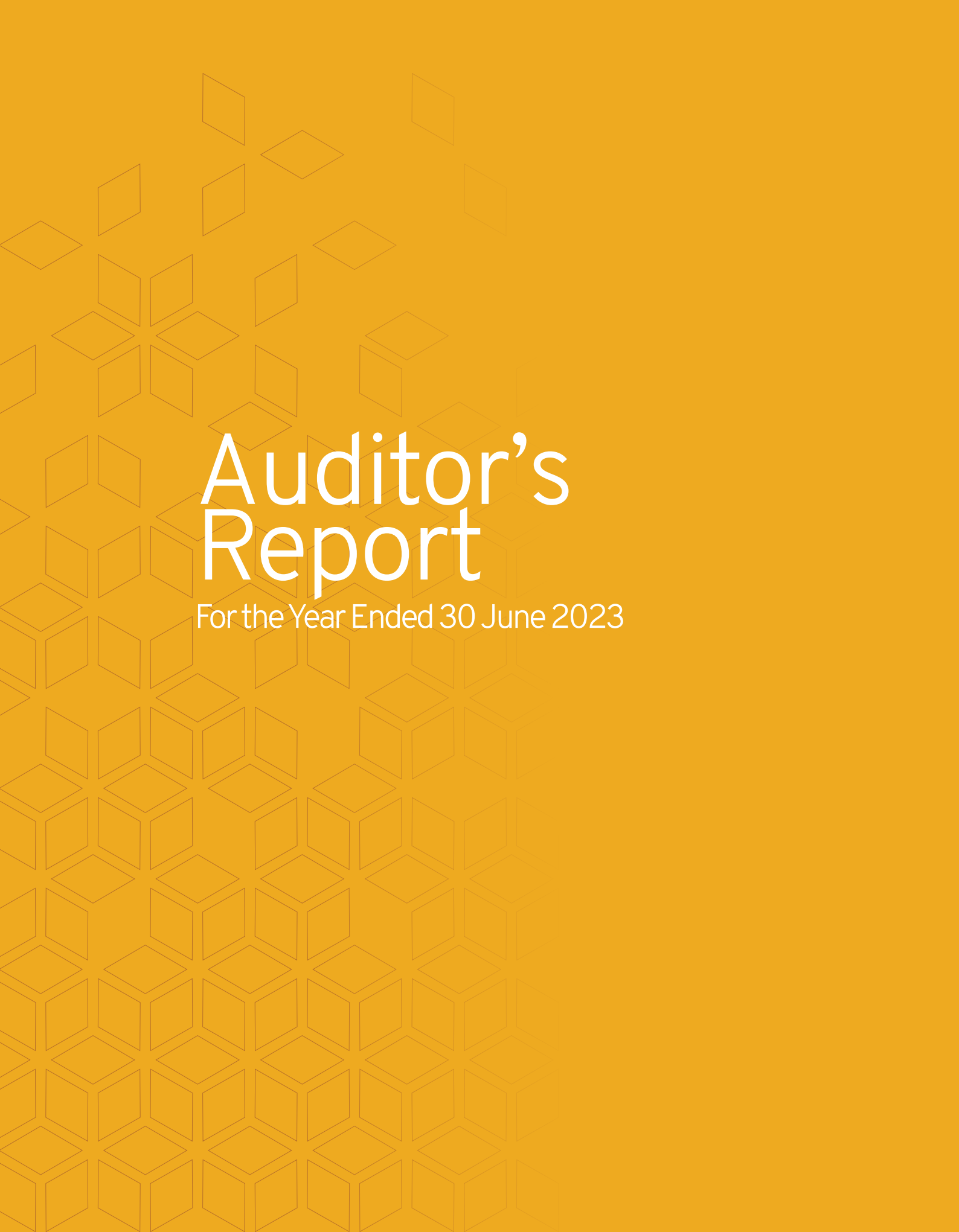




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Bank of Abyssinia



የሁሉም ምርጫ!
The Choice for All!

The background of the entire page is a solid orange color. Overlaid on this is a repeating pattern of thin, white-outlined diamond shapes. These diamonds are arranged in a staggered, grid-like fashion, with some appearing as simple outlines and others as part of more complex, interconnected geometric structures.

Auditor's Report

For the Year Ended 30 June 2023

BANK OF ABYSSINIA S.C
DIRECTORS, PROFESSIONAL ADVISORS AND REGISTERED OFFICE
FOR THE YEAR ENDED 30 JUNE 2023

BOARD DIRECTORS (AS OF JUNE 30, 2023)

Ato Mekonnen Manyazewal	Board Chairperson	(Appointed on March 25, 2021)
Ato Aemero Belete	Board Director	(Appointed on March 25, 2021)
Prof. Belay Simane	Board Director	(Appointed on March 25, 2021)
Ato Berhanu Jijo	Board Director	(Appointed on March 25, 2021)
W/ro Emebet Woldeher	Board Director	(Appointed on May 25, 2021)
Ato Meseret Melese	Board Director	(Appointed on March 25, 2021)
Ato Meseret Taye	Board Director	(Appointed on August 18, 2021)
Dr. Yiferu Taffese	Board Director	(Appointed on March 25, 2021)
Ato Yilikal Kassa	Board Director	(Appointed on March 25, 2021)

EXECUTIVE MANAGEMENT (AS OF JUNE 30, 2023)

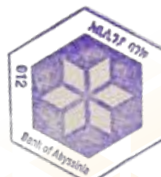
Ato Bekalu Zeleke Ewnetu	Chief Executive Officer	Date appointed, 05/01/2019
Ato Abraham Gebeyehu G/Hanna	Chief Retail Banking Officer	Date appointed, 12/08/2019
Ato Asaminew Deribew Cheber	Chief Credit Business Officer	Date appointed, 12/08/2019
Ato Mohammed Nuredin Kelifa	Chief International Banking Officer	Date appointed, 12/08/2019
W/ro Sosina Mengesha Rundassa	Chief Digital Banking Officer	Date appointed, 12/08/2019
Ato Seifu Bogale G/Egziabeher	Chief Corporate Human Resource Officer	Date appointed, 12/08/2019
Ato Daniel Hailu Teshome	Chief Information Systems Officer	Date appointed, 12/08/2019
W/ro Meseret Asfaw Yitbarek	Chief Enterprise Services Officer	Date appointed, 10/12/2019
Ato Desalegn Yizengaw Baye	V/President-Financial Management	Date appointed, 10/06/2019
Dr. Kagne Wolde Teshome	V/President-Marketing	Date appointed, 19/08/2019
Ato Abdulkadir Redwan Muzyin	V/President-Interest Free Banking	Date appointed, 06/12/2021
Ato Wosenyeleh Abera Kumbi	D/Chief Retail Business Officer	Date appointed, 07/10/2022
Ato Elias Kassa Badebo	D/Chief Retail Operations Officer	Date appointed, 07/10/2022
Ato Eyasu Mekonnen Anagaw	Director, Internal Audit	Date appointed, 21/01/2017
Ato Yetenayet Awgechew Workeferhu	Director, Risk and Compliance	Date appointed, 11/04/2018

INDEPENDENT AUDITOR

Tewodros and Fikre Audit Service Partnership
 Authorised Auditors, Chartered Certified Accountants
 Addis Ababa, Ethiopia.
 P.O.Box 8118

CORPORATE OFFICE

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





BANK OF ABYSSINIA S.C
REPORT OF DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2023

The directors submit the report together with the audited financial statements for the period ended 30 June 2023, in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by Accounting and Auditing Board of Ethiopia which discloses the financial performance and state of affairs of the Bank.

INCORPORATION AND ADDRESS

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

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

PRINCIPAL ACTIVITIES

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

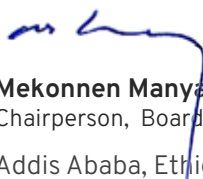
RESULTS AND DIVIDENDS

The Bank’s results for the year ended 30 June 2023 are set out on page 45. The profit for the year has been transferred to retained earnings. The summarised results are presented below:

	30 June 2023 Birr’000	30 June 2022 Birr’000
Total operating income	16,587,780	12,483,670
Profit / (loss) before tax	5,230,027	4,654,543
Tax (charge) / credit	(1,357,194)	(1,418,720)
Profit / (loss) for the year	3,872,832	3,235,824
Other comprehensive income / (loss) net of taxes	(3,234)	280,798
Total comprehensive income / (loss) for the year	3,869,598	3,516,622
Earning Per Share (%)	39%	57%

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 39.


Mekonnen Manyazewal
 Chairperson, Board of Directors
 Addis Ababa, Ethiopia



BANK OF ABYSSINIA S.C
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2023

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

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

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

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

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

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

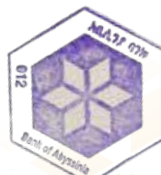
Signed on behalf of the Directors by:



Mekonnen Manyazewal
 Chairperson, Board of Directors
 October 6, 2023



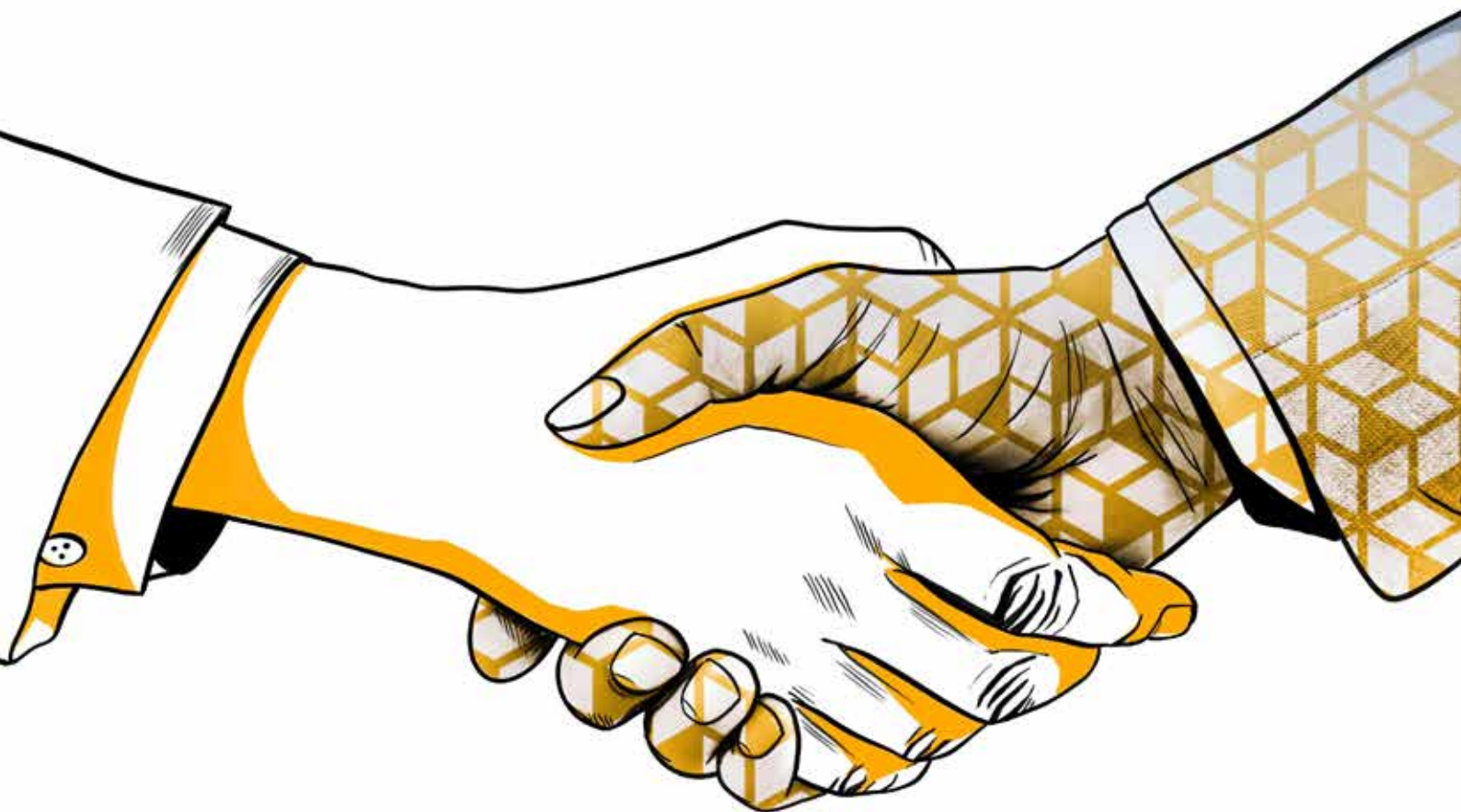
Bekalu Zeleke
 Chief Executive Officer
 October 6, 2023





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Bank of Abyssinia

A Trusted Business Partner



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Tewodros and Fikre Audit Services
Partnership
P.O. Box 8118

E-mail: chalatewodros@gmail.com
Addis Ababa Ethiopia

Partners

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BANK OF ABYSSINIA SHARE COMPANY

OPINION

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

In our opinion, the financial statements give a true and fair view of the financial position of BANK OF ABYSSINIA SHARE COMPANY as at 30 June 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by IASB.

