INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2023

DEVELOPMENT BANK OF ETHIOPIA

Your Development partner!

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AUDIT SERVICES CORPORATION

DEVELOPMENT BANK OF ETHIOPIA

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2023

Development Bank of Ethiopia
Consolidated and separate financial statements
For the year ended 30 June 2023

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Office of the Federal Auditor General
Audit Service Corporation

INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
DEVELOPMENT BANK OF ETHIOPIA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Development Bank of Ethiopia (the Bank) and its consolidated subsidiary (the Group), which comprise the consolidated and the Bank's statements of financial position as at 30 June 2023, and the consolidated and the Bank's statements of profit or loss and other comprehensive income, the consolidated and the Bank's statements of changes in equity and the consolidated and the Bank's statements of cash flows for the year then ended, and notes to the consolidated and the Bank's financial statements, including consolidated and the Bank's summaries of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial positions of the Group and of the Bank as at 30 June 2023 and the consolidated and the Bank's financial performances and the consolidated and the Bank's cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank 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 consolidated financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with those 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.

ASC

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Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters

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

Loans and advances

There are risks that loans and advances may be given without proper managerial approval; may not be accurately recorded; do not exist; may not be recorded at appropriate values; and all bad and doubtful balances may not have been provided for or written off. In our response to these risks, we assessed the reasonableness of the design of the system of internal control by enquiring of relevant Bank personnel and reviewing the documented system developed by the Bank. We tested this system in order to confirm our understanding of it. We identified the preventive and detective controls. We checked a sample of selected transactions covering the whole year to see that all controls were exercised on all transactions. For a sample of disbursements made during the year, we checked the approval by the appropriate level of management and checked that all formalities necessary before disbursement of loans and advances had been fulfilled. We test checked loan agreements and legal documents to verify the terms and conditions of the loans and advances. We obtained an analysis of loans and verified that they had been classified in correct categories and we considered the value of collateral available against each loan for calculating the provision for doubtful loans and advances. Our testing did not identify major weaknesses in the design and operation of controls that would have required us to expand the nature or scope of our planned detailed test work. Overall, we found no concerns in respect to the completion of formalities or the recording of loans and advances at appropriate values.

Responsibilities of the Board of Management and Those Charged with Governance for the Consolidated Financial Statements

The Board of Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SUPERVISING AUTHORITY OF DEVELOPMENT BANK OF ETHIOPIA (continued)

Report on the Audit of the Consolidated Financial Statements(continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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.

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
DEVELOPMENT BANK OF ETHIOPIA (continued)

Report on the Audit of the Consolidated Financial Statements(continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Woizero Azeb Tekleselassie.

Audit Services Corporation

11 March 2024

License for Banking Business and Lease Financing

NBE Registration No. LBB/003/70

Board of Management *(as of June 30, 2023)*

		Appointment since
H.E. Tegegnework Gettu Mengesha (PhD)	Chairman (Independent Non-Executive Director (Board of Mgmt.)	25-Dec-18
H.E. Ato Zekarias Erkola Yimam	Independent Non-Executive Director (Board of Management Member) Chairperson of Board Audit Sub-Committee	5-Aug-17
H.E. Ato Tesfaye Daba Wakjira	Independent Non-Executive Director (Board of Management Member) Member of Board Audit Sub-Committee	28-Nov-20
Wrt Melikt Sahlu Denbu	Independent Non-Executive Director (Board of Management Member) Chairperson of Board Risk and Finance Sub-Committee	25-Dec-18
Abebe Yitayew Ambaye (PhD)	Independent Non-Executive Director (Board of Management Member) Member of Board Risk and Finance Sub-Committee	28-Nov-20
Aderajew Shumet Tamirat (PhD)	Independent Non-Executive Director (Board of Management Member) Member of Board Human Resource Affairs Sub-committee	7-Oct-22
Ato Netsanet Lemessa Gurara	Independent Non-Executive Director (Board of Management Member) Member of Board Risk and Finance Sub-Committee	28-Nov-20
Ato Michael Hailu Assegie	Independent Non-Executive Director (Board of Management Member) Chairperson of Board Human Resource Affairs Sub-committee	16-Jan-23
Wrt.Hinjat Shamil Wulsebo	Independent Non-Executive Director (Board of Management Member) Member of Board Audit Sub-Committee	16-Jan-23

Executive management *(as of June 30, 2023)*

Yohannes Ayalew (PhD)	President
Ato Getachew Wakie	Vice President, Corporate Agriculture Project Fanancing
W/ro Yemisrach Alemneh	Vice President, Banking and Finance
Ato Asfaw Abera	Vice President, Small and Medium Enterprises Financing
Ato Getachew Belay	A/Vice President, Corporate Services

Registered office

Development Bank of Ethiopia Tower
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P.O Box 1900
Kirkos Sub-City (Kazanchis)
Addis Ababa, Ethiopia

Independent auditors

The Federal Democratic Republic of Ethiopia
Audit Services Corporation
Josip Broz Tito Street
P.O Box 5720
Kirkos Sub-City (Kazanchis)
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Actuaries

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South Africa

Development Bank of Ethiopia
Consolidated and separate financial statements
Report of the Board of Management
For the year ended 30 June 2023

The Board of Management submits its report together with the consolidated and separate financial statements and independent auditor's report of the Development Bank of Ethiopia ("DBE or the Bank") and its subsidiary (together referred to as the "Group") for the year ended 30 June 2023 to the Public Enterprises Holding and Administration Agency (PEHAA). This report discloses the financial performance and state of affairs of the Group and the Bank.

Incorporation

Development Bank of Ethiopia was incorporated in Ethiopia in 1909 as a specialized state-owned development financial institution, and is domiciled in Ethiopia.

The Bank is fully owned by the Federal Government of Ethiopia and is supervised by the Public Enterprises Holding and Administration Agency.

Principal activities

The mandate of the Bank is to support the economic growth and development of the country through the provision of medium- and long-term finance and other credit services and facilities to viable/bankable investment projects in the Government priority areas and sectors, which seem to have market failure, impacted by economic shocks and missing or underdeveloped market, along with technical support through mobilizing resources from domestic and foreign sources. Specifically, the Bank provides finance to encourage mainly private sector investment in sectors like commercial agriculture, agro-processing, manufacturing, mining and extractive as well as energy generating industries. It also supports SME through capital goods lease (hire purchase financing). Moreover, it implements/administers special projects/programs and managed funds entrusted to it by multilateral lending institutions and government agencies. Since its initial establishment in 1909, the Bank has been playing a catalytic role in promoting the economic development of the country.

Results

The Group's and Bank's results for the year ended 30 June 2023 are set out on page 8. The net profit for the year has been transferred to retained earnings. The summarized results are presented below.

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Interest income	11,809,284	11,808,029	7,283,385	7,282,356
Profit/ (Loss) before tax	6,463,536	6,463,494	3,426,593	3,426,199
Income tax income/ (expense)	(725,496)	(725,496)	(15,433)	(15,433)
Profit/ (Loss) for the year	**5,738,040**	**5,737,998**	**3,411,160**	**3,410,767**
Other comprehensive income/ (loss) (net of tax)	**(21,332)**	**(21,332)**	**16,080**	**16,080**
Total comprehensive income/ (loss) for the year	**5,716,709**	**5,716,666**	**3,427,240**	**3,426,846**

Board of Management

Page 5 lists the members of the Board of Management who were in office during the year and as of the reporting date. The report has been signed by Board of Management Chairman Dr. Tegegnework Gettu on behalf of the Board of Management of the Bank.

H.E. Tegegnework Gettu (PhD)
Chairman of the Board of Management
Addis Ababa, Ethiopia

Development Bank of Ethiopia

Consolidated and separate financial statements

Statement of board of management's responsibilities

For the year ended 30 June 2023

In accordance with the Financial Reporting Proclamation No. 847/2014, the Group and Bank are required to prepare their consolidated and separate financial statements in accordance with the International Financial Reporting Standards (IFRS).

The Group's and Bank's Board of Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Among other things, this duty entails making certain that the Group and the Bank:

a) keep proper accounting records that disclose, with reasonable accuracy, the financial position, financial performance and cash flows of the group and bank;

b) establish adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepare the consolidated and separate financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied and reasonable in the circumstances.

The Board of Management is of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Group and Bank and of their financial performance and cash flows, as well as the adequate systems of internal financial control that may be relied upon in the preparation of financial statements.

The Board of Management has assessed the Group's and Bank's ability to continue as a going concern. Hence, nothing has come to the attention of the Board of Management 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 Management by the Chairman of the Board of Management and the President, as follows:

H.E. Tegegnework Gettu (PhD)	Yohannes Ayalew (PhD)
Chairman, Board of Management	President/Chief Executive Officer
11-Mar-24	11-Mar-24

Development Bank of Ethiopia

Consolidated and separate statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Notes	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Interest income calculated using the effective interest method	5	11,809,284	11,808,029	7,283,385	7,282,356
Interest expense calculated using the effective interest method	6	(4,200,622)	(4,200,622)	(3,119,783)	(3,119,783)
Net interest income		**7,608,662**	**7,607,407**	**4,163,602**	**4,162,573**
Fee and commission income	7	708,910	708,910	378,961	378,961
Fee and commission expense	7	(3,759)	(3,759)	(3,334)	(3,334)
Net fee and commission income		705,152	705,152	375,627	375,627
Other operating income	8	506,937	506,937	504,497	504,497
Total operating income		**8,820,751**	**8,819,496**	**5,043,726**	**5,042,697**
Loan impairment reversal/(charge)	9	373,604	373,604	(499,221)	(499,221)
Other assets impairment reversal/(charge)	10	201,375	201,375	755,467	755,467
Net operating income/ (loss)		**9,395,731**	**9,394,475**	**5,299,972**	**5,298,943**
Personnel expenses	11	(1,777,622)	(1,776,496)	(1,154,011)	(1,153,434)
Depreciation of investment property	20	(3)	(3)	(3)	(3)
Amortization of intangible assets	21	(17,483)	(17,483)	(17,647)	(17,647)
Depreciation and impairment of property, plant and equipment	22	(112,469)	(112,467)	(98,842)	(98,840)
Depreciation of right-of-use assets	19	(42,153)	(42,153)	(26,296)	(26,296)
Interest expense on lease liability	19	(3,909)	(3,909)	(2,968)	(2,968)
Other operating expenses	12	(978,555)	(978,471)	(573,612)	(573,555)
Profit / (Loss) before tax		**6,463,536**	**6,463,494**	**3,426,593**	**3,426,199**
Income tax income/(expense)	13	(725,496)	(725,496)	(15,433)	(15,433)
Profit /(loss) after tax		**5,738,040**	**5,737,998**	**3,411,160**	**3,410,767**
Other comprehensive income (OCI), net of income tax					
Items that will not be subsequently reclassified into profit or loss:					
Remeasurement gain/ (loss) on retirement benefits obligations	27	(76,000)	(76,000)	16,307	16,307
Net change in fair value of equity investments measured at FVOCI	16	45,526	45,526	6,664	6,664
Income tax related to the above	13	9,142	9,142	(6,891)	(6,891)
Total other comprehensive income/ (loss) for the year, net of tax		**(21,332)**	**(21,332)**	**16,080**	**16,080**
Total comprehensive income/ (loss) for the year		**5,716,709**	**5,716,666**	**3,427,240**	**3,426,846**
Profit/ (loss) attributable to:					
Owner of the bank		5,738,040	5,737,998	3,411,160	3,410,767
Non-controlling interest	33	0.00		0.02	
Profit/ (loss) for the year		**5,738,040**	**5,737,998**	**3,411,160**	**3,410,767**
Total comprehensive income/ (loss) attributable to:					
Owner of the bank		5,716,709	5,716,666	3,427,240	3,426,846
Non-controlling interest		0.00		0.02	
Total comprehensive income/ (loss) for the year		**5,716,709**	**5,716,666**	**3,427,240**	**3,426,846**

The notes on pages 13 to 92 are an integral part of these financial statements.

Development Bank of Ethiopia

Consolidated and separate statement of financial position
As at 30 June 2023

	Notes	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
ASSETS					
Cash and bank balances	14	33,095,715	33,085,405	12,875,627	12,864,983
Loans and advances to customers	15	67,646,196	67,646,196	53,960,766	53,960,766
Investment securities:					
- Financial assets measured at FVOCI	16	103,822	103,822	52,531	52,531
- Financial assets measured at amortized cost	16	46,456,966	46,456,966	45,983,126	45,983,126
Deferred day one loss on investment securities	16	7,565,882	7,565,882	8,206,923	8,206,923
Investment in subsidiary	17		9,999		9,999
Other assets	18	4,105,010	4,104,629	5,221,403	5,221,032
Rights-of-use-assets	19	187,452	187,452	52,307	52,307
Investment property	20	145	145	149	149
Intangible assets	21	41,294	41,294	58,777	58,777
Property, plant and equipment	22	953,324	953,308	916,646	916,635
Total Assets		**160,155,807**	**160,155,100**	**127,328,253**	**127,327,227**
LIABILITIES					
Deposits from customers	23	1,557,743	1,557,743	656,568	656,568
Current tax liabilities	13	523,859	523,916	31,184	31,182
Other liabilities	26	11,304,388	11,304,117	4,791,586	4,791,539
Lease liabilities	19	78,665	78,665	33,238	33,238
Debt securities issued	24	37,393,241	37,393,241	20,896,751	20,896,751
Borrowings	25	71,775,354	71,775,354	65,128,490	65,128,490
Retirement benefit obligations	27	294,968	294,968	184,159	184,159
Deferred tax liabilities	13	157,894	157,894	179,156	179,156
Total Liabilities		**123,086,112**	**123,085,898**	**91,901,132**	**91,901,083**
EQUITY					
Capital	28	28,520,000	28,520,000	28,520,000	28,520,000
Legal reserve	32	3,883,189	3,882,899	2,448,895	2,448,605
Accumulated profit/(loss)	29	1,906,157	1,905,955	623,874	623,188
Regulatory credit risk reserve	31	2,783,613	2,783,613	3,836,285	3,836,285
Other reserves	30	(23,266)	(23,266)	(1,934)	(1,934)
Total equity attributable to owner of the Bank		**37,069,694**	**37,069,202**	**35,427,121**	**35,426,144**
Non-controlling interest	33	1		1	
Total equity		**37,069,695**	**37,069,202**	**35,427,121**	**35,426,144**
Total equity and liabilities		**160,155,807**	**160,155,100**	**127,328,253**	**127,327,227**

The notes on pages 13 to 92 are an integral part of these financial statements.

Development Bank of Ethiopia

Consolidated and separate statement of changes in equity

For the year ended 30 June 2023

Group

	Notes	Capital	Accumulated profit /(loss)	Other reserve	Legal reserve	Regulatory credit risk reserve	Total	Non-controlling interest	Total equity
		Attributable to owner of the Bank							
		Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 1 July 2021	28	28,520,000	(1,359,802)	(18,014)	1,596,124	3,261,572	31,999,881	1	31,999,882
Transactions with owner of the Bank							-		-
Profit /(Loss) for the year	29		3,411,160				3,411,160		3,411,160
Transfer to regulatory credit risk reserve	31		(574,713)			574,713	-		-
Transfer to legal reserve	32		(852,770)		852,770		-		-
Other comprehensive income							-		-
Re-measurement gain/ (loss) on defined benefit plans (net of tax)	27			11,415			11,415		11,415
Change in fair value of equity instrument at fair value through other comprehensive income (net of tax)	30			4,665			4,665		4,665
Total comprehensive income for the year		-	1,983,677	16,080	852,770	574,713	3,427,240	-	3,427,240
As at 30 June 2022		28,520,000	623,874	(1,934)	2,448,895	3,836,285	35,427,120	1	35,427,121
As at 1 July 2022		28,520,000	623,874	(1,934)	2,448,895	3,836,285	35,427,120	1	35,427,121
Profit /(Loss) for the year	29		5,737,220				5,737,220		5,737,220
Dividend paid			(2,861,633)				(2,861,633)		(2,861,633)
Transfer to regulatory credit risk reserve	31		(159,010)			(1,052,672)	(1,211,682)		(1,211,682)
Transfer to legal reserve	32		(1,434,294)		1,434,294		-		-
Other comprehensive income:							-		-
Re-measurement gain/ (loss) on defined benefit plans (net of tax)	27			(53,200)			(53,200)		(53,200)
Change in fair value of equity instrument at fair value through other comprehensive income (net of tax)	30			31,868			31,868		31,868
Total comprehensive income for the year		-	1,282,283	(21,332)	1,434,294	(1,052,672)	1,642,573		1,642,573
As at 30 June 2023		28,520,000	1,906,157	(23,266)	3,883,189	2,783,613	37,069,694	1	37,069,695

Development Bank of Ethiopia

Consolidated and separate statement of changes in equity

For the year ended 30 June 2023

Bank

		Attributable to owner of the Bank					
		Capital	Accumulated profit /(loss)	Other reserve	Legal reserve	Regulatory risk reserve	Total
	Notes	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 1 July 2021	28	28,520,000	(1,360,174)	(18,014)	1,595,913	3,261,572	31,999,298
Profit /(Loss) for the year	29		3,410,767				3,410,767
Transfer to regulatory credit risk reserve	31		(574,713)			574,713	
Transfer to legal reserve	32		(852,692)		852,692		
Other comprehensive income:							
Re-measurement gain/ (loss) on defined benefit plans (net of tax)	27			11,415			11,415
Change in fair value of equity instrument at fair value through other comprehensive income (net of tax)	30			4,665			4,665
Total comprehensive income for the year		-	1,983,362	16,080	852,692	574,713	3,426,846
As at 30 June 2022		28,520,000	623,188	(1,934)	2,448,605	3,836,285	35,426,144
As at 1 July 2022		28,520,000	623,188	(1,934)	2,448,605	3,836,285	35,426,144
Profit /(Loss) for the year	29		5,737,178				5,737,178
Transfer to regulatory credit risk reserve	31		(159,010)			(1,052,672)	(1,211,682)
Transfer to legal reserve	32		(1,434,294)		1,434,294		-
Transfer to state dividend			(2,861,106)				(2,861,106)
Other comprehensive income:							-
Re-measurement gain/ (loss) on defined benefit plans (net of tax)	27			(53,200)			(53,200)
Change in fair value of equity instrument at fair value through other comprehensive income (net of tax)	30			31,868			31,868
Total comprehensive income for the year			1,282,767	(21,332)	1,434,294	(1,052,672)	1,643,058
As at 30 June 2023		28,520,000	1,905,955	(23,266)	3,882,899	2,783,613	37,069,202

The notes on pages 13 to 92 are an integral part of these financial statements.

Development Bank of Ethiopia

Consolidated and separate statement of cash flows

For the year ended 30 June 2023

	Notes	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Cash flows from operating activities					
Cash generated from operations	34	(1,200,608)	(1,200,342)	(1,033,678)	(1,034,172)
Defined benefits paid		-	-	(11,602)	(11,602)
(Realized) gain on foreign exchange dealing and fluctuation on cash & cash equivalents	8 & 25	449,692	449,692	574,016	574,016
Income tax paid	13	(263,774)	(263,716)	(986,362)	(986,362)
Net cash (outflow)/inflow from operating activities		**(1,014,690)**	**(1,014,366)**	**(1,457,626)**	**(1,458,120)**
Cash flows from investing activities					
Purchase of intangible assets	21	-	-	(1,559)	(1,559)
Proceeds from sale of property, plant and equipment	34	118	118	269	269
Purchase of property, plant and equipment	22	(149,253)	(149,244)	(83,940)	(83,940)
Net cash (outflow)/inflow from investing activities		**(149,135)**	**(149,125)**	**(85,230)**	**(85,230)**
Cash flows from financing activities					
Proceeds from issue of debt securities	23	15,854,181	15,854,181	11,277,399	11,277,399
Repayment of debt securities	23	(1,150,759)	(1,150,759)	(1,749,555)	(1,749,555)
Proceeds from borrowings	24	7,710,164	7,710,164	4,496,184	4,496,184
Repayment of principal borrowings	24	(1,003,195)	(1,003,195)	(12,531,337)	(12,531,337)
Repayment of principal portion of lease payments	19	(14,840)	(14,840)	(11,932)	(11,932)
Net cash (outflow)/inflow from financing activities		**21,395,552**	**21,395,552**	**1,480,759**	**1,480,759**
Net increase/(decrease) in cash and cash equivalents		**20,231,727**	**20,232,061**	**(62,097)**	**(62,591)**
Cash and cash equivalents at the beginning of the year	14	12,876,268	12,865,624	13,040,325	13,030,176
Unrealized loss on foreign exchange fluctuation on borrowings	8 & 25	(10,595)	(10,595)	**(101,960)**	**(101,960)**
Change in NCI		0.03			
Cash and cash equivalents at the end of the year	14	**33,097,400**	**33,087,090**	**12,876,268**	**12,865,624**
Additional information on operational cash flows from interest and dividends					
Interest received		7,031,415	7,031,415	5,552,909	5,552,909
Dividends received		5,765	5,765	527	527
Interest paid		2,476,359	2,476,359	2,765,461	2,765,461

The notes on pages 13 to 92 are an integral part of these financial statements.

