ANNUAL REPORT 2023/24

Coop Bank of Oromia

EMPOWERING COMMUNITIES
TRANSFORMING LIVES!

PERFORMANCE
Dashboard 2024

Asset
139.69
BILLION ETB

Deposit Accounts
13.34
MILLION

Total Capital
15.94
BILLION ETB

Loans & Advances
99.40
BILLION ETB

Employees
15,467
7,832 Permanent

coop ay | ebirr

Merchants
119k

Subscribers
9.4M

MICHU DIGITAL LENDING 2.0

Accounts
112k+

Disbursed
4.3 B ETB

Gross Profit
2.51 Billion ETB

ATMs
110

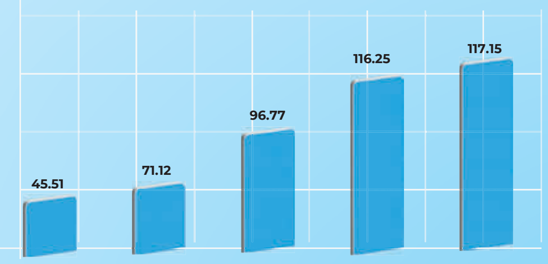
CRMs
600

EARNING PER SHARE
15%

Branch
Footprint

758

Deposits
(in billion of ETB)



Segment Led

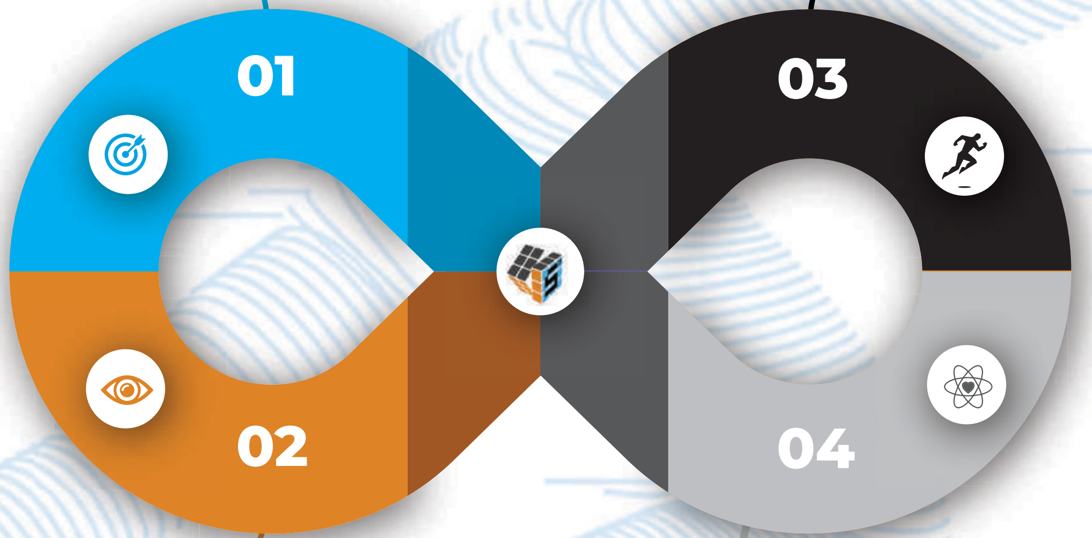
SHIFT AT SCALE

OUR PURPOSE

Empowering Communites,
Transforming Lives.

OUR MISSION

Rooting our foundation in communities, we redefine the banking experience, through innovative financial products to bank smarter and live better.



OUR VISION 2030

Leading the way in financial inclusion, sustainability, and community empowerment for a brighter future.

CORE VALUES

CORE VALUES

- **S** Sustainability
- **C** Community well-being
- **A** Accountability, fairness, and equity in service delivery
- **L** Living into & respect for tradition, education, and innovation
- **E** Equal opportunity & inclusive governance

IN THIS REPORT

Statement of the BOARD CHAIRPERSON

"A Year of Resilience and Innovation"

Dear Valued Shareholders,

It is with great pride that I present Coopbank's Annual Report for the fiscal year 2023/24, a year marked by resilience and innovation amid an evolving global and national economic landscape. Despite challenges from fluctuating international trade dynamics and domestic pressures, Coopbank remains steadfast in its commitment to growth, stability, and value creation for its customers and shareholders.

Global and Domestic Economic Outlook
The global economic environment was shaped by ongoing geopolitical tensions, including the continued Russia-Ukraine conflict, issues in the Red Sea, and the Israel-Gaza situation. These factors, along with persistent inflationary pressures and a slower than expected recovery in certain regions, resulted in an estimated global GDP increase of only 2.4% in 2024, down from 3.1% in 2023. Advanced economies faced tightening financial conditions, while developing nations, including Ethiopia, contended with high inflation and volatile commodity prices. Ethiopia's economy has demonstrated resilience, with the Ministry of Planning and Development (MoPD) projecting a 7.5% GDP growth rate for the fiscal year 2023/24, driven mainly by the services and agriculture sectors. Contributing to this economic stability, government measures have significantly reduced inflation, with the National Bank of Ethiopia reporting a 9.4 percentage point drop from 29.3% in June 2023 to 19.9% in June 2024. However, the Ethiopian banking industry faced challenges from tightening liquidity and interest rate hikes but showed resilience by increasingly emphasizing financial inclusion and advancing digital transformation efforts.

Coopbank's focus on digital innovation, customer centric growth, and prudent resource management allowed us to sustain our growth trajectory during the fiscal year. Additionally, the changing regulatory requirements emerged as one of the pressing issues during the year, impacting the operational landscape for financial institutions and necessitating adaptive strategies to ensure compliance and continued growth.

Major Developments
This fiscal year, one of our key achievements was the completion and inauguration of our transitional head quarters located at Africa Avenue, Bole Road, near the Rwandan Embassy. This new office building is now fully operational, representing a significant milestone in enhancing our service delivery and operational capacity. Notably, following last year's acquisition of a 47,816 square meters plot of land in Finfinnee near Filwuha, in front of Friendship Park, we finalized the Consultancy Services and secured the ownership certificate. This center will feature one of the city's most iconic buildings, symbolizing Coopbank's enduring presence. The Financial District Tower project also reached a key milestone with the final schematic design approved and the Enabling Works Package tendered.

Financial Performance
Our financial performance reflects Coopbank's resilience and adaptability, with total deposits reaching ETB 117.15 billion by the end of June 2024, despite external and internal challenges. Our loan portfolio contracted by 2.46% to ETB 99.40 billion. However, we remained committed to supporting key sectors like domestic and international trade and manufacturing. Our Interest-Free Banking (IFB) services have made significant strides, reinforcing our commitment to Sharia-compliant solutions and promoting financial inclusion.

Profitability
Coopbank's total revenue for the year reached ETB 19.03 billion, marking a 7.5% growth compared to the previous year, driven by a 15.1% increase in interest income. We closed the year with a gross profit before tax of ETB 2.51 billion.

Digital Transformation and Strategic Initiatives
This fiscal year, Coopbank has maintained its Digital-First approach, focusing on innovation and enhancing the customer experience. At the heart of this initiative is Michu 2.0, an upgraded digital lending platform designed specifically for micro, small, and medium-sized enterprises (MSMEs). Through this platform, more than ETB 4 billion in loans have been successfully disbursed to over 110,000 accounts, empowering businesses and contributing to economic growth. Additionally, to further enhance services, we have installed 600 Cash Recycling Machines (CRMs) across our network, ensuring seamless transactions for our customers.

Through our partnership with MasterCard, we introduced FarmPass to empower smallholder farmers. This initiative provides access to vital financial services, market opportunities, and resources, modernizing agricultural practices and boosting productivity and economic resilience. More than 2 million kilograms of coffee have been transacted on this system.

Additionally, the SACCO-Link Core Banking Solution has played a pivotal role in providing essential banking services to cooperatives, SACCOs, and microfinance institutions, with 23 SACCOs and 10 SACCO Unions onboarded. This solution supports the growth of cooperatives by leveraging advanced digital infrastructure.

The growth of Coopay E-Birr, which has processed more than a trillion transactions, underscores our commitment to digital financial inclusion. Our Start-up Incubation Centre, DX Valley 2.0, inaugurated this year, fosters emerging businesses and innovation. The bank's digital-first and innovative banking approach is an enabler for Coopbank to remain at the forefront of the evolving banking landscape.

Board Matters and Governance

During the fiscal year, the Board of Directors upheld its governance responsibilities with a focus on transparency, accountability, and excellence. The Board convened fourteen ordinary meetings and one extraordinary session, deliberating on key agenda items and passing resolutions essential for the bank's strategic direction. These efforts have strengthened Coopbank's position for sustainable growth.

As the banking industry faces increasing competition from new entrants and anticipated foreign players, Coopbank's leadership is committed to navigating these challenges while delivering value to shareholders. With the current Board's term nearing completion, we look forward to welcoming a new Board of Directors to guide us toward greater financial and operational success.

Looking Ahead

As we move forward, Coopbank remains dedicated to innovation, sustainability, and customer-centric growth. We believe that the steps taken this year will position us well for future challenges and opportunities.

On behalf of the Board of Directors and myself, I sincerely thank our esteemed customers for your continued support. I also extend my gratitude to shareholders for your unwavering backing, my fellow Board members for their dedication, the Executive Management team for their leadership, and the entire Coopbank family for their diligence, dedication, and outstanding sense of ownership. I would also like to express my gratitude to the NBE for its expert guidance, as well as to all other stakeholders for their invaluable direct and indirect contributions to the continued success of our bank.

Thank you,

Fikru Deksisa (PhD)
Chairperson, Board of Directors

The bank's digital-first and innovative banking approach is an enabler for Coopbank to remain at the forefront of the evolving banking landscape.

Reflections From THE CEO

Dear Esteemed Shareholders,
It is my privilege to present the key performance highlights and significant achievements of Coopbank for the 2023/24 fiscal year. This period brought both enormous opportunities and substantial challenges. Despite these hurdles, we demonstrated remarkable resilience, achieving steady progress and reinforcing our commitment to growth and excellence. .

Coopbank's Performance in Key Metrices

Deposits

During FY 2023/24, Coopbank's total deposits increased by 903 million, reaching ETB 117.15 billion as of June 30, 2024. Conventional deposits constituted a significant share of this, with saving deposits making up 61.6%, demand deposits accounting for 28.2% and fixed-time deposits comprising 10.2%.

Loans and Advances

As of June 30, 2024, Coopbank's loan portfolio stood at ETB 99.40 billion, reflecting a 2.46% reduction from the previous year. We disbursed ETB 2.3 billion in new loans, with the majority going to key sectors such as domestic trade and services (27.6%), international trade (25%), and manufacturing (21%).

Customer Base Expansion

Expanding our customer base remains crucial for our long-term growth. During FY 2023/24, we added 2.21 million new deposit accounts, resulting in a 19.6% increase. This brought our total number of deposit accounts to 13.34 million by the end of the year, demonstrating our dedication to financial inclusion.

Profitability

In FY 2023/24, Coopbank generated total revenue of ETB 19.03 billion, reflecting a 7.5% increase from the previous year. Interest income grew by 15.1%, reaching ETB 14.06 billion. The bank achieved a gross profit before tax of ETB 2.51 billion.

Capital
During FY 2023/24, Coopbank successfully mobilized an additional ETB 1.14 billion in share capital, raising the bank's total paid-up capital to ETB 11.16 billion as of June 30, 2024. This achievement underscores Coopbank's commitment to strong growth and its mission to empowering communities transforming lives.

Customer Convenience
Understanding the evolving expectations and changing sentiments of today's customers, Coopbank is aggressively focused on delivering unparalleled convenience through continuous innovation and customer-centered banking solutions. This year, we are prioritizing the digital transformation of our services, harnessing technology to meet these demands. To drive this shift, we have expanded our reach by establishing numerous touchpoints at branches and other outlets, making our services more accessible and convenient for customers. As of June 30, 2024, Coopbank operates 758 branches, with 75% located in rural and semi-urban areas to promote financial inclusion. Additionally, our digital presence expanded significantly, with over 26,708 active Coopay-Ebirr agents, morethan 119 thousand merchants, and 9.4 million subscribers using our Coopay-Ebirr platform. This extensive network ensures that our customers have convenient access to essential banking services, regardless of their location.

In the fiscal year, 489.5 million transactions were conducted through Coopay-Ebirr, amounting to a total value of ETB 1.36 Trillion, underscoring the importance of digital platforms in our operations. These milestones reflect Coopbank's ongoing commitment to improving customer convenience and delivering seamless, innovative banking experiences.

Technology and Innovation

Coopbank remains at the forefront of technology and innovation, continuously striving to improve operational efficiency and enhance customer experience. This year, we made significant strides in expanding our digital services and infrastructure to better serve our customers and meet their evolving needs.
We launched Michu 2.0 (Michu Wabi and Michu Guya), an upgraded digital lending platform designed to streamline the lending process and provide faster, more accessible financing solutions. The platform successfully disbursed ETB 4.3 billion in loans to over 112,000 accounts, empowering individuals and businesses, particularly in the micro, small, and medium-sized enterprises (MSME). Michu 2.0 introduced new functionalities that optimize the user experience, making it easier for customers to access credit, manage their loans, and repay seamlessly. The platform ensures uninterrupted service and greater accessibility, offering a reliable alternative to traditional banking channels.
Another major innovation in the Ethiopian banking landscape, which has redefined the way ATMs are utilized, is the installation of 600 Cash Recycling Machines (CRMs) across various branches and strategic locations.
These machines go beyond the capabilities of traditional ATMs by not only dispensing cash but also accepting deposits and recycling funds for future withdrawals. This cutting-edge technology significantly improves cash management efficiency, reduces wait times, and enhances the overall customer experience, allowing users to perform a wider range of transactions at any time.

Dx Valley

To drive innovation further, Coopbank launched Dx Valley 1.0 Innovation Center last year to drive technological advancements and foster innovation. Building on this foundation, we have introduced Dx Valley 2.0 – Incubation Center, a hub focused on nurturing start-ups and developing advanced digital solutions that align with Coopbank's strategic goals and contribute to economic growth.
The Dx Valley 2.0 Incubation Center provides start-ups with mentorship, digital infrastructure, and key resources to innovate and thrive. This initiative underscores Coopbank's commitment to digital transformation, ensuring we remain at the forefront of financial technology while supporting the growth of Ethiopia's entrepreneurial ecosystem.

Outlook for the Future

Looking ahead, Coopbank's strategic focus will remain centered on digital transformation and innovation in FY 2023/24, with a commitment to providing comprehensive and modern financial services that address the evolving needs of our customers. By maintaining a digital-first approach, Coopbank is poised to lead in the rapidly changing financial landscape, delivering cutting-edge solutions that enhance operational efficiency and elevate customer satisfaction.

As we move forward, our priorities include driving technological innovation, expanding our digital offerings, and improving operational efficiency across all areas of the bank. Our achievements this year were made possible by the dedication of our employees, the leadership of our Management team, and the strategic guidance of our Board of Directors. Additionally, the support of the NBE and other stakeholders, as well as the unwavering commitment of our shareholders and customers, contributed to our success in FY 2023/24. We remain committed to executing our digital-led transformation strategy, ensuring that Coopbank continues to provide accessible, innovative, and reliable banking services for all.

Thank you,

Deribie Asfaw
CEO

Board of Directors

Fikru Deksisa (PhD)
Chairperson, Board of Directors

Fekadu Dugasa
Board Director

Amb. Girma Temesgen
Board Director

Eshetu Wakene
Board Director

Ararsa Regassa
Board Director

Tadele Abdi
Board Director

Muktar Adem
Board Director

Debelo Jebesa
Board Director

Terefe Senbaba
Board Director

Wegayehu Tsige
Board Director

Kebede Ejeta
Board Director

Teshome Argeta
Company Secretariat

Executive Management

Deribie Asfaw
CEO

Aman Semir
VP, Technologies and Digital Banking

Shimelis Legesse
VP, Information System

Muluneh Aboye
VP, Banking Operations

Tadele Tilahun
VP, Strategy and Marketing

Gadissa Mamo
VP, Corporate Banking

Desalegn Tadesse
Chief Risk & Compliance Management Officer

Gutema Dibaba
VP, Cooperative and Agricultural Banking

Wondyifraw Assefa
VP, Credit Appraisal and Portfolio

Liko Tolesa
VP, Human Capital and Projects Management

Tafesse Fana
Chief Internal Auditor

Filera Dinku
A/VP, Finance and Facilities Management

Mubarak Shemollo
A/VP, Interest Free Banking

Deposits

Deposit mobilization serves as a critical pillar for sustainable banking growth and remains a foremost priority for the Bank. The bank has actively focused on strengthening its resource base by targeting a broad range of customer segments, maximizing the contribution of existing depositors, improving accessibility, fostering digital banking ecosystems, and implementing various resource mobilization initiatives.

During the fiscal year 2023/24, Coopbank achieved a deposit increase of ETB 903 million, bringing the total deposit balance to ETB 117.15 billion as of June 30, 2024.

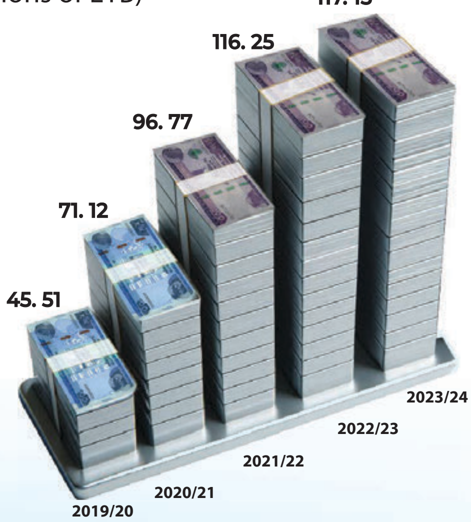
In terms of the Bank's deposit composition, there is a strong inclination towards saving deposits. Saving deposits, comprising 61.6% of the Bank's total deposit portfolio, highlight the Bank's commitment to building strong connections with communities by promoting a culture of saving.

This approach fosters financial inclusion by ensuring that a broader segment of the population, particularly in underserved areas, has access to secure and accessible banking services. Following savings deposits, demand deposits comprise 28.2% of the Bank's total deposit structure, while fixed-time deposits contribute the remaining 10.2%.

Deposit Position Trend by Type
(in millions of ETB)

	2021/22	2022/23	2023/24
Demand	32,791.88	33,251.05	33,004.33
Saving	56,678.31	72,447.40	72,140.42
Fixed Time	7,298.93	10,549.62	12,007.19
Total	96,769.12	116,248.07	117,151.94

Deposit Growth Trends
(in billions of ETB)



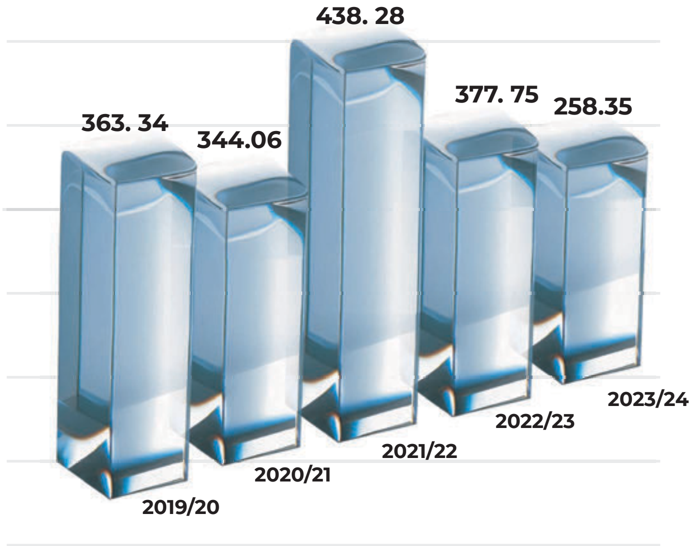
International Trade

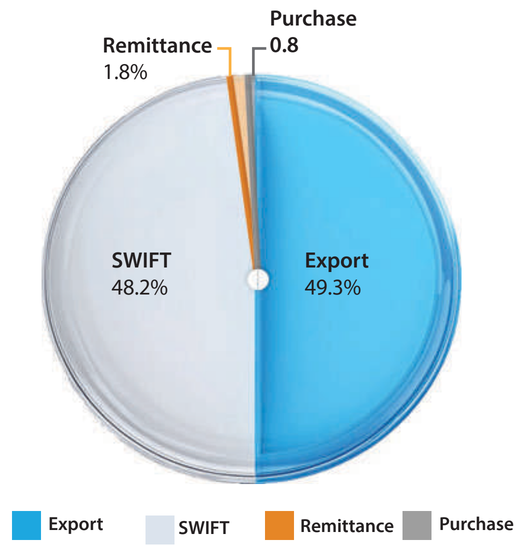
Foreign currency inflow remains a critical priority for Coopbank, as it is essential for supporting international operations and enhancing revenue. However, the global inflation and economic slowdown, coupled with declining exports, have led to reduced foreign exchange inflows for the country. This has affected the Bank's performance this fiscal year, as a persistent shortage of foreign exchange in the market has impacted both its availability and generation.

Amid these conditions, Coopbank earned USD 258.35 million in forex inflows, reflecting constraints in export earnings due to limited access to forex. Despite these challenges, Coopbank is actively working on strategies to optimize forex operations and navigate the current economic landscape effectively to serve client needs.

Looking at FCY generation by source, it is evident that the majority over 97% was derived from exports and private transfers (SWIFT). During the reporting period, about 49.3% of the foreign currency was generated from exports. Meanwhile, private transfers (SWIFT) accounted for 48.2% of the total earnings during this period. In contrast, remittances and cash purchases constituted less than 3% of the overall foreign currency generation, highlighting a substantial year-on-year decline over the last couple of years.

Trend of Foreign Currency Mobilized
(in millions of USD)



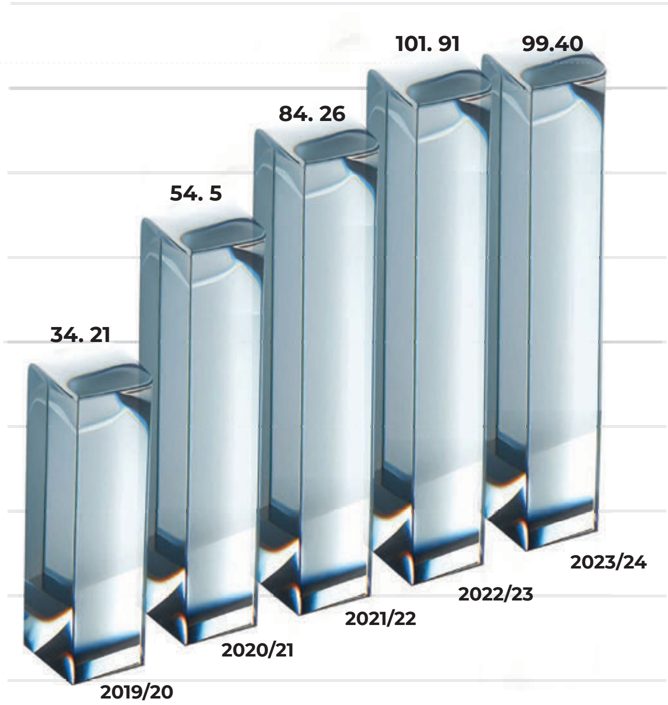


Loans and Advances

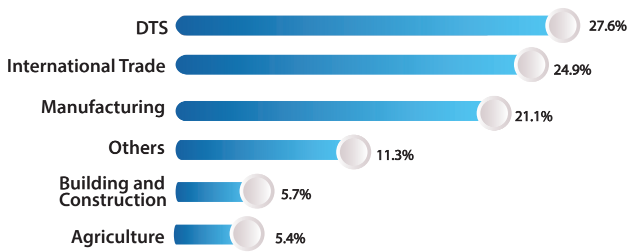
To meet the growing demands of our customers and support the broader macroeconomic activities, Coopbank has remained committed to delivering substantial financial resources to the economy. Throughout the concluded fiscal year, the bank actively contributed to the economic growth by disbursing a total of ETB 2.3 billion in new loans. This strategic move was aimed at empowering businesses, fostering job creation, and stimulating economic development in various sectors, including agriculture, manufacturing, and services. As a result, Coopbank's total loan portfolio reaches ETB 99.40 billion by the end of the fiscal year.

In terms of concentration by economic sectors, the largest portion of funds was allocated to domestic trade and services, which accounted for 27.6% of the total at the end of June 30, 2024. International trade followed, making up 25%, while the manufacturing and production sector received 21% of the allocated funds. These sectors represented the primary areas of focus for the Bank's loan portfolio during the period.

Loans and Advances Trend
(in billions of ETB)



Outstanding Loans and Advances
(in billions of ETB)



Nano Challa MPC Coffee Processing Financed by Coopbank

Uta Wayyu Union Flour Factory Financed by Coopbank

Profit

Recognizing the critical role of profitability in fulfilling shareholder expectations and maintaining a competitive edge, our bank is committed to enhancing profitability by diversifying revenue streams and carefully managing expenses.

In the concluded fiscal year, we reported total revenue of ETB 19.03 billion, reflecting a 7.5% growth compared to the prior year. Our interest income saw a notable increase of 15.09%, reaching ETB 14.06 billion and constituting 73.87% of our total income.
Commissions and service charges also performed strongly, yielding ETB 2.1 billion and representing 11.05% of our total earnings, showing an increase of 8.38% compared with the prior year.

Furthermore, other operating income contributed ETB 2.87 billion to total earnings.
On the expense side, we effectively managed our costs, with total expenses rising by only 15.35% from the previous year, amounting to ETB 16.52 billion for the year ended June 30, 2024.

