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Bank of Abyssinia

Annual Report
2023 / 2024

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Bank of Abyssinia

2023/24
ANNUAL REPORT

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Vision

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

Mission

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

Our Values

Customer Satisfaction

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

Integrity

We promote and stand guard to a set of high morale standards and ethical Values.

Team work and Collaboration

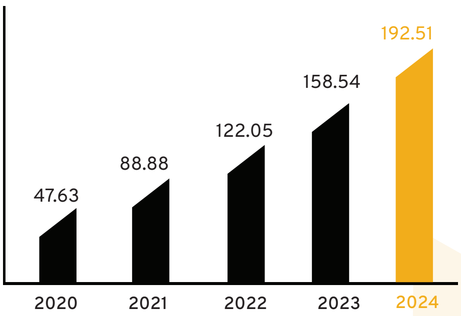
We foster teamwork and collaboration to achieve our goals.

Caring for our Community

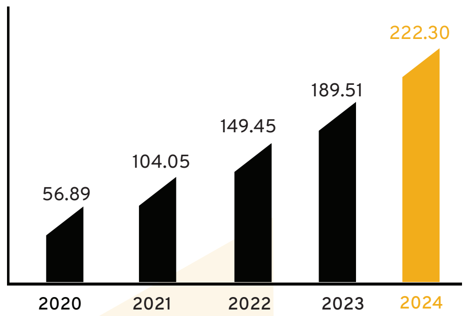
We promote sustainable and responsible business practices that are conscious of the community we operate in.

Operational Highlights
FY 2019/20 – 2023/24

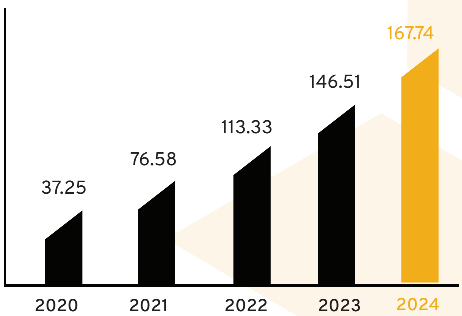
Deposits((In Billions of Birr)



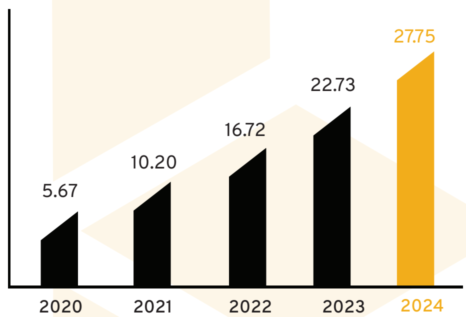
Total Assets (In Billions of Birr)



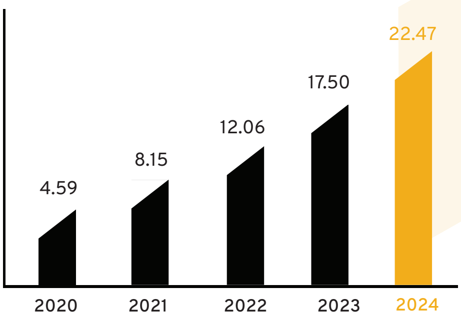
Loans and Advances (In Billions of Birr)



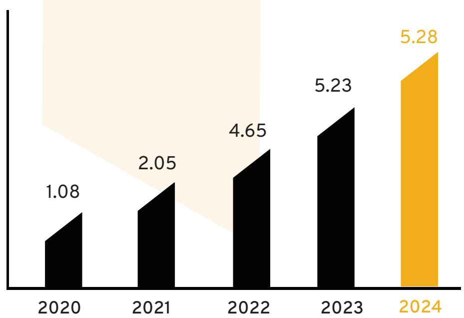
Total Income (In Billions of Birr)



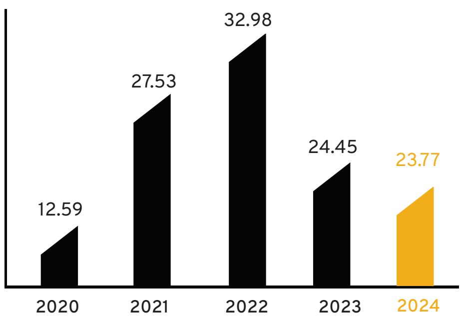
Total Expenses (In Billions of Birr)



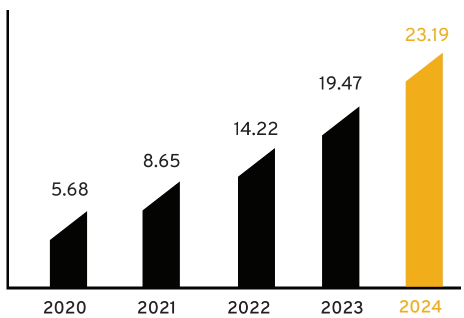
Gross Profit Before Tax (Billions of Birr)



FCY Earnings (In Billions of Birr)



Total Equity (In Billions of Birr)



BOARD OF DIRECTORS

Ato. Mekonnen Manyazewal
Board Chairperson

Ato. Meseret Melese
Board Director

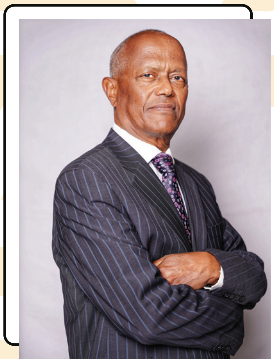
Ato. Aemero Belete
Board Director

Ato. Molalign Melese
Board Director

Dr. Yihenew Zewdie
Board Director

W/ro Emebet Woldeher
Board Director

Ato. Yerom Gessesse
Board Director



Ato. Solomon Alula
Board Director

Ato. Kassahun Zewdie
Board Director

Ato. Tewodros Tesfaye
Share Company Secretary

EXECUTIVE MANAGEMENT

Ato Bekalu Zeleke
Chief Executive Officer

Ato Seifu Bogale
Chief Corporate Human Resource Officer

Ato Asaminew Deribew
Chief Credit Business Officer

Ato Daniel Hailu
Chief Information System Officer

W/ro Meseret Asfaw
Chief Enterprise Service Officer

Ato Mohammed Nuredin
Chief International Banking Officer

Ato Abraham Gebeyehu
Chief Retail Banking Officer

W/ro Sosina Mengesha
Chiel Digital Banking Officer

Dr. Kagnew Wolde
Vice President Marketing

Ato Desalegn Yizengaw
Vice President Financial Managment

Ato Abdulkadir Redwan
Vice President Interest Free Banking

Ato Elias Kassa
Deputy Chief-Retail Operation

Ato Wosenyeleh Aberra
Deputy Chief-Retail Business

Ato Biruk Walellegn
Executive Assistant to the CEO

Ato Esayas Tesfaye
Advisor to the CEO

Ato Alemayehu Hunde
Secretary to the Executive Management Committee

Message of the Board Chairperson

HONORABLE SHAREHOLDERS,

On behalf of the Board of Directors of the Bank of Abyssinia S.C and myself, it is my honor to present the Board of Directors' report along with the "Audited Financial Statements" of the Bank to the 28th Ordinary Annual General Meeting of Shareholders of the Bank for the Fiscal Year 2023/24 that ended June 30, 2024.

In the Fiscal Year 2023/24, the global economy continued to face challenges that passed through from preceding years, including slower activities following the central banks' policy tightening to fight inflations, varied momentum in activity across economies, and geopolitical developments. Nonetheless, the world economy largely remained resilient, as the efforts of central banks in abating inflation bore fruit and global activity and world trade firmed up (IMF WEO update, July 2024). The global economic growth rate is estimated to have slowed slightly to 3.2% in 2024 from 3.3% in 2023 in escalating trade tensions and increased policy uncertainty.

The Ethiopian economy has also gone through challenges wherein domestic and external shocks that prevailed in the past two years have affected the overall activities and growth. Faced with such challenges as lack of peace and security, persistent inflation, foreign exchange shortage, and drought prevalence, the economy remained resilient and showed positive growth.

According to government estimates, the country has registered a real GDP growth estimated at 7.9% during FY 2023/24 (MoPD, June 2024).

As the government furthers its reform objectives, various policy reforms actions were rolled out during the fiscal year. Significant among these included the National Bank of Ethiopia's measures aimed at enhancing financial sector stability which introduced new directives in the areas of limiting large borrower exposures, exposure to related parties, asset classification and provisioning, persons of significant influence, and bank corporate governance. These revised directives would play important roles in instituting more prudence in the banks' practices as well as strengthening the framework of the financial sector oversight. More of such change initiatives are expected to emerge as the National Bank of Ethiopia rolls out its strategic plan implementation, that includes framework development for creation of enabling environment for the potential introduction of a central bank digital currency (CBDC). Other reform steps involve the increase in momentum of the opening up of the banking business for foreign investors and the establishment of a functioning capital market.

DEAR SHAREHOLDERS,

Despite challenges in the overall economy and major changes in the financial sector, Bank of Abyssinia maintained its balance sheet growth momentum. In the reporting period, the Bank's assets grew by 17.30% and maintained profitability, and this is commendable given the multiple shocks that the economy experienced with a notable repercussion on the banking industry. Total assets reached Birr 222.30 billion, while the Bank earned a gross profit (before tax) of Birr 5.28 billion. Deposits increased by Birr 33.97 billion, which is a 21.43% growth over that of the preceding year, and the total deposits amount was raised to Birr 192.51 billion as at June 30, 2024. Total loans and advances increased by 14.49% from last year's position and reached Birr 167.74 billion (P+I).

The Bank's interest free banking business has continued to register remarkable growth. During the year, the Bank mobilized a total of Birr 6.07 billion in IFB deposits, which brought total IFB deposits to Birr 24.14 billion. In addition, the Bank has been increasing its interest free financing products, and outstanding financing has become Birr 4.91 billion as at June 30, 2024. The Bank shall continue to further strengthen IFB services with more innovative products and service offerings tailored to the needs and preferences of customers. The number and composition of service outlets across the Bank in which the Bank extends the IFB services have increased over time accompanied by enhanced operational efficiency and service excellence.

As part of its plan of expanding business reach, the Bank has continued to increase its service outlets both in the physical and digital channels which saw a considerable growth during the year. The Bank continues to bring forth modern digital banking solutions and products which are value-adding to customers and new to the market. In one of such cases, the Bank of Abyssinia has pioneered in introducing a digital visa card wherein customers are enabled to use their mobile phones as a visa card to conduct transaction, on Bank's ATMs and PoS terminals, using the Apollo digital bank platform.

A number of other solutions that are aimed at creating convenience to individual users as well as delivering business process solutions to customers, such as a comprehensive school management solution, have been successfully implemented and are delivering value to the Bank's esteemed customers.

Towards enhancing efficiency and effectiveness in its IT and digital banking undertakings, the Bank has also implemented, a few among the notable ones included, full roll out of identity management solution, loan origination and instant loan solution, and data lifecycle management. Such investments have proven to be boosting the Bank's processes and systems performances to a greater extent. The Bank also further upgraded its PCI DSS certification to the highest level and latest version. As the PCI DSS is a continuous engagement, the Bank proceeds with the security exercises and remains compliant. Besides, the Bank has implemented a set of IT security management programs that would enable the safe conduct of the Bank's business.

Utmost attention is placed towards the human resource which, we believe, is the most important resource of the Bank. In this regard, the Bank has implemented a number of strategic initiatives and programs to develop and empower the workforce, and in providing convenient working environment. The Bank has achieved a lot of progress in implementing a range of HR development programs. These implemented programs are of paramount importance in building organizational capability which play a critical role in meeting its long term goals and aspirations.

During the year, the Board, together with the Executive Management, have collectively invested time and energy in navigating through the tough environment, wherein the Bank has come out resilient and upheld the growth momentum. The Board remains committed to sustain delivering on the Bank's strategic objectives and the highest of values to stakeholders in the future too.

Honorable Shareholders,

The Bank recognizes the changes in the overall environment which ushered in fast-paced changes, and proactively working towards addressing the possible side effects while striving to seize opportunities. The Board remains firm in its guidance and strategic direction as well as in oversight of risk management and ensuring sound practices, in the face of newly introduced regulatory requirements, changes in legislations relevant to the Bank and in overcoming challenges in relation to changes in technological and market forces.

In the years ahead, the Bank sees positive prospects for the Bank's growth as the Bank strengthens its delivering capability built up through the years. In the wake of conclusion of the previous strategic plan implementation, the Bank has now crafted a new Five-Year Strategy to be rolled out and implemented in a renewed team spirit and dedication. By drawing from lessons of the Bank's past implementation journey and building upon internal strength, it is with high hope and anticipation of successful implementation that the Board observes the future.

The year saw a warm welcome of a new Board, wherein a smooth transition was made to the incoming Board of Directors who have taken up the roles of advancing the strategic guidance and oversight roles with equal commitment and dedication. I am confident that with the support of all stakeholders by our side, the Bank will uphold its unique capabilities of delivering on key strategic objectives in the years ahead, and register higher financial and operational results to the satisfaction of all stakeholders.

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

Mekonnen Manyazewal
Chairman of the Board

Message of the Chief Executive Officer

HONORABLE SHAREHOLDERS,

It is with great honor that I present to you the annual performance of the Bank of Abyssinia for the fiscal year ended June 30, 2024.
Bank of Abyssinia has once again registered a positive growth in assets and profit while passing through a myriad of challenges that the industry faced as a whole. The year has been one in which a subdued global economic activity was observed, a tough macroeconomic environment in the local economy and the financial industry facing a number of changes with a significant impact on operations.

