Sidaamu Baanke

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Sidama Bank

በጋራ እንችላለን

Mitteenni Dandiineemmo!

Together we can!

ANNUAL REPORT

2023/24

ከታላቅ አክብሮት ጋር!

With Great Respect!

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Sidama Bank
Together we can!

MISSION

"Provide professionally and technologically driven inclusive banking services by motivated employees thereby enhance stakeholders' value proposition"

VISION

"To become bank of customers' choice in Ethiopia by 2033."

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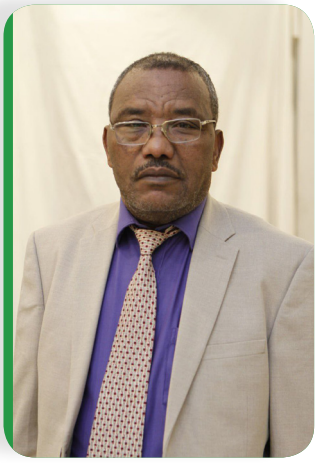
Board of Directors

Ato Abraham Mareshalo
Chairperson

Ato Tsegaye Anebo
Vice Chairperson

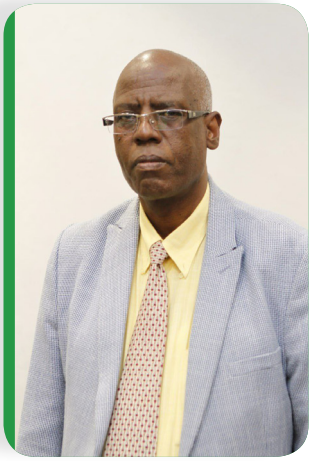


Ato Geremew Garje
Director

W/ro Muluwork Derese
Director

Ato Timotewos Hayesso
Director

Ararso Geremew (Ph.D.)
Director



Ato Sinbo Shibiru
Director

Legesse Gudura (Ph.D.)
Director

Ato Shimelis Hatiso
Director

Pastor Asfaw Ashagire
Director

Ato Biruk Abera
Director

Senior Management

Ato Tadesse Hatiya
Chief Executive Officer

Ato Shebeku Magane
A/V/P, Corporate Resource Management

Ato Sato Chebula
Director, Microfinance Operation Department

Ato Tilahun Goneso
Director, Property & Facility Department

Ato Elias Hirpo
Director, Credit Services Department

Ato Tadele Tilahun
Director, Legal Service & Loan Recovery Department

Ato Dawit Guye
A/Director, Finance & Account Department

Wro. Mihret Berhanu
Director, Internal
Audit Department

Ato Wonsha Michael
A/Director, Strategy &
Marketing Department

Ato Abebayew Getachew
Director, International
Banking Department

Ato Wondachewu Woledeyesus
A/Director, Information
Technology Department

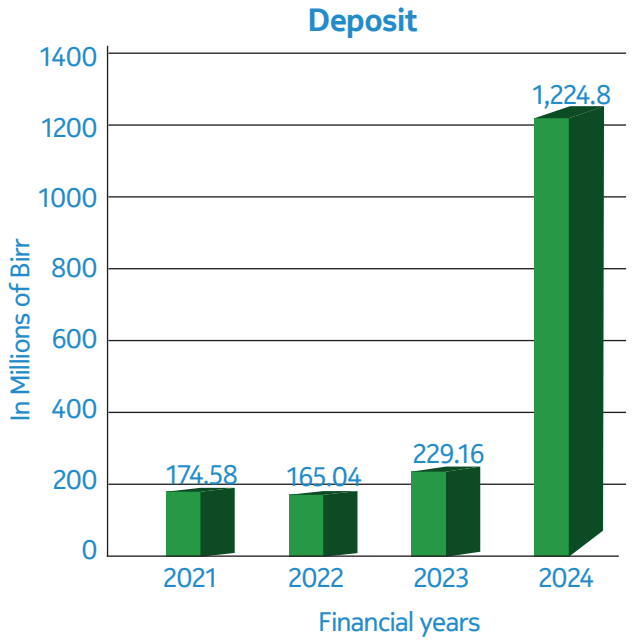
Ato Dereje Temesgen
Director, Risk & Compliance
Management Department

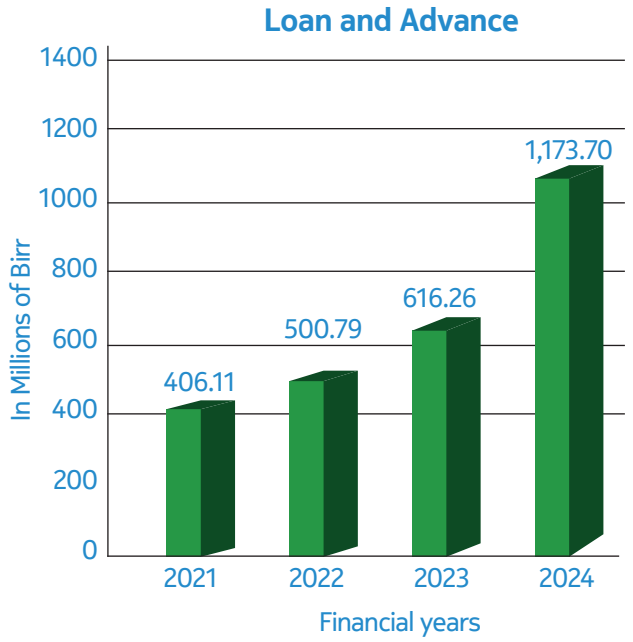
Ato Tamiru Teferi
Director, Human
Resource Operation &
Development Department

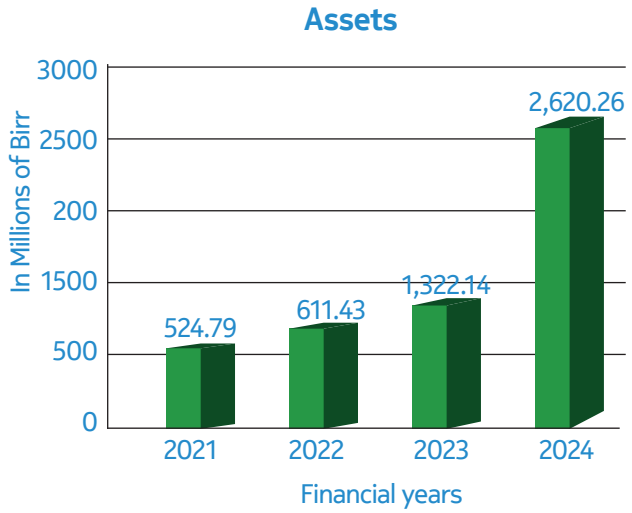
Ato Solomon Ambaw
A/Director, Branch
Operation Department

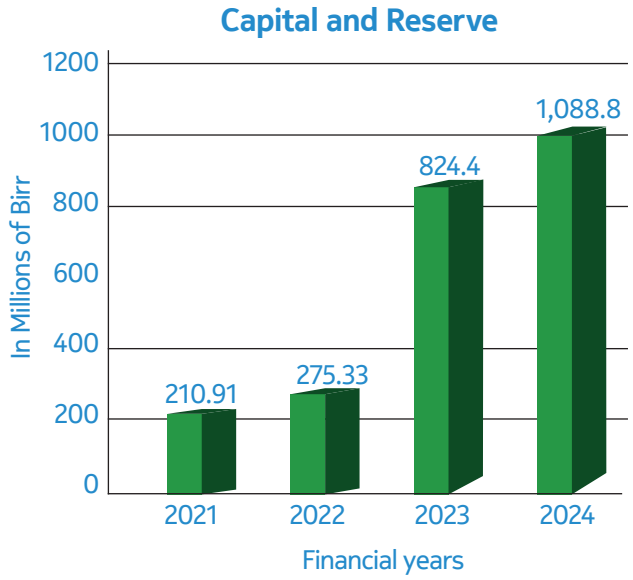
Ato Mebratu Mathewos
Company Secretary

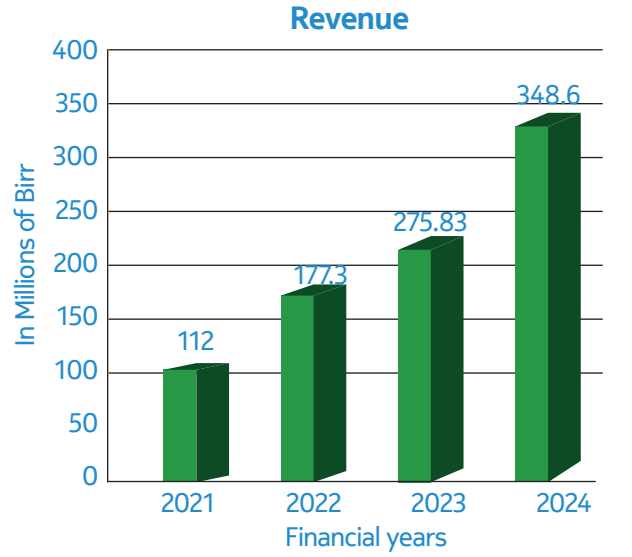
Highlight of Major Performances

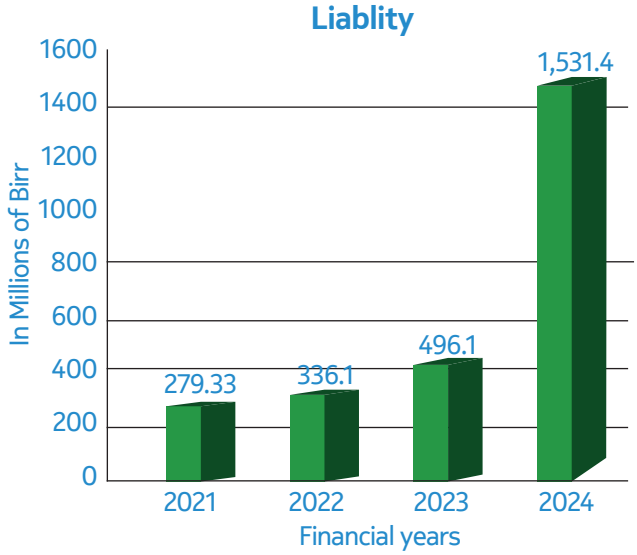


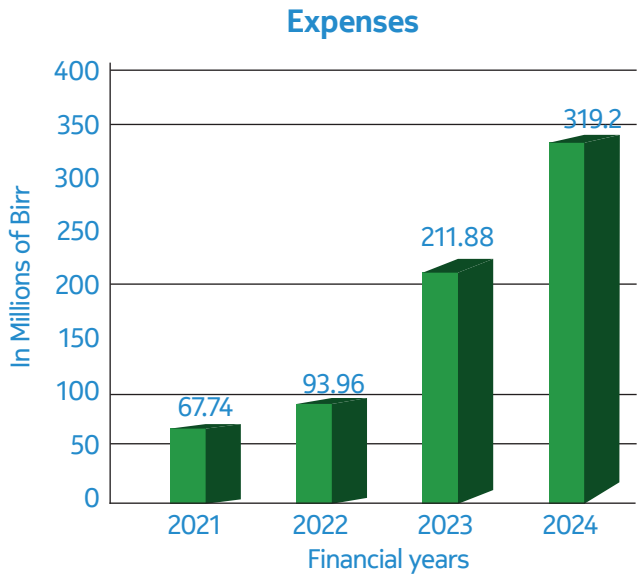


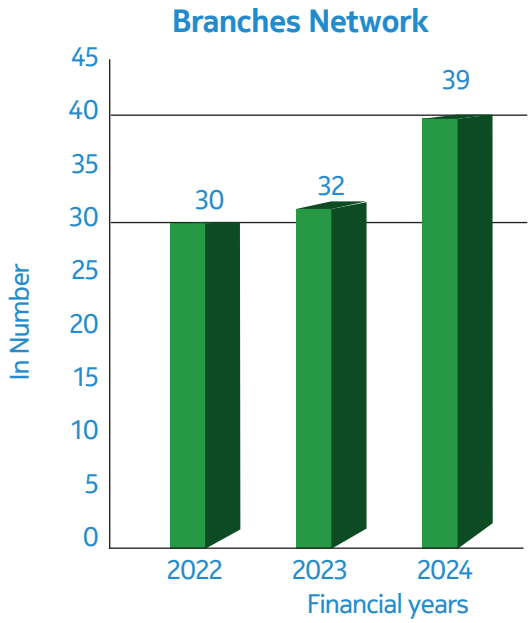












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Sidama Bank

Together we can!

H.E. Ato Abraham Mareshalo Etisso
Chairperson of the Board of Directors

Message of the Chairperson of the Board of Directors

Distinguished shareholders, distinguished guests, distinguished participants;
On behalf of the Bank's Board of Directors and myself, I express my great joy in saying that you have come safely to the third Annual General Meeting of shareholders and I am honored to present the operational and financial performance report of the Bank for the fiscal Year from July 1/2023 to June 30/2024.

Dear Shareholders,

The fiscal year we spent was a year in which we saw many international and domestic events that created opportunities in our country and in the whole world. Therefore, the challenges that have arisen at the international level are social, economic, the entire world by leading the political and international business system in a wrong and distorted way; It has been a year in which our country's economy and foreign and domestic investment have been severely damaged, and the world's economy has been greatly weakened and has had a very significant impact on financial institutions.
In the fiscal year, the global economy has many aspects and events that have caused the global economy to distort. weakening of international trade, Prolongation of Russia-Ukraine War, Conflict in Gaza and Israel, Repeated attacks on Red Sea trade flows, Conflict in the Middle East, Geo-economic divide, Extreme climate shock, Geopolitical outlook, The decline of remittances, Ethiopia's macroeconomic instability, Security instability in a few areas of our country and the National Bank of Ethiopia setting limits on credit limits for commercial banks are major events that have had a significant impact on the world and Ethiopian economy in the past year. On the contrary, it is possible to say that there was a positive change in the economy of our country due to the end of the war in the north that was going on for the past three years. Especially for financial institutions.

Additional Major events that happened in the world and Ethiopia in the fiscal year are the global economic crisis; man-made and natural disasters have severely distorted the world's supply of the basic needs of the market and put a lot of pressure on our country's economic and social interactions.

Dear Shareholders,

On the other hand, geopolitical risks in the fiscal year have had a significant impact on the economy, trade flows, supply chain and investment landscape, even though it is a year in which we have experienced unexpected events. To take advantage of the competition between international powers to control and deal with the impact on our country's economy by directing itself strategically and strengthening cooperation among donor countries; by strictly managing national industrial policies and coping with internal challenges and reforming the local economy, it was able to record 7.2% economic growth among sub-Saharan African countries, peacefully resolving the war in the northern part of our country, and successfully completing the fifth round of water filling of the Great Ethiopian Renaissance Dam, and two more turbines to it was the year they entered the workforce.
In addition, the highest inflation rate was recorded in the last fiscal year, so it was a year in which banks faced a great challenge to collect more deposits due to an increase in prices which in turn increased household consumption expenses leading to reduction in per household savings.

Dear Shareholders,

The year 2023/24 saw many challenges in the banking sector, and the National Bank of Ethiopia implemented strict rules and regulations to stabilize the country's micro-economy, which had a significant effect on the performance of banks. It also restricted activities. In addition, among the rules and regulations that directly or indirectly affect the banking business are the capital market, the opening of the financial sector to foreign banks, the requirements for issuing foreign currency, the control of cash transactions,

credit extension ceiling, foreign trade transfer rules and unfair National Bank of Ethiopia credit allocation. There were negative events in the banking industry in the past financial year due to the time limit of capital-raising and the Ethiopian Capital Market Authority joining the market for the first time in the financial sector in the history of Ethiopia.

Therefore, in the fiscal year, our bank has been able to attract new customers and retain its existing customers by providing quality services to its customers and using various technology-assisted options and digitizing our services. The bank is organized in a suitable manner, from empowering human power to provide technology-assisted services, so that the board of directors and management can face this negative economic environment and work hard to overcome the impact on the bank with good strategic decisions, which has led to another profitable year.

Dear shareholders,

In the fiscal year, external and internal challenges put a lot of negative pressure on banking business in general, but Sidama Bank withstood internal and external pressures and pursued in collection of collected deposits, Recruitment of new clients, developing corporate clients, by strengthening the good relationship with the State Government, thus it recorded effective performances in all sectors. Regarding the detailed performance of our bank in the fiscal year, it was able to register a profit of 29.4 million birr in the total income of the year. In addition to this, our bank had a successful year by earning 44.5 Million total other comprehensive income. The total profit is 71.6 million Birr. The recorded profit is an encouraging profit considering the challenges faced by the new Bank and the credit expansion ceiling set by the National Bank of Ethiopia on the other hand, the effort to collect deposits through all our branches that are providing services were challenging, but the Bank's total deposits reached 1.22 billion Birr.

The performance is 435 percent higher than last year. The total assets of the Bank reached 2.62 billion Birr. Compared to last year, it showed an increase of 98 percent. In addition, the reserve capital of the Bank reached 59.1 million Birr; this is a 13 percent increase from last year.

Regarding credit provision, our Bank has increased the total amount of loan outstanding to 1.17 billion Birr by providing loans of 799.3 Million Birr to its customers in the fiscal year. This is a 90 percent increase compared to last year. The slowdown in business and investment that happened to our customers during the Fiscal Year put pressure on the credit behavior of our borrowers and affected the process of collecting loan repayments, but the Bank's Board of Directors and due to the Executives Management of the Bank, the amount of bad loans of the Bank has been reduced to 2.96 percent below the ceiling limit set by the National Bank of Ethiopia. Compared to the previous year, there was a decrease of 0.54 percent. Therefore, I would like to thank the Bank's Board of Directors and the Management on behalf of me and our dear shareholders for their strong leadership in order to keep the overall credit of our Bank healthy and avoid the negative impact on the Bank.

In addition, the capital of the Bank reached Birr 1.09 Billion in the current fiscal year, which is an increase of 32 percent compared to the previous year. The capital mobilization weights more efforts to meet the requirements of the Directive number SBB/78/2021 recently approved by the National Bank of Ethiopia, which orders new commercial banks to increase their paid-up capital to 5 billion Birr within seven years up to June 30, 2028. Furthermore, as the minimum paid-up capital of the Bank has had a negative impact on our Bank in order to work with international remittance institutions, I would like to take this opportunity to respectfully ask dear shareholders of our Bank to contribute to the required amount of capital by purchasing additional shares within the set time limit.

Dear shareholders,

In order to expand the reach of the Bank's branches, it was possible to open 8 new branches during the fiscal year, which increased the total number of the Bank's branches to 39. In addition, existing 15 sub-branches have been upgraded to full-fledged branches.

The Bank is providing digital and mobile banking services across the country 24/7. In the Fiscal Year, by installing 11 Automated Teller Machines (ATM) at various branches and recruiting a large number of new mobile banking and card users, our customers can benefit from the service in more than 39 branches in all regions it has been made possible for them to get complete services through digital banking from wherever and whenever they want without having to go to branches. Our Bank currently has 6,163 mobile banking and 5,573 card banking service users; this shows that our Bank is striving to take a large market share in the industry.

In the completed Fiscal Year, the Board of Directors, in order to strengthen the Bank's institutional system, has approved a Ten-Year Corporate Strategic Plan, a Five-Year Business Plan, and accordingly the Bank begun implementing a One-Year Operational plan as of 2024/25 Fiscal Year and it has put in place a procedure to develop and facilitate the decision-making role at various levels of responsibilities of the Bank. In addition, the Board of Directors has set up various business and human resource management sub-committees to design business and human resource management corporate strategies, ensuring customer satisfaction, expanding the number and reach of the Bank's customers, designing a human resource strategy that fits the 21st century in the field of technology, human resource development, capacity building, the bank's competitiveness and we are in the process of formulating and implementing action plans to maintain profitability.

Dear shareholders,

Dear Shareholders, the Board of Directors of the Bank sincerely thanks you for your unlimited support. In addition, my appreciation and respect for the Bank's Management and employees for their contribution to achieve the Bank's goals in this challenging era of the banking industry and in a country where there are many banks that use advanced technology, is beyond all these challenges. I would like to assure you that we will make unreserved efforts to bring it to a better level in the financial industry. I am confident that the future will be bright with Sidama Bank. As we all share the Bank's vision; I urge you to do your part to make the mission and its values a reality.

Finally, I would like to express my sincere gratitude to our dear customers who have put their trust in the work we are doing to put our Bank on the highest level. Furthermore, we are grateful to the leadership of the National Bank of Ethiopia who not only supervised us but also gave us important professional support. Lastly but not least, I express my sincere gratitude to the management and employees of the bank for making us proud; and other stakeholders for their relentless supports.
Thank you!

Abraham Mareshalo Etisso
Chairperson of the Board of Directors

H.E.Ato Tadesse Hatiya Oge
Chief Executive Officer

Message of the Chief Executive Officer

On behalf of the Management and myself, I am pleased to present the Bank's performance outcomes for the financial year 2023/24. The ensuing parts of the statement will cover the operating situation, the Bank's general performance, the Bank's business, organizational growth, the way of forward and lastly vote of thanks.

Distinguished Shareholders,

The 2023/24 financial year has been obvious by challenging internal and external environments, both International and local events. The global macroeconomic challenges, challenges at the global level socially, economically, by leading the political and international trade system in a wrong and distorted way, causing serious damage to the economy of the whole world and our country and foreign and domestic investment, the world economy has been greatly weakened since the grater than last year and have directly jammed inflation and indirectly affected banking business operations.
Moreover, other critical macroeconomic challenges such as significant inflation, declining of remittances, Ethiopia's macroeconomic instability, Security instability in a few areas of our country and the National Bank of Ethiopia setting limits on credit limits for commercial banks are major events that have had a significant impact on the world and Ethiopian economy in the past year. Furthermore, foreign currency shortages, high price rises, and powerful competition among banks and other financial institutions have posed other problems to fulfilling our main tasks.
Notwithstanding the global economic challenges and internal obstacles, which have a significant effect on our Bank's performance, the strength and flexibility we have built over the previous two years has continued us. Our performance reflected our flexibility and determination to distribute optimal value for our shareholders.

Distinguished Shareholders,

During the fiscal year, the Bank managed to generate a total income of in terms of operational performance, Branch expansion; new customer recruitment, resource mobilization, capital mobilization and profit have recorded positive growth over last year's similar period. The year above consideration has observed a record innovative wherein the Bank's total deposit and outstanding loans and advances exceeded the Birr 1.22 billion threshold.

In additional in spite of the above serious challenges, however, with a determined effort of all, our Bank was able to perform commendably well in almost all financial and nonfinancial parameters.

Distinguished Shareholders,

For 2023/2024 budget year, for the Fiscal Year just ended (July 1, 2023 to June 30, 2024) it was planned to mobilize net total incremental & positional deposits of Birr 1,000,000,000 & Birr 1,229,156,647 respectively from different existing and potential customers whereas it can be mobilized net incremental & positional deposit of Birr 994,344,747 (99%) & 1,224,875,020.37 (99.7%) respectively within twelve months of the budget year. The deposit balance grew by Birr 995.7 Million or 435% in 2023/24 as compared to 2022/23 Fiscal Year.