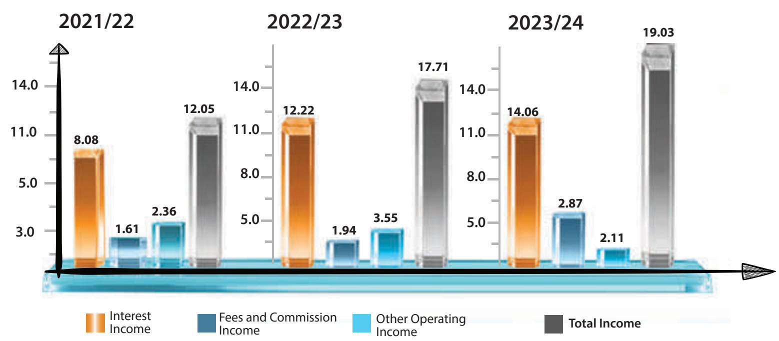
In terms of composition, interest expenses accounted for 32.83% of the total expenses, reflecting an increase of 34.92% compared to the same period last year, primarily driven by rising interest rates on fixed-time deposits.

Other operating expenses constituted about 37.77% of the bank's total expenses, showing a 10% decrease from the prior year. The remaining 29.41% of our expenses were allocated to salary and benefit expenses.

At the end of the fiscal year, Coopbank achieved a gross profit before tax of ETB 2.51 billion.

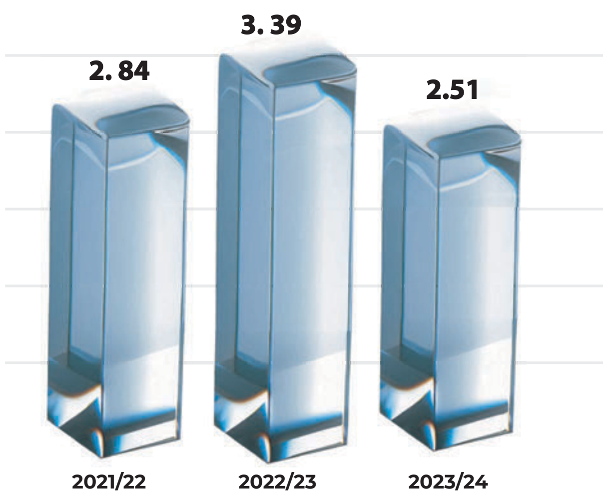
Income trend by category

(in billions of ETB)



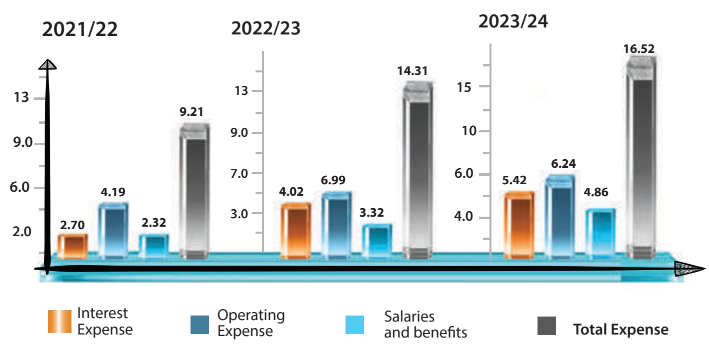
Profit (before tax)

(in billions of ETB)



Expense trend by category

(in billions of ETB)



Deposit Accounts

Coopbank was founded with the porpose of transforming lives by empowering communities, particularly through promoting financial inclusion. As a result, the bank has prioritized expanding access to banking for the unbanked and under-banked population through a variety of outlets. This commitment has led the Bank to aggressively on-board millions of new customers every year, earning it the top spot from it's peers. This leadership reflects the bank's dedication to its mission of financial inclusion and reinforces its position as the bank of choice for a broad and diverse customer base. Despite our leadership in customer base, we remain keenly aware of the vast unbanked population. Our mission, therefore, goes beyond simply growing our customer base it drives us to close the financial inclusion gap.

We see our leadership as both an achievement and a responsibility, pushing us to further extend banking services and ensure that no community is left behind.

Our focus on expanding the customer base has been instrumental in driving the sustainable growth of the bank. During the fiscal year, we placed a strong emphasis on acquiring new customers, successfully adding 2.21 million deposit accounts. This resulted in a significant 19.6% increase, raising the total number of accounts to 13.34 million by the end of the year. This impressive growth demonstrates our unwavering commitment to expanding access to our banking services and fostering strong, lasting customer relationships.

Market Expansion

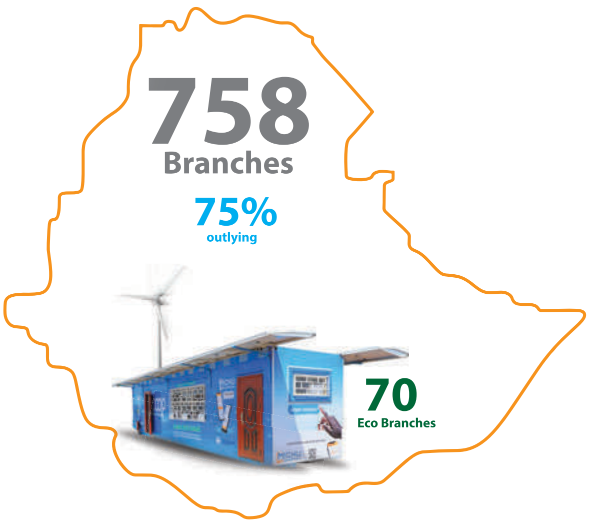
Expanding our physical branch presence across diverse regions is a critical component of our strategy to enhance financial inclusion and strengthen the Bank's resource base. Physical accessibility remains a key factor in reaching underserved populations, particularly in outlying areas, where access to banking services is still limited. Recognizing the importance of direct, in-person banking for fostering financial inclusion, the Bank made significant strides in expanding its branch network during FY 2023/24.

Over the course of the fiscal year, the Bank opened 20 new branches, bringing the total number of branches to 758. Of these, 75% (more than 505 branches) are located in outlying areas, ensuring that rural and semi-urban populations have greater access to financial services. This strategic expansion not only reflects our commitment to broadening our reach but also plays a crucial role in growing the Bank's resource base by tapping into new customer segments and enhancing deposit mobilization.

Digital Lending

Coopbank is aggressively advancing its efforts in financial inclusion, sustainability, and community empowerment. In this journey, we have achieved many great successes, particularly in digital banking solutions. Reflecting this commitment, we proudly launched Michu 1.0 last fiscal year, Ethiopia's first uncollateralized digital lending platform. This innovative solution effectively addressed significant gaps in traditional lending for small businesses lacking credit history or collateral, achieving great success. Building on this foundation, we introduced Michu 2.0 during the current fiscal year, which features enhancements that optimize user experience and further improve access to finance for micro, small, and medium-sized enterprises (MSMEs).

Michu 2.0, comprising Michu Wabi and Michu Guya, supports Ethiopia's micro-retailers, micro-businesses, and MSMEs with tailored financial solutions. Michu Wabi provides startups and small enterprises with flexible credit and repayment terms, while Michu Guya offers quick working capital to small-scale entrepreneurs. In FY 2023/24, Michu 2.0 disbursed ETB 4.3 billion in loans to over 112,000 accounts. This initiative emphasizes financial accessibility and economic growth, aiming to expand Michu's reach and capabilities to foster sustainable development, job creation, and financial inclusion across Ethiopia.



Our People

At the Cooperative Bank of Oromia, we see our people as the heart of our achievements. Our employees bring vital skills, knowledge, and experience, driving innovation, productivity, and sustainable growth. To nurture this strength, we continually invest in our staff development through targeted training programs, workshops, and digital learning opportunities, empowering them to meet customer needs effectively and stay ahead in an evolving industry landscape.

This year, Coopbank provided essential developmental and technical training to 6,836 employees, aligning their skills with our strategic vision. In line with our growth objectives, we hired 300 new employees, primarily in technology-focused roles such as software engineering and computer science, to enhance our capacity for digital transformation. With these additions, our core staff now totals 7,832, and combined with 7,635 outsourced staff, our total human capital stands at 15,467, reflecting our commitment to supporting the bank's expanding operations.

The Coopbank Trade Union also held its first meeting with executive management, underscoring our commitment to employee welfare and workplace improvement. This collaboration aims to foster a fair, collaborative environment where contributions are valued and growth is mutual, supporting a workplace culture in which every individual is respected and empowered.

Recognition of Best Performing Branches of the Year

Coopbank team on Exposure Visit in the Netherlands

Coopbank's Management Meeting

During the official commencement of Coopbank's Trade Union

Digital Transformation in Banking

As the digital landscape evolves, Coopbank recognizes the importance of technology in staying competitive and meeting customers' changing needs. Our digital banking services provide unparalleled convenience and accessibility, enabling customers to perform a variety of transactions, promoting financial inclusion for underserved populations.

In the reporting period, we launched Michu 2.0, an enhanced digital lending platform that simplifies access to finance for micro, small, and medium-sized enterprises (MSMEs). This platform successfully disbursed over ETB 4 billion in loans to more than 112K accounts, empowering businesses and supporting economic growth.

One of this fiscal year's major achievements is the installation of 600 Cash Recycling Machines (CRMs), which enhance banking convenience by providing a comprehensive cash management solution. These machines handle deposits, withdrawals, and fund recycling, streamlining cash flow and branch operations. With automated, real-time cash management capabilities, 24/7 availability, and built-in alternative power sources, the CRMs represent the future of secure, efficient banking, ensuring uninterrupted service and a seamless customer experience. To improve efficiency for SACCOs, we introduced core banking solutions via the SACCO-link platform, onboarding 23 SACCOs and 10 SACCO Unions, with 12 integrated into our core banking system.

In collaboration with MasterCard, we launched the farmpass digital payment solution for smallholder farmers, onboarding over 11K farmers and digitizing transactions for over 2 million kilograms of coffee during the pilot period.

Coopay E-Birr, our digital platform, achieved significant growth over the past period, adding 8,959 agents, 32,840 merchants, and 3.85 million new subscribers. By the end of the year, the Coopay platform recorded a total transaction volume of 489.5 million and a value of 1.36 trillion. Additionally, fuel payment transactions reached a value of ETB 1.15 billion, with a transaction volume of 105.5 K.

These achievements reinforce Coopay E-Birr's position as one of the leading digital payment solutions in the country. The number of cardholders also grew to 544,491, underscoring our commitment to expanding digital banking services and strengthening our role in the digital financial ecosystem.

Furthermore, we launched CoopApp and Coop Alhuda, omni-channel platforms that expand our digital offerings and enhance the customer experience across multiple touchpoints, underlining our commitment to innovation and accessible digital solutions.

DEPOSIT & WITHDRAW

CASH IN 600 LOCATIONS

489.5 M

Transactions

77% of the banks transactions processed via our digital platforms

13.7M

Coopay-ebirr Subscribers

119k

Coopay Merchants

ETB 1.36T

TRANSACTION via Digital Channels Volume

27.5K

Coopay Agents

DOWNLOAD NOW

GET IT ON Google Play

Download on the App Store

ESG Practices

At Coopbank, Environmental, Social, and Governance (ESG) practices are central to the bank's vision for sustainable growth and long-term value creation. As part of our commitment to financial inclusion and responsible business practices, Coopbank has integrated ESG principles into its operations, ensuring that its activities positively impact the environment, society, and governance structures.

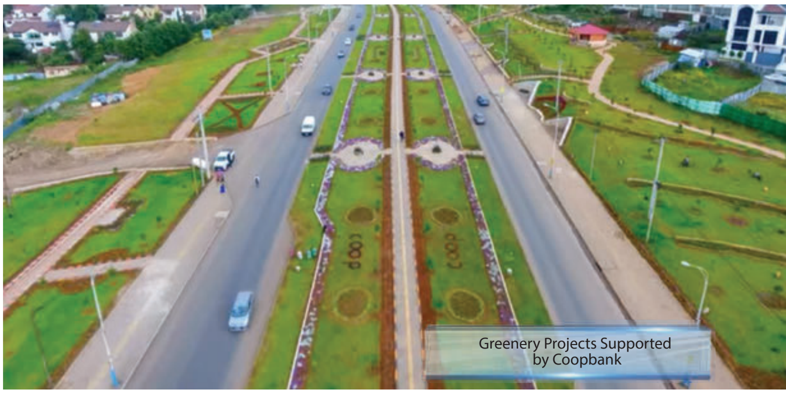
Environmentally, Coopbank is committed to green financing and environmental protection. We invest in renewable energy, including solar and wind powered branches and Cash Recycling Machines (CRMs). In addition, our annual tree-planting campaigns and greenery projects and promote eco-friendly practices throughout Ethiopia.

Socially, Coopbank prioritizes financial inclusion, especially in rural and underserved areas. Our eco-friendly branches, along with mobile and agency banking services, bring essential financial resources to remote communities. Partnering with NGOs such as ODA and Selam Children Villages, Coopbank also supports initiatives in education, health, and social welfare, underscoring our commitment to societal progress.

Our Corporate Social Responsibility (CSR) efforts focus on impactful partnerships across agriculture, environmental conservation, social development, education, healthcare, and cultural enrichment. To support rural communities, Coopbank provides training to farmers and cooperatives, promoting sustainable agricultural practices while addressing urgent community needs in urban areas through targeted projects. In support of our partnership with the Oromia Cooperative Promotion Agency, Coopbank proudly donated two vehicles this year to further cooperative empowerment and sustainable development. Moreover, In collaboration with Goal Ethiopia, our bank carried out a financial literacy program to raise awareness of formal financial institutions for women in Borena, Southeastern Ethiopia, equipping them with the knowledge to engage with the formal financial system.

Governance at Coopbank is rooted in accountability, transparency, and ethical operations, upheld through high standards and inclusive leadership. This commitment has strengthened Coopbank's positive brand image and earned recognition from governmental, non-governmental, and international organizations for our work in green financing, rural inclusion, women's empowerment, and responsible governance. Looking ahead, we remain dedicated to broadening our CSR and ESG initiatives to foster lasting change, empower communities, and transform lives.

Donation of Two Vehicles to Oromia Cooperative Promotion Agency


Greenery Projects Supported by Coopbank

Awareness Creation Session on Financial Literacy for Borana Women


Coopbank's Team on Annual Tree Planting Initiative

Strategic Achievements

We formed strategic partnerships with leading tech firms and esteemed international and local companies to drive key initiatives in financial inclusion, technological innovation, product expansion, operational efficiency, and sustainability. These alliances align with our vision to empower communities and transform lives, extending beyond financial access to encompass digital advancements, operational improvements, and eco-friendly initiatives.

We made significant strides through key strategic partnerships that strengthened our mission of financial inclusion and service diversification. By collaborating with global payment leaders such as MasterCard and Visa, we enhanced our digital banking infrastructure, enabling seamless international payment solutions for our customers.

Additionally, we worked closely with these partners to financially empower MSMEs through digital lending and improve transactions via digital platforms. Our partnerships with UNICEF, the Refugees and Returnees Services, and the World Food Programme (WFP) focused on expanding financial services to underserved and vulnerable populations through various platforms.

Furthermore, our alliance with Ethio-post and the Federal Housing Corporation facilitated the use of our digital platforms for efficient transactions, advancing our goal of broadening access to financial services.

This fiscal year, our bank was recognized as "The Best Digital Bank in Ethiopia" at the DIGIBANK 2024 Summit for its achievements in digital transformation and digital service innovation.

Coopbank recognized as The Best Digital Bank in Ethiopia at DIGIBANK 2024 Summit

Strategic partnership established with EthioPost

Partnership Agreement signed with VISA

Introducing the Coopbank MasterCard International Prepaid Card

Coopbank's Investment on the Ethiopian Securities Exchange (ESX)


NBE Governor H.E Mamo E. Mihretu Visiting Coopbank's Digital Innovations at DX Valley

Sharing digital banking solutions experience with various institutions

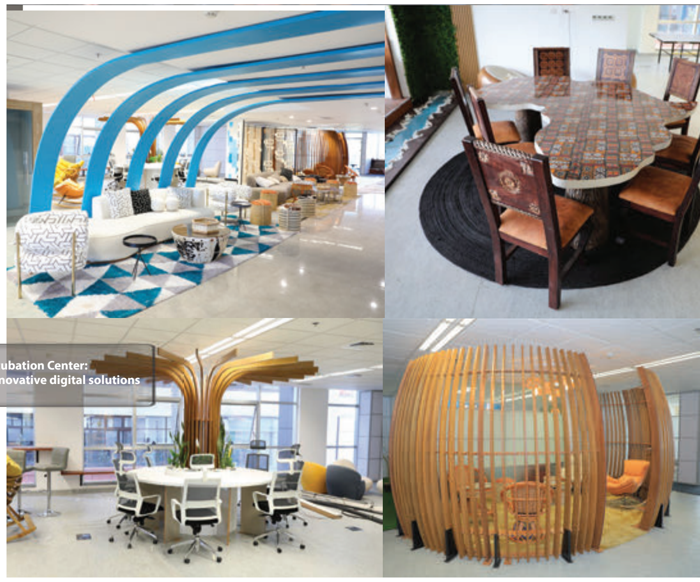

CEOs and management team from different financial institutions visit Coopbank's Dx Valley centers to draw on the experience of Coopbank


H.E. Adanech Abiebie Inaugurating Coopbank's Transitional Headquarters


Coopbanks Transitional Headquarters

Showcasing best practices in digital transformation and promoting financial inclusion at the Ethiopian Digital Payments Conference

Unveiling the CoopApp & CoopApp Alhuda Omni-Channel Platforms



The Dx-Valley 2.0/Incubation Center: Fostering startups through innovative digital solutions

Cash Recycler Machine (CRM) Unveiling

Introducing Digitized and Streamlined Diaspora Banking Services

5th Round Cooperatives Day Celebration

19th Annual General Assembly Meeting of Shareholders

INTEREST FREE BANKING REPORT

Shaikh Salih Nur Ahmed
SAC CHAIRPERSON

Ustaz Kamil Shemsu Siraj
SAC DEPUTY CHAIRPERSON

Dr. Kamal Haji Galato
SAC Member

Dr Mohammed Salih Jamal
SAC Member

Dr Jibril Qamar Adam
SAC Member

Sheik Jamal Aliyi
SAC Member

To the Shareholders, Customers, and Other Stakeholders of Cooperative Bank of Oromia S.C

In accordance with the responsibilities specified in our Terms of Reference, Charter, and appointment letter, the Shariah Advisory Committee (SAC) of Cooperative Bank of Oromia S.C. we present this report for the financial year ending on June 30, 2024. Our primary focus remains on establishing a robust Sharia perspective by evaluating the bank's operational aspects, business affairs, and activities related to interest-free banking services.

As the Shariah Advisory Committee of the bank, our core responsibilities include providing Sharia advisory services, overseeing Sharia non-compliance risks, issuing opinions and fatwas, and conducting comprehensive Sharia reviews. Throughout the fiscal year, we have dedicated significant efforts to ensuring that the bank's interest-free banking operations align with Sharia principles. We convened 17 meetings, meticulously examining IFB documentation, including Terms and Conditions and financing contracts, to uphold Sharia compliance.

We hereby confirm the following:
a) During the review period, we observed the calculation of Mudarabah deposits (Profit-Loss Sharing), with profits allocated to customers totaling ETB 175 million. These operations are anticipated to attract and encourage prospective clients to engage with the bank in the future.

b) Throughout the financial year, we issued fatwas addressing various pertinent matters, including the management of income generated from penalty funds due to late repayments of IFB financing and guidance on the appropriate management of these penalty funds.
c) In terms of operational oversight, we conducted thorough reviews of IFB financing contracts, provided Sharia opinions on issues requiring Sharia insight, and performed sample inspections at IFB branches to assess operational integrity, particularly focusing on the segregation of funds.
Based on the information presented during discussions and meetings, we confirm that the operations of the bank for the financial year ending June 30, 2024, have been conducted in accordance with Sharia principles without any identified discrepancies.

In conclusion, we express our heartfelt gratitude to all members of the bank, especially the CEO, executive management team, and all staff, for their unwavering commitment to strengthening Sharia compliance within the bank's Interest-Free Banking Business domain. Their dedication to upholding these principles is commendable. Moving forward, it is crucial for the bank to sustain its momentum by continually reviewing its IFB business model, innovating new products, and enhancing awareness among customers.

Lastly, we affirm that the interest-free banking services offered by the bank during the fiscal year 2023/24 were fully compliant with Shariah principles, reflecting our commitment to responsible banking practices.

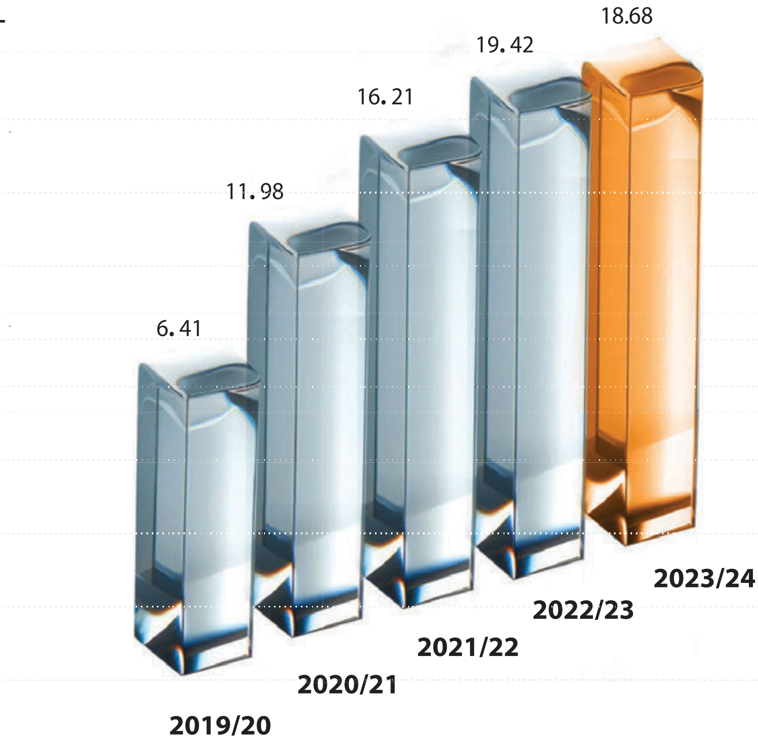
IFB Deposits

Coopbank has made strategic efforts to build and strengthen relationships with clients seeking interest-free or Sharia-compliant banking solutions. Recognizing the importance of trust and engagement, we are committed to delivering comprehensive financial literacy programs in collaboration with various stakeholders. Additionally, we host customer engagement sessions across diverse communities to better understand their unique financial needs and preferences.
To further meet the expectations of our IFB clients, we are introducing tailored products that align with Sharia-compliant principles. By actively listening to our customers and addressing their specific requirements, we strive to foster loyalty and build strong partnerships, ultimately enhancing resource mobilization and promoting financial inclusion within this segment.

This fiscal year, IFB deposits accounted for approximately 16% of the Bank's overall deposit portfolio, underscoring the significance of this segment within our financial ecosystem. We remain dedicated to revitalizing our strategies, strengthening our engagement with IFB clients, and intensifying our deposit mobilization efforts as we continue to grow in the market.

In terms of deposit composition, the funds mobilized during the fiscal year were sourced from Wadia current, Wadia savings, and Mudarabah investment accounts. The majority (84.6%) came from Wadia savings, followed by Wadia current, which accounted for 15%, while the remaining was contributed by Mudarabah investment accounts.

IFB Deposit Growth Trends
(in billions of ETB)



IFB Deposit Position Trend by Type
(in millions of ETB)

	2021/22	2022/23	2023/24
Wadia Current	3,282.68	2,659.36	2,817.72
Wadia Saving	12,755.10	16,284.61	15,808.64
Mudarabah Investment	168.39	473.015	54.82
Total	16,206.17	19,416.99	18,681.18

IFB Deposit Accounts

Recognizing the significant unbanked population in need of interest-free banking solutions, we have remained deeply committed to fostering financial inclusion. Through a network of outlets and the introduction of Sharia-compliant products, we have made substantial strides in reaching our broader communities. During the year under review, our efforts to grow the customer base within the Interest-Free Banking segment saw impressive results.

We onboarded over 675,000 new IFB customers, accounting for more than 30% of all new deposit accounts opened during the year. As of June 30, 2024, the total number of IFB deposit account holders reached 3.61 million, solidifying Coopbank's position as the leading private commercial bank in this segment. Notably, IFB accounts now represent 27% of the Bank's total deposit accounts.

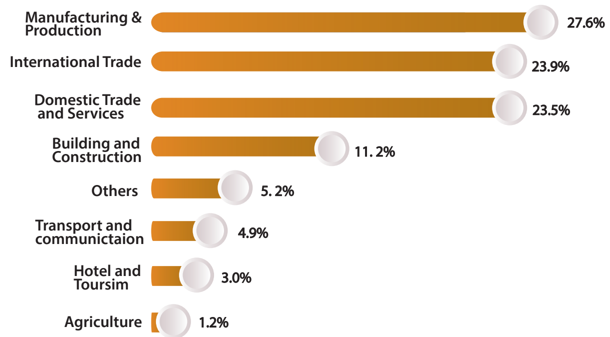
Deposit accounts opening at Coopbank Alhuda

IFB Financing

At Coopbank's Alhuda segment, we are committed to directing our resources into Sharia-compliant economic sectors, reinforcing our position as a leading private bank in providing impactful financing across these areas. During the reporting period, we allocated a total of ETB 282.5 million in IFB financing, culminating in an impressive financing volume of ETB 14.40 billion by year-end. This allocation represents approximately 15% of the Bank's overall finance portfolio, showcasing our strong commitment to interest-free, Sharia-compliant financing and supporting sustainable growth within our communities.

When examining the sectoral distribution of our financing, the manufacturing and production sector emerged as the frontrunner, capturing 27.2% of our total allocations. This was closely followed by international trade at 24%, domestic trade and services at 23.5%, and building and construction at 11.2%. The remaining economic sectors collectively made up 14.2% of our total financing, highlighting our commitment to promoting sustainable economic growth across a diverse range of industries.