Over the past year, the global economy, while still weak, showed signs of resilience and stabilizing in spite of persistent high interest rates, geopolitical tensions, and trade fragmentation. Global inflation has been slowing down, yet the ongoing war in Ukraine kept causing price instability worldwide.

The domestic economy was facing challenges too, when it has been passing through impeding situations such as continuing civil conflict, foreign exchange shortages, high inflation and global spillover effects. These situations have weakened economic activities, especially the productive sector, yet the country's economy remained resilient and registered a positive growth.

Bank of Abyssinia concluded the fiscal year 2023/24 operating amidst a number of challenges emanating from global as well as domestic fronts, and most importantly disruptions of the Bank's business activities affected by the armed conflicts in various parts of the country.

Against the backdrop of such daunting conditions, Bank of Abyssinia achieved growth in assets and overall business. With unrelenting and focused efforts in effectively implementing business strategies, the Bank achieved an incremental total deposit growth of Birr 33.97 billion, while the total deposits reached at Birr 192.51 billion a 21.43% growth. The total outstanding loans and advances amount (P+I) reached Birr 167.74 billion including Birr 4.91 billion of interest-free finance, showing a 14.49% increase over that of the preceding year. The interest-free finance alone showed a 59.51% growth over the preceding year showing the Bank's firm commitment towards scaling up and meeting the financing needs of BoA's IFB customers. Total asset of the Bank has increased to Birr 222.30 billion during the year from Birr 189.51 billion last year, i.e. an increase of Birr 32.79 billion representing a 17.30% increment, while the profit before tax for the year reached Birr 5.28 billion.

BoA continued strengthening its expansion effort in physical and digital footprint during the year such that its branch outlets reached 930. Moreover, the Bank's virtual banking centers reached 35 as an additional 15 centers were launched during the reporting year.

The Bank's customer base in both traditional as well as in digital banking platform has attracted nearly 13.12 million deposit account holders, out of which Interest Free Banking accounts comprised more than 2.10 million customers. In the same way, the Bank's digital banking user base increased, and at the end of the year there were 3.32 million card holders, 4.27 million mobile banking users, while the number of internet banking users reached more than ninety-three thousand. During the year, the Apollo Digital Bank services have gathered pace and the number of users, and the volume and value of transactions have been growing.

In line with the strategic aim of strengthening its digital capability, the Bank continued investing resources in digital banking service expansion with a view to satisfy the ever changing customer needs and to explore the opportunities. To this end, a number of value-adding service features and digital solutions have been implemented.

BoA has implemented a number of new initiatives aimed at introducing more value-addition in terms of convenience, quick service, and security to customers. During the year, BoA has upgraded its PCI DSS certification to the latest version of PCI DSS v4.0 security controls for protecting cardholder account data and privacy. More value-added solutions introduced during the year include issuance of Digital Visa Card which enables customers to make card transactions using only their mobile apparatus. The Bank also introduced Instant Card Issuance services made available at five of the Bank's ITMs (virtual banking centers) to enable customers obtain cards without the need for visiting branches. These efforts further strengthen customer account safety as well as ensure ease and convenience of digital banking services that will enhance customer satisfaction.

Respected Shareholders,

The banking industry is poised to accommodate fast paced changes in the operating environment which we anticipate to observe both challenges as well as opportunities as the future unfolds.

As the government's reform measures bring in a number of initiatives with implications to the Bank's operations, we remain steadfast in fulfilling the new requirements, as well as explore ways of leveraging opportunities out of the anticipated positive results as the measures stimulate the economy.

In line with the Bank's aspirations of growth and sustainability, the Board has approved a new five-year strategy that strikes ground from July 2024 which is expected to consolidate the Bank's business and leverage emerging and cutting-edge technologies as we go forward.

The Bank's firm stance on modernizing its service offerings by deploying latest technology solutions will continue to be a game changer in its favor. Furthermore, BoA has long understood that delivery of convenient services defines customer's preference and that it is instrumental for building strong relationship in this dynamic business environment. To this end efforts are geared towards ensuring that customers stay and grow with the Bank once they taste its services and user- friendly banking technology solutions.

The Bank shall take advantage of its key resources of available banking technology infrastructure, competent staff and the newly redesigned strategic framework which will redefine and redirect our approach to effectively meet our customers' expectations- and to position itself a step ahead of the competition.

With the Board of Directors farsighted leadership, and the strong commitment and dedication from the executive management and staff, I am confident that the Bank will exhibit another strong financial performance and growth in the coming year.

Finally, I would like to extend my gratitude to the Board of Directors for their guidance and foresight, and heartfelt thanks to our esteemed customers for their trust, and the Bank's shareholders for their unwavering support and patronage. I would like to thank also the Management Team and the entire staff for their commitment and dedication and the National Bank of Ethiopia for the assistance provided to us during the financial year.

Bekalu Zeleke
Chief Executive Officer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Bank of Abyssinia

Branches
930

1429
ATM

POS Machines
2,160

Virtual Banking Centers
35

Report of the Board of Directors

1. OPERATIONAL PERFORMANCE

1.1. Deposits

The Bank maintained its remarkable growth trends in the Fiscal Year 2023/24, and total incremental deposits mobilized throughout the reporting period became Birr 33.97 billion, a 21.43% growth from last fiscal year. Accordingly, the Bank's total outstanding deposits stood at Birr 192.51 billion as at June 30, 2024.

All Deposit types showed increase, with saving deposits leading the way, followed by time and IFB deposits. The deposit stock was composed of 66.40% savings, 13.76% demand, 12.54% IFB, and 7.30% fixed time deposits.

Deposits

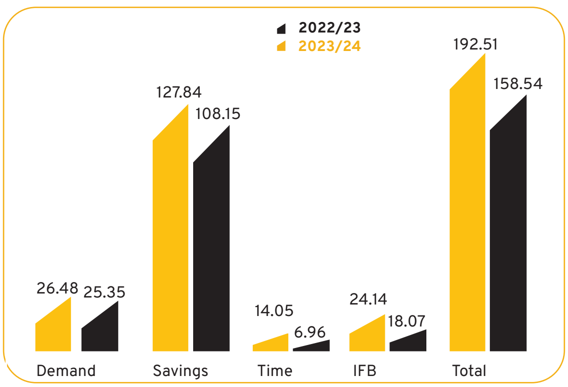


Fig 1: Deposit Amount

Percentage Share of Deposits

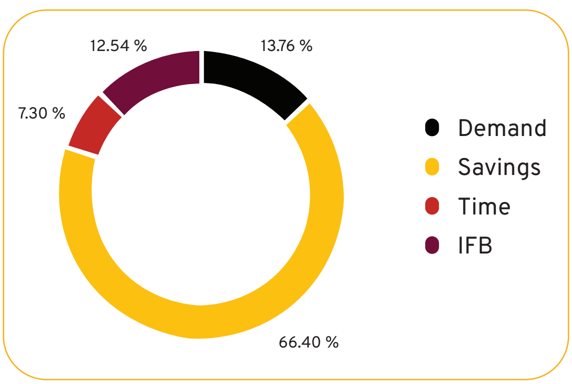


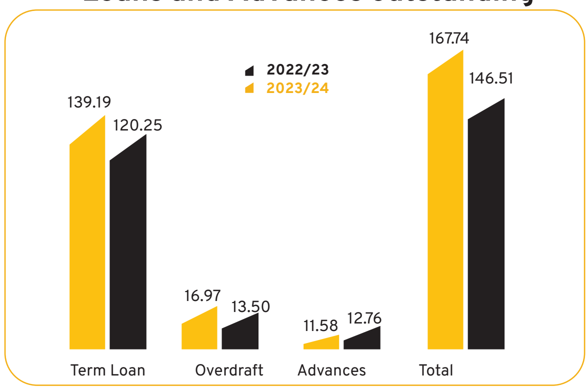
Fig 2: Percentage Share Deposits

1.2 Loans and Advances

The Bank's total outstanding loans and advances (P+I) and IF financing reached Birr 167.74 billion at the end of FY 2023/24, up by Birr 21.23 billion, or by 14.49% from the previous period.

Term loans increased by Birr 18.94 billion, or 15.75%, and overdrafts increased by Birr 3.47 billion, or 25.69%, while advance loans showed a decrease of Birr 1.18 billion.

Loans and Advances outstanding



Outstanding Loans and Advances

In terms of composition, the shares of Term Loans and Overdrafts have increased while that of Advances has shown decline during the reporting year, wherein they accounted for 82.98%, 10.12%, and 6.90% of total outstanding loans and advances, respectively.

Percentage Share of Loans and Advances

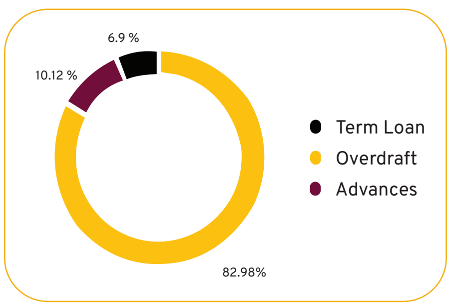


Fig 4: Percentage Share of Loans and Advances

The loan distribution by sector indicates that while increases are registered in all economic sectors except agriculture during the year, a substantial percentage increases were observed in Murabaha Finance, followed by Others, and Transport sector from previous levels, with loans and advances increasing by 62.19%, 30.84%, and 32.27%, respectively. In absolute terms, however, loans to the Industry sector showed the highest net increase, i.e. an increase by Birr 7.55 billion, followed by Domestic Trade sector

(In Millions of Birr)

Sector	2023/24	2022/23	Growth	
			Amount	**% Age**
Export	39,103.27	38,528.01	575.26	1.49
Domestic Trade	30,819.72	24,567.52	6,252.20	25.45
Industry	38,368.43	30,819.13	7,549.30	24.50
Construction	18,265.79	18,032.13	233.66	1.30
Import	8,786.44	7,251.71	1,534.73	21.16
Transport	6,993.97	5,287.50	1,706.47	32.27
Agriculture	9,565.79	10,648.68	-1,082.89	-10.17
Murabaha Finance	4,907.80	3,026.05	1,881.75	62.19
Others/Personal	10,925.87	8,350.30	2,575.57	30.84
Total	**167,737.07**	**146,511.03**	**21,226.04**	**14.49**

Table 1: Loans and Advances by Economic Sector

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

Looking into the sectoral distribution of loans and advances, the top three sectors i.e. Export (23.31%), Industry (22.88%), and Domestic Trade (18.38%), together accounted for 64.57% of total loans and advances, the remaining portion being distributed among the rest of sector categories.

Loans by sector

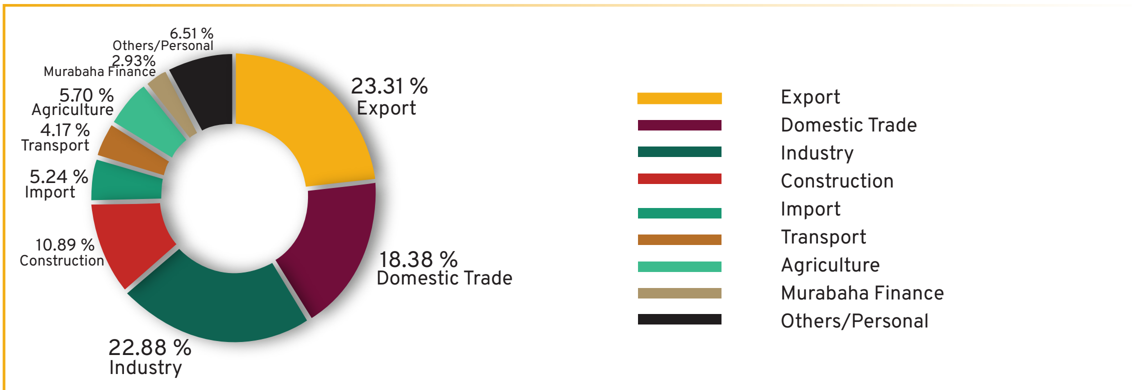


Fig 5: Percentage Share by Economic Sector

1.3. International Banking Services

Foreign currency earnings in the fiscal year totaled USD 424.00 million, exhibiting a lower level performance than preceding year's mobilizations. By strengthening relationships with foreign and local partners, upholding service excellence and by seeking various resolutions, the Bank is poised to expand its foreign currency earnings to the fullest potentials.

2. FINANCIAL PERFORMANCE

2.1. Income

The total revenue for the year was Birr 27.75 billion, increasing by Birr 5.02 billion (a 22.09% increase) from the previous Fiscal Year. The highest proportion was derived from interest income with 88.65% of share from total earnings, followed by service charges, which stood at 4.29%.