Distinguished Shareholders,

For the end of June 2023/24, the total outstanding loans and advances of the Bank reached Birr 1.17 Billion, which showed an increase of Birr 557.47 Million or 90 percent against the preceding fiscal year's balance. The loan to deposit ratio reached 96 percent.
For the other side the total outstanding loans and advances, Birr 677.25 Million (65.30 percent) Domestic trade and services loans, Birr 150.6 Million (12.9 percent) other consumer loan, Birr 94.79 Million (8 percent) overdraft facility loan, Birr 70.67 Million (6 percent) staff loan, Birr 69.56 Million (5.9 percent) Housing loan and Birr 21.78 Million (1.9 percent) Agriculture loan balances.

The total non-performing loans to total loans (NPLs) ratio as at June 30, 2023/24 stood at 2.96% and this was much lower than the threshold; i.e. 5%, ceiling limit set by the National bank of Ethiopia (NBE). The NPLs ratio in comparison with the total loan portfolio is not as such big enough but still effort will be exerted with greater strength to maintain the ratio at the lowest possible limit.

Distinguished Shareholders,

As at June 30, 2023/24, the Bank's total Assets reached Birr 2.62 billion, reflecting a growth of Birr 1.3 Billion or 98% compared to the previous year. Although the growth of the Bank's total assets is good, we have realized that we have to work to achieve better assets in order to be competitive with similar institutions.

Distinguished Shareholders,

Our Bank has opened 8 branches in the financial year and the total number of branches nation-wide as at end of June 2023/24 reached 39. Last fiscal year, our Bank planned to open several branches, but because of the loan cup set by the National Bank of Ethiopia, made it difficult to open more branches, we were forced to open limited branches.

The total capital of bank has reached Birr 1.09 Billion from Birr 826.0 Million of last year same period; that is, an increment of Birr 262.3 Million or 32%. Last fiscal year, our Bank made great efforts to increase the Bank's total capital by issuing a number of unpaid shares in the market. But despite the better results from the work done, low performances in the overall capital mobilization activities is challenging us in meeting the deadline set by the National Bank of Ethiopia. Therefore, I urge all the shareholders and stakeholders to do the needful.

During the period under consideration, the Bank has generated total revenue of Birr 348.6 Million registering a growth of 26% over the previous year. All sources of revenue have shown positive growth while the lion's share i.e. 78% of the revenue was earned from Interest Income. The Bank has incurred a total expense of Birr 319.2 Million exhibiting a 51% growth over last year's same period.
Sidama Bank profit before and after tax for the financial year 2023/24 were Birr 29.4 Million and Birr 27.1 Million, respectively. In addition to this, our bank had a successful year by earning 44.5 Million total other comprehensive income. The total income profit after tax and Total Other comprehensive income is 71.6 million.

Distinguished Shareholders,

This fiscal year marks the start of our new ten-year corporate strategic plan and roadmap, Five years business plan and one year operational plan. As we herald the next ten-year strategy (2024/25-3033/34 Fiscal Year), we continue optimistic about Sidama Bank's coming and are devoted to distributing best performance and the greatest value to our shareholders.

With the Ethiopian government's macroeconomic reforms and the uncertain business conditions in practice, we will ensure that our strategic priorities are effectively implemented in a new spirit. Our Bank's ten-year strategic plan includes several columns that confirm the Bank's competitiveness and profitability, among them Operational Excellence, Digitalization, Strategic Partnership, Resource Mobilization and Organizational Capability are the themes that are expected to contribute significantly to the Bank's profitability in ten years. In addition, they are committed to environmental sustainability, corporate responsibility and are determined to incorporate environmental, social, and Governance factors into our core strategic themes.

Distinguished Shareholders,

During the Ten years corporate strategic plan, we will continue to starting again with a new spirit ourselves by building on our powers in line with the developing banking landscape and customers' choices. We are extremely assured about achieving growth across all of our industry sectors, in road map with our vision, "To become Bank of Customers' choice in Ethiopia by 2033". The Bank also strengthens the existing customers and explores new customers and partnership chances, ensure operational productivity, influence on the market share we have prepared and implementing in advanced technology, and board on low expense and good result.

Additional as Sidama Bank, we are daring to interpret opportunities into possibilities for sustainable business development through the robust commitment of our professional workforce and the direction of our robust management team towards as long as banking clarifications to our esteemed clients and distributing viable values to our shareholders. Finally, I would like to express my sincere gratitude to our dear customers who have put their trust in our work to put our bank on a higher level. I express my sincere gratitude to my dynamic staffs and the board of directors for their insightful directions. Finally my appreciation goes to the National Bank of Ethiopia for their professional regulatory support where we can't reach here without them.
Thank you!

Tadesse Hatiya Oge
Chief Executive Officer

The Board of Directors Report

THE BOARD OF DIRECTORS' REPORT

1. Introduction

The Board of Directors of Sidama Bank is pleased to present Sidama Bank's Annual Report and Audited Financial Statements for the financial year 2023/24 to the 3rd Annual General Meeting of its esteemed Shareholders.

In the Fiscal year, the worldwide economy has been facing several challenges that are expected to outcome in a slowdown of economic development to around 3.2% according to World Economic Outlook report of International Monetary Fund.

The Fiscal Year 2023/24 we observed both worldwide and domestic challenges. The global economy has many aspects and events that have caused the global economy to distort. weakening of international trade, Prolongation of Russia-Ukraine War, Conflict in Gaza and Israel, Repeated attacks on Red Sea trade flows, Conflict in the Middle East, Geo-economic divide, Extreme climate shock, Geopolitical outlook, The decline of remittances, Ethiopia's macroeconomic instability, Security instability in a few areas of our country and the National Bank of Ethiopia setting limits on credit limits for commercial banks are major events that have had a significant impact on the world and Ethiopian economy in the past year. On the contrary, it is possible to say that there was a positive change in the economy of our country due to the end of the war in the north that was going on for the past three years.

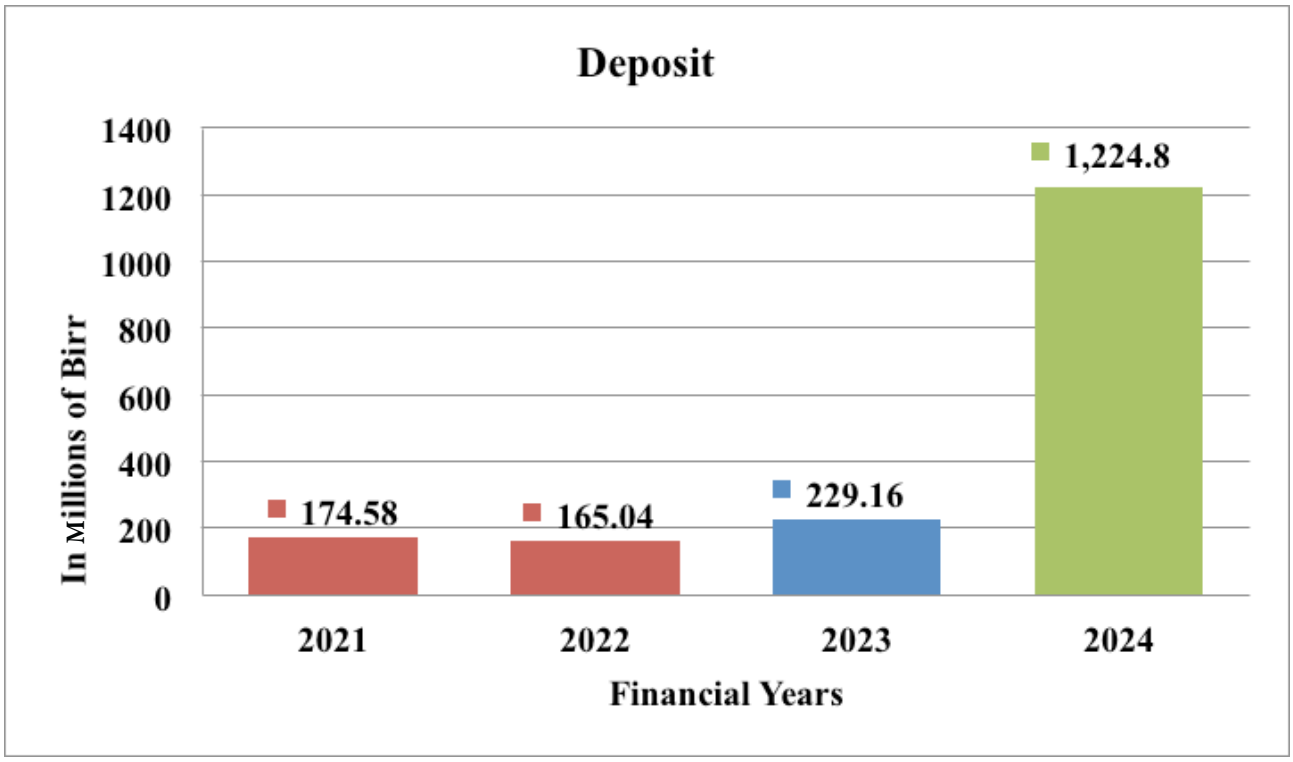
Additionally Major events that happened in the world and Ethiopia in the Fiscal Year, the global economic crisis; Man-made and natural disasters have severely distorted the world's supply of the basic needs of the market and put a lot of pressure on our country's economic and social interactions. The year 2023/24 saw many challenges in the banking sector, and the strict rules and regulations of the National Bank of Ethiopia had a significant impact on the bank's performance. It also restricted activities. In addition, among the rules and regulations that directly or indirectly affect the banking business are the capital market, the opening of the financial sector to foreign banks, the requirements for issuing foreign currency, the control of cash transactions, Credit Extension Ceiling, Foreign trade transfer rules and decentralized national bank credit allocation, There were negative events in the banking industry in the past financial year due to the time limit of capital raising and the joining of a large number of new financing institutions in the sector and the Ethiopian Capital Market Authority joining the market for the first time in the financial sector in the history of Ethiopia.

Notwithstanding these breezes impacting the general performances and profitability of banks, Sidama Bank has again registered outstanding operational and financial results during the financial year 2023/24. Indeed, Sidama Bank has achieved better results in comparison with previous year in key performance indicators, i.e. deposits, loans and advances, total assets and profits.

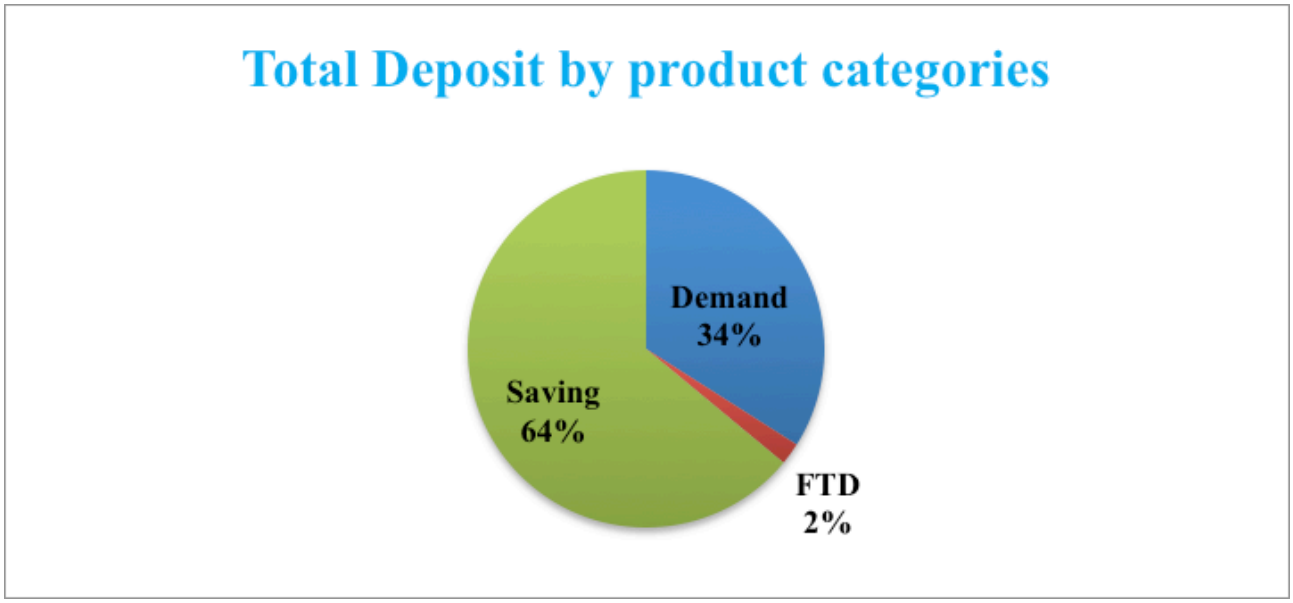
1.2. Operational Performance Highlights

1.2.1. Deposit Mobilization

For 2023/2024 budget year, for the fiscal year just ended (July 1, 2023 to June 30, 2024) it was planned to mobilize net total incremental & positional deposits of Birr 1,000,000,000 & Birr 1,229,156,647 respectively from different existing and potential customers whereas it can be mobilized net incremental & positional deposit of Birr 994,344,747 (99%) & 1,224,875,020 (99.65%) respectively within twelve months of the budget year. The total deposit constitutes 64% comes under saving, 34% of Demand and 2% of Fixed Time Deposits categories.

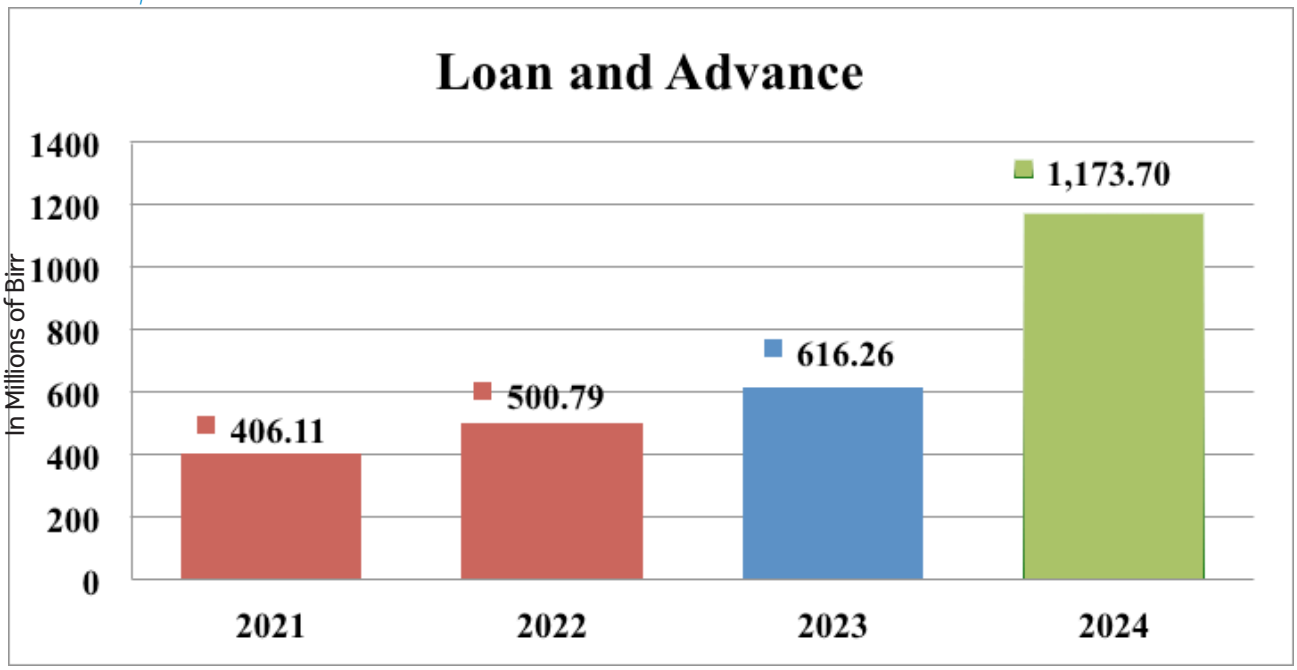


Total Deposit by product categories

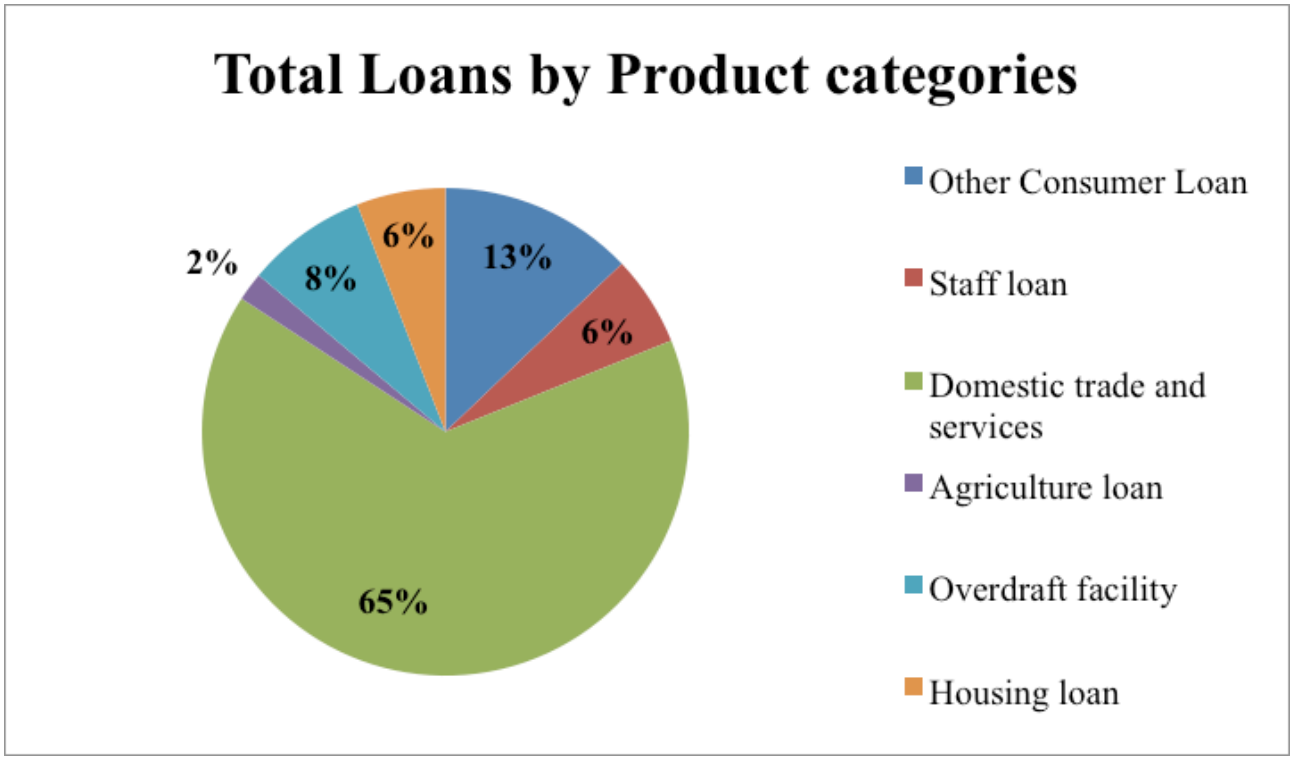


1.2.2. Credit Service Management

For 2023/2024 budget year, within twelve months of the FY, the total outstanding loans and advances extended to different sectors of the economy remarkable rose to Birr 1.173.7 billion by the end of June 2023/24, which exhibited an increase of Birr 557.47 Million or 90 percent against the preceding fiscal year's balance. The situations were lucrative to disburse more loans & advances to generate more income had it not been for credit restriction set by regulatory body, the National Bank of Ethiopia that target to contain inflationary pressure.



For the other side the total outstanding loans and advances, Birr 677.25 million (65.30 percent) Domestic trade and services loans, Birr 150.6 million (12.9 percent) other consumer loan, Birr 94.79 million (8 percent) overdraft facility loan, Birr 70.67 million (6 percent) staff loan, Birr 69.56 Million (5.9 percent) Housing loan and Birr 21.78 million (1.9 percent) Agriculture loan balances.