1 General information

Development Bank of Ethiopia ("Development Bank or the Bank") is a specialized financial institution established to promote the national development agenda through development finance and close technical support to viable projects from the priority areas of the Government by mobilizing funds from domestic and foreign sources while ensuring its sustainability. The consolidated and separate financial statements of the Bank for the year ended 30 June 2023 comprise the Bank and its subsidiary (together referred to as "the Group" and separately referred to as "Group entities"). The Bank and its subsidiary are not listed on a stock market as there is no a stock exchange in the country.

The Bank was initially established in 1909 and was last reestablished on the 24th of January 2003 in accordance with the Council of Ministers Regulations No. 83/2013. The Bank is governed by the Public Enterprises Proclamation No. 25/1992 and in compliance with the Banking Business Proclamation No. 592/2008

The Bank has one subsidiary, namely Ethio Capital and Investment PLC, which was established on June 14, 2017 in accordance with the then Commercial code of Ethiopia of 1960.

The Group does not have any associate or unconsolidated structured entity.

The Bank's registered office is at:

Development Bank of Ethiopia Tower
Josip Broz Tito Street
P.O Box 1900
Kirkos Sub-city (Kasanchis)
Addis Ababa, Ethiopia

The Bank is principally engaged in the provision of diverse range of financial products and services to corporate, retail and small- and medium-sized enterprise clients, as well as lease financing (hire purchase) to SMEs, based in the Ethiopian market.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

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

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

The consolidated and separate financial statements have been prepared in accordance with the going concern principle, on accruals basis under the historical cost concept, except for the following:
- defined benefit obligations measured at fair value;
- equity investments measured at fair value through other comprehensive income; and
- staff loans measured at fair value.

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

The preparation of consolidated and separate 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 Group's and 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 Group's and Bank's consolidated and separate 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 3.

2.3 Going concern

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

2.4 Changes in accounting policies and disclosures

2.4.1 New and amended standards and interpretations effective and adopted during the year

The Group/Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2022 (unless otherwise stated). The effect of these new and amended standards are disclosed below:

a) Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – Phase 2 introduces amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 and is not mandatorily effective until annual periods beginning on or after 1 January 2021. However, many entities were expected to adopt the amendments early.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of benchmark interest rate in a contract with a new alternative benchmark rate. In general, the amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by therefrom, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

However, these amendments had no impact on the consolidated financial statements of the Group/Bank, or on its transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 30 June 2022 and 30 June 2023, as the Group/Bank does not currently manage cash flow hedges or derivative financial instruments and floating rate loans linked to external benchmarks. The Group/Bank intends to use the practical expedients in future periods if they become applicable.

2.5 Basis of Consolidation

a) Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Bank. The Bank controls an entity if it is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Bank reassesses periodically whether it has control if there are changes to one or more elements of the control listed. This includes circumstances in which protective rights held become substantive and lead to the Group having control over an investee.

b) Loss of control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any related non-controlling interests and the other components of equity relating to a subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

c) Changes in ownership interests in subsidiaries without change of control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). When the proportion of the equity held by non-controlling interests (NCIs) changes, the carrying amounts of the controlling and NCIs are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

DEVELOPMENT BANK OF ETHIOPIA

The Federal Democratic Republic Of Ethiopia ★ Audit Services Corporation ★

Accounting and auditing Board of Ethiopia

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d) *Transactions eliminated on consolidation*

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

e) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2.6 Foreign currency translation

a) *Functional and presentation currency*

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

b) *Transactions and balances*

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

Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

2.7 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding any amounts collected on behalf of third parties(i.e. taxes or duty).

The Group and the Bank earn income from interest on loans given to customers for commercial agriculture, agro-processing, manufacturing, mining and extractive industries, hire purchase leases, personal loans, etc. On top of that, the Bank earns interest from deposit placements with local and foreign banks, as well as with investment in Government Treasury notes and special Government bonds. Other incomes include fees and commissions on letter of credits, guarantees and managed/entrusted funds.

2.7.1 Interest income and expense

a) Effective interest rate and amortized cost

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group and the Bank estimate future cash flows considering all contractual terms of the financial instrument, but not expected credit loss (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.

b) Amortized cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance if the financial assets fall into Stage 3 (impaired loans).

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

c) Calculation of interest income and expense

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

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

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

d) Presentation

Interest income and expense using the effective interest method presented in the statement of profit and loss and other compressive income (OCI) include:

- interest on financial assets and financial liabilities measured at amortized cost; and
- interest on debt instruments measured at FVOCI (currently, such instruments as well as hedge products are not available at the Group and the Bank).
- Other interest income and expense presented in the statement of profit or loss and OCI includes interest income and expense on lease receivables and liabilities.

2.7.2 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 like commission income on cash payment order (CPO) and fund transfer, commission income on insurance, commission on letters of credit, financial guarantee contracts issued and commission on managed funds are recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Group's/Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

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

2.7.3 Dividend income

Dividend income is recognised in profit or loss as other operating income when the Bank's right to receive the payment is established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI.

2.7.4 Foreign exchange revaluation gains or losses

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

The foreign denominated monetary assets and liabilities include the foreign financial assets held within the cash and bank balances, foreign currency deposits received and held on behalf of third parties, borrowings in foreign currencies, etc.

2.8 Financial instruments

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

2.8.1 Financial assets and liabilities

i) Recognition and initial measurement

The Group and Bank initially recognise loans and advances, Ethiopian special government bonds and Treasury notes, deposits, debt securities issued (savings/renaissance dam bonds and DBE bonds), borrowings and other receivables and payables on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group and Bank become a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is evidenced by a quoted price in an active market or is based on a valuation technique using only inputs observable in market transactions (or in which any unobservable inputs are judged to be insignificant in relation to measuring the day one difference), the Group/Bank recognises the difference between the transaction price and fair value in profit or loss as day one profit or loss. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

ii) Classification and subsequent measurement

a) Financial assets

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

The Group and Bank measure a financial asset at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

– the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

All other financial assets that do not meet the classification criteria at amortised cost or FVOCI above are classified as measured at FVTPL.

In addition, on initial recognition, the Group and Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

However, the Group and Bank are not expected to hold such financial instruments in the foreseeable future.

Business model assessment

The Group and Bank make an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Group's and Bank's management;

— the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

— how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

— the frequency, volume and timing of revenue in prior periods, the reasons for such revenue and its expectations about future revenue activity. However, information about revenue activity is not considered in isolation, but as part of an overall assessment of how the Group's and Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Nevertheless, the Group and Bank are not expected to hold financial assets for trading in the foreseeable future.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group and Bank consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group and Bank consider:

— contingent events that would change the amount and timing of cash flows;
— leverage features;
— prepayment and extension terms;
— terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
— features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

b) Financial liabilities

The Group and Bank classify its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL. However, the Group and Bank are not expected to hold financial liabilities as measured at fair value through profit or loss (FVTPL) in the foreseeable future.

A financial guarantee is an undertaking/commitment that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantees issued by the Group and Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the obligation under the guarantee, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

iii) Impairment

At each reporting date, the Group and Bank assess whether there is objective evidence that financial assets (except equity investments), other than those carried at FVTPL, are impaired.

The Group and Bank recognise loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

— financial assets that are debt instruments;
— lease receivables;
— financial guarantee contracts and Letter of Credit issued; and
— loan commitments issued.

No impairment loss is recognised on equity investments.

The Group and Bank measure loss allowances at an amount equal to lifetime expected credit losses (ECL), except for the following, for which are measured as 12-month ECL:

— debt investment securities that are determined to have low credit risk at the reporting date; and

– other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime expected credit loss (ECL).

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Life-time expected credit loss (ECL) is the loss that results from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

a) Measurement of ECL

Expected credit loss (ECL) is a probability-weighted estimate of credit losses. It is measured as follows:

– for financial assets that are not credit-impaired at the reporting date (stage 1 and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group and Bank in accordance with the contract and the cash flows that the Group and Bank expect to receive);

– for financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;

– for undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group and Bank if the commitment is drawn down and the cash flows that the Group and Bank expect to receive; and

– for financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Group and Bank expect to recover.

When discounting future cash flows, the following discount rates are used:

– for financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
– for POCI assets: a credit-adjusted effective interest rate;
– for lease receivables: the discount rate used in measuring the lease receivable;
– for undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
– for financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

b) Credit enhancements: collateral valuation and financial guarantees

To mitigate their risks on financial assets, the Group and Bank seek to use collateral, where possible. The collateral comes in various forms such as buildings, machinery, furniture and fixture, bank guarantees, other non-financial assets and credit enhancements such as margin of letters of credit and credit risk guarantee. Collateral, unless repossessed, is not recorded on the Group's/Bank's statement of financial position.

Cash flows expected from credit enhancements, which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on a regular basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued at frequent intervals.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using appropriate valuation models. Non-financial collateral, such as real estate, is valued by independent engineers.

c) Restructured financial assets

Where the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then the Group and Bank assess whether the financial asset should be derecognised and expected credit loss (ECL) are measured as follows:

— If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

— If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

d) Credit-impaired financial assets

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

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

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

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is 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.

e) Presentation of allowance for expected credit loss (ECL) in the statement of financial position

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

— financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

— loan commitments and financial guarantee contracts: generally, as a provision, presented under other liabilities;

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

— debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve in equity.

f) Write-off

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

Recoveries of amounts previously written off are recognized when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and other compressive income (OCI).

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

g) Financial guarantee contracts held

The Group and Bank assess whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group and Bank determine that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group and Bank consider the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group and Bank determine that the guarantee is not an integral element of the debt instrument, then they recognise an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group/Bank present gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

iv) Derecognition of financial assets and liabilities

a) Financial assets

The Group and Bank derecognise a financial asset when:

– The contractual right to the cash flows from the financial asset expires; or

– It transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group and Bank neither transfer nor retain substantially all of the risks and rewards of ownership and they do not retain control of the financial asset.

– the Group and Bank neither transfer nor retain substantially all of the risks and rewards of ownership and they do not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI are recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group and Bank is recognised as a separate asset or liability.

b) Financial liabilities

The Group and Bank derecognise a financial liability when its contractual obligations are discharged or cancelled, or expire.

v) Modifications of financial assets and financial liabilities

a) Financial assets

If the terms of a financial asset are modified, then the Group and Bank evaluate whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

– fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

– other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group and Bank plan to modify a financial asset in a way that would result in forgiveness of cash flows, then they first consider whether a portion of the asset should be written off before the modification takes place.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group and Bank first recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognise the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

b) Financial liabilities

The Group and Bank derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and Bank currently have a legally enforceable right to set off the amounts and they intend either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

vii) Designation at fair value through profit or loss (FVTPL)

a) Financial assets

On initial recognition, the Group and Bank may irrevocably designate certain financial assets (that otherwise meet the requirements to be measured at amortised cost or FVOCI) as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

b) Financial liabilities

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

– the liabilities are managed, evaluated and reported internally on a fair value basis; or

– the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (notes and coins on hand), deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group/Bank in the management of its short-term commitments balances.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, non-restricted current accounts with National Bank of Ethiopia and amounts due from banks on demand or with an original maturity of three months or less.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

2.10 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 Group and Bank recognise such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in profit or loss as incurred.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

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

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

Asset class	Estimated Useful	Residual Value
Buildings	50	5%
Motor vehicles	10	5%
Furniture & fittings		
- Medium-lived	10	1%
- Long-lived	20	1%
Computer and related items	7	1%
Office equipment		
- Short-lived	5	1%
- Long-lived	10	1%
Lift and roofing	15	1%

The Group and Bank commence depreciation when the asset is available for use. Freehold land is not depreciated.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. 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 profit or loss when the asset is derecognised.

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

2.11 Intangible assets

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

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

Amortisation of computer software is calculated using the straight–line method to write down the cost of intangible assets to their residual values over the estimated useful lives of six (6) years or the license/maintenance contract period, with nil residual value.

2.12 Investment property

Property that is held for long-term rental yields or for capital appreciation or both is 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 Group and Bank and the cost can be reliably measured. This is usually when all risks are transferred.

Investment properties are measured initially at cost, including transactions costs. The Group and Bank have opted to subsequently carry investment property at cost less accumulated depreciation and any accumulated impairment losses under the cost model 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 Group and Bank use 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 the Bank's internal valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for disclosing the fair values in the notes to the financial statements.

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

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

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised. Investment properties are derecognised when they have been disposed. Gains or losses arising from disposal of investment property are determined as the difference of the net disposal proceeds and the carrying amount of the asset and they are recognized in profit or loss.

Depreciation is calculated using the straight-line method to allocate the cost to the residual values over the estimated useful life of 50 years, with a residual value of 5%.

2.13 Leases

At inception of a contract, the Group/Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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Group/Bank acting as a lessee

The Group/Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group/Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At commencement or on modification of a contract that contains a lease component, the Group/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 Group/Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group/Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The commencement date is the date on which a lessor makes available an underlying asset for use by a lessee.

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 the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost (by applying a cost model) less any accumulated depreciation and any accumulated impairment losses. In addition, the right-of-use asset is periodically adjusted for any remeasurements of the lease liability resulting from reassessments or lease modifications. The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term.

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 Group's/Bank's incremental borrowing rate. Generally, the Group/Bank uses its incremental borrowing rate as the discount rate (of 8%).

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

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

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

The lease liability is subsequently measured at amortized cost using the effective interest method (by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made). 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 Group's/Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Group/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 Group and the Bank present the right-of-use assets and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value a

The Group/Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets with lease amount of less than Birr 114,000 and short-term leases, where appropriate. The Group/Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term, where applicable.

Group/Bank acting as a lessor

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

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

To classify each lease, the Group/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 these assessment, the Group/Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Rental income arising under operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

The Group and the Bank apply derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

The Group and the Bank further regularly review estimated unguaranteed residual values used in calculating the gross investment in the lease.

2.14 Impairment of non-financial assets

The Group and Bank assess, 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 Group and Bank estimate 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 groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using 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 Group and Bank base its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

2.15 Inventories

Inventories of assets (capital goods) held for leasing are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost method. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

2.16 Other assets

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

(a) *Prepayment*

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

(b) Other receivables

Other receivables are recognised upon the occurrence of event or transaction as they arise and derecognised when payment is received.

The Bank's other receivables are rent receivables, advance payments for procurement and other receivables from debtors.

2.17 Assets obtained by taking possession of collateral

Repossessed collateral represents financial and non-financial assets acquired by the Group and Bank in settlement of overdue loans either partially or in their entirety. The Group's/Bank's policy is to determine whether a repossessed asset should be sold or is best used for its internal operations. Assets for which selling is determined to be a better option are immediately transferred to assets held for sale or other asset category at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group's and Bank's policy. Assets determined to be used for internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

In its normal course of business, the Bank engages its internal experts to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus/shortfall funds are treated as gain/loss subsequent to repossession .

2.18 Fair value measurement

The Group and Bank measure financial instruments classified (equity investments) as at fair value through other comprehensive income (FVOCI), defined benefit obligations and staff loans at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:
- Disclosures for valuation methods, significant estimates and assumptions Notes 3 and Note 4.7.1
- Quantitative disclosures of fair value measurement hierarchy Note 4.7.2
- Financial instruments (including those carried at amortized cost) Note 4.7.2

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

- In 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 Group/ Bank.

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

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

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

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Group's and Bank's management determine the policies and procedures for both recurring fair value measurement, such as equity investments at fair value through other comprehensive income.

For the purpose of fair value disclosures, the Group and Bank have 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.

2.19 Employee benefits

The Group/Bank provides various short-term employee benefits and post-employment schemes, including both defined benefit plan and defined contribution and post employment benefits.

(a) Short-term employee benefits

Short-term employee benefits (such as wages, salaries, paid annual leave, sick leave and other paid leaves) are accrued and expensed as the related service is provided (or in the period in which the associated services are rendered by employees of the Group/Bank). A liability is recognised for the amount expected to be paid if the Group/Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(b) Defined contribution plan

The Group/Bank makes contributions to a statutory defined pension scheme to which the employer and employee make contributions of 11% and 7% of the employee's basic salary, respectively. The Group's/Bank's contributions are charged to profit or loss in the year in which they accrue. Other than the regular contributions made in terms of the statutory public fund, the Bank does not have any further liability to the fund.

(c) Defined benefit plan

The Group/Bank operates an unfunded severance pay plan for its employees who have served the Bank for 5 years and more and are below the retirement age (i.e. have not met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1 month salary for the first year in employment plus 1/3 of monthly salary for each subsequent year in employment to a maximum of 12 months final monthly salary. The Bank also operates other schemes related to unfunded pension prize for eligible pensioners, funeral assistance benefit and pensioner medical benefit for eligible pensioners.

Defined benefit plans define an amount of liability that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of unfunded defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The liability recognised in the statement of financial position in respect of unfunded defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognised immediately in profit or loss.

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.

(d) Termination benefits

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

(e) Bonus plans

The Bank recognises a liability and an expense for bonuses based on a formula that takes into consideration the net profit generated after certain adjustments. The Bank recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Provisions

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

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

2.21 Capital

The Bank is wholly owned by the Federal Democratic Republic of Ethiopia.

The authorized capital is fully paid in cash and in kind.

2.22 Legal reserve

The legal reserve which is a statutory reserve to which no less than 25% of the net profits after taxation is transferred each year until such fund is equal to the capital. When the legal reserve equals the capital of the Bank, the amount to be transferred to the legal reserve account is 10% of the annual net profit.

2.23 Income taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group/Bank has determined that interest and penalties related to income taxes do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

(a) Current income tax

The income tax expense or credit for the period is the expected tax payable or receivable on the current period's taxable income or loss based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. It also includes any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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. Current tax also includes any tax arising from dividends.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax assets and liabilities are offset only if certain criteria are met

(b) Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities [amounts used for taxation purposes] and their carrying amounts for the financial reporting purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group/Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group/Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group/Bank has not rebutted this presumption.

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 group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.24 Standards issued but not yet effective

New standards, amendments and interpretations issued but not yet effective

There are a number of new standards, amendments to standards and interpretations, which have been issued by the IASB, that are effective in future accounting periods and earlier application is permitted. However, the Group/Bank has decided not to adopt early in preparing these consolidated and separate financial statements. The Group/Bank intends to adopt these new and amended standards and interpretations, if applicable, in future periods when they become effective. The most significant of these are as follows, which are all effective (mandatorily applicable) for the annual reporting periods beginning on or after 1 January 2023:

New Standards, Amendments or Interpretations	Effective for annual periods beginning on or after
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 1, 2023
Definition of Accounting Estimates - Amendments to IAS 8	January 1, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS	January 1, 2023

The aforementioned new and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements or when they become effective are expected neither to have a material impact on the consolidated and separate financial statements of the Group and Bank, nor to impact (to be applicable to) the Group and Bank as they are not relevant to the Group's/Bank's activities. For those new standards or amendments that have no material impact, the Group/Bank is also currently assessing the impact of adopting the new standards or amendments to determine the impact they will have on its financial statements and accounting policy disclosures.

3 Significant accounting judgments, estimates and assumptions

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

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

- Capital management Note 4.6
- Financial risk management and policies Note 4
- Sensitivity analyses disclosures Note 4.5.1

3.1 Judgments

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

a) Measurement of right-of-use assets and lease liabilities under IFRS 16 leases

The application of IFRS 16 requires the Group and the Bank to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include: determining contracts in scope of IFRS 16, determining the contract term and determining the implicit interest rate (or incremental borrowing rate) used for discounting of future cash flows.

The present value of the lease payment is determined using the discount rate or incremental borrowing rate representing the rate of nominal interest rate the Group/Bank pays to bond instrument buyers. The expenses relating to leases for which the Bank applied the practical expedient described in IFRS 16 (leases with the contract term of less than 12 months and low-value leases) are recognised in profit or loss.

i) Determination of the lease term for lease contracts with renewal and termination options (Bank as alessee)

The Group and the Bank determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group and the Bank have several lease contracts that include extension and termination options. The Group and the Bank apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, they consider all relevant factors that create an economic incentive for them to exercise either the renewal or termination. After the commencement date, the Group and the Bank reassess the lease term if there is a significant event or change in circumstances that is within their control that affects their ability to exercise or not to exercise the option to renew or to terminate.

ii) Determining the incremental borrowing rate

The Group/Bank cannot readily determine the interest rate implicit in the lease. Therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group/Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group/Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group/Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as to reflect the terms and conditions of the lease).

b) Going concern basis

The Group's and Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's and Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group and Bank based their 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 Group and Bank. Such changes are reflected in the assumptions when they occur.

a) Impairment losses on loans and advances to customers and other financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's and Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Group's and Bank's internal credit grading model, which assigns probability of defaults (PDs) to the individual grades;
- The Group's and Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit losses (LTECL) basis and the qualitative assessment;
- The segmentation of financial assets when their expected credit losses (ECL) is assessed on a collective basis;
- Development of expected credit loss (ECL) models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as foreign exchange, unemployment levels, GDP and collateral values, and the effect on PDs, exposure at defaults (EADs) and loan given defaults (LGDs); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's and Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

b) Fair value measurement of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using a variety of valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments and estimates include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.7 for further disclosures.