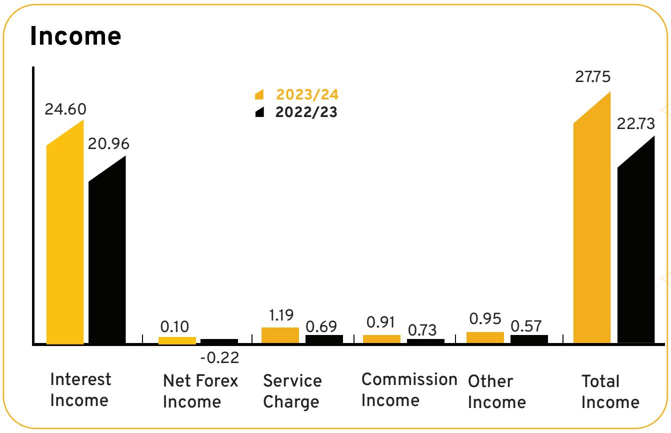


Fig 6: Income by Major Categories

2.2. Expenses

The total amount of expenses in the fiscal year rose by Birr 4.97 billion (or 28.41%) and reached Birr 22.47 billion. The largest share of expenses was that of salaries and benefits at 40.55%, followed by interest expenses, which made up 35.69%. General and administrative expenses and provision expenses made up the remaining portion, at 19.18% and 4.58%, respectively.

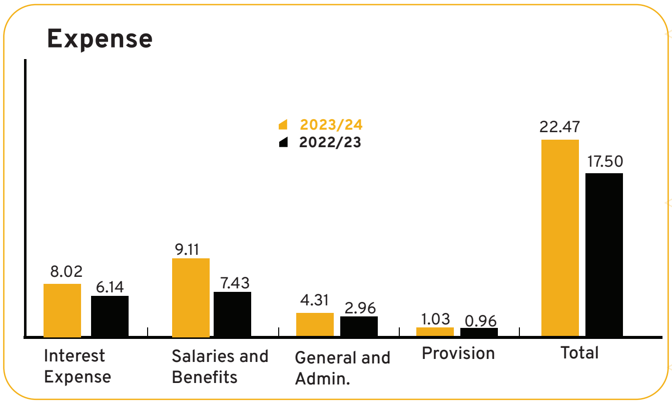


Fig 7: Expense by Major Categories

2.3. Profitability

The Bank recorded a profit before tax of Birr 5.28 billion for the year ended June 30, 2024, higher by 0.96% over the profit earnings of the preceding year.

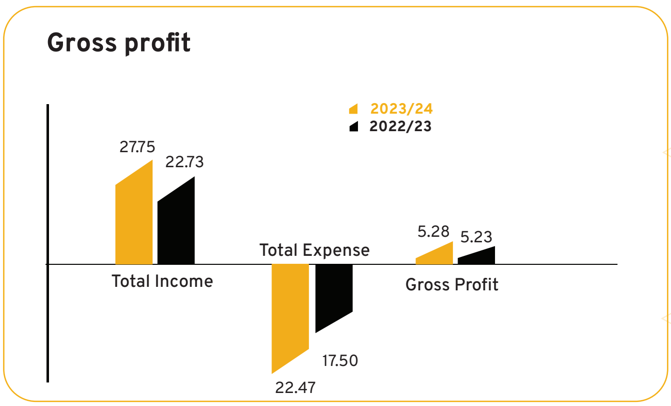


Fig 8: Comparison of Income, Expenses and Gross Profit

2.4. Total Asset

The Bank's assets have risen significantly in size over the year. Total assets increased to Birr 222.30 billion as at June 30, 2024 from last year's Birr 189.51 billion, a growth of Birr 32.79 billion (17.30%). Loans and advances made up the majority of the Bank's assets, at 73.74% share of total assets, followed by cash and cash equivalents (12.57%), investment securities (5.33%), other assets (3.66%). Property, plant, and equipment, investment property, right of use leased assets intangible assets and deferred tax asset make up the remaining asset position, which collectively made up 4.70% of the Bank's overall asset position.

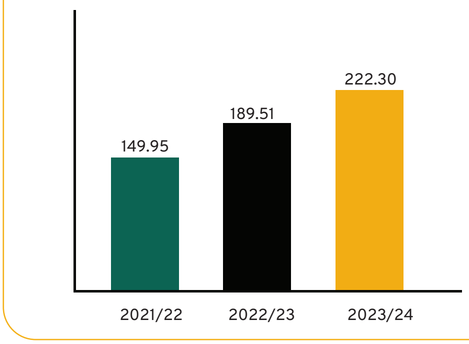


Fig 9: Asset Growth

(In Millions of Birr)

Asset category	2023/24	2022/23	Growth Amount	Growth % Age
Cash and Cash equivalents	27,943.91	21,148.14	6,795.77	32.13
Loans and Advances (net-off provision)	163,922.58	143,796.17	20,126.41	13.99
Investment Securities	11,840.21	9,362.73	2,477.48	26.46
Other Assets	8,140.64	6,596.97	1,543.67	23.40
Investment property	10.56	10.80	(0.24)	(2.18)
Intangible assets	591.46	522.58	68.88	13.18
Right of use Leased asset	2,990.95	2,574.75	416.20	16.16
Property, plant and Equipment	6,862.63	5,500.42	1,362.21	24.77
Total	**222,303.17**	**189,512.26**	**32,790.91**	**17.30**

Table 2: Total Assets by Category

2.5. Equity of the Bank

The Bank's total equity increased to Birr 23.19 billion at the end of the Fiscal Year 2023/24, showing a net increase of Birr 3.72 billion (19.09%), while share capital increased by Birr 2.31 billion (19.39%) to reach Birr

(In Millions of Birr)

	2023/24		2022/23		Growth	
Capital Category	Amount (A)	% Share	Amount (B)	% Share	Amount (A-B)	% Age Change
Share Capital	14,205.58	61.25%	11,898.42	61.09%	2,307.17	19.39%
Share Premium	6.00	0.03%	6.00	0.03%	0.00	0.00%
Retained Earnings	2,576.91	11.11%	2,877.75	14.78%	-300.83	-10.45%
Revaluation Surplus Account	424.71	1.83%	428.61	2.20%	-3.90	-0.91%
Legal Reserve	4,401.04	18.97%	3,341.54	17.16%	1,059.50	31.71%
Regulatory Risk Reserve	1,308.59	5.64%	704.45	3.62%	604.13	85.76%
Special Reserve	25.92	0.11%	25.92	0.13%	0.00	0.00%
Other Reserve	245.35	1.06%	192.61	0.99%	52.74	27.38%
Total	**23,194.10**	**100%**	**19,475.29**	**100%**	**3,718.81**	**19.09%**

Table 3: Equity of the Bank by Category

3. STRATEGIC MATTERS

3.1. Human Resources

As at June 30 2024, the Bank's total staff size has reached 11,455. The Bank recruits and continuously develops employees to help them acquire and utilize skills and knowledge.

BoA firmly believes that motivated, competent, and well-trained staff can make a substantial contribution to the bank's performance. Thus, the Bank continued to invest in enhancing employee capacity through continuous technical trainings and development program. These trainings conveyed essential skills in key areas such as customer services, domestic and international banking operations, leadership, cyber security, anti-money laundering, and ethics, through classroom-based and eLearning platforms.

In the period under review, the Bank continued to focus and engage in executing the Bank's Strategy especially by implementing various initiatives and programs with respect to talent management, talent development, employee performance management system, and career and succession management.

3.2. Expansion of Branches

Bank of Abyssinia has continued to provide quality services to its customers across all channels, with the objective of enabling its esteemed customers to get banking services anytime, anywhere. To this end, the Bank has expanded its service outlets across the country as 67 new branches have become operational during the year, raising its total branch networks to 930 (915 branches and 15 sub branches) as at June 30, 2024, out of which three branches namely Meskel Sqaure, Kera Pepsi and Kotari Condominium have ceased operation in connection with city development works.

The Bank has also continued to provide technology based services available 24/7 equipped with features of convenience and safety through self-service and digital banking service delivery channels.

Moreover, the Bank's contact center is also another platform on which customers' enquiries and complaints are addressed through personalized 24 hours services.

The following table exhibits the number of new branches opened and the total number outlets in the period under review.

Districts	Number of new branches operational in 2023/24	Total number of outletsas at June 30, 2024
Adama	4	76
Bahir Dar	3	117
Central Addis	6	106
Dessie	14	87
Dire Dawa	6	74
East Addis	5	138
Hawassa	9	85
Jimma	10	69
Mekele	4	55
West Addis	6	123
Total	**67**	**930**

Table 4: New Branches Opened in 2023/24

3.3. Business Development

A number of strategically important activities, which are fundamental to the Bank's growth and profitability were carried out throughout the reporting period. By doing so, the Bank has strengthened the digital banking space by transforming its service offerings across customer interaction points with the Bank via a range of banking channels, all tailored to the demands and preferences of customers. Some of these major activities are presented as follows:

- The Bank has expanded its service to its customers through the Bank's physical outlets as well as alternative channels such that the number of ATMs deployed has reached 1,429, and POS terminals of 2,160 spread across strategically located sites.
- BoA has brought a new dynamism into the market by establishing more virtual banking centers, wherein the addition of fifteen new ITMs/virtual banking centers during the fiscal year has brought the total number to 35.

- The Digital Banking; user base has increased along with the expansion of accessibility via digital platform, and the number of mobile banking and card banking users, reached more than 4.27 million and 3.32 million, respectively.
- With the aim of increasing customer base and to enhance sales of products and services, a number of activities were carried out in terms of customer engagement, products and services assessments, product awareness and cross-sell activities across domestic and international banking customers.
- The Bank has expanded the 'Apollo Digital Bank' along with its advanced features of instant and fully digital offerings, and value-added services such as instant loan, digital cards and more, which is gaining momentum and popularity. In yet another innovative solution, the Bank has introduced a digital visa card solution, which is enabled on BoA's Apollo product, that allows customers to convert their visa card to digital visa card and use their phones as a payment card.
- In line with its objectives of asset growth, the Bank undertakes construction of different buildings throughout the country. The construction work on the Bank's corporate building located at Addis Ababa Mexico Sq. area has moved on where initial phase works are done such that machinery and personnel mobilization is done and the earthwork is undertaken, while next phase works are underway.
- In the review period, the Bank has been offering Shariah-compliant Interest-Free financing to its customers in various sectors of the economy through different financing modalities. Besides, BoA has been providing IFB services through all of its branches; of which 69 IFB dedicated and focused branches have been established in areas with high market potential. The Bank has also launched an IFB-branded virtual banking center along with offering IFB services through various digital channels.

3.4. Information Systems and Digitalization

The Bank has undertaken a number of IT and digital banking projects and activities aimed at creating customer service solutions and enhancements, increasing availability, increasing automation, ensuring security and strengthening the competitive position of the Bank.

As part of the Bank's Digital Transformation endeavor, a number of IT and digital related initiatives have been completed during the ended fiscal year, and a few more are in progress. Among these, implementation of IDEMIA (identity management solution) that supports both self-on boarding (Apollo) and assisted on-boarding (at branches) is finalized and hence more than 7.3 million customers were successfully migrated. Origination process for both retail and SME loans and instant loan program has gone operational. Accordingly, more than 40 thousand loans were extended. Data Lifecycle Management (DLM) initiative, aimed reducing the size of live database, has been finalized and has helped in optimization of core application systems and resources.

In a further development of the Bank's card business initiatives, the Bank is finalizing preparation to launch yet another new product to introduce credit card whose foundational works are completed, and are to be operational upon completion of logistical works.

The Bank continues to invest in technology with a view to ensure and sustain automations and infrastructure enhancement that enables to streamline its core processes in a secured manner. To this effect, T24 core banking system is upgraded to its latest release (R22) and Phase II T24 upgrade (AA migration and Multi-lead Company setup) has been started and is underway.

In respect of enhancing the Bank's IT security, the Bank conducted different security related works including compliance based security auditing reviews and penetration testing conducted on the Bank's multiple systems.

In general, through such investments and development efforts in IT and digital technologies, the Bank has been able to leverage information technology towards fulfillment of corporate objectives of cost efficiency and business growth.

4. CORPORATE SOCIAL RESPONSIBILITY

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

In line with its value promise of "caring for the community" the Bank made donations, among others, in support of Gebeta Letiwlid Project and Agaro City Development Project.

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

Overall, the Bank has made donations and contributions of total Birr 93.91 million during the fiscal year.

5. CORPORATE GOVERNANCE STATEMENT

It is the conviction of the Bank's Board of Directors that good governance is essential to the sustainability of the business and for its performance overall. Governance is all about promoting strategic decision making in the Bank in a manner that balances short- and long-term objectives and/or outcomes reconcile with shareholder value and societal value. BoA strives to conduct its business in line with the best of corporate governance practices. As the environment dynamics demands and with a view to ensure a sustainable shared value, the Bank also reviews from time to time its corporate governance to match local and international standards as well as Bank's business drives.

The Board of Directors works within a clearly defined governance framework using which it sets out strategic direction of the Bank while entrusting the day-to-day operations to the executive management, monitors performance against set objectives and goals, and compliance to requirements and risk appetites.

The Board has a charter which provides a clear definition of the roles and responsibilities of the Board chairman, the directors and the share company secretary.

Under the governance framework, the Board performs its role more closely through standing committees entrusted with overseeing different streams of management of the Bank's business and affairs. The Board has three standing committees, namely Audit sub-committee (for providing independent oversight of the Bank's financial reporting and internal control system), Risk and compliance sub-committee (for reviewing and approving an effective Risk Management architecture and ensuring that adequate control and information systems are in place), and HR Affairs and Business and Institutional Development sub-committee (to ensure a sustainable business development and sound institutions prevail in the Bank so as to bring about growth and profitability of the Bank). The Bank upholds a sound governance to be practiced whereby the highest standards of transparency, accountability and governance are observed so as to ensure stability and growth of the Bank.