As required by the commercial code of Ethiopia, based on our audit we report as follows:

- i. Pursuant to Article 349 (1) of the Commercial Code of Ethiopia, 2013 E.C and based on our reviews of the board of directors' report, we have not noted any matter that we may wish to bring to your attention.
- ii. Pursuant to article 349 (2) of the commercial code of Ethiopia, 2013 E.C, We recommend the financial statements be approved.

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

KEY AUDIT MATTER

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





BANK OF ABYSSINIA S.C
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2023

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

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

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

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

AUDITORS RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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



Tewodros and Fikre Audit Services

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Chartered Certified Accountants

Addis Ababa

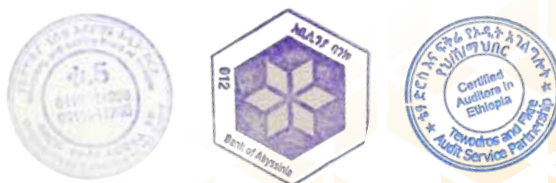
October 6, 2023



BANK OF ABYSSINIA S.C
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	20,964,626	14,351,498
Interest expense	6	(6,140,426)	(4,231,929)
Net interest income		14,824,200	10,119,569
Net Foreign exchange income/loss	7	(223,562)	(774,203)
Service charges		687,708	1,942,401
Commission earned	8	731,755	974,914
Net fees and commission income		1,195,901	2,143,112
Dividend income	9	52,915	8,030
Other operating income	10	514,764	212,959
Total Other Income		567,679	220,989
Total operating income		16,587,780	12,483,670
Loan impairment charge	11	(960,372)	(629,802)
Impairment losses on financial assets	12	(107)	(12,556)
Net operating income		15,627,301	11,841,312
Personnel expenses	13	(7,434,250)	(4,389,301)
Amortisation of intangible assets	21	(63,531)	(46,562)
Depreciation and impairment of property, plant and equipment	23	(432,596)	(313,063)
Depreciation on investment property	20	(234)	(234)
Amortization of Right of use assets	22	(647,425)	(536,186)
Interest expense on lease liability	22	(17,253)	(18,897)
Other operating expenses	14	(1,801,986)	(1,882,523)
Profit before tax		5,230,027	4,654,545
Income tax expense	15	(1,357,194)	(1,418,721)
Profit after tax		3,872,832	3,235,824
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(Net)	26	1,773	(67,021)
Net change in equity investment at FVOCI(Net)	32	(5,008)	347,819
Total other comprehensive income		(3,234)	280,798
Total comprehensive income for the period		3,869,598	3,516,622
Earnings per share (%)	28	39%	57%

The notes on pages 49 to 117 are an integral part of these financial statements.





BANK OF ABYSSINIA
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
ASSETS			
Cash and cash equivalents	16	21,148,144	18,475,298
Loans and advances to customers(Net)	17	143,796,168	111,579,524
Investment securities;	18		
• Debt securites at amortized cost		8,475,363	7,859,450
• Financial assets at fair value through OCI		887,369	841,642
Other assets	19	6,596,667	3,638,629
Investment property	20	10,800	11,034
Intangible assets	21	522,582	430,822
Right of use Leased assets	22	2,574,750	2,122,877
Property, plant and equipment	23	5,500,422	4,492,154
Total assets		189,512,266	149,451,430
LIABILITIES			
Deposits from customers	24	158,536,872	122,045,419
Other liabilities	25	9,453,695	11,173,015
Current tax liabilities	15	1,282,442	1,365,460
Lease Laibilities	22	343,289	404,094
Retirement benefits obligations	26	266,600	206,114
Deferred tax liabilities	15	154,071	41,143
Total liabilities		170,036,970	135,235,245
EQUITY			
Share capital	27	11,898,416	8,319,678
Share premium		5,998	5,998
Retained earnings	29	2,877,747	2,140,154
Revaluation Surplus Account	34	428,610	438,866
Legal reserve	30	3,341,543	2,356,007
Regulatory risk reserve	31	704,452	623,055
Special reserve		25,919	25,919
Other Reserve	32	192,612	306,508
Total equity		19,475,296	14,216,185
Total equity and liabilities		189,512,266	149,451,430

The notes on pages 49 to 117 are an integral part of these financial statements.

The financial statements on pages 45 to 117 were approved and authorised for issue by the board of directors on October 6, 2023 and were signed on its behalf by:

Mekonnen Manyazewal
Chairperson, Board of Directors

Bekalu Zeleke
Chief Executive Officer

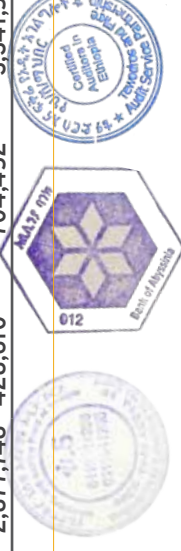




BANK OF ABYSSINIA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

ANNUAL REPORT 2022/23

	Notes	Share capital Birr'000	Share Premium Birr'000	Retained earnings Birr'000	Revaluation Surplus Account	Regulatory risk reserve Birr'000	Legal reserve Birr'000	Special reserve Birr'000	Other Reserve Birr'000	Total Birr'000
As at 1 July 2021		5,182,212	5,998	1,087,557	442,754	332,453	1,547,051	25,919	25,711	8,649,654
Profit for the period	29	-	-	3,235,824	-	-	-	-	-	3,235,824
Capitalisation of shares		822,420		(822,420)						-
Capitalized from Cash		2,315,046								-
Other comprehensive income:		-	-	-	-	-	-	-	280,797	280,797
Re-measurement gains on defined benefit plans (net of tax)		-		3,888	(3,888)					-
Transfer to legal reserve	30	-		(808,956)			808,956			-
Transfer from regulatory risk reserve	31	-		(290,602)		290,602	-	-	-	-
Dividends paid		-		(265,137)	-	-	-	-	-	(265,137)
As at 30 June 2022		8,319,678	5,998	2,140,154	438,866	623,055	2,356,007	25,919	306,508	14,216,185
As at 1 July 2022		8,319,678	5,998	2,140,154	438,866	623,055	2,356,007	25,919	306,508	14,216,185
Profit for the period	29	-		3,872,832	-	-	-	-	-	3,872,832
Capitalisation of shares		1,904,452		(1,904,452)						-
Capitalized from cash or account		1,674,286								1,674,286
Other comprehensive income:		-		-	-	-	-	-	(3,234)	(3,234)
Periodic depreciation for building revaluation	34			3,888	(10,256)				(6,368)	(6,368)
Transfer to legal reserve	30	-		(968,208)			968,208			-
Transfer to regulatory risk reserve	31	-		(237,161)		237,161	-	-	-	-
Director's Share of profit				(1,350)						(1,350)
Recognition of deferred tax effect of previous years annual leave				51,982			17,327		(110,662)	(41,352)
Reversal of regulatory risk reserve				155,764		(155,764)				-
Dividends Paid		-		(235,702)	-	-	-	-	-	(235,702)
As at 30 June 2023		11,898,416	5,998	2,877,748	428,610	704,452	3,341,543	25,919	192,612	19,475,296



The notes on pages 49 to 117 are an integral part of these financial statements.



BANK OF ABYSSINIA S.C
STATEMENTS OF CASH FLOWS
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	33	6,115,488	8,437,992
Capital gain Tax paid		-	-
Withholding tax		(1,791)	(10,430)
Income tax paid		(1,365,459)	(682,094)
Other tax paid		-	-
Net cash (outflow)/inflow from operating activities		4,748,239	7,745,468
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equity investments	18	34	(37,538)
Purchase of Treasury bills		3,819,681	(20,209)
Purchase of Treasury Bonds		(3,315,637)	
Purchase of DBE bonds		(1,119,984)	(775,729)
Purchase of investment property	20	-	-
Purchase of intangible assets	21	(155,290)	(106,681)
Purchase of property, plant and equipment	23	(1,611,402)	(913,713)
Cash paid for lease payment	22	(1,176,846)	(833,097)
Proceeds from sale of property, plant and equipment	33	10,494	-
Proceed on disposal of Acquired Asset	33	-	127
Net cash (outflow)/inflow from investing activities		(3,548,950)	(2,686,840)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares	27	1,674,286	2,315,046
Dividends paid	25	(207,748)	(215,214)
Net cash (outflow)/inflow from financing activities		1,466,538	2,099,832
Net increase/(decrease) in cash and cash equivalents		2,665,827	7,158,460
Cash and cash equivalents at the beginning of the year	16	18,475,298	12,091,041
Foreign exchange (losses)/ gains on cash and cash equivalents		7,871	(774,203)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	21,148,995	18,475,298

The notes on pages 49 to 117 are an integral part of these financial statements.



**BANK OF ABYSSINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

1. GENERAL INFORMATION

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

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

The Bank is principally engaged in the provision of diverse range of financial products and services to a wholesale, retail and SME client’s base in Ethiopian Market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Introduction to summary of significant accounting policies

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

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2. Basis of Preparation

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

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

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
- Defined employee benefit obligation measured at fair value;
- Equity Investment at fair value through other comprehensive income are measured at fair value.

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

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





**BANK OF ABYSSINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

2.2.1. Going concern

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

2.2.2. Changes in accounting policies and disclosures

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022 with earlier applications are permitted which have not been applied in preparing these financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1-Jan-23
Definition of Accounting Estimates - Amendments to IAS 8	1-Jan-23
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1-Jan-23
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	1-Jan-23

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant accounting policies’ with a requirement to disclose ‘material accounting policy information’

And

- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense).

International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

In May 2023, the Board issued amendments to IAS 12, which introduce a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development



BANK OF ABYSSINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

(OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’, respectively.

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

These changes are not early adopted by the bank

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	1-Jan-24
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1-Jan-24
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1-Jan-24
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	1-Jan-24
Non-current Liabilities with Covenants (Amendments to IAS 1)	1-Jan-24

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer settlement must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers.

The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.





BANK OF ABYSSINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2.3. Functional currency & translation of foreign currency

a. Functional and presentation currency

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

b. Transactions and balances

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

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

2.4. Financial instruments

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

2.4.1. Financial assets

2.4.1.1. Initial recognition and measurement

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

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

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

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

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

2.4.1.2. Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and Losses (debt instruments)



BANK OF ABYSSINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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

i. Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Bank. The Bank measures financial assets at amortised cost if both of the following conditions are met: The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

The Bank measures debt instruments at fair value through OCI if both of the following conditions are met: The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortised cost.

The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

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

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

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

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

Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Bank elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future.

iv. Financial assets at fair value through profit or loss

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



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

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

2.4.1.3. Impairment of financial assets

Overview of Expected Credit Loss (ECL) principles

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

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

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

2.4.2. Financial liabilities

2.4.2.1. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

2.4.2.2. Subsequent measurement

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

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Bank has not designated any financial liability as at fair value through profit or loss.



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ii. Loans and Borrowings

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

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

2.4.3. Impairment

i. Restructured financial Assets

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

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

ii. Credit-impaired financial assets

At each reporting date, the Bank shall assess whether financial assets carried at amortized cost, debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets').

A financial asset shall be considered 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

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

A loan that has been renegotiated due to deterioration in the borrower's condition shall be considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In addition, a retail loan that is overdue for 90 days or more shall be considered credit-impaired even when the regulatory definition of default is different.





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

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

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- For debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of those assets is their fair value. However, the loss allowance shall be disclosed and is recognized in the fair value reserve

iv. Write-off

Loans and debt securities shall be written off (either partially or in full) when there is no reasonable expectation of recovering the amount in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment shall be carried out at the individual asset level.

Recoveries of amounts previously written off shall be included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

v. Non-integral financial guarantee contracts

The Banks shall assess whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for, separately.

Where the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset shall be treated as a transaction cost of acquiring it.

The Bank shall consider the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

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

2.4.4. De-recognition

i. Financial Assets

ii. Financial Liabilities

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



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2.4.5. Modifications of financial assets and financial liabilities

i. Financial Assets

If the terms of a financial asset are modified, then the Bank shall evaluate whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset shall be deemed to have expired.