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

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

The estimation 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 Group and Bank are not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

In assessing whether there is any indication that an asset may be impaired, the Group and Bank consider the following indications:

(i) External information

- there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
- significant changes with an adverse effect on the Group and Bank have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Group and Bank operate or in the market to which an asset is dedicated.
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

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(ii) Internal information

- evidence is available of obsolescence or physical damage of an asset.
- significant changes with an adverse effect on the Group and Bank have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

f) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. 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 filings, tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

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

4 Financial risk management

4.1 Introduction

Risk is inherent in the Group's and Bank's activities, but is managed through an integrated risk management framework/program, including ongoing identification, measurement and monitoring, and subject to appropriate risk limits and other controls, and adherence to limits. This process of risk management is critical to the Group's and Bank's continuing profitability, and each individual within the Group and Bank is accountable for the risk exposures relating to its responsibilities. The Group and Bank are exposed to credit risk, liquidity risk, market risk and different operational risks. It is also subject to various risks, including country risk and various operating and business 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 Group's and Bank's policy is to monitor those business risks through the Bank's strategic planning process.

The Group/Bank strives to apply best practices in identifying, evaluating, measuring, controlling and monitoring risks to ensure that any risks are set at an acceptable level. Whilst it is not possible to eliminate risk absolutely, the Group/Bank actively promotes and applies best practices at all levels and to all of its activities, including its business relationship with external stakeholders and partners.

The Group/Bank considers risk management as an integral part of its day-to-day core business activities.

4.1.1 Risk management structure

The Group's/Bank' Board of Management has overall responsibility for the establishment and oversight of the Group's/Bank's risk management framework. The Board of Management has established the Board Risk and Finance Sub-Committee, a subset of the Board of Management, which is responsible for the overall risk management approach and for approving the risk management strategies and principles and policies. It also has the responsibility to monitor the overall risk process within the Group and Bank.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's/Bank's activities.

The Senior Management (Executive Management) Committee chaired by the President (Chief Executive Officer) 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 and Finance Sub-Committee.

The Group/Bank, through its ongoing training and development program, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. It is the Bank's policy to ensure that a robust risk awareness is embedded in its organizational risk culture. Employees are expected to take ownership and be accountable for the risks the Bank is exposed to that they decide to take on. Compliance breaches and internal audit findings are important elements of employees' annual performance evaluation and remuneration reviews.

The Compliance and Risk Management Directorate is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Executive Management, Board Risk and Finance Sub-Committee and Asset and Liability Management Committee to ensure that procedures are compliant with the overall framework.

The Compliance and Risk Management Directorate is responsible for monitoring compliance with risk principles, policies and limits across the Bank. It carries out an assessment of risk on a regular basis to monitor the Group's/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 directorate also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported, where necessary, to the Executive Management Committee and Asset and Liability Management Committee, and further to the Board Risk Sub-Committee and the relevant actions are taken to address exceptions and any areas of weakness.

The Bank's Treasury and Fund Management Directorate is responsible for managing its assets, liabilities, capital and interest rate structure and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank, in terms of managing the asset and liability maturity gap analysis, interest rate gaps and foreign currency exposures.

The Group and Bank have established a comprehensive risk management program (system) in line with the internationally accepted risk management principles and best practices to suit the risk profile of the Group and Bank.

The Bank has also set up the Asset and Liability Management Committee (ALCO), Loan Approval Committee and Loan Review Committee which are responsible for developing and monitoring the Bank's risk management policies in their province of duties.

Tight control exists between and among the various independent specialized lending units where the Bank has conducted its overall credit activities, including customer relationship, loan appraisal, loan review, loan approval, Ongiong concern Project and Aquired asset Management (specialized loan workout), loan portfolio management, and Management information System.

The Bank's policy is that the risk management processes throughout the Bank are audited at least once per year by the Internal Audit Unit, which examines both the effectiveness and adequacy of the risk management framework, policies and procedures and the Bank's compliance with the risk management controls and procedures. Internal Audit Unit discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit and Finance Sub-Committee.

4.1.2 Risk measurement and reporting systems

The Group's and 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 (i.e. forward-looking macro-economic information). The Bank also runs worst-case scenarios that would arise in the event that extreme events, which are unlikely to occur or 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 priority-area sectors in which the country has comparative advantages. 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 mitigating mechanisms, identified and approved for the Bank, are documented for existing and new processes and systems.

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

4.2 Financial instruments by category

The Bank's financial assets are classified into the following measurement categories: financial assets at fair value through other comprehensive income (FVTOCI), financial assets at amortized cost. The financial liabilities are classified into other liabilities at amortized 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 summarized in the table below:

Group		**FVOCI**	**Amortized Cost**	**Total**
30 June 2023	**Notes**	**Birr'000**	**Birr'000**	**Birr'000**
Cash and bank balances (net)	14		33,095,715	33,095,715
Loans and advances to customers (net)	15		67,646,196	67,646,196
Investment securities:				
- Financial assets measured at FVOCI	16	103,822		103,822
- Financial assets measured at amortized cost	16		46,456,966	46,456,966
Other assets	18		1,355,697	1,355,697
Total financial assets		**103,822**	**148,554,575**	**148,658,396**

Bank		**FVOCI**	**Amortized Cost**	**Total**
30 June 2023	**Notes**	**Birr'000**	**Birr'000**	**Birr'000**
Cash and bank balances (net)	14		33,085,405	33,085,405
Loans and advances to customers (net)	15		67,646,196	67,646,196
Investment securities:				
- Financial assets measured at FVOCI	16	103,822		103,822
- Financial assets measured at amortized cost	16		46,456,966	46,456,966
Other assets	18		1,355,424	1,355,424
Total financial assets		**103,822**	**148,543,991**	**148,647,813**

Group 30 June 2022	Notes	FVOCI Birr'000	Amortized Cost Birr'000	Total Birr'000
Cash and bank balances (net)	14		12,875,627	12,875,627
Loans and advances to customers (net)	15		53,960,766	53,960,766
Investment securities:				
- Financial assets measured at FVOCI	16	52,531		52,531
- Financial assets measured at amortized cost	16		45,983,126	45,983,126
Other assets	18		679,238	679,238
Total financial assets		52,531	113,498,756	113,551,287

Bank 30 June 2022	Notes	FVOCI Birr'000	Amortized Cost Birr'000	Total Birr'000
Cash and bank balances (net)	14		12,864,983	12,864,983
Loans and advances to customers (net)	15		53,960,766	53,960,766
Investment securities:				
- Financial assets measured at FVOCI	16	52,531		52,531
- Financial assets measured at amortized cost	16		45,983,126	45,983,126
Other assets	18		678,965	678,965
Total financial assets		52,531	113,487,839	113,540,370

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 financial assets.

The Bank manages this risk by applying a rigorous set of criteria in credit granting. It ensures that the lending activities are based on strong underwriting standards, KYC (know your customer) principles and confining its dealings to institutions and individuals of high creditworthiness, and ensuring that exposures to counterparties are appropriately secured. The Bank has high risk appetite for credit risk by taking into account expected returns, the external environment, and developments in the composition of the Bank's financial position.

Exposure to credit risk is managed through periodic analysis/review 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 requiring additional equity contribution and 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 Bank applies the credit risk limit set by the National Bank of Ethiopia (NBE) for a single borrower, one related party and all related parties to not exceed 25%, 5% and 35% of its total capital amount, respectively.

Credit management is conducted as per the risk management policy and guideline approved by the Board of Management/Board Risk and Finance Sub-Committee. Such policies are reviewed and modified periodically based on changes and expectations of the markets, regulations and other factors where the Bank operates.

4.3.1 Management of credit risk

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 in terms of value of collateral and other way-out. The Bank's policy is to lend principally on the basis of our customer' repayment (project's cash generating) capacity through rigorous quantitative and qualitative evaluation. However, the Bank ensures that its loans are adequately backed by collateral to reflect the risk of the obligors and the nature of the facility as a last resort, in case the worst scenario occurs.

4.3.2 Credit related commitment risks

The Bank holds collateral against loans and advances to customers in the form of property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of lending, and are subsequently updated/reviewed at regular intervals.

In the estimation of credit risk, the Bank estimates the following parameters:

(a) *Probability of Default (PD)*

This is the probability that an obligor or counterparty will default over a given period, usually one year. The probability of default (PD) estimates the possibility of a loan facility moving from the performing status (stage 1) to the non-performing status (stage 3). For impairment purposes, the PD parameter is estimated using a transition matrix multiplication approach that estimates the movement of loan amounts from one bucket to the next. The PDs will then be adjusted with forward looking information.

(b) *Loss Given Default (LGD)*

The loss given default (LGD) that measures how much (in form of a percentage) the bank is expected to lose in the event that default occurs from a customer. This is estimated by considering two scenarios in the Bank, that is, using collateral in instances whether the customer has collateral against the debt instrument that they have undertaken with the Bank and/ or an analysis of the historical cash collections after the default event, for cases that the debt instrument is not supported by any security. The LGD will be computed at the customer level.

(c) *Exposure at Default (EAD)*

The exposure at default (EAD) is estimated based on annual outstanding exposure on each loan facility over the remaining lifetime from the reporting period.

4.3.3 Credit risk exposure

(a) Maximum exposure to credit risk before collateral held or credit enhancements and nature of security

The table below shows the Group's and Bank's maximum exposure to credit risk which is represented by the net carrying amounts in the statement of financial position and the value of collateral and credit enhancements held as at 30 June 2023 and 30 June 2022 respectively as follows:

Group		**Value of collateral/security and credit enhancements held**			
30 June 2023	**Maximum exposure to credit risk**	**Property**	**Bank guarantees**	**Others (including L/C Margin)**	**Total**
	Birr'000	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Cash and bank balances (net)	33,095,715				
Loans and advances to customers (net)	67,646,196	69,369,835	2,355,493	2,321,890	74,047,218
Investment securities:					
- Financial assets measured at FVOCI	103,822				
- Financial assets measured at amortized cost	46,456,966				
Other assets	1,355,697				
	148,658,396	**69,369,835**	**2,355,493**	**2,321,890**	**74,047,218**
Credit exposures relating to off-financial position items:					
Loan commitments	47,440,172				
Letters of credit	4,826,506			3,324,138	3,324,138
Guarantees	-				
	52,266,678			**3,324,138**	**3,324,138**
Total maximum exposure	**200,925,075**	**69,369,835**	**2,355,493**	**5,646,027**	**77,371,356**

	Maximum exposure to credit risk	Value of collateral/security and credit enhancements held			
		Property	Bank guarantees	Others (including L/C Margin)	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Bank					
30 June 2023					
Cash and bank balances (net)	33,085,405				
Loans and advances to customers (net)	67,646,196	69,369,835	2,355,493	2,321,890	74,047,218
Investment securities:					
- Financial assets measured at FVOCI	103,822				
- Financial assets measured at amortized cost	46,456,966				
Other assets	1,355,424				
	148,647,813	**69,369,835**	**2,355,493**	**2,321,890**	**74,047,218**
Credit exposures relating to off-financial position items:					
Loan commitments	47,440,172				
Letters of credit	4,826,506			3,324,138	3,324,138
Guarantees	-				
	52,266,678			**3,324,138**	**3,324,138**
Total maximum exposure	**200,914,491**	**69,369,835**	**2,355,493**	**5,646,027**	**77,371,356**
Group					
30 June 2022					
Cash and bank balances (net)	12,875,627				
Loans and advances to customers (net)	53,960,766	56,210,242	103,904	2,983,307	59,297,452
Investment securities:					
- Financial assets measured at FVOCI	52,531				
- Financial assets measured at amortized cost	45,983,126				
Other assets	679,238				
	113,551,287	**56,210,242**	**103,904**	**2,983,307**	**59,297,452**
Credit exposures relating to off-financial position items:					
Loan commitments	21,473,277				
Letters of credit	2,750,714			1,567,365	1,567,365
Guarantees	8,590				
	24,232,581			**1,567,365**	**1,567,365**
Total maximum exposure	**137,783,868**	**56,210,242**	**103,904**	**4,550,672**	**60,864,818**
Bank					
30 June 2022					
Cash and bank balances (net)	12,864,983				
Loans and advances to customers (net)	53,960,766	56,210,242	103,904	2,983,307	59,297,452
Investment securities:					
- Financial assets measured at FVOCI	52,531				
- Financial assets measured at amortized cost	45,983,126				
Other assets	678,965				
	113,540,370	**56,210,242**	**103,904**	**2,983,307**	**59,297,452**
Credit exposures relating to off-financial position items:					
Loan commitments	21,473,277				
Letters of credit	2,750,714			1,567,365	1,567,365
Guarantees	8,590				
	24,232,581	**-**	**-**	**1,567,365**	**1,567,365**
Total maximum exposure	**137,772,950**	**56,210,242**	**103,904**	**4,550,672**	**60,864,818**

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(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 (measured at amortized cost) at the year end are shown below.

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Buildings	930,290	930,290	1,688,892	1,688,892
Equipment and machinery	1,393,088	1,393,088	2,662,162	2,662,162
Motor vehicles	89,994	89,994	75,678	75,678
	2,413,372	2,413,372	4,426,732	4,426,732

The Group's and Bank's policy are to pursue timely realization of the collateral. In general, the Group and Bank have no any intention to make use of the non-cash collateral for their own operations.

4.3.4 Loans and advances to customers at amortized cost

(a) Gross loans and advances to customers per sector are analyzed as follows:

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Agriculture	10,975,418	10,975,418	10,931,380	10,931,380
Manufacturing	39,823,557	39,823,557	34,854,520	34,854,520
Mining and energy	261,822	261,822	254,509	254,509
Service	268,680	268,680	319,014	319,014
Lease services	10,458,009	10,458,009	5,644,411	5,644,411
Micro-financing	13,136,133	13,136,133	10,616,722	10,616,722
Working capital	1,500,538	1,500,538	625,583	625,583
Consumer (staff)	440,297	440,297	428,032	428,032
	76,864,454	76,864,454	63,674,171	63,674,171

(b) Gross loans and advances to customers as per National Bank of Ethiopia's impairment guidelines are analyzed as follows:

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Pass	65,615,926	65,615,926	41,545,282	41,545,282
Special mention	1,685,365	1,685,365	2,505,321	2,505,321
Substandard	728,003	728,003	8,430,692	8,430,692
Doubtful	717,199	717,199	5,175,574	5,175,574
Loss	8,117,961	8,117,961	6,017,301	6,017,301
	76,864,454	76,864,454	63,674,171	63,674,171

The above table represents a worse case scenario of credit risk exposure of the Group and Bank as at the reporting dates without taking account of any collateral held or other credit enhancements attached. The exposures are based on gross carrying amount 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 Group's and Bank's loans and advances portfolio.

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4.3.5 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 as at 30 June 2023 and 30 June 2022 is shown below. Cash and bank balances that 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 held in foreign banks can be assessed by reference to credit rating agency designation as shown in the table as follows:

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
A	876,121	876,121	187,878	187,878
BBB+	-		1,158,783	1,158,783
Not rated	32,221,279	32,210,969	11,529,606	11,518,963
	33,097,400	**33,087,090**	**12,876,268**	**12,865,624**

Definitions of ratings

A: High credit quality	This denote 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 amortized cost and equity investments at fair value through other comprehensive income. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 2.8.1 (iii).

Group/Bank

	2023			
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers measured at amortized cost				
Stage 1 – Pass	65,615,926			65,615,926
Stage 2 – Special mention		1,685,365		1,685,365
Stage 3 – Non-performing			9,563,162	9,563,162
Total gross exposure	**65,615,926**	**1,685,365**	**9,563,162**	**76,864,454**
Loss allowance	(975,866)	(150,034)	(8,092,358)	(9,218,259)
Net carrying amount	**64,640,060**	**1,535,331**	**1,470,804**	**67,646,196**

Group/Bank In Birr'000	2022 Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at amortized cost				
Stage 1 – Pass	41,545,282			41,545,282
Stage 2 – Special mention		2,505,321		2,505,321
Stage 3 – Non-performing			19,623,568	19,623,568
Total gross exposure	**41,545,282**	**2,505,321**	**19,623,568**	**63,674,171**
Loss allowance	(1,295,720)	(290,674)	(8,127,011)	(9,713,405)
Net carrying amount	**40,249,562**	**2,214,647**	**11,496,557**	**53,960,766**

(C) Credit quality of other financial assets

The Group and Bank applies the simplified approach by using a provision matrix to estimate the ECL for other financial asset. Under this approach, all other financial assets are grouped based on the nature of the transactions, aging of the balances and different historical loss patterns to determine the lifetime ECLs after adjusting historical loss rates for forward looking information. All ECL allowance are lifetime ECL.

Group	In Birr '000 2023 Gross exposure	Deferred day-one loss	Loss allowance	Net carrying amount
Other financial assets (debt instruments)				
Cash and balances with banks	33,097,400		(1,685)	33,095,715
Investment securities (debt instruments)	54,128,993	(7,565,882)	(2,323)	46,560,788
Other receivables and financial assets	1,417,251		(61,554)	1,355,697
Total	**88,643,645**	**(7,565,882)**	**(65,562)**	**81,012,201**

Bank	In Birr '000 2023 Gross exposure	Deferred day-one loss	Loss allowance	Net carrying amount
Other financial assets (debt instruments)				
Cash and balances with banks	33,087,090		(1,685)	33,085,405
Investment securities (debt instruments)	54,128,993	(7,565,882)	(2,323)	46,560,788
Other receivables and financial assets	1,416,978		(61,554)	1,355,424
Total	**88,633,061**	**(7,565,882)**	**(65,562)**	**81,001,617**

Group	In Birr '000 2022 Gross exposure	Deferred day-one loss	Loss allowance	Net carrying amount
Other financial assets (debt instruments)				
Cash and cash equivalents	12,876,268		(642)	12,875,627
Investment securities (debt instruments)	54,244,878	(8,206,923)	(2,299)	46,035,656
Other receivables and financial assets	816,449		(137,211)	679,238
Total	**67,937,595**	**(8,206,923)**	**(140,152)**	**59,590,521**

Bank	In Birr '000 2022 Gross exposure	Deferred day-one loss	Loss allowance	Net carrying amount
Other financial assets (debt instruments)				
Cash and cash equivalents	12,865,624		(642)	12,864,983
Investment securities (debt instruments)	54,244,878	(8,206,923)	(2,299)	46,035,656
Other receivables and financial assets	816,175		(137,211)	678,965
Total	**67,926,678**	**(8,206,923)**	**(140,152)**	**59,579,603**

(d) Credit quality of investment securities measured at amortized cost

As at 30 June 2023 and 30 June 2022, the Bank had no exposure to credit risk of the investment securities designated as at FVTPL

(e) Investment securities designated at FVTPL

As at 30 June 2023 and 30 June 2022, the Bank had no exposure to credit risk of the investment securities designated as at FVTPL

4.3.6 Nature of security in respect of loans and advances

The Bank holds collateral against most of its credit exposures. The following table sets out the principal types of collateral held against loans and advances to customer with different segments or economic sectors.

The estimated value of collateral is based on the last revaluations carried out by the bank's engineers. The valuation technique adopted for properties is in line with the bank's valuation manual.

Type and value of collateral by economic sector

Group/Bank	Real estate	Bank guarantees	Machinery & equipment	Motor vehicles	Others	Total
30 June 2023	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Economic sector						
Agriculture	1,175,260	-	1,189,550	752,324	1,988,957	5,106,090
Manufacturing	17,565,618	72,690	32,830,852	1,407,552	285,356	52,162,069
Mining and energy	17,495	-	53,439	8,209	-	79,143
Service	746,598	-	21,357	11,221	3,264	782,441
Lease services	-	-	11,296,405	908,217	28,972	12,233,594
Micro-financing						
Consumer (staff)	668,433	-	-	79,478	12,638	760,549
Working capital	279,987	2,282,803	350,484	7,356	2,703	2,923,334
	20,453,392	**2,355,493**	**45,742,087**	**3,174,356**	**2,321,890**	**74,047,218**

Group/Bank 30 June 2022	Real estate	Bank guarantees	Machinery & equipment	Motor vehicles	Others	Total
Economic sector						
Agriculture	1,343,581	8,071	1,463,656	762,592	2,163,840	5,741,739
Manufacturing	15,443,056		27,673,875	1,138,932	799,390	45,055,254
Mining and energy	24,162		38,901	7,114		70,178
Service	769,227		18,561	11,221	418	799,427
Lease services	11,994		6,129,025	466,928	11,444	6,619,391
Micro-financing						
Consumer (staff)	599,397			78,012	5,112	682,522
Working capital	111,115	95,833	103,956	9,832	8,205	328,942
	18,302,533	**103,904**	**35,427,974**	**2,474,632**	**2,988,410**	**59,297,452**

4.3.7 Collateral held and their financial effect

The general creditworthiness of a customer (the cash generating capacity of a project) tends to be the most relevant indicator of credit quality of a loan extended. However, collateral provides additional security and the Bank generally holds the project's property, plant and equipment as collateral [as a last resort]. The collateral comes in various forms, such as cash (equity contribution), securities, letters of credit margin deposits, guarantees, real estate, machinery and equipment, motor vehicles and other credit enhancements.