1.2.3. International Banking Services

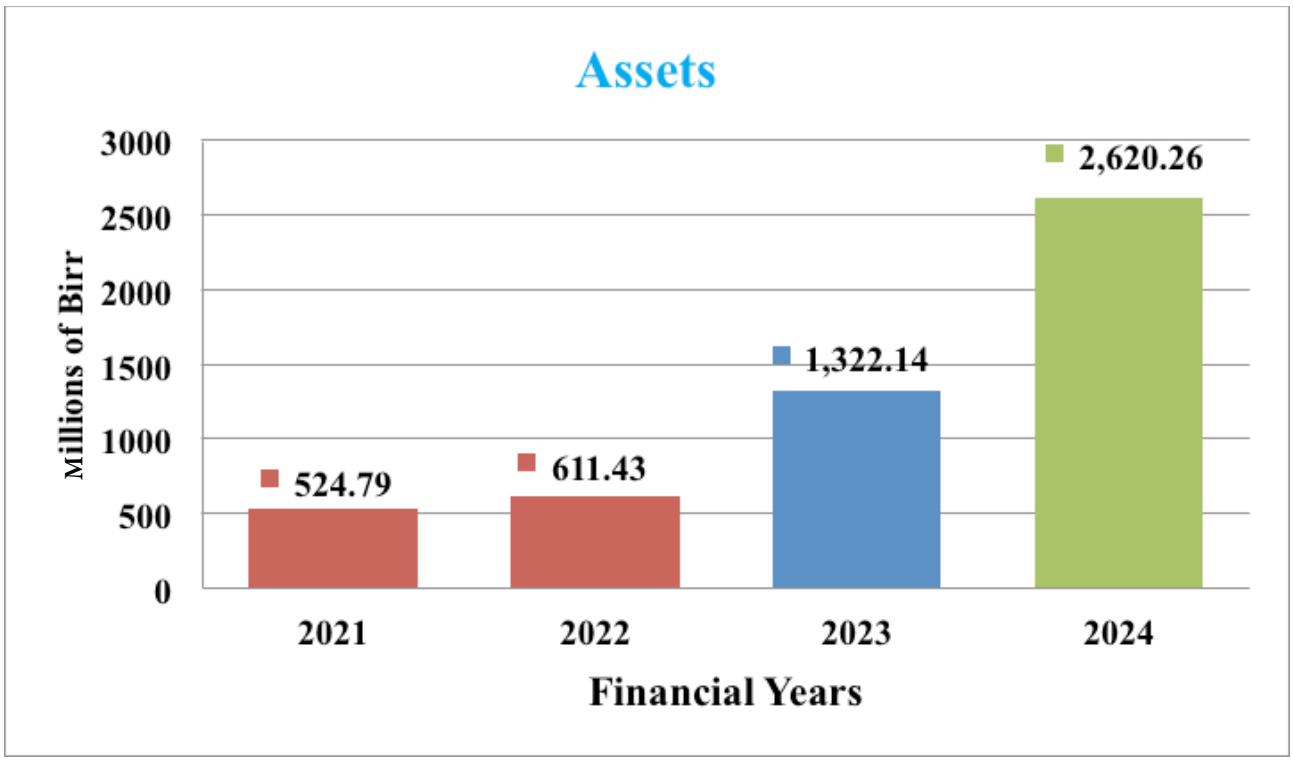
During the 2023/24 fiscal year the Bank generated a total foreign of USD 809,577 thousand. For the other side the Bank generated 86% from NBE dealings while the portion of foreign currency earnings from inward remittance, incoming transfer and cash purchase. The chronic shortage of foreign currency in the country surge in parallel market had drawback on the banks overall foreign currency mobilization efforts

Additionally the Bank has established correspondent banking relationships with five reputable foreign banks and three money transfer agents like Dahabshiil and SWIFT CODE SDMAETAA

2. Financial Performance

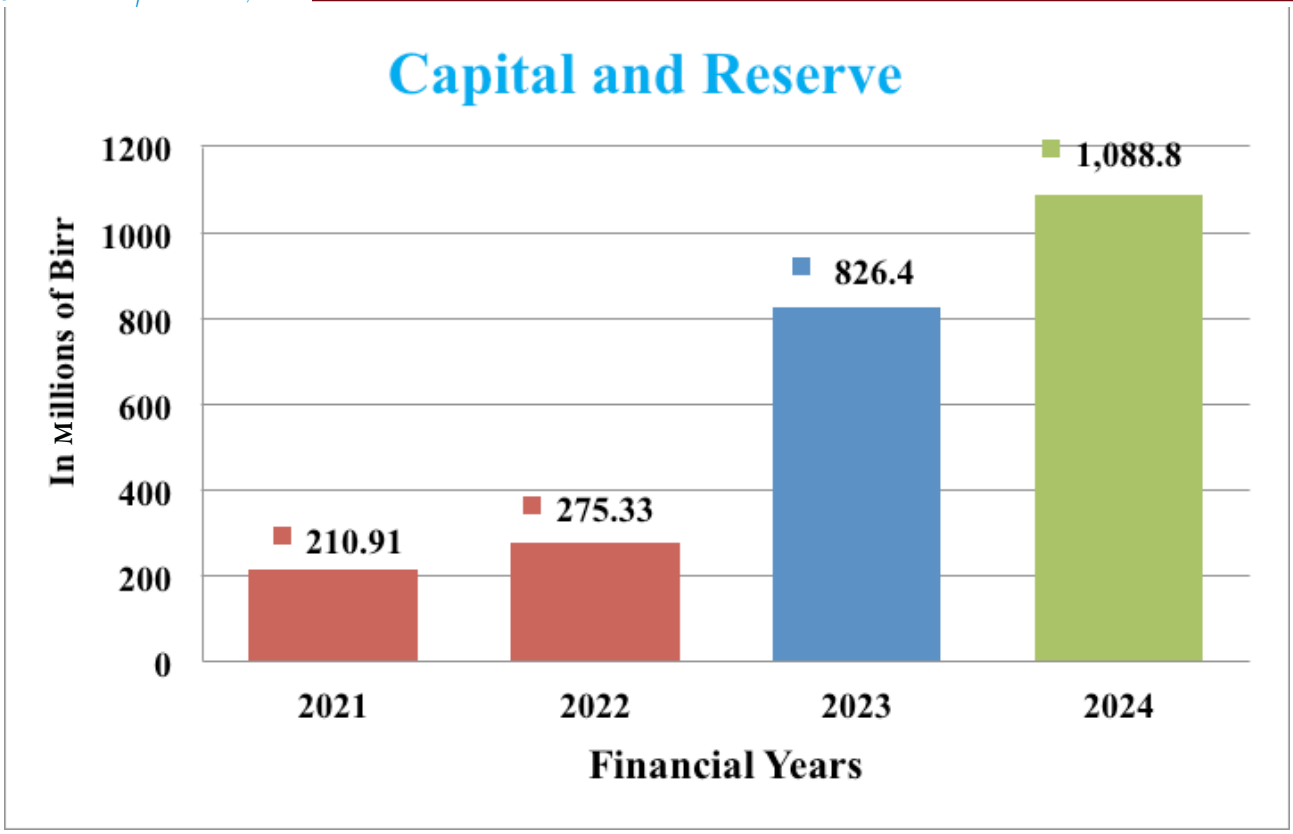
2.1. Total asset

At the end of the reporting period, the Bank's total asset reached Birr 2,620.26 Billion with a net increment of Birr 1,297.69 billion, showing a commendable growth of 98% compared to last year



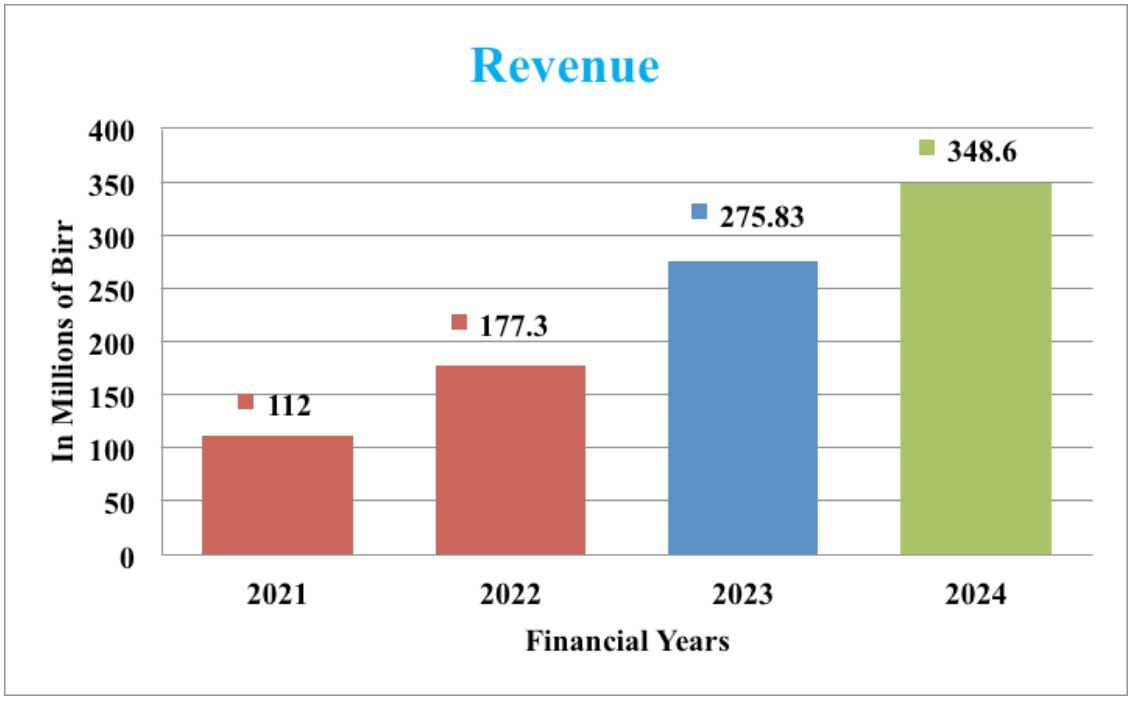
2.2. Equity of the Bank

In the review period the Bank's equity has reached Birr 1,088.81 Billion at the end of the Fiscal Year 2023/24, registering an overall increase of birr 262.78 (32%) over that of the previous year Birr 826,035,414.28. The paid-up capital increased by Birr 913,092,000 (55%) from the previous Fiscal Year's amount reaching Birr 322,826,000.00

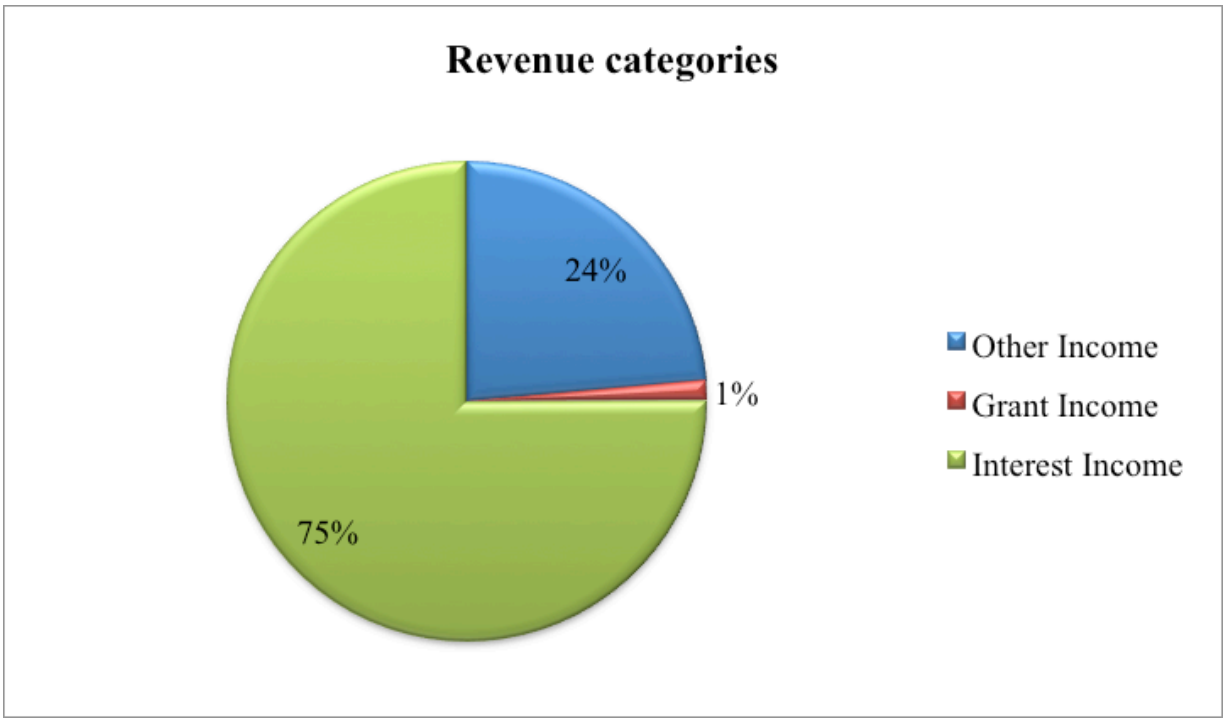


2.3. Revenue

The Bank has generated a total revenue of 72.8 Million (26 percent) over the previous year's performance and reached Birr 348.6 Million during the financial year 2023/24, which was largely driven by a surge in income from Interest Income. Accordingly, income from Interest was increased by 78 percent and reached Birr 270.8 Million, owing to a significant increase in loans and advances. Similarly, other income grew by 21 percent and reached Birr 73.9 Million during the review period. Meanwhile, grant income stood at 1 percent and Birr 3.9 Million during the review period.

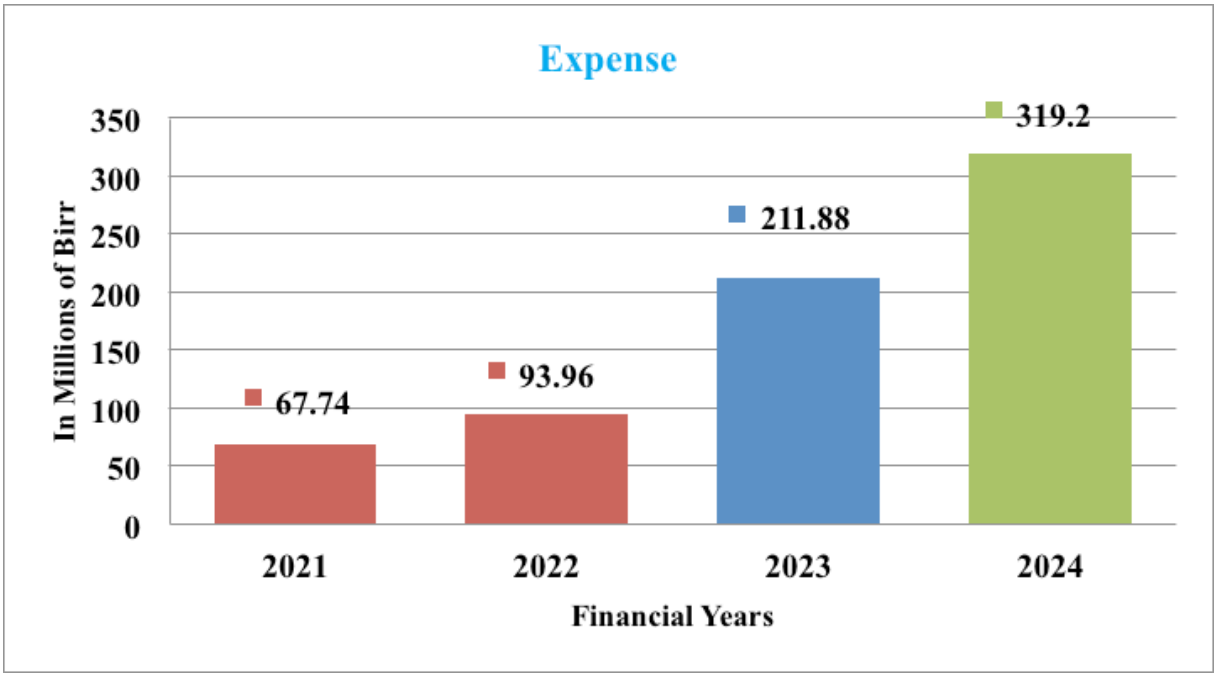


Revenue categories



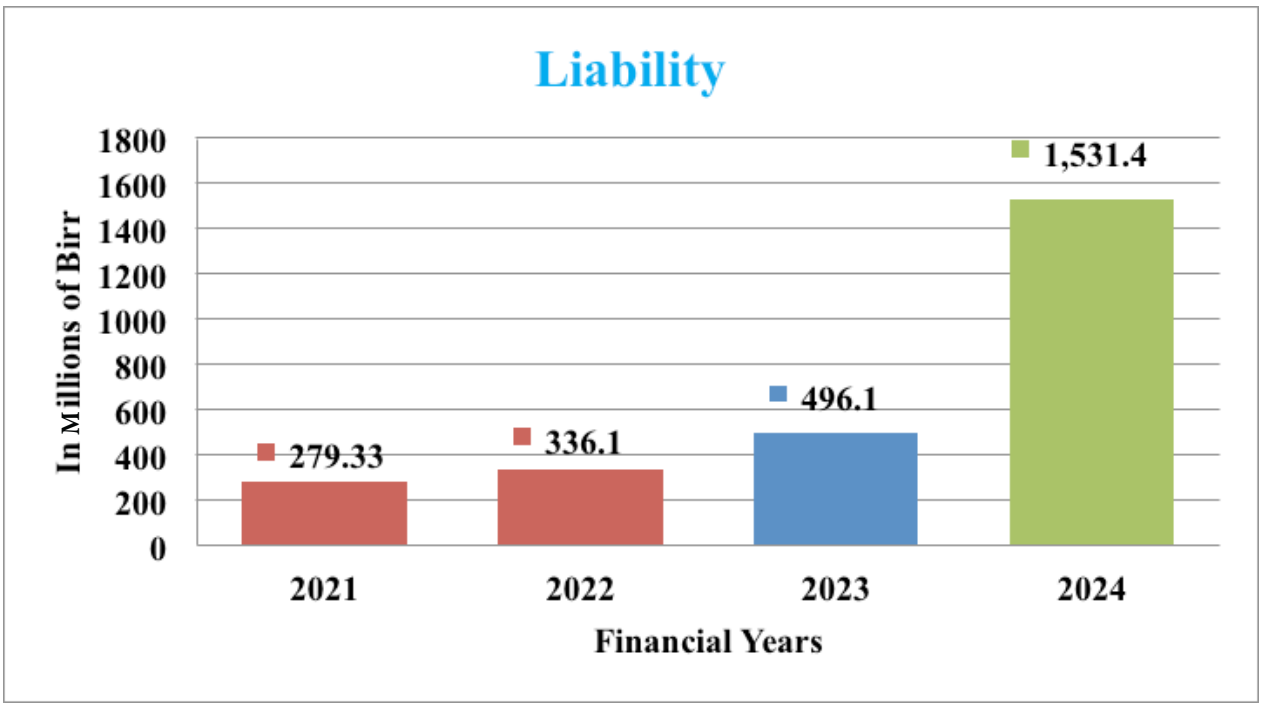
2.4. Total Expense

The total expenses of the Bank amount Birr 319.2 Million, recording a year-on-year growth of 51%. The primary components of the expenditures were Salaries and other employee benefits, which constituted 49%, General and administrative expenses which constituted 23%, Interest Expense Which constituted 11%, Loss Allowances on Financial Assets which constituted 3%, Amortization of Right of use assets which constituted 8%, Interest expense on lease liability 1%, while depreciation on property, plant and equipment expenses constituted to 5% of the total expenses.



2.5. Liability of the Bank

Total liabilities of the Bank at the end of the reporting period have reached Birr 1.53 Billion which is above last year's total liabilities by Birr 1.04 Billion. A significant portion of the Bank's liability as at end of Fiscal Year 2023/24 is attributed to deposits accounting close to 80% of the total liabilities, followed by long-term borrowing constituting 13% and others liabilities making up 7%.

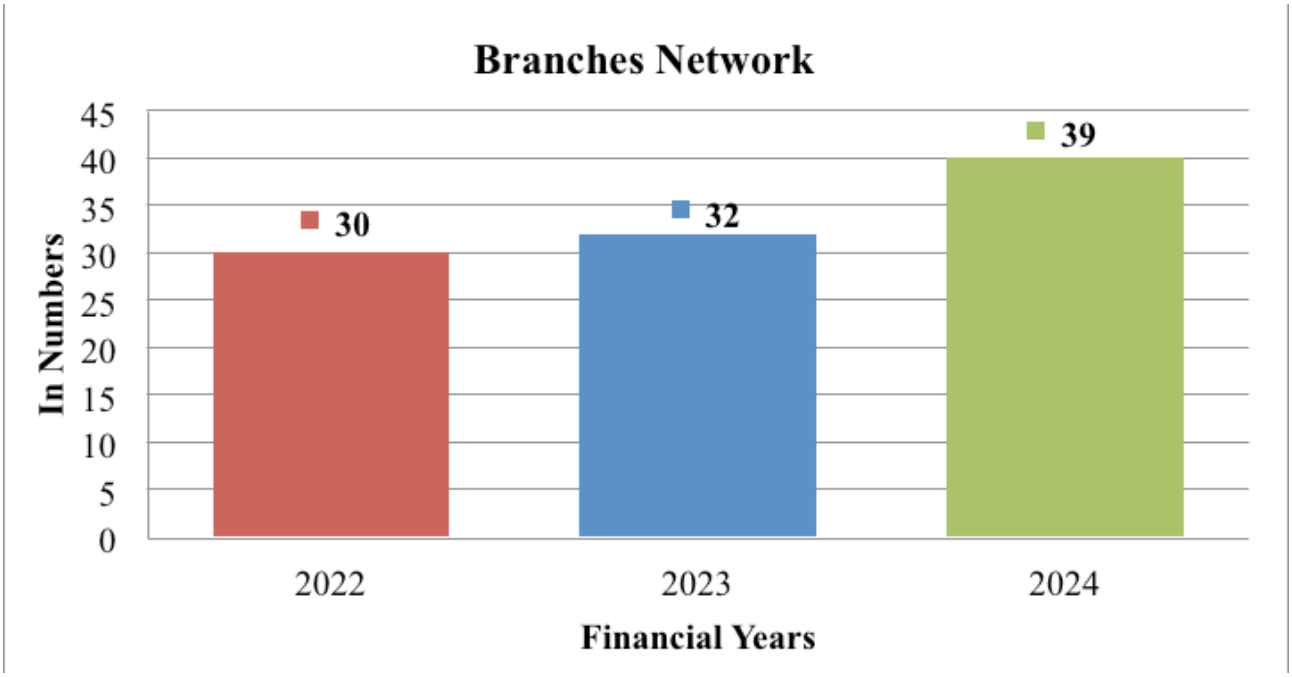


2.6. Profitability of Bank

Sidama Bank profit before and after tax for the financial year 2023/24 were Birr 29.4 Million and Birr 27.1 Million, respectively. In addition to this, our bank had a successful year by earning 44.5 Million total other comprehensive income. The total income profit after tax and Total Other comprehensive income is 71.6 million.

2.7. Branch Network

For the duration of the financial year under review, the Bank expanded its branch network at various parts of the country. Accordingly, 8 new branches were opened during the period making the total number of branches to reach 39 at the end of financial year. At the total number of branches 5 branches (12.5%) are located in the capital city of Ethiopia in Addis Ababa while 35 branches (87.5%) are operating in the outlying regional cities.



3. Industry progress and Other Major Activities

3.1. About Sidama Bank New Corporate Strategy and Business Plan.

The Ethiopian government has opened the financial market to foreign operators and Fintech companies through international, domestic and controlled changes that have been closed to foreign trade institutions for many years and has begun to be implemented at the national level through changes such as the establishment of a capital market. So, Sidama Bank has designed a Ten-Year Corporate Strategic Plan and a Five-Year Business Plan to deal with this impact and become a competitive Bank. It will come into effect from 2024/25.
In addition, it is working on shaping various policies and procedures to bring higher profits to the stakeholders. In addition, it has started practical activities to conduct various market studies to support performance.

3.2. Human Resource Operation and Development

Sidama Bank duly distinguishes the strategic significance of its staff in attaining its industry goals. In this regard, Sidama Bank not only gives much emphasis on the recruitment of capable employees, but also focuses on the development of the capacity of employees through providing requisite training and retaining of capable employees through provided that conductive working atmosphere. Certainly, the Bank is committed to recruit, retain and grow capacities as staffs are essential to the Bank's current and coming achievement.

In additionally the Bank's staff strength has reached to 700 employees as of June 30, 2024, out of which 390 staffs are categorized as clerical & managerial and the remaining 310 staffs are categorized as non-clerical staff. In terms of gender composition, male staff of the Bank consists of 73.7% and women rank at 26.3% as of June 30, 2024. Considering the educational status of employees, number of staff that holds first degree stands at 46.6 %, the size of staff with diploma & below status stood at 44.7% and staff that holds post graduate degrees consists of 7% out of the total staff strength as at June 30, 2024.

3.3. Information Technology (IT)

Sidama Bank has sustained to progress and improve its technological and digital skills during FY 2023/24. In this respect finalized and conveyed end to end in-house developed and customized IT products for Human Capital Management (HCM), Shareholders Management System, Mobile SMS Alert, and USSD Implementation to various end users deployed & operationalized 11 ATM machines and Telebirr Integration systems development within the Fiscal Year.

Moreover, it has finalized deployment and implementation FortiGate Firewall Development in HA mode, Active Directory Service, System Centre Configuration Manager (SCCM), Integration to the site of DARA (Documents Authentication & Registration Authority), Kaspersky Endpoint Security Deployment, switch, router for HO and network infrastructure for all branches.
In addition to establishing a standardized policy and procedures, enhance efficiency, and mitigate risks, the Department has created a comprehensive set of policies and procedures. This set includes an IT Security Policy, procedural documents, access request forms, as well as additional regulatory and compliance documents. Furthermore, as per the approved strategic plan document, we are planning to upgrade our core banking system , construct our data center and disaster recovery center.

3.4. Corporate Social Responsibility

As one of its core values "social responsibility" Sidama Bank has dynamically donated to national improvement activities, assistant susceptible sectors and charitable organizations based on requests from relevant government authorities and our own initiatives. Accordingly, during the financial period, the Bank has carried out different social responsibilities and contributed a total of Birr 4.3 million. Some of the recipients of this donation are Fiche Chambalala -public heritage, charitable support different society in the Sidama Region, (Tsidu) Clean Hawassa, and other different national Project.