IFB Financing Share of Economic Sectors



**The leading financer
In Shariah Compliant businesses
from private banks**

Coopbank Alhuda Financed Projects; Hamiltan TV

Coopbank Alhuda Financed Projects; Sheger Natural Purified Water Factory

IFB Market Expansion

In addition to our accessible IFB-Window model available at all our branches, we proudly operate a network of 43 dedicated Alhuda branches country-wide. Beyond our physical presence, we empower our customers to connect with our services through various digital platforms, ensuring convenience and accessibility at their fingertips. This approach reflects our unwavering commitment to placing our customers' needs at the heart of everything we do.

IFB Dedicated Branches

IFB Operating Income

The IFB segment has proven to be a significant contributor for enhancing Coopbank's profitability, showcasing remarkable growth in operations and financing year after year.

In the concluded fiscal year, IFB segment generated an impressive total income of ETB 1.79 billion. Although this reflects a slight decrease from last year's income of ETB 1.88 billion attributable to a reduction in the financing portfolio it still underscores the segment's strong performance and resilience. A significant portion of this income is driven by Murabaha financing, which remains a cornerstone of our revenue generation in this segment.

Additionally, commissions and charges associated with our IFB operations have made meaningful contributions to our overall financial performance.

On the expenditure front, the IFB segment incurred operational expenses of ETB 179 million during the financial year, primarily related to profit expenses for Mudarabah Savings and Mudarabah Fixed.

As a result, we realized an operating profit before tax and provisions of ETB 1.61 billion from the IFB segment alone. This impressive outcome not only highlights the segment's critical role in our overall income but also reinforces our commitment to nurturing sustainable growth.

With the IFB segment firmly positioned as a key player in our portfolio, we are excited about the abundant opportunities that lie ahead for further growth and profitability.

Iftar celebration with Coopbank Alhuda customers for Ramadan.

AUDITED
FINANCIAL REPORT
2023/24

Cooperative Bank of Oromia Share Company

CONTENTS

Cooperative Bank of Oromia S.C

Directors, professional advisers and registered office

For the year ended 30 June 2024

Company Registration Number LBB/008/2004

Directors

Dr Fikru Deksisa	Chairperson	11-Mar-2019
Ob. Fikadu Dhugasa	Deputy chairperson	11-Mar-2019
Amb. Girma Temesgen	Director	14-Feb-2023
Ob. Kebede Ejeta	Director	22-Mar-2022
Ob. Terefe Senbaba	Director	22-Mar-2022
Ob. Wegayehu Tsige	Director	22-Mar-2022
Ob. Tadele Abdi	Director	22-Mar-2022
Ob. Muktar Adem	Director	22-Mar-2022
Ob. Eshetu Wakene	Director	22-Mar-2022
Ob. Debelo Jabesa	Director	22-Mar-2022
Ob. Ararsa Regasa	Director	14-Dec-2023
Obbo Teshome Argeta	Board secretary	27-May-2016

Executive management

Ob. Deribie Asfaw	President	14-Dec-2015
Ob. Aman Semir	V/P Technology and Digital Banking	1-May-2016
Ob. Gadissa Mamo	V/P Corporate Banking	23-Dec-2023
Ob. Tafesse Fana	Chief Internal Audit	27-May-2016
Ob. Desalegn Tadesse	Chief Risk and Compliance Management	23-Dec-2023
Ob. Tadele Tilahun	VP, Strategy and Marketing	16-May-2022
Ob. Muluneh Aboye	VP, Banking Operations	23-Dec-2023
Ob. Liko Tolessa	VP-Human Capital and Projects Management	27-May-2016
Ob. Gutema Dibaba	VP, Cooperative Banking	1-Jan-2021
Ob. Shimelis Legesse	VP, Information System	15-Dec-2022
Ob. Wondyifraw Assefa	VP, Credit Analysis and Portfolio	23-Dec-2023
Ob. Mubarek Shemelo	A/VP, Interest Free Banking	17-Nov-2023
Ob. Filera Dinku	A/VP, Finance and Facilities Management	23-Jun-2023

Independent auditor

Tafesse,Shisema and Ayalew Certified Partnership
Chartered Certified Accountants /UK/ and Authorized Auditors (Ethiopia)
P.O Box 110690
Fax:251 0116221270/60
tmsplus@ethionet.et/tafessef@hotmail.com
Addis Ababa
Ethiopia

Corporate Registered Office

Cooperative Bank of Oromia S.C
Bole Rwanda, Coop Transitional HQ Building
P.O Box 16936
E-Mail: coopbank@ethionet.et
Website: www.coopbankoromia.com.et
Addis Ababa, Ethiopia

Company Secretary

Obbo Teshome Argeta

Principal Bankers

National Bank of Ethiopia

Cooperative Bank of Oromia S.C
Correspondent Banks
For the year ended 30 June 2024

Correspondent Banks

Name	Address
Mashreq Bank PSC	New York, USA
Bank of China Limited	Beijing, China
Commerz Bank AG	Frankfurt am Main, Germany
DZ BANK AG Deutsche	Frankfurt am Main, Germany
UniCredit SPA	Rome, Italy
Bank of Beirut SAL	Beirut, Lebanon
Bank of Beirut (UK) Ltd	London, United Kingdom
Aktif Yatirim Bank AS	Istanbul, Turkey
Bank of Africa-Mer Rouge	Djibouti, Djibouti
CAC International Bank	Djibouti, Djibouti
East Africa Bank	Djibouti, Djibouti
Ecobank Kenya Limited	Nairobi, Kenya
Equity Bank. (Kenya) Limited	Nairobi, Kenya
Exim Bank (Djibouti). S A	Djibouti, Djibouti
KCB Bank Kenya Limited	Nairobi, Kenya
SALAAM African Bank	Djibouti, Djibouti

Cooperative Bank of Oromia S.C

The Directors' Report

For the year ended 30 June 2024

The Directors' Report

The Directors submit their report together with the financial statements for the period ended June 30, 2024, to the shareholders of Cooperative Bank of Oromia Share Company ("CBO or the Bank"). This report discloses the financial performance and the state of affairs of the bank.

Incorporation and Address

Cooperative Bank of Oromia share company herein after may be called CBO or the Bank was established in Ethiopia in 2004 in accordance with the Commercial Code of Ethiopia of 1960 and licensed by the National Bank of Ethiopia with the objective to engage in banking services in accordance with the Banking Business Proclamation No.592/2008 and Banking (Amendment) Proclamation No.1159/2019.The Bank commenced operations in 2005 and is domiciled in Ethiopia.

Principal activities

The bank is principally engaged in redefining the banking experience through innovative financial products that allow customers to bank smarter and live better.

Operating Results

The Bank's results for the year ended June 30, 2024, are set out on the statement of profit or loss and other comprehensive income. The profit for the year has been transferred to Retained Earnings, Legal Reserve and Risk Reserve. The high-level summarized results are presented below.

	30 June 2024	30 June 2023
	Birr'000	Birr'000
Revenue (Interest Income, Com. and operating income)	19,036,789	17,711,019
Profit before tax	2,514,483	3,388,598
Income tax expense	(899,031)	(784,429)
Profit for the year	1,615,452	2,604,169
Other comprehensive income / (loss) net of taxes	16,737	(518)
Total comprehensive income / (loss) for the year	**1,632,189**	**2,603,651**

Dr Fikru Deksisa

Chairperson of the Board of Directors

Addis Ababa, Ethiopia

Statement of the Director's Responsibilities

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), The Commercial Code of Ethiopia 2021 the directives issued by the National Bank of Ethiopia and Internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Bank is required keep such records as are necessary to:

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

b) Explain its transactions and financial position; and

c) Enable the Accounting and Audit Board of Ethiopia to determine whether the Bank has complied with the provisions of the financial reporting proclamation and directives issued for the implementation of the proclamation.

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

The directors believe the financial statements give a true and fair view of the state of the financial affairs of the bank and of its profit or loss for the reporting year.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.
Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Dr Fikru Deksisa
Chairperson of the Board of Directors
31 October 2024

Deribie Asfaw
President
31 October 2024

Tafesse, Shisema and Ayalew Certified Partneship
Chartered Certified Accountants /UK/ and Authorised Auditors (Ethiopia)

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENT OF THE COOPERATIVE BANK OF OROMIA SHARE COMPANY FOR THE YEAR ENDED JUNE 30, 2024

Opinion

We have audited the financial statements of cooperative Bank of Oromia share company specified on page 8-114 which comprise the statement of financial position as at 30 3une 2024, the statement profit or loss and other comprehensive income ,statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

1. As described in note 15 to the financial statements, the impairment losses have been deter- mined in accordance with IFRS 9 Financial Instruments. This was considered a key audit matter as IFRS 9 is a complex accounting standard which requires significant judgment to determine the impairment losses.

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

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

- Consider using a valuation methodology that incorporates more observable inputs.

Tafesse, Shisema and Ayalew Certified Partneship
Chartered Certified Accountants /UK/ and Authorised Auditors (Ethiopia)

- Regularly monitor the performance of the investment and update the valuation model as needed

Responsibilities of the Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on other Legal and Regulatory requirement

We have no comment to make on the report of your Board of Directors so far as it relates to these financial statements in accordance with the Commercial Code of Ethiopia of 2021 (Proclamation No-1243/2021), recommend approval of the financial statements. In addition, we recommend the approval of the profit distribution proposed by the Board of Directors.

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

Addis Ababa
31 October 2024

Cooperative Bank of Oromia S.C

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2024

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
Interest income	5	14,063,006	12,218,961
Interest expense	6	(5,424,962)	(4,020,758)
Net interest income		**8,638,044**	**8,198,203**
Commission income	7	2,105,301	1,942,445
Commission expense	7	(320,848)	-
Net fees and commission income		**1,784,453**	**1,942,445**
Other operating income	8	2,868,482	3,549,612
Total operating income		**13,290,979**	**13,690,261**
Loan and other asset impairment	9	(464,258)	(969,275)
Impairment losses on PPE	9	-	(2,083)
Impairment of Off-balance sheet	9	(118,576)	
Net Operating income		**12,708,145**	**12,718,903**
Personnel expenses	10	(4,858,456)	(3,316,363)
Amortization of intangible assets	19	(58,942)	(43,913)
Depreciation of property, plant and equipment	20	(518,608)	(336,245)
Other operating expenses	11	(4,757,656)	(5,633,784)
Total Operating Expense		**(10,193,662)**	**(9,330,305)**
Profit before tax		**2,514,483**	**3,388,598**
Income tax expense	12a	**(899,031)**	**(784,429)**
Profit for the year		**1,615,452**	**2,604,169**
Other comprehensive income (OCI) net on income tax			
Items that will not be subsequently reclassified into profit or loss:			
Re-measurement gain/loss on retirement benefits obligations	25	9,157	(53,980)
Deferred tax (liability)/asset on remeasurement gain or loss		13,208	-
Revaluation gain-equity investment	16	48,156	53,462
Deferred tax (liability)/asset on remeasurement gain or loss		(53,784)	-
Net effect of gain/loss		16,737	(518)
Total comprehensive income for the period		**1,632,189**	**2,603,651**
Basic earnings per share (Birr)	28	**15**	**30**

The notes on pages [13] to [114] are an integral part of these financial statements.

Cooperative Bank of Oromia S.C
Statement of financial position
For the year ended 30 June 2024

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
ASSETS			
Cash and balances with banks	13	17,294,778	15,750,205
Loans and advances to customers	14	81,942,607	83,484,631
Interest free Financing	15	14,054,933	16,188,854
Investment securities:			
▪ Financial asset at fair value through OCI	16	348,175	239,676
▪ Financial assets at Amortized cost	17	7,929,949	9,459,116
Other assets	18	7,495,391	8,182,853
Right-of-use assets	20b	2,995,943	2,297,529
Intangible assets	19	603,047	305,006
Property, plant and equipment	20	6,468,851	4,247,874
Non-Current Asset Held for Sale	20a	424,199	37,020
Deferred tax Asset	12e	141,033	133,604
Total assets		**139,698,907**	**140,326,367**
LIABILITIES			
Deposits from customers (Conv)	21	96,969,646	94,666,598
Interest free banking deposit	21	18,680,741	19,416,992
Due to other banks	22	1,511,020	2,168,686
Borrowing From NBE	23	2,500,000	3,183,000
Current tax liabilities	12c	706,081	792,988
Lease liabilities	20b	499,898	427,438
Other liabilities	24	2,316,779	4,470,460
Retirement benefit obligation	25	263,394	219,367
Deferred tax liability	12f	307,215	106,889
Total liabilities		**123,754,774**	**125,452,418**
EQUITY			
Share capital	26	11,160,763	10,016,082
Share premium	27	8,672	8,672
Retained earnings	29	850,085	1,295,485
Legal reserve	30	2,810,049	2,406,186
Risk reserve	31	1,110,632	1,143,592
Donated capital	32	3,932	3,932
Total equity		**15,944,133**	**14,873,949**
Total liabilities and equity		**139,698,907**	**140,326,367**

The notes on pages [13] to [114] are an integral part of these financial statements.

The financial statements were approved and authorized for issue by the board of directors on October 31, 2024 and were signed on its behalf by:

Dr Fikru Deksisa
Chairperson of the Board of Directors

Deribie Asfaw
President

Cooperative Bank of Oromia S.C
Statement of changes in equity
For the year ended 30 June 2024

	Notes	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Donated capital Birr'000	Risk Reserve Birr'000	Total Birr'000
As at 1 July 2022		**7,731,771**	**8,672**	**1,378,523**	**1,755,144**	**3,932**	**433,980**	**11,312,021**
Profit for the period	28			2,604,169				2,604,169
Suspended Interest Income	5			(258,298)	-	-	258,298	-
Reversal of RRR (Loan provision)				(397,852)			397,852	-
Fair value gain-Equity investment	16			-			53,462	53,462
Total comprehensive income for the period		**7,731,771**	**8,672**	**3,326,541**	**1,755,144**	**3,932**	**1,143,592**	**13,969,652**
Issue of shares	26	2,284,311	-	-	-	-	-	2,284,311
Dividend Paid		-		(1,378,523)	-	-	-	(1,378,523)
Director's share of profit	24	-	-	(1,491)	-	-	-	(1,491)
Transfer to legal reserve		-	-	(651,042)	651,042	-	-	-
		2,284,311	**-**	**(2,031,056)**	**651,042**	**-**	**-**	**904,297**
As at 30 June 2023		**10,016,082**	**8,672**	**1,295,485**	**2,406,186**	**3,932**	**1,143,592**	**14,873,949**
As at 01 July 2023		**10,016,082**	**8,672**	**1,295,485**	**2,406,186**	**3,932**	**1,143,592**	**14,873,949**
Profit for the period	28			1,615,452				1,615,452
Suspended Interest Income	5			(359,874)	-	-	359,874	-
Reversal of RRR (Loan provision)				-			(440,990)	(440,990)
Fair value gain-Equity investment	16						48,156	48,156
Total comprehensive income for the period		**10,016,082**	**8,672**	**2,551,063**	**2,406,186**	**3,932**	**1,110,632**	**16,096,567**
Issue of shares	26	1,144,681	-	-	-	-	-	1,144,681
Dividend Paid		-		(1,295,485)	-	-	-	(1,295,485)
Director's share of profit	24	-	-	(1,630)	-	-	-	(1,630)
Transfer to legal reserve		-	-	(403,863)	403,863	-	-	-
		1,144,681	**-**	**(1,700,978)**	**403,863**	**-**	**-**	**(152,434)**
As at 30 June 2024		**11,160,763**	**8,672**	**850,085**	**2,810,049**	**3,932**	**1,110,632**	**15,944,133**

The notes on pages [13] to [114] are an integral part of these financial statements.

Cooperative Bank of Oromia S.C
Statement of cash flows

For the year ended 30 June 2024

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
Cash flows from operating activities			
Cash generated from operations	33	6,249,640	(646,099)
Directors allowance	34c	(1,491)	(1,472)
Profit Tax Paid	12c	(792,988)	(773,825)
Defined benefit paid	25a	(22,941)	(10,862)
Net cash (outflow)/inflow from operating activities		**5,432,220**	**(1,432,257)**
Cash flows from investing activities			
Purchase/ collection of NBE bills and bonds	17	1,529,166	(1,413,578)
Purchase of equity investments	16	(60,343)	-
Purchase of property, plant and equipment	20	(2,902,032)	(1,627,177)
Proceeds from Disposal		-	-
Right-of-use assets	20b	(1,383,859)	(1,377,873)
Purchase of Intangible Asset	19	(356,983)	(110,099)
Net cash (outflow)/inflow from investing activities		**(3,174,050)**	**(4,528,726)**
Cash flows from financing activities			
Payment of Lease liabilities	20b	(13,317)	(13,044)
Proceeds from borrowings	23	(683,000)	3,183,000
Dividend Paid	26	(625,740)	(302,523)
Proceeds from issues of shares	26	474,936	1,208,311
Net cash (outflow)/inflow from financing activities		**(847,121)**	**4,075,744**
Net increase/(decrease) in cash and cash equivalents		**1,411,049**	**(1,885,240)**
Cash and cash equivalents at the beginning of the year	13a	7,915,219	9,728,232
Effects of exchange rate movement on cash and cash equivalents	7	(215,782)	72,225
Cash and cash equivalents at the end of the year		**9,110,488**	**7,915,217**

The notes on pages [13] to [114] are an integral part of these financial statements.

Cooperative Bank of Oromia S.C
Notes to the Financial Statements
For the year ended 30 June 2024

1. General Information

Cooperative Bank of Oromia SC ("CBO or the Bank") is a private commercial bank domiciled in Ethiopia. The Bank was established on 24 October 2004 in accordance with the provisions of the Commercial Code of Ethiopia 2021 and licensed by the National Bank of Ethiopia with the objective to engage in banking services in accordance with the Banking Business Proclamation No.592/2008 and Banking (Amendment) Proclamation No.1159/2019. The Bank 's registered office is at Bole Rwanda, Coop Transitional Building, Addis Ababa, Ethiopia.

The bank is principally engaged in redefining the banking experience through innovative financial products that allow customers to bank smarter and live better.

2. Summary of Significant Accounting Policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of preparation

The financial statements for the year ended June 30, 2024 (the Financial Statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). Additional information required by the national regulations is included where appropriate.

The financial statements comprise;

- Statement of Profit or Loss and Other Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements

2.2.1 Statement of compliance

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise their judgment in applying the bank's accounting policies. Changes in assumptions may significantly impact on the financial statements in the period the assumptions they changed. Directors believe that the underlying assumptions are appropriate and that the bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Cooperative Bank of Oromia S.C
Notes to the Financial Statements
For the year ended 30 June 2024

2.2.2 Basis of measurement

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

1. Fair value through other comprehensive income and fair value through profit and loss, financial assets, financial liabilities (including derivative instruments) and investment properties measured at fair value.
2. Assets held for sale - measured at fair value less cost of disposal; and
3. The liability for defined benefit obligations recognized at the present value of the defined benefit obligation less the fair value of the plan assets measured at fair value.

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

2.2.3 Going concern

The bank has adequate resources to continue in operation for the near future. For this reason, the management continues to adopt going concern assumption in preparing the financial statements. The current credit facilities and adequate resources of the company provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.2.4 Comparatives

Except otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

2.3 Changes in accounting policies and disclosures

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023 and earlier applications are permitted and have not been applied in preparing these financial statements.

New Standards or amendments	Effective Date
The amendment to IAS 1"Non-current Liabilities with Covenants "	January 1,2024
The amendment to IFRS 16 "Lease Liability in a Sale and Leaseback "	January 1,2024
The amendment to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1,2024
New Standard IFRS S1 " General Requirements for Disclosure of Sustainability-related Financial Information"	January 1,2024

- **Non-current Liabilities with Covenants (IAS 1)**

Cooperative Bank of Oromia S.C
Notes to the Financial Statements
For the year ended 30 June 2024

IAS 1 amendments clarify non-current liability classification based on deferral rights, considering covenants. Liabilities are non-current if deferral is possible for at least 12 months, and compliance with covenants must be assessed. If deferral depends on future covenant compliance within 12 months, disclosure is required.

- **Lease Liability in a Sale and Leaseback Amendments to (IFRS 16)**

In September 2022, the Board issued Lease Liability in a Sale and Leaseback, which added subsequent measurement requirements for sale and leaseback transaction which became effective in January 2024. Sale and leaseback transactions is when an entity (the seller-lessee) transfers an asset to another entity (the buyer-lessor) and leases that asset back from the buyer-lessor, both the seller-lessee and the buyer-lessor shall account for the transfer contract and the lease.

As of the reporting date, the Bank has not entered into any sale and leaseback transactions. Therefore, the amendments to IFRS 16 regarding the disclosure and accounting treatment for such transactions do not have an impact on the Bank's financial statements for the current reporting period.

- **Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)**

As of May 2023, new disclosure requirements have been issued these require companies to disclose the nature, quantitative information, and impact of supplier finance arrangements on cash flows. The Bank has no such arrangements.

- **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**

IFRS S1 establishes a framework for sustainability-related financial disclosures, focusing on providing relevant and material information about sustainability risks and opportunities that may affect an organization's financial performance. It requires entities to disclose their governance structure, risk management processes, and strategies for addressing sustainability-related issues, emphasizing the need for materiality assessments tailored to stakeholder needs. Key disclosures should include an overview of significant sustainability risks and opportunities, metrics and targets for performance evaluation, and an analysis of their impact on financial health.

- **IFRS S2 Climate-related Disclosures**

The IFRS Sustainability Disclosure Standards are developed by the International Sustainability Standards Board (ISSB), an independent standard-setting body within the IFRS Foundation. The objective of IFRS S2 Climate-related Disclosures is to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. It is collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2024. The bank has not been applied in preparing these financial statements of 2024.

Cooperative Bank of Oromia S.C
Notes to the Financial Statements
For the year ended 30 June 2024

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

New Standards or amendments	Effective Date
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025
Amendments to IFRS 9 and IFRS 7 “the Classification and Measurement of Financial Instruments”	January 1, 2026
New Standard IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
New Standard IFRS 19 “Subsidiaries without Public Accountability”	January 1, 2027

- **Lack of Exchangeability (Amendments to IAS 21)**

The amendments to IAS 21, "The Effects of Changes in Foreign Exchange Rates," address the concept of "Lack of Exchangeability." This refers to a situation where an entity is unable to exchange its currency for another currency at a prevailing market rate due to restrictions or limitations.

- **Amendments to the Classification and Measurement of Financial Instruments — Amendments to IFRS 9 and IFRS 7**

The Amendments to IFRS 9 and IFRS 7 refine the classification and measurement of financial instruments for clarity and consistency. Key changes include clarifications on the SPPI (Solely Payments of Principal and Interest) test, particularly regarding ESG-linked cash flow variability, and clearer guidelines on derecognition and modification of financial assets and liabilities. The amendments also refine the treatment of equity instruments at FVOCI and offer more precise guidance on impairment models and the fair value option for financial liabilities, focusing on credit risk reporting.

- **IFRS 19 Subsidiaries without Public Accountability**

IFRS 19 Subsidiaries without Public Accountability: Disclosures is a proposed standard aimed at reducing the disclosure burden for subsidiaries that apply full IFRS but do not have public accountability (i.e., they are not publicly traded or financial institutions). It allows these subsidiaries to adopt simplified disclosure requirements while still following full IFRS recognition and measurement rules. The objective is to lower the cost and complexity of preparing financial statements without compromising the usefulness of the information for stakeholders like parent companies and auditors. This proposal is part of IASB's effort to streamline financial reporting for non-public entities

- **IFRS 18 Presentation and Disclosure in Financial Statements**

FRS 18 is a new accounting standard that outlines the presentation and disclosure requirements for financial statements. It mandates a statement of financial position at the beginning of the preceding period if there are retrospective adjustments or reclassifications. Entities can use alternative names for main statements and customize totals, subtotals, and line items, as long as they accurately represent the characteristics of the items. The standard also provides guidelines for grouping information and determining whether to include details in primary financial statements or as note.

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on near future transactions.

2.4 Foreign Currency Translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

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

2.5 Recognition of Income and Expenses

Interest income and expense for all interest-bearing financial instruments are recognized within “interest income” and “interest expense” in the consolidated and separate income statement using the effective interest method.

Interest income and expenses are recognized in the profit or loss statement when it is probable that economic benefits will flow to or from the bank in accordance with contractual terms. This recognition occurs provided that the amounts can be reliably measured, regardless of when the cash is actually received or paid.

The bank generates income from a diverse range of sources. Key contributors include interest on loans and advances to customers, service charges, and commissions. Additionally, the bank earns interest from deposits with local and correspondent banks, as well as from various investments in NBE (National Bank of Ethiopia) bills, and equity. Other income sources encompass foreign currency transactions, dividends, rental income, and miscellaneous income.

2.5.1 Net Interest

A. Effective interest rate

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the bank estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows (payments or receipts) over the expected life of a financial instrument to either the gross carrying amount of the financial asset or the amortized cost of the financial liability. This method ensures that the interest income or expense reflects the actual cost or return over the instrument's life.

In calculating the effective interest rate, all transaction costs, as well as any fees and points paid or received that are integral to the financial instrument, are considered. Transaction costs include incremental costs directly attributable to acquiring or issuing a financial asset or liability. This comprehensive approach captures the true economic cost or return associated with the financial instrument

For all government bills, bonds and interest-bearing financial assets measured at amortized cost, interest income or expense is recorded using the Effective Interest Rate (EIR). The carrying amount of the government bills and bonds is adjusted if the bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest Income' for financial assets and 'Interest expense' for financial liabilities.

B. Amortized cost and gross carrying amount

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

The 'gross carrying amount of a financial asset' represents the amortized cost before considering any expected credit loss allowances. This is essentially the unadjusted value of the asset, reflecting the initial measurement plus or minus adjustments for principal repayments and cumulative amortization, but without reductions for credit losses. It provides a starting point for assessing the asset's value before incorporating credit risk adjustments.

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 amortized cost of the liability.