The Bank may take collateral in the form of a first-degree mortgage over the property, plant and equipment of projects financed by the Bank with a certain percentage of equity contribution. If, however, the project's property, plant and equipment do not meet the minimum requirement, a promoter/borrower is required to bring additional collateral. The Bank does not sell, repossess or repledge the collateral in the absence of default by the owner of the collateral.

Because of the Bank's focus on customers' creditworthiness (projects' cash generating capacity), the Bank does not routinely update the valuation of collateral held against all loans and advances to customers. However, valuation of collateral is updated when the Bank takes foreclosure measures, the loan is put on a watch list and the loan is monitored more closely. In addition, for credit-impaired loans, the Bank carries out valuation of appraisal of collateral because it provides the management with critical inputs for determining the appropriate credit risk actions.

The estimated value of the collateral is 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.

4.3.8 Amounts arising from ECL

i) Inputs, assumptions and techniques used for estimating impairment

Forward-looking economic information is included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on quarterly basis.

ii) Significant increase in credit risk

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

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

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations);

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- a quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due for short term loans and 180 days for medium and long term loans, in line with regulatory requirements set by NBE for development banks in Ethiopia.

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 judgment. 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 with covenants, quality of
- 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 behavior – e.g. utilization 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
- Utilization 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 region and by type of product and borrower as well as by credit risk grading. The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

v) Determining whether credit risk has increased significantly

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

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

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 expected credit loss (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 behavior to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognizing lifetime expected credit loss (ECL) are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

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

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

vi) Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held);
- the borrower is more than 90 days past due (short term loans) and more than 360 days (medium and long term loans) on any material credit obligation to the Bank, in line with regulatory requirements set by NBE for development banks in Ethiopia;

- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the bank 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;
- based on data developed internally and obtained from external sources; and

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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

vii) Incorporation of forward-looking information

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

For each segment/sector, the Bank formulates three economic scenarios: a base case, which is the median/central scenario, and two less likely scenarios, one upside (optimistic or best case) and one downside (pessimistic or worst case). 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 as well as simulated optimistic and pessimistic macroeconomic projections based on a measure of historical macroeconomic volatilities.

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

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management. The Bank has identified and documented key drivers of credit risk and credit losses for its financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

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

Cluster/Sector	Macroeconomic Factors				
Cluster 1 Agriculture Consumer/Staff Loans	Goods exports, USD	Services imports, USD	-	-	-
Cluster 2 Mining and Energy Financial Services Transport and Health	-	-	-	-	-
Cluster 3 Manufacturing Building and Construction Hotel and Tourism	Goods imports, USD	Real GDP, LCU (2010 prices)	Real GDP, USD (2010 prices)	-	-
Cluster 4 Export and Import	Goods imports, USD	Consumer price index inflation, 2010=100, eop	Real GDP, USD (2010 prices)	Current account balance, USD	Import cover months

No statistically significant correlation was observed for cluster 2, as a result the macroeconomic adjustment for cluster 2 is one (1)

The economic scenarios used as at 30 June 2023 and 30 June 2022 included the following key indicators for Ethiopia for the years 2022 to 2025:

Macro-Economic factor	2022	2023	2024	2025
Goods exports, USD mn	4,022.00	4,137.00	4,393.00	4,740.00
Services imports, USD mn	5,857.50	6,267.00	6,696.50	7,182.50
Goods imports, USD mn	14,995.50	15,797.50	16,432.50	17,418.50
Real GDP, LCU (2010 prices), tn	0.94	1.00	1.06	1.14
Real GDP, USD (2010 prices), bn	65.53	69.31	73.77	78.78
Consumer price index inflation, 2010=100, eop	581.07	689.71	758.68	834.55
Current account balance, USD mn	(4,482.00)	(4,804.00)	(4,747.50)	(4,995.50)
Import cover months	1.71	1.72	1.89	2.02

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

The scenario probability weightings applied in measuring ECL are as follows:

Scenario	As at June 2023			As at 30 June 2022		
	Upside	Median/ Central	Downside	Upside	Median/ Central	Downside
Cluster 1	9%	91%	-	-	97%	3%
Cluster 2	0%	100%	-	0.03	94%	3%
Cluster 3	48.0%	52%	-	0.045	91%	5%
Cluster 4	9%	91%	-	2%	94%	3%

viii) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized 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 recognized 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 maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. All loans are subject to the forbearance policy. The Bank's Ongiong concern Project and Aquired asset Management Directorate 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 behavioral 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 behavior 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 expected credit loss (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)
- 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 Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by property, loan-to-value (LTV) ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for lending collateralized by property, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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

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

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;
- loan-to-value (LTV) ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

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

x) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument:

In Birr '000	2023			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortized cost (on-financial position exposures)				
Balance as at 1 July 2022	1,295,720	290,674	8,127,011	9,713,405
Transfer to stage 1 (12 months ECL)	476,652	(205,846)	(270,806)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	(86,642)	196,474	(109,832)	0
Transfer to stage 3 (Lifetime ECL credit impaired)	(49,513)	(69,575)	119,087	0
Net remeasurement of loss allowance	(949,413)	(57,379)	423,857	(582,935)
New financial assets originated or purchased	312,818	2,294	128,053	443,165
Financial assets derecognized	(23,757)	(6,607)	(325,012)	(355,376)
Balance as at 30 June 2023	975,866	150,034	8,092,358	9,218,259

In Birr '000	2022			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortized cost (on-financial position exposures)				
Balance as at 1 July 2021	830,967	1,316,056	7,598,972	12,525,899
Transfer to stage 1 (12 months ECL)	589,065	(336,153)	(252,912)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	(187,840)	210,530	(22,689)	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(1,055,195)	(2,283,495)	3,338,689	-
Net remeasurement of loss allowance	979,029	1,386,357	(1,284,733)	(1,040,005)
New financial assets originated or purchased	162,587	6,693	7,232	151,121
Financial assets derecognized	(22,893)	(9,314)	(1,257,548)	(1,891,021)
Balance as at 30 June 2022	1,295,720	290,674	8,127,011	9,713,405

In Birr '000	2023			
	Stage 1	Stage 2	Stage 3	Total
Financial guarantee contracts (off-financial position exposures)				
Balance as at 1 July 2022	33			33
Transfer to stage 1 (12 months ECL)				
Transfer to stage 2 (Lifetime ECL not credit impaired)				
Transfer to stage 3 (Lifetime ECL credit impaired)				
New financial assets originated or purchased	16			16
Financial assets derecognized	(33)			(33)
Balance as at 30 June 2023	16			16

In Birr '000	2022			
	Stage 1	Stage 2	Stage 3	Total
Financial guarantee contracts (off-financial position exposures)				
Balance as at 1 July 2021	48			48
Transfer to stage 1 (12 months ECL)				-
Transfer to stage 2 (Lifetime ECL not credit impaired)				-
Transfer to stage 3 (Lifetime ECL credit impaired)				-
New financial assets originated or purchased	33			33
Financial assets derecognized	(48)			(48)
Balance as at 30 June 2022	**33**			**33**

In Birr '000	2023			
	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Other financial assets (debt instruments)				
Balance as at 1 July 2022	642	2,299	137,211	140,152
Net measurement of loss allowance	1,043	24	(75,657)	(74,590)
Balance as at 30 June 2023	**1,685**	**2,323**	**61,554**	**65,562**

In Birr '000	2022			
	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Other financial assets (debt instruments)				
Balance as at 1 July 2021	648	2,222	245,651	248,521
Net measurement of loss allowance	(7)	77	(108,440)	(108,370)
Balance as at 30 June 2022	**642**	**2,299**	**137,211**	**140,152**

The following table provides the ECL charges (impairment losses) included for the year in the reconciliation between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument or recorded in the consolidated and separate statement of profit or loss and other comprehensive income.

In Birr' 000	2023			
	Loans and advances to customers at amortized cost	Financial guarantee contracts	Other financial assets	Total charge/ (credit)
Net measurement of loss allowance	(582,935)			(582,935)
New financial assets originated or purchased	443,165	16	65,562	508,744
Financial assets derecognized	(355,376)	(33)	(140,152)	(495,561)
Amounts directly written off during the year	138,396		-	138,396
Recoveries of amounts previously written off	(16,853)			(16,853)
Total	**(373,604)**	**(16)**	**(74,590)**	**(448,210)**

	2022			
In Birr' 000	Loans and advances to customers at amortized cost	Financial guarantee contracts	Other financial assets	Total charge/ (credit)
Net measurement of loss allowance	1,080,653			1,080,653
New financial assets originated or purchased	176,511	33	140,152	316,696
Financial assets derecognized	(1,289,754)	(48)	(248,521)	(1,538,324)
Amounts directly written off during the year	545,947		38,054	584,001
Recoveries of amounts previously written off	(14,136)			(14,136)
Total	**499,221**	**(15)**	**(70,315)**	**428,890**

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 favorable 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 the stage of collection of amounts owed to the bank. The amounts disclosed exclude assets measured at FVTPL.

4.3.9 Statement of prudential adjustments

(a) Provisions under prudential guidelines are determined using the time/age based provisioning prescribed by the National bank of Ethiopia (NBE) Directive. This is at variance with the expected credit loss (adjusted with forward looking) model required by IFRS 9. As a result of the differences in the methodology/provision, there will be variances in the impairment allowances required under the two methodologies.

Hence, banks would be required to comply with the following:

Provision expense for loan losses recognized in the statement of profit or loss and other comprehensive income should be determined based on the requirements of IFRS 9. However, the IFRS provisions should be compared with the provisions determined under NBE Directives and the resultant expected impact/changes should be treated in regulatory credit risk reserve, as follows:

When prudential provisions is greater than IFRS provision, the excess provisions should be transferred from retained earnings (general reserve) account to a non-distributable "regulatory credit risk reserve".

When prudential provisions is less than IFRS provision, IFRS determined provision is charged to the statement of profit or loss and other comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to retained earnings account to the extent of the excess prudential provisions which were previously recognized/held in the regulatory credit risk reserve.

However, the Bank did not hold any regulatory credit risk reserve as at 30 June 2023 in respect of differences between loan impairment losses as determined under IFRS and NBE as the cumulative loan provision computed under IFRS was higher than that of the NBE's requirement.

The impairment allowance determined under NBE Directive and IFRS 9 as at 30 June 2023 and 30 June 2022 is as follows:

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Total impairment allowance as per IFRS	9,588,922	9,588,922	10,285,444	10,285,444
Total impairment allowance in line with NBE Directives	6,026,329	6,026,329	6,470,104	6,470,104
Difference (excess of IFRS over NBE)	**3,562,593**	**3,562,593**	**3,815,340**	**3,815,340**

(b) As per the requirement of IFRS, banks should recognize interest income on impaired loans after deducting impairment loss from the gross carrying amount using the EIR. However, as per the requirement of NBE, banks should derecognize interest income on impaired loans.

To comply with the directive of the NBE, the Group and Bank have reversed the suspended interest on impaired loans from retained earnings account and transferred to regulatory credit risk reserve account as the amount is non-distributable to the owner of the Group and Bank.

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Suspended interest transferred to regulatory credit risk reserve	2,783,613	2,783,613	3,836,285	3,836,285

4.3.10 Credit concentrations

The Group and Bank monitor concentrations of credit risk by economic sector. An analysis of concentrations of credit risk of gross loans and advances to customers and other financial assets at 30 June 2023 and 30 June 2022 is shown below. The Bank concentrates all its financial assets in Ethiopia.

Group **30 June 2023**	Agriculture Birr'000	Manufacturing Birr'000	Financial Service Birr'000	others Birr'000	Total Birr'000
Cash and bank balances			33,097,400		33,097,400
Loans and advances to customers	10,975,418	39,823,557	13,136,133	12,929,346	76,864,454
Investment securities:					
- Financial assets measured at FVOCI			103,822		103,822
- Financial assets measured at amortized cost				46,459,289	46,459,289
Other assets				1,417,251	1,417,251
	10,975,418	**39,823,557**	**46,337,355**	**60,805,886**	**157,942,217**

Bank **30 June 2023**	Agriculture Birr'000	Manufacturing Birr'000	Financial Service Birr'000	others Birr'000	Total Birr'000
Cash and bank balances			33,087,090		33,087,090
Loans and advances to customers	10,975,418	39,823,557	13,136,133	12,929,346	76,864,454
Investment securities:					
- Financial assets measured at FVOCI			103,822		103,822
- Financial assets measured at amortized cost				46,459,289	46,459,289
Other assets				1,416,978	1,416,978
	10,975,418	**39,823,557**	**46,327,045**	**60,805,613**	**157,931,633**

Group **30 June 2022**	Agriculture Birr'000	Manufacturing Birr'000	Financial Service Birr'000	others Birr'000	Total Birr'000
Cash and bank balances			12,876,268		12,876,268
Loans and advances to customers	10,931,380	34,854,520	10,616,722	7,271,549	63,674,171
Investment securities:					
- Financial assets measured at FVOCI			52,531		52,531
- Financial assets measured at amortized cost				45,985,425	45,985,425
Other assets				816,449	816,449
	10,931,380	**34,854,520**	**23,545,521**	**54,073,423**	**123,404,843**

Bank	**Agriculture**	**Manufacturing**	**Financial Service**	**others**	**Total**
30 June 2022	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Cash and bank balances			12,865,624		12,865,624
Loans and advances to customers	10,931,380	34,854,520	10,616,722	7,271,549	63,674,171
Investment securities:					
- Financial assets measured at FVOCI			52,531		52,531
- Financial assets measured at amortized cost				45,985,425	45,985,425
Other assets				816,175	816,175
	10,931,380	**34,854,520**	**23,534,877**	**54,073,149**	**123,393,926**

4.3.11 Commitments and guarantees

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group and 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 Group's and Bank's maximum credit risk exposure for commitments and guarantees.

	Group 30 June 2023	**Bank 30 June 2023**	**Group 30 June 2022**	**Bank 30 June 2022**
	Birr'000	**Birr'000**	**Birr'000**	**Birr'000**
Letters of credit	4,826,506	4,826,506	2,750,714	2,750,714
Guarantees	-	-	8,590	8,590
Loan commitments	47,440,172	47,440,172	21,473,277	21,473,277
Total maximum exposure	**52,266,678**	**52,266,678**	**24,232,581**	**24,232,581**

4.4 Liquidity risk

Liquidity risk is defined as the risk that the Group and the Bank do not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In other words, liquidity risk is the risk that the Group and Bank cannot meet their maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Group and Bank might be unable to meet their payment obligations when they fall due as a result of mismatches in the timing and amounts of the cash flows under both normal and stress circumstances, which is inherent to the Group's and Bank's operations and lending activities. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group and Bank on acceptable terms.

Liquidity risk management in the Group and Bank is solely determined by the Treasury and Fund Management Directorate as well as by the Asset and Liability Management Committee (ALCO), which bear the overall responsibility for liquidity risk. The main objective of the Group's and Bank's liquidity risk framework is to maintain sufficient liquidity in order to ensure that they meet their maturing obligations.

4.4.1 Management of liquidity risk

Cash flow forecasting is performed in order to monitor liquidity status. The Treasury and Fund Management Directorate is entrusted with monitoring rolling forecasts of liquidity requirements to ensure the Group/Bank has sufficient cash to meet operational needs. To this end, the Treasury and Fund Management Directorate of the Bank is working collaboratively with other work units within the Bank to ensure the liquidity risk strategy is executed in a holistic manner. This incorporates an assessment of expected cash flows and the availability of diversified funding sources. In this regard, maturity mismatch techniques are used for analyzing the Group's/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 Bank has incurred indebtedness in the form of borrowings, debt securities and deposits. The Bank evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Bank devises strategies to manage its liquidity risk.

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

4.4.2 Maturity analysis of financial liabilities

The table below analyses the Group's and 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.

Group	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year
30 June 2023	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Deposits from customers	467,323	311,549	311,549	311,549	155,774
Debt securities issued	461,335	922,669	1,384,004	1,845,339	32,779,893
Borrowings	-	271,997	2,923,100	4,614,428	63,965,829
Other liabilities - lease liabilities	2,185	4,369	6,554	13,107	52,451
Other liabilities -Other	1,130,439	1,695,658	2,260,878	2,826,097	3,391,316
Total financial liabilities	2,061,281	3,206,243	6,886,084	9,610,520	100,345,263
Letters of credit	241,325	723,976	1,447,952	1,930,603	482,651
Guarantees issued	-	-	-	-	-
Loan commitments	4,744,017	9,488,034	14,232,052	9,488,034	9,488,034
Other commitments	15,256	30,512	45,769	61,025	
Total commitments	5,000,599	10,242,523	15,725,772	11,479,662	9,970,685
Bank					
30 June 2023					
Deposits from customers	467,323	311,549	311,549	311,549	155,774
Debt securities issued	461,335	922,669	1,384,004	1,845,339	32,779,893
Borrowings	-	271,997	2,923,100	4,614,428	63,965,829
Other liabilities - lease liabilities	2,185	4,369	6,554	13,107	52,451
Other liabilities -Other	1,130,412	1,695,618	2,260,823	2,826,029	3,391,235
Total financial liabilities	2,061,254	3,206,202	6,886,030	9,610,452	100,345,182
Letters of credit	241,325	723,976	1,447,952	1,930,603	482,651
Guarantees issued	-	-	-	-	-
Loan commitments	4,744,017	9,488,034	14,232,052	9,488,034	9,488,034
Other commitments	15,256	30,512	45,769	61,025	
Total commitments	5,000,599	10,242,523	15,725,772	11,479,662	9,970,685
Group					
30 June 2022					
Deposits from customers	196,971	131,314	131,314	131,314	65,657
Debt securities issued	317,834	635,668	953,502	1,271,336	17,718,411
Borrowings	200,531	34,464	5,365,289	23,264,893	36,263,313
Other liabilities - lease liabilities	1,303	2,607	3,910	7,821	17,597
Other liabilities -Other	479,159	718,738	958,317	1,197,896	1,437,476
Total financial liabilities	1,195,798	1,522,791	7,412,332	25,873,260	55,502,453
Letters of credit	137,536	412,607	825,214	1,100,286	275,071
Guarantees issued	859	1,718	2,577	3,436	-
Loan commitments	2,147,328	4,294,655	6,441,983	4,294,655	4,294,655
Other commitments	44,200	88,400	132,600	176,799	
Total commitments	2,329,922	4,797,380	7,402,374	5,575,176	4,569,727

Bank	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year
30 June 2022	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Deposits from customers	196,971	131,314	131,314	131,314	65,657
Debt securities issued	317,834	635,668	953,502	1,271,336	17,718,411
Borrowings	200,531	34,464	5,365,289	23,264,893	36,263,313
Other liabilities - lease liabilities	1,303	2,607	3,910	7,821	17,597
Other liabilities -Other	479,154	718,731	958,308	1,197,885	1,437,462
Total financial liabilities	1,195,793	1,522,784	7,412,323	25,873,248	55,502,439
Letters of credit	137,536	412,607	825,214	1,100,286	275,071
Guarantees issued	859	1,718	2,577	3,436	-
Loan commitments	2,147,328	4,294,655	6,441,983	4,294,655	4,294,655
Other commitments	44,200	88,400	132,600	176,799	
Total commitments	2,329,922	4,797,380	7,402,374	5,575,176	4,569,727

4.5 Market risk

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

The Group and Bank do 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 to ensure the Group's and Bank's solvency while optimizing the return on risk. Market risk is monitored regularly by the Compliance and Risk Management Directorate 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. Borrowing and lending obtained and granted at variable rates give rise to interest rate risk.

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

The Group and Bank often revise their lending rate across segments of the credit portfolio based on the cost of funds and the perceived risk in each credit portfolio segment to keep the overall profitability and sustainability, in consideration of the Bank's unique development objective.

The table below sets out information on the gross exposures to fixed and variable interest instruments as well as non-interest instruments.

Group	Fixed interest	Floating interest	Non-interest bearing	Total
30 June 2023	Birr'000	Birr'000	Birr'000	Birr'000
Assets				
Cash and balances with banks	29,096,941		4,000,459	33,097,400
Loans and advances to customers	76,864,454			76,864,454
Investment securities	31,085,227		15,477,882	46,563,109
Other assets			1,417,251	1,417,251
Total	137,046,623		20,895,593	157,942,215
Liabilities				
Deposits from customers	40,537		1,517,206	1,557,743
Debt securities issued	37,393,241			37,393,241
Borrowings	71,664,318	111,036		71,775,354
Other liabilities			10,872,364	10,872,364
Total	109,098,095	111,036	12,389,570	121,598,702

Bank 30 June 2023	Fixed interest Birr'000	Floating interest Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	29,096,941		3,990,149	33,087,090
Loans and advances to customers	76,864,454			76,864,454
Investment securities	31,085,227		15,477,882	46,563,109
Other assets			1,416,978	1,416,978
Total	137,046,623		20,885,009	157,931,631
Liabilities				
Deposits from customers	40,537		1,517,206	1,557,743
Debt securities issued	37,393,241			37,393,241
Borrowings	71,664,318	111,036		71,775,354
Other liabilities			10,872,175	10,872,175
Total	109,098,095	111,036	12,389,381	121,598,512

Group 30 June 2022	Fixed interest Birr'000	Floating interest Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	9,395,108		3,481,160	12,876,268
Loans and advances to customers	63,674,171			63,674,171
Investment securities	31,085,227		14,952,728	46,037,955
Other assets			816,449	816,449
Total	104,154,507		19,250,337	123,404,843
Liabilities				
Deposits from customers	31,504		625,064	656,568
Debt securities issued	20,896,751			20,896,751
Borrowings	64,757,121	371,369		65,128,490
Other liabilities			4,510,675	4,510,675
Total	85,685,377	371,369	5,135,739	91,192,485

Bank 30 June 2022	Fixed interest Birr'000	Floating interest Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	9,395,108		3,470,516	12,865,624
Loans and advances to customers	63,674,171			63,674,171
Investment securities	31,085,227		14,952,728	46,037,955
Other assets			816,175	816,175
Total	104,154,507		19,239,419	123,393,926
Liabilities				
Deposits from customers	31,504		625,064	656,568
Debt securities issued	20,896,751			20,896,751
Borrowings	64,757,121	371,369		65,128,490
Other liabilities			4,510,643	4,510,643
Total	85,685,377	371,369	5,135,707	91,192,453

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate non-trading financial assets and financial liabilities held at 30 June 2023 and 30 June 2022.