3.5. Risk Management and Compliance

The Fiscal Year of the review period, Sidama Bank prioritized risk management and conducted wide-ranging assessments across various dimensions of its operations to ensure the effective documentation and mitigation of potential risks. The risk management strategy is embedded in every operation of the Bank. During the Fiscal Year, risk management took center stage of the operation through identifying potential risk areas, properly measuring the probability and possible effects, putting best-fit alternatives in place and constantly watching materialized and potential risks. In this regard, the Bank is continuously working on internalizing risk management practices across the organization through enhancing risk management processes into the mainstream of the Bank's culture. This has been done through continuous awareness creation training, risk registering, leading risk indicators as well as periodic risk assessment reports on credit, financing, liquidity, markets and operations of the banking.

In additionally during the reporting period the Bank provided AML and CFT trainings for various staff as part of the effort to maintain a protected and compliant finance situation

3.6. Governance

The Board of Directors and its sub-committees, i.e., Human Resource Affairs, Audit and Risk, & Compliance subcommittees executed their oversight duty in accordance with their Charters. The Board closely oversaw and gave directions on issues based on its mandate. These included approval of annual operational plans & budgets, quarterly evaluation of performance progress reports, approval of various policies and strategic investments. The Board also critically reviewed and endorsed quarterly sub-committees' reports. The Chief Executive Officer (CEO) of the Bank has been overseeing the day to day operations through provision of strategic leadership for the best interest of the company.

3.7. The way forward

During the coming Fiscal Year 2024/2025 the Bank's strategic focus includes implementing the new corporate strategy and business plan, improving digital banking presence via expanding Mobile banking, ATMs and POS Machine network, expanding its products, and revitalizing the industry culture. The Bank goals to maintain asset quality through prudent financing and robust customer appointment. In additionally, the Bank keeps on pushing innovative products and banking solutions towards satisfying its customers, through cultivating a performance culture, and developing our employees, so that we ensure sustainable growth and profitability.

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

3.8. Proposal on Dividend Pay Out

Without total other comprehensive income the total appropriable net profit of Birr 27.1 Million after considering deductions in legal reserve and other allowances, the Board of Directors of Sidama Bank recommended that a dividend will be paid to shareholders in cash or for purchasing of the Bank's shares, depending upon the choice of each shareholder.

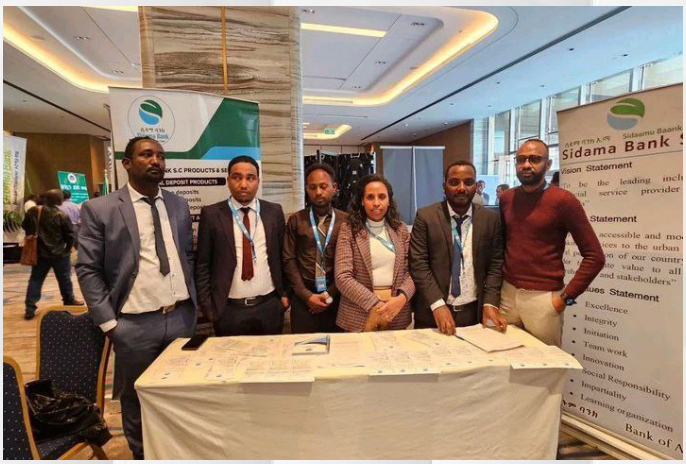
3.9. Vote of thanks

Fianlly, the Board of Directors of Sidama Bank s.c would like to extend their sincere gratitude to our valued customers, esteemed shareholders, employees and the National Bank of Ethiopia for their priceless support in assisting the bank achieve its objectives.

Abraham Mareshalo Etisso
Chairperson of the Board of Directors

Tadesse Hatiya Oge
Chief Executive Officer

The Board of Directors



Participation in "Remittance Awareness Campaign"
Organized by Nattional Bank of Ethiopia

Strengthening its correspondent bank relationship

HR Development Programme

SIDAAMU BAANKE

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Transfer using

Dahabshiil

fast money transfer you can trust

SWIFT ADDRESS

SDMAETAA

Using DAHABSHIIL and Other Options

Together We Can!

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Sidama Bank
Together we can!

THE EXTERNAL AUDITOR'S REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

SIDAMA BANK S.C.
Company profile
For The Year Ended 30 June 2024

Directors (As of June 30 2024)		Appointment Date
Mr.Abriham Marshalo	Chairperson, Board of Directors	6-May-22
Mr.Tsegaye Anebo	V/Chairperson, Board of Directors	6-May-22
Mr. Geremew Garje	Member, Board of Directors	6-May-22
Mrs. Muluwork Derese	Member, Board of Directors	6-May-22
Mr. Timotiwos Hayeso	Member, Board of Directors	6-May-22
Dr.Ararso Garamu	Member, Board of Directors	6-May-22
Dr.Legesse Gudura	Member, Board of Directors	6-May-22
Mr.Shimelis Hatiso	Member, Board of Directors	6-May-22
Mr Sinbo Shibiru Abagira	Member, Board of Directors	4-Aug-22
Pastor.Asufaw Ashagire	Member, Board of Directors	9-Jan-23
Mr. Biruk Abera	Member, Board of Directors	9-Jan-23

Executive Management (as of June 30,2024)		Appointment Date
Tadese Hatiya	Chief Executive Officer	6-May-22
Shebeku Magane	A/V/P-corporate and Resource Management	6-Jul-16
Mehret Berhanu Nega	Director-Internal Audit Dep't	13-Nov-23
Dereje Temesgen Kifaw	Director- Risk and Complaince Dep't	8-Jan-24
Tadele Tilahun Worana	Director ,Legal Service & Loan Recovery De	1-Aug-22
Wondachew Woldeyesus Hatiy	A/Director, Information Technology Dep't.	1-Jan-23
Senior Management (as of June 30.2024)		
Elias Hirpo Debena	Director, Credit Service Department	1-Oct-22
Sato Chebula	Director, Micro Finance Operatin's Dep't	1-Feb-11
Tamiru Tefer	Director,H/R Opration's & Development De	1-Sep-23
Tilahun Gonesso	Director, Property &Facililate. Dep't	9-Feb-09
Dawit Guye Gudura	A/Director,Finance & Accounts Dep't	21-Mar-24
Abebayehu Getachew Asefa	Director,International Banking Dep't	21-Nov.2022
Solomon Anbaw Zegeye	A/Director, Branch Operation's Departmant	1-Jan-23

Independent auditor

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

Registered office

Sidama Bank S.C
Tel: +251 11 4706740
Tel: +251 11 4706927
P.O.BOX 11157
Addis Ababa, Ethiopia

Principal Bankers

Commercial Bank of Ethiopia
Development Bank of Ethiopia
Dashen Bank
Awash Bank
Oromia Bank
Wagagen Bank
Cooperative Bank of Oromia
Debub Global Bank S.C
Berhan Bank
Hibret Bank

SIDAMA BANK S.C.
Financial Statement of directors' Responsibilites
For The Year Ended 30 June 2024

In accordance with the Financial Reporting Proclamation No. 847/2014, Sidama Bank 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 misstate- ments, whether due to fraud or error.The Bank is required to keep such records as are necessary to:

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

b) Explain its transactions and financial position; and

c) Enable the Accounting and Auditing Board of Ethiopia and other concerned organs to determine whether the Bank had complied with the provisions of the Financial Reporting Proclamation and regulations and directives issued for the implementation of the aforementioned proclamation

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates,in conformity with (IFRS) and other relevant laws and regulations of Ethiopia.

The Bank's Board of 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 accordance with International Financial Reporting Standards.

The Bank's Board of Directors are of the opinion that the financial statements present fairly, in all material respects, the financial position of the Bank and its financial performance.

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

Signed on behalf of the Board of Directors by:

Abriham Marshalo (Mr.)	**Tadesse Hatiya (Mr.)**
Chairperson, Board of Directors	**Chief Executive Officer**
20 September 2024	**20 September 2024**

The directors submit the report together with the audited financial statements for the period ended 30 June 2024, 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

SIDAMA Bank Share Company ("the Bank") is 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:

Sidama Bank S.C
Mekwor Plaza Building
Tel: +251 11 4706740
Tel: +251 11 4706927
P.O.BOX 11157
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 2024 are set out on page 7. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2024 Birr	30 June 2023 Birr
Net operating income	299,608,640	237,590,785
Profit / (loss) before tax	29,426,888	63,951,285
Tax (charge) / credit	(2,290,994)	(10,475,112)
Profit / (loss) for the year	27,135,894	53,476,173
Other comprehensive income / (loss) net of taxes	44,489,657	2,821,412
Total comprehensive income / (loss) for the year	71,625,550	56,297,586
Earning Per Share	3.34%	15.60%

Directors

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

Abriham Marshalo (Mr.)
Chairperson, Board of Directors
20 September 2024

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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 SIDAMA BANK SHARE COMPANY

OPINION

We have audited the accompanying financial statements of **SIDAMA BANK SHARE COMPANY** which comprise the statement of profit and loss and other comprehensive income for the year ended **30 June 2024**, statement of financial position as at 30 June 2024, 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 SIDAMA BANK SHARE COMPANY as at 30 June 2024 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 the matters described below to be the key audit matters to be communicated in our report.

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

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

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

Auditors Responsibility for the Audit of the financial Statements

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

Tewodros and Fikre Audit Services
Partnership
Chartered Certified Accountants

October 7 ,2024
Addis Ababa,Ethiopia

SIDAMA BANK S.C.
Statement of Profit or Loss and Other Comprehensive Income
As at 30 June 2024

	Notes	30-Jun-2024 Birr	30-Jun-2023 Birr
Interest Income	5	270,767,748	177,855,275
Interest Expense	6	(36,391,582)	(21,194,017)
Net Interest Income		**234,376,166**	**156,661,258**
Fees and commission income	7	26,104,866	56,165,836
Other operating income	8	47,845,986	38,725,244
Dividend Income		-	-
Total Other Income		**47,845,986**	**38,725,244**
Total Operating Income		**308,327,018**	**251,552,338**
Loss Allowances on Financial Assets	9,10 &11	(8,718,378)	(13,961,554)
Net operating income		**299,608,640**	**237,590,785**
Salaries and other employee benefits	13	155,941,853	94,388,602
General and administrative expenses	15	73,200,110	61,570,690
Depreciation on property, plant and equipment	14	16,079,284	7,718,634
Amortization of Right of use assets	23	26,305,009	11,745,608
Interest expense on lease liability	23	2,564,536	1,297,223
		(274,090,792)	**(176,720,758)**
Operating profit before tax		25,517,849	60,870,027
Grant income for the period	12	3,909,040	3,081,259
Profit before tax		**29,426,888**	**63,951,285**
Taxation charge	16	**(2,290,994)**	**(10,475,112)**
Profit for the year after tax		**27,135,894**	**53,476,173**
Other comprehensive income (OCI) net of income tax			
Items that will not be subsequently reclassified into profit or loss:			
Re-measurement gain (loss) on retirement benefits obligations	31(c)	13,717,663	4,030,589
Tax on remeasurement gain		(4,115,299)	(1,209,177)
		9,602,364	2,821,412
Gain on Fiancial assets through OCI	32	49,838,990	-
Tax on gain		(14,951,697)	-
		34,887,293	-
Total Other comrehensive income		44,489,657	2,821,412
Total comprehensive income for the year		**71,625,550**	**56,297,586**
Earnings per share (ETB)	34	**3.3%**	**15.6%**

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

Abriham Marshalo (Mr.)	**Tadesse Hatiya (Mr.)**
Chairperson, Board of Directors	**Chief Executive Officer**
20 September 2024	**20 September 2024**

The notes on pages 8 to 72 are an integral part of these financial statements.

SIDAMA BANK S.C.
Statement of Financial Position
For the year ended 30 June 2024

	Notes	30-Jun-2024 Birr	30-Jun-2023 Birr
Assets			
Cash and cash equivalents	17	841,576,167	470,187,174
Loans and Advances to Customers (Net)	18	1,112,924,098	563,974,434
Investment in Securities:	20		
-Financial assets at amortized cost	20(a)	71,501,800	-
-Financial assets at fair value through OCI	20(b)	92,546,515	2,915,000
Other Assets	21	116,617,710	42,721,738
Deferred tax assets	19	-	3,653,261
Right of use of Leased Assets	23	79,490,568	62,427,499
Investment Property	22	37,426,399	38,167,655
Intangible assets	24	5,403,446	-
Property, Plant and Equipment	25	262,781,577	138,090,242
Total Assets		**2,620,268,280**	**1,322,137,002**
Liabilities			
Deposit from Customers	26	1,224,875,020	229,156,647
Other Liabilities	27	49,234,936	44,833,744
Business Income Tax Liability	28	1,538,161	15,337,549
Deferred tax Liability	19	16,166,568	-
Lease Liabilities	23	28,569,531	33,881,173
Deferred grant income Liability	29	9,626,083	12,539,171
Borrowing	30	192,007,690	143,121,075
Severance benefit obligations payable	31	9,437,628	17,232,229
Total Liabilities		**1,531,455,616**	**496,101,588**
Equity			
Share Capital	33	913,092,000	590,266,000
Legal Reserve	35	59,208,728	52,424,754
Regulatory Risk reserve	36	23,514,434	29,169,163
Other Reserve	37	47,311,069	2,821,412
Retained Earnings	38	45,686,433	151,354,085
Total equity		**1,088,812,663**	**826,035,414**
Total Liabilities and Equity		**2,620,268,279**	**1,322,137,002**

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

Abriham Marshalo (Mr.)
Chairperson, Board of Directors
20 September, 2024

Tadesse Hatiya (Mr.)
Chief Executive Officer
20 September, 2024

The notes on pages 8 to 72 are an integral part of these financial statements.

SIDAMA BANK S.C.
Statement of Change in equity
For the year ended 30 June 2024

	Share capital	Retained earning	Legal reserve	Regulatory Risk reserve	Other reserve	Total
	Birr	Birr	Birr	Birr	Birr	Birr
Balance as at 1 July 2022	**95,480,000**	**96,652,601**	**39,055,711**	**44,142,482**		**275,330,794**
Profit for the year	-	53,476,173	-			**53,476,173**
Increase of the share capital	494,786,000	-				**494,786,000**
Transfer to legal reserve	-	(13,369,043)	13,369,043			**-**
Prior period adjustment		(378,966)	-			**(378,966)**
Balance transferred from regulatory risk reserve	-	20,058,749		(20,058,749)		**-**
Transfer to regulatory risk reserve		(5,085,430)		5,085,430		**-**
Transfer to Other reserve	-	-	-		2,821,412	**2,821,412**
Balance 30 June 2023	**590,266,000**	**151,354,085**	**52,424,754**	**29,169,163**	**2,821,412**	**826,035,414**
Balance as at 1 July 2023	**590,266,000**	**151,354,085**	**52,424,754**	**29,169,163**	**2,821,412**	**826,035,414**
Profit for the year	-	27,135,894	-			27,135,894
Increase of the share capital	322,826,000	(96,652,601)	-			226,173,399
Transfer to Dividend Payable	-	(35,021,700)				(35,021,700)
Transfer to legal reserve	-	(6,783,973)	6,783,973			-
Balance transferred from regulatory risk reserve		8,861,244		(8,861,244)		-
Transfer to regulatory risk reserve	-	(3,206,515)	-	3,206,515		-
Transfer to Other reserve	-	-	-	-	44,489,657	44,489,657
Balance 30 June 2024	**913,092,000**	**45,686,433**	**59,208,728**	**23,514,434**	**47,311,069**	**1,088,812,663**

The notes on pages 8 to 72 are an integral part of these financial statements.

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Sidama Bank

SIDAMA BANK S.C.
Statement of Cash Flows
For the year ended 30 June 2024

	Notes	30 June 2024 Birr	30 June 2023 Birr
Cash flows from operating activities			
Cash flows from operating activities	39	388,081,389	(12,767,309)
Net cash (outflow)/inflow from operating activities		**388,081,389**	**(12,767,309)**
Cash flows from investing activities			
Purchase of property, plant and equipment	24	(145,432,809)	(88,123,081)
Reclassification of Investment property	24	-	-
Purchases of investment securities		(111,297,900)	-
Net cash (outflow)/inflow from investing activities		**(256,730,709)**	**(88,123,081)**
Cash flows from financing activities			
Proceeds (settlement) from borrowings	30	48,886,615	36,290,807
Dividend paid		(35,021,700)	-
Proceeds from issues of shares	33	226,173,399	494,786,000
Investment in securities received/(refunded)	20(a)	-	200,000
Net cash (outflow)/inflow from financing activities		**240,038,314**	**531,276,807**
Net increase/(decrease) in cash and cash equivalents		**371,388,994**	**430,386,417**
Cash and cash equivalents at the beginning of the year	17	470,187,174	39,800,756
Cash and cash equivalents at the end of the year	17	**841,576,167**	**470,187,173**

The notes on pages 8 to 72 are an integral part of these financial statements.

1 General information

Sidama Bank ("the Bank") is a public owned share company domiciled in Ethiopia. The Bank was established in (2022) as per the directive of National Bank of Ethiopia SBB/74/2020. Sidama MFI has been re-licensed as Sidama Bank S.C in order to promote strong banking service in Ethiopia 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 1243/2021. The Bank opened branches throughout the Country. The Bank's registered office is at:

P.O.BOX 11157
Mekwor Plaza Building
Addis Ababa
Ethiopia

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

2 Basis of preparation

a) Statement of compliance

The financial statements for the period ended 30 June 2024 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 and explanatory information to the financial statements.

b) Basis of measurement

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

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

c) Presentation

All values are rounded to the nearest unit, except when otherwise indicated. The financial statements are presented in Ethiopian Birr.

d) Use of estimates and judgements

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

e) Going concern

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

3 Significant Accounting Policies

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

3.1 New standards, amendments and interpretations

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

A number of new standards or amendments that are effective after 1 July 2023. These changes are not early adopted by the bank

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

Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

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

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

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

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

Summary of new standards, amendments and interpretations issued but not adopted

Standard	Description	Effective date
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	EThe amendments are effective for annual periods beginning on or after January 1, 2024. Early application is permitted.
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.	The amendments are effective for annual periods beginning on or after January 1, 2024.
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.	The amendments are effective for annual periods beginning on or after January 1, 2024. Early application is permitted.
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.	The improvements are effective for annual reporting periods beginning on or after 1 January 2024. Early application is permitted.
Non-current Liabilities with Covenants (Amendments to IAS	The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	The improvements are effective for annual reporting periods beginning on or after 1 January 2024. Early application is permitted.

3.2 Functional and presentation Currency

(a) Transactions and balances

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

(b) Transactions and balances

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

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

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

3.3 Recognition of income and expense

(i) Interest income and expenses

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

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

The '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 of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance .

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

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

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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 to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the 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.

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

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

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

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

3.3.1 Fees and commission

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

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

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

3.3.2 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.

3.3.3 Foreign Exchange revaluation gains and losses

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

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

3.4 Financial assets and liabilities

(a) Financial instruments – key measurement terms

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

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

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

Transaction costs

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

Amortized cost

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

The effective interest method

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

(i) Recognition and initial measurement

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

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

• if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in profit or loss on initial recognition (i.e. day 1 profit or loss);

• in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

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

(ii) Classification and measurement of financial instruments Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

IFRS 9 specifically requires:

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

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

Debt instruments at amortized cost or at FVTOCI

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

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

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

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

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

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

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

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

At initial recognition of a financial asset, the Bank determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Bank has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity.

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

Non-recourse loans

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

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

SIDAMA BANK S.C.
Notes to the financial Statements
For the year ended 30 June 2024

Financial assets at FVTPL
Financial assets at FVTPL are:
• assets with contractual cash flows that are not SPPI; or/and
• assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
• assets designated at FVTPL using the fair value option.
These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in note 3.1 Fair value of financial instruments.

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

Collateral Valuation
The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash via Bank guarantees and real estate. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's reporting schedule.
To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. The Bank revalues its property at least after every 3 years and revalues motor vehicles at least once in every 2 years.

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

Impairment of financial assets
In line with IFRS 9, the Bank assesses the under listed financial instruments for impairment using Expected Credit Loss (ECL) approach:
- Amortized cost financial assets;
- Debt securities classified as at FVTOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

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

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

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

- **Stage 1** – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- **Stage 2** – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- **Stage 3** – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

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

Measurement of Expected Credit Losses

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

Details of these statistical parameters/inputs are as follows:

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

- **12-month PDs** – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs. The Bank obtains the constant and relevant coefficients for the various independent variables and computes the outcome by incorporating forward looking macroeconomic variables and computing the forward probability of default.
- **Lifetime PDs** – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures. PDs are limited to the maximum period of exposure required by IFRS 9. The Bank obtains 3 years forecast for the relevant macroeconomic variables and adopts exponentiation method to compute cumulative PD for future time periods for each obligor.
- **EAD** – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD** – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

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

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

Forward-looking information

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

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

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

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

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

Macroeconomic factors

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

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

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

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

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

Multiple forward-looking scenarios

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

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

Assessment of significant increase in credit risk (SICR)

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

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

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

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

Definition of Default and Credit Impaired Financial Assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

• Significant financial difficulty of the borrower or issuer; Others include death, insolvency, breach of covenants, etc.

•A breach of contract such as a default or past due event;

•The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

•It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

•The disappearance of an active market for a security because of financial difficulties.

• The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, loans that are more than 90 days past due are considered impaired.

Modification and derecognition of financial assets

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

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

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

• Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;

• A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Bank deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Bank considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

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

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

• the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with

• the remaining lifetime PD at the reporting date based on the modified terms.

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

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

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

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

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

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

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

Collateral Repossessed

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

Write off

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

Presentation of allowance for ECL in the statement of financial position

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

• for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;

• for debt instruments measured at FVTOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.

• for loan commitments and financial guarantee contracts: as a provision; and

• where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Financial Liabilities

Under IFRS 9 fair value changes are generally presented as follows:

• the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

• the remaining amount of change in the fair value is presented in profit or loss

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

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

• it has been incurred principally for the purpose of repurchasing it in the near term; or

• on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short term profit-taking; or

• it is a derivative that is not designated and effective as a hedging instrument.

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

• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

• the financial liability forms part of a Bank of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the banking is provided internally on that basis; or

• it forms part of a hybrid (combined) contract, containing one or more embedded derivatives that significantly modifies the cash flows of the contract, or it is clear with little or no analysis that separation of the embedded derivative is not prohibited.

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

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

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

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

Other financial liabilities

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

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

Modification and derecognition of financial liabilities

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

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

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

3.5 Offsetting financial instruments

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

3.6 Cash and cash equivalents

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

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

3.7 Property, plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Bank 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.

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

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

Property, Plant and Equipment

Asset class	**Depreciation rate (years)**
Buildings	50
Furniture and fittings	10-20
Equipment	5-10
Motor Vehicles	15
Computer and accessories	10

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

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

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

3.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated 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 .

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

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

3.9 Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

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

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

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

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

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

* fixed payments, including in-substance fixed payments;

*variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

*amounts expected to be payable under a residual value guarantee; and

* the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

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

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

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

(ii). As a lessor

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

3.10 Investment property

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

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

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

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

Subsequent expenditure is 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.

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

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

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

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

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

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

3.12 Impairment of non-financial assets

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

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

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously 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, nor 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.

3.13 Other assets

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

(a) Prepayment

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

3.14 Fair value measurement

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

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

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

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

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

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, 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 unobservable.