6. THE WAY FORWARD

The global economy is in a recovery yet with some difficulty and uncertainty. Likewise the Ethiopian economy also got affected from the ongoing armed conflicts locally and the spill over from negative repercussion in the global economy such as the war in Ukraine and geopolitical tensions. While challenges are anticipated, there are also positive developments and changes presenting with opportunities. In general, it is anticipated that the Banking industry is faced with both opportunities and challenges to take into consideration, such as reduced activities in conflict areas, a growing and intensifying competition, and tightened regulatory measures.

Taking into account both external and internal considerations, the Bank shall chart out effective plan of implementation in line with its newly crafted five-year corporate strategy.

Going forward, the Bank shall implement a number of strategic initiatives which will support the Bank's digital transformation and innovation, enhance resource mobilization and business growth, and increase its efficiency and effectiveness, which would ultimately secure the Bank's growth and sustainable profitability.

7. APPROPRIATION OF RETAINED EARNINGS

During the Fiscal Year 2023/24, the Bank secured a net profit (after tax) of Birr 4,237.99 million. The Board of Directors, therefore, recommends Birr 2,576.91 million to be distributed to shareholders proportionate to their respective paid-up shares after appropriate deductions are made for legal reserve, regulatory risk reserve and share of the Board of Directors fee.

8. VOTE OF THANKS

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

MEMBERS OF THE BOARD OF DIRECTORS

Ato Mekonnen Manyazewal	Chairperson
Ato Aemero Belete	Member
Ato Kasahun Zewudie	Member
Ato Yerom Gessesse	Member
Ato Molalign Melese	Member
W/ro. Emebet Woldeher	Member
Ato Meseret Melese	Member
Ato Solomon Alula	Member
Dr. Yehenew Zewdie	Member

Mekonnen Manyazewal
Chairperson, Board of Directors

Bekalu Zeleke
Chief Executive Officer

ANNUAL REPORT FOR FISCAL YEAR 2023/24

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AbyssiniAmeen

ዕሴትዎን ያከበረ!
Committed to respect your values!

Report on Interest-Free Banking Business

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

In fulfilling the duties of a Shari’ah Advisory Committee (SAC) for the Bank of Abyssinia in accordance with Shari’ah rules and principles, the National Bank of Ethiopia Directives, the Charter of the Board, and the Bank's Policy and Procedures, we hereby present the Board's report for the financial year ending on June 30, 2024.

The Advisory Board has conducted regular and extraordinary meetings throughout the fiscal year to effectively fulfill its responsibilities. It has thoroughly examined the financing and retail operations of the Bank to ensure compliance with Shari’ah rules and principles. In addition, the Board has engaged in discussions with customers in various cities of the country and gathered feedback on the Bank's services.

Subsequently, the Shari’ah Advisory Board has communicated its findings to the Bank's Management regarding areas needing attention and addressed the clarifications provided by the Management.

The Bank's management is responsible for overseeing all operational activities in accordance with Shari’ah rules, directives from the National Bank of Ethiopia, and the Bank's Policies and Procedures. The Advisory Board's role is to provide an independent opinion on the Bank's compliance with Shari’ah rules, principles, and specific Fatwas (Shari’ah Decisions). After reviewing all the necessary information to make reasonable assertions, the Board confirms that the Bank has not violated Shari’ah rules and principles.

In our opinion, the IFB financing and retail operations carried out by the Bank of Abyssinia for the fiscal year ended June 30, 2024, were compliant with Shari’ah rules and principles.

Sheikh Nuredin Delil
Chairperson, Shari’ah Advisory Board

BANK OF ABYSSINIA
SHARI'AH ADVISORY COMMITTEE.

Sheikh Nuredin Delil
Shari'ah Board Chairperson

Sheikh Abdulaziz Abdulweli
Shari'ah Advisory Committee Member

Sheikh Muhammed Ali
Shari'ah Advisory Committee Member

Ustaz Muhammed Abate
Shari'ah Advisory Committee Member

Abyssinia Ameen
(INTEREST-FREE BANKING BUSINESS)

Alongside its conventional banking services, the Bank of Abyssinia launched an interest-free banking service called "Ameen" in December 2017, following NBE Directive No. SBB/51/2011. The name "Ameen" originates from the Arabic term signifying "faithful, trustworthy, honest, or truthful", symbolizing the Bank's dedication to delivering ethical, transparent, and dependable Sharia-compliant services to its customers.

As part of its five-year strategic plan, Bank of Abyssinia rebranded its interest-free banking service as AbyssiniAmeen with the tagline “Committed to Respect Your Values” and introduced a variety of new products and services to enhance customer satisfaction.

For the facilitation of its Sharia-compliant operations, Abyssinia Ameen uses a robust interest-free core banking platform called iMAL that offers a broad and complete set of capabilities, flexibility, and compliance with AAOIFI’s Sharia and accounting standards.

Performances
Abyssinia Ameen Deposit

During the fiscal year, via wadiah and mudarabah deposits, the Bank mobilized an incremental deposit of Birr 6.07 billion resulting in a 33.57% surge in IFB deposits amount from the preceding year. Accordingly, the IFB deposits have reached Birr 24.14 billion as at June 30, 2024, constituting 12.67% of the Bank’s total deposits.

Abyssinia Ameen Deposit Trends

Abyssinia Ameen Deposit Trends (in millions of Birr)		
Deposit Type	2023/24	2022/23
Wadiah Saving	19,618	15,584
Wadiah Demand	3,029	2,230
Mudarabah Saving Deposit	1,299	175
Mudarabah Fixed Time Deposit	190	80
Total Deposit	**24,136**	**18,070**

Abyssinia Ameen Customer Base

IFB Customer base has shown tremendous growth in the past consecutive years. By the end of fiscal year 2023/24, the Bank's IFB customer base has became 2.10 million, registering a 37% surge from the preceding year, constituting 15.32% of the Bank's total customer base.

Abyssinia Ameen Customer Base

Abyssinia Ameen Customer Base		
Product	2023/24	2022/23
Wadiah Saving	2,076,082	1,517,342
Wadiah Demand	15,270	12,726
Mudarabah Saving Deposit	6,700	1,436
Mudarabah Fixed Time Deposit	103	69
Total	**2,098,155**	**1,531,573**

Abyssinia Ameen Financing

The Bank has been providing Shari'ah-compliant Interest Free financing to its customers engaged in various sectors of the economy through different financing modalities. At the end of FY 2023/24, the total outstanding Interest-Free financing reached (on aggregate terms) Birr 6.85 Billion, which showed a 62.07% increment from the preceding year. DTS financing accounts for 55.24% of the total financing amount, followed by consumer, manufacturing and building & construction financing at 13.70%, 11.47%, and 6.50%, respectively.

Interest free financing amount by sector

Sector	Out. Bal. as at June 30, 2024 (Birr '000)	% age share	Out. Bal. As of Jun-30-2023 (Birr '000)
DTS	3,783,472	55.24%	1,386,268
Consumer	938,333	13.70%	653,507
Manufacturing	785,317	11.47%	928,735
Building and Construction	444,929	6.50%	525,723
Agricultural	393,371	5.74%	354,619
Motor Vehicle	316,936	4.63%	221,259
Intl trade-export MT	87,716	1.28%	61,664
Machinery And Equip	58,635	0.86%	63,381
Intl trade-import MT	40,339	0.59%	30,791
	6,849,048	100%	4,225,947
Unearned income	(1,941,249)		(1,149,242)
Total	**4,907,799**	-	**3,076,705**

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

ACCESSIBILITY

In its commitment to satisfy the demands of the target customers, Bank of Abyssinia has been providing IFB services through all of its branches. In line with this, 69 IFB dedicated and focused branches were made operational in areas with high market potential. On top of offering IFB services through various digital channels, the Bank has also launched an IFB-branded virtual banking centre.

Abyssinia Ameen: Leading the Way in Corporate Social Responsibility

Once again, Abyssinia Ameen continues to lead by example, showcasing how financial institutions can play a pivotal role in societal advancement through strategic CSR initiatives. As one of the core values of the Bank of Abyssinia, Abyssinia Ameen has remained dedicated to critical CSR efforts. Our commitment to being a dependable corporate citizen is reflected in our ongoing support for the communities we serve. In past years, Abyssinia Ameen has been deeply involved in various activities like the entrepreneurship contest (Ameen Award), Ameen School Award, water drilling projects, support for the disabled, blood donation campaigns, and collaborations with NGOs to help the destitute. Some of the CSR initiatives carried out in the fiscal year.are indicated below

1. Ameen Award-2 Entrepreneurship Contest

Designed to foster an entrepreneurial mind set, the Ameen Award-2 Entrepreneurship Contest was conducted in three rounds, attracting over 150 applications. The contest awarded between Birr 200,000 to Birr 1 million to the top five contestants, nurturing innovative ideas and entrepreneurial spirit among participants. This initiative not only supports budding entrepreneurs but also stimulates economic growth and job creation in the communities we serve.

Photo: Ameen Award-2 winner receiving award.

2. Ameen School Award

Abyssinia Ameen's commitment to education is exemplified by the Ameen School Award. For the third year in a row, this initiative has recognized and rewarded outstanding students and teachers from eight selected schools across four cities. This year, 230 students and 18 teachers were honoured, fostering a Culture of Excellence and Healthy Competition in schools across the nation. By investing in education, Abyssinia Ameen demonstrates its dedication to nurturing future leaders and empowered citizens.

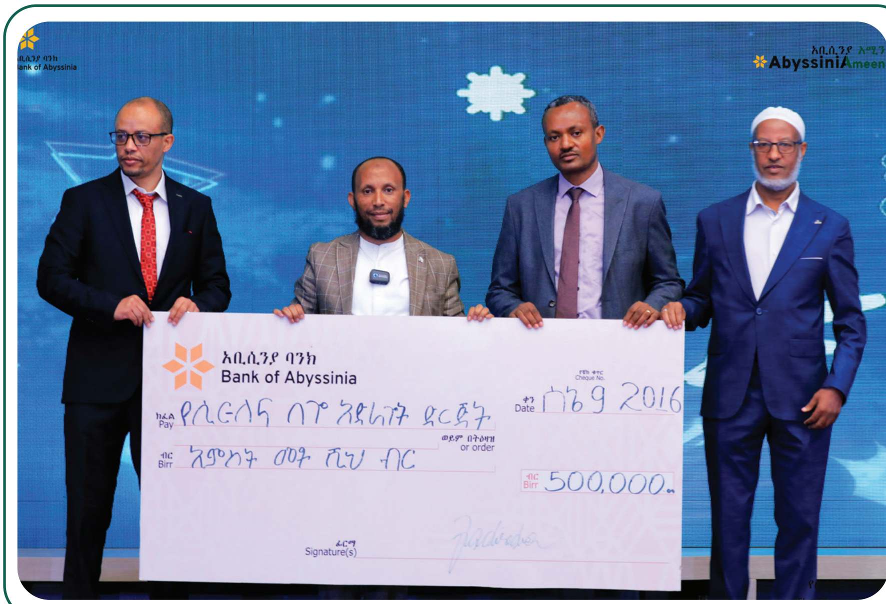
Photos: A top-performing student and teacher at the Ameen School Award ceremony.

3. Support for NGOs

Abyssinia Ameen's CSR activities extend to working with NGOs involved in supporting the destitute, including disabled individuals, orphans, people with autism, and the elderly. This year, Abyssinia Ameen donated Birr 3 million to six selected NGOs, ensuring that the most vulnerable members of society receive the help and care they need. Our partnerships with these organizations are a testament to our unwavering commitment to improving the lives of those in need.

Photos: **Representatives from NGOs receiving donations from Abyssinia Ameen.**

Abyssinia Ameen's CSR activities for 2023/24 demonstrate our steadfast commitment to social responsibility. Through our various initiatives, we strive to make a positive impact on the communities we serve, fostering a brighter and more equitable future for all.



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Bank of Abyssinia

Auditor's Report

For the Year Ended 30 June 2024

BANK OF ABYSSINIA S.C.

DIRECTORS,PROFESSIONAL ADVISORS AND REGISTERED OFFICE
FOR THE YEAR ENDED 30 JUNE 2024

BOARD DIRECTORS (AS OF 30 JUNE, 2024)

Ato Mekonnen Manyazewal	Board Chairperson	Appointed 20 February, 2024
Ato Aemero Belete	D/Chairperson	Appointed 20 February, 2024
W/ro Emebet W/her	Board Member	Appointed 20 February, 2024
Ato Kassahun Zewdie	Board Member	Appointed 20 February, 2024
Ato Meseret Melese	Board Member	Appointed 20 February, 2024
Ato Molalign Melese	Board Member	Appointed 20 February, 2024
Ato Solomon Alula	Board Member	Appointed 20 February, 2024
Ato Yerom Gessese	Board Member	Appointed 20 February, 2024
Dr.Yihenew Zewdie	Board Member	Appointed 20 February, 2024
Ato Tewodros Tesfaye	Secretary	Appointed 20 February, 2024

EXECUTIVE MANAGEMENT (AS OF 30 JUNE 2024)

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

INDEPENDENT AUDITOR

Tewodros and Fikre Audit Service Partnership
Authorised Auditors, Chartered Certified Accountants

Addis Ababa, Ethiopia.

CORPORATE OFFICE

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

BANK OF ABYSSINIA S.C.

REPORT OF DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2024

The directors submit the report together with the audited financial statements for the period ended 30 June 2024, in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by Accounting and Auditing Board of Ethiopia which discloses the financial performance and state of affairs of the Bank.