	Increase/ (decrease) in basis points	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
USD	10% (↑)	(11,104)	(11,104)	(37,137)	(37,137)
USD	10% (↓)	11,104	11,104	37,137	37,137

(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 Group and Bank are exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The Group's and Bank's foreign currency deposit 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 Group's and Bank's foreign denominated borrowings and cash and bank balances.

The net foreign currency denominated assets and liabilities exposed to risk as at year end was Birr 1.27 billion (30 June 2022: Birr 2.41 billion).

Foreign currency denominated balances

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Cash and bank balances	2,143,428	2,143,428	3,450,489	3,450,489
Deposits from customers	771,204	771,204	672,125	672,125
Borrowings	111,036	111,036	371,369	371,369
	882,240	**882,240**	**1,043,494**	**1,043,494**
Net foreign currency exposure	**1,261,188**	**1,261,188**	**2,406,995**	**2,406,995**

Sensitivity analysis for foreign exchange risk

The sensitivity analysis for currency rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date. The sensitivity of the Bank's earnings to fluctuations in exchange rates is reflected by varying the exchange rates at 10% as shown below:

	Increase/ (decrease) in basis points	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
USD	10% (↑)	66,525	66,525	204,232	204,232
USD	10% (↓)	(66,525)	(66,525)	(204,232)	(204,232)
EUR	10% (↑)	59,545	59,545	36,391	36,391
EUR	10% (↓)	(59,545)	(59,545)	(36,391)	(36,391)
GBP	10% (↑)	49	49	77	77
GBP	10% (↓)	(49)	(49)	(77)	(77)

4.6 Capital management

The Group's and 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 Government/public, creditor and market confidence and to sustain future development of the business.

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 capital to risk weighted assets ratio of 8% at all times. The risk weighted assets ratio is calculated as per the provisions of Directive No SBB/9/95 issued on August 18, 1995.

Accordingly, the risk-weighted asset of each on financial position item and off-financial position item is determined by multiplying the respective exposure amount by the respective risk weight (i.e., 0%, 20%, 50% and 100%) in line with NBE's directives. For instance, cash and bank balances and loans and advances are assigned a risk weight of 0% and 100% respectively.

Capital includes paid-up capital, retained earnings (general reserve), legal reserve and other reserves (unencumbered reserves) to be approved by the National Bank of Ethiopia.

The Bank's capital adequacy ratio (CAR) is computed by dividing its capital by its risk-weighted assets. The information on components of capital, total risk-weighted assets and CAR as at 30 June 2023 and 30 June 2022 is shown below:

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Capital		
Capital	28,520,000	28,520,000
Retained earnings	1,905,955	623,188
Legal reserve	3,882,899	2,448,605
Regulatory credit risk reserve	2,783,613	3,836,285
Other reserve	(23,266)	(1,934)
	37,069,202	**35,426,144**
Risk weighted assets		
Risk weighted balance for on-financial position items	79,267,661	62,470,564
Credit equivalents for off-financial position items	85,053,260	2,922,765
	164,320,921	**65,393,329**
Risk-weighted capital adequacy ratio (CAR)	23%	54%
Minimum required capital	8%	8%
Excess/(shortfall)	15%	46%

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.

4.7.1 Valuation models

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

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

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

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The specific valuation techniques used to value the equity instruments include: the use of market trading multiples for similar and comparable companies.

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

4.7.2 Financial instruments measured at fair value - Fair value hierarchy

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

Group	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
30 June 2023	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Financial assets					
Cash and balances with banks (net)					
Loans and advances to customers (net)					
Investment securities:					
- Financial assets measured at FVOCI	103,822		103,822		103,822
- Financial assets measured at amortized cost					
Other assets					
Total	**103,822**		**103,822**	**-**	**103,822**
Financial liabilities					
Deposits from customers					-
Debt securities issued					-
Borrowings					-
Other liabilities					-
Total	-			-	-

Bank	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
30 June 2023	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Financial assets					
Cash and balances with banks (net)					
Loans and advances to customers (net)					
Investment securities:					
- Financial assets measured at FVOCI	103,822		103,822		103,822
- Financial assets measured at amortized cost					-
Other assets					-
Total	**103,822**		**103,822**	**-**	**103,822**
Financial liabilities					
Deposits from customers					
Debt securities issued					
Borrowings					
Other liabilities					
Total	-			-	-

Group **30 June 2022**	**Carrying amount** **Birr'000**	**Level 1** **Birr'000**	**Level 2** **Birr'000**	**Level 3** **Birr'000**	**Total** **Birr'000**
Financial assets					
Cash and balances with banks (net)					-
Loans and advances to customers (net)					-
Investment securities:					
- Financial assets measured at FVOCI	52,531		52,531		52,531
- Financial assets measured at amortized cost					-
Other assets					-
Total	**52,531**		**52,531**	**-**	**52,531**

	Carrying amount **Birr'000**	**Level 1** **Birr'000**	**Level 2** **Birr'000**	**Level 3** **Birr'000**	**Total** **Birr'000**
Financial liabilities					
Deposits from customers					-
Debt securities issued					-
Borrowings					-
Other liabilities					-
Total	**-**			**-**	**-**

Bank **30 June 2022**	**Carrying amount** **Birr'000**	**Level 1** **Birr'000**	**Level 2** **Birr'000**	**Level 3** **Birr'000**	**Total** **Birr'000**
Financial assets					
Cash and balances with banks (net)					-
Loans and advances to customers (net)					-
Investment securities:					
- Financial assets measured at FVOCI	52,531		52,531		52,531
- Financial assets measured at amortized cost					-
Other assets					-
Total	**52,531**		**52,531**	**-**	**52,531**
Financial liabilities					
Deposits from customers					-
Debt securities issued					-
Borrowings					-
Other liabilities					-
Total	**-**			**-**	**-**

4.7.3 Valuation technique using significant unobservable inputs – Level 3

The Group and the Bank have no financial assets measured using significant unobservable inputs.

4.7.4 Transfers between the fair value hierarchy categories

During this reporting period including the previous year 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.

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
5 Interest income				
Interest income calculated using the effective interest method				
Interest on agriculture loans	1,044,284	1,044,284	1,233,228	1,233,228
Interest on manufacturing loans	5,720,547	5,720,547	3,001,628	3,001,628
Interest on mining and energy loans	164,278	164,278	102,346	102,346
Interest on service loans	732,474	732,474	484,766	484,766
Interest on lease services loans	10,791	10,791	73,554	73,554
Interest on micro-financing loans	311,794	311,794	160,223	160,223
Interest on staff loans	52,970	52,970	37,937	37,937
Interest on investment securities	1,602,275	1,602,275	1,610,234	1,610,234
Interest on deposit placement	2,169,872	2,168,617	579,469	578,440
Total interest income	11,809,284	11,808,029	7,283,385	7,282,356

Under the interest income line, a total of ETB 159,009,962.67 for the year ended June 30, 2023, and ETB 574,713,154 for the year ended June 30, 2022, were relating to credit impaired loans and advances.

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
6 Interest expense				
Interest expense calculated using the effective interest method				
Interest on deposits	1,896	1,896	5,500	5,500
Interest on Ethiopian Government Saving Bonds	608,074	608,074	644,816	644,816
Interest on Development Bank of Ethiopia Bonds	1,536,563	1,536,563	297,385	297,385
Interest on National Bank of Ethiopia borrowing	1,698,681	1,698,681	1,904,256	1,904,256
Interest on Ministry of Finance borrowing	344,780	344,780	255,944	255,944
Interest on China Development Bank borrowing	10,627	10,627	11,883	11,883
	4,200,622	4,200,622	3,119,783	3,119,783
7 Net Fee and commission income				
7a Fee and commission income				
Commission income on CPO and FT	138,352	138,352	80,730	80,730
Commission income on insurance	3,464	3,464	1,900	1,900
Commission on letters of credit	567,094	567,094	296,331	296,331
Commission on managed funds	-	-	-	-
	708,910	708,910	378,961	378,961
Fee and commission expense	(3,759)	(3,759)	(3,334)	(3,334)
Net fee and commission income	705,152	705,152	375,627	375,627

7b Disaggregated revenue information

Group/Bank	For the year ended 30 June 2023			
Segments	**Corporate Banking**	**Retail Banking**	**Managed Fund**	**Total**
Net fee income earned from services that are provided over time				
Net fee income from providing financial services at a point in time:				
Fee and commission income on trade services (net)	563,335			563,335
Fee on fund transfer and transaction services (net)		141,817		141,817
Commission on managed fund (net)				-
	563,335	141,817	-	705,152
Total net revenue from contracts with customers	563,335	141,817	-	705,152

Group/Bank	For the year ended 30 June 2022			
Segments	**Corporate Banking**	**Retail Banking**	**Managed Fund**	**Total**
Net fee income earned from services that are provided over time				
Net fee income from providing financial services at a point in time:				
Fee and commission income on trade services (net)	292,997			292,997
Fee on fund transfer and transaction services (net)		82,630		82,630
Commission on managed fund (net)				
	292,997	82,630		375,627
Total net revenue from contracts with customers	292,997	82,630		375,627

The total revenue from contracts with customers is generated entirely from domestic operation as the Group and Bank have no any operation outside Ethiopia

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
8 Other operating income				
Rental income	5,540	5,540	5,120	5,120
Gain on disposal of property, plant and equipment (net)	99	99	224	224
Penalty charge income	1,357	1,357	1,981	1,981
Gain on foreign exchange (net)	439,097	439,097	472,056	472,056
Other income	60,845	60,845	25,116	25,116
	506,937	506,937	504,497	504,497
9 Loan impairment charge/(reversal)				
Loans and advances - charge/(reversal) for the year (Note 15)	(373,604)	(373,604)	499,221	499,221
Loans and advances - reversal of provision (note 15a)				
	(373,604)	(373,604)	499,221	499,221
10 Impairment losses/(reversal) on other assets				
Other assets - charge/(reversal) for the year (note 14,16 & 18)	(201,375)	(201,375)	(755,467)	(755,467)
Other assets - reversal of impairment losses (note 18)				
	(201,375)	(201,375)	(755,467)	(755,467)

The breakdown of annual impairment charge/ (reversal) on other assets for the year ended 30 June 2023 and 30 June 2022 is as follows:

		Group/Bank 30 June 2023 Birr'000	Group/Bank 30 June 2022 Birr'000
Cash and bank balance	Note 14	1,043	(7)
Investment security (Treasury Notes & Gov't Bonds)	Note 16	24	77
Other financial assets measured at amortized cost & non-financial assets	Note 18	(202,426)	(755,522)
Letters of credit and financial guarantee	Note 26	(16)	(15)
		(201,375)	-755,467

11 Personnel expenses

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Salaries and wages	892,587	891,731	655,251	654,674
Staff allowances	589,372	589,336	303,325	303,325
Pension costs – defined contribution plan	74,869	74,783	58,257	58,257
Pension costs – defined benefit plans	34,809	34,809	26,691	26,691
Other staff expenses	185,985	185,838	110,486	110,486
	1,777,622	1,776,496	1,154,011	1,153,434

12 Other operating expenses

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Per diem and travel	38,390	38,390	24,428	24,428
Fuel and lubricants	22,015	22,015	9,377	9,377
Audit fees	1,602	1,557	541	509
Repairs and maintenance	76,201	76,192	49,865	49,864
Utility and communications	19,478	19,461	15,924	15,910
Printing and stationery	28,729	28,723	14,349	14,346
Subscription & publication	443	443	865	865
Donations and sponsorship	341,119	341,119	91,218	91,218
Entertainment	12,620	12,620	8,514	8,514
Event organization	8,344	8,344	7,704	7,704
Advertisement & publicity	87,143	87,143	82,231	82,231
Insurance	11,953	11,953	5,754	5,754
License and professional fees	39,308	39,307	37,395	37,393
Commission for agents	2,771	2,771	2,524	2,524
Board of management fees	727	727	1,157	1,157
Wage, security & cleaning Service	72,723	72,723	49,194	49,194
Administration expense on asset awaiting for resale	74,477	74,477	93,428	93,428
Loss on disposal of asset awaiting for resale	-	-	955	955
Interest expense on late payment of tax	18,112	18,112	29,279	29,279
Penalty	102,353	102,353	8,413	8,413
Legal	-5,052	(5,052)	5,274	5,274
Miscellaneous	25,099	25,091	35,222	35,218
	978,555	978,471	573,612	573,555

The major items reported under miscellaneous expenses were printing costs, moving expenses, cleaning supplies, municipal charges, and others

13 Current income tax and deferred tax

13a Income tax expense/(income)

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Tax expense				
Current income tax (note 13b)	737,615	737,615	30,402	30,402
Deferred income tax/(credit) to profit or loss (note 13b)	(12,119)	(12,119)	(14,969)	(14,969)
Total charge to profit or loss	**725,496**	**725,496**	**15,433**	**15,433**
Income tax charged/(credited) to other comprehensive income				
Tax (credit) on other comprehensive income (note 13d)	9,142	9,142	(6,891)	(6,891)
Total income tax charged/(credited) to other comprehensive income	**9,142**	**9,142**	**(6,891)**	**(6,891)**

13b Reconciliation of effective tax to statutory tax

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

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Profit/ (Loss) before tax	6,463,494	6,463,494	3,426,199	3,426,199
Tax calculated at statutory tax rate of 30%	**1,939,048**	**1,939,048**	**1,027,860**	**1,027,860**
Add: Tax effect of disallowed expenses and reversal				
Entertainment	3,786	3,786	2,554	2,554
Donation and sponsorship	12,487	12,487	27,365	27,365
Event organization	2,503	2,503	2,311	2,311
Penalty	30,706	30,706	2,524	2,524
Interest expense on late payment of tax	5,433	5,433	8,784	8,784
Amortization of right-of-use asset	12,646	12,646	7,889	7,889
Interest expense on lease liability	1,173	1,173	890	890
Accrued annual leave expense	15,189	15,189	5,549	5,549
expense	52,621	52,621	26,862	26,862
Funeral assistance expense	9	9	28	28
Lunch, milk and parking	129	129	83	83
Employee benefit expense (staff loans)	9,110	9,110	7,317	7,317
Per diem	3,490	3,490	2,217	2,217
Representative, moving and telephone allowances	1,130	1,130	2,194	2,194
Depreciation for rented buildings	20	20	19	19
Insurance expense on rented buildings	7	7	8	8
Legal provision	-	-	904	904
Depreciation & amortization for accounting purpose	38,986	38,986	34,947	34,947
Withholding tax on technical services	1,522	1,522	1,372	1,372
Reversal of provision for loans & advance as per NBE	21,653	21,653		
Administration expense on asset awaiting for resale	22,343	22,343	28,028	28,028
Bad Debts Written Off	26	26		
Employee benefit expense (actuarial valuation)	10,443	10,443	8,007	8,007
	245,412	**245,412**	**169,853**	**169,853**
Less: Tax effect of allowed expenses and reversal				
Depreciation for tax purposes	36,492	36,492	28,509	28,509
Provision for loans and advances for tax purpose (80%)*	-	-	201,151	201,151
Reversal of provision for loans and other asset as per IFR:	172,494	172,494	76,874	76,874
Interest on non-performing loans (impaired loans) as per IFRS	47,703	47,703	172,414	172,414
Bonus payment	43,273	43,273	22,975	22,975
Payment of leasehold land	15	15	498	498
Office rent expense	13,926	13,926	8,085	8,085
	313,903	**313,903**	**510,505**	**510,505**
Less: Tax effect of income taxed at source, tax exempt or tax presented separately				
Gain on foreign exchange due to				
Interest income on treasury notes and government bonds	480,682	480,682	483,070	483,070
Interest on foreign deposits	10,479	10,479	292	292
Interest on local deposits	640,106	640,106	173,240	173,240
Rent income	1,662	1,662	1,536	1,536
Dividend income taxed at source	1,730	1,730	158	158
Gain on disposal of property, plant & equipment (net)	30	30	67	67
	1,134,689	**1,134,689**	**658,363**	**658,363**
Less: Tax effect of unused tax loss carried forward			-	
Business income tax at 30%	735,869	735,869	28,844	28,844
Rental income tax at 30%			1,509	1,509
Tax on interest from foreign deposits at 5%	1,747	1,747	49	49
Current income tax expense	**737,615**	**737,615**	**30,402**	**30,402**
Deferred income tax expense/ (income)	**(12,119)**	**(12,119)**	**(14,969)**	**(14,969)**
Total income tax expense/ (income)	**725,496**	**725,496**	**15,433**	**15,433**

* For tax reporting purpose, the Bank shall be annually allowed a deduction of eighty percent of its loan impairment loss, which is calculated in accordance with the prudential requirements prescribed by the National Bank of Ethiopia. In this sense, when there is a reversal of loan impairment, the Bank shall be required to pay tax for eighty percent of the reversal of loan impairment losses, to the extent that it has previously benefited.

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
13c Current income tax recoverable/ (liability)				
Balance at the beginning of the year	(31,184)	(31,182)	(987,144)	(987,141)
Charge for the year:	(18,835)	(18,835)		
Income tax expense	(737,615)	(737,615)	(30,402)	(30,402)
Payment during the year (including withholding tax)	263,774	263,716	986,362	986,362
Balance at the end of the year	**(523,859)**	**(523,916)**	**(31,184)**	**(31,182)**

The increase in the bank's tax liability to Birr 523,915,965.52, is due to an increase in net profit before tax (PBT) by 89% (Birr 6,463,493,576.66 and Birr 3,426,199,444, respectively) when compared to the previous year, which led to the recognition of additional tax of Birr 737,615,184.46. An amount of birr 263,715,633.37 in tax liability has been settled during the budget year out of which Birr 213,699,219 is a receivable from the tax authority . Likewise, there is a significant rise in disallowed expenses (i.e., penality expenses), which have increased to birr 102,353,378. In contrast, bonus expense, office rent, and interest expense in local and foreign deposits have increased. The main triggering points for the increase were an increase in employee salaries and benefit packages during the year, and the bank has expanded its branch network from 76 to

13d Deferred income tax

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

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:				
To be recovered after more than 12 months	(157,894)	(157,894)	(179,156)	(179,156)
	(157,894)	**(157,894)**	**(179,156)**	**(179,156)**

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

Group/Bank

Deferred income tax assets/(liabilities):	At 1 July 2022 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2023 Birr'000
Property, plant and equipment, intangible asset and investment prop	(222,394)	1,677		(220,718)
Equity investments at FVOCI - net change in fair value	(12,009)		(13,658)	(25,667)
Post-employment benefit obligation	55,248	10,443	22,800	88,490
Total deferred tax assets/(liabilities)	**(179,156)**	**12,119**	**9,142**	**(157,894)**

Group/Bank

Deferred income tax assets/(liabilities):	At 1 July 2021 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2022 Birr'000
Property, plant and equipment, intangible asset and investment prop	(229,356)	6,962		(222,394)
Equity investments at FVOCI - net change in fair value	(10,010)		(1,999)	(12,009)
Post-employment benefit obligation	52,133	8,007	(4,892)	55,248
Total deferred tax assets/(liabilities)	**(187,233)**	**14,969**	**(6,891)**	**(179,156)**

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13e Rental income tax for the fiscal year ended 30 June 2023 and 30 June 2022 is presented as follows:

	Rent income by Region/City Administration			
	Addis Ababa	**Dire Dawa**	**Tigray**	**Total**
30 June 2023				
Income:				
Rental income	4,903	217	419	5,540
Expenses:				
Depreciation	47	11	10	68
Insurance	21	2	-	23
Total rental expenses	68	13		91
Net profit/(loss) from rental operation	4,835	204		5,449
Rental income tax (30%)	1,451	61		1,635
Withholding tax receivable	(98)			(98)
Net rental income tax	1,353	61		1,537

	Rent income by Region/City Administration			
	Addis Ababa	**Dire Dawa**	**Tigray**	**Total**
30 June 2022				
Income:				
Rental income	4,903	217		5,120
Expenses:				-
				-
Depreciation	53	11		64
Insurance	23	3		26
Total rental expenses	76	14	-	90
Net profit/(loss) from rental operation	4,827	203	-	5,030
Rental income tax (30%)	1,448	61	-	1,509
Withholding tax receivable	(98)			(98)
Net rental income tax	1,350	61	-	1,411

13f Tax losses carried forward

The Group has tax loss during the year ended 30 June 2023 and 30 June 2022 for which no deferred tax asset was recognized as follows:

	Group 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Expiry Date
Tax loss for the year	364	348	2027/28

The Group could not utilize loss carried forward of Birr 363,829.00 including additional tax loss carried forward of Birr 15,790.66 in the current year.