In this case, the original financial asset shall be derecognized and a new financial asset shall be recognized at fair value plus any eligible transaction costs.

Any fees received as part of the modification shall be accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs shall be included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on de-recognition.

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

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

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

Where such a modification is carried out because of financial difficulties of borrower, then the gain or loss shall be presented together with impairment losses.

In other cases, it shall be presented as interest income calculated using the effective interest rate method.

ii. Financial Liabilities

The Bank shall derecognize a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability, based on the modified terms shall be recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in profit or loss.

Consideration paid shall include non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability

Where the modification of a financial liability is not accounted for as de-recognition, then the amortized cost of the liability shall be recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.





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2.4.6. Offsetting

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

Income and expenses shall be presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

2.4.7. Designation at fair value through profit or loss

i. Financial Assets

At initial recognition, the Bank may designate certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

ii. Financial Liabilities

The Bank shall designate certain financial liabilities as at FVTPL in either of the following circumstances:

- The liabilities are managed, evaluated and reported internally on a fair value basis; or
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2.5. Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted and restricted reserve requirement balances held with NBE and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

2.6. Property, plant and equipment

i. Initial recognition

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

ii. Subsequent valuation

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

The carrying amount of the replaced part is derecognized. Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Bank recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in income statement as incurred.



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iii. Depreciation

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

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

The Bank commences depreciation when the asset is available for use. Land is not depreciated.

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

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

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

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognized. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively.

2.7.Intangible assets

i. Initial recognition

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

ii. Amortization

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate,



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which are then treated as changes in accounting estimates. The amortization expenses on intangible assets with finite lives is presented as separate line item in the income statement.

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

2.8. Investment property

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

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

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

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

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

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

2.9. Lease

At an inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified assets, the Bank uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into before, on or after 1 July 2019 that were previously identified as leases.



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Bank Acting as a Lessee

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

The Bank recognizes a right-of-use of asset and a lease liability at the lease commencement date,

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

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

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

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

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

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

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

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

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

Short-term Leases and Leases of Low-value Assets

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





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Bank Acting as a Lessor

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

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

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

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

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

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

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

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

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

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

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

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



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2.11. Impairment of non-financial assets

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

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

The Bank bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

2.12. Other assets

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

a. Prepayment

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

b. Other receivables

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

2.13. Inventories

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





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

2.14. Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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



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2.15. Employee benefits

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

a. Defined contribution plan

The Bank operates two defined contribution plans;

- i. Pension scheme in line with the provisions of Ethiopian Pension of private organization employee's proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank, respectively;
- ii. Provident fund contribution, funding under this scheme is 6% and 12% by employees and the Bank, respectively; based on the employees' salary. Employer's contribution to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

b. Defined benefit plan

The liability or asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The liability recognized in the statement of financial position in respect of defined benefit pension plans 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, recognized in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognized immediately income.

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

c. Termination benefits

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





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d. Profit-sharing and bonus plans

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

2.16. Provisions

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

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

2.17. Share capita

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

2.18. Earnings per share

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

2.19. Income taxation

a. Current Income tax

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

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

b. Deferred tax

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



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

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

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

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

2.20. Interest Free Banking (IFB)

2.20.1. Murabaha

Murabaha is an Islamic financial transaction which represents an agreement whereby the Bank buys a commodity/good and sells it to a counterparty (customer) based on a promise received from that counterparty to buy the commodity according to specific terms and conditions. The selling price comprises of the cost of the commodity/good and a pre-agreed profit margin.

It is treated as financial receivables. Financial receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The profit is quantifiable and contractually determined at the commencement of the contract. Murabaha income (profit) is recognized as it accrues over the life of the contract using the effective profit method (EPRM) on the principal balance outstanding. These products are carried at amortized cost less impairment.

2.21. Recognition of income and expenses

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

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

2.21.1. Interest and similar income and expense

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





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The calculation takes into account all contractual terms of the financial instruments (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate (EIR), but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and interest and similar expenses for financial liabilities. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.21.2. Net trading income

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

2.21.3. Net interest income

a. Effective interest rate and amortized cost

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

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

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

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

b. Amortized cost and gross carrying amount

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method or any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment, allowance before 1 July, 2018).

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

c. Calculation of interest income and expenses

In calculating interest income and expense the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.



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

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

d. Presentation

Interest income and expense presented in the statement of profit or loss and OCI include:

- Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;
- Interest on debt instruments measured at FVOCI calculated on an effective interest basis;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; And
- The effective portion of fair value changes in qualifying hedging derivative designated in fair value hedges of interest rate risk.

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

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

2.21.4. Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset-government bills or liability are included in the measurement of the effective interest rate. Other fees and commission income; money transfer, letter of credit, payment orders, un cleared effects, ATM and POS transactions etc. are recognized as the related services are performed.

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

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

2.21.5. Dividend income

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

2.21.6. Foreign exchange revaluation gains or losses

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

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





3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION

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

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

- Capital management
- Financial risk management and policies

3.1. Judgments

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

3.2. Estimates and assumptions

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

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

3.3. Defined benefit plans

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

3.4. Depreciation and carrying value of property, plant and equipment

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

3.5. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Bank is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate for extrapolation purpose.



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3.6. Taxes

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

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

3.7. Development cost

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

In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

4. FINANCIAL RISK MANAGEMENT

4.1. Introduction

Risk is the effect of uncertainty on objectives of an entity; an effect can be either positive or negative deviation from what is expected. Therefore, risk is the chance that there will be a positive or negative deviation from the objective that is expected to be achieved.

Risk management is a systematic approach to identify, analyse, evaluate, and treat risks that may have an adverse impact on targeted objectives of an entity; and it is also a process of understanding and managing risks that the entity is inevitably subjected to in due process of achieving its corporate objectives.

4.1.1. Risk management structure

The Board of Directors shall generally be responsible for ensuring the appropriateness of the Banks risk management program and its proper implementation. The Board has already established Loan Review and Risk Management Sub-Committee that facilitates Board function.

In view of the strategic direction and risk appetite by the Board, the senior Management shall be responsible for the implementation of risk management policies and procedures.

Business units/operational units are primarily responsible for ensuring the Banks compliance with regulatory requirement and internal policies and procedures.

Bank of Abyssinia considers Liquidity, Credit, Market, Operational, Legal, Strategic, Compliance, and Reputational risks as core risks of the Bank.

Treasury and Financial Accounting Department establishes management information system that promptly conveys information between the organs in the liquidity risk management structure.





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ALCO shall closely control asset and liability structure of the Bank for maximization of its earning without endangering its liquidity status and report the status periodically for the board of directors.

The Internal Audits/Auditors shall ensure reliability, accuracy and timeless of financial, operational and regulatory reports.

4.1.2. Risk measurement and reporting systems

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

Monitoring and reviewing of risk management practice should be planned part of the risk management process and involve regular checking to ensure that adequate and important Information is generated by the risk management process. Furthermore, the information shall be captured, used and maintained effectively. This ensures that risk management is Effective, and provides evidence of a demonstrable risk management system. Thus, it's important to have a documented formal record of the risk management process outcomes, Risk review report will be generated periodically, which is outcome of monitoring and review of risk management practice of the Bank. The report will propose plausible solution for identified loopholes besides describing the current status of risk management practice. The targeted audience are Board of Directors and executive management.

4.1.3. Risk mitigation

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

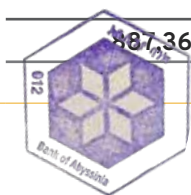
The adequacy of this mitigates is tested on a periodic basis through administration of control self- assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently audited as part of the review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

4.2. Financial instruments by category

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

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

30 June 2023	Note	Fair value OCI Birr'000	Amortized cost Birr'000	Total Birr'000
Cash and cash equivalents	16		21,148,144	21,148,144
Securities	18		8,475,363	8,475,363
Equity investment	18	887,369		887,369
Loans and advances to customers	17		143,796,168	143,796,168
Other assets	19		6,596,667	6,596,667
Total financial assets		887,369	180,016,342	180,903,711



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30 June 2022	Note	Fair value OCI Birr'000	Amortized cost Birr'000	Total Birr'000
Cash and cash equivalents	16		18,475,298	18,475,298
Securities			7,859,450	7,859,450
Equity investment	18	841,642		841,642
Loans and advances to customers(Net)	17		111,579,524	111,579,524
Other assets	19		3,638,629	3,638,629
Total financial assets		841,642	141,552,901	142,394,542

4.3. Credit risk

Credit risk is the risk that the Bank borrowers are either unwilling to discharge their obligation or their ability to discharge such obligation is impaired resulting in economic loss to the Bank. CreditRisk also arise from off-balance commitment's (such as guarantees & letter of credits) and placement With other banks (both domestic and foreign banks)

The Bank shall strive to ensure the existence of fundamental credit risk management elements that enable to effectively manage the credit risk exposure.

Sound and prudent risk management involves the minimization of concentration risk by diversifying Credit portfolio; therefore, the Bank shall have credit diversification policies state clearly the goals for Portfoliomix and place exposure limits on single counterparties and groups of associated counterparties, key industries or economic sectors, geographical regions and new and existing products, Collateral type, NPLs and off-balance sheet exposure. Moreover, the Bank shall strictly observe the directives, rules and regulations of the NBE in this respect.

The National Bank of Ethiopia (NBE) sets credit risk limit for a single borrower, one related party and all related parties to not exceed 25%, 15% and 35% of Bank's total capital amount as of the reporting quarterly period respectively.

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

4.3.1. Credit quality analysis

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

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

In thousand ETB	2023			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost				
Stage 1 – Pass	129,607,680	-	-	129,607,680
Stage 2 – Special mention	-	11,564,467	-	11,564,467
Stage 3 - Non performing	-	-	5,338,876	5,338,876
Total gross exposure	129,607,680	11,564,467	5,338,876	146,511,023
Loss allowance	(933,288)	(252,415)	(1,529,152)	(2,714,855)
Net carrying amount	128,674,392	11,312,052	3,809,724	143,796,168





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In thousand ETB	2022			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost				
Stage 1 – Pass	100,934,193	-	-	100,934,193
Stage 2 – Special mention	-	8,169,249	-	8,169,249
Stage 3 - Non performing	-	-	4,230,564	4,230,564
Total gross exposure	100,934,193	8,169,249	4,230,564	113,334,007
Loss allowance	(822,830)	(137,150)	(794,503)	(1,754,483)
Net carrying amount	100,111,363	8,032,099	3,436,062	111,579,524

In thousand ETB		2023		
		Gross exposure	Loss allowance	Net carrying amount
Other financial assets (debt instruments)				
Cash and balance with banks	12 Month ECL	17,152,783	(850)	17,151,932
Investment securities (debt instruments)	12 Month ECL	8,475,767	(404)	8,475,363
Other receivables and financial assets	Lifetime ECL	2,254,630	(92,051)	2,162,579
Totals	-	27,883,180	(93,306)	27,789,874

In thousand ETB		2022		
		Gross exposure	Loss allowance	Net carrying amount
Other financial assets (debt instruments)				
Cash and balance with banks	-	12,525,677	(686)	12,524,991
Investment securities (debt instruments)	-	7,859,827	(377)	7,859,450
Other receivables and financial assets	-	1,487,158	(92,177)	1,394,981
Totals	-	21,872,662	(93,239)	21,779,422

4.3.2. Collateral held

The Bank holds collateral against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.



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	Secured against real estate Birr'000	Machinery Birr'000	Vehicles Birr'000	Others Birr'000
30 June 2023				
Domestic trade and services	32,163,791	425,309	1,071,186	2,052,447
Import	7,781,496	415,574	118,159	647,707
Construction	18,226,705	164,254	308,873	462,286
Transport	2,706,724	44,868	3,161,598	405,865
Industry	29,673,118	2,122,715	1,652,526	1,919,993
Export	33,545,069	623,727	918,557	5,667,417
Agriculture	12,335,671	190,411	584,408	173,822
Consumer or personal	19,525,538	3,400	2,782,230	425,626
	155,958,113	3,990,257	10,597,537	11,755,162

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

i. Loans and advances to corporate customers

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

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





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ii. Investment securities designated as at FVTPL

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

Amounts arising from ECL

i. Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 2.5.1.(c)

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



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- 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 analysed by type of product and borrower as well as by credit risk grading. The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

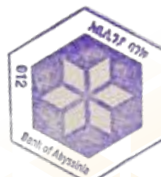
v. Determining whether credit risk has increased significantly

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

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.





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

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

vi. Definition of default

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

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

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

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

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

vii. Incorporation of forward-looking information

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

For each segment, the Bank formulates three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside and one downside. For each sector, the base case is aligned with the macroeconomic model's information value output, a measure of the predictive power of the model, as well as base macroeconomic projections for identified macroeconomic variables for each sector.