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.

Classification and subsequent measurement

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

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

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

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

3.15 Employee benefits

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

(a) Defined contribution plan

The Bank operates two defined contribution plans;

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

(b) Defined benefit plan

The liability recognized in the statement of financial position in respect of defined benefit 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 in income.

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

(c) Termination benefit

Termination benefits are payable to executive directors when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank 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.

3.16 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is 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.

3.17 Contingent liabilities

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

3.18 Related parties

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

3.19 Operating segment

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

3.20 Share capital

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

3.21 Earnings per share

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

3.22 Government grants

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

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

3.23 Income taxation

(a) Current income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is 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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

3.24 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

a) 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.

b) 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.

c) 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.

d) Deprecation and carrying value of property, plant and equipment

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

e) Impairment of non-financial assets

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

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

f) 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.

g) 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.

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4 Financial risk management

4.1 Introduction

As a financial institution the Bank is exposed to risks that arise from its use of financial instruments This note describes The Bank's objectives policies and processes for managing those risks and the methods used to measure them Further quantitative information in respect of these risks is presented throughout these financial statements Financial assets and financial liabilities that are liquid or have a short term maturity it is assumed that the carrying amounts approximate to their fair value.

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurementand monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk, market risk and different operational risks. It is also subject to various risks that affect the financial sector of the country

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

4.1.1 Risk management structure

The Board Risk Sub-Committee, a subset of the Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. It also has the responsibility to monitor the overall risk process within the Bank

The Senior Management chaired by the chief Executive Officer (CEO) has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is also responsible for managing risk decisions and monitoring risk levels and reports on a monthly basis to the Board Risk Sub-Committee.

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

The Risk Management Unit is responsible for monitoring compliance with risk principles, policies and limits across the Bank. It carries out an assessment of risk on an ad hoc basis to monitor the Bank's independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported, where necessary, to the Senior Management, and further to the Board Risk Sub-Committee and the relevant actions are taken to address exceptions and any areas of weakness

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

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit Function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. The Internal Audit Function discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Sub-Committee.

4.1.2 Risk measurement and reporting systems

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

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

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 these 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

As part of the credit risk mitigation which is the main identified financial risk of the Bank, an appropriate risk environment,credit policies and procedures are established. In addition, there is portfolio management, appropriate credit administration and monitoring and loan review function.
The other credit risk mitigation measures is obtaining sufficient collateral securities and guarantees for certain loan products as the second way out in case of default.

4.1.4 **Financial instruments by category**

The Bank's financial assets are classified into the following measurement categories: Financial assets at fair value through OCI and Financial assets at amortized cost and the financial liabilities are classified into other liabilities at amortised cost

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

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

30-June-2024

			FVOCI	Amortized Cost	Total
	Notes	Birr	Birr	Birr	Birr
Cash and cash equivalents	17			841,576,167	841,576,167
Loans and advances to customers (Net)	18			1,112,924,098	1,112,924,098
Other assets and prepayments	21			116,617,710	116,617,710
Investment in securities:	20				
Financial assets at amortized cost	20(a)		71,501,800	-	71,501,800
Financial assets at fair value through OCI (2024 AFS)	20(b)		92,546,515	-	92,546,515
Total Financila asset			**164,048,314**	**2,071,117,975**	**2,235,166,289**

30-June-2023		FVOCI	Amortized Cost	Total
	Notes	Birr	Birr	Birr
Cash and cash equivalents	17		470,187,174	470,187,174
Loans and advances to customers (Net)	21		563,974,434	563,974,434
Other assets and prepayments	21		42,721,738	42,721,738
Investment in securities:	20			
Financial assets at amortized cost	20(a)	-		-
Financial assets at fair value through OCI (2024	20(b)	2,915,000		2,915,000
Total Financila asset		**2,915,000**	**1,076,883,346**	**1,079,798,346**

4.3 **Credit risk**

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and other financial assets

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

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to term of the financial instrument and economic sectors.

The National Bank of Ethiopia (NBE) sets credit risk limit for a single borrower, one related party and all related parties to not exceed 25%, 5% 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.

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

4.3.1 **Credit related commitment risks**

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

4.3.2 **Credit risk exposure**

a) Maximum exposure to credit risk before collateral held or other credit enhancements

The Bank's maximum exposure to credit risk at 30 June 2024 and 30 June 2023 is represented by the net carrying amounts in the statement of financial position.

	Notes	30-Jun-24 Birr	30-Jun-23 Birr
Cash and cash equivalents	17	841,576,167	470,187,174
Loans and advances to custo	21	1,112,924,098	563,974,434
Other assets and prepaymen	21	116,617,710	42,721,738
Investment in securities:	20		
Financial assets at amortized cost	20(a)	71,501,800	-
Financial assets at fair value through OCI (2024	20(b)	92,546,515	2,915,000
Total Financila asset		**2,235,166,289**	**1,079,798,346**

Credit risk exposures relating to off balance sheets are as follows:

	30-Jun-24 Birr	30-Jun-23 Birr
Loan commitments	-	-
Guarantees	74,222,827.08	-
Letters of credit	4,717,540.32	-
	78,940,367	-
Total off balance sheet exposure	**157,880,735**	**-**
Total maximum exposure	**2,393,047,024**	**1,079,798,346**

b) Assets obtained by taking possession of collateral

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

	30-Jun-24 Birr	30-Jun-23 Birr
Acquired	-	-
	-	-

c) **Loans and advances to customers at amortised cost**

(i) Gross loans and advances to customers per sectors are analysed as follows:

	30-Jun-24 Birr	30-Jun-23 Birr
Agriculture	21,783,530	13,353,649
Other (Consumer Loans)	150,647,780	151,978,758
Housing And Construction	69,564,524	133,612,085
Domestic Trade And Services	766,259,058	288,116,767
Overdraft Facility	94,799,142	-
Staff Loan	70,677,471	29,199,562
Gross loans to customers	**1,173,731,505**	**616,260,821**

Credit quality analysis

(ii) Gross loans and advances from customers per National Bank of Ethiopia's impairment guidelines are analysed a

	30-Jun-24 Birr	30-Jun-23 Birr
Pass	823,526,804	364,284,023
Special mention	250,180,519	46,243,871
Substandard	61,337,432	118,061,056
Doubtful	16,540,484	58,139,205
Loss	22,146,267	29,532,667
	1,173,731,505	**616,260,821**

The above table represents a worst case scenario of credit risk exposure of the Bank as at the reporting dates without taking account of any collateral held or other credit enhancements attached. The exposures are based on carrying amounts as reported in the statement of financial position. Management is confident in its ability to continue to control and effectively manage the credit risk exposure in the Bank's loan and advances portfolio.

4.3.3 Credit quality analysis

(a) **Credit quality of Cash and bank balances**

The credit quality of Cash and bank balances and short-term investments that were neither past due nor impaired at as 30 June 2024 and 30 June 2023 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. However, Cash and bank balances that is held in foreign banks can be assessed by reference to credit rating agency designation as shown in the table below

	30-Jun-24 Birr		30-Jun-23 Birr
A			-
A+	-		-
AA-	-		
AAA	-		-
BB	-		-
BBB+	-		
Not rated	841,609,984		470,187,174
Less: Loss allowances	(33,817)		-
	841,576,167	**-**	**470,187,174**

Definitions of ratings

AA: Very high credit quality	This denotes expectations of a very low default risk. It indicates a very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A: High credit quality	This denotes expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB: Good credit quality	This indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.
Not rated	This indicates financial institutions or other counterparties with no available ratings and cash in hand.

A "+ "(plus) or "-" (minus) may be appended to a rating to indicate the relative position of a credit within the rating category. This is based on Fitch national long-term issuer default ratings

(b) **Credit quality of loans and advances to customers**

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

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

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Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 2.6

2024

Credit risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Stage 3 Life time ECL	Total
Stage 1 – Pass	823,526,804			823,526,804
Stage 2 – Special mention		250,180,519		250,180,519
Stage 3 - Non performing			100,024,182	100,024,182
Total gross exposure	823,526,804	250,180,519	100,024,182	1,173,731,505
Loss allowance	(27,720,167)	(7,222,781)	(25,864,459)	(60,807,407)
Net Carrying amount	**795,806,636**	**242,957,738**	**74,159,723**	**1,112,924,098**

2023

Credit risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Stage 3 Life time ECL	Total
Stage 1 – Pass	365,519,879			365,519,879
Stage 2 – Special mention		35,744,204		35,744,204
Stage 3 - Non performing			214,996,738	214,996,738
Total gross exposure	365,519,879	35,744,204	214,996,738	616,260,821
Loss allowance	(3,320,991)	(677,038)	(48,288,359)	(52,286,388)
Net Carrying amount	**362,198,888**	**35,067,166**	**166,708,379**	**563,974,433**

(C) **Credit quality of Off balance sheet items**

2024

Credit risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Stage 3 Life time ECL	Total
	Birr	Birr	Birr	Birr
Stage 1 – Pass	78,940,367			78,940,367
Stage 2 – Special mention		-	-	-
Stage 3 - Non performing			-	-
Total gross exposure	78,940,367	-	-	78,940,367
Loss allowance	(4,882)	-	-	(4,882)
Net Carrying amount	**78,935,486**	**-**	**-**	**78,935,485.80**

2024

Other financial assets (debt instruments)	Stage	Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	841,609,984	(33,817)	841,576,167
Investment securities (debt instruments)	12 Month ECL	71,505,375	(3,575)	71,501,800
Other receivables and financial	Life time ECL	30,460,663	(155,085)	30,305,578
Total	**-**	**943,576,022**	**(192,477)**	**943,383,545**
Loss allowance		-	-	-
Net Carrying amount	**-**	**943,576,022**	**(192,477)**	**943,383,545**

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Tewodros and Fikre Audit Service Partnership

4.3.4 **Collaterals held and their financial effect**

The bank holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The main types of collateral and the types of assets these are associated with are listed below. The Bank does not sell or repledge the collateral in the absence of default by the borrower. 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.

The estimated value real estate 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.

4.3.5 **Nature of security in respect of loans and advances to customers**

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

30-Jun-24	AGRICULTURE	OTHER (CONSUMER LOANS)	HOUSING AND CONSTRUCTION	DOMESTIC TRADE AND SERVICES	STAFF LOAN	Total
	Birr	Birr	Birr	Birr	Birr	Birr
Building	15,011,162	42,563,687	292,604,475	1,783,933,216	71,083,764	2,205,196,305
Personal Guarantee	-	17,782,806	-	-	-	17,782,806
Merchandise	-	-	2,376,000	-	-	2,376,000
Cash	515,540	18,718,042	5,251,546	47,445,627	-	71,930,755
Vehicle	-	1,600,000	-	127,824,487	13,100,000	142,524,487
Farm	3,208,700	-	-	-	-	3,208,700
Machinery (Construction Machine	-	-	-	6,481,350	-	6,481,350
Fuel Depot	-	-	-	18,782,161	-	18,782,161
Share Certificate	-	450,549	-	500,000	-	950,549
Others	-	47,529,561	14,239,272	30,358,382	-	92,127,215
	18,735,401	**128,644,646**	**314,471,293**	**2,015,325,223**	**84,183,764**	**2,561,360,328**

30-Jun-23	Building	Vehicle	Share	Cash	Others	Total
	Birr	Birr	Birr	Birr	Birr	Birr
Agriculture	1,972,160	-	-	-	-	1,972,160
Other (Consumer Loans)	4,984,146	-	-	-	-	4,984,146
Hand craft and Service	-	-	-	-	-	-
Housing And Construction	266,885,165	-	-	-	-	266,885,165
Manufacturing Loan	-	-	-	-	-	-
Domestic Trade And Services	459,899,059	-	-	-	-	459,899,059
Domestic Trade And Services	65,796,085			-		65,796,085
Staff Loan	7,112,182	-	-	-	-	7,112,182
	806,648,798	**-**	**-**	**-**	**-**	**806,648,798**

i) Loans and advances to customers

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. 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 customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to customers. Valuation of collateral of real estates (buildings) is updated and reviewed every three year and at the same time whenever the loan foreclosure measure is opted. For credit impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

ii) Investment securities designated as at FVTPL

As at 30 June 2024, the Bank had no exposure to credit risk of the investment securities designated as at FVTPL.

4.3.6 **Amounts arising from ECL**

i) inputs, assumptions and techniques used for estimating impairement

See accounting policy in note 3.3 - iv

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 Institution uses three criteria for determining whether there has been a significant increase in credit risk:
• quantitative test based on movement in PD;
• qualitative indicators; and
• a backstop of 30 days past due,

iii) Credit risk grades

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

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

a. Term loan exposures

— Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance

— Data from credit reference agencies, press articles, changes in external credit ratings
— Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
— Internally collected data on customer behaviour – e.g. utilisation of credit card facilities
— Affordability metrics

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

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

v) Determining whether credit risk has increased significantly

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

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

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

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

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

vi) Definition of default

The Bank considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Institution 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.
- 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 .
The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

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

External information considered includes economic data and forecasts published by Business Monitor International, an external and independent macroeconomic data body. This is in addition to industry – level, semi – annual NPL trends across statistically comparable sectors.

vii) Incorporation of forward-looking information
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 macro-economic variables and credit risk and credit losses.

vii) 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.

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

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

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

ix) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:
- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

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

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

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

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period.
The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

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

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:
- instrument type;
- credit risk grading;
- collateral type;
- 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

Statement of Prudential adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the National Bank of Ethiopia (NBE) Directives. This is at variance with the forward looking model required by IFRS-9. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.
The proclamation 'Financial Reporting Proclamation No.847/2014 stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.

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

(a) Provisions for loans recognised in the income statement should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under the NBE Directives and the expected impact/changes in other reserves should be treated as follows:
• Prudential provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve (retained earnings) account to a "regulatory risk reserve".
• Prudential provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve(retained earnings) account

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

	30-Jun-24 Birr	30 June 2023 Birr
Total impairment based on IFRS	(60,807,407)	(52,286,388)
Total impairment based on NBE Directives	(21,768,261)	(17,826,885)
Difference	**(39,039,146)**	**(34,459,503)**

Credit Concentration

The Institution monitors concentrations of credit risk by economic sector. An analysis of concentrations of credit risk at 30 June 2024 and 30 June 2023.

	30 June 2024		30 June 2023	
	Birr	%	Birr	Birr
Agriculture	21,783,530	1.86%	13,353,649	2.17%
Other (Consumer Loans)	150,647,780	12.83%	151,978,758	24.66%
Housing And Construction	69,564,524	5.93%	133,612,085	21.68%
Domestic Trade And Services	766,259,058	65.28%	288,116,767	46.75%
Overdraft Facility	94,799,142	8.08%	-	0.00%
Staff Loan	70,677,471	6.02%	29,199,562	4.74%
	1,173,731,505	**100.00%**	**616,260,821**	**100%**

— **Loans with renegotiated terms**

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off

— **Loans that were past due but not impaired**

Loans that were 'past due but not impaired' are those for which contractual interest or principal payments were past due but the Bank believed that impairment was not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank. The amounts disclosed exclude assets measured at FVTPL.

4.3.7 **Commitments and guarantees**

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

	30-Jun-24 Birr	30-Jun-23 Birr
Loan commitments	-	-
Guarantees	74,222,827	-
Letters of credit	4,717,540	-
	78,940,367	**-**

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4.4 Liquidity risk

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

Liquidity risk management in the Bank is solely determined by the Asset and Liability Committee (ALCO), which bears the overall responsibility for liquidity risk. The main objective of the Bank's liquidity risk framework is to maintain sufficient liquidity in order to ensure that we meet our maturing obligations.

4.4.1 Management of liquidity risk

Cash flow forecasting is performed by the Finance and Treasury function. The Finance and Treasury function 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 of damage to the Bank's reputation.

4.4.1 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.

30-Jun-24

	Notes	31 - 90days	91 - 180days	181 - 365 days	Over 1 year	Total
		Birr	Birr	Birr	Birr	Birr
Deposits from customers	26	37,357,959	176,116,092	213,474,051	797,926,918	1,224,875,020
Other liabilities	27	3,810,437	4,403,644	15,510,469	25,510,386	49,234,936
Total financial liabilities		**41,168,396**	**180,519,736**	**228,984,520**	**823,437,304**	**1,274,109,956**
Loan commitments		-	-	-	-	-
Guarantees		74,222,827	-	-	-	-
Letters of credit		4,717,540	-	-	-	-
Other commitments			-	-	-	-
		78,940,367.40	-	-	-	-
Assets held for managing liquidity risk		**120,108,763**	**180,519,736**	**228,984,520**	**823,437,304**	**1,274,109,956**

30-Jun-23

	Notes	31 - 90days	91 - 180days	181 - 365 days	Over 1 year	Total
		Birr	Birr	Birr	Birr	Birr
Deposits from customers	26	6,989,141	32,948,809	39,937,950	149,280,746	229,156,647
Other liabilities	27 & 28	19,546,705	4,864,435	17,133,463	18,626,690	60,171,293
Total financial liabilities		**26,535,846**	**37,813,244**	**57,071,413**	**167,907,436**	**289,327,940**
		-	-	-	-	-
Assets held for managing liquidity risk		**26,535,846**	**37,813,244**	**57,071,413**	**167,907,436**	**289,327,940**

4.5 MARKET RISK

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

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

4.5.1 **Management of market risk**

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

Market risk is monitored by the risk and compliance management function regularly, to identify any adverse movement in the underlying variables

i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings and lending obtained at variable rates give rise to interest rate risk.

The Bank's exposure to the risk of changes in market interest rates relates primarily to the Bank's obligations and financial assets with floating interest rates. The Bank is also exposed on fixed rate financial assets and financial liabilities. The Bank's investment portfolio is comprised of treasury bills, Ethiopian government bonds and cash deposits.

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

The table below summarises The Bank's exposure to interest rate risks The table presents the aggregated amounts of The Bank's interest bearing financial assets and interest bearing financial liabilities at carrying amounts as at 30 June 2024 and 30 June 2023.

2024

Asset	Interest variable	Fixed interest bearing	Non-interest bearing	Total
				Birr
Cash and balances with banks	Fixed	210,440,567	631,135,601	841,576,167
Loans and advances to customers	Fixed	1,112,924,098	-	1,112,924,098
Investment securities	Fixed	71,501,800	92,546,515	164,048,314
Other assets		-	116,617,710	116,617,710
Total interest bearing financial assets		**1,394,866,464**	**840,299,825**	**2,235,166,289**
Liablities				
Deposits from customers	Fixed	810,436,862	414,438,159	1,224,875,020
Other liabilities	Fixed		49,234,936	49,234,936
Borrowings	Fixed	192,007,690	-	192,007,690
Total interest bearing financial liabilities		**1,002,444,551**	**414,438,159**	**1,416,882,710**
Net interest sensitivity gap		**392,421,913**	**425,861,666**	**818,283,579**

2023

Asset	Interest variable	Fixed interest bearing	Non-interest bearing	Total
		Birr	Birr	Birr
Cash and balances with banks	Fixed	-	470,187,174	470,187,174
Loans and advances to customers	Fixed	563,974,434	-	563,974,434
Investment securities	Fixed	-	2,915,000	2,915,000
Other assets		-	42721738.31	42,721,738
Total interest bearing financial assets		**563,974,434**	**515,823,912**	**1,079,798,346**
Liablities				
Deposits from customers	Fixed	229,156,647		229,156,647
Other liabilities	Fixed		44,833,744	44,833,744
Borrowings	Fixed	143,121,075	-	143,121,075
Total interest bearing financial liabilities		**372,277,722**	**44,833,744**	**417,111,465**
Net interest sensitivity gap		**191,696,712**	**470,990,168**	**662,686,880**

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ii) Foreign exchange risk

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

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

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

The total foreign currency denominated assets exposed to risk as at year end 30 June 2024 was ETB 41.39 Million (30 June 2023: ETB 8.26 Million).

	30-Jun-24 Birr	30-Jun-23 Birr
US dollars (USD	41,393,162	8,269,485
	41,393,162	**8,269,485**

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.

	30-Jun-24 Birr	30-Jun-23 Birr
Effect of a 10% Increase of the ETB against USD	4,139,316	826,949
Effect of a 10% Decrease of the ETB against USD	**(4,139,316)**	**(826,949)**

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.

- SB 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 SB five years Strategic Plan in respect of loan and deposit growth;
- In order to engage in construction of various SB' premises;
- In order to compete with peer banks.

4.6.1 **Capital adequacy ratio**

According to the Licensing & Supervision of Banking Business Directive No SBB/50/2011 of the National Bank of Ethiopia, the Bank has to maintain a capital to risk weighted assets ratio of 8% at all times, the risk weighted assets being calculated as per the provisions of Directive No SBB/9/95 issued on 18 August 1995. Capital includes capital contributions, retained earnings, legal reserve and other reserves to be approved by the National Bank of Ethiopia.

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

Capital	30-Jun-24 Birr	30-Jun-23 Birr
Share capital	913,092,000	590,266,000
Legal Reserve	59,208,728	52,424,754
Regulatory Risk reserve	23,514,434	29,169,163
Other Reserve	47,311,069	2,821,412
	1,043,126,231	**674,681,329**

Risk weighted assets		
Risk weighted balance for on-balance sheet items	1,728,278,281	851,949,829
Credit equivalent for off-balance	8,365,791	-
Total risk weighted assets	**1,736,644,072**	**851,949,829**
Risk-weighted Capital Adequacy Ratio (CAR)	60.07%	79.19%
Minimum required capital	8%	8%
Excess	**52.07%**	**71.19%**

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 three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole

4.7 **Fair value of financial assets and liabilities**

4.7.1 **Valuation models**

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

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

- **Level 2**: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) .This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, another 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's 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**

The following table summarises the carrying amounts of financial assets and liabilities at the reporting date. The amounts are based on the values recognised in the statement of financial position.

	30-Jun-24		30-Jun-23	
	Carrying amount Birr	**Amortized Cost Birr**	**Carrying amount Birr**	**Amortized Cost Birr**
Financial assets				
Cash and bank balances	841,576,167	841,576,167	470,187,174	470,187,174
Loans and advances to customers	1,112,924,098	1,112,924,098	563,974,434	563,974,434
Investment securities				
- Financial assets at fair value through OCI	71,501,800	71,501,800	-	-
- Financial assets at amortized cost	92,546,515	92,546,515	2,915,000	2,915,000
Other assets	116,617,710	116,617,710	42,721,738	42,721,738
Total	**2,235,166,289**	**2,235,166,289**	**1,079,798,346**	**1,079,798,346**

	30-Jun-24		30-Jun-23	
	Carrying amount Birr	**Amortized Cost Birr**	**Carrying amount Birr**	**Amortized Cost Birr**
Financial liabilities				
Deposits from customers	1,224,875,020	1,224,875,020	229,156,647	229,156,647
Other liabilities	49,234,936	49,234,936	44,833,744	44,833,744
Total	**1,274,109,956**	**1,274,109,956**	**273,990,391**	**273,990,391**

4.7.3 **Valuation technique using significant unobservable inputs - Level 3**

The Bank has equity investments measured at fair value on subsequent recognition.