INCORPORATION AND ADDRESS

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

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

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Bank's results for the year ended 30 June 2024 are set out on page 45. The profit for the year has been transferred to retained earnings. The summarized results are presented below:

	30 June 2024 Birr'000	30 June 2023 Birr'000
Total operating income	19,729,457	16,587,780
Profit / (loss) before tax	5,278,043	5,230,027
Tax (charge) / credit	(1,040,047)	(1,357,194)
Profit / (loss) for the year	**4,237,996**	**3,872,833**
Other comprehensive income / (loss) net of taxes	52,738	(3,234)
Total comprehensive income / (loss) for the year	**4,290,734**	**3,869,599**
Earnings Per Share (%)	**33%**	**39%**

DIRECTORS

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

Ato. Mekonnen Manyazewal

Chairperson, Board of Directors

Addis Ababa, Ethiopia

BANK OF ABYSSINIA S.C.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2024

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

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

b. Explain its transactions and financial position; and

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

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

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

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

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

Signed on behalf of the Directors by:

Ato. Mekonnen Manyazewal	**Ato. Bekalu Zeleke**
Chairperson, Board of Directors	Chief Executive Officer
September 30, 2024	September 30, 2024

APOLLO

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Bank of Abyssinia

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>>   90-380 61 90
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Tewodros and Fikre Audit Services
Partnership Chartered Certified Accountants
P.O. Box 8118

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

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

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

OPINION

We have audited the accompanying financial statements of BANK OF ABYSSINIA SHARE COMPANY which comprise the statement of profit and loss and other comprehensive income for the year ended 30 June 2024, statement of financial position as at 30 June 2024, statement of changing equity and statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of BANK OF ABYSSINIA SHARE COMPANY as at 30 June 2024 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by IASB.

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

i. Pursuant to Article 349 (1) of the Commercial Code of Ethiopia, 2013 E.C and based on our reviews of the board of directors' report, we have not noted any matter that we may wish to bring to your attention.

ii. Pursuant to article 349 (2) of the commercial code of Ethiopia, 2013 E.C, We recommend the financial statements be approved.

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

KEY AUDIT MATTER

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

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

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

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

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

AUDITORS RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Tewodros and Fikre Audit Services Partnership
Chartered Certified Accountants

Addis Ababa

September 30, 2024

BANK OF ABYSSINIA 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	24,603,162	20,964,626
Interest expense	6	(8,018,511)	(6,140,426)
Net interest income		**16,584,651**	**14,824,200**
Net Foreign exchange income/loss	7	99,191	(223,562)
Service charges		1,189,565	687,708
Commission earned	8	909,251	731,755
Net fees and commission income		**2,198,007**	**1,195,901**
	9	45,543	52,915
Dividend income	10	901,256	514,764
Other operating income		**946,799**	**567,679**
Total Other Income			
Total operating income		**19,729,457**	**16,587,780**
Loan impairment charge	11	(1,099,637)	(960,372)
Impairment losses on financial assets	12	68,909	(107)
Net operating income		**18,698,729**	**15,627,301**
Personnel expenses	13	(9,112,164)	(7,434,250)
Amortization of intangible assets	21	(83,540)	(63,531)
Depreciation and impairment of property, plant and equipment	23	(610,215)	(432,596)
Depreciation on investment property	20	(235)	(234)
Amortization of Right of use assets	22	(876,938)	(647,425)
Interest expense on lease liability	22	(13,877)	(17,253)
Other operating expenses	14	(2,723,717)	(1,801,986)
Profit before tax		**5,278,043**	**5,230,026**
Income tax expense	15	(1,040,047)	(1,357,194)
Profit after tax		**4,237,996**	**3,872,832**
Other comprehensive income (OCI):			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	28	33,592	2,533
Income tax effect		(10,078)	(760)
		23,514	**1,773**
Net change in equity investment at FVOCI	34	41,748	(7,154)
Income tax effect		(12,524)	2,146
		29,224	**(5,008)**
Total other comprehensive income for the period		**52,738**	**(3,234)**
Total comprehensive income for the period		**4,290,734**	**3,869,598**
Earnings per share	30	33%	39%

The notes on pages 49 to 146 are an integral part of these financial statements.

BANK OF ABYSSINIA S.C.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
ASSETS			
Cash and cash equivalents	16	27,943,909	21,148,144
Loans, advances and financing to customers(Net)	17	163,922,581	143,796,168
Investement securities;	18		
Debt securites at amortized cost		10,821,281	8,475,363
Financial assets at fair value through OCI		1,018,934	887,369
Other assets	19	8,140,862	6,596,667
Investment property	20	10,565	10,800
Intangible assets	21	591,459	522,582
Right of use Leased assets	22	2,990,952	2,574,750
Property, plant and equipment	23	6,862,626	5,500,422
Total assets		**222,303,169**	**189,512,265**
LIABILITIES			
Deposits from customers	24	168,372,942	140,467,269
Interest free customers deposit	25	24,136,154	18,069,603
Other liabilities	26	4,814,931	6,087,382
Current tax liabilities	15	1,094,277	1,282,442
Lease Liabilities	22	267,204	343,289
Retirement benefits obligations	28	311,174	266,600
Deferred tax liabilities	15d	112,387	154,071
Borrowing	27	-	3,366,312
Total liabilities		**199,109,069**	**170,036,968**
EQUITY			
Share capital	29	14,205,583	11,898,416
Share premium		5,998	5,998
Retained earnings	31	2,576,913	2,877,747
Revaluation Surplus Account	35	424,711	428,610
Legal reserve	32	4,401,042	3,341,543
Regulatory risk reserve	33	1,308,585	704,452
Special reserve		25,919	25,919
Other Reserve	34	245,349	192,612
Total equity		**23,194,100**	**19,475,297**
Total equity and liabilities		**222,303,169**	**189,512,265**

The notes on pages 49 to 146 are an integral part of these financial statements.

The financial statements on pages 45 to 48 were approved and authorized for issue by the board of directors on September 30, 2024 and were signed on its behalf by:

Mekonnen Manyazewal
Chairperson, Board of Directors

Bekalu Zeleke
Chief Executive Officer

BANK OF ABYSSINIA 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	Revalution Surplus Account Birr'000	Regulatory risk reserve Birr'000	Legal reserve Birr'000	Special reserve Birr'000	Other Reserve Birr'000	Total Birr'000
As at 1 July 2022		8,319,678	5,998	2,140,154	438,866	623,055	2,356,007	25,919	306,508	14,216,185
Profit for the period	31	-		3,872,833	-	-	-	-	-	3,872,832
Capitalization of shares		1,904,452		(1,904,452)						-
Capitalized from Cash		1,674,286								1,674,286
Other comprehensive income:		-		-	-	-	-	-	(3,234)	(3,234)
Re-measurement gains on defined				3,888	(10,256)					(6,368)
benefit plans (net of tax)		-								-
Transfer to legal reserve	32	-		(968,208)			968,208			-
Transfer from regulatory risk reserve	33			(237,161)		237,161	-	-	-	
Director's Share of profit				(1,350)						(1,350)
Recognition of deferred tax effect of				51,982			17,327		(110,662)	(41,353)
previous years		-								-
Reversal of regulatory risk reserve				155,764		(155,764)				
Dividends paid				(235,702)	-	-	-	-	-	(235,702)
As at 30 June 2023		**11,898,416**	**5,998**	**2,877,748**	**428,610**	**704,452**	**3,341,543**	**25,919**	**192,612**	**19,475,297**
As at 1 July 2023		**11,898,416**	**5,998**	**2,877,748**	**428,610**	**704,452**	**3,341,543**	**25,919**	**192,612**	**19,475,297**
Profit for the period	31	-		4,237,997	-	-	-	-	-	4,237,997
Capitalization of shares		1,783,699		(1,783,699)						-
Capitalized from cash or account		523,468		-						523,468
Other comprehensive income:		-			-				52,738	52,738
Periodic depreciation for building revaluation				3,899	(3,899)	-	-	-		-
Transfer to legal reserve	32	-		(1,059,499)			1,059,499			-
Transfer to regulatory risk reserve	33	-		(640,656)		640,656	-		-	
Director's Share of profit				(1,350)	-		-	-		(1,350)
Reversal of other reserve										
Reversal of regulatory risk reserve		-		36,523		(36,523)	-		-	
Dividends Paid				(1,094,049)	-	-		-		(1,094,049)
As at 30 June 2024		**14,205,583**	**5,998**	**2,576,913**	**424,711**	**1,308,585**	**4,401,042**	**25,919**	**245,349**	**23,194,100**

The notes on pages 49 to 146 are an integral part of these financial statement

BANK OF ABYSSINIA S.C.

STATEMENTS 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	36	16,071,738	6,114,637
Capital gain Tax paid		-	-
Withholding tax		(9,496)	(1,791)
Income tax paid		(1,282,443)	(1,365,459)
Other tax paid			
Net cash (outflow)/inflow from operating activities		**14,779,799**	**4,747,387**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equity investments		45,543	34
Purchase of Treasury bills		2,751,708	3,819,681
Purchase of Treasury Bonds		(7,010,914)	(3,315,637)
Purchase of DBE bonds		(1,402,460)	(1,119,984)
Purchase of investment property	20	-	-
Purchase of intangible assets	21	(152,415)	(155,290)
Purchase of property, plant and equipment	23	(1,362,204)	(1,611,402)
Cash paid for lease payment	22	(416,202)	(1,176,846)
Proceeds from sale of property, plant and equipment	36	-	10,494
Net cash (outflow)/inflow from investing activities		**(7,546,944)**	**(3,548,950)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares	29	523,468	1,674,286
Dividends paid	26	(1,059,748)	(207,748)
Net cash (outflow)/inflow from financing activities		**(536,280)**	**1,466,538**
Net increase/(decrease) in cash and cash equivalents		**6,696,576**	**2,664,974**
Cash and cash equivalents at the beginning of the year	16	21,148,143	18,475,298
Foreign exchange (losses)/ gains on cash and cash equivalents		99,191	7,871
Cash and cash equivalents at the end of the year	16	**27,943,909**	**21,148,143**

The notes on pages 49 to 146 are an integral part of these financial statements.

BANK OF ABYSSINIA S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

1. GENERAL INFORMATION

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. INTRODUCTION TO SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.2. BASIS OF PREPARATION

The financial statements for the period ended 30 June 2024 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"). Additional information required by national regulations is included where appropriate.

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

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

- Assets held for sale – measured at fair value less cost of disposal, and
- Defined employee benefit obligation measured at fair value;
- Equity Investment at fair value through other comprehensive income are measured at fair value.

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

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

The Bank present the statements of financial position in the order of liquidity, financial assets and financial liabilities are offset and the net amount are reported in the statements of financial position of the Bank only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statements of the Bank unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.2.1. GOING CONCERN

The Bank's management made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern, therefore, the financial statements continue to be prepared on the going concern basis, the management have no doubt that the Bank will remain in existence after 12 months.

STANDARDS AND ANNUAL IMPROVEMENTS TO STANDARDS ISSUED BUT NOT YET EFFECTIVE

(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 which have not been applied in preparing the financial statements

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	1-Jan-24
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1-Jan-24
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1-Jan-24
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information IFRS S2 Climate-related Disclosures	1-Jan-24

CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT AND NON-CURRENT LIABILITIES WITH COVENANTS -AMENDMENTS TO IAS 1

KEY REQUIREMENTS

The first amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. The amendments are not expected to have a material impact on the Bank's financial statements.

The second amendment to IAS 1 requires a company to classify debt as non-current only if the company can avoid settling the debt in the 12 months after the reporting date. However, a company's ability to do so is often subject to complying with covenants. For example, a company might have long-term debt that could become repayable within 12 months if the company fails to comply with covenants in that 12-month period.

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements and the aim of the amendments therefore is to improve the information companies provide about long-term debt with covenants.

BANK OF ABYSSINIA S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

The amendments will be applied retrospectively and are not expected to have a material impact on the Bank's financial statements.

LEASE LIABILITY IN A SALE AND LEASEBACK – AMENDMENTS TO IFRS 16
KEY REQUIREMENTS

The amendments add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. IFRS 16 had not previously specified how to measure the transaction when reporting after that date. The amendments add to the sale and leaseback requirements in IFRS 16, thereby supporting the consistent application of the standard. These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

The amendments will be applied retrospectively and are not expected to have a material impact on the Bank's financial statements.

DISCLOSURES: SUPPLIER FINANCE ARRANGEMENTS - AMENDMENTS TO IAS 7 AND IFRS 7
KEY REQUIREMENTS

The amendments introduce new disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are not expected to have a material impact on the Bank's financial statements.

IFRS S1 GENERAL REQUIREMENTS FOR DISCLOSURE OF SUSTAINABILITY-RELATED FINANCIAL INFORMATION
KEY REQUIREMENTS

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information sets out the general requirements for a company to disclose information about its sustainability-related risks and opportunities that is useful to users of general-purpose financial reports (referred to as 'investors' throughout this document) in making decisions relating to providing resources to the company. the amendments are not expected to have a material impact on the Bank's financial statements.

IFRS S2 CLIMATE-RELATED DISCLOSURES
KEY REQUIREMENTS

IFRS S2 Climate-related Disclosures sets out the requirements for a company to disclose information about its climate-related risks and opportunities, while building on the requirements described in IFRS S1.
The amendments are not expected to have a material impact on the Bank's financial statements.