The upside and downside scenarios are based on a combination of a percentage error factor of each sector model as well as simulated optimistic and pessimistic macroeconomic projections based on a measure of historical



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macroeconomic volatilities

External information considered includes economic data and forecasts published by Fitch Solutions formerly known as Business Monitor International, an external and independent market intelligence and research institution. This is in addition to industry –level, semi – annual NPL trends across statistically comparable sectors.

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios.

A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses

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

Sector	Macroeconomic factor		
Cluster 1 Agriculture Consumer Loans Overdraft Interest Free Financing	Goods exports, USD	-	-
Cluster 2 Domestic Trade Services Mining and Energy Transport Health Merchandise Services Financial Services	-	-	-
Cluster 3 Building and Construction Hotel and Tourism Manufacturing and Production Industry Real Estate Housing and Construction	Goods imports, USD	Nominal GDP, USD	Real GDP per capital, USD (2010 prices)
Cluster 4 Export Import Advance against import bills International Trade	Goods imports, USD	-	-

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

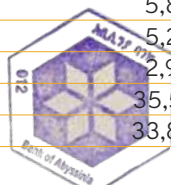




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The economic scenarios used as at 30 June 2023 included the following key indicators for Ethiopia

Indicator	30-Jun-22	30-Jun-23	30-Jun-24
Consumer price index inflation, 2010=100, ave	584	763	935
Exports of goods and services, USD	7,949	9,396	10,689
Government domestic debt, LCU	1,311,530	1,601,205	1,831,600
LCU/USD, ave	48	53	57
Nominal GDP, LCU	4,907,655	6,324,877	8,013,282
Private final consumption, LCU	3,602,073	4,706,091	5,637,460
Total domestic demand, LCU	5,199,565	6,554,527	7,774,860
Savings, LCU	1,058,363	1,139,738	1,333,876
Population	119,344,463	122,292,044	125,261,131
Consumer price index inflation, 2010=100, eop	591	757	893
M1, LCU	463,645	519,050	584,105
M2, LCU	1,450,580	1,669,935	1,932,335
Current expenditure, LCU	396,721	510,010	596,728
Goods imports, USD	14,996	15,798	16,433
Goods exports, USD	4,022	4,137	4,393
Current account balance, USD	-4,482	-4,804	-4,748
Import cover months	2	2	2
Total household spending, LCU	4,197,597	5,494,617	6,584,552
Nominal GDP, USD	100,847	115,100	130,089
Real GDP, LCU (2010 prices)	979,927,000,000	1,031,006,500,000	1,097,146,000,000
Real GDP, USD (2010 prices)	68,005,149,345	71,549,973,629	76,139,934,488
Real GDP per capita, USD (2010 prices)	549	567	589
Nominal GDP, USD (PPP)	315,978,796,495	358,557,612,057	394,406,827,578
Private final consumption, USD	74,903	87,766	99,434
Private final consumption per capita, USD	-	-	-
Government final consumption, LCU	406,173	487,844	566,298
Government final consumption, USD	8,490	9,106	9,990
Exports of goods and services, LCU	382,338	503,898	605,981
Exports of goods and services per capita, USD	-	-	-
Imports of goods and services, LCU	740,831	887,821	1,004,879
Imports of goods and services, USD	15,481	16,575	17,735
Total domestic demand, USD	108,379	122,279	137,135
Total domestic demand per capita, USD	-	-	-
Unemployment, % of labour force, ave	3	3	3
Real effective exchange rate index	25	15	10
LCU/USD, eop	52	55	58
Total revenue, LCU	363,207	476,482	648,397
Total revenue, USD	7,576	8,877	11,412
Total expenditure, LCU	523,143	681,893	857,966
Total expenditure, USD	10,869	12,721	15,114
Current expenditure, USD	8,225	9,525	10,522
Budget balance, LCU	-159,936	-205,411	-209,569
Budget balance, USD	-3,293	-3,844	-3,702
Services imports, USD	5,858	6,267	6,697
Services exports, USD	5,202	5,569	5,898
Total reserves ex gold, USD	2,955	3,160	3,649
Total external debt stock, USD	35,573	40,112	44,667
Long-term external debt stock, USD	33,809	38,315	42,836



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

The below scenario weightings have been observed

Summary of scenario weightings

Scenario	Base	Downturn (downside)	Optimistic (upside)
Cluster 1	91%	-	9.0%
Cluster 2	100%	-	-
Cluster 3	52%	-	48.00%
Cluster 4	91%	-	9.00%

viii. Modified financial assets

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

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

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

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

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

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

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





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ix. Measurement of ECL

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

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

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

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

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

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

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

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

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

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



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- Instrument type;
- Credit risk grading;
- Collateral type;
- LTV ratio for retail mortgages;
- Date of initial recognition;
- Remaining term to maturity;
- Industry; and
- Geographic location of the borrower.

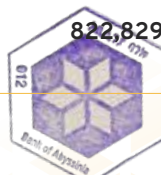
The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous

x. Loss allowance

The following tables show ECL reconciliations from the opening to the closing balance of the loss allowance

In thousand ETB	2023			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost (on balance sheet exposures)				
Balance at 1 July 2022	822,830	137,150	794,503	1,754,483
Transfer to 12 months ECL	27,423	14,662	(42,085)	-
Transfer to Lifetime ECL not credit impaired	44,871	(59,579)	14,709	-
Transfer to Lifetime ECL credit impaired	(184,863)	37,639	147,224	-
Net remeasurement of Loss allowance	109,491	39,040	438,471	587,002
Net financial assets originated or purchased	293,486	123,567	264,400	681,452
Financial assets derecognised	(179,950)	(40,063)	(88,070)	(308,082)
Balance as at 30 June 2023	933,288	252,415	1,529,152	2,714,855

In thousand ETB	2022			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost (on balance sheet exposures)				
Balance at 1 July 2021	544,067	121,216	459,398	1,124,681
Transfer to 12 months ECL	27,968	8,925	(36,894)	-
Transfer to Lifetime ECL not credit impaired	35,331	(44,854)	9,523	-
Transfer to Lifetime ECL credit impaired	(136,891)	69,046	67,844	-
Net remeasurement of Loss allowance	122,456	(39,599)	1,031,296	1,114,153
Net financial assets originated or purchased	328,035	32,857	(523,633)	(162,742)
Financial assets derecognised	(98,136)	(10,441)	(213,033)	(321,609)
Balance as at 30 June 2022	822,829	137,150	794,503	1,754,482





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In thousand ETB	2023			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost (off balance sheet exposures)				
Balance at 1 July 2022	150	-	-	150
Transfer to 12 months ECL	-	-	-	-
Transfer to Lifetime ECL not credit impaired	-	-	-	-
Transfer to Lifetime ECL credit impaired	-	-	-	-
Net remeasurement of Loss allowance	(110)	-	-	(110)
Net financial assets originated or purchased	-	-	-	-
Financial assets derecognised	-	-	-	-
Balance as at 30 June 2023	40	-	-	40

In thousand ETB	2022			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost (off balance sheet exposures)				
Balance at 1 July 2021	387	-	-	387
Transfer to 12 months ECL	-	-	-	-
Transfer to Lifetime ECL not credit impaired	-	-	-	-
Transfer to Lifetime ECL credit impaired	-	-	-	-
Net remeasurement of Loss allowance	(237)	-	-	(237)
Net financial assets originated or purchased	-	-	-	-
Financial assets derecognised	-	-	-	-
Balance as at 30 June 2022	150	-	-	150

Other financial assets		2023			
In Birr'000	Cash and balances with banks	Investment securities (debt instruments)	Advance on salary	Other receivables and financial assets	Total
Balance as at 1 July 2022	686	377	35	46,703	47,801
Net remeasurement of loss allowance previous year adjusted in this period	-	-	-	45,289	45,289
Net remeasurement of loss allowance	165	27	26	(1)	216
New financial assets originated or purchased	-	-	-	-	-
Balance as at 30 June 2023	850	404	61	91,991	93,306



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

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 consolidated statement of profit or loss and other comprehensive income.

Charge to statement of profit or loss and other comprehensive income.		2023		
In Birr'000	Loans and advances to customers at amortised cost	Loan commitments and financial guarantee contracts	Other financial assets	Total charge/(credit)
Net remeasurement of loss allowance	587,002	82	25	587,109
New financial assets originated or purchased	681,452	-	-	681,452
Financial assets derecognised	(308,082)	-	-	(308,082)
Amounts directly written off during the year	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Total	960,372	82	25	960,480

Charge to statement of profit or loss and other comprehensive income.		2022		
In Birr'000	Loans and advances to customers at amortised cost	Loan commitments and financial guarantee contracts	Other financial assets	Total charge/(credit)
Net remeasurement of loss allowance	1,114,153	150	94,504	1,208,807
New financial assets originated or purchased	(162,742)	-	-	(162,742)
Financial assets derecognised	(321,609)	-	-	(321,609)
Amounts directly written off during the year	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Total	629,802	150	94,504	724,456





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4.3.3. Concentrations of credit risk

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

	Domestic and Trade Services Birr'000	Export Birr'000	Housing and construction Birr'000	Others Birr'000
30 June 2023				
Cash and cash equivalents				21,148,144
Loans and receivables	24,567,515	38,528,009	18,032,133	65,383,365
Investment securities:				
• Available for sale				887,369
• Amortized cost				8,475,363
Other assets				6,596,667
	24,567,515	38,528,009	18,032,133	102,490,909

	Domestic and Trade Services Birr'000	Export Birr'000	Housing and construction Birr'000	Others Birr'000
30 June 2022				
Cash and cash equivalents				18,475,298
Loans and receivables	20,461,848	36,658,550	12,234,556	43,979,052
Investment securities:				
• Available for sale				841,642
• Amortized cost				7,859,450
Other assets				3,638,629
	20,461,848	36,658,550	12,234,556	74,794,070

4.3.4. Offsetting financial assets and financial liabilities

The Bank does not offset financial assets against financial liabilities.

4.3.5. Risk limit control and mitigation policies

a. Collateral held and their financial effect

The general creditworthiness of a customer tends to be the most relevant 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.



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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.

4.4. Liquidity risk

Liquidity Risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. Liquidity risk may not be seen in isolation as it can be triggered by other financial risks such as credit risk, Market risk generally, liquidity risk results from size and maturity mismatch of Assets and liabilities.

4.4.1. Management of liquidity risk

Liquidity risk may not be seen in isolation as it can be triggered by other financial risks such as credit risk, market risk, etc. Generally, liquidity risk results from size and maturity mismatch of asset and liabilities.

In order to keep optimal asset-liability structure, thereby adhere to regulation in jurisdiction;

Boa Adopts liquidity risk management system that is governed by adequate oversight, early warning system and proper implementation of risk management process.

The Bank shall form the ALCO committee whose members are drawn from its senior Management and entrust in which the responsibility of managing the overall liquidity of the Bank.

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

The Bank has incurred indebtedness in the form of borrowings. The Bank evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Bank devises strategies to manage its liquidity risk.

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

4.4.2. 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.





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30 June 2023	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181- 365 days Birr'000	Over 1 year Birr'000
Cash and Bank balances	18,306,490	1,958,970	666,460		61,571
Net investment			3,090,700		4,998,000
Net loans and advances	38,754,670	14,221,730	11,323,550	18,559,910	61,570,820
Total	57,061,160	16,180,700	15,080,710	18,559,910	66,630,391
Liabilities					
Deposits from customers	49,500,754	15,889,474	14,118,266	17,814,189	60,958,330
Debt securities issued				-	-
Borrowings	3,360,118				-
Other liabilities	1,282,442			845	1,837,044
Total	54,143,314	15,889,474	14,118,266	17,815,034	62,795,374
Net Mismatch	2,917,846	291,226	962,444	744,876	3,835,017

30 June 2022	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181- 365 days Birr'000	Over 1 year Birr'000
Cash and Bank balances	15,035,110	1,548,060	2,002,490	-	77,140
Net investment				4,863,470	754,520
Net loans and advances	28,010,070	9,946,590	8,722,250	14,352,570	48,938,420
Total	43,045,180	11,494,650	10,724,740	19,216,040	49,770,080
Liabilities					
Deposits from customers	39,415,140	11,338,080	9,357,860	18,207,810	43,527,410
Borrowings				46,981	
Other liabilities	1,365,460			73,244	3,374,796
Total financial liabilities	40,780,600	11,338,080	9,357,860	18,328,035	46,902,206
Net Mismatch	2,264,580	156,570	1,366,880	888,005	2,867,874



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4.5. Market risk

Market Risk is the risk that value of on and off-balance sheet positions of the Bank are adversely affected by movements in market rates or prices such as interest rates and FOREX rates resulting in the financial losses to the Bank.