For financial assets that become credit-impaired after initial recognition, interest income is calculated using the effective interest rate applied to the amortized cost of the asset. If the asset later recovers and is no longer credit-impaired, the calculation of interest income switches back to a gross basis. However, for financial assets that were credit-impaired at the time of initial recognition, the interest income calculation remains on an amortized cost basis, even if the credit risk improves.

2.5.2 Fees and commission income and expense

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 (commission on foreign transactions, advising commission, extension commission) are recognized as the related services performed.

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

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

In determining the disaggregation of fees and commissions the bank has considered how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It has determined that the above disaggregation by product type provides useful information that does not aggregate items that have substantially different characteristics and is not too detailed.

2.5.3 Interest paid on borrowings and deposits

Interest paid on borrowings and deposits are calculated on 365 days' basis in a year and recognized on accrual basis. Interest on lease liabilities is accounted for as per IFRS 16 Leases.

2.5.4 Dividend income

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

Cooperative Bank of Oromia S.C
Notes to the Financial Statements
For the year ended 30 June 2024

2.5.5 Rental Income

Rental income is respect of operating leases is accounted for on a straight-line basis over the lease terms on ongoing leases.

2.5.6 Foreign exchange revaluation gains or losses

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

The monetary assets and liabilities include financial assets within cash and cash equivalent and foreign currency deposits.

2.6 Financial instruments - initial recognition and subsequent measurement

2.6.1 Financial assets

Initial recognition and measurement

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

I. Financial asset measured at amortized cost

The Bank shall measure a financial asset at amortized 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.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

II. Financial assets measured at fair value through other comprehensive income

A debt instrument shall be measured at FVOCI only 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 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 held for trading shall be classified at FVTPL. However, for equity investment that is not held for trading, the bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

III. Financial instruments measured at fair value through profit or loss

All other financial assets that do not meet the classification criteria at amortized cost or FVOCI, above, shall be classified as measured at FVTPL.

Business model assessment

The Bank shall assess 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 realizing cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the 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 sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis shall be 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.

Financial assets shall not be 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

For the purposes of this assessment, 'principal' shall be defined as the fair value of the financial asset on initial recognition.

Interest shall be 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 bank considers 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 bank considers:

- 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).

Reclassifications

If the business model under which the bank holds financial assets changes, the financial assets affected are reclassified.

The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the bank.

During the current financial year and previous accounting period there was no change in the business model under which the bank holds financial assets. Therefore, no reclassifications were made.

Derecognition of Financial assets

The bank shall derecognize 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;
- Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does 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 derecognized) 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 recognized in OCI shall be recognized in profit or loss.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI shall not be recognized 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 bank shall be recognized as a separate asset or liability.

Impairment of financial assets

The impairment charge in the Profit or Loss Statement includes the change in expected credit losses and including those arising from fraud. Expected credit losses are recognized for loans and advances to customers, other financial assets held at amortized cost, financial assets measured at fair value through other comprehensive income, and certain loan commitments and financial guarantee contracts.

Expected credit losses are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default, adjusted to consider a range of possible future economic scenarios, and applying this to the estimated exposure of the bank at the point of default after considering the value of any collateral held, repayments, or other mitigates of loss and including the impact of discounting using the effective interest rate.

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

The bank shall recognize loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments; loans and advances to banks and customers.
- Lease receivables.
- Financial guarantee contracts issued
- Loan commitments issued.

No impairment loss shall be recognized on equity investments.

The bank shall measure loss allowances at an amount equal to lifetime ECL, except for the following, 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 shall always be measured at an amount equal to lifetime ECL.

12-Month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as Stage 1 financial instruments.

Lifetime ECL is the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as Stage 2 and which are credit-impaired, referred to stage 3, financial instruments.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. Foe all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in note 3.

I. Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It shall be 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 bank in accordance with the contract and the cash flows that the bank expects 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 bank, if the commitment is drawn down and the cash flows that the Bank expects to receive. and
- For financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

II. 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 bank shall assess whether the financial asset should be derecognized and 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.

III. Credit-impaired financial assets

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

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- 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 shall be considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more shall be considered credit-impaired even when the regulatory definition of default is different.

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

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

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

V. Write-off

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

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

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

VI. Financial guarantees

Financial guarantees are contracts that require the bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Types of Letter of Guarantees issued by the bank: -

- Bid bond
- Suppliers' Credit Guarantee
- Advance Payment Guarantee
- Performance Bond
- Retention Guarantee

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- Customs Duty Guarantee

Initial accounting for financial guarantees

The bank initially measures financial guarantee contracts at fair value. If the financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, then its fair value at inception is likely to equal the premium received unless there is evidence to the contrary.

Subsequent measurement

Financial guarantees are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

VII. Non-integral financial guarantee contracts

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

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

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

Collateral valuation

The bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash via bank guarantees and real estate. The fair value of collateral is generally assessed, at a minimum, at inception and based on the bank's reporting schedule.

To the extent possible, the bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models.

Repossessed collateral

Repossessed collateral represents financial and non-financial assets acquired by the bank in settlement of overdue loans.

The bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold.

Assets determined to be used for internal operations are initially recognized at the lower of their repossessed value or the carrying value of the original secured asset and included in the relevant assets depending on the nature and the bank's intention in respect of recovery of these assets, and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets.

Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the bank's policy.

2.6.2 Financial Liabilities

A. Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The bank's financial liabilities include customer's deposit, margin held on letters of credit and other liabilities. Interest expenditure is recognized in interest and similar expense.

B. Subsequent measurement

Financial instruments issued by the bank, that are not designated at fair value through profit or loss but are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in the bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate (EIR). Amortized cost is calculated by considering any discount or premium on the issue and costs that are an integral part of the EIR.

The bank's financial liabilities carried at amortized cost comprise of customer deposits, margin held on letter of credit and other liabilities.

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C. Derecognition of Financial Liabilities

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

2.6.3 Offsetting Financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the bank has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The bank has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.7 Cash and cash equivalents

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

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

2.8 Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

2.9 Debt Securities

Government securities and coupons and corporate bonds are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss. They are measured at amortized cost-plus accrued interest.

2.10 Property, Plant and Equipment

2.10.1 Recognition and measurement

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such a cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met.

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

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

Property and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or at the expiration of a lease contract for right of use assets. Gain or Loss are determined by comparing the net proceeds from disposal with the carrying amount of the items.

Gains and losses arising on disposal of an item of property and with the carrying amount of the item and are recognized within 'other operating income' in profit or loss.

The Bank does not have property, plant and equipment or real asset pledged as collateral.

2.10.2 Depreciation

Depreciation is recognized in the income statement on a straight-line basis to write down the cost of items of property and equipment, to their residual values over the estimated useful lives.

The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

Asset class	Depreciation rate (years)	Residual values (%)
Buildings	50	5%
Motor vehicles	10	5%
Computer and data storage	7	1%
Furniture & fittings	10-20	1%
Equipment	5-10	1%

The Bank commences depreciation when the asset is available for use and ceases at the earlier of the date that the asset is derecognized or classified as held for sale in accordance with IFRS 5. Capital work-in-progress is not depreciated as these assets are not yet available for use. Upon completion it is transferred to the relevant asset category. Freehold land is not depreciated.

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

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

2.10.3 De-recognition

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included within other operating income in the income statement in the period the asset is derecognized.

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 amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite live are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Unless otherwise, all other expenditure is expensed as incurred.

The amortization expenses on intangible assets with finite lives is presented as a separate item in the Profit or Loss.

Amortization is recognized in the income statement on a straight-line basis over the estimated useful life of the intangible assets, from the date that it is available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The Banks's intangible asset's residual values over their estimated useful lives, as follows:

- Computer software----------------6 years
- Core application software ------ 6 years
- Intangibles-contract based------contract period

The useful lives of the assets are reviewed annually for any changes in circumstances. The assets are tested annually for impairment or at such time where there is an impairment trigger, or changes in circumstances indicate that their carrying value may not be recoverable.

Cost associated with maintaining intangible asset programmed are recognized as an expense as incurred. However, expenditure that enhance or extends the benefits of the asset beyond their original specification and lives is recognized as capital improvement and added to the original cost of the intangible asset/software. And Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in Profit or Loss in the period in which the expenditure is incurred.

2.12 Non-Current Assets Held for sale

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

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

Non-current assets are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal bank classified as held for sale continue to be recognized.

2.13 Impairment of Non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The bank bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are

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allocated. These budgets and forecast calculations cover five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such an indication exists, the bank estimates the assets or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss.

2.14 Other assets

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

I. Prepayments

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

II. Other receivables

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

III. Inventory

For the Bank, inventories would normally comprise materials and supplies not directly used at the time of their purchase, such as stationery and printing materials, uniform, CPO, passbook, office and other general supplies.

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

2.15 Related Parties

This relates to transactions entered into between banks entities at arms-length.

2.16 Fair Value Measurement

The bank measures financial instruments classified as available–for-sale at fair value at each statement of financial position date. Fair value related disclosures financial instruments and non-financial assets that are measured at fair values are disclosed are, summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Note 3 and Note 4.6.1
- Quantitative disclosures of fair value measurement hierarchy Note 4.6.1
- Financial instruments (including those carried at amortized cost) Note 4.6.1

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 places 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 assets or liability

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the consolidated statement of financial position.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model based on contractually agreed cash flows, considering credit quality, liquidity, and costs.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

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 if market participants act in their economic best interest.

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

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

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

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

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

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

2.17 Employee Benefits

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

I. Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement when they are due in respect of service rendered before the end of the reporting period.

Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

The Bank operates two defined contribution plans;

- **Pension scheme** in line with the provisions of Ethiopian private organization employees' pension proclamation No. 1268/2022. Funding under the scheme is 7% and 11% by employees and the Bank respectively;
- **Provident fund contribution**, funding under this scheme is 8% and 12% by employees and the bank respectively; based on the employees' salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

II. Defined Benefit Plan

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

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

The current service cost of the defined benefit plan, recognized in the Profit or Loss in employee benefit expense, except were 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. Post-service costs are recognized 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.

III. Termination Benefits

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

IV. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the 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.

V. Profit-sharing and Bonus plans

The bank recognizes a liability and expenses for bonuses and profit-sharing. The bank recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.18 Deposits from Banks and Customers

Deposits and borrowings are the Group's sources of debt funding. These liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

2.19 Provisions

Provisions are recognized when the bank has a present obligation (legal or constructive) as a because 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 a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

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

2.20 Share Capital

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

2.21 Legal Reserve

The legal reserve is a statutory reserve required by the regulators. The Bank has to transfer annually 25% of its annual net profit as a legal reserve until such reserve equals its capital. When the legal reserve equals the capital of the Bank, the amount to be transferred to the legal reserve shall be 10% of the annual net profit. See NBE Directive No. SBB/4/95.

2.22 Earnings per Share

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

2.23 Government Grants

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

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

2.24 Leases

I. Bank as a Lessee

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

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

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

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

The bank determines its incremental borrowing rate by analyzing its borrowing from various external sources and make 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 bank is certain to exercise, lease payment in an optional renewal period of the bank is certain to extension option, and penalties for early termination of a lease unless the bank is certain not to terminate early.

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

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

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

II. Bank as a Lessor

At inception or on modification of a contract containing a lease component, the bank allocates the consideration in the contract to each lease component based on their relative stand-alone selling prices.

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

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

The bank applies the derecognition and impairment requirements in IFRS 16 to the net investment in the lease. The bank regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

2.25 Investment in associates

Associates are all entities over which the Bank has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. This is generally the case where the Bank holds between 20% and less than 50% of the voting rights of the entity. In assessing existence of significant influence, the Bank considers among other parameters whether there is;

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in the policy-making process and material transactions between the investor and the investee;
- Provision of essential technical information by the investor to the investee

Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter recognize the Bank's share of the post-acquisition profits or losses of the investee in profit or loss, and the Bank's share of movements in other comprehensive income of the investee in other comprehensive income. Dividend received or receivable from associates are recognized as a reduction in the carrying amount of the investment. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Bank recognizes its share of any changes, when applicable, in the statement of change in equity.

When the Bank's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Bank does not recognize further losses, unless it has incurred obligation or made payments on behalf of the other entity.

Unrealized gains on transactions between the Bank and its associates are eliminated to the extent of the Bank 's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Bank.

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In certain instances, the requirement that significant influence arises from a 20% or more investments can be invalidated where an entity can demonstrate that it does not have significant influence, or there is demonstrable presence of significant influence in an investment of less than 20% based on the above assessment criteria.

Investment in associates are accounted for using the equity method of accounting. The initial investment is recognized at cost of acquisition and any share of profit or loss from the investment is reflected as changes in the value of the investment.

2.26 Income Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

1. Current income tax

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

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

2. Deferred tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same

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taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

In determining the amount of current and deferred tax, the bank considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about the future events. New information may become available that causes the bank to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the bank's accounting policies. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

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

Other disclosures relating to the bank's exposures to risks and uncertainties include:

- Capital Management Note 4.5
- Financial Risk Management and policies Note 4.1
- Sensitivity analysis disclosures Note 4.4.1

Estimates and the underlining assumption and judgements are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

3.1 Judgements

In applying the bank's accounting policies, the directors made the judgements, which have the most significant effect on the amounts recognized in the financial statements.
Estimates where management has applied judgements are:

- Impairment losses /Allowance for credit losses
- Defined benefit plan
- Valuation of unquoted equities
- Depreciation of property and equipment

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- Amortization of intangible assets
- Impairment of non-financial asset
- Litigations claims provisions
- Determination of Income taxes
- Lease

Models and assumptions used: The bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

3.2 Estimates and Assumptions uncertainties

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 fiscal year, are described below. The bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the bank. Such changes are reflected in the assumptions when they occur.

3.2.1 Impairment losses on loans and advances

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, changes in individual customers' circumstances, structural changes within industries that alter competitive positions and other external factors such as legal and regulatory requirements.

Impairment is measured for all accounts identified as non-performing. All relevant considerations that have a bearing on the expected future cash flows are considered which include but not limited to future business prospects for the customer, realizable value of securities, the bank's position relative to other claimants and the existence of any court injunctions placed by the borrower. Subjective judgments are made in this cash flow determination process in value and timing and may vary from one person to another and team to team. Judgments may also change with time as new the latest information becomes available.

The bank reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. Judgment by the directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about several factors and actual results may differ, resulting in future changes in the allowance.

The following are key estimations that the directors have used in the process of applying the banks accounting policies and that have the most significant effect on the amounts recognized in financial statements:

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario.

When measuring ECL the Bank uses reasonable and supportive forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

I. **Probability of Default (PD):** 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 between two subsequent time periods.

II. **The Loss Given Default (LGD):** is a measure of how much (in form of a percentage) the bank is expected to lose if default events occur. This can be estimated using either collateral, in instances where the customer has collateral against the debt instrument that they have undertaken with the bank or an analysis of the historical cash collections after the default event, for cases that the debt instrument is not secured.

III. **Exposure at Default (EAD):** EAD modelling estimates annual outstanding exposure on each loan facility over the remaining lifetime from the reporting period. The EAD for each period is calculated based on the contractual cash flows of each loan account using the reducing balance method.

The exposure at default assumed by management to be the mid-year EAD for facilities with monthly and quarterly repayment schedules. This is to reflect the assumption of uniform distribution of default events throughout the year. For semi-annual and annual repayment schedules, exposure at default will be assumed by management to be the reporting date EAD.

IV. **Significant Increase in Credit Risk (SICR):** SICR is based on migration from stage 1 to stage 2. As per the bank's loan listing classification, these are loans that experience migration from "Pass" to "Special Mention" because of arrears of over 30 days past due.

3.2.2 Statement of prudential Adjustments-On-Balance Sheet Exposures

Provisions under prudential guidelines are determined using the time based provisioning regime prescribed by the Revised National Bank of Ethiopia(NBE) Prudential Guidelines. This is at variance with the expected credit loss model required by IFRS 9. As a result of the differences in the methodology/provision regime, there will be variances in the impairments allowances required under the two methodologies.

Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, Banks would be required to comply with the following:

a. Provisions for loans recognized in the profit or loss account should be determined based on the requirements of IFRS.

However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserves should be treated as follows:
be transferred from the retained earnings account to a “regulatory risk reserve”
• Prudential Provisions is greater than IFRS provisions; the excess provision resulting should

b. Prudential Provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the retained earnings account.

Banks has complied the following minimum prudential provision percentages requirements of the directives against the outstanding principal amount of each loan or advance, classified in accordance with the criteria for the classification of loans or advances as laid out under Article 6 of this Directive No; SBB/90/2024:

Classification Category		Minimum Prudential Provision
7.3.1	“Pass”	1%
7.3.2	“Special Mention”	3%
7.3.3	“Sub -standard”	20%
7.3.4	“Doubtful”	50%
7.3.5	“Loss”	100%

3.2.3 Prudential Provisioning Requirements for Off-balance Sheet Exposures

All banks shall maintain a Provision for Loan Losses Account, which shall be created by charges to provision expense in the profit and loss statement and shall be maintained at a level adequate to absorb potential losses from off-balance sheet exposures, including letter of credit (such as sight or acceptance letter of credit), guarantee (such as performance bond or bid bond guarantees) and commitment to loan or advance.

All banks shall maintain the prudential provisions against the total off balance sheet exposure (amount of cash margin or value of eligible collateral shall not be deducted while computing such exposure value for provisioning purposes).
Banks shall maintain the following minimum prudential general provision percentages against the total off-balance sheet exposure amount:
Guarantee ;

- Guarantee with no counter guarantee: 2%
- Guarantee with counter guarantee by foreign bank or foreign insurance company with an A rating as per sub-article 2.5.3 of this Directive: 1%

Commitment to provide loan and advance: 2%
Letter of credit: 2%
Other off-balance sheet exposures: 2%

3.2.4 Fair Value Measurement of Financial Instruments

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

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value is measured using valuation techniques including the discounted cash flow (DCF) model.

In accordance with IFRS 13 fair value measurement, which outlines three approaches for valuing unquoted equity instruments; market approach, the income approach and the cost approach. The bank estimated the fair value of its investment in each of the unquoted equity securities at the end of the financial period using the market approach.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements 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.

3.2.5 Retirement Benefits

The bank has a comprehensive remuneration system based on HR policy. It combines a fixed salary that reflects the individual's role and level of responsibility along with other benefits. In addition, the bank also offers provident fund, gratuity, staff loan and other benefits such as banking products and services, medical benefits for employees.

The cost of the defined benefit pension plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases.

The discount rate reflects the estimated timing of benefit payments. In practice, an entity often achieves this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid.

The Inflation rate the most of the plans' benefit obligations are linked to inflation both in deferment and once in payment. Higher inflation will lead to higher liabilities.

In determining the appropriate discount rate, reference is made to the yield on zero-coupon government bond yield curves in kenya, as published by the Nairobi Stock Exchange that relative Ethiopia and have maturity dates approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. See note 25 for the sensitivity analysis.

3.2.6 Depreciation and Carrying Value of Property, Plant and Equipment

The estimation of the useful lives of assets is based on director's judgement. Any material adjustment to the estimated useful lives of property and equipment items will impact the carrying value of these items.

Property and equipment are depreciated over its useful life considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In reassessing asset lives, factors such as technological innovation and maintenance programs are considered which involve extensive subjective judgment. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3.2.7 Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model.

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

3.2.8 Income taxes

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

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

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3.2.9 Leases

The right to use is depreciated over the lease term considering the renewal option. The Bank will renew the lease when it is reasonably certain that the lease location is still economically viable to conduct business.

The Bank will bear restoration costs, if any, upon relocation or end of lease where such is stipulated in the lease agreement.

4. Financial Risk Management

4.1 Introduction

This note explains the bank's exposure to financial risks and how these risks could affect the bank's future financial performance. The bank has documented financial risk management policies. These policies set out the bank's overall business strategies and its risk management philosophy. The bank's overall financial risk management programme seeks to minimize potential adverse effects of the financial performance of the bank.

The Board of Directors provides written principles for overall financial risk management and written policies covering specific areas, such as credit risk, market risk (including foreign exchange risk, interest rate risk and equity price risk) and liquidity risk. Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the bank's policy guidelines are complied with. Risk management is carried out by the bank's Risk Management Process under the policies approved by the Board of Directors.

Risk is inherent in the bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the bank's continuing profitability and everyone within the bank is accountable for the risk exposures relating to his or her responsibilities. Financial risk exposures of the bank are limited to credit, liquidity, market, profitability, and solvency risks.

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

4.1.1 Risk Management Structure

The board of director is responsible for establishing and ensuring the effective functioning of the bank's risk and compliance management activities.

The Board Risk and Compliance Management Sub-committee is responsible for developing the risk strategy and implementing principles, frameworks, policies, and risk appetite. It is also responsible for performing compliance monitoring and testing, preparing periodic risk and compliance exposure reports to executive management and the board of directors.

The executive management is responsible for translating and implementing the bank's risk management strategy, priorities and policies as approved by the board of directors.

The bank's policy is that risk management processes throughout the bank are assessed periodically by the management. This will help to adequately capture risk exposure, aggregate exposure of risk types and incorporate short run as well as long run impact on the bank.

4.1.2 Risk Measurement and Reporting Systems

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

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

4.1.3 Risk Mitigation

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

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

Financial instruments are classified in the statement of financial position in accordance with their legal form and The Bank's classification of its financial assets is summarized in the table below;

30-Jun-24	Notes	Assets at fair value through OCI Birr'000	Financial assets at amortized cost Birr'000	Total Birr'000
Cash and balances with banks	13		17,295,475	17,295,475
Loans and advances to customers	14 &15		95,997,540	95,997,540
Investment securities		-		-
-Financial asset at fair value through OCI	16	348,175		348,175
-Financial assets at Amortized cost	17		7,929,949	7,929,949
Other assets	18	-	4,232,280	4,232,280
Total financial asset		**348,175**	**125,455,244**	**125,803,419**

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30-Jun-23	Notes	Assets at fair value through OCI Birr'000	Financial assets at amortized cost Birr'000	Total Birr'000
Cash and balances with banks	13		15,750,205	15,750,205
Loans and advances to customers	14&15		99,673,485	99,673,485
Investment securities		-		-
-Financial asset at fair value through OCI	16	239,676		239,676
-Financial assets at Amortized cost	17		9,459,116	9,459,116
Other assets	18	-	4,045,540	4,045,540
Total financial asset		**239,676**	**124,882,806**	**125,122,482**

The majority of the bank's financial assets are in the form of loans and advances to customers, suggesting that lending is a core activity for the bank.

4.2 Credit Risk

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

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

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

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

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

4.2.1 Credit risk exposure

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

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

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
Cash and balances with banks(net)	13	17,294,778	15,750,205
Loans and advances to customers(net)	14&15	95,997,540	99,673,485
Investment securities			-
-Financial asset at fair value through OCI	16	348,175	239,676
-Financial assets at Amortized cost	17	7,929,949	9,459,116
Other assets(net)	18	4,232,280	4,045,540
Total financial asset(net)		**125,802,722**	**129,168,022**
Credit risk exposure relating to Off balance sheet items are as follow:			
Loan commitments	36	3,211,690	6,757,419
Guarantees	35b	763,118	512,398
Letter of Credit	35b	98,392	139,180
Total OBS items		**4,073,200**	**7,408,998**
		131,004,140	**136,577,020**

The bank has been employing a robust risk management practices in place to assess and mitigate credit risk.

(b) Assets obtained by taking possession of collateral

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

	30 June 2024 Birr'000	30 June 2023 Birr'000
Acquired;	424,199	37,020
	424,199	**37,020**

The Bank's policy is to pursue timely realization of the collateral in a timely manner. The Bank does not generally use the non-cash collateral for its own operations.

4.2.2 Management of Credit risk

In measuring credit risk of loans and receivables to various counterparties, the bank considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counterparty and its future developments, credit history of the obligor; and the recovery ratio in case of default obligations-value of collateral and other ways out..

Our credit exposure comprises corporate and retail loans and receivables which are developed to reflect the needs of our customers.

The bank's policy is to lend mainly based on our customer's repayment capacity through quantitative and qualitative evaluation. However, we ensure that our loans are backed by collateral to reflect the risk of the obligors and the nature of the facility.

4.2.3 Expected Credit Loss Measurement

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discounts unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognized during the period and write-offs of allowances related to assets were write-off.

A. Inputs, Assumptions and Techniques used for estimating impairment

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the bank.
- If a SICR since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- POCI financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

B. Significant Increase in Credit Risk

The bank continuously monitors all assets subject to ECL. To determine whether an instrument or a portfolio of instruments is subject to 12-month and Lifetime ECL, the bank assesses whether there has been a significant increase in credit risk since initial recognition.

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 bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met.

The quantitative criteria are based on either absolute or relative changes in credit quality. In both cases, the bank is expected to specify the percentage change, for either 12 -month or lifetime PDs in comparison to the corresponding 12-month or lifetime PDs as calculated at origination, respectively, that would indicate a significant increase in credit risk since origination.

I. Forward Transitions: Days Past Due

Transition from Stage 1 to Stage 2 is based on the 30 days past due presumption.

Stage	Days Past Due
1	0 – 29
2	30 – 89
3	90+

II. Forward Transitions: Watch list & Restructure

The bank classifies accounts that are included on their watch list or have been restructured as Stage 2 if the significant driver for the account being watched listed or restructured is due to a significant increase in credit risk.

III. Forward transitions: Classification

In addition to the days past due, the bank classifies accounts as either 'Performing', 'Substandard', 'Doubtful' or 'Loss'.

This classification is considered together with days past due in determining the stage classification. The table below summarizes the account classification and days past due.

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Classification	Days Past Due
Performing (Current + Watch list)	0 – 89
Substandard	90- 179
Doubtful	180 – 360
Loss	365+

The internal rating systems described above focus more on credit-quality mapping from the inception of the lending.

Current: Relates to assets classified as "Investment Grade" (no evident weakness).

Watch list: Relates to items for which there is evidence of a weakness in the financial or operating condition of the obligor which requires management's close attention.