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
14 Cash and bank balances				
Cash on hand	29,223	28,568	34,552	32,908
Balance held with National Bank of Ethiopia	78,226	78,226	165,456	165,456
Deposits with local banks	32,091,313	32,081,658	11,312,372	11,303,372
Deposits with foreign banks	898,638	898,638	1,363,888	1,363,888
Cash and cash equivalents in the statement of cash flows	**33,097,400**	**33,087,090**	**12,876,268**	**12,865,624**
Less: impairment allowance	(1,685)	(1,685)	(642)	(642)
Cash and cash equivalents in the statement of financial position	**33,095,715**	**33,085,405**	**12,875,627**	**12,864,983**
Maturity analysis				
Current	33,077,844	33,067,534	12,834,904	12,824,260
Non-Current	17,871	17,871	40,722	40,722
	33,095,715	**33,085,405**	**12,875,627**	**12,864,983**

Cash and cash equivalents in the statement of cash flows are the same as on the statement of financial position, except for ECL allowance, as the Group and Bank had no bank overdrafts, restricted current accounts with the National Bank of Ethiopia and amounts due from banks on demand or with an original maturity of less than three months or less at the end of each reporting period.

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Cash in hand	29,223	28,568	34,552	32,908
Balance held with National Bank of Ethiopia	78,226	78,226	165,456	165,456
Deposits with local banks	32,091,313	32,081,658	11,312,372	11,303,372
Deposits with foreign banks	898,638	898,638	1,363,888	1,363,888
	33,097,400	**33,087,090**	**12,876,268**	**12,865,624**
Less impairment allowance	(1,685)	(1,685)	(642)	(642)
	33,095,715	**33,085,405**	**12,875,627**	**12,864,983**

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
15 Loans and advances to customers				
Agriculture	10,975,418	10,975,418	10,931,380	10,931,380
Manufacturing	39,823,557	39,823,557	34,854,520	34,854,520
Mining and energy	261,822	261,822	254,509	254,509
Service	268,680	268,680	319,014	319,014
Lease services (note 15a)	10,458,009	10,458,009	5,644,411	5,644,411
Micro-financing	13,136,133	13,136,133	10,616,722	10,616,722
Working capital	1,500,538	1,500,538	625,583	625,583
Consumer (staff)	440,297	440,297	428,032	428,032
Gross amount	**76,864,454**	**76,864,454**	**63,674,171**	**63,674,171**
Less: impairment allowance for:				
- Stage 1 - 12 month expected credit loss	(975,866)	(975,866)	(1,295,720)	(1,295,720)
- Stage 2 - Lifetime expected credit loss	(150,034)	(150,034)	(290,674)	(290,674)
- Stage 3 - Lifetime expected credit loss	(8,092,358)	(8,092,358)	(8,127,011)	(8,127,011)
	67,646,196	**67,646,196**	**53,960,766**	**53,960,766**
Maturity analysis				
Current	14,600,504	14,600,504	12,128,640	12,128,640
Non-Current	53,045,692	53,045,692	41,832,127	41,832,127
	67,646,196	**67,646,196**	**53,960,766**	**53,960,766**

15a Lease services

The Bank, as policy-based financier, purchases capital goods to be leased out to small and medium enterprises (SMEs) in the form of hire-purchase leases (finance leases).

A reconciliation of the gross investment in the lease at the end of the reporting period, and the present value of minimum lease payments receivable at the end of the reporting period, is as follows:

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Gross investment in the finance lease receivable	14,460,742	14,460,742	9,478,245	9,478,245
Undisbursed commitment balances	(423,602)	(423,602)	(1,029,638)	(1,029,638)
Unearned finance income	(3,943,525)	(3,943,525)	(2,837,744)	(2,837,744)
Earned finance income	364,394	364,394	33,549	33,549
Gross amount	**10,458,009**	**10,458,009**	**5,644,411**	**5,644,411**
Less: Impairment allowance for uncollectible minimum lease payments receivable	(620,819)	(620,819)	(673,912)	(673,912)
Present value of minimum lease payments	9,837,190	9,837,190	4,970,499	4,970,499
Gross investment in the finance lease receivable:				
- Not later than one year	6,438,926	6,438,926	4,440,492	4,440,492
- Later than one year and not later than five years	6,528,064	6,528,064	4,411,308	4,411,308
- Later than five years	1,493,752	1,493,752	626,445	626,445
	14,460,742	14,460,742	9,478,245	9,478,245
Present value of minimum lease payments may be analysed as:				
- Not later than one year	1,935,114	1,935,114	1,334,771	1,334,771
- Later than one year and not later than five years	3,882,117	3,882,117	4,161,545	4,161,545
- Later than five years	4,019,959	4,019,959	(525,818)	(525,818)
	9,837,190	9,837,190	4,970,499	4,970,499

15b Impairment allowance on loans and advances to customers

A reconciliation of the allowance for impairment losses for loans and advances to customers as at 30 June 2023 is as follows:

	Allowance for ECL as at 30 June 2022 Birr'000	Write-off during the year Birr'000	Adjusted allowance for ECL as at 30 June 2022 Birr'000	Charge for the year Birr'000	Allowance for ECL as at 30 June 2023 Birr'000
Stage 1 - 12 month ECL	1,295,720		1,295,720	(319,854)	975,866
Stage 2 - Lifetime ECL	290,674		290,674	(140,640)	150,034
Stage 3 - Lifetime ECL	8,127,011	(121,542)	8,005,468	86,890	8,092,358
Total	9,713,405	(121,542)	9,591,863	(373,604)	9,218,259

A reconciliation of the allowance for impairment losses for loans and advances to customers as at 30 June 2022 is as follows:

	Allowance for ECL as at 30 June 2021 Birr'000	Write-off during the year Birr'000	Adjusted allowance for ECL as at 30 June 2020 Birr'000	Charge for the year Birr'000	Allowance for ECL as at 30 June 2022 Birr'000
Stage 1 - 12 month ECL	830,967		830,967	464,754	1,295,720
Stage 2 - Lifetime ECL	1,316,056		1,316,056	(1,025,383)	290,674
Stage 3 - Lifetime ECL	7,598,972	(531,811)	7,067,161	1,059,849	8,127,011
Total	9,745,995	(531,811)	9,214,184	499,221	9,713,405

16 Investment securities

16.1 Financial assets at fair value through OCI

Equity investment	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Balance at the beginning of the year	52,531	52,531	45,867	45,867
Changes in the fair value of investments at FVTOCI	45,526	45,526	6,664	6,664
Additional investments made during the year	5,765	5,765	-	-
	103,822	103,822	52,531	52,531

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
**Maturity analysis**				
Current				
Non-Current	103,822	103,822	52,531	52,531
	103,822	103,822	52,531	52,531

The Bank holds equity investments in Eth-switch of 1.94 % as at 30 June 2023 (30 June 2022: 2.03%). To value its investee company, the Bank uses the market approach, especially market multiple valuation technique, as there is readily available market information of comparable companies to the investee company being valued.

The Valuation by multiples is based on actual market prices. By using this valuation method, the unknown value of the valuation object is calculated based on the known values of comparable objects (companies, transactions or IPOs). The selection of the appropriate multiple within a range requires judgment, considering qualitative and quantitative factors specific to the measurement.

In view of this, the Bank has used EV/EBITDA based as it helps determine the true earning potential of the business, and it is also a better measure where the leverage and net profits are more vulnerable to business cycles and financial solvency. To this end, the Bank has applied its percentage shareholding of 1.94% in 2023 and 2.03% in 2022, as well as some assumptions such as a liquidity/marketability discount of 15.9% and company specific discount of 5% in consideration of its average size of interest and other significant attributes, such as profitability, geographic area of operation, size of company (e.g. revenue, assets, etc.), type of product/service, market positioning, company growth, growth, etc.

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
16.2 Financial assets at amortized cost				
Treasury note	31,085,229	31,085,229	31,085,227	31,085,227
Special Government bond	22,939,942	22,939,942	23,107,120	23,107,120
Gross amount	**54,025,171**	**54,025,171**	**54,192,347**	**54,192,347**
Less: Deferred day one loss	(7,565,882)	(7,565,882)	**(8,206,923)**	**(8,206,923)**
Impairment allowance	(2,323)	(2,323)	(2,299)	(2,299)
	46,456,966	**46,456,966**	**45,983,126**	**45,983,126**
**Maturity analysis**				
Current	31,087,105	31,087,105	31,087,103	31,087,103
Non-Current	15,369,861	15,369,861	14,896,022	14,896,022
	46,456,966	**46,456,966**	**45,983,126**	**45,983,126**

i) Classification of Ethiopian Treasury note and Special Government bonds

Treasury note and Ethiopian special government bonds are classified as amortized cost because management's intention is to hold these investments to maturity, and they are neither held for trading, nor managed on a fair value basis nor quoted in an active market.

ii) Redemption of Ethiopian Treasury note

Treasury note (Serial No. 3) shall be redeemed within three years with an interest rate of 5% per annum. The principal shall be paid on December 3, 2023 after the elapse of three years. The interest shall be paid semi-annually on the 3rd day of June and December of each year. The interest payment shall commence on December 3, 2020 and end on December 3, 2023.

iii) Redemption of Special Ethiopian Government bonds

Ethiopian government bonds shall be redeemed in ten and fourteen equal annual installments after a grace period of two and five years for three serial bonds. These bonds are non-interest bearing bonds. The first bond amounting to Birr 18,758,946.00 was issued on 21 February 2014 to be paid over 10 years with an annual installment of Birr 1,875,894.60, commencing on 1 February 2016 and ending on 1 February 2025. The second bond amounting to Birr 2,567,767,114.00 was issued on 20 July 2016 to be paid in 10 equal annual installments with an annual installment of Birr 256,776,711.40, starting on 1 July 2022 and ending on 1 July 2031. The third bond amounting to Birr 21,020,000,000.00 was issued on 13 July 2020 to be paid in fourteen (14) equal annual installments with an annual installment of Birr 1,501,428,571.42, starting on 13 July 2026 and ending on 13 July 2039.

iv) Unobservable valuation differences on initial recognition (deferred day one loss) on special Government bonds

When the fair value of financial assets (such as special Government bonds) differs from the transaction price on initial recognition, the Group/Bank recognises the difference as follows (IFRS 9.B5.1.2A, IFRS 13.59, IFRS 13.60, IFRS 13.B4, and IFRS 13.BC138):

When the fair value is evidenced by a quoted price in an active market for an identical asset (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised in profit or loss immediately as a day one gain or loss; or

In all other cases where the fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement or derecognition.

Accordingly, the Bank has decided to reocgnize the difference between transaction price and fair value on special Government bonds as 'Deferred day 1 loss' and amortize the deferred day one loss over the life of the instrument because of the use of valuation techniques for which not all the inputs were market observable data.

The table below shows, for special Government bonds, the movement in the aggregate [deferred] profit not recognised in profit or loss at the beginning and end of the year and a reconciliation of the changes of the balance during the year.

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Balance at 1 July (unrecognised loss)	8,206,923	8,206,923	8,817,420	8,817,420
Deferral of profit on new transactions (increase due to new				
Reduction due to passage of time	(641,041)	(641,041)	(610,497)	(610,497)
Reduction due to redemption/derecognition/transfers/improved observability				
Balance at 30 June (unrecognised loss)	**7,565,882**	**7,565,882**	**8,206,923**	**8,206,923**
Maturity analysis				
Current	673,112	673,112	620,298	620,298
Non-Current	6,892,770	6,892,770	7,586,625	7,586,625
	7,565,882	**7,565,882**	**8,206,923**	**8,206,923**

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
17 Investment in subsidiary				
Ethio Capital & Investment PLC		9,999		9,999
		9,999		**9,999**
Maturity analysis				
Current				
Non-Current		9,999		9,999
		9,999		**9,999**

(i) The Group has one subsidiary company, namely Ethiop Capital and Investment PLC, which is directly controlled by the Group. The subsidiary has share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation (i.e., Ethiopia) is its place of business.

The subsidiary is owned by six shareholders, with majority of shares (99,994 shares out of 100,000 shares issued on 14 June 2017) being held by the Development Bank of Ethiopia. The company was established in 2017 and the shares were fully paid up in cash at the time of its establishment. No additional shares have been issued subsequent to initial share issuance.
There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of any member of the Group.

The relevant activities of the subsidiary is determined by the Board of Directors of the subsidiary based on simple majority shares.

Therefore, the Directors of the Group concluded that the Group has control over the subsidiary and was consolidated in the Group's financial statements.

Based on the contractual arrangements between the Group and the shareholders in the subsidiary, the Group has the power to appoint and remove the majority of the Board of Directors of the entity/company.

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The table below shows the detailed information on share holding in Ethio Capital and Investment PLC:

Name of Company	Nature of business	Country of incorporation	Ownership interest 30 June 2023	Ownership interest 30 June 2022
Ethio Capital & Investment	Asset management & others	Ethiopia	99.99%	99.99%

(ii) Non-controlling interests (NCI)

The summarized financial information of one subsidiary, Ethio Capital and Investment PLC as at 30 June 2023 and 30 June 2022 is presented as follows:

	Ethio Capital & Investment PLC 30 June 2023 Birr'000	Ethio Capital & Investment PLC 30 June 2022 Birr'000
Summarized statement of profit or loss		
Operating income	1,255	1,029
Operating expenses	(1,213)	(636)
Impairment charge on financial assets		
Profit before tax	42	393
Income tax expense		
Profit/(loss) for the period	**42**	**393**
Profit/(loss) allocated to NCI	**0.00**	**0.02**
Consolidated statement of financial position		
Assets		
Cash and bank balances	10,314	10,644
Other assets	378	371
Property, plant and equipment	15	11
Total assets	**10,707**	**11,025**
Liabilities & Equity		
Liabilities		
Current tax liabilities		
Other liabilities	271	46
Total Liabilities	**271**	**46**
Equity		
Capital	10,000	10,000
Accumulated profit/(loss)	156	708
Legal reserve	280	271
Total equity	**10,436**	**10,979**
Total liabilities and equity	**10,707**	**11,025**
Accumulated NCI	**1**	**1**
Summarized statement of cash flows		
Net cash flows (used in)/from operating activities	(999)	(649)
Net cash flows (used in) /from investing activities	666	1,143
Net cash flows (used in) /from financing activities		
Net increase/ (decrease) in cash and cash equivalents	(333)	494
Cash and cash equivalents, beginning of period	1,644	1,150
Cash and cash equivalents, end of period	**1,310**	**1,644**

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
18 Other assets				
Financial assets				
Uncleared effects	19,482	19,482	40,968	40,968
Staff advances	21,599	21,599	5,642	5,642
Lease receivables	692,319	692,319	448,673	448,673
Sundry receivables	683,852	683,578	321,166	320,892
	1,417,251	**1,416,978**	**816,449**	**816,175**
Less: impairment allowance	(61,554)	(61,554)	(137,211)	(137,211)
	1,355,697	**1,355,424**	**679,238**	**678,965**
Non-financial assets				
a) Repossessed collateral				
Repossessed collateral	2,413,372	2,413,372	4,426,732	4,426,732
Less: Impairment allowance	(305,085)	(305,085)	(431,854)	(431,854)
	2,108,287	**2,108,287**	**3,994,878**	**3,994,878**
b) Other non-financial assets				
Assets held for lease	117,125	117,125	260,544	260,544
Prepaid staff expense	226,123	226,123	234,027	234,027
Prepayments	260,746	260,746	25,146	25,146
Inventory and office supplies	36,924	36,924	27,472	27,472
Value added tax recoverable	107	-	97	-
	641,026	**640,918**	**547,287**	**547,190**
	2,749,313	**2,749,206**	**4,542,165**	**4,542,067**
Net amount	**4,105,010**	**4,104,629**	**5,221,403**	**5,221,032**
Maturity analysis				
Current	879,114	879,114	1,141,403	1,141,403
Non-Current	3,225,896	3,225,515	4,079,999	4,079,628
	4,105,010	**4,104,629**	**5,221,403**	**5,221,032**

Sundry receivable includes ex-staff receivable, advance payment for the procurement of fixed asset, utility receivable, salary advance and others.

Staff salary advances, sundry receivables and uncleared accounts are other financial assets, which are measured at amortized cost in line with IFRS 9.

Prepaid staff expense is measured at the difference between the fair value of staff loan (using effective interest method at the market rate) and the nominal amount, in the form of an employee benefit, which is recognized in line with the rules set out in IAS 19 - Employee Benefits. The prepaid (deferred) expenses for employee benefits are amortized in profit or loss over the service period of an employee by applying the general principles of IAS 19.

Property/assets held for lease relates to assets that the Bank has received under letters of credit for which it has made payments on behalf of its customers, but the related assets have not been transferred to the customers until such time that all the formalities for hand-over is finalised. They are measured at the lower of cost and net realizable value (NRV) in line with IAS 2 - Inventories. See accounting policy in Note 2.15: Inventories.

Prepayments refer to prepaid rent, prepaid insurance, prepaid software license and cheque books.

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18a Impairment allowance on assets other than loans and advances

A reconciliation of the allowance for impairment losses for other assets, including cash and bank balances, Government bonds and letters of credit (off-balance sheet items), is as follows:

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Balance at the beginning of the year	572,039	572,039	1,365,560	1,365,560
Write-off during the year	-	-	(38,054)	(38,054)
Charge/ (reversal) for the year	(201,375)	(201,375)	(755,467)	(755,467)
Balance at the end of the year	370,664	370,664	572,039	572,039

19 Right-of-use assets and lease liabilities

The group and the bank have applied IFRS 16 to rented buildings and land holdings. The information about leases for which the group and the bank are lessees is presented below:

(i) Right-of-use assets:

	Group/Bank		
	Land ETB '000	Building ETB '000	Total ETB '000
Cost:			
Balance as at 1 July 2022	3,437	128,014	131,450
Additions		177,298	177,298
Lease modification			-
Balance as at 30 June 2023	3,437	305,312	308,749
Accumulated amortization			
Balance as at 1 July 2022	202	78,941	79,143
Amortization for the year	47	42,106	42,153
Balance as at 30 June 2023	249	121,047	121,296
Net carrying value as at 30 June 2023	3,187	184,265	187,452

	Group/Bank		
	Land ETB '000	Building ETB '000	Total ETB '000
Cost:			
Balance as at 1 July 2021	3,437	111,826	115,262
Additions		16,188	16,188
Balance as at 30 June 2022	3,437	128,014	131,450
Accumulated amortization			
Balance as at 1 July 2021	1,176	51,671	52,847
Amortization for the year	(974)	27,270	26,296
Balance as at 30 June 2022	202	78,941	79,143
Net carrying value as at 30 June 2022	3,234	49,073	52,307

(ii) Lease liabilities

	Group/Bank		
	Land ETB '000	Building ETB '000	Total ETB '000
Balance as at 1 July 2022	387	32,851	33,238
Additions		56,358	56,358
Lease modification			-
Interest expense recognized in P&L	42	3,867	3,909
Payment for leases	(49)	(14,790)	(14,840)
Balance as at 30 June 2023	380	78,285	78,665

	Group/Bank		
	Land ETB '000	Building ETB '000	Total ETB '000
Maturity analysis			
Current	49	26,166	26,214
Non-Current	331	52,119	52,451
	380	78,285	78,665

The detail maturity analysis of lease liabilities are set out below:

	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Lease liabilities	2,185	4,369	6,554	13,107	52,451
Total	2,185	4,369	6,554	13,107	52,451

	Group/Bank		
	Land ETB '000	Building ETB '000	Total ETB '000
Balance as at 1 July 2021	1,837	36,206	38,043
Additions		7,127	7,127
Interest expense recognized in P&L	209	2,759	2,968
Payment for leases	(1,659)	(13,241)	(14,900)
Balance as at 30 June 2022	387	32,851	33,238

	Group/Bank		
	Land ETB '000	Building ETB '000	Total ETB '000
Maturity analysis			
Current	49	15,592	15,641
Non-Current	338	17,259	17,597
	387	32,851	33,238

The detail maturity analysis of lease liabilities are set out below:

At 30 June 2022	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Lease liabilities	1,303	2,607	3,910	7,821	17,597
Total	**1,303**	**2,607**	**3,910**	**7,821**	**17,597**

The maturity analysis of lease liabilities are also disclosed in Note 4.4.2. IFRS 16.58 requires disclosure of the maturity analysis of lease liabilities applying IFRS 7.39 and IFRS 7.B11 separately from the maturity analyses of other financial liabilities. As such, the Group presented a separate line item for lease liabilities in the maturity analysis of its financial liabilities.