4.7.4 **Transfers between the fair value hierarchy categories**

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

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

SIDAMA BANK S.C.
Notes to the financial Statements
For the year ended 30 June 2024

Interest income is arising from:	**2024**	**2023**
	Birr	**Birr**
Loans to customers	236,782,306	154,208,174
Deposit with other banks	31,356,794	23,647,101
Interest Income -Treasury Bond	2,628,648	-
Total interest income	**270,767,748**	**177,855,275**

6 Interest expense

Interest expense is arising from:	**2024**	**2023**
	Birr	**Birr**
Interest expense on customer deposit	17,774,842	9,371,141
Interest expense on bank loan	18,616,740	11,822,877
	36,391,582	**21,194,017**

7 Fees and commission income

	2024	**2023**
	Birr	**Birr**
Service charge income	12,462,847	56,165,836
Gain on foreign currency transactions	636,018	-
Loan Process and Evaluation	12,654,949	-
Income from Guarantee	351,052	-
	26,104,866	**56,165,836**

8 Other operating income

	2024	**2023**
	Birr	**Birr**
Gain on Foreign Currency	375,934	-
Gain on Foreign Exchange Revaluation	1,313,246	-
Other income	46,156,806	38,725,244
	47,845,986	**38,725,244**

9 Loan impairment charge

	30-Jun-24	**30-Jun-23**
	Birr	**Birr**
Loans and advances - charge for the year	8,521,019	13,961,554
Loans and advances - reversal of provision	-	-
	8,521,019	**13,961,554**

10 Impairment on other assets

	30-Jun-24	**30-Jun-23**
	Birr	**Birr**
Other assets-charges for the year	**159,966**	**-**
Receivables - Bad Debts Write Off	**-**	**-**
	159,966	**-**

11 Impairment on Cash, Bills and Bonds

	30-Jun-24 Birr	30-Jun-23 Birr
Cash, Bills and Bonds-charge for the year	37,392	-
	37,392	-

12 Grant income from loan borrowed at a redured interest rate

	2024 Birr	2023 Birr
Income from Grant amortized	3,909,040	3,081,259
	3,909,040	**3,081,259**
Total grant recognised on a subsidised loans	24,469,627	22,798,378
Grant amount released to profit and loss account todate	(14,843,545)	(10,259,206)
Remaining balance	**9,626,083**	**12,539,171**

The particulars of the loan on which these grants hav been recognized is given under note 24

13 Salaries and other employee benefits

	2024 Birr	2023 Birr
Salaries and wages	110,226,745	64,988,831
Pension Cost-Defined contribution plan	11,959,954	6,808,989
Staff allowance	24,382,693	13,063,861
Leave expense	1,528,698	3,039,296
Medical Expense	794,281	541,299
Over Time	730,972	-
Uniform	395,449	939,470
Severance expense	5,923,062	5,006,856
	155,941,853	**94,388,602**

14 Depreciation on property, plant and equipment

The depreciation expenses represents current year depreciation on Property, plant and equipment and investment property.

	2024 Birr	2023 Birr
Depreciation expense	16,079,284	7,718,634
Total depreciation expense	**16,079,284**	**7,718,634**

SIDAMA BANK S.C.
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15 General and administrative expenses

	Birr	2023 Birr
Rent expense	-	714,993
Perdiem & travel	7,590,860	10,239,364
Stationary and printing	9,522,206	15,538,066
Communication	3,416,163	1,170,189
Marketing and promotion	8,540,068	3,688,542
Insurance Expense	2,441,410	494,005
Miscellaneous expense	2,179,132	3,354,302
Fuel & lubricants	4,077,991	3,187,108
Entertainment	1,522,225	2,577,763
Maintenance & repair	5,694,840	5,034,378
Training	1,120,938	1,617,031
Donation expense	310,015	5,408,078
Cleaning and supplies	328,040	120,401
Professional fee	110,472	500,000
Audit fee	402,500	425,500
Board fee Expense	3,410,000	2,010,215
Utilities	479,758	-
Swift Charge	1,290,985	768,315
Membership fee	778,000	65,000
Lease Expense	3,830,999	2,398,776
Hotel Accomodation	2,583,812	1,407,762
Legal Case Fee	90,751	379,375
Annual CBS Maintenance and Support Exp.	283,000	471,527
Loss On Revaluation of FCY	81,432	-
Reward & other Benefit	319,924	-
Inaguration& Establishment Cost	11,846,977	-
EATS-RTGS Service Charge	77,612	-
NBE-License,Renewal and Examnation	870,000	-
	73,200,110	**61,570,690**

Certified Auditors in Ethiopia
Tewodros and Fikre Audit Service Partnership

16 Taxation charge/expense

	2024 Birr	2023 Birr
Curent year tax charge as per the income tax proclamation	(1,538,161)	15,337,549
Deferred tax (income)/expense	(752,833)	(4,862,438)
	(2,290,994)	**10,475,112**

17 CASH AND CASH EQUIVALENTS

	30-Jun-24	30-Jun-23
	Birr	Birr
Cash on hand	165,273,983	29,153,242
Cash at Bank	240,131,832	401,530,015
Other accounts with National Bank of Ethiopia	394,811,008	31,234,432
Deposit with foreign Banks	41,393,162	8,269,485
	841,609,984	**470,187,174**
Less: Loss allowances	(33,817)	-
	841,576,167	**470,187,174**

18 LOANS TO CUSTOMERS

	30-Jun-24	30-Jun-23
	Birr	Birr
Agriculture	21,783,530	13,353,649
Other (Consumer Loans)	150,647,780	151,978,758
Housing And Construction	69,564,524	133,612,085
Domestic Trade And Services	766,259,058	288,116,767
Overdraft Facility	94,799,142	-
Staff Loan	70,677,471	29,199,562
Gross loans to customers	**1,173,731,505**	**616,260,821**
Less : allowance for impairment losses	(60,807,407.05)	(52,286,388)
Net loans to customers	**1,112,924,098**	**563,974,434**

Total Gross Loans and advances Birr 1,173,731,504.93 Out of this amount, Birr 824,804,194.95 are Micro Finance loans and Birr 348,927,309.98 are bank loans.

Movments of the loan impairment allowance for the year ended 30 June 2024 and 30 June 2023 as follows:

	30-Jun-24	30-Jun-23
	Birr	Birr
Balance at the beginning of the year	52,286,388	38,324,834
Provision expense	8,521,019	13,961,554
Balance at the end of the year	**60,807,407**	**52,286,388**
Loan impairment charge		

The following table provide information on the credit quality of the loan portfolio:

Originated loans to customers according to the agreement	30-Jun-24	30-Jun-23
	Birr	Birr
Current and less than 90 days overdue	1,073,707,323	410,527,893
90 to 180 days overdue	61,337,432	118,061,056
180 to 365 days overdue	16,540,484	58,139,205
above 365 days overdue	22,146,267	29,532,667
Balance at the end of the year	**1,173,731,505**	**616,260,821**
Less : allowance for impairment losses	(60,807,407)	(52,286,388)
Balance at the end of the year	**1,112,924,098**	**563,974,434**

SIDAMA BANK S.C.
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For the year ended 30 June 2024

Loan to customers are collateralized by:	**30-Jun-24**	**30-Jun-23**
	Birr	**Birr**
Building	2,205,424,809	806,648,798
Personal Guarantee	17,782,806	-
Merchandise	2,376,000	-
Cash	71,930,755	-
Vehicle	142,524,487	-
Farm	3,208,700	-
Machinery (Construction Machinery)	6,481,350	-
Fuel Depot	18,782,161	-
Share Certificate	950,549	-
Others	92,127,215	-
	2,561,588,832	**806,648,798**

Reconcillations of loans to customers according to the agreement and effective interest rate:

	30-Jun-24	**30-Jun-23**
	Birr	**Birr**
Originated loans to customers according to the agreement	999,326,287	531,073,947
Accrued interest according to the agreement	174,405,218	85,186,875
agreement	**1,173,731,505**	**616,260,821**
Gross loans to customers	**1,173,731,505**	**616,260,821**
Less: allowance for impairment losses	(60,807,407)	(52,286,388)
Net loans to customers	**1,112,924,098**	**563,974,434**

Breakdown of current and noncurrent portions is presented

	30-Jun-24	**30-Jun-23**
	Birr	**Birr**
Current portion	970,458,203	381,118,894
Noncurrent portion	203,273,302	235,141,927
Total loan and advances	**1,173,731,505**	**616,260,822**

19 DEFERRED TAX ASSET

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

Deferred income tax assets/(liabilities):

	30-Jun-24 Birr	30-Jun-23 Birr
PPE carying value as per IFRS	305,611,422	176,257,897
PPE carying value as per Income tax proclamation	(272,794,344)	(163,023,801)
Temporary difference	32,817,078	13,234,095
Deferred tax liability	**(9,845,123)**	**(3,970,229)**
	-	-
Leave & Severence Carrying value	19,145,728	25,411,632
Leave & Severence tax base	-	-
Temporary difference	19,145,728	25,411,632
Deferred tax asset @30%	**5,743,719**	**7,623,489**
Deferred tax aset on Loss for tax purpose	9,621,778	-
Deferred tax asset @	2,886,533	
Deferred tax on gain from Investments through OCI		
Carrying amount-Fair Value	92,546,515	
Tax base-Cost	42,707,525	
Gain on investment through OCI	49,838,990	
Deferred tax laibility on gain from Investments through OCI **@30%**	(14,951,697)	-
NET DEFERRED TAX CREDIT/(EXPENSE)	**(16,166,568)**	**3,653,261**

2024

	Balance on 30/06/2023	Blance recognised in profit & loss	Blance recognised in other comp.	Balance on 30/06/2024
	Birr	Birr	Birr	Birr
Property, plant & equipment	(3,970,228.59)	(5,874,895)	-	(9,845,123)
Severance & leave pay	7,623,489.47	2,235,528	(4,115,299)	5,743,719
Gain on Financial assets through OCI			(14,951,697)	(14,951,697)
Loss for tax pupose	-	2,886,533	-	2,886,533
	3,653,261	**(752,833)**	**(19,066,996)**	**(16,166,568)**

2023

	Blance recognised in profit & loss account	Blance recognised in other comp. income	Balance on 30/06/2023
	Birr	Birr	Birr
Property, plant & equipment	(3,970,229)	-	(3,970,229)
Severance & leave pay	8,832,666	(1,209,177)	7,623,489
	4,862,438	**(1,209,177)**	**3,653,261**

SIDAMA BANK S.C.
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20 Investment securities

20(a) At amortised cost

Government Bond as at 30 June 2024 and 30 June 2032 comprises the following:

	30-Jun-24 Birr	30-Jun-23 Birr
Government Bond	-	200,000
Investment in securities received/(refunded)	-	(200,000.00)
Treasure Bond	71,505,375	-
Less: Loss allowances	(3,575)	-
	71,501,800	**-**

20(b) At fair value through OCI

Investment securities as at 30 June 2024 and 30 June 2023 comprises the following:

	30-Jun-24 Birr	30-Jun-23 Birr
Investment securities	114,212,900	2,915,000

The Bank equity investment comprises
A breakdown of the Investment securitiess is as follows:

	30-Jun-24 Birr	30-Jun-23 Birr
Investement in ETH Switch SC	91,158,038	2,915,000
ET Inclusive Finance Technology S.C.	1,388,476	-
	92,546,515	**2,915,000**

The Investments comprise of:	Fair Value per share	Number of shares held at	Cost	Fair value
At 30 June 2024			Birr	Birr
Eth Switch S.Co	5,040	18,087	39,792,525	91,158,038
ET Inclusive Finance Technology S.C.	476	2,915	2,915,000	1,388,476
			42,707,525	**92,546,515**

21 Other assets

	30-Jun-24 Birr	30-Jun-23 Birr
Non Financial Assets		
Prepayment	59,278,625	26,413,514
Prepaid rent	-	163,768
Prepaid staff benefit on staff loan at reduced rate	26,896,937	12,836,202
Other Recivable	30,460,663	3,308,255
Withholde Tax Paid	141,451	-
Gross amount	**116,777,676**	**42,721,738**
Impairment losses on other assets	(159,966)	-
Net other asset and Prepayment	**116,617,710**	**42,721,738**

Breakdown of current and noncurrent portions is as follows:

	30-Jun-24 Birr	30-Jun-23 Birr
Current portion	96,967,626	35,523,125
Noncurrent portion	19,650,084	7,198,613
	116,617,710	**42,721,738**

22 Investment property

Investment property as at 30 June 2024 is presented as follows:

Cost		Total
Balance as at 01 July 2022	-	-
Transfer from CIP	38,906,886	38,906,886
Reclassification	-	-
As at 30 June 2023	**38,906,886**	**38,906,886**
Balance as at 01 July 2023	38,906,886	38,906,886
Transfer from CIP	-	-
Reclassification	-	-
As at 30 June 2024	**38,906,886**	**38,906,886**
Accumulated Depreciation		
Balance as at 01 July 2022	-	-
Charge for the year	739,231	739,230.83
Reclassification	-	-
As at 30 June 2023	**739,231**	**739,231**
Balance as at 01 July 2023	**739,231**	**739,231**
Charge for the year	741,256	741,256
Reclassification	-	-
As at 30 June 2024	**1,480,487**	**1,480,487**
NET BOOK VALUE		
As at 30 June 2023	**38,167,655**	**38,167,655**
As at 30 June 2024	**37,426,399**	**37,426,399**

22a Amounts recognised in profit or loss for investment properties

	30 June 2024 Birr	30 June 2023 Birr
Rental income	7,072,548	5,107,742
Direct operating expenses on property that generated rental income	-	-
	7,072,548	**5,107,742**

22b 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 a portion. These property are held to earn rentals and for capital appreciation. There are currently no restrictions on the realisability of this property.

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. The fair value of investment properties has been disclosed as required.

22c Fair value hierarchy

Details of the Bank's Investment properties and information about the fair value hierarchy at 30 June 2023, and 30 June 2024 respectively are as follows:

30 June 2023	**Carrying amount Birr**	**Level 1 Birr**	**Level 2 Birr**	**Level 3 Birr**
Investment properties	38,167,655			38,167,655

30 June 2024	**Carrying amount Birr**	**Level 1 Birr**	**Level 2 Birr**	**Level 3 Birr**
Investment properties	37,426,399			37,426,399

SIDAMA BANK S.C.
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For the year ended 30 June 2024

23 Leases

23(a) Leases as Lessee

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

Right –of use Assets and lease obligation

Information about leases for which the Bank is a lease is presented below;

Right –of use Assets

COST

	Building Birr	Total Birr
Balance at 01 July 2022	2,706,165	2,706,165
Addition	71,466,942	71,466,942
Less amortization-Charge for the year	(11,745,608)	(11,745,608)
Balance as at 30 June 2023	**62,427,499**	**62,427,499**
Balance at 01 July 2023	**62,427,499**	**62,427,499**
Adjustments	4,031,342	4,031,342
Addition	39,336,737	39,336,737
Less amortization-Charge for the year	(26,305,009)	(26,305,009)
Balance at 30 June 2024	**79,490,568**	**79,490,568**
Net Carrying Value at 30 June 2023	**62,427,499**	**62,427,499**
Net Carrying Value at 30 June 2024	**79,490,568**	**79,490,568**

Lease Liabilities	Building Birr	Total Birr
Balance at 01 July 2022	**1,384,315**	**1,384,315**
Additions	31,199,635	31,199,635
Interest expense recognised in the Profit and loss account	1,297,223	1,297,223
Balance at 30 June 2023	**33,881,173**	**33,881,173**
Balance at 01 July 2023	**33,881,173**	**33,881,173**
Adjustments	3,608,107	3,608,107
Additions	5,890,947	5,890,947
Interest expense recognised in the Profit and loss account	2,564,536	2,564,536
Payment of Leases	(17,375,232)	(17,375,232)
Balance at 30 June 2024	**28,569,531**	**28,569,531**

At 30 June 2024, the future minimum lease payments under non-cancellable operating leases were payable as follows;

Maturity analysis- contractual undiscounted cash flows:-

	30-Jun-24 Birr	30-Jun-23 Birr
Upto 1 year	59,278,625	29,721,769
2 year to 3 years	29,450,961	21,195,441
4 year to 5 years	19,153,051	16,926,795
Finanancial commitments and contingencies	**107,882,637**	**67,844,004**

	30-Jun-23 Birr	30-Jun-23 Birr
Interest expense on lease liability	**2,564,536**	**1,297,223**

24 Intangible assets

Cost	Intangible Assets Birr	Total Birr
As at 01 July 2023	-	-
Additions	5,788,946	5,788,946
As at 30 June 2024	**5,788,946**	**5,788,946**
Accumulated depreciation		
As at 01 July 2023	-	-
Charge for the year	385,500.49	385,500
As at 30 June 2024	385,500.49	385,500
Net Book Value		
As at 30 June 2023	**-**	**-**
As at 30 June 2024	**5,403,446**	**5,403,446**

25 PROPERTY, PLANT AND EQUIPMENT

Cost	Buildings Birr	Computer & Accessories Birr	Motor Vehicles Birr	Furniture & Fittings Birr	Office & Other Equipments Birr	Construction in Progress Birr	Total Birr
As at 01 July 2022	4,224,964	6,023,386	11,614,677	6,134,503	-	69,495,598	97,493,128
Additions	-	16,234,830	21,000,000	48,256,742	-	2,631,509	88,123,081
Transfer to PPE	40,460,877	-	-	-	-	(40,460,877)	-
Transfer to Investment property	-	-	-	-	-	38,906,886	38,906,886
As at 30 June 2023	**44,685,842**	**22,258,216**	**32,614,677**	**54,391,245**	**-**	**-**	**153,949,980**
As at 01 July 2023	44,685,842	22,258,216	32,614,677	54,391,245	-	-	153,949,980
Reclassification	-	-	-	(31,759,568)	31,759,568		
Additions	2,606,036	51,530,585	57,035,270	12,777,784	15,694,187	-	139,643,863
Transfer to PPE	-	-	-	-	-	-	-
As at 30 June 2024	**47,291,877**	**73,788,801**	**89,649,947**	**35,409,462**	**47,453,755**	**-**	**293,593,842**
Accumulated depreciation							
As at 01 July 2022	1,106,085	1,721,428	2,234,519	3,818,303	-	-	8,880,335
Charge for the year	849,031	1,435,683	3,218,056	1,476,634	-	-	6,979,403
As at 30 June 2023	**1,955,116**	**3,157,110**	**5,452,575**	**5,294,936**	**-**	**-**	**15,859,738**
As at 01 July 2023	1,955,116	3,157,110	5,452,575	5,294,936	-	-	15,859,738
Reclassification	-	-	-	(2,646,312)	2,646,312		
Charge for the year	861,667	5,239,625	4,317,208	2,098,984	2,435,043	-	14,952,527
Reclassification	-	-	-	-	-	-	-
As at 30 June 2024	**2,816,783**	**8,396,736**	**9,769,783**	**4,747,608**	**5,081,355**	**-**	**30,812,265**
Net Book Value							
As at 30 June 2023	**42,730,725**	**19,101,106**	**27,162,102**	**49,096,309**	**-**	**-**	**138,090,242**
As at 30 June 2024	**44,475,094**	**65,392,065**	**79,880,164**	**30,661,853**	**42,372,400**	**-**	**262,781,577**

SIDAMA BANK S.C.
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26 Deposits from customers

	30-Jun-24 Birr	30-Jun-23 Birr
Demand Deposits	412,873,110	19,701,754
Saving Deposits	786,997,727	187,151,160
Time Deposit	23,635,512	22,258,549
	-	-
	-	-
	-	-
Interest Payable on Deposit	1,368,670	45,184
	1,224,875,020	**229,156,647**

Breakdown of borrowings by current and noncurrent portions are as follows:

	30-Jun-24 Birr	30-Jun-23 Birr
Current portion	349,519,433	56,920,108
Noncurrent portion	875,355,588	172,236,539
	1,224,875,020	**229,156,647**

27 Other Liabilities

	30-Jun-24 Birr	30-Jun-23 Birr
Insurance Payable	-	5,111,466
Defered service charge income	3,475,750	12,316,462
Accrued leave payable	9,708,101	8,179,403
Accrued Audit fee	402,500	287,500
Directors' Allowance	1,650,000	1,100,000
Other liabilities	18,048,546	9,728,870
Defered House Rent income	-	323,938
Cash Collateral	4,800,000	4,800,000
Personnel Income Tax	3,381,883	2,307,790
Withholde Tax	142,658	181,238
Interest Income Tax	174,584	497,076
Stamp Duty	402,720	-
Income tax from Dividend	499,855	-
Value Added Tax (VAT) Payable	335,406	-
Credit Information fee Payable	628,200	-
Cost Sharing Payable	96,579	-
Defered Guarantee	770,613	-
Margin Held Account ETB for IBD	4,717,540	-
	49,234,936	**44,833,744**

28 PROVISION FOR PROFIT TAX

28.1 On regular business operation

	30-Jun-24 Birr	30-Jun-23 Birr
Profit before tax	29,426,888	63,951,285
Add: Depreciation for repporting purpose	16,079,284	7,718,634
Provision for IFRS	8,718,378	13,961,554
Amortization of asset use right	26,305,009	11,745,608
Interst expense on Lease obligation	2,564,536	1,297,223
Interest expense as per EIR	18,616,740	11,822,877
Severance expense	5,923,062	5,006,856
Leave expense	1,528,698	3,039,296
Entertainment	4,106,037	3,985,526
Donation	310,015	450,000
Less: Depreciation for tax purpose	(35,385,706)	(14,927,432)
Rent expense	(26,208,032)	(13,136,694)
Grant income on subsidized loan-DBE	(3,909,040)	(3,081,259)
Interst income taxed at source	(33,985,442)	(23,647,101)
Interest expense as per agreement on Loan obtained at reduced rate-	(14,011,568)	(8,324,283)
Loan provision as per NBE(80%)	(4,573,434)	(8,736,926)
Profit for tax pupose Schedule B (27.2b)	(5,127,204)	
Loss for tax purpose/Taxable profit	(9,621,778)	51,125,165
Provision for Business tax @ 30%	**-**	**15,337,549**

28.2a On rental business-Schedule B

Rental income from investment properties	7,072,548
Depreciation charge as per IFRS	(741,256)
Profit from Rental Business	6,331,292

28.2b

Profit from rental business(27.2b)	6,331,292
Add: Depreciation as per IFRS	741,256
Less:Depreciation for tax Purpose	(1,945,344)
Profit for tax purpose on rental business	5,127,204
Tax charge @ 30%	**1,538,161**

29 Defered Grant Liability

	30-Jun-24 Birr	30-Jun-23 Birr
Defered Grant Liability	9,626,083	12,539,171
Total Defered Grant Liability	**9,626,083**	**12,539,171**

SIDAMA BANK S.C.
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For the year ended 30 June 2024

30 Borrowings

Accounting for Government Grants - IAS 20

The benefit on below-market interest rate loans is treated as a government grant. The loan shall be recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with this Standard. The entity shall consider the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate.

Under IFRS, All financial liabilities are initially recognised at fair value, minus transaction costs that are directly attributable to issuing the financial liability.

There are two measurement categories for financial liabilities: fair value, and amortised cost. Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss or an entity has opted to measure a liability at fair value through profit or loss.

A government loans with below market rate of interest are measured at fair value on initial recognition loan shall be recognised and measured in accordance with IFRS 9 Financial Instruments: Recognition and Measurement. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit is accounted for in accordance with IAS 20.