Substandard: There is a well-defined weakness in the financial or operating condition of the obligor which jeopardizes the timely repayment of its obligations.

Doubtful: There are all of the weaknesses that are normally seen in a substandard credit with the additional characteristic that these weaknesses make full repayment unlikely.

Loss: These assets are considered uncollectible and of such little value that they should be fully written off.

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

C. Credit Risk Grades and exposure

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

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data;

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i. Gross loans and advances to customers per sectors are analyzed as follows;

Sector	30 June 2024 Birr'000	30 June 2023 Birr'000
Agriculture	6,637,496	4,773,795
Manufacturing	15,902,058	14,042,439
Export	15,728,189	18,763,351
Merchandise	1,394,537	1,646,886
Import	4,875,115	4,885,665
Domestic trade and service	27,517,943	29,169,917
Building and construction	3,900,647	3,254,792
Staff loans	8,945,110	8,955,975
Murabaha-Agriculture	158,817	141,179
Murabaha-Manufacturing	3,085,968	3,172,186
Murabaha-Export	3,472,291	4,190,042
Murabaha-Import	1,040,825	102,459
Murabaha-Domestic trade and service	4,125,520	5,930,831
Murabaha-Building and construction	1,859,549	2,079,603
Murabaha-Consumer	707,680	804,238
	99,351,747	**101,913,357**

ii. Gross loans and advances from customers per National Bank of Ethiopia's impairment guidelines are analyzed as;

Status	30 June 2024 Birr'000	30 June 2023 Birr'000
Pass/Current/Performing	91,212,520	87,629,686
Special Mention	4,716,805	5,511,254
Substandard	1,350,285	2,524,303
Doubtful	998,939	3,953,512
Loss	1,073,197	2,294,602
	99,351,747	**101,913,357**

The provided data shows the classification of the bank's loans and advances based on their credit quality, as assessed using the National Bank of Ethiopia's impairment guidelines. These guidelines are used to determine the likelihood of a borrower defaulting on their loan.

The above table represents a worst case scenario of credit risk exposure of the Bank as at the reporting dates without taking account of any collateral held or other credit enhancements attached. The exposures are based on gross amounts as reported in the notes of statement of financial position.

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

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I. Term Loan Exposures

Information obtained during periodic review of customer files – e.g., audited financial statements, management accounts, budgets, and projections.

Examples of areas of particular focus are gross profit margins, financial leverage ratios, debt service coverage, compliance data from credit reference agencies, press articles, changes in external credit ratings. Actual and expected significant changes in the political, regulatory, and technological environment of the borrower or in its business activities, internally collected data on customer behavior, affordability metrics.

Term loan	30 June 2024 Birr'000	30 June 2023 Birr'000
Conventional	65,582,864	65,741,568
IFB Financing	11,802,635	15,436,950
	77,385,499	**80,178,518**

II. 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

Overdraft facilities	30 June 2024 Birr'000	30 June 2023 Birr'000
Conventional	20,010,112	21,573,460
IFB Financing	2,620,507	940,907
	22,630,619	**22,514,367**

D. Generating the term structure of PD

Credit risk grades are a primary input into determining the term PD structure for exposures. The bank collects performance and default information about its credit risk exposures analyzed by product and borrower and by credit risk grading.

The bank employs statistical models to analyze 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.

E. 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 from 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 return to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the bank determines a probation period during which the financial asset is required to demonstrate good 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 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 can identify 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 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).

F. 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 on any material credit obligation to the bank.
- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- It is becoming probable that the borrower will restructure the asset as because 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:

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

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

G. Incorporation of Forward-Looking Information in the ECL Models

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

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

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

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management.

The bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses.

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

Sector/Product	Macroeconomic factors
Cluster 1 Agriculture Consumer Loans Overdraft Interest Free Financing	Goods debit (Imports)

Tafese, Shiferaw & Ayalew TMS Plus Certified Audit Partnership

Baankii Hojii Gamtaa Oromiyaa Cooperative Bank of Oromia

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Cluster 2 Domestic Trade Services Mining and Energy Transport Health Merchandise Financial Services	-
Cluster 3 Building and Construction Hotel and Tourism Manufacturing and Production Industry Real Estate Housing and Construction	Gross domestic product, current prices (U.S. dollars)
Cluster 4 Export Import Advance against Import Bills International Trade	Goods debit (Imports)

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

The economic scenarios used included the following key indicators for Ethiopia:

Indicator	30-Jun-22	30-Jun-23	30-Jun-24
Consumer price index inflation, 2010=100, ave	762.5271436	935.3666295	1070.363365
Exports of goods and services, USD	9395.607791	10688.61701	11817.59182
Government domestic debt, LCU	1601205	1831600	2059995
LCU/USD, ave	53.4866	56.62675	59.4581
Nominal GDP, LCU	6324877	8013281.5	9616083.5
Private final consumption, LCU	4706090.5	5637459.5	6537715
Total domestic demand, LCU	6554527	7774859.5	9014880
Savings, LCU	1139737.5	1333875.5	1571133.5
Population	122292044	125261131	128250163.5
Consumer price index inflation, 2010=100, eop	757.1938814	892.812714	999.4053306
M1, LCU	519050	584105	660745
M2, LCU	1669935	1932335	2247120
Current expenditure, LCU	510009.5	596727.5	716557
Goods imports, USD	15797.5	16432.5	17418.5
Goods exports, USD	4137	4393	4740
Current account balance, USD	-4804	-4747.5	-4995.5
Import cover months	1.72	1.89	2.015
Total household spending, LCU	5494617.242	6584552.359	7636051.109
Nominal GDP, USD	115099.8131	130088.5708	144653.1974
Real GDP, LCU (2010 prices)	1,031,006,500,000	1,097,146,000,000	1,172,494,000,000
Real GDP, USD (2010 prices)	71549973629	76139934488	81368948479
Real GDP per capita, USD (2010 prices)	566.6069137	588.7835639	614.1314862
Nominal GDP, USD (PPP)	358,557,612,057.28	394,406,827,578.31	428,362,843,461
Private final consumption, USD	87765.78158	99433.7029	109822.6085
Private final consumption per capita, USD	0.000717115	0.000793453	0.000855938
Government final consumption, LCU	487844	566297.5	646227
Government final consumption, USD	9106.134154	9989.898713	10858.0678

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Exports of goods and services, LCU	503898	605980.5	703534
Exports of goods and services per capita, USD	0.00007676408	0.00008529332	0.00009210197
Imports of goods and services, LCU	887821	1004878.5	1106430
Imports of goods and services, USD	16574.61301	17735.38256	18597.7994
Total domestic demand, USD	122278.8183	137135.3364	151433.405
Total domestic demand per capita, USD	0.000999237	0.001094309	0.00118024
Unemployment, % of labour force, ave	3.235	3.28	3.21
Real effective exchange rate index	14.645	10.39	8.22
LCU/USD, eop	55.24565	58.00795	60.90835
Total revenue, LCU	476482	648396.5	886024.5
Total revenue, USD	8876.822855	11411.97015	14856.04642
Total expenditure, LCU	681893	857966	1104727.5
Total expenditure, USD	12720.97912	15113.56834	18534.18363
Current expenditure, USD	9524.573405	10521.5298	12031.02291
Budget balance, LCU	-205410.5	-209569	-218703.5
Budget balance, USD	-3844.147214	-3701.589134	-3678.145412
Services imports, USD	6267	6696.5	7182.5
Services exports, USD	5569	5897.5	6246
Total reserves ex gold, USD	3159.5	3648.5	4137
Total external debt stock, USD	40111.5	44666.5	49383.5
Long-term external debt stock, USD	38315	42836	47517
Public external debt stock, USD	38315	42836	47517
Total government debt, USD	71350	80340	87275
Total debt service, USD	2525.54	2884.175	3181.48
Gross domestic product, constant prices	2329.2465	2485.041	2643.2465
Gross domestic product, current prices	7439.923	10299.1375	13591.025
Gross domestic product, current prices	139.3575	172.4385	186.087
Gross domestic product, current prices	376.992	414.2365	449.7525
Gross domestic product, deflator	317.8875	412.9045	512.6465
Gross domestic product per capita, constant prices	22200.959	23318.009	24411.681
Gross domestic product per capita, constant prices	2989.462	3139.878	3287.146
Gross domestic product per capita, current prices	70837.13	96546.1305	125425.3695
Gross domestic product per capita, current prices	1327.1205	1710.6005	2036.6005
Gross domestic product per capita, current prices	3592.7605	3886.559	4153.3975
Gross domestic product based on purchasing-power (PPP) share of world total	0.2215	0.229	0.236
Implied PPP conversion rate	19.61	24.7465	30.1145
Total investment	23.7555	20.7835	19.21
Gross national savings	20.3165	18.135	17.1535
Inflation, average consumer prices	343.306	438.0265	532.0315
Inflation, end of period consumer prices	376.1205	468.935	555.003
Population	104.8945	106.553	108.258
General government revenue	621.6615	850.922	1125.3515
General government revenue	8.3825	8.2575	8.281
General government total expenditure	860.2805	1080.274	1435.437
General government total expenditure	11.7295	10.5255	10.531
General government net lending/borrowing	-238.6195	-229.352	-310.0855
General government net lending/borrowing	-3.347	-2.268	-2.25
General government primary net lending/borrowing	-192.091	-165.9445	-199.106

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General government primary net lending/borrowing	-2.722	-1.651	-1.4565
General government net debt	2932.0055	3269.96	3804.03
General government net debt	40.174	32.2795	28.0825
General government gross debt	3105.6935	3464.8515	3998.9215
General government gross debt	42.529	34.217	29.5395
Gross domestic product corresponding to fiscal year, c prices	7439.923	10299.1375	13591.025
Current account balance	-4.8845	-4.935	-4.679
Current account balance	-3.6085	-2.727	-2.1495
Gross Domestic Product	5.50854802	5.95	6.4
Domestic Demand	5.508988927	5.920142776	6.370007514
Exports of Goods & NF Services	11.34944533	14.41250572	16.63005609
Imports of Goods & NF Services	25.21067916	31.99370703	36.89260875
Nominal Per-Capita GDP	1099.16688	1360.186879	1530.593235
Year-end	54.63555	60.51444134	71.5787915
Annual Average	53.17454106	56.91627217	65.35714129
Short-Term Interest Rate	7.670412996	7.693424235	7.716504508
Policy Interest Rate (Year-end)	13	12.75	12.5
Unemployment Rate (Annual average)	3.328416667	3.294902778	3.398219908
Current Account Balance	-4.857372266	-4.819503215	-4.276815397
Balance on Goods**	-14.44560765	-17.83739513	-19.37397306
Goods, Credit (Exports)	4.12097351	4.966995101	6.42783406
Goods, Debit (Imports)	18.56658116	22.80439023	25.80180712
Balance on Services	0.274487845	1.204595034	1.469284109
Services, Credit (Exports)	8.109256604	10.39705457	12.59607455
Services, Debit (Imports)	7.834768759	9.192459541	11.12679044
External Debt	28.61785952	28.63448641	28.63826531
International Reserves (Year-end)	3.282284077	3.937719875	4.56128773
Population	124.953492	128.1233895	131.329137

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 below scenario weightings have been observed:

Summary of scenario weightings			
Scenario	**Base**	**Downturn (downside)**	**Optimistic (upside)**
Cluster 1	100%	0%	0%
Cluster 2	100%	0%	0%
Cluster 3	92%	8%	0%
Cluster 4	100%	0%	0%

H. Modified Financial Assets

The contractual terms of a loan may be modified for many 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. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the bank's ability t o 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.

Forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that exposure is credit impaired. A customer needs to demonstrate consistently good payment behavior over a period 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.

I. Measurement of ECL

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

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

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

EAD represents the expected exposure in the event of a default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from 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 usi ng scenario and statistical techniques.

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

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

However, for overdrafts that include both a loan and an undrawn commitment component, the bank measures ECL over a period longer than the maximum contractual period if the bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed a collective basis.

The bank can cancel them with immediate effect, but this contractual right is not enforced in 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 considering 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 banked based on shared risk characteristics that include:

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

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The banking's are subject to regular review to ensure that exposures within a particular bank remain appropriately homogeneous.

J. Loss Allowance

The following tables show reconciliations of loans and advances to customers at amortized cost (on balance sheet exposures) as of June 30, 2024.

In Birr'000

	2024			
Loans and advances to customers at amortized cost (on balance sheet and off-balancesheet exposures)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 July 2023	**589,914**	**109,979**	**1,297,228**	**1,997,122**
Transfer to stage 1 (12 months ECL)	181,382	(50,134)	(131,249)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	(16,367)	27,081	(10,713)	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(41,190)	(18,738)	59,928	-
Net re-measurement of loss allowance	19,904	8,771	1,079,820	1,108,496
New financial assets originated or purchased	252,628	19,597	247,646	519,872
Financial assets derecognized	(129,260)	(24,725)	(360,049)	(514,034)
Balance as at 30 June 2024	**857,013**	**71,831**	**2,182,613**	**3,111,456**

In Birr'000

	2023			
Loans and advances to customers at amortized cost (on balance sheet and off-balance sheet exposures)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 July 2022	**283,792**	**1,652**	**617,694**	**903,138**
Transfer to stage 1 (12 months ECL)	253,794	(32,090)	(221,704)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	(24,686)	25,465	(778)	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(11,399)	(2,083)	13,482	-
Net re-measurement of loss allowance	(226,056)	28,737	871,954	674,635
New financial assets originated or purchased	230,963	55,039	28,943	314,946
Financial assets derecognized	(110,369)	(9,762)	(139,825)	(259,956)
Balance as at 30 June 2023	**589,914**	**109,979**	**1,297,228**	**1,997,122**

Increase in Stage 3 Impairment: The significant increase in Stage 3 impairment suggests a deterioration in the credit quality of the loan portfolio. This could be due to various factors such as economic downturn, sector-specific challenges, or individual borrower difficulties.

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In Birr'000

	2024			
Emergency Overdraft Letter of Credit and financial guarantee contracts (off balance sheet exposures)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 30 July 2023	**166**	**-**	**1,621**	**1,787**
Transfer to stage 1 (12 months ECL)	688		(688)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	-	-	-	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(2)	-	2	-
Net re-measurement of loss allowance	(682)	-	3,297	2,615
New financial assets originated or purchased	98	-	97	195
Financial assets derecognized	(4)		(165)	(169)
Balance as at 30 June 2024	**264**	**-**	**4,164**	**4,428**

In Birr'000

	2023			
Emergency Overdraft Letter of Credit and financial guarantee contracts (off balance sheet exposures)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 July 2022	**451.50**	**-**	**1,153**	**1,604**
Transfer to stage 1 (12 months ECL)	0.24		(0.24)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	-	-	-	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(920)	-	920	-
Net re-measurement of loss allowance	923	-	(352)	571
New financial assets originated or purchased	141	-	49	190
Financial assets derecognized	(430)		(148)	(578)
Balance as at 30 June 2023	**166.23**	**-**	**1,621**	**1,787**

The following table provides a reconciliation for June 30, 2024 between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and the 'impairment losses on financial instruments' line item in the consolidated statement of profit or loss and other comprehensive income.

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In Birr'000

	2024			
Other financial assets (debt instruments)	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Balance as at 1 July 2023	**627.76**	**472.96**	**403,597.68**	**404,698.40**
Net remeasurement of loss allowance	69.25	(110.31)	(99,368.38)	(99,409.44)
New financial assets originated or purchased	-	-	-	-
Balance as at 30 June2024	**697.01**	**362.65**	**304,229.3**	**305,288.96**

In Birr'000

	2023			
Other financial assets (debt instruments)	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Balance as at 1 July 2022	**593.02**	**402.28**	**221,627.43**	**222,622.73**
Net remeasurement of loss allowance	34.74	70.68	181,970.25	182,075.67
New financial assets originated or purchased	-	-	-	-
Balance as at 30 June 2023	**627.76**	**472.96**	**403,597.68**	**404,698.40**

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The following table provides a reconciliation between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and the 'impairment losses on financial instruments' line item in the consolidated statement of profit or loss and other comprehensive income.

In Birr'000

2024	Loans and advances to customers at amortized cost	Investment securities (debt instruments)	Other financial assets	Total charge/(credit)
Net remeasurement of loss allowance	1,108,496.49	(110.31)	(99,368)	1,009,018
New financial assets originated or purchased	519,872	-	-	519,872
Financial assets derecognized	(514,034)	-	-	(514,034)
Amounts directly written off during the year	-	-	-	
Recoveries of amounts previously written off	-	-	-	
Balance as at 30 June 2024	**1,114,334.49**	**(110.31)**	**(99,368)**	**1,014,856**

In Birr'000

2023	Loans and advances to customers at amortized cost	Investment securities (debt instruments)	Other financial assets	Total charge/(credit)
Net remeasurement of loss allowance	674,635	71	183,148	857,854
New financial assets originated or purchased	314,946	-	-	314,946
Financial assets derecognized	(259,956)	-	-	(259,956)
Amounts directly written off during the year	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Balance as at 30 June 2023	**729,625**	**71**	**183,148**	**912,844**

4.2.4 Credit- related commitments

These instruments' main purpose is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans.

Documentary and commercial letters of credit – which are written undertakings by the bank on behalf of a customer authorizing a third party to draw drafts on the bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. Regarding to credit risk on commitments to extend credit, the bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The bank monitors the term to maturity of credit commitments because lon ger-term once have more credit risk than shorter term ones.

4.2.5 Credit quality analysis

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

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

	2024				2023
Loans and advances to customers at amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Stage 1 – Pass	85,732,373	-	-	85,732,373	93,950,052
Stage 2 – Special mention	-	5,511,254	-	5,511,254	4,716,805
Stage 3 - Non-performing	-	-	8,772,417	8,772,417	3,406,214
Total gross exposure	85,732,373	5,511,254	8,772,417	**100,016,045**	**102,073,071**
Loss allowance	(857,013)	(71,831)	(2,182,613)	(3,111,456)	(1,997,121)
Net carrying amount	**84,875,360**	**5,439,423**	**6,589,804**	**96,904,589**	**100,075,950**

	2023				2022
Loans and advances to customers at amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Stage 1 – Pass	93,950,052	-	-	93,950,052	80,639,320
Stage 2 – Special mention	-	4,716,805	-	4,716,805	1,643,031
Stage 3 - Non-performing	-	-	3,406,214	3,406,214	1,703,685
Total gross exposure	**93,950,052**	**4,716,805**	**3,406,214**	**102,073,071**	**83,986,035**
Loss allowance	(589,914)	(109,979)	(1,297,228)	(1,997,121)	(1,267,498)
Net carrying amount	**93,360,138**	**4,606,826**	**2,108,986**	**100,075,949**	**82,718,537**

	2024				2023
Emergency Overdraft, Letter of Credit and financial guarantee contracts	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Stage 1 – Pass	1,595,379	-	-	1,595,379	1,271,393
Stage 2 – Special mention	-	2,203	-	2,203	-
Stage 3 - Non-performing	-	-	41,639	-	-

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Total gross exposure	**1,595,379**	**2,203**	**41,639**	**1,639,222**	**2,492,576**
Loss allowance	(264)	(0.11)	(4,164)	(4,428)	(1,788)
Net carrying amount	**1,595,115**	**2,203**	**37,475**	**1,634,794**	**2,490,788**

		2024		
Other financial assets (debt instruments)		**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and balances with banks	12 Month ECL	17,295,475	(697)	17,294,778
Investment securities (debt instruments)	12 Month ECL	7,930,312	(363)	7,929,949
Other receivables and financial assets	12 Month ECL	426,231	(304,229)	122,002
Emergency staff loans		777,712	(4,200)	773,512
Totals		**26,429,730**	**(309,489)**	**26,120,241**
		2023		
Other financial assets (debt instruments)		**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and balances with banks	12 Month ECL	12,555,000	(628)	12,554,372
Investment securities (debt instruments)	12 Month ECL	9,459,116	(473)	9,458,643
Other receivables and financial assets	12 Month ECL	3,976,108	(403,598)	3,572,510
Emergency staff loans		619,815	(1,651)	618,164
Totals		**21,948,390**	**(406,349)**	**26,203,688**

4.2.6 Credit Concentrations

The bank monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at June 30, 2024, and June 30, 2023. The bank concentrates all its financial assets in Ethiopia.

	Public Enterprise	**Cooperative**	**Private**	**Others**
30 June 2024	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Cash and balances with banks	12,470,324	-	5,069,278	-
Loans and advances to customers	957,891	8,253,760	90,140,097	-
Investment securities:				
Financial asset at FVOCI	-	-	348,175	-
Financial assets at Amortized cost	7,929,949	-	-	-
Other assets:		-	2,310,520	-
	21,358,164	**8,253,760**	**97,868,070**	**-**
	Public Enterprise	**Cooperative**	**Private**	**Others**
30 June 2023	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Cash and balances with banks	10,680,927	-	5,069,278	-
Loans and advances to customers	1,853,400	8,338,154	89,481,931	-
Investment securities:				

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Financial asset at FVOCI	-	-	239,676	-
Financial assets at Amortized cost	9,459,116	-	-	-
Other assets:		-	4,045,535	-
	22,037,602	**8,536,821**	**101,635,759**	-

4.2.7 Collateral Held and their financial effect

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. Staff loans are secured to the extent of the employee's continued employment in the Bank.

The Bank may take collateral in the form of a first charge over real estate, liens and guarantees. The Bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on creditworthiness, the Bank aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.

For impaired loans, the Bank obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

The fair value of the collaterals are based on the last revaluations carried out by the Bank's in-house engineers. The valuation technique adopted for properties is in line with the Bank's valuation manual and the revalued amount is similar to fair values of properties with similar size and location.

The fair value of collaterals other than properties such as share certificates, cash, NBE bills etc. as disclosed at the carrying amount as management is of the opinion that the cost of the process of establishing the fair value of the collateral exceeds benefits accruable from the exercise.
The Bank holds collateral against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Nature of securities in respect of loans and advances;

30 June 2024	Secured against real estate	Machinery	Vehicles	Other
Sector	Birr'000	Birr'000	Birr'000	Birr'000
Agriculture	1,882,444	288,761	515,832	472,711
Manufacturing	17,650,914	94,903	264,350	119,296
Export	11,960,435	22,735	169,347	1,622
Merchandise	1,149,669	46,822	56,525	49,832
Import	4,911,033	-	44,636	15,620
DTS	28,719,457	275,587	5,296,441	145,283
Building and Con.	9,352,067	296,156	228,136	14,265
Consumer	10,016,441	12,329	1,088,523	11,011

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	85,642,460	**1,037,293**	**7,663,790**	**829,641**

30 June 2023	**Secured against real estate**	**Machinery**	**Vehicles**	**Other**
Sector	Birr'000	Birr'000	Birr'000	Birr'000
Agriculture	1,481,271	430,777	362,940	20,542
Manufacturing	23,152,955	192,783	1,147,849	122,124
Export	8,998,266	697,594	1,327,515	-
Merchandise	980,176	133,971	244,526	9,498
Import	5,367,197	50,387	219,368	11,262
DTS	42,153,499	871,235	6,515,017	197,429
Building and Con.	8,681,804	393,980	1,200,102	-
Consumer	9,987,447	590	1,078,236	5,753
	100,802,615	**2,771,317**	**12,095,553**	**366,608**

4.2.8 Commitments and Guarantees

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

The table below shows the bank's maximum credit risk exposure for commitments and guarantees.

	30 June 2024	**30 June 2023**	**30 June 2022**
	Birr'000	**Birr'000**	**Birr'000**
Loan commitments	3,211,690	6,757,419	4,256,624
Guarantees	763,118	512,398	933,243
Letters of credit	98,392	139,180	1,492,914
	4,073,200	**7,408,998**	**6,682,781**

4.3 Liquidity Risk

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

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

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4.3.1 Management of Liquidity Risk

Cash flow forecasting is performed by the Finance Department. The bank's liquidity management process, as carried out within the bank and monitored by fund management team, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

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

4.3.2 Maturity Analysis of Financial Liabilities

The table below analyses the bank's financial liabilities into relevant maturity banking's based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.

	0-30 days	31-90 days	91-180 days	181-365 day	Over 1 year
30 June 2024	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Deposits from cust..	34,616,781	5,944,576	1,550,128	1,809,969	71,728,934
Due to other banks	89,665	53,727	100,000	856,139	1,511,020
Other liabilities	1,346,163	43,793	-	-	343,531
Total F/Liabilities	**36,052,610**	**6,042,097**	**1,650,128**	**2,666,108**	**73,583,485**
Loan commitments	3,211,690	-		-	-
Guarantees	441,971	131,400	97,150	92,596	-
Letters of credit	53,881	2,960	22,580	18,971	-
Total Off Bal.sheet	**3,707,542**	**134,360**	**119,730**	**111,567**	**-**
	0-30 days	**31-90 days**	**91-180 days**	**181-365 day**	**Over 1 year**
30 June 2023	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Deposits from cust.	34,252,852	5,460,383.83	2,266,127.41	1,733,357.12	70,366,660.76
Due to other banks	468,242	-	-	-	1,700,443.74
Other liabilities	1,278,923	8,879.98	-	-	253,196.60
Total F/Liabilities	**36,000,017**	**5,469,263.81**	**2,266,127.41**	**1,733,357**	**72,320,301.10**
Loan commitments	6,757,419	-		-	-
Guarantees	182,100	134,217	103,452	92,629.48	-
Letters of credit	13,881	81,960	22	43,317.16	-
Total commitments	**6,953,400**	**216,177**	**103,474**	**135,947**	**-**

4.3.3 Financial assets pledged as collaterals

The bank pledged Treasury bonds worth 762 million birr, DBE Bond which worth 1,172 million birr as collateral for its NBE Issue Account facility or currency that bank carries in its value on behalf of the NBE and Treasury Bond which worth 2,664 million for NBE borrowing.

4.4 Market Risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility.

The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing the return on risk. Overall responsibility for managing market risk rests with the Bank's Risk Management and the Board's Risk Committee.