(ii). NEW STANDARDS, AMENDMENTS, INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE.
LACK OF EXCHANGEABILITY – AMENDMENTS TO IAS 21, EFFECTIVE DATE IS 01 JANUARY 2025

The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.
A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. an entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.
The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. The bank is not early adopted.

PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS IFRS 18 (EFFECTIVE DATE 1 JAN -2027) KEY REQUIREMENTS

The objective of this standard is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. It applies to all financial statements that are prepared and presented in accordance with International Financial Reporting Standards (IFRSs). Standards for recognizing, measuring, and disclosing specific transactions are addressed in other Standards and Interpretations.

2.3. FUNCTIONAL CURRENCY & TRANSALATION OF FOREIGN CURRENCY

a. FUNCTIONAL AND PRESENTATION CURRENCY

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

b. TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into Birr using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement.
At the end of a reporting period non-monetary items carried at historical amounts continue to be measured using transaction-date exchange rates, monetary items are retranslated using the closing rate and non-monetary items carried at fair value are measured at valuation-date exchange rates.

2.4. FINANCIAL INSTRUMENTS

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

2.4.1. FINANCIAL ASSETS

2.4.1.1 DATE OF RECOGNITION

All financial assets are initially recognized on the trade date, i.e. the date that the Bank become a party to the contractual provisions of instrument.

BANK OF ABYSSINIA S.C.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

2.4.1.2. INITIAL RECOGNITION AND MEASUREMENT

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

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

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

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

THE BANK ASSESS THE BUSINESS MODEL ON AN INSTRUMENT-BY-INSTRUMENT BASIS, AND IS BASED ON OBSERVABLE FACTORS SUCH AS:

- How the performance of the portfolio and the financial assets held within that business model are evaluated and reported to the key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.
- Solely payments of principal and interest/profit ("SPPI") test upon determination of business model, the Bank will assess the contractual terms of financial assets to identify whether they meet the SPPI test.
- Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).
- The most significant elements of interest/profit within a lending arrangement are typically the consideration for the time value of money and credit risk. The Bank apply judgment and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest/profit rate is set in assessing the SPPI.
- Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the settlement date, i.e., the date that the Bank receives the asset on purchase or delivers the asset on sale.

2.4.1.3. SUBSEQUENT MEASUREMENT

- For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and Losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);

Financial assets at fair value through profit or loss.

(I) FINANCIAL ASSETS AT AMORTIZED COST (DEBT INSTRUMENTS)

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

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

(II) FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (DEBT INSTRUMENTS)

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost.
The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

(III) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OCI (EQUITY INSTRUMENTS)

Upon initial recognition, the Bank can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments:
Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss.
Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.
Equity instruments designated at fair value through OCI are not subject to impairment assessment.
The Bank elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future.

(IV) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Included in financial assets at FVTPL are financial investments, financial assets designated upon initial recognition, subsequent to initial recognition, financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognized in the income statements.

The designation eliminates or significantly reduces inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or The assets and liabilities are part of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

BANK OF ABYSSINIA S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

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

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

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

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

2.4.1.4 IMPAIRMENT OF FINANCIAL ASSETS
OVERVIEW OF EXPECTED CREDIT LOSS (ECL) PRINCIPLES

The Bank recognizes loss allowances for expected credit losses "ECL" for financial assets that are debt instruments and are not measured at FVTPL.
The Bank measures loss allowances at an amount equal to lifetime ECL except for the following for which they are measured as 12-month ECL:

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

2.4.2. FINANCIAL LIABILITIES
2.4.2.1. INITIAL RECOGNITION AND MEASUREMENT

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

2.4.2.2. SUBSEQUENT MEASUREMENT

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

(i) financial liabilities at fair value through profit or loss

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

(ii) Loans and Borrowings

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

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

2.4.3. IMPAIRMENT

(i) Restructured financial Assets

Where the terms of a financial asset are renegotiated or modified or an existing financial 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 de-recognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in de-recognition of the existing asset, then the expected fair value of the new asset is related as the final cash flow from the existing financial asset at the time of its de-recognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of de-recognition to the reporting date using the original effective interest rate of the existing financial asset.

(ii) Credit-impaired financial assets

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

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

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

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

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

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

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(iii) Presentation of allowance for ECL in the statement of financial position

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

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

(iv) Write-off

Loans and debt securities shall be written off (either partially or in full) when there is no reasonable expectation of recovering the amount in its entirety or a portion 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.

(v) Non-integral financial guarantee contracts

The Banks shall assess whether a financial guarantee contact 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 debit instrument and when measuring ECL.

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

2.4.4. DE-RECOGNITION

I) FINANCIAL ASSETS
II) FINANCIAL LIABILITIES

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

2.4.5. MODIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

I. FINANCIAL ASSETS

If the terms of a financial asset are modified, then the Bank shall evaluate whether the cash flows of the modified asset are substantially different.
If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset shall be deemed to have expired.
In this case, the original financial asset shall be derecognized and a new financial asset shall be recognized at fair value plus any eligible transaction costs.

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

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

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

Where the modification of a financial asset measured at amortized cost or FVOCI does not result in de-recognition of the financial asset, then the Bank shall first recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and shall be amortized over the remaining term of the modified financial asset. Where such a modification is carried out because of financial difficulties of borrower, then the gain or loss shall be presented together with impairment losses. In other cases, it shall be presented as interest income calculated using the effective interest rate method.

II. FINANCIAL LIABILITIES

The Bank shall derecognize a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability. Based on the modified terms shall be recognized at fair value.

The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in profit or loss. Consideration paid shall include non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability

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

2.4.6. OFFSETTING

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

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

2.4.7. DESIGNATION AT FAIR VALUE THROUGH PROFIT OR LOSS

i) Financial Assets

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

ii) Financial Liabilities

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

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

2.5. CASH AND CASH EQUIVALENTS

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

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

2.6. PROPERTY, PLANT AND EQUIPMENT

I) INITIAL RECOGNITION

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

(II) SUBSEQUENT VALUATION

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

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

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

(III) DEPRECIATION

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

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

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

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

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

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognized.

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

2.7. INTANGIBLE ASSETS

(i) Initial recognition

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

(ii) Amortization

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite 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. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expenses on intangible assets with finite lives is presented as separate line item in the income statement.

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

2.8. INVESTMENT PROPERTY

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

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

Investment properties are measured initially at cost, including transaction costs. The Bank has opted to subsequently carry investment property at cost and disclose fair value. Fair value is based on comparative market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

If this information is not available, the Bank uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the reporting date by professional values who hold recognized and relevant professional qualifications and have recent experience in location and category of the investment property being valued. These valuations from the basis for the carrying amounts in the financial statements.

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

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

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

2.9. LEASE

At an inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified assets, the Bank uses the definition of a lease in IFRS 16.
This policy is applied to contracts entered into before, on or after 1 July 2019 that were previously identified as leases.

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BANK ACTING AS A LESSEE

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

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

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

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

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

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

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

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

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

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

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

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

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

BANK ACTING AS A LESSOR

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

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

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

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

2.10. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS(ACQUIRED COLLATERAL)

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

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

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

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

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

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

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Acquired collateral held for sale presented under the held for sale account if meets the IFRS-5 requirement, but if the management decide for banks use recorded under PPE.

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

2.11. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

The Bank bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the 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, not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

2.12 OTHER ASSETS

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

(a) Prepayment

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

(b) Other receivables

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

2.13. FAIR VALUE MEASUREMENT

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

- Disclosures for valuation methods, significant estimates and assumptions Notes 3 and Note 4.7
- Qualitative disclosures of fair value measurement hierarchy Notes 4.7
- Financial instruments (including those carried at amortized cost) Notes 4.7

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

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

The principal or the most advantageous market must be accessible to the Bank.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
The Bank uses valuation technique that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements on a recurring basis. The Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole); at the end of each reporting period.
The Bank's management determines the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets.
For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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2.14. EMPLOYEE BENEFITS

The Bank operates various post-employment schemes, including both defined benefit and defined contribution

pension plans and post-employment benefits.

a. Defined contribution plan

The Bank operates two defined contribution plans;

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

ii. Provident fund contribution, funding under this scheme is 6% and 12% by employees and the Bank, respectively; based on the employees' salary. Employer's contribution to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

b. Defined benefit plan

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

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

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

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

Past-service costs are recognized immediately income.

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

c. Termination benefits

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

d. Profit-sharing and bonus plans

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

2.15. PROVISIONS

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

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

2.16 FINANCIAL GUARANTEES ARE CONTRACTS

That require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when it is due in accordance with the contractual terms. In the ordinary course of business, the Bank give financial guarantees, consisting of letters of credit, guarantees and acceptances.

2.17 SHARE CAPITAL AND DIVIDENDS DECLARED

The Banks share capital represents the fully paid up capital contributed paid by shareholders for the value of subscribed shares.

Dividends declared on ordinary shares are recognized as a liability in the period in which all relevant approvals have been obtained.

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

2.18. EARNINGS PER SHARE

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

2.19. INCOME TAXATION

a. Current Income tax

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

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

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b. Deferred tax

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

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

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

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

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

(c) Income tax

Current tax assets/recoverable and current tax liabilities/provisions are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date

Income taxes for the year comprises current and deferred taxes. Current tax expenses are determined according to the tax laws of each jurisdiction in which the Bank generate taxable income.

Current tax expenses relating to items recognized directly in equity, are recognized in other comprehensive income or in equity and not in the income statements.

(d) Deferred tax assets and liabilities

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the Temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.
Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.
Deferred tax relating to items recognized outside income statements is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.20. RECOGNITION OF INCOME AND EXPENSES

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

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

2.20.1. INTEREST AND SIMILAR INCOME AND EXPENSE

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

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

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

The interest income has been calculated using the contractual interest rate since the loan processing fees have no material effect on the contractual interest rate. So, consider that the contractual interest rate and EIR are the same.

2.20.2. NET TRADING INCOME

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

2.20.3. NET INTEREST INCOME

a) Effective interest rate and amortized cost

Interest income and expense are recognized in profit or loss using the contractual cash flow.

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

The calculation of contractual loans and advances interest rate does not include transaction costs and fees and payments paid or received.

b) Amortized cost and gross carrying amount

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

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

c) Calculation of interest income and expense

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.

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

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

In measuring the amortized cost, the Bank applied the contractual interest rate since additional transaction costs, fees have no material impact, and there is no material difference when we compare EIR calculation.

d) Presentation

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

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

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

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

In measuring the amortized cost, the Bank applied the contractual interest rate since additional transaction costs, fees have no material impact, and there is no material difference when we compare EIR calculation.

2.20.4 FEES AND COMMISSION

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

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

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

In accordance IFRS 15 core principle that BoA recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which, BoA expects to be entitled to in exchange for those goods or services.

We applied the following five revenue recognition steps of IFRS 15

- Identify the contract.
- Identify separate performance obligations.
- Determine the transaction price.
- Allocate transaction price to performance obligations.
- Recognize revenue when each performance obligation is satisfied.

Fee income can be divided into the following categories:

2.20.4.1 COMMISSION

Income earned in respect of sales or distribution of banking, investments and insurance products. Commission earned from banking is on trade and bancassurance

2.20.4.2 SERVICE CHARGES AND FEES

Income earned on the services provided to retail and corporate customers, including account management and various transaction-based services, such as

Interchange foreign currency transactions, money order processing and insufficient funds/overdraft transactions.

2.20.5. DIVIDEND INCOME

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

2.20.6. FOREIGN EXCHANGE REVALUATION GAINS OR LOSSES

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

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

2.20.7. RENTAL INCOME

The amounts of periodic rent income earned on the use of BOA s buildings and other properties by various tenants are credited to this account.

Bank of Abyssinia shall invest its funds in the way to secure for itself an adequate and permanent return.

To limit the risk of loss as a result of an individual issuer default, the Bank shall maintain adequate diversified in its holdings.

If the Bank shall invest its funds in different types of securities, it shall ensure for itself a regular flow of income.

2.20.8. INTEREST FREE AND/OR BELOW MARKET INTEREST LOAN

We provided below-market interest loan, then we accounted this as the difference between market interest rate and the Bank's interest rate calculated on mortgage loans, vehicle loan, personal loans in to prepaid staff asset and the amount amortized over the loan period annually.

2.21 INTEREST INCOME

The interest income has been calculated using the contractual interest rate since the loan processing fees have no material effect on the contractual interest rate. So, consider that the contractual interest rate and EIR are the same

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgments and estimates are as follows

3.1. GOING CONCERN

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

3.2 IMPAIRMENT OF FINANCIAL INVESTMENTS PORTFOLIO

The measurement of the ECL for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

3.3 FAIR VALUE ESTIMATION OF FINANCIAL ASSETS/INVESTMENTS AT FVTPL AND FVOCI

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

3.3.1 ASSUMPTIONS
3.3.1.1 LIQUIDITY DISCOUNT

Discount applied to valuation due to the marketability of the assets, in relation to their liquid/illiquid nature investors prefer equity investments that have access to a liquid secondary market and that may be readily converted into cash.

Marketability is the relative ease and promptness with which an instrument may be sold when desired Equity interests without such marketability characteristics normally sell at a discount in order to provide an investor with compensation for the lack of liquidity.

The liquidity discount also considers the equity stake of the company, with ranges as shown below based on PwC Survey.

Average size of discount applied

Size of interest	1-24%	25-49%	50-74%	75-100%
Percentages	15.90%	12.00%	8.10%	6.90%

Based on valuation experience, research and the results of independent surveys, an appropriate liquidity discount to be 15.9% for EthSwitch, Berhan Insurance, Premier Switch and DEBO.