The Group and the Bank recognize a lease liability at the present value of the lease payments that are not paid at that date. For lease liability in respect of office buildings, the Group and the Bank uses a weighted average incremental borrowing rate of 8% as determined based on saving bonds issued to the public. For land lease, the Group and the Bank applies a weighted average incremental borrowing rate of 11.5% based on the borrowing rate of commercial banks.

The Group and the Bank lease buildings for its office space. The building leases typically run for a period of between 2 and 5 years with majority of the contracts running for a period of 5 years. Some leases include an option to renew the lease for an additional period at the end of the contract term. The renewal terms and lease rental can not be reliably estimated before the end of the contracts.

The Group and Bank also lease land for construction of its own warehouse buildings. The land leases typically run for a period of 60 and 99 years. These leases include an option to renew the lease.

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
20 Investment property				
Cost:				
At the beginning of the year	168	168	168	168
Reclassification to PPE				
At the end of the year	**168**	**168**	**168**	**168**
Accumulated depreciation:				
At the beginning of the year	19	19	16	16
Charge for the year	3	3	3	3
Reclassification to PPE				
At the end of the year	**22**	**22**	**19**	**19**
Net book value at the end of the year	**145**	**145**	**149**	**149**

20a Amounts recognised in profit or loss for investment properties

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Rental income	2	2	2	2
Direct operating expenses (such as depreciation and insurance)	(8)	(8)	(8)	(8)
	(5)	(5)	(6)	(6)

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

Investment properties include those held for rental purposes and those in which the Bank occupies an insignificant portion. These properties are held to earn rentals and for capital appreciation. There are currently no restrictions on the realisability of these properties.

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

The fair value of the Bank's Investment property as at 30 June 2023 and 2022 has been arrived at by the Bank's independent in-house engineers. These valuers/appraisers have appropriate qualifications and relevant/recent experience in the valuation of properties. Based on the bank valuation manual, all properties are valued using either the income approach or the [replacement] cost approach depending on the availability of data. The cost approach is based on determination of the minimum cost of replacing or replicating the service potential embodied in the property using comparable material and workmanship, in the most efficient way practicable, given the service requirements, the age and condition of the existing property and replacement in the normal course of the business. The cost approach mainly involves determination of replacement cost of developments and corresponding depreciation.

In applying cost approach, buildings are first categorized according to their purposes, height, materials of construction and size. Then each category is further classified into grades based on the quality of materials used for the construction. For the analysis of cost of construction, complete structural, architectural, electrical, sanitary and other designs of representative buildings are collected and bill of quantity is prepared using currently updated unit price manual, and finally the unit cost per m2 and/or per m3 is determined by dividing the estimated cost of the construction of the building into the building's plinth area or volume.

There has been no change to the valuation technique during the year.

20c Fair value hierarchy

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

Group/Bank	Carrying amount	Level 1	Level 2	Level 3
30 June 2023	Birr'000	Birr'000	Birr'000	Birr'000
Investment properties	145			683
Group/Bank				
30 June 2022				
Investment properties	149			459

Group/Bank **21 Intangible assets**	Purchased software Birr'000	Purchased software under progress Birr'000	Total Birr'000
Cost:			
As at 1 July 2021	145,598		145,598
Addition	1,559		1,559
As at 30 June 2022	147,157		147,157
As at 1 July 2022	147,157		147,157
Addition	-		-
As at 30 June 2023	147,157		147,157
Accumulated amortisation			
As at 1 July 2021	70,733		70,733
Amortization for the year	17,647		17,647
As at 30 June 2022	88,380		88,380
As at 1 July 2022	88,380		88,380
Amortization for the year	17,483		17,483
Transfer			
As at 30 June 2023	105,863		105,863
Net book value			
As at 30 June 2022	58,777		58,777
As at 30 June 2023	41,294		41,294

22 Property, plant and equipment

Group

	Buildings	Motor vehicles	Furniture and fittings	Machinery and equipment	Computer installations	Capital work in progress	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost:							
As at 1 July 2021	863,803	313,107	32,590	57,459	169,316		1,436,275
Additions	1,261	53,474	483	1,710	27,013		83,940
Disposal through sales			(81)	(51)	(434)		(565)
Disposal through donation			(61)	(1)	(42)		(105)
Reclassification from investment property	9,091						9,091
Transfer		-		-			-
As at 30 June 2022	**874,155**	**366,582**	**32,932**	**59,116**	**195,852**		**1,528,637**
As at 1 July 2022	**874,155**	**366,582**	**32,932**	**59,116**	**195,852**		**1,528,637**
Additions	-	89,360	24,832	9,858	25,203		149,253
Disposal through sales	-	(17)	(1,085)	(1,038)	(28)		(2,167)
Disposal through donation	-	(1,094)	-	-	(1,687)		(2,780)
Reclassification from asset awaiting for resale	-	-	-	-	-		-
Transfer	-	-	-	-	-		-
As at 30 June 2023	**874,155**	**454,831**	**56,679**	**67,937**	**219,341**		**1,672,942**
Accumulated Depreciation							
As at 1 July 2021	202,846	165,936	16,685	35,589	92,687		513,743
Charge for the year	44,215	26,528	2,880	4,968	20,251		98,842
Disposal through sales			(79)	(50)	(391)		(519)
Disposal through donation			(36)	(1)	(37)		(74)
Reclassification from investment property							-
Transfer							-
As at 30 June 2022	**247,060**	**192,464**	**19,450**	**40,506**	**112,511**		**611,991**
As at 1 July 2022	**247,060**	**192,464**	**19,450**	**40,506**	**112,511**		**611,991**
Charge for the year	43,999	34,082	4,261	4,838	25,289		112,469
Disposal through sales		(16)	(1,057)	(1,027)	(9)		(2,110)
Disposal through donation		(1,062)	-	-	(1,670)		(2,732)
As at 30 June 2023	**291,059**	**225,468**	**22,654**	**44,316**	**136,121**		**719,618**
Net book value							
As at 30 June 2022	**627,094**	**174,118**	**13,482**	**18,611**	**83,341**		**916,646**
As at 30 June 2023	**583,096**	**229,363**	**34,025**	**23,620**	**83,220**		**953,324**

Bank

	Buildings	Motor vehicles	Furniture and fittings	Machinery and equipment	Computer installations	Capital work in progress	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost:							
As at 1 July 2021	863,803	313,107	32,577	57,459	169,301		1,436,247
Additions	1,261	53,474	483	1,710	27,013		83,940
Disposal through sales			(81)	(51)	(434)		(565)
Disposal through donation			(61)	(1)	(42)		(105)
Reclassification from investment property	9,091						9,091
Transfer		-		-		-	-
As at 30 June 2022	874,155	366,582	32,919	59,116	195,838		1,528,610
As at 1 July 2022	874,155	366,582	32,919	59,116	195,838		1,528,610
Additions	-	89,360	24,823	9,858	25,203		149,244
Disposal through sales	-	(17)	(1,082)	(1,038)	(28)		(2,164)
Disposal through donation		(1,094)	-	-	(1,687)		(2,780)
Reclassification from asset awaiting for resale	-				-		-
As at 30 June 2023	874,155	454,831	56,660	67,937	219,327		1,672,909
Accumulated depreciation							
As at 1 July 2021	202,846	165,936	16,681	35,589	92,676		513,728
Charge for the year	44,215	26,528	2,878	4,968	20,251		98,840
Disposal through sales		-	(79)	(50)	(391)		(519)
Disposal through donation		-	(36)	(1)	(37)		(74)
Reclassification from investment property	-						-
As at 30 June 2022	247,060	192,464	19,444	40,506	112,500		611,974
As at 1 July 2022	247,060	192,464	19,444	40,506	112,500		611,974
Charge for the year	43,999	34,082	4,260	4,838	25,288		112,467
Disposal through sales		(16)	(1,056)	(1,027)	(9)		(2,109)
Disposal through donation		(1,062)	-	-	(1,670)		(2,732)
As at 30 June 2023	291,059	225,468	22,648	44,316	136,109		719,600
Net book value							
As at 30 June 2022	627,094	174,118	13,474	18,611	83,338		916,635
As at 30 June 2023	583,096	229,363	34,012	23,620	83,218		953,308

Capital work in progress represents directly attributable costs related to construction of buildings.

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
23 Deposits from customers				
Demand deposits	883,632	883,632	355,495	355,495
Savings deposits	40,537	40,537	31,504	31,504
Time deposits		-		
Customers deposits in foreign currency	633,575	633,575	269,569	269,569
	1,557,743	**1,557,743**	**656,568**	**656,568**
Maturity analysis		-		
Current	1,401,969	1,401,969	590,912	590,912
Non-Current	155,774	155,774	65,657	65,657
	1,557,743	**1,557,743**	**656,568**	**656,568**
24 Debt securities issued				
Ethiopian Government Saving Bond	10,987,006	10,987,006	10,343,058	10,343,058
Development Bank of Ethiopia (DBE) Bonds	26,406,235	26,406,235	10,553,693	10,553,693
	37,393,241	**37,393,241**	**20,896,751**	**20,896,751**

Ethiopian Government Saving (Renaissance Dam) Bonds are bonds bearing interest rates of 7.5% and 8% per annum issued by the Bank, with maturity periods between 1 to 5 years and over 5 years, respectively. Interest shall be payable semi-annually, while principal shall be redeemed at maturity. These debt securities are measured at amortised cost using the effective interest method. On top of that, there are some bonds being issued with no interest rate, which are measured at effective interest rate.

Development Bank of Ethiopia bonds are bonds bearing an interest rate of 9% per annum issued by the Bank with a maturity periods of three years. The Bank issue such bonds for all financial institutions (banks, insurance and pension funds) and are measured at amortised cost using an effective interest method. Interest shall be payable annually and principal shall be redeemed at maturity.

All these bonds are guaranteed by the Ethiopian Government.

Maturity analysis	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Current	4,613,347	4,613,347	3,178,341	3,178,341
Non-Current	32,779,893	32,779,893	17,718,411	17,718,411
	37,393,241	**37,393,241**	**20,896,751**	**20,896,751**

24a Reconciliation of debt securities issued

A reconciliation of the changes in debt securities arising from financing activities is as follows:

Balance at the beginning of the year	20,896,751	20,896,751	11,026,475	11,026,475
Proceeds from issue of debt securities	15,854,181	15,854,181	11,277,399	11,277,399
Interest accrued on debt securities	2,144,637	2,144,637	890,214	890,214
Principal repayment	(1,150,759)	(1,150,759)	(1,749,555)	(1,749,555)
Interest payment	(351,570)	(351,570)	(547,783)	(547,783)
Balance at the end of the year	**37,393,241**	**37,393,241**	**20,896,751**	**20,896,751**
25 Borrowings				
China Development Bank	111,036	111,036	371,369	371,369
Ministry of Finance	26,239,288	26,239,288	19,240,562	19,240,562
National Bank of Ethiopia	45,425,029	45,425,029	45,516,559	45,516,559
	71,775,354	**71,775,354**	**65,128,490**	**65,128,490**
Maturity analysis				
Current	7,809,525	7,809,525	28,865,177	28,865,177
Non-Current	63,965,829	63,965,829	36,263,313	36,263,313
	71,775,354	**71,775,354**	**65,128,490**	**65,128,490**

A Foreign Borrowing from China Development Bank (Direct Facility in U.S. Dollars)

The Bank had borrowed two foreign loan facilities amounting to US$25 million and US$30 million from China Development Bank with floating interest rate (bearing interest at the rate of 6 months USD LIBOR rate plus 2.6% margin per annum). These special loan facilities are repayable semi-annually, in U.S. dollars, commencing on 20 May 2013 and ending on 4 September 2023. The borrowing with an amount of US$25 Million has been matured, the remaining borrowing will mature on 04 september 2023. The borrowings are measured at effective interest rate.

B Borrowing from Ministry of Finance (on-lent facilities in Ethiopian Birr)

The borrowings from Ministry of Finance are on-lent facilities (being channelled into DBE) from various bilateral and multilateral lending institutions, bearing various interest rate and repayable in Ethiopian Birr in semi-annual installments, commencing on 31 January 2013 and ending on 31 July 2052. The loans are onlent to various specific targeted development projects/sectors with the terms and conditions set forth in the main and subsidiary agreements. In this regard, DBE is entrusted to serve as a conduit/bridge. All these borrowings are measured at effective interest rate.

C Borrowing from National Bank of Ethiopia (direct facilities in Ethiopian Birr)

The local borrowings from National Bank of Ethiopia are interest bearing loans obtained at the rate of 3% and 5% per annum with principal being repaid after 5 years and interest being paid annually. The loans are repayable in Ethiopian Birr. The borrowings are measured at effective interest rate.

D Borrowing covenant compliance

Development Bank of Ethiopia has complied with the financial covenants of its all borrowing , be it in Ethiopian Birr or foreign currency, during the reporting periods under review.

25a Reconciliation of the Group's and Bank's borrowings

A reconciliation of the changes in borrowings is as follows:

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Balance at the beginning of the year	65,128,490	65,128,490	73,099,599	73,099,599
Proceeds from borrowings	7,710,164	7,710,164	4,496,184	4,496,184
Accrued effective interest	2,054,088	2,054,088	2,179,763	2,179,763
Foreign exchange movement	10,595	10,595	101,960	101,960
Principal repayment	(1,003,195)	(1,003,195)	(12,531,337)	(12,531,337)
Interest payment	(2,124,789)	(2,124,789)	(2,217,678)	(2,217,678)
Balance at the end of the year	71,775,354	71,775,354	65,128,490	65,128,490

26 Other liabilities

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Financial liabilities				
Letter of credit margin payables	3,324,138	3,324,138	1,567,365	1,567,365
Foreign exchange retentions payable	26,619	26,619	31,187	31,187
Equity and other blocked account	2,767,909	2,767,909	1,542,819	1,542,819
Banking instruments payables	95,872	95,872	59,382	59,382
Exchange commission payable	18,648	18,648	9,422	9,422
Risk fund payable	639,604	639,604	532,257	532,257
Managed funds payable	48,769	48,769	48,808	48,808
Allowance for impairment loss on off-balance sheet items	16	16	33	33
Customers Payables	649,584	649,584	294,448	294,448
Other payables	440,099	439,909	424,953	424,921
State Dividend Payable	2,861,106	2,861,106	-	-
	10,872,364	10,872,175	4,510,675	4,510,643
Non-financial liabilities				
Stamp duty payable	16,991	16,991	1,762	1,762
Withholding tax and valued added tax payables	47,761	47,760	20,824	20,824
Defined contribution liabilities	10,300	10,300	8,069	8,069
Accrued payable	314,846	314,846	217,043	217,043
Provisions	-	-	10,719	10,719
Interest charge on late payment of tax		-		
Other tax payable	42,126	42,045	22,495	22,480
	432,024	431,942	280,911	280,896
Gross amount	11,304,388	11,304,117	4,791,586	4,791,539
Maturity analysis				
Current	4,672,138	4,671,867	2,439,907	2,439,860
Non-Current	3,771,144	3,771,144	2,351,678	2,351,678
	8,443,282	8,443,011	4,791,586	4,791,539

Other payable includes: staff payable, other payable, branch closing payable and other suspense payable accounts.

26a Provisions

Legal provisions arising out of current or potential claims from customers shall be recognized when the Group and the Bank have a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a professional estimate can be made of the amount of the obligation. Accordingly, provisions have been held in the financial statements for those legal cases during the current year where the Board of Management believes that it is probable that economic benefits would flow out of the Bank in respect of those litigations.

The provisions held for those legal claims as at 30 June 2023 and 30 June 2022 are presented as follows:

	Group/Bank 30 June 2023 Birr'000	Group/Bank 30 June 2022 Birr'000
Balance as at 1 July 2022	10,719	7,706
Reversal of previous year provision	(10,719)	(7,706)
Provision held during the year	-	10,719
Ending balance as at June 30,2023	-	**10,719**
Maturity analysis		
Current	-	6,967
Non-Current	-	3,752
	-	**10,719**

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
27 Retirement benefit obligations				
Defined benefits liabilities:				
– Employee benefit plan (note 27a)	230,918	230,918	153,651	153,651
– Medical benefits scheme(note 27b)	64,050	64,050	30,508	30,508
Liability in the statement of financial position	**294,968**	**294,968**	**184,159**	**184,159**
Income statement charge included in personnel expenses:				
– Employee benefit plan (note 27a)	48,965	48,965	34,143	34,143
– Medical benefits scheme(note 27b)	6,606	6,606	4,150	4,150
Total defined benefit expenses	**55,571**	**55,571**	**38,293**	**38,293**
Remeasurement (gains)/losses recognized in OCI (net of tax):				
– Employee benefit plan (note 27a)	30,009	30,009	(11,851)	(11,851)
– Medical benefits scheme(note 27b)	23,191	23,191	436	436
	53,200	**53,200**	**(11,415)**	**(11,415)**

The income statement charge included within personnel expenses includes current service cost and interest cost on the defined benefit scheme.

Maturity analysis	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Current	20,409	20,409	16,601	16,601
Non-Current	274,559	274,559	167,558	167,558
	294,968	**294,968**	**184,159**	**184,159**

27a Employee benefit plan

The employee benefit plan is made up of three (3) unfunded schemes which are severance benefits that are paid on voluntary withdrawal, funeral assistance paid on death in service and pension prize paid on retirement. These plans have been aggregated in determining the retirement benefit obligation as the inherent risks applicable to these plans have been assessed not to be materially different.

The key financial assumptions are the discount rate and the rate of salary increases. The provision for gratuity was based on an independent actuarial valuation performed by QED Actuaries & Consultants (Pty) Ltd, based in South Africa, using the projected unit credit method.

The Group and Bank do not maintain any assets for the schemes but ensures that they have sufficient funds for the obligations as they crystallise.

(i) Severance gratuity benefit

The Bank operates unfunded severance pay plan for its employees who have served the Bank for at lease 5 years but below the retirement age, based on the statutory severance benefit as set out in clause 39 (1) (h) of the Labor Proclamation No. 1156/2019. Employees are only entitled to the benefits under this scheme provided they have completed their probation period and have no entitlement to pension [fund] benefits at retirement date. In addition, the law states that an employee is eligible to severance pay where 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.

The benefit applicable is thirty times the average daily wages of their last week of service for the first year of service plus ten times the average daily wages of their last week of service for each subsequent year of service, but not exceeding a maximum of one year's wages payable to the employee.

(ii) Funeral Assistance gratuity benefit

The funeral assistance benefit on death in service is Birr 30,000.00 for all employees, including management staff, without any link to salary at death.

(iii) Pension Prize gratuity benefit

The pension prize benefit payable to all employees, including management staff, retiring at age 60 with a minimum of 10 years' service is 6, 10, 14 and 18 months' salary for 10 - 15 years, 16 - 20 years, 21 - 25 years and 26 years plus service respectively.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and other comprehensive income and in the statement of financial position for the respective plans:

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
A Liability recognised in the financial position	**230,918**	**230,918**	**153,651**	**153,651**
The split of the defined benefit obligation in respect of the different benefits included is summarised below:				
Severance benefit (resignation)	54,942	54,942	38,981	38,981
Funeral assistance (death in service)	1,013	1,013	903	903
Pension prize (retirement)	174,963	174,963	113,767	113,767
	230,918	**230,918**	**153,651**	**153,651**
B Amount recognised in the profit or loss				
Current service cost	10,652	10,652	10,683	10,683
Interest cost	38,313	38,313	23,460	23,460
Past services cost	-	-	-	-
	48,965	**48,965**	**34,143**	**34,143**
C Re-measurement (gains)/losses in other comprehensive income				
Remeasurement (gains)/losses arising from changes in demographic assumptions				
Remeasurement (gains)/losses arising from changes in economic assumptions	22,907	22,907	(13,747)	(13,747)
Remeasurement (gains)/losses arising from changes in experience	19,963	19,963	(3,183)	(3,183)
	42,870	**42,870**	**(16,930)**	**(16,930)**
Deferred tax (liability)/asset on remeasurement gain or loss	(12,861)	(12,861)	5,079	5,079
	30,009	**30,009**	**(11,851)**	**(11,851)**
D Changes in the present value of the defined benefit obligation				
At the beginning of the year	153,651	153,651	144,899	144,899
Current service cost	10,652	10,652	10,683	10,683
Actual benefit payments	(14,568)	(14,568)	(8,461)	(8,461)
Interest cost	38,313	38,313	23,460	23,460
Past services cost				
Remeasurement (gains)/losses arising from changes in demographic assumptions				
Remeasurement (gains)/losses arising from changes in economic assumptions	22,907	22,907	(13,747)	(13,747)
Remeasurement (gains)/losses arising from changes in experience	19,963	19,963	(3,183)	(3,183)
At the end of the year	**230,918**	**230,918**	**153,651**	**153,651**

E The principal assumptions used in determining defined benefit obligations

Discount rate (p.a)	20.80%	20.80%	24.40%	24.40%
Long term salary increases (p.a)	19.30%	15.10%	19.30%	19.30%
Average rate of inflation (p.a)	17.30%	17.10%	17.30%	17.30%
Net pre-retirement rate	**3.16%**	**3.16%**	**4.27%**	**4.27%**

(i) Discount rate

IAS19 requires that the discount rate be set based on the yields of appropriate term high quality corporate bonds. If no deep market in such bonds is available, accounting standards require that the yield on government bonds of appropriate term be applied in the setting of this assumption.