The Bank Risk Management is responsible for the development of detailed risk management policies and procedures (subject to review and approval by the Board's Risk Committee) and for the day-to-day implementation of those policies.

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

4.4.1 Management of Market Risk

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

I. Interest rate risk

Interest rate risk is the risk a financial instrument value will be affected by changes in market interest rates.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

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

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

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For the year ended 30 June 2024

30 June 2024	Fixed Interest	Non-interest bearing	Total
	Birr'000	Birr'000	Birr'000
Assets			
Cash and balances with banks	833,195	16,461,583	17,294,778
Loans and advances to customers	81,942,607	-	81,942,607
Interest free banking		14,054,933	14,054,933
Investment securities	-		
Financial asset at FVOCI		348,175	348,175
Financial assets at Amortized cost	7,929,949	-	7,929,949
Other assets	-	4,232,549	4,232,549
Total	**90,705,751**	**35,097,240**	**125,802,991**
Liabilities			
Deposits from customers	66,976,405	48,673,983	115,650,388
Due to other banks	1,333,142	177,877	1,511,020
Other liabilities	-	1,733,488	1,733,488
Total	**68,309,547**	**50,585,348**	**118,894,896**
30 June 2023	**Fixed Interest**	**Non-interest bearing**	**Total**
	Birr'000	Birr'000	Birr'000
Assets			
Cash and balances with banks	1,932,756	13,817,448.34	15,750,205
Loans and advances to customers	83,484,631	-	83,484,631
Interest free banking		16,188,854	16,188,854
Investment securities	-		
Financial asset at FVOCI		239,676	239,676
Financial assets at Amortized cost	9,459,116	-	9,459,116
Other assets	-	4,045,535	4,045,535
Total	**94,876,503**	**34,958,829**	**129,835,332**
Liabilities			
Deposits from customers	64,544,59	49,539,006	114,083,590
Due to other banks	1,700,444	468,242	2,168,686
Other liabilities	-	1,548,192	1,548,192
Total	**66,245,027**	**51,555,441**	**117,800,468**

II. Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The bank is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The bank's foreign currency bank accounts act as a natural hedge for these transactions. Management has set up a policy to manage the bank's foreign exchange risk against its functional currency.

Cooperative Bank of Oromia S.C

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

Foreign currency denominated balances	30 June 2024	30 June 2023	30 June 2022
	Birr'000	Birr'000	Birr'000
USD	(25,312)	19,097	(56,927)
EURO	(1,966)	(1,501)	(3,884)
GBP	18	(37)	11
DIRAHM	537	431	1,146
RIYAL	40	61	691
CAD	0.4	-	-
JPY	-	-	
Total	**(26,683)**	**18,052**	**(58,963)**

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:

Sensitivity analysis	30 June 2024	30 June 2023
	Birr'000	Birr'000
Effect of 10% increase in exchange rate on profit or loss (USD)	(2,531.18)	1,909.70
Effect of 10% decrease in exchange rate on profit or loss (USD)	2,531	(1,910)
Effect of 10% increase in exchange rate on profit or loss (EUR)	(197)	(150)
Effect of 10% decrease in exchange rate on profit or loss (EUR)	197	150
Effect of 10% increase in exchange rate on profit or loss (GBP)	2	(4)
Effect of 10% decrease in exchange rate on profit or loss (GBP)	(2)	4
Effect of 10% increase in exchange rate on profit or loss (DIRAHM)	54	43
Effect of 10% decrease in exchange rate on profit or loss (DIRAHM)	(54)	(43)
Effect of 10% increase in exchange rate on profit or loss (RIYAL)	4	6
Effect of 10% decrease in exchange rate on profit or loss (RIYAL)	(4)	(6)
Effect of 10% increase in exchange rate on profit or loss (CAD)	-	-
Effect of 10% decrease in exchange rate on profit or loss (CAD)	-	-
Effect of 10% increase in exchange rate on profit or loss (JPY)	-	-
Effect of 10% decrease in exchange rate on profit or loss (JPY)	-	-

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimizing the return on risk, The Bank Treasury-Finance department is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies.

- **Stress tests**

Stress test provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Treasury Functions include risk factors stress testing, where stress movements are applied to each risk category; emerging market stress testing, where emerging market portfolios are subject to stress movements; and hoc stress testing, which includes applying possible stress events to specific positions or regions.

The results of the stress tests are reviewed by senior management (ALCO Committees) and in each business unit and by the Board of Directors. The stress testing is tailored to the business and typically uses scenario analysis.

4.5 Capital Risk Management

Capital risk is defined as the risk that an insufficient quantity or quality of capital is held to meet regulatory requirements or to support business strategy, an inefficient level of capital is held or that capital is inefficiently deployed across the Bank.

The National Bank of Ethiopia sets and monitors capital requirements for all banks.

The objective of the National Bank of Ethiopia is to ensure that a bank maintains a level of capital which:

- is adequate to protect its depositors and creditors;
- is commensurate with the risks associated with its activities and profile;
- promotes public confidence in the bank

In implementing current capital requirements, the National Bank of Ethiopia requires banks to maintain a prescribed ratio of total capital to total risk-weighted assets. Banks are expected to assess the Credit risk, Market risk and operational risk of the risk weighted assets to deliver the ratios. Thus following this;

The bank's objectives in managing capital are:

- To comply with the capital requirements set by regulators (NBE) in the markets where the bank's entities operate and safeguard the bank's ability to continue as a going concern;
- To maintain a strong capital base that supports the development of the business; and
- To sustain a sufficient level of returns for the bank's shareholders.

Risk-weighted assets are calculated in accordance with regulatory guidelines.
Credit risk-weighted assets are measured by applying a hierarchy of risk weights related to the nature of the risks associated with on and off-balance sheet asset classes.

Operational risk- weighted assets are calculated by applying a scaling factor to the bank's average gross income.

Market risk-weighted assets are calculated by applying factors to the bank's trading exposures to foreign currencies, interest rates, and prices.

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4.5.1 Capital Adequacy Ratio (CAR)

According to the Licensing and Supervision of Banking Business Directive No SBB/50/2011 of the National Bank of Ethiopia, the bank has to maintain capital to risk weighted assets ratio of 8% at all times, the risk weighted assets being calculated as per the provisions of Directive No SBB/9/95 issued on August 18, 1995.

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

Capital includes capital contribution, retained earnings, legal reserve and other reserves to be approved by the National Bank of Ethiopia.

	30 June 2024	30 June 2023	30 June 2022
	Birr'000	Birr'000	Birr'000
Capital			
Paid-up capital	11,160,763	10,016,082	7,731,771
Retained earnings	-	1,295,485	-
Capital reserves	3,932	3,932	3,932
Share Premium	8,672	8,672	8,672
Regulator risk reserve	-	1,143,592	-
Legal reserve	2,810,049	2,406,186	1,755,144
	13,983,416	**13,578,464**	**9,499,519**
Risk weighted assets			
Risk weighted balance for on-balance sheet items	117,984,242	116,474,460	89,674,017
Credit equivalents for off-balance Items	6,062,190	9,812,118	4,087,847
Total risk weighted assets	**124,046,432**	**126,286,578**	**93,761,864**
Risk-weighted Capital Adequacy Ratio (CAR	**11.27%**	**11.78%**	**10.13%**
Minimum required capital	**8.00%**	**8.00%**	**8.00%**

4.6 Fair Value of Financial Assets and Liabilities

Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value, it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

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 categorized within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

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4.6.1 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 reflects market data obtained from independent sources; unobservable inputs reflect the bank's market assumptions. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement.

- 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 si gnificant inputs are directly or indirectly observable from market data. In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

The following table summarizes 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 recognized in the statement of financial position.

	30 June 2024 Carrying amount Birr'000	30 June 2023 Carrying amount Birr'000
Financial assets		
Cash and balances with banks	17,294,778	15,750,205
Loans and advances to customers	81,942,607	83,484,631
Interest free financing	14,054,933	16,188,854
Investment securities	-	-
Equity Investment	-	-
Amortized Cost	7,929,949	9,459,116
Other asset	4,232,549	4,045,535

Total	**125,454,816**	**128,928,345**
Financial liabilities		
Deposits from customers	115,650,389	114,083,590
Due to other banks	1,511,020	2,168,686
Other liabilities	1,733,488	1,548,192
Total	**118,894,897**	**117,800,468**

4.6.3 Fair Value Methods and Assumptions

I. Loans and advances to customers

Loans and advances to customers are carried at amortized cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

II. Cash

The carrying amount of cash and balances with banks is a reasonable approximation of fair value.

III. Deposit from banks, due to customers and other deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

For those notes were quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

IV. Other Assets

The bulk of these financial assets have short term (less than 12 months) maturities and their amounts are a reasonable approximation of fair value.

V. Other Liabilities

The carrying amount of financial liabilities in other liabilities is a reasonable approximation of fair value because these are short term in nature with a maturity of less than one year.

4.7 Offsetting Financial Assets and Financial Liabilities

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

Cooperative Bank of Oromia S.C

Interest free banking statement of profit or loss

For the year ended 30 June 2024

	30 June 2024 Birr'000	30 June 2023 Birr'000
Income		
Profit Inc Murabaha Finance	1,238,524	1,855,857
IFB Service Charge	875	-
Charges & commissions- local	548,684	357,890
Charges & commissions-foreign	2,746	14,180
Gain on foreign Exchange	0.8	-
Total IFB Commission Income	551,430	372,070
Total Service Charges & commissions	**552,305**	**372,070**
Trade Service/not in our book of account	77,295	-
Other income	534	105
Total distributable income	1,868,659	2,228,033
IFB Profit Income-Adjustments	8,240	
Total income	**1,860,419**	**2,228,033**
Expenses		
Staff salaries and benefits	44,255	22,635
Sharia Advisory Committee fee (if any)	3,393	2,937
Administrative and General expense	17,394	10,109
Other expense/Mud Profit Expense	175,069	160,413
Operating income before tax and provisions	**1,620,308**	**2,031,940**
Total net income before tax	1,620,308	2,031,940
Business profit tax Payable	486,092	609,582
Net income after tax & provisions	**1,134,215**	**1,422,358**

Cooperative Bank of Oromia S.C

Interest free banking statement of financial position

For the year ended 30 June 2024

	30 June 2024 Birr'000	30 June 2023 Birr'000
ASSET		
Cash on hand	916.12	624.01
Receivables	2,947.00	4,054.46
Murabaha financing	11,750.23	12,725.75
Qard (goodly loans)	2,806.45	3,780.57
Less provisions	(358.20)	(283.81)
Other assets	676.01	0.00
Total Assets	**18,737.61**	**20,900,980**
LIABILITY		
Current account (Amana Demand Deposit)	2,817.72	2,659.12
Saving Deposit)	12,510.18	13,684.88
Profit tax payable	4.89	
Payable to charity collected	42.64	39.79
Accumulated profit share on trade	1.32	0.99
Other payables	0.22	0.00
Unrestricted investment deposit	3,352.84	3,073.00
Profit equalization reserve	5.93	3.05
Investment risk reserve	1.87	0.94
Other liabilities	0.00	1,439.21
Total liabilities	**18,737.61**	**20,900,980.00**
EQUITY		
Owners' Equity	**-**	**-**
Liabilities and owners' Equity	**18,737.61**	**20,900,980.00**

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	30 June 2024	30 June 2023
	Birr'000	Birr'000
5 Interest income		
Loans and advances to customers	12,538,254	11,150,243
Interest Income from Michu loan	348,535	-
Suspended Interest Income	359,874	258,298
National Bank of Ethiopia bills and bonds	619,095	617,935
Due from other banks	197,248	192,484
	14,063,006	**12,218,961**

Michu is the first digital lending platform launched by the Bank. It's designed to provide uncollateralized loans to Micro, Small, and Medium Enterprises (MSMEs), as well as individuals. (2023;21.2 million). In last year it was presented under note 7, Other commission.

Suspended interest income(2024;1,174 million and 2023; 814 million) is the income that recognized from Interest suspended in the previous years and regularized in the current year is compared with current year stage 3 loans interest income recognized net of impairment losses. Then the difference between the two is transferred to "Regulatory Risk Reserve".

	30 June 2024	30 June 2023
	Birr'000	Birr'000
6 Interest expense		
Interest Exp. on Saving Deposits	3,085,832	2,761,734
Interest Exp. on Fixed Time Deposits	1,865,215	985,146
Interest Exp. on NBE Borrowings	473,915	273,878
	5,424,962	**4,020,758**

All interest expenses were included under the 'Due to customers' subheading previously in last financial reporting.

	30 June 2024	30 June 2023
	Birr'000	Birr'000
7 Net Fee and commission income		
Fee and commission income		
Foreign currency transactions	1,201,910	929,097
Letter of guarantee	250,052	558,969
Loan processing-commitment fee	39,978	-
Profit Income Murabaha Finance	537,465	-
Other commission	75,896	454,379
	2,105,301	**1,942,445**
Fee and commission expense		
External Agent Commission Expense	271,015	-
ATM Commission Expense	49,833	-

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Baankii Hojii Gamtaa Oromiyaa COOP Cooperative Bank of Oromia

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	320,848	-
Net Fee and commission income	**1,784,453**	**1,942,445**

Loan processing-commitment fees are charges levied by financial institutions when they process a loan application or commit to providing a loan. The Bank has decided to categorize it under this subcategory due to its nature as a fee. It was previously presented as "Estimation and inspection fee" (2023: 76.5 million) under “Other operating Income” (see note 8).

Profit Income Murabaha Finance represents likely a specific financial product offered by the Bank, Coop Alhuda. It would involve the Bank purchasing an asset and then selling it to a customer at a markup, with the profit going to Profit Inc. The Bank has determined that Profit Inc Murabaha Finance are material to its financial statements and have therefore been presented separately in the income statement. This change from the previous year, it was included within "Other Commission” (2023:346.2 million).

External Agent Commission Expense is a type of commission expense that a Bank incurs when it pays a commission to an external agent for services rendered. These agents are typically independent contractors or third-party organizations that help the Bank sell its products or services. ATM Commission Expense refers to the fees a bank incurs when using another bank's ATM network to process transactions for its customers. In previous financial reports, External Agent Commission Expense (2023;408.1 million) and ATM Commission Expense (2023;45.5 million), were presented in total as ‘Other operating expenses’, see note 11.

Fees and commissions which are an integral part of the effective interest rate form part of net interest income shown in note 2.5.2. Fees and commissions relating to service performed.

In determining the disaggregation of fees and commissions the bank has considered how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It has determined that the above disaggregation by product type provides useful information that does not aggregate items that have substantially different characteristics and is not too detailed.

	30 June 2024	30 June 2023
	Birr'000	Birr'000
8 Other operating income		
Income from murabaha financing	1,238,524	1,506,049
Dividend income	26,393	14,360
Estimation and inspection fee	-	76,559
Gain on disposal of property plant and equipment	14,152	9,862
Gain on foreign currency transactions	1,487,656	1,887,804
Other income	93,299	51,753
Rental income	8,446	3,191
Telephone, postages and money bags	11	34
	2,868,482	**3,549,612**

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Rental income is the income that the bank generated/earned from acquired asset and some portion of its fixed asset occupied for its own operational purpose rather than income generated from Investment Property. Currently the Bank did not have Investment property.

The Bank rental income is generated from various regions, including Oromia, Addis Ababa, and Sidama. In 2024, we collected 5.7 million Birr from Oromia, 2.7 million Birr from Addis Ababa, and 63.54 thousand Birr from Sidama. While in 2023, the bank had collected 1.9 million Birr from Oromia, 1.3 million Birr from Addis Ababa, and nill from Sidama.

		30 June 2024	30 June 2023
		Birr'000	Birr'000
9	**Impairment charge**		
	Impairment loss on Loan and Advance and Other asset - charge for the year	464,258	969,275
	Impairment Loss on PPE	-	2,083
	Impairment loss on Off-balance sheet	118,576	-
		582,834	**971,358**

Newly, the National Bank of Ethiopia has required the commercial banks to maintain a minimum prudential general provision percentage of 2% against the total amount of off-balance sheet exposure through its directives SBB/90/2024. These off-balance sheet items consist of a Letter of Credit,(LC) ,a Guarantee issued, and a Loan Commitment.

		30 June 2024	30 June 2023
		Birr'000	Birr'000
10	**Personnel expenses**		
	Salaries and wages	2,451,009	2,159,320
	Staff allowances	324,863	297,703
	Staff Award	14,113	11,307
	Pension costs – Defined contribution plan	268,193	232,356
	Pension costs – Defined Benefit plan	66,968	105,550
	Prepaid staff expenses	46,151	55,910
	Training and Education	73,710	-
	Fuel and Representation Allowance	1,228,677	-
	Other staff expenses	384,772	454,218
		4,858,456	**3,316,363**

Fuel and Representation Allowance is a type of allowance provided to employees to cover the costs associated with fuel for transportation and representing the Bank at various different managerial positions. In previous financial reports, Fuel and Representation allowances were categorized as “Operating expenses” category, see note 11. Since the Bank determined that its expense directly related to personal allowance, we decided to present under Personal expense, 'see Note 10. and Training and Education expense (2023;282.5 million) were included within the summation of Other staff expenses.

“Other staff expense” relates to medical expense, Uniform expense, Staff's Child Birth Pay, Contractual Staff Salary and Bonus.

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11 Operating expenses	30 June 2024 Birr'000	30 June 2023 Birr'000
Advertisement and publicity	192,062	189,578
Amortization of leasehold	7,505	37
Audit fee	515	408
Bank charges	187	496
Board of directors' remuneration	1,452	1,460
Cleaning	1,588	1,626
Data processing	488	10,193
Donations	51,981	218,182
Entertainment	25,335	20,201
Fuel	66,934	49,850
Insurance	78,087	52,934
Internet	230,494	83,519
Legal and professional fee	5,048	1,130
Movable Collateral Registry	1,781	19
Other operating expense	104,291	1,076,082
Outsource Service Expense	704,408	-
Profit Expense Mud Investment	175,069	-
Service Level Agreement	123,691	-
Penalty	798	31,560
Per diem	30,081	39,612
Rent	735,586	580,089
ATM Machine Space Rent	11,476	-
Finance Cost of rent	17,832	13,044
Repair and maintenance	126,336	141,912
Representation allowance	-	768,956
Stationeries	129,790	121,994
General Supply Stock Expense	70,114	52,738
Subscription and membership fee	58,518	5,671
Taxes	4,820	236
Telephone and postage	241	333
Transportation	82,832	181,111
General Assembly	16,840	13,046
Water and electricity	19,744	17,736
Loss on foreign exchange transactions	1,271,875	1,960,030
Consulting fee	52,974	-
Inauguration	3,867	-
Deposit Insurance	353,017	-
	4,757,656	**5,633,784**

Outsource Service Expense represents the costs-payrolls incurred by the Bank for hiring an external entity/agents to perform varies HR related services; security guards, sanitation/clearer, messengers and etc (2023;109 million).

Profit Expense Mudarabaha Investment represents an expense for Mudarabah profit distribution for Mudarabah Account holders, (2023:160.4 million).

Inauguration Expense refers to the costs that the Bank incurred in celebrating or marking the beginning of a new branch, buildings, project, or event.

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Deposit Insurance expense is the expense that banks are required to pay 0.03% percent of its deposit outstanding to depositary fund company. These premiums are a necessary expense to ensure the protection of depositors' funds and maintain financial stability.

In previous financial reports, Outsource Service Expense (2023;109 million), Profit Expense Mud Investment (2023; 160.4 million), Service Level Agreement (2023;142.3 million), ATM Machine Space Rent(2023;147k), Consulting fee (2023;14.2 million) and Inauguration (2023;2.3 million) were presented in total as 'Other operating expenses'.

		30 June 2024	30 June 2023
		Birr'000	Birr'000
12	**Company income and deferred tax**		
12a	**Current income tax**		
	Company income tax	706,133	793,310
	Deferred income tax/(credit) to profit or loss	192,898	(8,880)
	Total charge to profit or loss	899,031	784,429
	Total tax in statement of comprehensive income	**899,031**	**784,429**

The computation of the Bank's income tax expense and deferred tax was carried out in accordance with the Finance Act, IFRS standards; IAS 12 Income tax, CITA and other relevant tax laws. The changes made by the new act was incorporated in the Bank tax computation and it is believed by the management of the Bank that there is no uncertainty over its Income and Deferred tax treatment that relevant tax authorities may disagree with.

12b Reconciliation of effective tax to statutory tax

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

	30 June 2024	30 June 2023
	Birr'000	Birr'000
Profit before tax	**2,514,483**	**3,388,598**
Add: Disallowed expenses		
Entertainment	25,335	20,201
Donation	847	100
Legal provision	(4,524)	2,122
General Assembly	16,840	13,046
Penalty	798	31,560
Accrued Leave	(19,263)	79,935
Award	300	-
Branch Inauguration	3,867	-
Prepaid staff expense	46,151	55,910
Loss on foreign exchange transactions	-	72,225
Impairment Loss on PPE	-	2,083
Severance pay	44,027	94,688
Provision for loans and advances as per IFRS	802,577	969,275
Depreciation for accounting purpose	518,608	336,245

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Amortization for accounting purpose	58,943	43,913
Total disallowable expenses	**1,494,506**	**1,721,302**
Less: Allowable expenses		
Depreciation and amortization for tax purpose	813,688	485,580
Provision for loans and advances for tax NBE 80%	-	1,093,702
Dividend income taxed at source	26,393	14,360
Interest income on staff loans	-	61,962
Reversal of Regulatory Risk reserve	-	-
Reversal on Severance pay	-	-
Interest on Nostro Accounts	135	54
Interest income taxed at source-NBE Bills	619,095	617,935
Interest income taxed at source-Local Deposit	195,900	191,942
Total allowable expenses	**1,655,212**	**2,465,535**
Taxable profit	**2,353,777**	**2,644,366**
Current tax at 30%	**706,133**	**793,310**

The bank has paid out unused accrued leave to employees who were terminated this year. This resulted in a reduction of the bank's accrued leave liability. Because, the bank did not recognized any additional expenses related to this. Instead, the bank recognized the reversal as income.

12c	**Current income tax liability**	**30 June 2024** **Birr'000**	**30 June 2023** **Birr'000**
	Balance at the beginning of the year	792,988	773,825
	Charge for the year:	706,133	793,310
	Income tax expense	(792,988)	(773,825)
	Payment during the year	(52)	(322)
	Balance at the end of the year	**706,081**	**792,988**

12d Deferred income tax

The following table shows deferred tax recorded in the statement of financial position and charges recorded in the income tax expense;

	30 June 2024 **Birr'000**	**30 June 2023** **Birr'000**
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	13,208	65,810
To be recovered within 12 months	(5,779)	67,794
	7,429	**133,604**

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

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DEFERRED TAX ASSSET

Particular	30-Jun-24	30-Jun-23
Deferred tax (liability) asset brought forward	**133,603,841**	**81,216,895**
Severance pay - carrying amount	66,968,000	105,550,000
Accrued Leave-carrying amount	-	127,032,010
Severance pay - tax base-paid	42,204,908	57,958,854
Severance pay temporary difference	**24,763,092**	**174,623,156**
Deferred tax Asset - Birr of the above line @ 30%	**7,428,928**	**52,386,947**
Deferred tax Asset	**141,032,769**	**133,603,841**

DEFERRED TAX LIABILITY

Particular	30-Jun-24	30-Jun-23
Deferred tax (liability) asset brought forward	106,888,528	63,381,896
Add: Temporary difference	**146,542,729**	**43,506,631**
Deferred tax liability of PPE	**253,431,257**	**106,888,528**
PPE Deferal bases		
Fixed asset - carrying amount Accounting base	5,773,522,457	3,774,402,334
Fixed assets - tax base	4,928,751,600	3,418,107,242
	844,770,857	**356,295,092**
Deferred tax liability - Birr @ 30%	**253,431,257**	**106,888,528**
Equity Investment-Fair Value	333,174,523	-
Equity Investment-Carrying Amount	153,894,281	-
	179,280,242	**-**
Deferred tax liability of Equity investment Birr @ 30%	**53,784,073**	**-**

The deferred tax liabilities and asset has been computed depend on the nature of the temporary differences, the relevant tax laws and regulations, and the specific circumstances of the Bank. Deferred Tax Liability for Equity Investment is newly computed in this year on the cumulated up to date.

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	Deferred income tax assets/(liabilities):	At 1 July 2023	Prior Year Adjustment	Credit/ (charge) to P/L	30 June 2024
		Birr'000		Birr'000	Birr'000
	Property, plant and equipment				
	Unrealized fair value gain (loss) on Equity Investment	(106,889)	-	(146,543)	(253,431)
	Accrued leave provision	-		(53,784)	(53,784)
	Post-employment benefit obl.	67,794	-	(5,779)	62,014
	Total deferred tax assets/(liabilities)	65,810	-	13,208	79,018
12e	**Total deferred tax assets**	**26,715**	**-**	**(192,898)**	**(166,183)**
12f	**Total deferred tax liab.**	**133,604**			**141,033**
		(106,889)			**(307,215)**

	Deferred income tax assets/(liabilities):	At 1 July 2022	Cr.(charge) to PL	Cr.(charge) equity	30 June 2023
		Birr'000	Birr'000	Birr'000	Birr'000
	Property, plant and equipment	(63,382)	-	(43,507)	(106,889)
	Accrued leave provision	43,813	-	23,980	67,794
	Post-employment benefit obl.	37,404	-	28,407	65,810
	Total deferred tax assets/(liabilities)	**17,835**	**-**	**8,880**	**26,715**
	Total deferred tax assets	**81,217**			**133,604**
12e	**Total deferred tax liab.**	**(63,382)**			**(106,889)**

		30 June 2024	30 June 2023
		Birr'000	Birr'000
13	**Cash and cash equivalent**		
	Cash on hand	3,991,956	3,136,522
	Deposits with local banks	629,093	1,793,506
	Deposits with foreign banks	204,102	139,250
		4,825,151	**5,069,278**
	Reserve with National Bank of Ethiopia	8,184,988	7,834,988
	Balance held with National Bank of Ethiopia	4,285,336	2,845,939
		17,295,475	**15,750,205**
	Gross Total	**(697)**	**-**
	Less: Loss allowances	**17,294,778**	**15,750,205**

Cash and cash equivalent for the purpose of the preparation of the statement of cash flows excludes cash collaterals-margin held for letters of credit.