Management of market risk is an area that has received increasing attention from managers and supervisors of the globe as banks financial trading activities have been growing from time to time.

4.5.1. Management of market risk

Management of market risk is an area that has received increasing attention from managers and supervisors of the globe as banks financial trading activities have been growing from time to time.

In Ethiopia, the market is not that much sensitive and involvement of banks are so limited to a few types of exposures. The risk exposures considered as relevant are interest rate and exchange rate risks,

And hence, these are incorporated in this risk management programme.

i. Interest rate risk

Interest rate risk is the potential impact on institutions earnings and on the net-asset values of the changes of its interest rates. IRR arises when an institutions principal and cash flows, both on and off the balance sheets have mismatched reprising dates.

Banks are exposed to IRR because they invariably operate with unmatched balance sheet i.e. being Either IR sensitive asset or IR sensitive liabilities.

30 June 2023	Fixed Birr'000	Floating Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	3,908,279		17,239,866	21,148,144
Loans and receivables	149,245,484		3,026,047	152,271,531
Investment Securities -FVOCI			887,369	887,369
Total	153,153,763	-	21,153,282	174,307,045
Liabilities				
Deposits from customers	140,467,269		18,069,603	158,536,872
Debt securities issued				-
Borrowings	3,366,312			3,366,312
Other liabilities			9,453,695	9,453,695
Total	143,833,581	-	27,523,298	171,356,879





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30 June 2022	Fixed Birr'000	Floating Birr'000	Non-interest Bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	4,057,307		14,417,991	18,475,298
Loans and receivables	118,418,079		1,020,894	119,438,974
Investment Securites -FVOCI			841,642	841,642
Total	122,475,386	-	16,280,527	138,755,913
Liabilities				
Deposits from customers	110,010,874		12,034,545	122,045,419
Debt securities issued				-
Borrowings	46,981			46,981
Other liabilities			11,173,015	11,173,015
Total	110,057,855	-	23,207,560	133,265,415

The sensitivity of the income statement is the effect of the assumed changes in saving interest rates on the profit or loss for a year, based on the floating rate non-trading financial assets and financial liabilities held at 30 June 2023 and 30 June 2022. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

30 June 2023	Average Saving interest rate(Base point)	Increase (decrease) in basis points Birr'000	Impact of an increase P/L and equity Birr'000	Impact of a decrease P/L and Equity Birr'000
Average cost of fund	5.17%	10%		
Interest Expense	0.52%		506,305	(506,305)
Base Average saving deposit	97,994,690			
Average monthly Interest Exp	421,921			

30 June 2022	Average Saving interest rate(Base point)	Increase (decrease) in basis points Birr'000	Impact of an increase P/L and equity Birr'000	Impact of a decrease P/L and Equity Birr'000
Average cost of fund	5.05%	10%		
Interest Expense	0.50%		370,029	(370,029)
Base Average saving deposit	73,295,465			
Average monthly Interest Exp	308,358			



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ii. Foreign exchange risk

Foreign exchange risk is the potential for loss from exposure to foreign exchange rate fluctuation. This implies an asset or investment denominated in a foreign currency will lose value as a result of Unfavourable exchange rate fluctuations between the investment's foreign currency and the investment holders in domestic currency.

Exchange risk is associated with potential gain or loss that occurs as a result of change on exchange rate based on foreign currency holdings and liability of the Bank. Such change in value of currencies affects net open position in terms of local currency.

In general, foreign exchange rate risk is potential loss as a result of adverse movement in FOREX Rates.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Foreign currency denominated balances		
Cash and bank balances	1,929,928	476,625
Net of other foreign asset and liabilities	(2,155,953)	(5,648,018)
Deposits from customers	(4,380,407)	(4,610,559)
	(4,606,432)	(9,781,952)

Sensitivity analysis for foreign exchange risk

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

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Impact on profit or loss		
FCY position	(4,606,432)	(9,781,952)
10% Appreciation	(460,643)	(978,195)
10% Deprecation	460,643	978,195

4.6. Capital management

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

Due to this, the capital increase decision has been passed from 10 billion to 12.5 billion on the 13th shareholders meeting due to the following reasons:

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





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4.6.1. Capital adequacy ratio

According to the Licencing and Supervision of Banking Business minimum Capital Requirement for Banks (Amended) Directiv No SBB/78/2021 of the National Bank of Ethiopia, the Bank has to maintain capital to risk-weighted assests ratio of 8% at all times, the risk-weighted assests being calculated as per the provisions of Directive No SBB/9/95

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

Total Capital includes Paid up capital, Legal reserveve and other reserves to be approved by the National Bank of Ethiopia

Capital Component	30 June 2023 Birr'000	30 June 2022 Birr'000
Paid-up-capital	11,898,416	8,319,678
Paid -up-capital in excess of par	5,998	5,998
Legal reserveve	3,341,543	2,356,007
Special Reserveve	25,919	25,919
Total Capital	15,271,876	10,707,602
Risk Weighted Asset		
On balance sheet	150,215,743	112,344,286
Off balance sheet	4,877,536	1,874,835
Total risk weighted assets	155,093,279	114,219,122
Capital Adequcy Ratio	9.85%	9.37%

4.7. Fair value of financial assets and liabilities

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

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

4.7.1. Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable 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



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prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data. In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

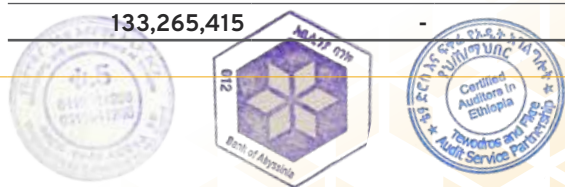
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the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

4.7.2. Financial instruments not measured at fair value - Fair value hierarchy

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

30 June 2023	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets					
Cash and balances with banks	21,148,144			21,148,144	21,148,144
Loans and receivables	152,271,531			152,271,531	152,271,531
Investment Securities -FVOCI	894,523			887,369	887,369
Total	174,314,198	-	-	174,307,044	174,307,044
Financial liabilities					
Deposits from customers	158,536,872			158,536,872	158,536,872
Debt securities issued				-	-
Borrowings	3,366,312			3,366,312	3,366,312
Other liabilities	9,453,695			9,453,695	9,453,695
Total	171,356,879	-	-	171,356,879	171,356,879

30 June 2022	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets					
Cash and balances with banks	18,475,298			18,475,298	18,475,298
Loans and receivables	119,438,974			119,438,974	119,438,974
Investment Securities -FVOCI	493,823	-	-	841,642	841,642
Total	138,408,094	-	-	138,755,913	138,755,913
Financial liabilities					
Deposits from customers	122,045,419			122,045,419	122,045,419
Debt securities issued				-	-
Borrowings	46,981			46,981	46,981
Other liabilities	11,173,015			11,173,015	11,173,015
Total	133,265,415	-	-	133,265,415	133,265,415





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FOR THE YEAR ENDED 30 JUNE 2023

4.7.3. Fair Value of Financial assets and liabilities

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

30 June 2023	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets					
Investment securities; FVOCI	894,523	-	-	887,369	887,369
Total	894,523			887,369	887,369

4.8. Offsetting financial assets and financial liabilities

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
5. INTEREST INCOME		
Interest on Term Loan	14,570,916	8,363,192
Interest on over draft	2,097,305	1,729,737
Interest on Import & export bills	140,996	121,541
Interest on Advance sales contract	1,551,428	2,430,248
Interest from penalty	1,445,776	907,815
Interest on Treasury Bonds	100,315	
Interest income on NBE bills	-	79,875
Interest earn on DBE Bond	113,037	21,209
Interest on deposit from placement	562,891	404,334
Interest income on Treasury bills	371,879	293,127
	20,964,626	14,351,498

	30 June 2023 Birr'000	30 June 2022 Birr'000
6. INTEREST EXPENSE		
Interest on Saving Account	(5,063,052)	(3,700,293)
Interest on Time deposit	(792,940)	(513,099)
Interest on loans	(284,435)	(18,538)
	(6,140,426)	(4,231,929)



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	30 June 2023 Birr'000	30 June 2022 Birr'000
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7. NET FOREIGN EXCHANGE GAIN OR LOSS

Loss on foreign exchange	(4,430,816)	(7,077,041)
Gain on foreign exchange	4,207,253	6,302,838
	(223,562)	(774,203)

	30 June 2023 Birr'000	30 June 2022 Birr'000
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8. NET FEES AND COMMISSION INCOME

Fee and commission income		
Letters of credit and other import/export facilities	194,504	780,953
Money and Telegraphic transfers and direct debit charges	9,359	7,294
Letters of guarantees	131,990	68,486
Other commissions	395,901	118,181
Total	731,755	974,914
Fee and commission expense	-	-
	-	-
Net fees and commission income	731,755	974,914

	30 June 2023 Birr'000	30 June 2022 Birr'000
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9. DIVIDEND INCOME

Dividend income from investing activities	52,915	8,030
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	30 June 2023 Birr'000	30 June 2022 Birr'000
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10. OTHER OPERATING INCOME

Rental income	19,058	11,613
Gain on disposal of fixed assets	1,278	7,125
Gain on disposal of Aquired Asset	6,547	20
Postage	4	1
Loan processing fee income	82,923	63,660
Bad debts recovered	0	45
Income from Murabaha Financing	281,464	66,180
Other income	123,490	64,314
	514,764	212,959





BANK OF ABYSSINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2023 Birr'000	30 June 2022 Birr'000
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11. LOAN IMPAIRMENT CHARGE

Loans and receivables - charge for the year (note 17)	(960,372)	(629,802)
	<u>(960,372)</u>	<u>(629,802)</u>

	30 June 2023 Birr'000	30 June 2022 Birr'000
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12. IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS

Other assets - charge for the year	(25)	(12,556)
Bank balance charge for the year	(165)	-
DBE bond and bills charge for the year	(27)	-
Gurantee and LC reversal for the year	109	-
	<u>(107)</u>	<u>(12,556)</u>

	30 June 2023 Birr'000	30 June 2022 Birr'000
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13. PERSONNEL EXPENSES

Clerical Staff Salary	(3,315,034)	(1,950,316)
Contractual Staff Salary	(402,987)	(273,579)
Non-Clerical Staff Salary	(205,151)	(135,442)
Bonus	(596,214)	(355,986)
Provident Fund	(418,284)	(249,095)
Fuel Allowance	(1,250,593)	(489,671)
Leave Pay	(108,908)	(71,061)
Training Education	(200,258)	(186,053)
Living Allowance	(264,647)	(146,913)
Cash Indemnity Allowance	(54,390)	(41,782)
Medical	(64,746)	(32,354)
Staff Insurance	(29,270)	(50,866)
Car and representation Allowance	(116,255)	(94,923)
Uniforms	(3,147)	(14,615)
Amortazation of prepaid employee benefit	(82,357)	(103,859)
Drivers Allowance	(1,196)	
Other staff expenses	(320,812)	(181,342)
	<u>(7,434,250)</u>	<u>(4,389,301)</u>



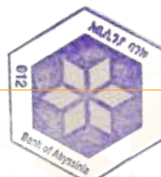
BANK OF ABYSSINIA
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FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2023 Birr'000	30 June 2022 Birr'000
14. OTHER OPERATING EXPENSES		
Postage, telephone, telegram , telex/fax	(7,702)	(4,291)
Stationery and printing	(187,852)	(152,965)
Advertising	(180,540)	(132,237)
Repair and Maintenance	(89,136)	(49,920)
Fuel and Lubricant	(59,600)	(26,681)
Insurance	(40,111)	(41,162)
Per diem and travel	(33,856)	(24,756)
Correspondnet charges	(15,804)	(7,761)
Swift Services	(50)	-
Utilities	(13,722)	(10,110)
Donations and contributions	(203,861)	(100,028)
Annual reception	(7,266)	(3,068)
Bank charges	(4,491)	(3,493)
Entertainment	(19,531)	(10,699)
Legal fees and Consultancy fee	(63,524)	(19,295)
Wages for non-employees	(8,162)	(5,427)
Transportation of Currency	(47,962)	(23,256)
Audit fees	(1,160)	(531)
ATM and POS card issuance fee	(68,172)	(6)
Software license fee	(197,356)	(156,395)
Promotional gift items	(21,187)	(40,064)
Impairment for non current asset	(823)	1
Board of Directors remeineration	(2,525)	(3,219)
IT Support and maintenance exp.	(112,065)	(113,302)
Mudarabah profit accrual	(1,299)	(123)
Mudarabah cost of fund	(12,997)	(2,946)
Provision on salary, other expense and asset damage for North Ethiopia conflict	-	(550,000)
EATS membership and transaction fee	(20,460)	-
other IFB expense	(15,379)	
Other administration expenses	(365,393)	(400,790)
	<u>(1,801,986)</u>	<u>(1,882,523)</u>