IAS 20 requires that a government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

Borrowings as at 30 June 2024 and 30 June 2023 comprises the following:

	30-Jun-24 Birr	30-Jun-23 Birr
Borrowing	192,007,690	143,121,075
Total borrowings	**192,007,690**	**143,121,075**

Breakdown of borrowings by current and noncurrent portions can be presented

	30-Jun-24 Birr	30-Jun-23 Birr
Current portion	47,906,913	33,632,801
Noncurrent portion	144,100,777	109,488,274
Total borrowings	**192,007,690**	**143,121,075**

Borrowed From	Loan Borrowed Amount Birr	NIR	EIR	Loan Balance as at AS PER NIR 30-Jun-24 Birr	as at AS PER EIR 30-Jun-23 Birr
Development Bank of Ethiopia (DBE)	8,627,070	6%	9.5%	-	891,506
Development Bank of Ethiopia (DBE)	8,627,070	6%	9.5%	-	859,481
Development Bank of Ethiopia (DBE)	3,875,882	6%	9.5%	1,809,148	2,546,372
Development Bank of Ethiopia (DBE)	19,573,010	6%	9.5%	-	-
Development Bank of Ethiopia (DBE)	12,000,000	6%	9.5%	-	3,064,629
Development Bank of Ethiopia (DBE)	15,000,000	6%	9.5%	-	-
Development Bank of Ethiopia (DBE)	59,500,000	8%	11.5%	22,595,727	37,118,788
Development Bank of Ethiopia (DBE)	20,000,000	8%	11.5%	12,484,526	17,231,774
Development Bank of Ethiopia (DBE)	28,537,600	8%	11.5%	17,805,765	24,584,684
Development Bank of Ethiopia (DBE)	23,953,402	8%	11.5%	35,623,524	24,071,985
Development Bank of Ethiopia (DBE)	77,828,290	8%	11.5%	67,050,624	32,751,857
Development Bank of Ethiopia (DBE)	35,471,838	8%	11.5%	34,638,376	-
	312,994,162			**192,007,690**	**143,121,075**

The particulars of the foregoing loans granted to the Bank, the then Sidama Microfinance, at a below market interest rates are given as hereunder. The commercial rates were obtained from the rate at which the Microfinance was able to borrow at a commercial rate from the Commercial Bank of ethiopa during similar periods.

Development Bank of Ethiopia has entered into a lead subsidiary agreement with the Ministry of finance and Economic Development of the Federal Democratic republic of Ethiopia which designated the Bank as the lead program agency for the implementation of the credit fund component of the Rural Financial Intermediation Programme II (RUFIP II). The Government, through a programme loan agreement signed on December 21, 2011, borrowed Br 8,627,070.00 from the International Fund for Agriculture Development (IFAD) to finance its loan-able fund requirement. The said borrowed amount is to be repaid in ten equal semi-annual installments of Br. 862,707.00 that become due on January 31st and July 31st of each year commencing on 31st January, 2019 and ending on 31st July, 2023 and with an interest rate of 6% per annum.
The bank also entered into an agreement with Sidama Micro Financing Institution S.C. to lend a loan of Birr 3,875,882 and has been lent to the Company, for financing Rural Financial Intermediation Program II (RuFIPII). The said lent principal amount is to be repaid in ten Semi-annual installments, where the first nine equal Semi-annual installments of Birr 387,588 and the last and tenth semi-annual installment of Birr 387,590 that become due on January 31st and July 31st of each year commencing on 31st January 2022 and ending on 31st July 2026 and with an interest rate of 6%per annum.

The bank entered into an agreement with sidama micro financing institutions s.c. to lend a loan of birr 19,573,010.00 during the year under review, for financing Rural Financial Intermediation Program II (RUFIP II). The said lent Principal amount is to be repaid in eight semi-annual installments, where the first seven equal semi-annually installments of birr 2,446,626.00 and the last and eighty semi annualy installment of birr 2,446,628.00 that became due on January 31st and July 31st of each year commencing on 31st July 2019 and ending on 31st January 2023 and with an interest rate of 6% per annum and payable semi-annually on January 31st and July 31st of each year commencing on 31st July 2018.

In addition, the bank entered into an agreement with sidama micro financing institutions s.c. to lend a loan of birr 12,000,000.00 during the year under review, for financing Rural Financial Intermediation Program II (RUFIP II). The said lent Principal amount is to be repaid in eight semi-annual installments, where the first seven equal semi-annually installments of birr 1,500,000.00 and the last and eighty semi annualy installment of birr 1,500,000.00 that became due on January 31st and July 31st of each year commencing on 31st July 2020 and ending on 31st January 2024 and with an interest rate of 6% per annum and payable semi-annually on January 31st and July 31st of each year commencing on 31st July 2019.

The Development Bank of Ethiopia has entered into a Lead Subsidiary Loan Agreement with the Ministry of finance and Economic Development of the Federal Democratic Republic of Ethiopia on 9th September 2011 to manage the credit component of the Agricultural Marketing Improvement Program (AMIP). The Government, through a programme loan agreement signed on December 21, 2011, borrowed Br 8,627,070.00 has been on lent to the Company for financing post harvest Tecnology . The said borrowed amount is to be repaid in ten equal semi-annual installments of Br. 862,707.00 that become due on January 31st and July 31st of each year commencing on 31st January, 2019 and ending on 31st July, 2023 and with an interest rate of 6% per annum.

The Development Bank of Ethiopia has entered in to an Agreement with Sidama Micro Financing Institution s.c to lend a loan of Birr 59,500,000.00 for financing Rural Financial Intermediation Programme III(RUFIP III) during the year under reveiw.The Loan shall be disbursed to Sidama Micro Financing Institution s.c in two installaments after the fulfilment of all condtions and siging of the contract. The said lent principal amount is to be repaid in eight equal semi-annual installments of Br. 7,437,500.00 that become due on January 31st and July 31st of each year commencing on 31st January, 2022 and ending on 31st July, 2025 and with an interest rate of 8% per annum and payable semi-annaully on January 31st and July 31st of each year commencing on 31st January, 2021.

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The Development Bank of Ethiopia has entered in to an Agreement with Sidama Micro Financing Institution s.c to lend a loan of Birr 28,537,600.00 for financing Rural Financial Intermediation Programme III(RUFIP III) during the year under reveiw.The Loan shall be disbursed to Sidama Micro Financing Institution s.c in two installaments after the fulfilment of all condtions and siging of the contract. The said lent principal amount is to be repaid in eight equal semi-annual installments of Br. 3,567,200.00 that become due on January 31st and July 31st of each year commencing on 31st January, 2023 and ending on 31st July, 2026 and with an interest rate of 8% per annum and payable semi-annaully on January 31st and July 31st of each year commencing on 31st January, 2022.

The Bank has entered into a Lead Subsidiary Loan Agreement with the Government of Ethiopia designed by the Ministry of Finance on February 25,2021 to manage the credit component of the Women Enterpreneurship Development Project(WEDP).

The Bank then entered into an agreement with Sidama Micro-Financing Institution S.C. to provide a maximum loan of Br. 20,000,000.00 to finance its loan-able fund requirement. However, of the said maximum loan, to date, only Br 20,000,000.00 has been on lent to the company for financing WEDP Clients. The said lent amount is to re-paid in ten semi-annual installments of Br. 2,500,000.00 that become due on January 31st and July 31st of each year commencing on 31st January, 2023 and ending on 31st July, 2026 and with an interest rate of 8% per annum.

The Bank has entered into a Lead Subsidiary Loan Agreement with the Government of Ethiopia designed by the Ministry of Finance on February 25,2021 to manage the credit component of the Women Enterpreneurship Development Project(WEDP).

The Bank then entered into an agreement with Sidama Micro-Financing Institution S.C. to provide a maximum loan of Br. 47,906,803.73 to finance its loan-able fund requirement. However, of the said maximum loan, to date, only Br 23,953,401.87 has been on lent to the company for financing WEDP Clients. The said lent amount is to re-paid in ten semi-annual installments of Br. 5,988,350.00 that become due on January 31st and July 31st of each year commencing on 31st July, 2023 and ending on 31st January, 2027 and with an interest rate of 8% per annum.

The Development Bank of Ethiopia has entered in to an Agreement with Sidama Bank s.c to lend a loan of Birr 77,828,390.00 for financing Rural Financial Intermediation Programme III(RUFIP III) during the year under reveiw.The Loan shall be disbursed to Sidama Bank s.c in two installaments after the fulfilment of all condtions and siging of the contract. The said lent principal amount is to be repaid in eight equal semi-annual installments of Br. 9,728,548.00 that become due on January 31st and July 31st of each year commencing on 31st January, 2024 and ending on 31st July, 2027 and with an interest rate of 8% per annum and payable semi-annaully on January 31st and July 31st of each year commencing on 31st July, 2023.

The Bank has entered into a Lead Subsidiary Loan Agreement with the Government of Ethiopia designed by the Ministry of Finance on February 25,2021 to manage the credit component of the Women Enterpreneurship Development Project(WEDP).

The Bank then entered into an agreement with Sidama Micro-Financing Institution S.C. to provide a maximum loan of Br. 70,943,676.53 to finance its loan-able fund requirement. However, of the said maximum loan, to date, only Br 35,471,838.27 has been on lent to the company for financing WEDP Clients. The said lent amount is to re-paid in ten semi-annual installments of Br. 8,867,957.00 that become due on July 31st and January 31st of each year commencing on 31st July, 2024 and ending on 31st January, 2028and with an interest rate of 8% per annum.

31 Severance benefit obligations payable

(i)Severance benefit

The severance benefits are based on statutory severance benefits in Ethiopia. The statutory severance benefits are set out in Labour Proclamation No. 1156/2019.

Clause 39 (1) (h) of the Labour Proclamation sets out that any worker who has completed their probation and who is not eligible for pension is entitled to a severance benefit:

h) Where he has given service to the employer for a minimum of five years' service and his contract of employment is terminated because of sickness or death or his contract of employment is terminated on his own initiative provided that he has no contractual obligation relating to training to render service to the employer

Clause 40 of the Labour Proclamation sets out the amount of the benefit, as follows: The benefit applicable would be:

- thirty times the average daily wages of their last week of service for the first year of service, with part- years pro-rata, plus
- ten times the average daily wages of their last week of service for each completed year of service after the first.

ii) Bank Paid Benefits

The bank valued severance benefits payable on death or resignation after a minimum of 5 years' service only for all employees, as it is applied by the Bank.
Furthermore, one months' salary is divided by 30 to get the daily salary applied in the severance benefit calculation

Furthermore, one months' salary is divided by 30 to get the daily salary applied in the severance benefit calculation

The following table broadly summarises the benefit types valued on the various modes of exit for eligible employees:

Resignation	Death	Retirement	Retirement
Non-Management	Severance (5 years service min)	Severance (5 years service min)	None
Management	Severance (5 years service min)	Severance (5 years service min)	None
Senior Management	Severance (5 years service min)	Severance (5 years service min)	None

iii) Employee Statistics

The table below summarises the data applied as at the current valuation date:

Active Employees	30 Jun 2024	30-Jun-23
Number	700	561
Salary-weighted average age	36.7	35.1
Salary-weighted average service	7	6
Total annual salaries ETB	110,471,892	90,969,636
Average annual salary ETB	157,817	162,156

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

31(a) The amounts to be recognised in the statement of financial position are as below:

(Liability)/Asset Recognised in Statement of Financial Position	**30-Jun-24 Birr**	**30-Jun-23 Birr**
Defined Benefit Obligation	9,437,628	17,232,229
Fair Value of Plan Assets	-	-
Defined Benefit (Liability)/Asset	**9,437,628**	**17,232,229**

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For the year ended 30 June 2024

31(b) The expense to be recognised in Profit & Loss for the year ending 30 June 2024 and 30 June 2023 is as follows:

Amount to be recognised in Profit & Loss	**30-Jun-24 Birr**	**30-Jun-23 Birr**
Net Service Cost	1,185,915	508,859
Net Interest on Net Defined Benefit Asset	4,737,147	4,497,997
Expense/(Income) recognised in Profit & Loss	**5,923,062**	**5,006,856**

31(c) The movements to be recognised under other comprehensive income (OCI) for the year ending 30 June 2024 and 30 June 2023 are as follows::

Remeasurements recognised in OCI	**30-Jun-24 Birr**	**30-Jun-23 Birr**
Actuarial (Gains)/Losses on experience (liabilities)	(14,204,010)	(4,030,589)
Actuarial (Gains)/Losses on economic assumptions	486,347	-
Expense/(Income) recognised in OCI	**(13,717,663)**	**(4,030,589)**

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

Reconciliation of Defined Benefit Obligation	**30-Jun-24 Birr**	**30-Jun-23 Birr**
Defined Benefit Obligation at the beginning of the period	17,232,229	16,255,962
Current Service Cost (excluding interest)	1,185,915	508,859
Benefits Paid	-	-
Interest cost	4,737,147	4,497,997
Past Service Cost	-	-
Actuarial (Gains)/Losses on economic assumption	486,347	
Actuarial (Gains)/Losses on experience	(14,204,010)	(4,030,589)
Defined Benefit Obligation at the end of the period	**9,437,628**	**17,232,229**

The significant actuarial assumptions were as follows:

i)Financial Assumptions Long term Average

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

Assumption	**30-Jun-24 Birr**	**30-Jun-23 Birr**
Discount Rate	**19.00%**	**25.72%**
Inflation Rate	**17.31%**	**17.31%**
Salary Increase Rate	**17.31%**	**17.31%**
Net pre-retirement rate	**3.64%**	**2.32%**
Duration		

ii) Pre-retirement Mortality

Mortality rates are commonly set with reference to standard tables published by reputable institutions (such as the Actuarial Society of South Africa and the Ethiopian Insurers Association) who have access to statistically significant data from which to derive mortality rates.

In determining an appropriate mortality table to use for the valuations, we have used the same approach as for the previous valuation, by considering the mortality rates published in Demographic and Health Survey ("DHS") 2016 report compiled by the CSA. The DHS report provides male and female mortality rates for 5-year age bands from age 15 to age 49. Since the rates are provided in 5-year bands, we have used the rates provided per band as the mortality rate for the age in the middle of each band and interpolated linearly for rates in between these ages

No more recent or credible Ethiopian based adult mortality studies are available; so we have maintained the DHS 2016 table.

For ages over 47 we assumed that mortality will be in line with the SA85/90 ultimate standard South African mortality tables published by the Actuarial Society of South Africa ("ASSA"), since the rates in these tables are similar to the DHS female mortality rate at age 47.
Sample mortality rates are shown in the table below:

Age	Mortality rate Males	Mortality rate Females
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	0.0045	0.00428
50	0.00628	0.00628
55	0.00979	0.00979
60	0.01536	0.01536

No explicit additional assumptions on costs or mortality due to AIDS was made in the valuation. Theoretically, increased mortality rates would reduce the employer's liability

iii) Resignations
As previously, we have the following generic resignation scale:

Age	Annual rate of Resignation
20	15.00%
25	12.50%
30	10.00%
35	7.50%
40	5.00%
45	2.50%
50+	0.00%

The sensitivity of the main results to changes in the principal assumptions rate have been calculated. The changes in the Defined Benefit Obligation are reflected b

Sensitivity	Base DBO Sensitivity ETB	DBO on changed assumptions ETB	% change
Discount rate + 1%	9,437,628.00	8,963,464.00	-5.00%
Discount rate - 1%	9,437,628.00	9,948,723.00	5.30%
Salary increase + 1%	9,437,628.00	9,941,199.00	5.40%
Salary increase - 1%	9,437,628.00	8,948,712.00	-5.20%

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

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the gratuity scheme at the end of the reporting period is five years (30 June 2024

32 Net change of Financial assets at fair value through OCI

Fair of financial assets at fair vale through OCI as at 30 June,2024	**92,546,515**
Cost/carrying values of Fiancial assets at fair value through OCI	**42,707,525**
Gain or Loss	**49,838,990**
30% Corporate tax	**(14,951,697)**
Net gain/(Loss)	**34,887,293**

33 Share Capital

Authorised:		
1,447,002 Ordinary shares of 1000 Birr each	1,447,002,000	590,266,000
Issued and fully paid:		
913,092 Ordinary shares of 1000 Birr each (913,092 as of 30 June 2024)	**913,092,000**	**590,266,000**

34 Earnings Per Share

Earnings per share for the year is computed by dividing the operating profit before legal reserves by the average number of shares outstanding during the year.

Earnings per share at 30 June 2023 and 30 June 2024 comprises the following:

	30-Jun-24 Birr	**30-Jun-23 Birr**
Profit for the year	27,135,894	53,476,173
Weighted average number of shares	812,252	342,873
Earning per share(%)	**3.34%**	**15.60%**

35 Legal Reserve

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

Legal reserve as at 30 June 2024 and 30 June 2023 is as follows:

	30-Jun-24 Birr	**30-Jun-23 Birr**
At the begning of the year	52,424,754	39,055,711
Transfer from profit or loss	6,783,973	13,369,043
	59,208,728	**52,424,754**

36 Regulatory Risk Reserve

The Regulatory risk reserve is a non-distribution reserve required by the suspended Interest from non-performing loans which is recognized as income under IFRS is transferred to regulatory risk reserve and it is non-distributable to the owners of the Bank's

		30-Jun-24	30-Jun-23
35.1	At the begning of the year	29,169,163	44,142,482
	Suspended interest recovered	(8,861,244)	(20,058,749)
	Additional suspended interest for the year net(30.2)	3,206,515	5,085,430
	At the end of the year	**23,514,434**	**29,169,163**
35.2	Additional suspended interest for the year	6,107,648	9,686,533
	Less: 30% tax provided	(1,832,294)	(2,905,960)
		4,275,354	**6,780,573**
	25% legal reserve provided	**(1,068,838)**	**(1,695,143)**
	Balance to be keprt under regulatory risk reserve	**3,206,515**	**5,085,430**

37 Other Reserve

Total Other Reserves as at 30 June 2023 and 30 June 2022 is as follows:

	30-Jun-24 Birr	30-Jun-23 Birr
At the begning of the year	-	-
Fair value reserve-equity investment	-	
Re-measurements gains on defined benefit plan (Net of tax)	44,489,657	2,821,412
At the end of the year	**44,489,657**	**2,821,412**

38 Retained Earnings

Total retained earning as at 30 June 2024 and 30 June 2023 is as follows:

	30-Jun-24 Birr	30-Jun-23 Birr
At the begning of the year	151,354,085	96,652,601
Profit for the year	27,135,894	53,476,173
Retained earning transfet to Capital	(96,652,601)	-
Retained earning transfet to Dividend	(35,021,700)	
Transfer to legal reserve	(6,783,973)	(13,369,043)
Prior period adjustment	-	(378,966)
Balance transferred from regulatory risk reserve	8,861,244	20,058,749
Transfer to regulatory risk reserve	(3,206,515)	(5,085,430)
Transfer to Other reserve	-	-
At the end of the year	**45,686,433**	**151,354,085**

39 Notes to the statement of cashflows

	30-Jun-24 Birr	30-Jun-23 Birr
a) Cash used in operations		
Reconciliation of profit after income tax to cash from operations		
Profit before tax	29,426,888	63,951,285
Adjustments for non-cash items:		
Depreciation of property and equipment	16,079,284	7,718,634
Loan impairment Charge	8,684,561	13,961,554
Prior year adjustment	-	(378,966)
Changes in operating assets and liabilities:		
-Decrease/ (Increase) in loans and advances	(557,470,683)	(115,473,113)
-Decrease/ (Increase) in other assets	(74,055,938)	(35,234,140)
-Decrease/ (Increase) in Leased assets	(17,063,070)	(59,721,334)
-Increase/ (Decrease) in customer's deposit	995,718,373	64,120,680
-Increase/ (Decrease) in Lease Liabilitie	(5,311,642)	32,496,858
-Increase/ (Decrease)Deferred grant income Liability	(2,913,088)	4,228,869
-Increase/ (Decrease)Business Income Tax Liability	(15,337,549)	-
-Increase/ (Decrease) in other liabilities	10,324,254	11,562,362
	388,081,389	**(12,767,309)**

b) Cash and cash equivalents

	30 June 2024 Birr	30 June 2023 Birr
Cash in hand	165,273,983	29,153,242
Deposits with local banks	240,131,832	401,530,015
Other accounts with National Bank of Ethiopia	394,811,008	31,234,432
Deposit with foreign Banks	41,393,162	8,269,485
Less: Loss allowances	(33,817)	-
Cash and cash equivalents	**841,576,167**	**470,187,174**

40 Commitments And Contingencies

39.1 LITIGATION

In the ordinary course of business organisations are usually subject to legal actions and complaints.

Following the Bank's customers' failure to meet loan repayment obligations the Bank is involved in legal disputes against such customers The highest possible outcome from such legal disputes is the amount of loans receivable from such customers (including accrued interest and other charges)

As it is not certain that all the customers will meet the repayment obligations the Bank recognises provision for impairment for such loans

39.2 OPERATING LEASE COMMITMENTS

The Bank's leases offices under cancellable operating lease. The leases typically run for a period of 5 years, with an option to renew the lease after that date operating lease commitments as at 30 June 2024 and 30 June 2023 and are payable as follows:

	30-Jun-24 Birr	30-Jun-23 Birr
Upto 1 year	-	163,768
2 year to 3 years	29,450,961	21,195,441
4 year to 5 years	19,153,051	16,926,795
Finanancial commitments and contingencies	**48,604,012**	**38,286,004**

41 Transactions with related parties

Related parties or transactions with related parties as defined by IAS "Related party disclosures" could be one or more of the following:

a) Parties that directly or indirectly through one or more intermediaries: control or are controlled by or are under common control with the company this includes parents subsidiaries and fellow subsidiaries; have an interest in The Bank that gives then significant influence over The Bank; and that have joint control over the company;

b) Members of key management personnel of the company or its parent;
c) Close members of the family of any individuals referred to in a or b;

d) Parties that are entities controlled jointly controlled or significantly influenced by or for which significant voting power in such entity resides with directly or indirectly any individual referred to in c or b;

In considering each possible related party relationship attention is directed to the substance of the relationship and not merely the legal form Details of transactions between The Bank and other related parties are disclosed below :

Related party balances and transactions as and for the year ended 30 June 2024

2024	Board Directors	Key mamangment personnel
Borrowing	-	19,033,500
Deposit	-	-
Interest expense		
Allowance	1,650,000	1,986,000
Salaries and other employee benefits	1,320,000	8,673,468

Related party balances and transactions as and for the year ended 30 June 2022

2023	Board Directors	Key mamangment personnel
Borrowing		
Customers deposit		
Interest expense		
Allowance	1,650,000	1,603,200
Salaries and other employee benefits	924,000	6,673,776

CREDIT SERVICES OVERDRAFT

- Special Overdraft to Exporters
- Temporary Overdraft Facility (exceptional)
- Overdraw from Overdraft or Current Accounts

MERCHANDISE LOAN

- Revolving merchandise loan
- One-time merchandise loan
- Merchandise loan against warehouse receipts
- Merchandize loan against import documents

TERM LOAN

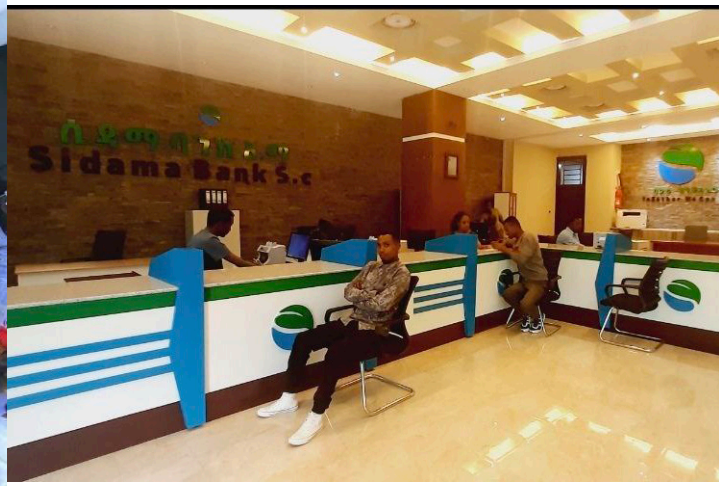
- Short Term Loan
- Medium Term Loan
- Long Term Loan

MICRO-CREDIT PRODUCTS

- Agricultural and pity trade Loan
- SME and individual loan
- General consumption Loan
- WEDP Loan

Showcasing Commitment for Social Responsiblity

Partnership Agreements with Different Organizations
ከተለያዩ አካላትጋር የተደረገ የስራ ስምምነት



Expanding Branch network

አዳዲስ የተከፈቱ ቅርንጫፎች ስራ ማስጀመር ስነ-ስርዓት

GROW WITH SIDAMA BANK

01 OPEN AN ACCOUNT

Open account in Sidama Bank going to nearby branches.