Reserve/Cash held with National Bank of Ethiopia represents cash ratio and other non-interest earning current accounts and is based on the value of deposits as adjusted for National Bank's requirements. This Reserve, Mandatory cash reserve is not available for use in the Bank's day to day operations. In previous years, the impairment loss of the was presented in total under 'Other asset', see note 18.

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Balance held with National Bank of Ethiopia represent the currency that the Bank collect from its branch across the country and deposit at the National Bank of Ethiopia issue account and held at NBE, and the Bank can use it in its day do day operation.

Maturity analysis	30 June 2024	30 June 2023
Current	9,110,487	7,915,217
Non-Current	8,184,988	7,834,988
	17,295,475	**15,750,205**

		30 June 2024	30 June 2023
		Birr'000	Birr'000
13a	**Cash and cash equivalent-**		
	Cash on hand	3,991,956	3,136,522
	Deposits with local banks	629,093	1,793,506
	Deposits with foreign banks	204,102	139,250
	Balance held with National Bank of Ethiopia	4,285,336	2,845,939
		9,110,487	**7,915,217**

We have reclassified local deposits and treasury bills maturing in three months as cash and bank balances and the remaining as investment securities. and for this Current cash and cash equivalent that used for cash flow preparation purpose the Bank excludes the 'Reserve /Cash held with National Bank of Ethiopia or the mandatory cash deposit held with the National Bank of Ethiopia, since its non-current or non- used in Bank's day to day operation.

		30 June 2024	30 June 2023
		Birr'000	Birr'000
14	**Loans and advances to customers**		
	Agriculture	6,637,496	4,773,795
	Manufacturing	15,902,058	14,042,439
	Export	15,728,189	18,763,351
	Merchandise	1,394,537	1,646,886
	Import	4,875,115	4,885,665
	Domestic trade and service	27,517,943	29,169,917
	Building and construction	3,900,647	3,254,792
	Staff loans	8,945,110	8,955,975
	Gross amount	**84,901,097**	**85,492,820**
	Impairment charge		
	Stage 1 12-month ECL	(769,119)	(478,320)
	Stage 2 Lifetime ECL	(63,008)	(104,342)
	Stage 3 Lifetime ECL	(1,883,613)	(1,182,777)
	Suspended Int.IFRS Adjustment	(242,750)	(242,750)
	Net Conventional Loan Balance	**81,942,607**	**83,484,631**

Staff loans are financial arrangements where the bank provides loans to its employees and employees of different institutions and diasporas. These loans include of personal/consumer loans, mortgage/housing loans, vehicle loans, and emergence

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loans. All other types of staff loans, with the exception of emergence loans-zero interest rate, have preferential, below market rate, interest rates. and its initial and subsequently measurement takes place accordingly, See note 18.

Maturity analysis	30 June 2024 Birr'000	30 June 2023 Birr'000
Within 3 Months	9,679,394	15,109,578
3 months up to 1 year	20,606,270	15,911,494
1 Year up to 2 years	6,606,741	8,249,698
2 Years up to 3 years	8,912,966	13,298,889
3 years up to 5 years	15,079,318	15,793,131
> 5 years	24,016,409	17,130,030
	84,901,097	**85,492,820**

14a Impairment allowance on loans and advances to customers

A reconciliation of the allowance for impairment losses for both Conventional and IFB Financing loans and advances by class, is as follows:

i. By class/stage

	As at 30 June 2024	Charge for the year	As at 30 June 2023
Specific allowance for impairment	Birr'000	Birr'000	Birr'000
- Stage 1 12-month ECL	857,013	267,098	589,914
- Stage 2 Lifetime ECL	71,831	(38,148)	109,979
- Stage 3 Lifetime ECL	2,182,613	885,384	1,297,228
Total impairment allowance	**3,111,456**	**1,114,335**	**1,997,122**

Recovery in Stage 2 ECL: The reversal of the loss in Stage 2 ECL from 2023 to 2024 indicates improvement in the quality of some impaired loans.

ii. By sector

	As at 30 June 2024	Charge for the 2024	As at 30 June 2023	Charge for the year	As at 30 June 2022
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Agriculture	251,877	131,501	120,376	104,395	15,981
Manufacturing	316,264	105,155	211,109	(11,719)	222,828
Export	866,276	422,793	443,484	137,361	306,123
Merchandise	28,280	27,039	1,241	761	480
Import	418,005	162,712	255,293	164,148	91,145
DTS	1,080,093	194,518	885,575	297,297	588,279
Building and Con.	39,510	10,369	29,141	17,300	11,841
Staff loans	111,152	60,248	50,903	20,080	30,823
	3,111,456	**1,114,335**	**1,997,122**	**729,622**	**1,267,500**

Significant Increase in ECL for Export:

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The "Export" sector experienced a substantial increase in ECL in 2024 compared to 2023. This suggests that the financial institution may have faced challenges in recovering loans extended to exporters, potentially due to factors such as global economic conditions, trade disputes, or specific risks associated with the export sector in Ethiopia.

iii. By type of lending

	As at 30 June 2024	Charge for the 2024	As at 30 June 2023	Charge for the year	As at 30 June 2022
Term Loan	2,118,599	517,336	1,601,263	614,212	987,051
Overdraft	992,857	596,999	395,858	115,410	280,449
	3,111,456	**1,114,335**	**1,997,122**	**729,622**	**1,267,500**

Dominance of Term Loan Impairment: The majority of the increase in impairment charges is attributable to term loans because the Bank's credit portfolio is more on term loan.

Consistent Increase in Impairment Charges: The impairment charges have been increasing over the past three years. Majorly its due to Economic Downturn: A weak economic environment has led to increased loan defaults and credit losses and the Bank have significant exposure to industries or regions that are experiencing economic difficulties.

	30 June 2024	30 June 2023
	Birr'000	Birr'000
15 Interest free Financing		
Agriculture –IFB	158,817	141,179
Manufacturing -IFB	3,085,968	3,172,186
Export –IFB	3,472,291	4,190,042
Import-IFB	1,040,825	102,459
Domestic trade and service -IFB	4,125,520	5,930,831
Building and construction -IFB	1,859,549	2,079,603
Others-IFB	707,680	804,238
	14,450,650	**16,420,536**
Less Collective Impairment		
- Stage 1 12-month ECL	(87,894)	(111,594)
- Stage 2 Lifetime ECL	(8,823)	(5,637)
- Stage 3 Lifetime ECL	(299,000)	(114,452)
Net Interest free Financing	**14,054,933**	**16,188,854**

Maturity analysis	30 June 2024	30 June 2023
	Birr'000	Birr'000
Within 3 Months	2,878,586	1,735,853
3 months up to 1 year	2,332,825	4,893,735
1 Year up to 2 years	2,678,225	1,776,110
2 Years up to 3 years	2,087,977	3,196,067
3 years up to 5 years	2,324,499	1,510,781
> 5 years	2,148,538	3,307,990

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	14,450,650	**16,420,536**

	30 June 2024	30 June 2023
	Birr'000	Birr'000
16 Investment securities		
Equity Investments	239,676	179,715
Additional for the year	60,343	4,521
Adjustment	-	1,978
Revaluation gain or loss	48,156	53,462
	348,175	**239,676**

Incremental equity investment includes an additional investment made in an existing equity via reinvesting dividend and or through subscription and investing in new company /new investment.

In this year,2023/24, the bank has made one new investment in Ethiopian Security Exchange by birr 60 million share and paid 30 million Paid up Capital that is deemed to be a game changer in changing a financial system of the country. In addition, by looking its performance the bank as reinvested birr 18 million and 12.2 million on Oromia Insurance Company s.c and Ethiswitch s.c respectively. In aggregate the bank has investment 60.3 million this is significantly higher than that of last year's birr 4,521.

16a. The following are the equity investments of the Bank as at 30 June 2024:

30 June 2024 Birr'000				
Investee Company	**Percentage holding**	**Cost**	**Revaluation gain/loss**	**Total**
Oromia Insurance Company S.C	5.65%	68,060	24,106	92,166
Gutu Oromia S.C	17.68%	3,500	(1,742)	1,758
Elemtu Integrated Milk Industry	7.16%	5,000	12,677	17,677
Eth-Switch Solution S.C	1.71%	30,544	123,397	153,941
Premium Switch Solution (PSS)	2.30%	5,540	17,132	22,672
Bomoj Meat Industry S.C	0.76%	1,250	-	1,250
Melba Printing and Publishing S.C	2.53%	10,000	3,710	13,710
Ethiopian Securities Exchange	2.6%	30,000		30,000
		153,894	**179,280**	**333,175**

30 June 2023 Birr'000				
Investee Company	**Percentage holding**	**Cost**	**Revaluation gain/loss**	**Total**
Oromia Insurance Company S.C	5%	50,000	30,879	80,879
Orologo Prefabricated Factory plc	20%	15,000	-	15,000
Gutu Oromia S.C	3.50%	3,500	-	3,500
Elemtu Integrated Milk Industry	6.58%	5,000	5,349	10,349

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Eth-Switch Solution S.C	1.94%	18,262	85,532	103,793
Premium Switch Solution (PSS)	3.36%	5,540	15,216	20,757
Bomoj Meat Industry S.C	0.76%	1,250	-	1,250
Melba Printing and Publishing S.C	2.56%	10,000	(5,852)	4,148
		108,552	**131,124**	**239,676**

The Bank hold equity investments in Eth-switch of 1.71% (30 June 2024), Premium Switch Solutions 2.30% (30 June 2024), Oromia Insurance Company 5.65% (30 June 2024), Gutu Oromia Business 17.68% (30 June 2024), Elemutu Integrated Milk Industry 7.16% (30 June 2024), Bomoj Meat Processing and Export s.c 0.76% (30 June 2024) and TBO Printing and Publishing s.c 2.53% (30 June 2024), Ethiopian Securites Exchange 2.6-3%(30 June 2024). These investments are unquoted equity securities measured at fair value through Other comprehensive income (FVOCI).

Equity instruments are instruments that meet the definition of equity from the holder's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Equity instruments are measured at FVTPL. However, on initial recognition of an equity investment that is not held for trading, the bank may irrevocably elect for strategic or long-term investment reasons to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. On adoption of the standard, the bank designated all of its equity instruments as FVTOCI. Gains and losses on these instruments including when derecognized/ sold are recorded in OCI and are not subsequently reclassified to the PL.

This fair valuation service is carried out annually by independent valuator PWC, using IFRS 13 Fair value Measurement; principal assumptions and approach. The company has used valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. They, We, have applied level II inputs in determining fair values for the Bank's equity investments.

IFRS 13 defines three valuation techniques; Market approach, Income approach and the Cost approach. There are various valuation methods under each technique and the appropriateness of the technique and method to use is pegged on reliability and availability of information. We have used the market approach to value the Bank's investee Companies. This was influenced by readily available market information of comparable companies to the investee companies being valued.

Distinct to other investments, Incredible incremental of Ethi-swich's fair value, As evidenced in its annual reports (https://ethswitch.com/annual-report/), the company, Ethi-switch, has demonstrated impressive financial growth across various key performance indicators (KPIs) over the years. This consistent growth suggests a significant increase in the company's fair value, potentially doubling year-over-year. As a result, the investment's fair value being now be more than 100% higher than its original investment cost.

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16b. Investment accounted for Equity Method

Orologo Prefabricated Factory plc	30 June 2024	30 June 2023
	Birr'000	Birr'000
As start of year	15,000	15,000
Additional Investment	-	-
Carrying Amount	**15,000**	**15,000**

The Bank holds a 20% equity interest in Orologo Prefabricated Factory plc, which qualifies as an investment in an associate under IAS 28 and is accounted for using the equity method. Although the Bank has significant influence over the associate through its shareholding and board representation, it does not control the operations of the associate. For the current year, no share of profits or losses has been recognized, as the associate did not generate material earnings attributable to the Bank. Additionally, no transactions occurred between the Bank and the associate, and no dividends were declared or received during the year. Summarized financial information for the associate have not been presented as the associate is immaterial to the bank and is the company that exist in operation difficulty.

17 Amortized Cost:

	30 June 2024	30 June 2023
	Birr'000	Birr'000
Renaissance Dam	25,524	-
Treasury bills	937,940	4,821,581
Treasury Bond	3,763,804	-
DBE Bond	2,525,731	1,404,935
Deposits with local banks	677,313	-
Ethiopian Government Bonds	-	3,232,600
Gross amount	**7,930,312**	**9,459,116**
Less: Loss allowances	(363)	-
	7,929,949	**9,459,116**

Maturity analysis	30 June 2024	30 June 2023
	Birr'000	Birr'000
Current	937,940	4,821,581
Non-Current	6,992,372	4,637,535
	7,930,312	**9,459,116**

Treasury Bonds and Treasury bills are debt securities issued by the National Bank of Ethiopia. These bonds and bills are categorized as amounts held at amortized cost and carried at amortized cost. The weighted average effective interest on government securities as at June 2024 was 9%(30 June 2023:9%) and auction base respectively.

The Renaissance Dam Bond (2023;20 million) and Treasury Bond (2023; 3 billion) were previously presented by consolidated with and specifically categorized under the heading "DBE bond and Ethiopian Government Bonds" respectively. But this year, they're apart, and each investment is presented separately and individually. These debt instruments are measured through amortization cost as specified in accounting policy, see 2.6.1.For last year its impairment were presented in total under 'other asset, see note 18'.

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The bank pledged Treasury bonds worth 762 million birr, DBE Bond which worth 1,172 million birr as collateral for its NBE Issue Account facility or currency that bank carries in its value on behalf of the NBE and Treasury Bond which worth 2,664 million for NBE borrowing.

18	Other assets	30 June 2024	30 June 2023
		Birr'000	Birr'000
	Financial assets		
	Un cleared effects of transfers - Foreign	767,029	3,457,381
	Un cleared effects of transfers - Local	130,550	61,607
	ATM settlement receivables	135,651	24,520
	Money transfer agents	1,753	806
	Advance on murabaha	131,636	128,468
	COOPay Receivable	157,268	-
	Account receivable	986,771	779,244
	Telebirr Receivable	2,230,549	
	Gross amount	**4,541,207**	**4,452,026**
	Less: Specific impairment allowance	(308,658)	(406,486)
		4,232,549	**4,045,540**
	Non-financial assets		
	Repossessed collateral	-	-
	Fixed asset in store	(1)	(1)
	Prepaid staff expense	754,973	850,974
	Prepayment for new branch opening	134,629	202,511
	Prepayments	1,816,683	2,752,574
	Printing and stationary item	341,044	
	General supplies	215,486	331,228
	Sundry receivables	26	26
	Gross amount	**3,262,841**	**4,137,314**
	Net Financial and Non-financial asset	**7,495,391**	**8,182,853**
	Maturity analysis	**30 June 2024**	**30 June 2023**
		Birr'000	**Birr'000**
	Current	7,049,075	7,738,366
	Non-Current	754,973	850,974
		7,804,048	**8,589,339**

The Prepaid Staff Asset reflects the staff loan (see note 14,) difference between the Bank provides to its employees, other institutions, and the diaspora by offering loans and advances at rates lower and that of Market Interest rate. This benefit is recorded as a prepaid asset on the bank's balance sheet. And Over time, using the below effective interest rate, the prepaid asset is amortized (spread out) over the loan term, reflecting the gradual use of the loan subsidy.

The market rates are the rates that a walk in customer can get the same type of loan in different banks in Ethiopia. The interest rate of 11.32% was derived by computing the weighted average interest rate of loans with similar characteristics to the staff loans and the bank's share of the market. The interest rate of 12.73% was applied as the market interest rate for the staff loans apart from housing loans which the banks have agreed to be 12% (the rate CBE gives out similar housing loans).

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Prepayment represents the advance payment made to vendors for various assets and service level agreements before they are delivered and or installed. The majorities of items enclosed in this categories, prepayment account, are 224.9 computer and data storage, 124.8 million for Furniture and fitting, 190.9 million for office and other equipment, 250 million for land and 251.5 IT related service level agreement and others. These prepayments-service level agreements are being amortized as of service delivered and other items will be converted into to PPE or its appropriate accounts when its transaction or process completed accordingly.

'Printing and stationary items represents the costs associated with office supplies, printing services, and other general items used in the day-to-day operations of a bank. These assets do not hold for sale rather than to use it in the supply of services. Mean, in practice, The Bank treat printing and stationery items directly expensing when they're used/issued, without applying complex inventory valuation methods, LCNRV test. This is because these items are generally and typically consumed quickly and their individual item value is relatively low. In last years (2023; 126 million), it was presented in total under 'General supplies'. See note 2.15.

18a Impairment allowance on other assets

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

	30 June 2024 Birr'000	30 June 2023 Birr'000
Balance at the beginning of the year	406,486	224,637
Charge for the year	(97,828)	181,849
Balance at the end of the year	**308,658**	**406,486**

The impairment charge for the year is decreased due to total exposure is decreased as shown in below table;

30 June 2024

Financial Asset	Bucket	Historical loss rates	LGD	Exposures at 30 June 2024 Birr'000	ECL Birr'000
Receivables	0-30	0.5460%	10.0000%	6,728	4
	31-90	5.4091%	10.0000%	1,851	10
	91-180	20.5784%	10.0000%	112,138	2,308
	181 - 1 year	84.9336%	10.0000%	3,941	334
	Above 1 year	100.0000%	100.0000%	301,573	301,573
	ECL			426,231	304,229

30 June 2023

				Birr'000	Birr'000

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Financial Asset	Bucket	Historical loss rates	LGD	Exposureasat 30 June,2023	ECL
Receivables	0-30	0.6469%	10.0000%	484,821	314
	31-90	4.4246%	10.0000%	116,499	515
	91-180	21.0146%	10.0000%	1,576,691	33,133
	181 - 1 year	92.8483%	10.0000%	1,574,666	146,205
	Above 1 year	100.0000%	100.0000%	223,430	223,430
	ECL			**3,976,108**	**403,598**

Receivables aging is a process used to analyze the age of outstanding suspense accounts. It helps businesses assess the quality of their receivables and identify potential risks of non-payment. The historical loss rate is a key factor in estimating the impairment loss for receivables. It represents the percentage of past-due receivables that have been written off as uncollectible in previous periods. the total estimated impairment loss is 304,229,296 based on the historical loss rates for each age category (30 June 2023: 403,597,679.02). in previous year around 2.889 million impairment loss of the cash balance, investment securities and Off-balance sheet were presented in total under this 'Other asset' category.

The above table only shows the receivable aging and other type of impairment loss such as of the Off-balance sheet are assessed and computed separately (30 June 2024;4.429 million). However, we present the result in total with that of receivables.

19	Intangible Assets; Computer Software	Birr'000
	Cost:	
	As at 30 June 2022	288,373
	As at 1 July 2022	288,373
	Acquisitions	110,099
	Internal development	-
	As at 30 June 2023	**398,472**
	As at 1 July 2023	**398,472**
	Acquisitions	356,983
	Internal development	**-**
	As at 30 June 2024	**755,455**
	Accumulated amortization	
	As at 1 June 2022	**49,553**
	As at 1 July 2022	49,553
	Amortization for the year	43,913
	As at 30 June 2023	**93,466**
	As at 1 July 2023	93,466
	Amortization for the year	58,942
	As at 30 June 2024	**152,408**
	Net book value	
	As at 30 June 2023	**305,006**
	As at 30 June 2024	**603,047**

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The bank acquired additional intangible assets worth 110 million Birr from worldwide branded software vendors during the reporting period. No internally developed intangible assets were recognized in the bank's books during this time. The bank conducted impairment testing for all intangible assets and found no indications of impairment.

	Building	Motor vehicles	Office furniture, fittings & equipment	Computer equipment	Construction in progress	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
20 Property, plant and equipment						
Cost:						
As at 1 July 2022	**106,201**	**936,337**	**909,220**	**570,230**	**597,635**	**3,119,623**
Additions	277,468	316,014	582,448	270,403	180,843	1,627,177
Disposals	-	-	(26,954)	(909)	-	(27,863)
Reclassification	-	(29,445)	142,307	377,716	-	490,578
Transfer to Non-Asset Held to Sale	-	-	(14,352)	(5,636)	-	(19,989)
As at 30 June 2023	**383,669**	**1,222,906**	**1,592,669**	**1,211,804**	**778,478**	**5,189,526**
As at 1 July 2023	**383,669**	**1,222,906**	**1,592,669**	**1,211,804**	**778,478**	**5,189,526**
Additions	24,939	458,677	482,155	1,416,364	519,898	2,902,032
Disposals	(16,190)	(4,557)	(5,143)	(3,561)	-	(29,451)
Reclassification	-	39,181	4,286	(187,877)	-	(144,410)
Transfer to Non-Asset Held to Sale	-	(7,657)	-	-	-	(7,657)
As at 30 June 2024	**392,418**	**1,708,551**	**2,073,966**	**2,436,730**	**1,298,376**	**7,910,040**
Accumulated depreciation						
As at 1 July 2022	**(7,874)**	**(182,784)**	**(263,990)**	**(194,167)**	**-**	**(648,815)**
Charge for the year	(7,248)	(108,112)	(109,521)	(111,363)	-	(336,245)
Disposals	-	-	13,747	804	-	14,551
Reclassification	-		663	11,901		12,564
Transfer to Non-Asset Held to Sale	-	-	11,647	4,646		16,293
As at 30 June 2023	**(15,122)**	**(290,896)**	**(347,455)**	**(288,179)**	**-**	**(941,652)**
As at 1 July 2023	**(15,122)**	**(290,896)**	**(347,455)**	**(288,179)**	**-**	**(941,652)**
Charge for the year	(8,136)	(151,896)	(158,416)	(200,160)	-	(518,608)
Disposals	3,264	3,955	3,212	2,509	-	12,939
Reclassification	-	-	-	-	-	-
Transfer to Non-Asset Held to Sale	-	6,132	-	-	-	6,132
As at 30 June 2024	**(19,994)**	**(432,705)**	**(502,660)**	**(485,830)**	**-**	**(1,441,189)**
Net book value						
As at 30 June 2023	**368,547**	**932,011**	**1,245,214**	**923,624**	**778,478**	**4,247,874**
As at 30 June 2024	**372,423**	**1,275,846**	**1,571,306**	**1,950,900**	**1,298,376**	**6,468,851**

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Construction in progress represents directly attributable costs related to projects and construction of buildings at Transitional HQ, Nekemte, Woliso, Finfine Tower, Adama, Ambo, Shashamene, Jima, Harar, Kilole and Kazanchis.

Impairment; Upon impairment review, the net book value of property, plant and equipment do not exceed its recoverable value as at the end of the reporting period. Thus, the management is of the opinion that allowance for impairment is not required.

20a Non-current assets held for sale

	30 June 2024	30 June 2023
	Birr'000	Birr'000
Balance at the beginning of the year	**37,020**	**125,176**
Additional Repossessed collateral from the borrower for the year	430,947	422
Transfer from repossessed collateral	(45,292)	(88,394)
Transfer from property, plant and equipment	1,525	1,024
Reversal of property, plant and equipment	-	-
Disposals of property, plant and equipment	(0.4)	(1,208)
Balance at the end of the year	**424,199**	**37,020**

The Bank took over collateral of some defaulters and classified as non-current asset held for sale as the Bank had no intention to make use of the property for administrative use. Management initiated a plan to dispose of these assets to willing buyers and expects to have completed the transaction before the end of the next financial period.

The bank determines the fair-value for its NCAHFS using market approach by observable prices from comparable transactions involving similar properties in the market. This included an analysis of recent sales data from the market, as well as listings of similar assets. Different consideration gets in account such as difference in location, condition, and quality between the comparable assets and the properties held for sale.

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

20b Right of use asset and financial lease liability

The Bank leases various properties(buildings) and space for ATM deployment and office purpose and measure under IFRS 16 Lease agreements. The lease terms are between two and 10 years, and majority of these lease contracts are running for a period of 5 and 7 years. Some leases include an option to renew lease for an additional period at the end of the contract term at market rate.

The Bank practices The Incremental Borrowing Rate (IBR) at its a crucial concept in IFRS 16. It's the interest rate a lessee would have to pay to borrow funds to finance an asset similar to the lease's right-of-use (ROU) asset over a similar term and in a similar economic environment. The rates used to compute the present values of buildings lease liabilities as at 30 June 2024 was 7%. The adjustments were occurred due to changes in Incremental borrowing rate (IBR).

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

A. Right -of use asset:

	Land Lease hold	ATM	Office Building	Total
Balance at June 2022	**72,832**	**633**	**1,499,745**	**1,499,745**
As at 1 July 2022	**72,832**	**633**	**1,499,112**	**1,499,745**
Depreciation/Amortization	(86)	(226)	(579,863)	(580,089)
Additions	-	122	1,377,751	1,377,873
Adjustment	(3,623)	-	-	-
Balance at June 2023	**69,122**	**528**	**2,297,000**	**2,297,529**
As at 1 July 2023	69,122	**528**	**2,297,000**	**2,297,529**
Depreciation/Amortization	(7,505)	(11,476)	(735,586)	(754,567)
Additions	235,185	53,302	1,095,372	1,383,859
Balance at June 2024	**296,802**	**42,354**	**2,656,787**	**2,995,943**

B. Lease Liability

	ATM	Office Building	Total
Balance at June 2022	**-**	**294,552**	**294,552**
As at 1 July 2022	**-**	**294,552**	**294,552**
Additions	240	145,690	145,930
Payment	-	(13,044)	(13,044)
Balance at June 2023	**240**	**427,198**	**427,438**
Balance at July 2024	**240**	**427,198**	**427,438**
Finance cost	(814)	(17,018)	(17,832)
Additions	18,394	85,216	103,610
Payment	-	(13,317)	(13,317)
Balance at June 2024	**17,819**	**482,079**	**499,899**

Maturity Analysis-Contractual undiscounted cash flows

The Bank leases various properties(buildings) under IFRS 16 Lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of each lease period at market rate.