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3.3.1.2 COMPANY SPECIFIC DISCOUNT

A company specific discount is dependent on the comparability of the companies on which the valuation is based. Some of the more significant attributes used include; Profitability, geographic area of operation, size of company (e.g. revenue, assets, etc), type of product/service, market positioning, company growth, liquidity etc.

These typical range 5% -30% depending on specific considerations

The discount is applied to account for the differences in profitability and size of operations of the comparable companies selected.

A company specific discount is dependent on the comparability of the companies on which the valuation is based. Some of the more significant attributes used include;

Profitability, geographic area of operation, size of company (e.g. revenue, assets, etc), type of product/service, market positioning, company growth, liquidity etc.

These typical range 5% -30% depending on specific considerations

The discount is applied to account for the differences in profitability and size of operations of the comparable companies selected.

3.3.1.3 COMPANY DISCOUNT RATIONALE

- Ethiswitch S.C 5.0% The Company has grown in all aspects (total assets, net assets, revenue and profitability). The company is stabilizing in performance and hence we have applied a 5% discount.
- Hohete Tibeb S.C 5.0% The Company has grown in all aspects (total assets, net assets, revenue and profitability). The company is stabilizing in performance and hence we have applied a 5% discount.
- Ethiopian Re-Insurance S.C 5.0% The Company has grown in all aspects (total assets, net assets, revenue and profitability). The company is stabilizing in performance and hence we have applied a 5% discount.
- Yetebaberut Petroleum S.C 10.0% The Company is still not mature, showing high levels of debt. All the other aspects of the financials showed reasonable growth from prior year. The Company has reported revenue in the year and a positive EBITDA. We have applied a 10% discount.
- Nile Insurance S.C 5.0% The Company has grown in all aspects (total assets, net assets, revenue and profitability). The company is stabilizing in performance and hence we have applied a 5% discount.

3.3.1.4 OTHER CONSIDERATIONS

- For Ethio Reinsurance, Yetebaberut and Nile insurance companies, we relied on the audited financial statements as of June 30, 2023,.
- For Hohete, we relied on the financial statements as of 30 June 2022. The EV/EBITDA helps determine the true earning potential of the business.
- EV/EBITDA works better in case of service companies and where the gestation is too long and net debt can be high. For example, capital intensive sectors like telecom and sunrise sectors like Fintech, E-commerce can better use of EV/EBITDA as a measure of valuation.
- EV/EBITDA can also be a better measure where the leverage and net profits are more vulnerable to business cycles and financial solvency.
- P/BV ratio works well in the case of manufacturing companies and where the business model is matured.
- P/BV calculates the stock price as a ratio of the book value of the stock (net worth). This measure is normally used in case of banks and financials where the margins are normally stabilized

3.3.1.5 ACCOUNTING CONSIDERATIONS

IFRS 9 para 4.1.2 and 4.1.2A

A financial asset shall be measured at amortized cost if both of the following conditions are met:

a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met;

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

b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3.3.1.6 IRREVOCABLE ELECTION FOR EQUITY INSTRUMENTS

As per IFRS 9 para 4.1.4, a financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost in accordance with paragraph 4.1.2 or at fair value through other comprehensive income in accordance with paragraph 4.1.2A.

However, BoA may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

IFRS 13 para 74

The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques. However, the fair value hierarchy priorities the inputs to valuation techniques, not the valuation techniques used to measure fair value.

Para 81 Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

a. quoted prices for similar assets or liabilities in active markets.

b. quoted prices for identical or similar assets or liabilities in markets that are not active.

c. inputs other than quoted prices that are observable for the asset or liability, for example:

i. interest rates and yield curves observable at commonly quoted intervals;

ii. implied volatilities; and

iii. credit spreads.

d. market-corroborated inputs.

3.4 IMPAIRMENT LOSSES ON LOANS AND ADVANCES

The Bank shall consider 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); or
- The borrower is more than 90 days past due on any material credit obligation to the Bank. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Bank; or
- if it meets the National Bank of Ethiopia (NBE)'s definition of default, if in the future the NBE prescribes the criteria of default for IFRS 9 purposes.

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

- Qualitative: senior management using professional judgment may resort to this approach guided by matters such as breaches of covenants which are deemed material, declaration of bankruptcy by the customer, death of borrower individual / proprietorships with no succession plan, loss of a significant portion of revenue stream or any other event significantly impacting the ability of the customer to repay and other customer specific factors. This will be applied on a case by case basis and is not limited to the above factors;
- Quantitative: such as overdue status and non-payment of 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.

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The Bank will use judgment to determine the valuation approach and technique that is most appropriate to the Bank. This will be the approach that is:

- Most appropriate in the circumstances;
- For which sufficient data is available; and
- Maximizes the use of observable inputs, and minimizes the use of unobservable inputs.

We involved the consideration of similar approaches the Bank has taken in the past, and of the approach that makes most use of external data and relies least on internal estimates.

Elements of the ECL models that are considered accounting judgments and estimates include:

(i) Internal credit grading model, which assigns PDs to the individual grades;

(ii) Criteria for assessing possible significant increase in credit risk and

Qualitative information to determine if allowances should be measured using lifetime ECL basis;

Overlays and adjustments for ECL

Elements of the ECL models that are considered accounting judgments and estimates include:

(iv) Development of ECL models, including the various formulas and the choice of inputs;

(v) Determination of associations betwen macroeconomic inputs, such as unemployment levels and collateral values and the effect on PDs, EADs and LGDs; and

(vi) Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL models.

Overlays and adjustiments for ECL

These overlays and post-model adjustments were taken to reflect the following risk factors not captured in the modelled outcome:

(a) Latest macroeconomic outlook given the elevated uncertainty under high inflation and interest rate environment;

(b) High risk and vulnerable sectors;

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward-looking assessment for ECL estimation purposes. The drivers of the management judgmental adjustments continue to evolve with the economic environment.

3.5 BANK BALANCES

The general impairment approach will be applied in impairing bank balances. For ECL computation purposes, Management has adopted the below assumptions:

- PD -the speculative grade rating PD assigned by rating agencies such as S&P and Moody's. This is recommended due to lack of historical default experience. The speculative grade rating PD is recommended because the banks are unrated.
- LGD -the Basel minimum LGD of 10% is recommended to be applied.
- EAD -the outstanding balances as at the reporting date.

3.6 GOVERNMENT SECURITIES

The general impairment approach will be applied in impairing government securities. For ECL computation purposes, Management has adopted the below assumptions:

- PD -the country rating PD assigned by rating agencies such as S&P and Moody's. This is recommended due to lack of historical default experience.
- LGD -the Basel minimum LGD of 10% is recommended to be applied.
- EAD -the outstanding balances as at the reporting date.

3.7 ECL CALCULATION –RECEIVABLES

For impairment purposes, the following receivables and other financial assets will be considered:

- Sundry receivables

The simplified impairment method will be adopted for impairment of receivables and other financial assets. This is as outlined in the steps below.

- Obtain historical periodic receivables ageing reports for 2 years.
- Flow rate represents the probability of a receivable moving into the next ageing bucket in the subsequent tracking period. Each flow rate is assumed to be independent of the next.
- A loss rate is calculated for each bucket as a product of subsequent flow rates. This represents the probability that the receivables in a given bucket will reach the 90 DPD.

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3.8 PROVISION ON GUARANTEE AND LETTER OF CREDIT

Guarantees will be assumed by management to have a CCF of 100%.

- The on-balance sheet/ economic sector PDs and LGD have been assumed to be the off-balance sheet PD and LGD. The PD has been assumed to follow the Basel minimum PD and the LGD has been assumed to follow either the minimum Basel LGD or the unsecured LGD.

For LCs, default occurs when a customer does not honor their obligation at the point of maturity. LCs with a 100% cash-backed margins will not be considered for impairment as the LGD is zero.

Default for a letter of credit is defined as any default experience that the Bank has after converting the LC into an on-balance sheet facility, i.e. 90DPD after the conversion date. These default rates will be estimated as the total defaulted LCs amounts as a proportion of the total LC portfolio as at a reporting date. In instances where there are no historical default rates for the LCs:

- It is recommended that the Basel minimum PD of 5 basis points (0.05%) is assigned. This is assumed because the credit risk of an LC is expected to be lower than that of an on-balance sheet facility.

For ECL computation purposes, the following will be assumed by management when determining the LC's LGD:

- For secured customers with on-balance sheet facilities, assign the on-balance sheet LGD.
- For unsecured customers without on-balance sheet facilities, assign the unsecured LGD computed for the respective economic sector.

The exposure at default for the LC will be calculated as the committed amount less any cash margin in lien that has been used to cover the LC.

3.9 DEFERRED TAX ASSET AND LIABILITIES

The Bank consider current tax as the amount of income tax payable (recoverable) in respect of taxable profit, recognize deferred tax for the estimated future tax effects of temporary differences, unused tax losses carried forward and unused tax credits carried forward.

3.10. DEFINED BENEFIT PLANS

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

3.10.1 DEFINED BENEFIT PLANS/FUNDING ARRANGEMENTS AND FUNDING POLICY

- Description of any funding arrangements and funding policy that affect future contributions.
- The expected contributions to the plan for the next annual reporting period.
- Information about the maturity profile of the defined benefit obligation. This will include the weighted average duration of the defined benefit obligation and may include other information about the distribution of the timing of benefit payments, such as a maturity analysis of the benefit payments.

3.11 DEPRECATION AND CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT

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

3.12 RIGHT OF –USE- ASSET (PREPAID RENT & LEASE)-DEPRECIATION RIGHT-OF-USE ("ROU") ASSETS

BoA recognize ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.
The cost of ROU assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.
ROU assets are depreciated on a straight-line basis over its estimated useful life and the lease term.
Lease liabilities at the commencement date of the lease, the Bank recognize lease liabilities measured at the present value of lease payments to be made over the lease term.
Interest expense on the lease liability is presented separately from depreciation of the right-of-use asset, as a component of finance costs.
Short-term leases and leases of low-value assets, the Bank apply the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less.

3.12.1 Leases - renewal option

The Bank determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised,

3.13. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

3.14. TAXES

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

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

3.15. DEVELOPMENT COST

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

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

4. FINANCIAL RISK MANAGEMENT

4.1. INTRODUCTION

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

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

Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate levels of risk taken to the desired levels of returns.

Financial risk management overview

Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate levels of risk taken to the desired levels of returns.

The Board of Directors is the ultimate governing body, which has overall responsibility for establishing a sound risk management and internal control system, as well as for reviewing its adequacy and effectiveness in identifying, assessing and responding to risks that may hinder the Bank from achieving its objectives.

The Management at executive levels has assist and support the Board committees in overseeing core areas of business operations and controls,

Governance and Risk Oversight: There is a clear, effective and robust governance structure with well-defined, transparent and consistent lines of responsibility.

Risk Management Practices and Processes: BoA risk management processes are in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Bank.

Stress Test: Stress testing is used to test the resilience of the Bank's exposure against future financial scenarios and gauge the resulting various risks and adequacy of capital.

4.1.1. RISK MANAGEMENT STRUCTURE

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

In view of the strategic direction and risk appetite by the Board, the senior Management shall be responsible for the implementation of risk management policies and procedures.
Business units/operational units are primarily responsible for ensuring the Banks compliance with regulatory requirement and internal policies and procedures.

Bank of Abyssinia considers Liquidity, Credit, Market, Operational, Legal, Strategic, Compliance, and Reputational risks as core risks of the Bank.
Treasury and Financial Accounting Department establishes management information system that promptly conveys information between the organs in the liquidity risk management structure.

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

4.1.2. RISK MEASUREMENT AND REPORTING SYSTEMS

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

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

4.1.3. RISK MITIGATION

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

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

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4.2. FINANCIAL INSTRUMENTS BY CATEGORY

The Bank's financial assets are classified in to the following measurement categories: measured at amortized cost and fair value through other comprehensive income (FVOCI).
Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

30 June 2024	Note	Fair value OCI Birr'000	Amortized cost Birr'000	Total Birr'000
Cash and cash equivalents	16		27,943,909	27,943,909
Securities	18		10,821,281	10,821,281
Equity investment	18	551,001	467,933	1,018,934
Loans and advances to customers	17		163,922,581	163,922,581
Other assets	19		8,140,862	8,140,862
Total financial assets		**551,001**	**211,296,567**	**211,847,568**

30 June 2023	Note	Fair value OCI Birr'000	Amortized cost Birr'000	Total Birr'000
Cash and cash equivalents	16		21,148,143	21,148,143
Securities			8,475,363	8,475,363
Equity investment	18	887,369		887,369
Loans and advances to customers(Net)	17		143,796,168	143,796,168
Other assets	19		6,596,667	6,596,667
Total financial assets		**887,369**	**180,016,341**	**180,903,711**

4.3. CREDIT RISK

Credit risk is the risk that the Bank borrowers are either unwilling to discharge their obligation or their ability to discharge such obligation is impaired resulting in economic loss to the Bank. Credit Risk also arise from off-balance commitment's (such as guarantees &letter of credits) and placement with other banks (both domestic and foreign banks).
The Bank shall strive to ensure the existence of fundamental credit risk management elements that enable to effectively manage the credit risk exposure. Sound and prudent risk management involves the minimization of concentration risk by diversifying Credit portfolio; therefore, the Bank shall have credit diversification policies state clearly the goals for Portfolio mix and place exposure limits on single counterparties and groups of associated counterparties, key industries or economic sectors, geographical regions and new and existing products, Collateral type, NPLs and off-balance sheet exposure. Moreover, the Bank shall strictly observe the directives, rules and regulations of the NBE in this respect.