15. RECONCILIATION OF EFFECTIVE TAX TO STATUTORY TAX

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
15a. Component of tax expenses		
Current tax expense	1,284,232	1,375,889
Deferred tax (15e)	72,962	42,831
	<u>1,357,194</u>	<u>1,418,720</u>





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	30 June 2023 Birr'000	30 June 2022 Birr'000
15b. Current Tax		
IFRS Accounting profit	5,230,027	4,655,895
Add : Disallowed expenses		
Entertainment	19,531	10,699
Donation	1,991	74,057
Penalty	19,356	38,896
Depreciation for accounting purpose	432,830	313,298
Amortization for accounting purpose	63,531	46,562
Amortization of Employee benefit	82,357	-
Severance Payment	63,009	2,819
Being impairment on Equity Investment	-	-
Interest expense on lease liability	17,253	
impairment on non-current asset	823	
Accrued leave	96,571	61,577
Cash indemnity reserve		37,954
Legal expense	13,254	7,714
Unrealized foreign exchange gain or loss	28,345	(2,100)
Provision for other Asset	107	12,556
Provision for loans and advances as per IFRS	960,372	629,802
Written- Off loan	1,855	5,781
Provision on salary, other expense and asset damage for North Ethiopia conflict	-	550,000
Tax payment as per tax audit work	34,518	125,038
Staff loan Interest income as per tax	151,455	203,283
	1,987,158	2,117,937
Less :		
Depreciation for tax purpose	572,552	433,482
Amortization for tax purpose	79,580	64,702
Interest income taxed at source-Local & foreign deposits	562,891	404,334
Dividend income taxed at source	52,915	8,030
Interest income taxed at source-Treasury bills	371,879	293,127
Interest income taxed at source-Treasury bonds	100,315	
Interest income taxed at source-NBE Bills	0	79,875
Interest income taxed at source-DBE bonds	113,037	21,209
Staff loan Interest income as per IFRS	276,582	186,845
Provision for loans and advances as per NBE 80%	809,901	696,146
	2,939,653	2,187,751
Taxable profit	4,277,532	4,586,079
	1,283,260	1,375,824
Add : 10% of interest on foreign deposits	973	66
Current tax at 30%	1,284,232	1,375,889



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	30 June 2023 Birr'000	30 June 2022 Birr'000
15c. Statement of Financial Position(Current income tax liability)		
Balance at the beginning of the year	1,365,459	682,094
Charge for the year:		
Income tax expense	1,284,232	1,375,889
Prior year (over)/ under provision		
WHT Notes utilised	(1,791)	(10,430)
Payment during the year	(1,365,459)	(682,094)
Balance at the end of the year	1,282,442	1,365,459

15d. Deferred income tax

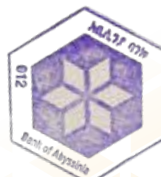
Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Deferred tax liability	154,071	41,143
	154,071	41,143

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

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:

	At 1 July 2022 Birr'000	Adjustment made to recognize prevuius years deffred tax effect Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2023 Birr'000
Deferred income tax assets/(liabilities):					
Property, plant and equipment	(100,324)		(123,492)		(223,816)
Equity Investments	-	(110,662)		2,146	(108,516)
Annual Leave	-	69,310	28,971		98,281
Tax losses charged to profit or loss	-				-
Post employment benefit obligation	59,181		21,559	(760)	79,980
Total deferred tax assets/(liabilities)	(41,143)	(41,352)	(72,962)	1,386	(154,071)





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

15e. Deferred tax Liability

	30 June 2023 Birr'000	30 June 2022 Birr'000
Deferred tax liability (asset) opening	41,143	15,829
Add: Changes during the year	112,928	25,314
Deferred tax Liability	154,071	41,143
PPE- carrying amount	5,299,821	2,933,570
PPE - tax base	4,553,767	2,599,157
Temporary difference	746,055	334,413
Deferred tax liability - @ 30%	223,816	100,324

	30 June 2023 Birr'000	30 June 2022 Birr'000
Severance pay - carrying amount	266,600	206,114
Severance pay - tax base	-	8,844
Severance pay temporary difference	266,600	197,270
Deferred tax asset - @ 30%	79,980	59,181
Annual Leave - carrying amount	327,604	0
Annual Leave - tax base	-	-
Annual leave temporary difference	327,604	0
Deferred tax asset - @ 30%	98,281	-
Equity investment - carrying amount	887,369	
Equity investment - tax base	525,650	
Equity Investment -temporary difference	361,720	0
Deferred tax liability - @ 30%	108,516	-
Deferred tax liability - @ 30%	154,071	41,143



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	30 June 2023 Birr'000	30 June 2022 Birr'000
16. CASH AND CASH EQUIVALENTS		
Cash in hand	3,996,212	4,556,575
Reserve account with National Bank of Ethiopia	11,085,046	8,520,046
Other accounts with National Bank of Ethiopia	297,490	155,600
Deposits with foreign banks	1,861,968	1,186,455
Deposits with local banks	3,908,279	4,057,307
	21,148,995	18,475,983
Less: Impairment Allowance for Bank Balance	(850)	(686)
	21,148,144	18,475,298

	30 June 2023 Birr'000	30 June 2022 Birr'000
Maturity analysis		
Current	10,063,948	9,955,937
Non-Current	11,085,046	8,520,046
	21,148,995	18,475,983

The reserve with National Bank of Ethiopia represents regulatory cash ratio requirements based on customer deposits with the Bank. As at 30 June 2023, the cash ratio requirement was 7% . The funds are not available for the day to day operations of the Bank and are non interest bearing.

Amounts included in cash and cash equivalents are current. Reserves with National Bank of Ethiopia are non - current. Cash and balances with National Bank of Ethiopia are classified as 'loans and receivables'.

	30 June 2023 Birr'000	30 June 2022 Birr'000
17. LOANS AND ADVANCE TO CUSTOMERS		
Domestic trade and services	24,567,515	20,461,848
Import	7,251,708	5,915,611
Construction	18,032,133	12,234,556
Transport	5,287,499	4,299,944
Industry	30,819,128	22,248,600
Export	38,528,009	36,658,550
Agriculture	10,648,681	6,076,352
Murabaha Financing	3,026,047	1,020,894
Consumer or personal	8,350,302	4,417,651
Gross amount	146,511,023	113,334,007

	30 June 2023 Birr'000	30 June 2022 Birr'000
Loan loss Allowance_stage 1	(933,288)	(822,830)
Loan loss Allowance_stage 2	(252,415)	(137,150)
Loan loss Allowance_stage 3	(1,529,152)	(794,503)
	143,796,168	111,579,524





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	30 June 2023	30 June 2022
	Birr'000	Birr'000
Maturity analysis		
Current	32,123,584	77,983,926
Non-Current	114,387,438	
	146,511,023	113,334,007

17a. Tigray reagon loans and advances report as stated below;

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Principal Loans and Advances	1,731,995	1,643,803
Accrued Interest	39,204	7,219
Accrued Interest Suspended	268,822	97,600
Total Outstanding Loans and Advances	2,040,021	1,748,622
Total cummulative loan provision as per NBE for Tigray reagon only	(355,827)	(675,331)
Net loans and Advances in Tigray reagon	1,684,194	1,073,291

18. INVESTMENT SECURITIES

Securities held to maturity are stated at amortised cost while those classified as “Fair value through OCI” are stated at fair value.

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Financial assets at amortized cost (loans and recivables)		
Ethiopian Government bills	-	-
Investment on DBE bond	1,895,713	775,729
Investment in Treasury Bills	3,264,417	7,084,098
Investment in Treasury bond	3,315,637	-
	8,475,767	7,859,827
Less loss allowance	(404)	(377)
	8,475,363	7,859,450

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Financial assets at fair value through OCI		
Financial assets at FVOCI (Equity investments)	887,369	841,642
	887,369	841,642

The Investments comprise of:	Fair Value	Par value	Cost	Fair value
At 30 June 2023	per share	(Birr)	Birr'000	Birr'000
Eth Switch S.Co	52,211	1,000	52,211	295,109
Addis Africa Int. Convention & Exch. Centre	20,481	1,000	20,481	7,121
Hohete Tibeb S.Co	16,491	500	8,246	14,184
Association of Ethiopian Insurers	5,420	10,000	54,200	42,802
Abay Industry Development S.C	4,001	100,000	400,100	525,903
Yetebaberut Petroleum	179	5,000	895	2,022
Nile Insurance s.c			-	228
			536,133	887,369



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At 30 June 2022	Fair Value per share	Par value (Birr)	Cost Birr'000	Fair value Birr'000
Eth Switch S.Co	40,877	1,000	40,877	211,025
Addis Africa Int. Convention & Exch. Centre	20,481	1,000	20,481	17,501
Hohete Tibebe S.Co	10,967	500	5,484	17,212
Association of Ethiopian Insurers	2,975	10,000	29,750	569,244
Abay Industry Development S.C	3,729	100,000	372,900	25,782
Yetebaberut Petroleum	209	5,000	1,045	599
Nile Insurance s.c	201	1,000	201	279
			470,738	841,642

	30 June 2023	30 June 2022
	Birr'000	Birr'000
19. OTHER ASSETS		
System suspense	60,013	37,343
Acquired collaterals	215,371	160,351
Sundry receivables	1,559,512	-
Sundry receivables-Financial assets	2,254,630	1,311,068
Items in course of collection from other banks	88,770	207,808
Deposit and Prepayment	62,877	227,593
Prepaid staff asset	2,447,546	1,786,642
Gross amount	6,688,718	3,730,806
Less: other asset -ECL	(92,051)	(92,177)
	6,596,667	3,638,629

Out of Sundry Receivables(financial assets) accounts receivables balance,Birr 298,908,564 was paid to Ethiopian Roads Authority(ERA) in relation to Advance Payment Gurantee for Road Construction contract issued by the Bank takes counter Gurantee issued by State Bank of India(SBI), however, out of the balance, Birr 210 million is already collected in July 15,2023 and remaining is handled by legal department of the Bank to collect the money from the stated bank.

	30 June 2023	30 June 2022
Maturity analysis	Birr'000	Birr'000
Current	6,318,516	2,743,889
Non-Current	370,202	986,917
	6,688,718	3,730,806





BANK OF ABYSSINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

19a. Impairment allowance on other assets

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Balance at the beginning of the year		
Provision on guarantee and letter of credit reclassified to other liabilities	90,177	82,546
(Reversal)/charge for the year	(150)	-
	25	7,631
Balance at the end of the year	90,051	90,177

	Total Birr'000
--	---------------------------

20. INVESTMENT PROPERTY

Cost:

As at 1 July 2021	12,339
Acquisitions	-
Transfer from property and equipment	(0)
As at 30 June 2022	12,339
As at 1 July 2022	12,339
Acquisitions	-
Transfer from property and equipment	(0)
As at 30 June 2023	12,339
Accumulated depreciation and impairment losses	
As at 1 July 2021	
Transfer from property and equipment	(1,070)
Amortisation for the year	(234)
Impairment losses	-
As at 30 June 2022	(1,305)
As at 1 July 2022	(1,305)
Transfer from property and equipment	
Amortisation for the year	(234)
Impairment losses	-
As at 30 June 2023	(1,539)
Net book value	
As at 30 June 2022	11,034
As at 30 June 2023	10,800

The investment property comprises of the following properties: Dila building outside addis abeba region birr 12.34 million



BANK OF ABYSSINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

20a. Amounts recognised in profit or loss for investment properties

	Note	30 June 2023 Birr'000	30 June 2022 Birr'000
Rental income		19,058	11,613
Direct operating expenses from property that generated rental income		-	-
		19,058	11,613

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

The Bank's investment property is measured at cost. These properties include those held for rental purposes and those in which the Bank occupies an insignificant portion. These properties are held to earn rentals and for capital appreciation. There are currently no restrictions on the realisability of these properties.

Investment property is initially measured at cost including transaction costs and subsequently measured at depreciated cost (less any accumulated impairment losses). Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 50 years. The fair value of investment properties has been disclosed as required.