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	30 June 2024 Birr'000		30 June 2023 Birr'000	
	Right use of asset	Lease liabilities	Right use of asset	Lease liabilities
Within one year	265,715	2,922	133,630	2,986
After 1 but within 2 yrs	153,578	21,469	102,854	11,157
After 2 but within 5 yrs	1,861,873	384,601	1,511,974	318,483
After 5 years	714,776	90,906	549,070	94,812
Total	**2,995,943**	**499,899**	**2,297,529**	**427,438**

Maturity analysis is also used for subsequent measurements of the right-of-use asset and lease liability.

	30 June 2024	30 June 2023
	Birr'000	Birr'000
21 Deposits from customers		
Demand deposits	29,993,241	30,122,015
Savings deposits	54,443,934	54,073,190
Time deposits	12,530,063	10,468,985
Mobile money savings	2,408	2,408
Conventional Deposit	**96,969,646**	**94,666,598**
Wadiah demand deposits	2,818,237	2,659,364
Wadiah savings deposits	15,807,681	16,284,612
Wadia time deposits	54,824	473,015
Alhuda Deposit	**18,680,742**	**19,416,991**
	115,650,388	**114,083,590**

Maturity analysis	30 June 2024	30 June 2023
	Birr'000	Birr'000
Current	32,813,886	32,783,787
Non-Current	82,836,502	81,299,803
	115,650,388	**114,083,590**

	30 June 2024	30 June 2023
	Birr'000	Birr'000
22 Due to other banks		
Demand deposits	177,877	468,242
Saving deposits	1,333,142	1,700,444
	1,511,020	**2,168,686**

	30 June 2024	30 June 2023
	Birr'000	Birr'000
23 Borrowing		
Borrowing from NBE	2,500,000	3,183,000

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	2,500,000	**3,183,000**

The Bank has obtained short term loan from National Bank of Ethiopia. The loan bears annual interest rate of 18%.

The bank has successfully repaid its previous borrowings from the NBE, and this fresh injection of funds aims to enhance the bank's financial flexibility and ability to meet its obligations.

	30 June 2024	30 June 2022
	Birr'000	Birr'000
24 Other liabilities		
Financial liabilities		
Letter of credit margin payables	948,211	494,840
ATM settlement payable	52,734	90,399
	65,858	69,964
	23,911	2,794
CTS Settlement account	16,840	25,699
Dividend payables	-	218,559
Blocked accounts	89	32
Telegraphic and Money transfer payable	19,882	6,086
Over the Counter Cash Payment (OTCP)	1,322	1,362
Exchange payable	32,821	53,817
Provision for fidelity Risk	244,723	349,844
Money transfer agent	1,630	1,491
Cash payment order payable	325,061	233,198
Board of directors' remuneration payable	405	106
Staff payables	**1,733,488**	**1,548,192**
Cash collateral on guarantees		

Blocked accounts represent customer accounts on which the court has given order to be frozen pending the end of litigation.

Provision for Fidelity risk is to covers a loss of property or money as a direct result of fraudulent act by the employee. NBE requires banks through directive No.SBB/66/2018 assists a fidelity or appropriate provision for such risk is a minimum standard which bank have to meet to commence operation in new or relocated branch, sub branch, upgraded branch or downgraded branch.

Non-financial liabilities		
Defined contribution liabilities	15,506	15,311
Stamp duty charges	1,474	1,149
Withholding tax payable	3,206	7,572
Interest Tax on Deposits	31,953	-
Other tax payable	52,133	101,438
Deferred Income Loan Processing Fee	21,594	15,459
Deferred Income Guarantee Commission	38,817	19,430
Deferred Income LC Commission	19,306	10,140
Deferred Income- IFB	7,804	3,997

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	30 June 2024 Birr'000	30 June 2023 Birr'000
Accrued Leave Payable	206,743	-
Sundry payables	142,114	2,747,772
IFB Penalty/Charity Payable	42,642	-
	583,292	**2,922,268**
Gross amount	**2,316,780**	**4,470,460**

Maturity analysis	**30 June 2024**	**30 June 2023**
	Birr'000	**Birr'000**
Current	1,729,737	1,399,453
Non-Current	587,042	3,071,007
	2,316,780	**4,470,460**

Accrued leave payable is a current liability on the balance sheet, indicating the bank's short-term obligation to pay employees. The accrued leave payable (2023;146 million) was previously included and presented in the total under 'staff payables'

Other Tax payable includes tax on capital gain tax, value added taxes(VAT),Income tax, Reversal VAT, Technical and related tax on saving deposits interest paid and withholding taxes.

Other Payable/Sundry payables includes Overdrawn Nostro, Other Bank Special Clearances, Loan Related Charge Payable, Retentions Court cases and other miscellaneous liabilities.

	30 June 2024	**30 June 2023**
	Birr'000	**Birr'000**
Retirement benefit obligations		
Defined benefits liabilities:		
Severance pay (note 25a)	263,394	219,367
Liability in the statement of F/position	**263,394**	**219,367**
Profit or Loss charge included in personnel expenses:		
Severance pay (note 25a)	76,125	51,570
Total defined benefit expenses	**76,125**	**51,570**
Re-measurements for:		
Severance pay (note 25a)	(9,157)	53,980
	(9,157)	**53,980**

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

Maturity analysis	**30 June 2024**	**30 June 2023**
	Birr'000	**Birr'000**
Current	76,125	51,570
Non-Current	187,269	167,797
	263,394	**219,367**

25a Severance pay

The Bank operates an unfunded severance pay plan for its employees who have served the Bank for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1-month salary for

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the first year in employment plus 1/3 of monthly salary for each subsequent in employment to a maximum of 12 months' final monthly salary.

The purpose of the valuation is to update the Bank's liabilities since the previous valuation in respect of benefits provided to employees on leaving the Bank.

To assess the liabilities of the Bank, an attempt is made as far as possible to arrive at realistic long-term assumptions. A number of factors are considered which are inter-related, often to such an extent that individual elements cannot be considered in isolation. Its calculated annually by independent actuaries, QED actuaries & consultants, using the projected unit credit method. The duration of the liabilities, on which the assumptions have been set, was calculated to be 6 years on the current valuation assumptions and data.

The severance benefits are based on statutory severance benefits in Ethiopia. The statutory severance benefits are set out in Labour Proclamation No. 1156/2019. See note 2.25:

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

		30 June 2024 Birr'000	30 June 2023 Birr'000
A	**Liability recognized in the financial position**	263,394	219,367

The past service liability (the liability which has accrued in respect of service to the valuation date for the current employees) for the active members is calculated by projecting all expected future cash flows based on service to the valuation date and discounting these at the assumed discount rate allowing for possible reasons of exit from the Bank, such as retirement and death.

There are no separate assets held which are creditor remote and are held in the name of a separate legal entity to the Bank set aside to fund the Benefits. Therefore not included any assets in the valuation.

		30 June 2024 Birr'000	30 June 2023 Birr'000
B	**Amount recognized in the profit or loss**		
	Current service cost	27,806	18,954
	Interest cost	48,319	32,616
		76,125	**51,570**

The Current Service Cost represents the cost of one additional period of service for current eligible employees.

The Interest Cost reflects the reducing discounting period from one year to the next (i.e. the unwinding of the discount rate over time). This is restated for actual benefit payments.

		30 June 2024 Birr'000	30 June 2023 Birr'000
C	**Amount recognized in other comprehensive income:**		
	Actuarial (Gains)/Losses on demographic assumptions		
	Actuarial (Gains)/Losses on economic assumptions	8,122	5,637
	Actuarial (Gains)/Losses on experience	(17,279)	48,343
		(9,157)	**53,980**

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Actuarial gains and losses arise when actual experience differs from the assumptions made at the previous valuation (e.g. salary increases higher than those assumed will lead to an actuarial loss).

The total gain to be recognized for the year ending 30 June 2024 was calculated to be ETB 9,157,000 as shown in the table above.

D Change in the present value of the defined benefit obligation

The table below sets out the reconciliation of the liability to be recognized in the Statement of Financial Position;

	30 June 2024 Birr'000	30 June 2023 Birr'000
At the beginning of the year	219,367	124,679
Current service cost	27,806	18,954
Interest cost	48,319	32,616
Bank Paid Benefits	(22,941)	(10,862)
Re-measurement (gains)/ losses	(9,157)	53,980
At the end of the year	**263,394**	**219,367**

The significant actuarial assumptions were as follows:
Valuation assumptions can be split into two broad groups, namely financial and demographic assumptions.

Financial assumptions are those that affect the amount of the benefit payments (e.g. increases in salary and the discount rate) while demographic assumptions are those that affect the expected timing of the benefit payments (e.g. resignation or mortality rates).

A Financial Assumption Long Term Average

	30 June 2024 Birr'000	30 June 2023 Birr'000
Discount Rate	19.00%	20.50%
Long term salary increases	16.60%	17.10%

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.

Currently, In Ethiopia, there is neither a deep market in corporate nor government bonds. There have been auctions of short-term treasury bills since 2019, although we note that the longest dated treasury bill is only 180 days. This is significantly shorter than the duration of the liabilities.

For previous valuations we have used the yields derived from the zero-coupon government bond yield curves in Kenya, as published by the Nairobi Stock Exchange.

We have 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:

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Ethiopia Country Risk Premium	Kenya Country Risk Premium	Difference
13.17%	9.51%	3.66%

Combining the country risk premium 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.

The resulting discount rate was rounded to the nearest 0.1%
Salary increase- We have assumed that salaries will increase at a rate of 2% above future assumed inflation.

B. Mortality in Service

The rate of mortality assumed for employees are those published in the 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. For ages over 47 we have 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.

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

These rates combined are approximately summarized as follows:

Mortality rate		
Age	**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	0.0045	0.00428
50	0.00628	0.00628
55	0.00979	0.00979
60	0.01536	0.01536

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

C. Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 15% at the youngest ages falling with increasing age to 2.5% at age 45.

The sensitivity of the main results to changes in the principal assumptions; Discount and Salary Increase rate have been calculated. The changes in the Defined Benefit Obligation are reflected below;

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Change in assumption	Impact on defined benefit obligation 30 June 2024 Impact of an increase	Impact of a decrease	Impact on defined benefit obligation 30 June 2023 Impact of an increase	Impact of a decrease
	Birr'000	Birr'000	Birr'000	Birr'000
Discount rate;1%	250,048	277,574	208,675	230,703

Change in assumption	Impact on current service cost 30 June 2024 Impact of an increase	Impact of a decrease	Impact on current service cost 30 June 2023 Impact of an increase	Impact of a decrease
	Birr'000	Birr'000	Birr'000	Birr'000
Salary increase:1%	277,748	249,668	230,940	208,282

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

D. Projected/Budgeted Movements

D1. The tables below summarize the expected disclosure elements for the year ending 30 June 2025 for budgeting purposes:

Projected Defined Benefit Obligation	**30 June 2025 ETB'000**
Defined Benefit Obligation at the beginning of the period	263,394
Current Service Cost (excluding interest)	27,589
Benefit payments	(36,396)
Interest Cost	51,829
Expected Defined Benefit Obligation at the end of the period	**306,416**

D2. The related expected expense to be recognized in the Profit & Loss for the next year is estimated to be as follows:

Projected amount in Profit & Loss	**30 June 2025 ETB'000**
Gross service cost	27,589
Interest Cost on DBO	51,829
Projected expense/(income) to be recognized	**79,418**

D3. The projected benefit payments for the next 5 years have been estimated as follows:

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Projected benefit payments	**ETB'000**
Year ending 30 June 2025	(36,396)
Year ending 30 June 2026	(43,390)
Year ending 30 June 2028	(52,697)
Year ending 30 June 2029	(78,769)
Total projected benefit payments over 5 years	**(279,268)**

The increasing amounts of projected payments suggest that the cost of providing DBO benefits is rising, potentially due to factors such as increased life expectancy, higher salaries, higher inflation rate, discount rate or changes in investment returns. The substantial total projected payments indicate a significant financial burden on the Bank.

26 Share Capital

	30 June 2024	**30 June 2023**
	Birr'000	**Birr'000**
Authorized:		
Ordinary shares-par value of Birr 100 each	13,000,000	13,000,000
Issued and fully paid:		
Ordinary shares- par value of Birr 100 each	**11,160,763**	**10,016,082**
Reconciliation;		
Beginning	**10,016,082**	**7,731,771**
Number of shares Purchased by Cash	**474,936**	**1,208,311**
Number of shares Purchased by Dividend	**669,745**	**1,076,000**
Number of shares outstanding as at the end of the period	**11,160,763**	**10,016,082**

27 Share Premium

	30 June 2024	**30 June 2023**
	Birr'000	**Birr'000**
At the beginning of the year	8,672	8,672
Addition during the year	-	-
	8,672	**8,672**

28 Earnings per share

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

	30 June 2024	**30 June 2023**
	Birr'000	**Birr'000**
Profit attributable to shareholders	1,615,452	2,604,169
Weighted aver No. of ordinary shares in issue	104,710	87,538
Basic & diluted earnings per share (Birr)	**15**	**30**

Weighted average number of ordinary shares in issue It represents the average number of ordinary shares outstanding during a specific period, taking into account any changes in the number of shares due to events like share splits, share dividends, or share repurchases.

Diluted EPS is a financial metric that calculates a company's earnings per share assuming that all dilutive securities, the bank has no such securities, there is no dilution effect, and the basic EPS will remain unchanged, mean, its basic EPS and diluted EPS will be the

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same. or Since there are no dilutive securities to consider, the weighted average ordinary shares outstanding will remain the same, and the resulting EPS will accurately reflect the bank's earnings per share.

29 Retained Earnings

	30 June 2024 Birr'000	30 June 2023 Birr'000
At the beginning of the year	1,295,485	1,378,523
Profit/ (Loss) for the year	1,615,452	2,604,169
Director's share of profit	(1,630)	(1,491)
Transfer to Legal reserve	(403,863)	(651,042)
Transfer to Regulatory Risk reserve	(359,874)	(656,151)
Transfer to Dividend payable	(1,295,485)	(1,378,523)
Reversal Severance Liability	-	-
Transfer to Risk reserve (Severance)	-	-
At the end of the year	**850,085**	**1,295,485**

30 Legal Reserve

	30 June 2024 Birr'000	30 June 2023 Birr'000
At the beginning of the year	2,406,186	1,755,144
Transfer from profit or loss	403,863	651,042
At the end of the year	**2,810,049**	**2,406,186**

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

31 Regulatory Risk Reserve

	30 June 2024 Birr'000	30 June 2023 Birr'000
At the beginning of the year	1,143,592	433,980
Transfer from Retained Earning	359,874	656,151
Revaluation Gain-Equity Investment	48,156	53,462
Other comprehensive income	-	-
Reversal of Regulatory Risk reserve	(440,990)	-
At the end of the year	**1,110,632**	**1,143,592**

The Regulatory risk reserve is a non-distributable reserve required by the regulations of the National Bank of Ethiopia (NBE) to be kept for impairment losses on loans and receivables in excess of IFRS charge as derived using the incurred loss model.

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is higher than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the Bank.

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

In this case, the bank has reversed 440 million in its cumulated Regulatory Risk Reserve that had accumulated from the previous years, because its IFRS calculations for expected credit losses (ECL) as per IFRS exceeded the minimum requirements set by regulators(NBE), Prudential provision.

Interest suspended in the previous years and regularized in the current year is compared with current year stage 3 loans interest income recognized net of impairment losses. The difference between the two is transferred to “regulatory risk reserve”.

Where Revaluation gain on an equity investment (2024;48.1 million) occurs when the fair value of the investment increases above its carrying amount (the cost at which it was initially recorded). This gain is recognized in equity rather than as income.

32 Donated Capital	30 June 2024	30 June 2023
	Birr'000	Birr'000
At the beginning of the year	3,932	3,932
	3,932	**3,932**

The bank received a capital reserve in the form of a donation from the Regional Government of Oromia during its establishment, with no restrictions on its utilization. This donation was provided in support of the bank’s mission to serve the rural population, particularly farmers, cooperatives, unions, small businesses, and communities that have been excluded from financial services.

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
33 **Cash generated from operating activities**			
Profit before income tax		**2,514,483**	**3,388,598**
Adjustments for non-cash items:			
Net gain/(loss) on foreign exchange			
Depreciation of property, plant and equipment	20	518,608	336,245
Amortization of intangible assets	19	58,942	43,913
Net gain/Loss on disposal of PPE(net)	8	(14,152)	(9,862)
Impairment on loans and receivables	9	582,834	969,275
Reversal accumulated Impairment of PPE	9	-	2,083
Differed Tax	12	(166,183)	-
Suspended Interest Income	5	(359,874)	(258,298)
Amortization of Right use Asset	20b	754,567	580,089
Dividend income	5	(26,393)	(14,360)
Adjustment on property plant and Equipment	20	200,589	8,407
Interest on lease liability	11	17,832	13,044

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Retirement benefit obligations	25	66,968	105,550
Changes in working capital:			
-Decrease/(increase) in restricted cash	13	(350,000)	(1,074,999)
-Decrease/ (Increase) in loans and advances	14	591,723	(14,958,726)
-Decrease/ (Increase) in interest free financing	15	1,969,886	(2,966,157)
-Decrease/ (Increase) in other assets	18	785,291	(5,584,448)
-Decrease/ (Increase) NCAHFS	20a	(387,180)	88,157
-Decrease/Increase in Customers deposits	21	2,303,047	18,244,522
-Decrease/Increase in Due to other banks	22	(657,667)	1,238,753
-Increase/ (Decrease) in other liabilities	24	(2,153,681)	(797,884)
		6,249,640	**(646,099)**

34. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes Influential shareholders; Cooperative-unions, primary cooperatives, federation, and Individual persons and Associates, as well as key management personnel.

And as well as, NBE strictly defined the Related Parties via its NBE Directive No; SBB/88/2024; "Related Party" means: the bank's majorly owned subsidiaries, and any party that the bank exerts control over or that exerts control over the bank; the bank's influential shareholders up to the ultimate beneficial owner and board members, chief executive officer, senior executive officer; an influential shareholder, director, chief executive, senior executive officer of a bank and/or the spouse or relative in the first degree of consanguinity or affinity of such shareholder, director, chief executive officer or senior executive officer; an entity in which such influential shareholder, director, chief executive, senior executive officer and/or the spouse or relative in the first degree of consanguinity or affinity owns 10% or more interest as shareholder or serves as a director, chief executive officer or senior executive officer; state-owned banks and State/Federal Government-Owned Enterprises shall also be considered related parties; parties that can exert significant influence as may be determined by the National Bank; and any other relationships, as may be determined by the National Bank.

A related party transaction is a transfer of resources, services or obligations between a reporting entity or the bank in our case and a related party, regardless of whether a price is charged. CBO is largely owned by cooperatives with primary cooperatives having 18.3%, cooperatives union 29.9%, cooperatives federation 4.4% and non-cooperatives; organizations and associations 10.2% and individuals 37.2%. The bank has entered into a number of transactions with related parties as at 30 June 2024.

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

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34a Transactions with related parties

30-June-2024

	Term-Outstanding Birr'000	OD-Utilized Birr'000	Secured Value Birr'000
Executive Management	143,061	241,710	323,065
Cooperative Union	5,458,864	1,132,725	3,794,095
Primary Cooperative	859,451	-	419,667
Federation	430,133	-	265,289
Individuals, Influential shareholder	293,651	48,036	383,274
	7,185,161	**1,422,471**	**5,185,391**

30-June-2023

	Term-Outstanding Birr'000	OD-Utilized Birr'000	Secured Value Birr'000
Executive Management	399,830	10,013	98,080
Cooperative Union	5,306,075	910,183	3,052,691
Primary Cooperative	986,597	-	398,273
Federation	430,029	-	265,289
	7,122,531	**920,196**	**3,814,334**

As part of its compensation and benefits package, "The Bank has extended loans and advances to its key management personnel at preferential interest rates ranging from 7% to 10%. In addition to holding provision, the bank has secured 90% of these loans by different collateral types; residential house and Motor vehicles, to mitigate the Bank's credit risk. The repayment track/status record for these loans is normal/performing with all payments being made on as scheduled.

For other related parties; Cooperative Union, Primary Cooperative, Federation or individual shareholders nothing favor/preferential treatment to related parties. All disbursed and outstanding loan and advance are subject to the same rigorous underwriting standards, including market interest rates ranging from 8.5% to 19.5% and repayment schedules that vary from quarterly to annually based on the nature of the business. Moreover, almost all of these loans' status are currently performing well.

34b Key management compensation

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

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	30 June 2024	30 June 2023
	Birr'000	Birr'000
Salaries and other short-term employee benefits	35,747	51,690
Defined Benefit Obligations	8,658	-
Defined contribution plan	3,310	-
Representation allowance	1,800	3,240
Other expenses	-	2,880
	49,516	**57,810**

Compensation of the Bank's key management personnel includes salaries and in kind/non-cash benefits. Breakdown of short-term employee benefits: This could include salaries, allowances, allowances, and other short-term perks.

34c Board of Directors compensation

The Bank provides monthly allowances and annual compensation fee for each member of board of directors of the bank per the prevailing direction from the National Bank of Ethiopia on same.

	30 June 2024	30 June 2023
	Birr'000	Birr'000
Board of directors' remuneration/profit sharing.	1,630	1,491
Transportation allowance	1,452	**-**
	1,491	**1,491**

The board of directors' compensation-profit sharing is calculated and paid based on the percentage of attending the meeting or participation on the board of directors meeting relating to governing the bank as of the governing policy whereas the transportation allowance is paid straight-forward monthly (2023;1.460 million).

35. Contingent liabilities

Litigation is a common occurrence in the banking industry due to the nature of the business. The thank has established protocol/legal process for dealing with legal claims. The directors use the best available information, including independent external legal opinions, to determine any provisions for losses or disclosures to be made in the financial statements.

35a. Claims and litigation

The Bank is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The maximum exposure of the Bank to these legal cases as at June 30,2024 is birr 901 million and as at June 30 June 2023 is birr 30.6 million provision has been made in the financial statements as at 30 June 2024 is birr 1.138 and 30 June 2023 was birr 5.7 million.

The bank had several unresolved legal and tax claims arising in the ordinary course of business at the year end. The unresolved tax claims and legal disputes are individually

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evaluated at the year-end for potential losses to the bank. Where necessary, the directors seek independent legal advice, on the significant unresolved tax claims and legal matters. Based on the information available at the approval of these financial statements, the directors believe the ultimate resolution of the unresolved tax,564 million dividend tax, claims and legal proceedings will not have a material effect on the bank's operations.

35b. Contingent Assets

The Bank is a party to numerous legal actions initiated by the Bank against different organizations, current and former employees of the Bank and individuals arising from its normal business operations. The matter has been referred to the court and, having received legal advice, the directors believe that a favorable outcome is probable. The maximum amount expected from these cases as at June 30,2024 is birr 102.4 million and as at June 30,2023 is birr 80.03 million. However, this has not been recognized as a receivable at the year-end as receipt of the amount is dependent on the outcome of the court processes.

35c. 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, letters of credit and other commitments to lending. Even though these obligations may not be recognized on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank.

The Bank conducts business involving performance bonds and guarantees. These instruments are given as 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, these instruments' cash requirements are expected to be below their nominal amounts.

The table below summarizes the amount of contingent liabilities for the account of customers:

I. Total off-balance sheet exposure	30 June 2024	30 June 2023
	Birr'000	Birr'000
Guarantees issued	8,704,525	512,398
Letters of Credit	917,534	139,180
Less: Loss Allowance	(118,576)	-
Total	**9,503,483**	**651,578**

Total off-balance sheet items exposure includes both financial and non-financial outstanding exposure and total outstanding exposure of letter of credit which means without deducting LC margin. All off-balance sheet exposures Loss allocation is determined in accordance with NBE Directive No. SSB/90/2024, Asset Classification and Provisioning.

II. Financial OBS exposure	30 June 2024	30 June 2023

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	Birr'000	Birr'000
Guarantees issued	763,118	512,398
Letters of Credit	98,392	139,180
Less: Loss Allowance	(232)	-
Total	**861,277**	**651,578**

Herewith presented guarantee types are limited to exposures or guarantees that have a financial asset nature. These include guarantees for supplier credit, customs duties, and retention payments." and net of LC margin Letter of Credit and their impairment assessment is conducted as per IFRS standard requirement and bank's business model.

36 Commitments

Loan Commitments are legally binding agreements between a lender and a borrower that outline the terms and conditions under which the lender will provide a loan to the borrower.

The Bank has commitments (for undrawn overdrafts and loans approved but not yet disbursed) of Birr 3,212 million, Br. 6,757 million and Br. 4,257 million not provided for in these financial statements as of June 30, 2024, June 30, 2023 and June 30, 2022 respectively.

37 Events after reporting period

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

i. Reform of Foreign Currency Exchange

On July 2024, the government (NBE) announced a Macro-Economic Reform; particular, Foreign Currency Exchange by new Directives, Foreign Exchange Directive No.FXD/01/2024, that state that a competitive, market-based method of determining the exchange rate. This reform, designed to promote trade, financial stability, and economic growth. However, this transition to a more flexible exchange rate system resulted in unforeseen challenges. The immediate implementation of this reform/directive resulted in significant foreign exchange losses for the Bank, primarily due to the depreciation of foreign currency-denominated assets. The total foreign exchange loss incurred as a result of the depreciation reform is estimated to be 532 million.

The Bank is currently evaluating the impact of the devaluation on its overall financial position and future profitability. The Bank is also exploring various hedging strategies to mitigate its foreign exchange risk in the future.

37b.In the opinion of the Directors, except for the possible impact of the matter indicated in 37a. above, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Bank as at 30 June 2024 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.