In Ethiopia, there is neither a deep market in corporate nor government bonds. There have been auctions of short-term treasury bills (28 days, 91 days, 182 days and 364 days) since 2019. This is significantly shorter than the duration of the liabilities. IAS 19 does not provide guidance for setting the discount rate in a country with limited government bonds or instruments.

Given the lack of suitable market instruments in Birr, the Bank has opted to use the yields on the Kenyan government bonds yield curve at the duration of the liabilities as at the valuation date of each year, as a base proxy while adding differentials for the relative country risk premium and long-term inflation expectations which would both influence bond yields if an appropriate Ethiopian Government bond were available. This methodology is consistent with how the assumptions were set in the prior years' valuation, although the Bank always relooks at markets/instruments availability when setting valuation assumptions in case a more suitable source becomes available.

The Bank has obtained the country risk premium for Kenya and Ethiopia from Damodaran Online, which is a widely used source for relative risk premia. The relative country risk premia for Kenya and Ethiopia (relative to the USA) are as follows:

Ethiopia Country Risk Premium	15.54%
Kenya Country Risk Premium	9.49%
Differential	6.05%

The International Monetary Fund ("IMF") has published country reports for both countries in April 2021, to consider general economic

The actual and projected inflation rates based on CPI from these reports are as follows:

Year (Period Average)	Ethiopia	Kenya	Differential
2021	26.78	6.11	20.67
2022	34.48	7.21	27.27
2023	30.49	7.10	23.39
2024	18.96	5.25	13.71
2025	12.38	5.00	7.38
2026	12.38	5.00	7.38
2027	12.38	5.00	7.38
Average (for 2023-27)	**17.32**	**5.47**	**11.85**

From the table above it can be seen that the inflation differential between Kenya and Ethiopia is expected to be around 27% for 2022, but

Combining the country risk premium, the future longer term inflation differential and the yields on Kenyan government bonds results in a set of discount rates which are based on Kenyan bonds but adjusted to allow for the relative differences in risk and inflation between the two countries.

(ii) Inflation rate

In order to determine an estimate of long-term future inflation, the consultant considered historical inflation, projections made by the IMF and we consider a country risk premium approach to countries where market-determined projections are available. Based on data provided by the IMF, inflation over the last 3 years has exceeded the 10% target cap of government, and even longer-term trends are expected to exceed this. They have applied the average projected IMF inflation for 2023 to 2027 to determine the projected long-term inflation in a manner consistent with the setting of the discount rate.

(iii) Mortality rate

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.
The sample mortality rates are shown in the table below:

	Males	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	0.00450	0.00428
50	0.00628	0.00628
55	0.00979	0.00979
60	0.01536	0.01536

(iv) Resignations

In the current valuation, as in the previous valuation, it was assumed that employees would resign at a rate of 3.2% per annum for ages below age 50 and zero thereafter

(v) Duration of the employee benefits plan

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the employee benefit scheme at the end of the reporting period is 10 years as at 30 June 2023 (30 June 2022: 11 years).

F Quantitative sensitivity analysis for significant assumption

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts and rates shown below:

		Impact on defined benefit obligation (DBO)			
		Group/Bank			
		30 June 2023			
		Base DBO		DBO on changed assumption	
	Change in assumption	Impact of an increase Birr '000	Impact of a decrease Birr '000	Impact of an increase Birr '000	Impact of a decrease Birr '000
Discount rate	+1%/-1%	(230,918)	230,918	(210,985)	252,923
Salary increase	+1%/-1%	(230,918)	230,918	(253,452)	210,219

		Impact on defined benefit obligation (DBO)			
		Group/Bank			
		30 June 2022			
		Base DBO		DBO on changed assumption	
	Change in assumption	Impact of an increase Birr '000	Impact of a decrease Birr '000	Impact of an increase Birr '000	Impact of a decrease Birr '000
Discount rate	+1%/-1%	(153,651)	153,651	(141,689)	166,731
Salary increase	+1%/-1%	(153,651)	153,651	(167,198)	141,101

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 defined benefit obligation liability recognised within the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

G Projected Benefit Payments

The following payments are expected contributions to be made in for the next five (5) years out of the defined benefit plan obligation:

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Year ending 30 June 2024	13,873	13,873	13,253	13,253
Year ending 30 June 2025	22,104	22,104	13,931	13,931
Year ending 30 June 2026	27,075	27,075	19,431	19,431
Year ending 30 June 2027	40,513	40,513	26,453	26,453
Year ending 30 June 2028	36,252	36,252	40,784	40,784
Total projected benefit payment over 5 years	**139,817**	**139,817**	**113,852**	**113,852**

27b Medical benefits scheme

Employees retiring early at age 55 with at least 25 years of service are covered for 100% of local medication costs and expenses for medical treatment in government hospitals or the Bank's clinic under this scheme.

The key financial assumptions are the discount rate and the rate of medical benefit increases. The provision for medical benefits scheme was based on an independent actuarial valuation performed by QED Actuaries & Consultants (Pty) Ltd, based in South Africa, using the projected unit credit method.

The medical benefit is an unfunded scheme.

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
A Liability recognised in the financial position	**64,050**	**64,050**	**30,508**	**30,508**
B Amount recognised in the profit or loss				
Current service cost				
Interest cost	6,606	6,606	4,150	4,150
	6,606	**6,606**	**4,150**	**4,150**
C Re-measurement (gains)/losses in other comprehensive income				
Remeasurement (gains)/losses arising from changes in demographic assumptions				
Remeasurement (gains)/losses arising from changes in the economic assumptions	4,721	4,721	(2,172)	(2,172)
Remeasurement (gains)/losses arising from changes in experience	28,409	28,409	2,795	2,795
	33,130	**33,130**	**623**	**623**
Deferred tax (liability)/asset on remeasurement gain or loss	(9,939)	(9,939)	(187)	(187)
	23,191	**23,191**	**436**	**436**

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D Changes in the present value of the defined benefit obligation

Reconciliation of the defined benefit obligation for the Bank for the fiscal year ended June 30,2023 and June 30,2022 is presented as follows:

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
At the beginning of the year	30,508	30,508	28,876	28,876
Current service cost				
Interest cost	6,606	6,606	4,150	4,150
Actual benefit payments	(6,194)	(6,194)	(3,141)	(3,141)
Remeasurement (gains)/losses arising from changes in demographic assumptions				
Remeasurement (gains)/losses arising from changes in the economic assumptions	4,721	4,721	(2,172)	(2,172)
Remeasurement (gains)/losses arising from changes in experience	28,409	28,409	2,795	2,795
At the end of the year	64,050	64,050	30,508	30,508

E The Valuation assumptions used in determining defined benefit obligations

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Discount rate (p.a)	20.60%	20.60%	24.10%	24.10%
Long term medical increase rate (p.a)	17.10%	17.10%	19.30%	19.30%
Average rate of inflation (p.a)	15.10%	15.10%	17.30%	17.30%
Net post-retirement rate	**2.99%**	**2.99%**	**4.02%**	**4.02%**

(i) Discount rate

In Ethiopia, there is neither a deep market in corporate nor government bonds. Furthermore, the market for treasury bills in Ethiopia is inefficient and does not appear to be market determined. IAS 19 does not provide guidance for setting the discount rate in a country with limited government bonds or instruments.

The Bank therefore opted to use a discount rate of yields on the Kenyan government bonds yield curve at the duration of the liabilities as at the valuation date of each reporting period. For detailed information about the use of Kenyan bold yields as a base proxy (while considering differentials for the relative country risk premium and long-term inflation expectations), see 27a (E) (i) above.

(ii) Inflation rate

It is noted that inflation in Ethiopia has been volatile in recent years leading up to the valuation dates. In addition, there are no index-linked government bonds or securities which could provide a market-based indication of future inflation.
In order to determine an estimate of long-term future inflation, we have considered historical inflation, projections made by the IMF and we consider a country risk premium approach to countries where market-determined projections are available.
Based on data provided by the IMF, inflation over the last 3 years has exceeded the 10% target cap of government, and even longer-term trends are expected to exceed this.
We have applied the average projected IMF inflation for 2023 to 2027 to determine the projected long-term inflation in a manner consistent with the setting of the discount rate.

(iii) Medical cost increases

Future medical cost increases are usually linked with a long-term future inflation assumption, plus a margin representing that medical costs usually increase by more than general price inflation. It was assumed that long term medical cost increases is 2% higher than the assumed long term inflation rate on average.

(iv) Mortality rate

There are no mortality rates published for Ethiopia that reasonably cover ages above 60. As a result, the A(55) ultimate pensioner mortality standard tables, published by the Institute and Faculty of Actuaries was used to estimate the mortality of the pensioners. This is a commonly used mortality table for pensioners in East Africa.

Sample mortality rates using the above methodology are shown in the table below:

	Males	Females
65	0.02297	0.01385
70	0.03776	0.02307
75	0.06164	0.03881
80	0.09861	0.06495
85	0.15246	0.10628
90	0.22413	0.16694

(v) Duration of the benefit plan

The duration of the liabilities, on which the assumptions have been set, was calculated to be 8 years on the current valuation assumptions and

F Quantitative sensitivity analysis for significant assumption

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts and rates shown below:

		Impact on defined benefit obligation (DBO)			
		Group/Bank			
		30 June 2023			
		Base DBO		DBO on changed assumption	
	Change in assumption	Impact of an increase Birr '000	Impact of a decrease Birr '000	Impact of an increase Birr '000	Impact of a decrease Birr '000
Discount rate	+1%/ -1%	(64,050)	64,050	59,904	68,521
Medical cost increase	+1%/ -1%	(64,050)	64,050	68,620	59,749

		Impact on defined benefit obligation (DBO)			
		Group/Bank			
		30 June 2022			
		Base DBO		DBO on changed assumption	
	Change in assumption	Impact of an increase Birr '000	Impact of a decrease Birr '000	Impact of an increase Birr '000	Impact of a decrease Birr '000
Discount rate	+1%/ -1%	(30,508)	30,508	(28,587)	32,576
Medical cost increase	+1%/ -1%	(30,508)	30,508	(32,643)	28,496

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 post-retirement medical benefits liability recognised within the statement of financial position.

G Projected Benefit Payments

The following payments are expected contributions to be made in for the next five (5) years out of the defined benefit plan obligation:

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Year ending 30 June 2024	6,536	6,536	3,348	3,348
Year ending 30 June 2025	7,331	7,331	3,837	3,837
Year ending 30 June 2026	8,208	8,208	4,389	4,389
Year ending 30 June 2027	9,173	9,173	5,012	5,012
Year ending 30 June 2028	10,230	10,230	5,711	5,711
	41,478	**41,478**	**22,297**	**22,297**

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28 Capital

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Capital as at 1 July 2022	28,520,000	28,520,000	28,520,000	28,520,000
Additional capital				
Total capital as at 30 June 2023	**28,520,000**	**28,520,000**	**28,520,000**	**28,520,000**

The Bank is wholly owned by the Federal Democratic Republic of Ethiopia and is a public enterprise. The authorized capital is Birr 28,520,000,000 and the capital is fully paid in cash and in kind.

29 Accumulated profit/(loss)

At the beginning of the year	623,874	623,188	(1,359,802)	(1,360,174)
Profit/ (Loss) for the year	5,737,220	5,737,178	3,411,160	3,410,767
Transfer to legal reserve	(1,434,294)	(1,434,294)	(852,770)	(852,692)
Transfer to regulatory credit risk reserve	(159,010)	(159,010)	(574,713)	(574,713)
Transfer to legal reserve				
Dividend Payble/Refunded back	(2,861,633)	(2,861,106)	-	-
At the end of the year	**1,906,157**	**1,905,955**	**623,874**	**623,188**

The bank has recognized State dividend payable, 60% of net earnings after deducting 25% for legal reserves, and stage three net interest income retained in regulatory credit risk reserve account.

30 Other reserves

At the beginning of the year	(1,934)	(1,934)	(18,014)	(18,014)
Change in fair value reserve-equity investment	45,526	45,526	6,664	6,664
Deferred tax on unrealized gain on fair value of equity instruments	(13,658)	(13,658)	(1,999)	(1,999)
Re-measurement gains/ (losses) on defined benefit plans	(76,000)	(76,000)	16,307	16,307
Deferred tax on Re-measurement gains/(losses) on defined benefit plan	22,800	22,800	(4,892)	(4,892)
At the end of the year	**(23,266)**	**(23,266)**	**(1,934)**	**(1,934)**
Other reserves consist of:				
Defined benefit obligations reserve	(83,154)	(83,154)	(29,954)	(29,954)
Fair value reserve - equity investment	59,888	59,888	28,020	28,020
Total	**(23,266)**	**(23,266)**	**(1,934)**	**(1,934)**

The other reserve includes the elements reported in the OCI account as a result of measurement gain or loss (actuarial gains or losses arise when the actual practice differs from the assumptions made, i.e., economic and experience assumptions). The fair value of equity investments is also part of this account as the group elects to be measured at fair value through OCI.

The other reserves are non-distributable.

31 Regulatory credit risk reserve

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
At the beginning of the year	3,836,285	3,836,285	3,261,572	3,261,572
Transfer from Regulatory Credit risk Reserve	-1,211,682	-1,211,682		
Transfer from net profit for the year	159,010	159,010	574,713	574,713
At the end of the year	**2,783,613**	**2,783,613**	**3,836,285**	**3,836,285**

The regulatory credit risk reserve is a non-distributable reserve as required by the regulations of the National Bank of Ethiopia (NBE) to be established for interest accrued on impaired loans (non-performing loans), by transferring from retained earnings, until such time as the loans are classified into performing status (i.e., pass and/or special mention).

32 Legal reserve

At the beginning of the year	2,448,895	2,448,605	1,596,124	1,595,913
Transfer from net profit for the year	1,434,294	1,434,294	852,770	852,692
At the end of the year	**3,883,189**	**3,882,899**	**2,448,895**	**2,448,605**

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

For the subsidiary company, it is required to transfer annually 20% of its annual net profit to its legal reserve account until it reaches 10% of the company's capital in accordance with its Articles of Association.

33 Non-controlling interest

This represents the non-controlling interests (NCI) portion of the net assets of the Group.

	Group 30 June 2023 Birr'000	Group 30 June 2022 Birr'000
Ethio Capital & Investment PLC	1	1
	1	**1**
This represents the NCI share of profit/(loss) for the year		
Ethio Capital & Investment PLC	0.00	0.02
	0.00	**0.02**

Transactions with non-controlling interests

During the reporting period, the Development Bank of Ethiopia had no any transaction with the subsidiary company.

34 Cash generated from operating activities

	Notes	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Profit before tax		**6,463,536**	**6,463,494**	**3,426,593**	**3,426,199**
Adjustments for:					
Gain on foreign exchange dealing and fluctuation on cash & cash equivalents	8 & 25	(449,692)	(449,692)	(574,016)	(574,016)
Loss on foreign exchange dealing and fluctuation on borrowings	8 & 25	10,595	10,595	101,960	101,960
Depreciation of property, plant and equipment	22	112,469	112,467	98,842	98,840
Depreciation of investment property	20	3	3	3	3
Amortisation of intangible assets	21	17,483	17,483	17,647	17,647
Depreciation of right-of-use assets	19	42,153	42,153	26,296	26,296
Bad debt written-off		87	87	818	818
Interest expense on lease liability		3,909	3,909	2,968	2,968
Gain on disposal of property, plant and equipment		(99)	(99)	224	224
Disposal of property, plant and equipment through d	22	86	84		
Unappropraited Profit		(820)	(820)		
Loan impairment (reversal) /charge	9	(373,604)	(373,604)	499,221	499,221
(Reversal of) impairment losses on other assets and off-financial position items	10	(201,375)	(201,375)	(755,467)	(755,467)
Re-investment of dividend income and state dividend payable	16	(2,867,398)	(2,866,871)		
Retirement benefit obligations	27	-			
Changes in working capital:					
-Decrease/ (Increase) in loans and advances	15	(14,523,614)	(14,523,614)	(3,997,003)	(3,997,003)
-Decrease/ (Increase) in other assets (net of write-off	18	1,318,819	1,318,828	624,741	624,648
-Decrease/ (Increase) in treasury notes	16	167,176	167,176	(753,330)	(753,330)
-Decrease/ (Increase) in interest receivable on Gov't bond receivable		(91,475)	(91,475)	(99,434)	(99,434)
-Increase/ (Decrease) in customer's deposit	23	901,175	901,175	(89,907)	(89,907)
-Increase/ (Decrease) in retirement benefit	27	34,809	34,809	10,384	10,384
-Increase/ (Decrease) in tax liability	13				
-Increase/ (Decrease) in other liabilities	26	6,512,803	6,512,578	11,625	11,619
-Increase/ (Decrease) in interest payable on borrowings & debt securities	24 & 25	1,722,367	1,722,367	414,157	414,157
		(1,200,608)	**(1,200,342)**	**(1,033,678)**	**(1,034,172)**

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

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Proceeds on disposal	118	118	269	269
Net book value of property, plant and equipment disposed (Note 22)	(20)	(20)	(45)	(45)
Net gain/(loss) on sale of property, plant and equipment	**99**	**99**	**224**	**224**

35 Related party transactions

Development Bank of Ethiopia is a wholly-owned government financial institution.

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

35a Loans and advances to key management members (year-end balances)

Key management has been determined to be the members of the Board of Management and the Executive Management of the Bank.

i) The Group/Bank has not granted any loans and advances to the Board of Management during the year ended 30 June 2023 and 30 June

ii) Loans and advances to Executive Management

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
At the end of the year	2,063	2,063	1,046	1,046

The loans and advances to Executive Management members comprise short-term loans (revolving emergency loans), which are guaranteed against severance pay at retirement, as well as housing loans with the financed residential buildings being held as collateral.

These loans are repaid on a monthly basis by deducting from the monthly salary payment of each Executive Management member.

35b Key management compensation

The compensation paid or payable to key management is shown below. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2023 and 30 June 2022.

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Salaries & other short-term benefits (executive management)	8,844	8,844	5,870	5,870
Post-employment benefits (executive management)	1,545	1,545	605	605
Bonus	2,131	2,131	1,790	1,790
Board fees	727	727	1,157	1,157
	13,247	13,247	9,421	9,421

Compensation of the Bank's executive management members includes salaries, various benefits and contributions to the post-employment defined benefits plans.

36 Manpower Stock

The average number of persons (excluding directors) employed by the Bank at the end of each reporting period was as follows:

	Group/Bank 30 June 2023 Number	Group/Bank 30 June 2022 Number
Professionals and high-level supervisors	1,828	1,724
Semi-professional, administrative and clerical	94	229
Technician and skilled	89	98
Manual and custodian	138	163
	2,149	2,214

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37 Contingent liabilities and assets (claims)

37a Claims and litigation

The Bank is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The Bank has formal controls and policies for managing legal claims. Based on professional legal advice, the Bank provides and/or discloses amounts in accordance with its accounting policies. At year end, the Bank had several unresolved legal claims.

As of June 30, 2023, the Bank's exposure to probable lawsuit claims from clients, adversaries, or other parties in civil litigation in which it is a defendant is unlikely, compared to June 30, 2022, when it was Birr 17,870,731.44. Since the Bank's legal counsel believes that it is possible—though not likely—that the financial loss from these legal activities would will be expected from the Bank.

On the other hand, the Bank, as a plaintiff, has instituted suits against third parties arising from the normal course of business. Based on the legal counsel's advice, the probable claims arising from settlement of these cases as at 30 June 2023 is Birr 50,244,652.11 (30 June 2022: 37,028,998.84) has been disclosed in the notes to financial statements.

37b *Guarantees and letters of credit*

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees and letters of credit. Even though these obligations may not be recognised on the statement of financial position they contain credit risk and, therefore, form part of the overall risk of the Bank.

Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. The nominal values of such commitments are listed below.

In general, these instruments are given as a security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

The table below summarises/discloses the fair value amount of contingent liabilities for the account of customers, as follows:

	Group 30 June 2023 Birr'000	Bank 30 June 2023 Birr'000	Group 30 June 2022 Birr'000	Bank 30 June 2022 Birr'000
Performance guarantees	-	-	8,590	8,590
Letters of credit for customers	4,826,506	4,826,506	2,750,714	2,750,714
	4,826,506	**4,826,506**	**2,759,304**	**2,759,304**

These guarantees and letters of credit are not provided for in the statement of financial position as at 30 June 2023 and 30 June 2022.

38 Commitments

Loan commitments	47,440,172	47,440,172	21,473,277	21,473,277
Other commitments	152,562	152,562	441,998	441,998
	47,592,734	**47,592,734**	**21,915,275**	**21,915,275**

Other commitments represent commitments made in respect of expected procurement of various items and services and the estimated cost to complete the Bank's construction work in progress based on the contractual agreements entered into between the Bank and the supplier/contractor.

39 Events after reporting period

No adjusting or significant non-adjusting events have occurred between the 30 June reporting date and the date of authorisation

40 Date of Authorization

The Bank's President authorized the issue of these financial statements on the 11-March-2024