Fair value measurement of the Bank's Investment properties (Contd)

The fair value of the Bank's Investment property as at June 30, 2023 and has been arrived at by in-house engineers qualified estate surveyors and reviewed and approved by independent valuers. These valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

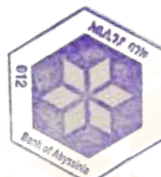
The fair value was determined based on the replacement cost concept which approximates the estimated amount for which a property should exchange on the date of valuation between knowledgeable willing parties in an arm's length transaction after proper marketing, prudently and without compulsion.

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

20c. Fair value hierarchy

Details of the Bank's Investment properties and information about the fair value hierarchy at 30 June 2022, and 30 June 2023 respectively are as follows:

	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
30 June 2023				
Investment properties	12,339			12,339
30 June 2022				
Investment properties	12,339			12,339





BANK OF ABYSSINIA
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	Total Birr'000
21. INTANGIBLE ASSETS	
Cost:	
As at 1 July 2021	483,493
Acquisitions	147,354
WIP	(40,674)
Internal development	-
Transfer from property and equipment	-
WIP	-
As at 30 June 2022	590,174
As at 1 July 2022	590,174
Acquisitions	206,819
WIP	(51,528)
Internal development	-
Transfer from property, plant and equipment	-
As at 30 June 2023	745,464
Intangible Assets (Contd)	
Accumulated amortisation and impairment losses	
As at 1 July 2021	
Transfer from property and equipment	112,790
Amortisation for the year	46,562
Impairment losses	-
As at 30 June 2022	159,352
As at 1 July 2022	159,352
Amortisation for the year	63,531
Impairment losses	-
As at 30 June 2023	222,883
Net book value	
As at 30 June 2022	430,822
As at 30 June 2023	522,582



BANK OF ABYSSINIA
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22. LEASES

22.1. Leases as Lessee

The Bank leases a number of branch and office premises. The leases typically option to renew the lease after that expire date. Information about leases for which the Bank is a lessee is presented below.

22.1.1. Right-of Use Assets and lease obligation

Information about leases for which the Bank is a lessee is presented below:

i. Right-of Use Assets	Land Birr'000	Building Birr'000	Total Birr'000
Cost:			
Balance at 01 July 2022	87,506	3,261,992	3,349,498
Adjustments	3,598	(85,664)	(82,067)
Charge for the year	5,796	1,171,050	1,176,846
Balance at 30 June 2023	96,899	4,347,378	4,444,277
Amortisation	Land Birr'000	Building Birr'000	Total Birr'000
Balance at 01 July 2022	12,223.00	1,214,399	1,226,622
Adjustments	(5,710)	1,191	(4,519)
Charge for the year	1,614	645,811	647,425
Balance at 30 June 2023	8,126	1,861,401	1,869,527
Net Carrying Value at 30 June 2022	75,283	2,047,593	2,122,876
Net Carrying Value at 30 June 2023	88,773	2,485,977	2,574,750

ii. Lease Liabilities	Land Birr'000	Building Birr'000	Total Birr'000
Balance at 01 July 2022	49,632	354,461	404,093
Adjustments	(6,634)		(6,634)
Additions	7,542	74,320	81,861
Interest expense in P & L	-	17,253	17,253
Payment of Leases	(1,653)	(151,630)	(153,283)
Balance at 30 June 2023	48,885	294,403	343,289

At 30 June 2023, the future minimum lease payments under non-cancellable operating Leases were payable as follows:-

Maturity analysis-Contractual undiscounted cash flows

	30 June 2023 Birr'000	30 June 2022 Birr'000
Less than one year	845	73,244
Between one and five years	159,483	268,533
More than five years	182,962	21,638
Total undiscounted leases liabilities	343,289	363,414





BANK OF ABYSSINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

22.1.2. Amounts recognized in profit or loss

	30 June 2023 Birr'000	30 June 2022 Birr'000
Interest expenses on lease liabilities (Note 6)	17,253	18,897
Short term leases of low value assets(ATM rent)	15,007	14,321

Amounts recognized in statement of cash flows

	30 June 2023 Birr'000	30 June 2022 Birr'000
Total cash outflows for leases	1,176,846	833,097

	Buildings Birr'000	Motor vehicles Birr'000	Office and other equipment Birr'000	Furniture & fittings Birr'000	Computer & Related Items Birr'000	Construction in progress Birr'000	Total Birr'000
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23.PROPERTY AND EQUIPMENT

Cost:

As at 1 July 2021	511,881	721,792	917,274	446,300	517,666	1,386,929	4,501,843
Additions	89,597	23,310	380,131	262,569	38,387	119,719	913,713
Disposals	-	-	-	-	(21.77)	(1,057.35)	(1,079)
As at 30 June 2022	601,478	745,103	1,297,406	708,869	556,031	1,505,590	5,414,477
As at 1 July 2022	601,478	745,103	1,297,406	708,869	556,031	1,505,590	5,414,477
Additions	149,771	266,535	96,385	519,295	312,966	266,450	1,611,402
Reclassification	871,690	-	-	-	-	(1,031,690)	(160,000)
Fixed asset adjustments	-	(1,419)	(1,799)	-	-	(6,368)	(9,586)
Disposals	-	(4,402)	(2,448)	-	-	-	(6,850)
As at 30 June 2023	1,622,939	1,005,816	1,389,544	1,228,164	868,997	733,983	6,849,443

Accumulated depreciation

As at 1 July 2021	28,248	178,653	159,158	86,584	159,839	-	612,481
Charge for the year	10,242	62,300	115,943	46,723	74,650	-	309,858
Accumulated depreciation on disposals	-	-	-	-	(16)	-	(16)
As at 30 June 2022	38,490	240,953	275,101	133,307	234,473	-	922,323
As at 1 July 2022	38,490	240,953	275,101	133,306	234,473	-	922,323
Charge for the year	30,870	75,558	158,952	77,505	89,710	-	432,596
Fixed asset adjustments	-	(1,348)	(150)	-	-	-	(1,498)
Accumulated depreciation on disposals	-	(4,115)	(284)	-	-	-	(4,399)
As at 30 June 2023	69,360	311,048	433,619	210,811	324,183	-	1,349,021
Net book value							
As at 30 June 2022	562,988	504,150	1,022,305	575,563	321,558	1,505,590	4,492,154
As at 30 June 2023	1,553,579	694,769	955,925	1,017,353	544,814	733,983	5,500,422



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	30 June 2023 Birr'000	30 June 2022 Birr'000
24.DEPOSITS FROM CUSTOMERS		
Private sector & Staffs	120,864,339	94,156,437
Co-operatives & Associations	3,592,569	3,080,782
Domestic banks	4,299,849	3,665,667
NR - Transferable Birr accounts	115,737	29,612
Public agencies & enterprises	7,683,588	4,708,162
NR - Non-transferable Birr accounts	102,801	63,856
NR- Foreign currency accounts	3,252,496	3,597,679
Residents	555,889	708,679
Wadiah deposit-Private sector & Staffs	17,856,958	11,920,533
Wadiah Deposit-Co-operatives & Associations	103,721	79,916
Wadiah Deposit-Public agencies & enterprises	12,452	7,974
Wadiah Deposit-Domestic banks	16,291	19,047
Mudarabaha Saving Account	80,181	7,075
	158,536,872	122,045,419

Customer deposits are financial instruments classified as liabilities at amortised cost.

	30 June 2023 Birr'000	30 June 2022 Birr'000
25.OTHER LIABILITIES		
Cashiers' payment orders	868,950	550,230
MTs and TTs payable - local and foreign	236	313
Dividend payable	97,272	69,319
Exchange and auction payable to NBE	117,581	313,305
Accrued leave payable	327,604	231,033
Board of Director fee	1,350	1,285
Margins held on letters of credit	493,888	1,212,291
Other payables	3,006,322	7,530,385
Bonus accrual	582,525	354,400
Unearned income	75,737	113,475
Provision on salary, other expense and asset damage for North Ethiopia conflict"	515,917	750,000
Borrowings NBE	3,366,312	46,981
Gross amount	9,453,695	11,173,015

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	9,453,695	11,173,015
Non-Current*	-	-
	9,453,695	11,173,015





BANK OF ABYSSINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2023 Birr'000	30 June 2022 Birr'000
26.RETIREMENT BENEFIT OBLIGATIONS		
Defined benefits liabilities:		
• Severance pay (note 26a)	266,600	206,114
• Long service awards		
• Pension prize		
Liability in the statement of financial position	266,600	206,114
Income statement charge included in personnel expenses:		
• Severance pay (note 26a)	80,145	(11,663)
• Long service awards		
• Pension prize		
Total defined benefit expenses	80,145	(11,663)
Remeasurements for:		
• Severance pay (note 26a)	(2,533)	84,538
• Long service awards		
• Pension prize		
	(2,533)	84,538

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

26a. Severance pay

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

The Bank has updated executive management staff regulation Manual, which shows amended benefit payable to Executive Management, as follows

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

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



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	30 June 2023 Birr'000	30 June 2022 Birr'000
A. Liability recognised in the financial position	266,600	206,114
B. Amount recognised in the profit or loss		
Current service cost	26,963	18,750
Interest cost	53,408	24,244
Past Service cost	-	-54,657
	80,371	-11,663
C. Amount recognised in other comprehensive income:		
Remeasurement (gains)/losses arising from changes in demographic assumptions	(13,608)	85,854
Remeasurement (gains)/losses arising from changes in the financial assumptions	11,075	(1,316)
Tax credit /(charge)	760	(17,517)
	(1,773)	67,021

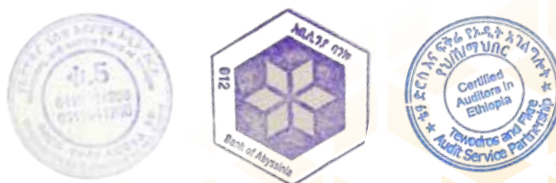
The movement in the defined benefit obligation over the years is as follows:

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	206,114	142,093
Current service cost	26,963	(35,907)
Interest cost	53,408	24,244
Remeasurement (gains)/ losses	(2,533)	84,538
Benefits paid	(17,352)	(8,854)
At the end of the year	266,600	206,114

The significant actuarial assumptions were as follows:

i. Financial Assumption Long term Average

	30 June 2023 Birr'000	30 June 2022 Birr'000
Discount Rate (p.a)	20.60%	23.80%
Rate of Pension Increase(p.a)	15.10%	17.30%
Average Rate of Inflation (p.a)	15.10%	17.30%





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

ii. Mortality in Service

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

Age	Males mortality rate	Females mortality rate
20	0.00306%	0.00223%
25	0.00303%	0.00228%
30	0.00355%	0.00314%
35	0.00405%	0.00279%
40	0.00515%	0.00319%
45	0.00450%	0.00428%
50	0.00628%	0.00628%
55	0.00979%	0.00979%
60	0.01536%	0.01536%

iii. Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 14% at the youngest ages falling with increasing age to 2.9% at age 40.

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

	Impact on defined benefit obligation				
	30 June 2023			30 June 2022	
	Change in assumption	Impact of an increase Birr'000	Impact of a decrease Birr'000	Impact of an increase Birr'000	Impact of a decrease Birr'000
Discount rate	1.00%	250,555	283,823	194,464	218,573
Salary increase	1.00%	284,515	249,675	219,173	193,739

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

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



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	30 June 2023 Birr'000	30 June 2022 Birr'000
27. ORDINARY SHARE CAPITAL		
Authorised:		
12,500,000 ordinary shares of Birr 1000 each	12,500,000	10,000,000
Issued and fully paid:		
11,898,000 ordinary shares of Birr 1000 each	11,898,416	8,319,678

28. EARNINGS PER SHARE

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Profit after tax	3,869,598	3,516,622
Weighted average number of ordinary shares in issue	9,907,298	6,190,260
Basic & diluted earnings per share (%)	39%	57%

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 2022:nil), hence the basic and diluted loss per share have the same value.

	30 June 2023 Birr'000	30 June 2022 Birr'000
29. RETAINED EARNINGS		
At the beginning of the year	2,140,154	1,087,557
Profit/ (Loss) for the year	3,872,832	3,235,824
Dividends paid	(2,140,154)	(1,087,557)
Director's Share of profit	(1,350)	-
Transfer to legal reserve	(985,536)	(808,956)
Transfer to regulatory risk reserve	(81,397)	(290,602)
Transfer from Revaluation surpluses	3,888	3,888
Recognition of deferred tax effect of previous years annual leave	69,310	
At the end of the year	2,877,747	2,140,154





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	30 June 2023 Birr'000	30 June 2022 Birr'000
30.LEGAL RESERVE		
At the beginning of the year	2,356,007	1,547,051
Transfer (from) / to retained earnings	968,208	808,956
Previous years regulatory risk reserve reversal	17,327	-
At the end of the year	3,341,543	2,356,007

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
31. REGULATORY RISK RESERVE		
At the beginning of the year	623,055	332,453
Transfer (from) / to retained earnings	237,161	290,602
Previous years regulatory risk reserve reversal	(155,764)	-
At the end of the year	704,452	623,055

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 incurred 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 incurred loss model under IFRS, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the Bank.