02 PRODUCT & SERVICES

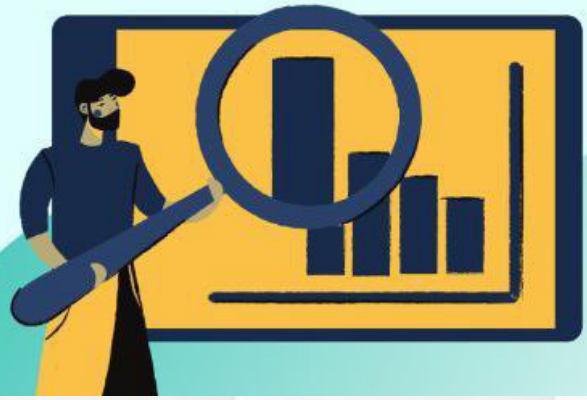
Choose which product /services will suit for you.

03 START SAVING

Save your money in Sidama Bank and get exclusive offers.

04 GET LOAN

Plan a business. Analyse a market, request a loan. Fulfill requirements. Pay monthly.



ክቡር አቶ አብራሃም ማርሻሎ
የቦርድ ሊቀመንበር

የሲዳማ ባንክ አ.ማ የዳይሬክተሮች ቦርድ እ.ኤ.አ 2023/24 በጀት ዓመት የሥራ አፈጻጸም ሪፖርት

የተከበራችሁ ባለአክስዮኖች፤የተከበራችሁ እንግዶች፣ክቡራን ተሳታፊዎች፤
እንኳን ለሦስተኛው የባለአክስዮኖች መደበኛ ጠቅላላ ጉባኤ በሰላም መጣችሁ እያልኩ የተሰማኝን ታላቅ ደስታ በባንኩ የዳይሬክተሮች ቦርድና በራሴ ስም እየገለጽኩ የባንኩን እ.አ.አ ከJuly 1/2023 እስከ Jun 30/2024 ድረስ ባለው በጀት ዓመት ያከናወናቸውን የኦፕሬሽናልና የፋይናንሻል የሥራ አፈጻጸም ሪፖርት እንደሚከተለው አቀርባለሁ፡፡

የተከበራችሁ ባለአክስዮኖች፣

ያሳለፍነው በጀት ዓመት በመላው አለም ይሁን በሀገራችን በአንድ በኩል እድሎችን የፈጠሩ ዘርፈ-ብዙ ዓለም አቀፍ እና የሀገር ውስጥ ክስተቶችን በሌላ በኩል ተግዳሮቶችን የተመልከትንበት አመት ነበረ፡፡ በመሆኑም የተከሰቱ ተግዳሮቶች በዓለም አቀፍ ደረጃ በማህበራዊ፤በኢኮኖሚያዊ፤ ፖለቲካዊ እና ዓለምአቀፋዊ የንግድ ሥርዓትን የተሳሳተ እና የተዛባ መንገድ በመምራት የመላዉ አለም፤ ሀገራችን ኢኮኖሚ እና የውጭና የሀገር ውስጥ ኢንቨስትመንት ላይ በከፍተኛ ሁኔታ ጉዳት በማድረስ የአለማችን ኢኮኖሚ እጅግ በከፍተኛ ሁኔታ የተዳከመበት እና በፋይናንስ ሰጭ ተቋማት ላይ በጣም ከፍተኛ የሆነ ተፅኖ ፈጥሮ የተጠናቀቀበት አመት ነው፡፡

በበጀት አመቱ በአለም ኢኮኖሚ ላይ በባለብዙ ገፅታዎች እና ክስተት ሆኖ የአለም ኦኮኖሚ እንዲዛባ ካደረጉ አብይት ነጥቦች ውስጥ የዓለም አቀፍ ኢንቨስትመንት መዳከም ፤የሸቀጦች ዋጋ መናር፤ ዓለም አቀፍ ንግድ መዳከም፤ የሩስያ - ዩክሬን ጦርነት መራዘም፤በጋዛ እና በእስራኤል ያለው ግጭት፣ በቀይ ባህር የንግድ ፍሰቶች ላይ የሚደርሰው ተደጋጋሚ ጥቃት፣ በመካከለኛው ምስራቅ ያለው ግጭት፣ ጂኦ-ኢኮኖሚያዊ ክፍፍል፣ ከፍተኛ የአየር ንብረት መናጋት፤ጂኦፖሊቲካል እይታ፤ የሐዋላ ገንዘብ ማሽቆልቆል፤የኢትዮጵያ የማክሮ ኢኮኖሚ አለመረጋጋት፤ በጥቂት ሀገራችን አካባቢዎች የፀጥታ አለመረጋጋት እና የኢትዮጵያ ብሔራዊ ባንክ ለንግድ ባንኮች የብድር ጣርያ ገደብ ማስቀመጥ በለፈዉ አመት በአለም እና በኢትዮጵያ ኢኮኖሚ ላይ ከፍተኛ ተፅዕኖ ያሳረፉ አበይት ክስተቶች ናቸው፡፡
በተቃራኒው በሀገራችን ደረጃ ያለፉት ሦስት አመታት ሲካሄድ የነበረዉ የሰሜኑ ጦርነት በማብቃቱ በሀገራችን ኢኮኖሚ ላይ በጥቂቱም ቢሆን አዎንታዊ ለዉጥ የታየበት አመት ነበረ ለማለት ያስችላል፤ በተለይ ለፋይናንስ ተቋማት፡፡

የተከበራችሁ ባለአክሲዮኖች፣

በሌላ በኩል ደግሞ ሀገራችን በበጀት አመቱ የጂኦፖለቲካል ስጋቶች በኢኮኖሚው፣ በንግዱ ፍሰት፣ በአቅርቦት ሰንሰለት እና በኢንቨስትመንት መልክዓ ምድራዊ አቀማመጥ ላይ ከፍተኛ ተጽዕኖ በመፍጠር ያልተጠበቁ ክስተቶች ያስተናገድንበት አመት እንኳን ቢሆንም እነዚህ አደጋዎች በተለይ እንደ ኢትዮጵያ ባሉ ታዳጊ አገሮች ላይ ከፍተኛ የወጪ ጫና የሚፈጥር በመሆኑ ሀገራችን በዚህም ምክንያት የሚፈጠርን የዋጋ ግሽበት ለመቆጣጠርና በሀገራችን ኢኮኖሚ ላይ የሚደርሰውን ተፅዕኖ ለመቋቋም በአለም አቀፍ ሀይሎች መካከል ያለውን ፉክክር ለመጠቀም እራሷዋን ስልታዊ በሆነ መንገድ በመመራት በለጋሽ ሀገሮች መካከል ያለውን ትብብር በማጠናከር፤ ብሔራዊ የኢንዱስትሪ ፖሊሲዎች በጥብቅ በመምራት

እና ውስጣዊ ተግዳሮቶችን ተቋቁማ የሀገር በቀል ኢኮኖሚ ማሻሻያ በማድረጓ ከሰሀራ በታች ካሉት የአፍርካ ሀገራት 7.2% የኢኮኖሚ እድገት ማስመዝገብ የቻለችበትና የሰሜኑ የሀገራችን ክፍል የነበረውን ጦርነት በሰላማዊ መንገድ በመፍታት እና ታላቁ የኢትዮጵያ ሕዳሴ ግድብ በአምስተኛ ዙር የውሃ ሙሌት በስኬት የተጠናቀቀበት እና በተጨማሪም ሌላ ሁለት ተርባይኖች ወደ ሥራ የገቡበት ዓመት ነበር፡፡

በተጨማሪም ባሳለፍነዉ በጀት አመት ከፍተኛውን የዋጋ ንረት የተመዘገበበት በመሆኑ የዋጋ መጨመር የቤተሰብ ፍጆታ ወጪዎችን እና (የቤተሰብ የነብስ ወከፍ) ቁጠባዎችን በመቀነሱ የዋጋ መጨመር የማምረት አቅምን እና የመቆጠብ ዝንባሌን በህብረተሰቡ ውስጥ በመቀነሱ ተጨማሪ ሀብት ለመሰበሰብ ባንኮች ከፍተኛ ፈተና የተጋፈጡበት ዓመት ነበር፡፡

የተከበራችሁ ባለአክሲዮኖች፣

ስለሆነም ባንካችን በበጀት አመቱ ነባር ደንበኞቹን ለማቆየትና አዳዲስ ደንበኞችን ለማፍራት የሚያስችል ጥራት ያለቸው የተለያዩ አገልግሎቶችን ለደንበኞቹ በማቅረብ እና የተለያዩ በቴክኖሎጅ የታገዙ አማራጮችን በመጠቀምና አገልግሎታችንም ዲጅታላይዝ በማድረግ በርካታ ደንበኞች የተለያዩ ሀገራችን ክፍሎች ማፍራት ተችሏል፡፡ ባንኩም ለዚህ በሚመጥን መልኩ የተደራጀ ሰው ኃይልን ከማብቃት ጀምሮ በቴክኖሎጂ የታገዘ አገልግሎት በመስጠት በዘርፉ ትልቅ እምርታ እንዲመዘገብ የዳይሬክተሮች ቦርድና ሥራ አመራሩ ይህንን አሉታዊ የኢኮኖሚ አካባቢያዊ ሁኔታ በመጋፈጥ በባንኩ ላይ የሚመጣውን ተፅዕኖ በጥንቃቄ ለማለፍ በጥሩ ስትራቴጂካዊ ውሳኔዎችና ጠንክሮ በመስራት ባንካችን ሌላ ትርፋማ አመት እንዲያሳልፍ ምክንያት ሆኗል፡፡

የተከበራችሁ ባለአክሲዮኖች፣

በበጀት ዓመቱ ውጫዊና ውስጣዊ ተግዳሮቶች በአጠቃላይ በባንክ ንግድ ሥራ ላይ ከፍተኛ አሉታዊ ጫና ያሳደሩ ቢሆንም ሲዳማ ባንክ ውስጣዊና ውጫዊ ጫናዎችን ተቋቁሞ በተቀማጭ ሀብት አሰባሰብ፤ አዳዲስ ደንበኞች ምልመላ ፤ ኮርፖሬት ደንበኞች በማፍራት፤ ከክልሉ መንግሥት ጋር ያለዉን መልካም ግንኙነት በማጠናከር በሁሉም ዘርፍ ውጤታማ አፈጻጸሞችን አስመዝግቧል፡፡ ባንካችን በበጀት አመቱ ያሳየውን ዝርዝር አፈጻጸም በተመለከተ በዓመቱ 27.1 ሚሊዮን ብር የተጣራ ኦፕሬሽናል ትርፍና ብር 44.5 ሚሊዮን የተጣራ አጠቃላይ ገቢዎች (Other comprehensive income) በማግኘት በድምሩ ብር 71.6 ሚሊዮን የተጣራ ትርፍ በማስመዝገብ የተሳካ ዓመት አሳልፎአል፡፡ የተመዘገበው ትርፍ ባንኩ አዲስ በመሆኑና ብሔራዊ ባንክ ያስቀመጠው የብድር ማስፋፊያ ጣሪያ ከነበሩት ፈታኝ ሁኔታዎች አኳያ ሲታይ አበረታች ሊባል የሚችል ትርፍ አስመዝግቧል፡፡

በሌላ በኩል ተቀማጭ ሀብት አሰባሰብ በተመለከተ አገልግሎት እየሰጡ ባሉ ሁሉም ቅርንጫፎቻችን አማካይነት ተቀማጭ ገንዘብ ለማሰባሰብ የተደረገው ጥረት ፈታኝ የነበረ ቢሆንም የባንኩን አጠቃላይ ተቀማጭ ገንዘብ መጠን ብር 1.22 ቢሊየን ማድረስ ተችሏል፡፡ አፈፃፀሙም ካለፈው ዓመት ጋር ሲነፃፀር በ 435 በመቶ ከፍ ያለ ነው፡፡ የባንኩ አጠቃላይ ሃብትም ብር 2.62 ቢሊየን የደረሰ ሲሆን፤ ካለፈው ዓመት ጋር ሲነፃፀር የ98 በመቶ ዕድገት አሳይቷል፡፡ በተጨማሪም የባንኩ መጠባበቂያ ካፒታል ብር 59.1 ሚሊየን የደረሰ ሲሆን፤ ይህም ካለፈው ዓመት የ13 በመቶ ዕድገት አለው፡፡

የብድር አቅርቦት በተመለከተ ባንካችን በበጀት ዓመቱ ብር 799.29 ሚልየን ብድር ለደንበኞቹ በመስጠት አጠቃላይ የብድር ክምችት መጠን ወደ ብር 1.17 ቢሊየን ማሳደግ ተችሏል፡፡ ይህም ካለፈው ዓመት ጋር ሲነፃፀር በ90 በመቶ ጭማሪ አለው፡፡ በበጀት ዓመቱ በደንበኞቻችን ላይ የተከሰተው የንግድና ኢንቨስትመንት መቀዛቀዝ በተበዳሪ ደንበኞቻችን የብድር አመላለስ ላይ ጫና በማሳደሩ የብድር ተመላሽ ገንዘብ በማሰባሰብ ሂደት ላይ ተፅዕኖ ቢፈጥርም የባንኩ የዳይሬክተሮች ቦርድና የስራ አመራሮች በወሰዱት ስትራቴጂካዊ የሥራ አመራር የባንኩ ጤናማ ያልሆኑ ብድሮች መጠን የኢትዮጵያ ብሔራዊ ባንክ ካስቀመጠው ጣሪያ በታች 2.96 በመቶ እንዲሆን ተደርጓል፡፡ ካለፈዉ ዓመት ጋር ሲነፃፀር 0.54 በመቶ ዝቅ የተደረገበት ዓመት ነበረ፡፡ ስለሆነም የባንኩ የዳይሬክተሮች ቦርድ እና ማኔጅመንት የባንካችን አጠቃላይ ብድር ጤናማ ሆኖ እንድቀጥልና በባንኩ ላይ የሚመጣውን አሉታዊ ተፅዕኖ ለማስቀረት ላደረጉት ጠንካራ የሆነ የመሪነት ብቃት በእኔና ውድ በሆናችሁት ባለአክሲዮኖች ስም ለማመስገን እወዳለሁ፡፡

በተጨማሪም የተገባደደው በጀት አመት አጠቃላይ የባንኩ ካፒታል መጠን ብር 1.09 ቢሊዮን የደረሰ ሲሆን ይህም ካለፈው ዓመት ጋር ሲነፃፀር በ32 በመቶ ጭማሪ አለው፡፡ ይህም ካፒታል የኢትዮጵያ ብሔራዊ ባንክ ባፀደቀው መመሪያ ቁጥር SBB/78/2021 አዳዲስ የንግድ ባንኮች እ.ኤ.አ እስከ June 30, 2028 ባሉት ሰባት ዓመታት የተከፈለ ካፒታላቸውን ወደ ብር 5 ቢሊየን እንዲያሳድጉ አዟል፡፡ ከዚህም ባሻገር የአለም አቀፍ የሃዋላ ሰጭ ተቋማት ጋር ለመስራት የባንክ የተከፈለ ካፒታል ማነስ አሉታዊ ተፅዕኖ በባንካችን ላይ ያሳደረ በመሆኑ የባንካችን ባለአክስዮኖች ተጨማሪ አክሲዮን በመግዛት በተቀመጠው የጊዜ ገደብ ውስጥ ወደ ተፈለገው የካፒታል መጠን መድረስ እንዲቻል የበኩላችሁን አስተዋፅኦ እንድታደርጉ በዚሁ አጋጣሚ በአክብሮት እጠይቃለሁ፡፡

የባንኩን ቅርንጫፎች አዱማሱን እና ተደራሽነት ለማስፋትም በበጀት ዓመቱ 8 አዳዲስ ቅርንጫፎች መክፈት የተቻለ ሲሆን፣ ይህም አጠቃላይ የባንኩ ቅርንጫፎች ቁጥር ወደ 39 ከፍ አድርጎታል። በተጨማሪም ነባር 15 ንዑስ ቅርንጫፎችን ወደ ሙሉ ቅርንጫፍ ማሳደግ ተችሏል ። ባንኩ በመላው ሃገራችን ዘርፈ ብዙ የዲጂታልና የሞባይል ባንኪንግ አገልግሎት በመስጠት ላይ ያለ ሲሆን፤ በበጀት ዓመቱ 11 (ATM) ኤቲኤም ማሽኖችን በተለያዩ ቅርንጫፎች ላይ በመትከል እና በርካታ ቁጥር ያላቸው ተጨማሪ አዳዲስ የሞባይል ባንኪንግ እና ካርድ ተጠቃሚዎችን በመመልመል በሁሉም ክልሎች ባሉ 39 በላይ ቅርንጫፎች የአገልግሎቱ ተጠቃሚ እንዲሆኑ በማድረግ ደንበኞቻችን ወደ ቅርንጫፍ መሄድ ሳያስፈልጋቸው በፈለጉት ቦታ እና ሰዓት ሆነው በዲጂታል ባንክንግ የተሟላ አገልግሎት እንዲያገኙ ማድረግ ተችሏል። ባንካችን በአሁኑ ወቅት 6,163 የሞባይል ባንኪንግ እና 5,573 የካርድ ባንኪንግ አገልግሎት ተጠቃሚ ደንበኞች ያሉት ሲሆን፤ ይህም ባንካችን በኢንዳስትሪው ላይ ያለውን መጠነ ሰፊ የገበያ ድርሻ ለመውሰድ ርብርብ እያደረገ መሆኑን ያሳይል።

የተከበራችሁ ባለአክስዮኖች፣

በተጠናቀቀዉ በጀት አመት የዳይሬክተሮች ቦርድ የባንኩ ተቋማዊ አሰራር ለማጎልበት የአስር አመት ኮርፖሬት ስትራቴጂክ እቅድ፤ የአምስት አመት የንግድ እቅድ፤ የአንድ አመት ኦፕረሽናል እቅድ እና በተለያዩ የባንኩ የኃላፊነት ደረጃዎች የውሳኔ ሰጭነት ሚና ለማዳበርና ለማቀላጠፍ የሚያስችል አሰራር ተግባራዊ አድርጓል። በተጨማሪም ዳይሬክተሮች ቦርዱ የተለያዩ የንግድ እና የሰው ሀብት አስተዳደር ኮሚቴዎችን በማዋቀር የንግድና የሰው ሃብት አስተዳደር ኮርፖሬት ስትራተጂዎች እንዲነደፉ በማድረግ የደንበኞች እርካታ በማረጋገጥ፣ የባንኩ ደንበኞች ብዛትና ተደራሽነት በማስፋት፣ በቴክኖሎጂ ዘርፍ እንዲሁም በሰው ሃብት ልማትና አቅም ማጎልበት ዙሪያ 21ኛ ክፍለ ዘመንን የሚመጥን የሰዉ ሀብት ስትራቴጂ በመንደፍ እና የባንኩን ተወዳዳሪነት እና ትርፋማነት ለማስቀጠል የሚያስችሉ የድርጊት መርሃ ግብሮች በመቅረፅ ተግባራዊ በማድረግ ላይ እንገኛለን።

የተከበራችሁ ውድ ባለአክሲዮኖች

በተጠናቀቀው በጀት ዓመት የባንኩ ዳይሬክተሮች ቦርድ ከባለአክስዮኖች፤ ከባንኩ ደንበኞች፤ በተለይ ከሲዳማ ብሔራዊ ክልላዊ መንግሥት የተደረገልን ያልተገደበ ድጋፍ ከልብ ማመስገን እንወዳለን። በተጨማሪም የባንኩ ማኔጅመንትና ሰራተኞች የባንክ ኢንዳስትሪ በበዛበት በዚሁ ፈታኝ ዘመን እና የተራቀቀ ቴክኖሎጂ የሚጠቀሙ ባንኮች በበዙበት ሀገር ይህ ሁሉ ፈታኙ ሁኔታ ሳይበግራቸው የባንኩ ዓላማ ከግብ እንዲደርስ ላደረጉት አስተዋፅኦ ያለኝ አድናቆትና አክብሮት ላቅ ያለ ነው።
በተጨማሪም የባንካችን የዳይሬክተሮች ቦርድ፣ ማኔጅመንትና ሰራተኞች ባንኩ ከዚህ የበለጠ ተወዳዳሪ፤ ትርፋማ እና በፋይናንስ አገልግሎት ዘርፍ ወደተሻለ ደረጃ ለማድረስ ያልተቆጠበ ጥረት የምናደርግ መሆኑን ላረጋግጥላችሁ እወዳለሁ። መጪው ጊዜ ከሲዳማ ባንክ ጋር ብሩህ እንደሚሆን በመተማመን ሁላችንም የባንኩን ራዕይ፤ ተልዕኮ እና እሴቶች እውን እንዲሆን የድርሻችንን እንድናበረክት ጥሪዬን አቀርባለሁ።

በመጨረሻም ባንካችንን ተባብረን በከፍታ ማማ ላይ ለማስቀመጥ ለምንሰራዉ ሥራ እምነታችሁን ጥላችሁ አብራችሁን እየሰራችሁ ላላችሁ ውድ ደንበኞቻችን ከልብ የመነጨ ምስጋናዬን እያቀረብኩ ባንካችን በሁለንተናዊ እንቅስቃሴው ውጤታማ ሆኖ እንዲቀጥል ቁጥጥር ብቻ ሳይሆን ጠቃሚ ድጋፍ ላደረጉልን የኢትዮጵያ ብሔራዊ ባንክ ሥራ አመራር አባላት፤ ሠራተኞች እና ሌሎች አግባብነት ያላቸው መንግስታዊ ተቋማት ያለኝን ልባዊ ምስጋና አቀርባለሁ።
አመሰግናለሁ!

አብርሃም ማርሻሎ ኢትሶ
የዳይሬክተሮች ቦርድ ሊቀመንበር

Mitteenni Dandiineemmo! Together we can!

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