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is less than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred from regulatory risk reserve to the retained earning to the extent of the non-distributable reserve previously recognised.

Where the 52.5% of suspended interest income kept under this regulatory reserve account until the regulatory organs(NBE) amended the directive related with provision.

	30 June 2023 Birr'000	30 June 2022 Birr'000
32.OTHER RESERVES:		
At the beginning of the year	306,508	25,710
Movement in fair value reserve -equity investment	(5,008)	347,819
Re-measurement gains on defined benefit plan(Net of tax) (Note 26a)	1,773	(67,021)
Recogniton of deferred tax effect of previous years Equity Investment	(110,662)	-
At the end of the year	192,612	306,508



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	Note	30 June 2023 Birr'000	30 June 2022 Birr'000
33.CASH GENERATED FROM OPERATING ACTIVITIES			
Profit before tax		5,230,027	4,654,545
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	23	432,596	313,063
Depreciation of investment property	20	234	234
Depreciation of right use of asset	22	647,425	536,186
Amortisation of intangible assets	21	63,531	46,562
Gain/(Loss) on disposal of property, plant and equipment	10	(8,043)	(7,125)
Gain/(Loss) on sale of Aquared Property	10	-	(20)
Impairment on loans and receivables	11	960,372	629,802
Impairment on other financial assets	12	107	12,556
Income from share(Dividend Income)		(52,881)	
Fixed asset adjustment		1,720	
Provision on salary, other expense and asset damage for North Ethiopia conflict		-	550,000
Interest on lease liability		17,253	18,897
Severance Payment		63,009	2,819
Net Gain Foreign currency transactions and translations		(7,871)	774,203
Changes in working capital:			
• Decrease/ (Increase) in loans and advances	17	(33,177,016)	(36,757,347)
• Decrease/ (Increase) in other assets	19	(2,797,912)	(772,292)
• Increase/ (Decrease) in other liabilities	25	(1,748,514)	5,274,625
• Increase/ (Decrease) in deposits by customers	24	36,491,453	33,161,294
		6,115,488	8,437,992

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
Proceeds from PPE	10,494	-
Net book value of property, plant and equipment disposed	(2,451)	-
Gain/(loss) on sale of property, plant and equipment	8,043	-

	30 June 2023 Birr'000	30 June 2022 Birr'000
34.REVALUTION SURPLUS ACCOUNT		
At the beginning of the year	438,866	442,754
Adjustment for the year	(6,368)	-
Amount recycled to retained earning for for the year	(3,888)	-3,888
	428,610	438,866





BANK OF ABYSSINIA
NOTES TO THE FINANCIAL STATEMENTS
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The revaluation surplus account is a non-distributable to shareholders and non-taxable income kept under equity section which is the net revalued amount for building asset in order for the Bank followed fair value approach as deemed cost for first time adoption of IFRS until Tax authority recognize fair value approach regarding property, plant and equipment. However, during the year the revaluation surplus amount has reduced by the depreciated amount and transfer to retained earnings. Adjustment for the year represents reversal of revaluation surplus related to derecognized properties (buildings).

35. RELATED PARTY TRANSACTIONS

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

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

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

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

35a. Loans and Advances to directors

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Loans to directors and Executive Management	574,540	430,084

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 2023.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Salaries and other short-term employee benefits	41,660	30,425
Sitting allowance	2,718	3,219
	44,378	33,644

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



BANK OF ABYSSINIA
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36. CONTINGENT LIABILITIES

36a. Claims and litigation

The Bank is a party to numerous legal actions brought by different organizations, individuals and the Ethiopian Ministry of Revenue, Customs Authority (ERCA) arising from its normal business operations. The maximum exposure of the Bank to these legal cases as at 30 June 2023 is Birr 127.21 million (30 June 2022: Birr 2.2 million). No provision has been made in the financial statements as the Directors believe that it is not probable that the economic benefits would flow out of the Bank in respect of these legal actions.

36b Guarantees and letters of credit

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

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Financial guarantees	3,861,742	1,933,577
Loans and advances approved but not disbursed	4,821,883	532,533
Unutilised overdraft and other revolving facilities	678,117	74,892
Letters of credit	983,323	2,665,234
	10,345,065	5,206,237

37. EVENTS AFTER REPORTING PERIOD

37.a. There were new directives issued by the central bank after the reporting date that could have a material effect on the Bank's operations and profitability:

- All domestic loan growth by each individual bank should not exceed 14%, so that by the end of June 2024 loans and advances growth amount is limited to 14%;
- Direct credit to the government by the NBE shall not exceed 1/3 of the previous year loan; and that option should also be sought only after sourcing from treasury bill is exhausted, i.e. when Government bills are not available in the market;
- Interest rate of NBE's credit facility to local banks is raised from 16% to 18%;
- To encourage exporters engaged in key export business especially in the manufacturing of exportable goods, the surrender requirement of Forex is revised to be 50/50 from 70/30 ratio previously, whereby 50% of Forex generated is to be surrendered to NBE, 40% to be utilized by the exporter and 10% to be left to the transaction processing bank.

37.b. In the opinion of the Directors, except for the possible impact of the matter indicated in 37.a above, 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.



አቢሲንያ ባንክ

የ፳፻፲፮ ዓ.ም

የአዲተሮች ሪፖርት

የትርፍና ኪሳራ፣ ሌሎች ገቢዎች

እንዲሁም የሀብትና እዳ መግለጫ

አቢሲንያ ባንክ

የትርፍና ኪሳራ እና ሌሎች ገቢዎች መግለጫ

ሰኔ 23 ቀን 2015 ዓ.ም ላለቀው አመት

	ማብራሪያ	ሰኔ 23, 2015 ብር'000	ሰኔ 23, 2014 ብር'000
ከወለድ የተገኘ ገቢ	5	20,964,626	14,351,498
ሲቀነስ:-የወለድ ወጪ	6	(6,140,426)	(4,231,929)
የተጣራ የወለድ ገቢ		14,824,200	10,119,569
ከውጪ ሀገር ገንዘብ ምንዛሬ ተመን ለውጥ የተገኘ ትርፍ	7	(223,562)	(774,203)
ከአገልግሎት ገቢ		687,708	1,942,401
ከኮሚሽን ገቢ	8	731,755	974,914
የተጣራ የአገልግሎትና ኮሚሽን ገቢ		1,195,901	2,143,112
ከትርፍ ክፍፍል ገቢ	9	52,915	8,030
ከልዩ ልዩ ገቢ	10	514,764	212,959
		567,679	220,989
አጠቃላይ መደበኛ ገቢ		16,587,780	12,483,670
ለብድር የተያዘ መጠባበቂያ	11	(960,372)	(629,802)
ለሌሎች ሀብቶች የተያዘ መጠባበቂያ	12	(107)	(12,556)
የተጣራ መደበኛ ገቢ		15,627,301	11,841,312
ለሠራተኞች ደመወዝና ጥቅማ ጥቅሞች	13	(7,434,250)	(4,389,301)
ሀልዎት ለሌላቸው (Intangible) ሀብት የማቋቋሚያ ወጪ	21	(63,531)	(46,562)
የቋሚ ሀብት እርጅና ተቀናሽ	23	(432,596)	(313,063)
የኢንቨስትመንት ሀብት እርጅና ተቀናሽ	20	(234)	(234)
የቤት ኪራይ ወጪ	22	(647,425)	(536,186)
ከቤት ኪራይ ጋር የተያያዘ የወለድ ወጪ	22	(17,253)	(18,897)
ሌሎች መደበኛ ወጪዎች	14	(1,801,986)	(1,882,523)
ትርፍ - ከትርፍ ግብር በፊት		5,230,027	4,654,545
ሲቀነስ: - የትርፍ ግብር መጠባበቂያ	15	(1,357,194)	(1,418,721)
ትርፍ - ከትርፍ ግብር በኋላ		3,872,832	3,235,824
ሌሎች ገቢዎች ከትርፍ ግብር በኋላ			
በትርፍና ኪሳራ መዝገብ የማይካተቱ ገቢዎች/ወጪዎች/			
በጡረታ ጊዜ ለሰራተኞች ሊከፈል የሚችል ጥቅማጥቅም	26	1,773	(67,021)
ወደፊት ሊከፈል የሚችል የትርፍ ግብር	32	(5,008)	347,819
አጠቃላይ በትርፍና ኪሳራ መዝገብ የማይካተቱ ገቢዎች/ወጪዎች/		(3,234)	280,798
የአመቱ አጠቃላይ የተጣራ ገቢ		3,869,598	3,516,622
እያንዳንዱ አክሲዮን ያስገኘው ትርፍ	28	39%	57%

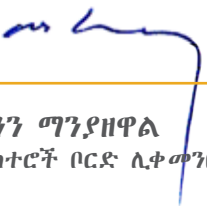
መኮንን ማንያዘዋል
የዲሬክተሮች ቦርድ ሊቀመንበር

በቃሉ ዘለቀ
ዋና ሥራ አስፈጻሚ



አቢሲንያ ባንክ
የሀብትና ዕዳ መግለጫ
ሰኔ 23 ቀን 2015 ዓ.ም ላለቀው አመት

	ማብራሪያ	ሰኔ 23, 2015 ብር'000	ሰኔ 23, 2014 ብር'000
ሀብት			
ጥሬ ገንዘብ እና ጥሬ ገንዘብ አከል ሀብት	16	21,148,144	18,475,298
ለደንበኞች የተሰጡ ብድሮች	17	143,796,168	111,579,524
ኢንቨስትመንት	18		
የብሔራዊ ባንክ ሰነድ ግዢ		8,475,363	7,859,450
በተለያዩ ኢማህበራት የተደረገ ኢንቨስትመንት		887,369	841,642
ሌሎች ሀብቶች	19	6,596,667	3,638,629
የኢንቨስትመንት ሀብት	20	10,800	11,034
ሀልዎት የሌላቸው (Intangible) ሀብት	21	522,582	430,822
ለቤት ክራይ የተከፈለ	22	2,574,750	2,122,877
ቋሚ ሀብት	23	5,500,422	4,492,154
አጠቃላይ ሀብት		189,512,266	149,451,430
የዕዳ ሚዛን			
የደንበኞች ተቀማጭ ገንዘብ	24	158,536,872	122,045,419
ሌሎች ዕዳዎች	25	9,453,695	11,173,015
ተከፋይ የትርፍ ግብር	15	1,282,442	1,365,460
በውል ዘመኑ ሌክፈል የሚችል የቤት ክራይ	22	343,289	404,094
በጡረታ ጊዜ ለሰራተኞች የሚከፈል ጥቅማጥቅም	26	266,600	206,114
ወደፊት የሚከፈል የትርፍ ግብር	15	154,071	41,143
አጠቃላይ የዕዳ ሚዛን		170,036,970	135,235,245
የካፒታልና መጠባበቂያ ሒሳቦች			
የተከፈለ ካፒታል	27	11,898,416	8,319,678
በአክሲዮን ሽያጭ ዋጋ ብልጫ የተከፈለ		5,998	5,998
ያልተከፈለ ትርፍ	29	2,877,747	2,140,154
ለህንጻዎች ወቅታዊ ግምት በልዩነት የተያዘ	34	428,610	438,866
ሕጋዊ የመጠባበቂያ ሒሳብ	30	3,341,543	2,356,007
በብሔራዊ ባንክ መመሪያ መሰረት ለብድር የተያዘ ተጨማሪ መጠባበቂያ	31	704,452	623,055
ልዩ የመጠባበቂያ ሒሳብ		25,919	25,919
ሌሎች የመጠባበቂያ ሒሳቦች	32	192,612	306,508
አጠቃላይ ካፒታልና የመጠባበቂያ ሒሳቦች ሚዛን		19,475,296	14,216,185
አጠቃላይ ዕዳዎች ካፒታልና የመጠባበቂያ ሒሳብ ሚዛን		189,512,266	149,451,430


መኮንን ማንያዘዋል
የዲሬክተሮች ቦርድ ሊቀመንበር


በቃሉ ዘለቀ
ዋና ሥራ አስፈጻሚ



አቢሲንያ ባንክ
Bank of Abyssinia

ባለውለታዎች!

ከ 50 ዓመት በላይ ለሆናቸው

ግለሰቦች የተዘጋጀ ልዩ የቁጠባ ሂሳብ።





አቢሲንያ ባንክ
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