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

4.3.1 CREDIT RISK MANAGEMENT
CREDIT RISK MANAGEMENT OVERVIEW
CREDIT RISK DEFINITION

Credit risk is the risk that a counterparty fails to meet its obligations in accordance with the agreed terms of a credit facility. The exposures to credit risk are unilateral and only the lending bank faces the risk of loss.

Management of credit risk

Credit risk assessed jointly by business and credit units where each counterparty is assigned a credit rating based on the assessment of relevant qualitative and quantitative factors, including the counterparty's financial position, future cash flows, types of facilities and collateral offered.

Credit risk measurement

The Bank shall consider 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); or
- The borrower is more than 90 days past due on any material credit obligation to the Bank. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Bank; or
- if it meets the National Bank of Ethiopia (NBE)'s definition of default, if in the future the NBE prescribes the criteria of default for IFRS 9 purposes.

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

- qualitative: senior management using professional judgment may resort to this approach guided by matters such as breaches of covenants which are deemed material, declaration of bankruptcy by the customer, death of borrower individual / proprietorships with no succession plan, loss of a significant portion of revenue stream or any other event significantly impacting the ability of the customer to repay and other customer specific factors. This will be applied on a case-by-case basis and is not limited to the above factors;
- Quantitative: such as overdue status and non-payment of 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.

Significant increase in credit risk (SICR)

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

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BOA shall identify a significant increase in credit risk where;

- Exposures have a regulatory risk rating of 'special mention';
an exposure is greater than 30 days past due – this is in line with the IFRS 9 "30 DPD rebuttable presumption";
- An exposure has been restructured in the past due to credit risk related factors or which was non-performing and is now regular (subject to the regulatory cooling off period); or
- By comparing an exposure's: credit risk quality at the date of reporting with the credit risk quality on initial recognition of the exposure.

- The assessment of significant deterioration is key in establishing the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

Determining whether credit risk has increased significantly

- BoA shall establish a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition.
The framework should align with the Bank's internal credit risk
- The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency ("30 DPD presumption").
Quantitative factors
BoA Bank shall deem the credit risk of a particular exposure to have increased significantly since initial recognition based on a loan being in arrears for a period of 31 to 90 days in accordance with IFRS 9 paragraph 5.5.11. The Bank shall develop an internal rating model going forward and movement in rating grades between the reporting period and the initial recognition date/ date of initial application of IFRS 9 of the loan will form the basis of significant increases in credit risk.

Qualitative factors

In certain instances, using its expert credit judgment and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis.

The management view and judgment shall include, but not limited to, the following assessments:

- Classification of exposures by any other Banks and Financial institutions or local Credit Reference Bureau (CRB).
- Unavailable / inadequate financial information/financial statements;
- Qualified report by external auditors;
- Significant contingent liabilities;
- Loss of key staff to the organization;
- Increase in operational risk and higher occurrence of fraudulent activities;
- Continued delay and non-cooperation by the borrower in providing key relevant documentation;
- Deterioration in credit worthiness due to factors other than those listed above.
- Obligor subsequently classified as a politically exposed person (PEP).

- As a backstop, and as required by IFRS 9, the Bank shall presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank shall determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received

4.3.1. CREDIT QUALITY ANALYSIS
4.3.2. MAXIMUM EXPOSURE TO CREDIT RISK

The following analysis represents the Bank's maximum exposure to credit risk of on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers/borrowers.

	Maximum exposure	
	30 June 2024 Birr'000	30 June 2023 Birr'000
Credit exposure for on-balance sheet financial assets		
Cash and cash equivalents	27,943,909	21,148,143
Loans and advances to customers	163,922,581	143,796,167
Debt securities at amortized cost	10,821,281	8,475,363
Other Financial Assets	8,140,862	6,596,667
	210,828,634	**180,016,341**
Credit exposure for off-balance sheet items		
Letter of Credit	2,571,134	983,323
Loans Commitments	8,276,868	5,500,000
Letter of Guarantee	10,531,742	3,861,742
	21,379,745	**10,345,065**
Total maximum credit risk exposure	**232,208,379**	**190,361,406**

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Gross loans and receivables to customers per National Bank of Ethiopia impairment guidelines is analyzed as follows;

2024	Gross carrying amount Birr'000	Provision as per NBE directive Birr'000	Net Carrying amount Birr'000
Pass	131,482,110	1,727,321	129,754,789
Special Mention	10,708,459	928,344	9,780,114
Substandard	1,523,229	132,216	1,391,013
Doubtful	1,019,525	257,969	761,556
Loss	2,245,408	1,484,011	761,397
	146,978,731	**4,529,862**	**142,448,869**

2023	Gross carrying amount Birr'000	Provision as per NBE directive Birr'000	Net Carrying amount Birr'000
Pass	114,821,093	1,568,673	113,252,420
Special Mention	10,140,115	304,152	9,835,963
Substandard	2,196,015	214,192	1,981,823
Doubtful	1,040,986	231,473	809,513
Loss	1,230,805	842,588	388,218
	129,429,014	**3,161,078**	**126,267,936**

4.3.3 CREDIT QUALITY ANALYSIS (CONTINUED)

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.

i). Loans and advances to customers at amortized cost

		2024		
In millions of ETB	Stage 1	Stage 2	Stage 3	Total
Stage 1 – Pass	141,327,053			141,327,053
Stage 2 – Special mention		20,748,497		20,748,497
Stage 3 - Non performing			5,661,522	5,661,522
Total gross exposure	**141,327,053**	**20,748,497**	**5,661,522**	**167,737,072**
Loss allowance	(1,249,466)	(632,678)	(1,932,347)	(3,814,491)
Net carrying amount	**140,077,587**	**20,115,820**	**3,729,174**	**163,922,581**

	2023			
In millions of ETB	Stage 1	Stage 2	Stage 3	Total
Stage 1 – Pass	129,607,679			129,607,679
Stage 2 – Special mention		11,564,467		11,564,467
Stage 3 - Non performing			5,338,876	5,338,876
Total gross exposure	**129,607,679**	**11,564,467**	**5,338,876**	**146,511,022**
Loss allowance	(933,288)	(252,415)	(1,529,152)	(2,714,855)
Net carrying amount	**128,674,391**	**11,312,052**	**3,809,724**	**143,796,167**

(ii) Other financial assets (debt)

		2024		
In millions of ETB		Gross exposure	Loss allowance	Net carrying amount
Cash and balance with banks	12 Month ECL	22,685,609	(1,134)	22,684,475
Investment securities (debt instruments)	12Month ECL	10,325,142	(516)	10,324,626
Other receivables and financial assets	Lifetime ECL	2,822,297	(22,746)	2,799,551
Totals		**35,833,049**	**(24,397)**	**35,808,652**

		2023		
In millions of ETB		Gross exposure	Loss allowance	Net carrying amount
Other financial assets (debt instruments)				
Cash and balance with banks	12 Month ECL	17,152,783	(850)	17,151,933
Investment securities (debt instruments)	12Month ECL	8,475,767	(404)	8,475,363
Other receivables and financial assets	Lifetime ECL	2,254,630	(92,051)	2,162,579
Totals		**27,883,180**	**(93,306)**	**27,789,874**

iii). Loss allowance reconciliation

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.

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Charge to statement of profit or loss and other comprehensive income. In Birr'000	2024 Loans and advances to customers at amortized cost	Loan commitments and financial guarantee contracts	Other financial assets	Bank balance and ECL	Total charge/ (credit)
Net remeasurement of loss allowance	936,855	36	(69,305)	396	867,982
New financial assets originated or purchased	620,225	-	-	-	620,255
Financial assets derecognized	(457,442)	-	-	-	(457,442)
Amounts directly written off during the year	-	-	-	-	
Recoveries of amounts previously written off	-	-			
Total	**1,099,638**	**36**	**(69,305)**	**396**	**1,030,765**

Charge to statement of profit or loss and other comprehensive income. In Birr'000	2023 Loans and advances to customers at amortized cost	Loan commitments and financial guarantee contracts	Other financial assets	Bank balance and ECL	Total charge/ (credit)
Net remeasurement of loss allowance	587,003	82	(25	191	587,301
New financial assets originated or purchased	681,452	-	-	-	681,452
Financial assets derecognized	(308,082)	-	-	-	(308,082)
Amounts directly written off during the year	-	-	-	-	-
Recoveries of amounts previously written off	-	-			-
Total	**960,373**	**82**	**25**	**191**	**960,671**

Sector Name 30 June 2024	Loans and advances to customers	Financial Investments portfolio	Other Assets	Total Birr'000
Domestic trade and services	567,116			567,116
Import	58,992			58,992
Construction	371,207			371,207
Transport	14,415			14,415
Industry	218,210			218,210
Export	470,217			470,217
Agriculture	165,543			165,543
Financial Institutions	-			-
Others	66,647	-	-	66,647
	1,932,347			**1,932,347**

Sector Name 30 June 2023	Loans and advances to customers	Financial Investments portfolio	Other Assets	Total Birr'000
Domestic trade and services	540,378			540,378
Import	32,868			32,868
Construction	225,986			225,986
Transport	25,982			25,982
Industry	42,842			42,842
Export	587,320			587,320
Agriculture	43,515			43,515
Financial Institutions	-			-
Others	30,262	-	-	30,262
	1,529,152			**1,529,152**

VI. LOANS AND ADVANCES TO CORPORATE CUSTOMERS

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

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

vii). Investment securities designated as at FVTPL

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

4.3.3 AMOUNTS ARISING FROM ECL

i. Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 2.5.1.(C)

ii. Significant increase in credit risk

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

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

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).
- The Bank uses three criteria for determining whether there has been a significant increase in credit risk:
- Quantitative test based on movement in PD;
- Qualitative indicators; and
- A backstop of 30 days past due,

iii. Credit risk grades

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

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

a). Term loan exposures

Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, and 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 – e.g. utilization of credit card facilities
- Affordability metrics

b). Overdraft exposures

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

iv. Generating the term structure of PD

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

v. Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What isconsidered significant differs for different types of lending.
The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

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

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

The Bank monitor s the effectiveness of the criteria used to identif y significant increases in credit risk by regular reviews to confirm that:

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

vi. Definition of default

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

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

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

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

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

vii. Incorporation of forward-looking information

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

For each segment, the Bank formulates three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside and one downside. For each sector, the base case is aligned with the macroeconomic model's information value output, a measure of the predictive power of the model, as well as base macroeconomic projec tions 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 thatadvises the Bank's senior management. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses

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

Sector	Macroeconomic factor
Cluster 1 Agriculture Consumer Loans Overdraft Interest Free Financing	Goods debit(Imports)
Cluster 2 Domestic Trade Services Mining and Energy Trasnport Health Merchandinse Services Financial Services	
Cluster 3 Building and Construction Hotel and Tourism Manufacturing and Production Industry Real Estate Housing and Construction	Goods domestic product, Current prices (US 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 statstically significant correlation was observed for Cluster 2, as a result no macroeconomic adjustment is observed.

The economic scenarios used as at 30 June 2024 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

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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
Exports of goods and services, LCU	503898	605980.5	703534
Exports of goods and services per capita, USD	7.67641E-05	8.52933E-05	9.2102E-05
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-parity (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
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
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, current 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

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

Summary of scenario weightings

Scenario	Base	Downturn (downside)	Optimistic (upside)
Cluster 1	100%	-	-
Cluster 2	100%	-	-
Cluster 3	92%	8%	-
Cluster 4	100%	-	-

viii. Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions,
customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised asa 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; withthe remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).
The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.
The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators. Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

ix. Measurement of ECL

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

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

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

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

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

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

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

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

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

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

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

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

4.3.3. Credit risk concentration profile

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

30 June 2024	Cash and cash equivalents	Loans and advances to customers	Debt securites at amortized cost	Loans Commitments	Letter of Gurantee
Domestic trade and services		30,819,717			
Import		8,786,435			
Construction		18,265,790			
Transport		6,993,967			
Industry		38,368,434			
Export		39,103,265			
Agriculture		9,565,794			
Consumer or personal		10,925,869			
Financial Instutions	27,943,909		10,821,281		
Others				4,932,812	3,344,056
	27,943,909	**162,829,273**	**10,821,281**	**4,932,812**	**3,344,056**

30 June 2023	Cash and cash equivalents	Loans and advances to customers	Debt securites at amortized cost	Loans Commitments	Letter of Gurantee
Domestic trade and services		24,516,857			
Import		7,251,708			
Construction		18,032,133			
Transport		5,287,499			
Industry		30,819,128			
Export		38,528,009			
Agriculture		10,648,681			
Consumer or personal		8,350,302			
Financial Instutions	21,148,143		8,475,363		
Others				4,821,883	678,117
	21,148,143	143,434,318	8,475,363	4,821,883	678,117

4.3.4 Collateral held

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

30 June 2024	Secured against real estate Birr'000	Machinery Birr'000	Vehicles Birr'000	Others Birr'000
	14,028,463	179,026	172,950	16,263,522
Domestic trade and services	5,225,402	-	327,263	2,985,271
Import	15,856,612	100,269	488,798	1,732,944
Construction	769,339	41,062	3,662,646	2,516,344
Transport	34,355,363	835,604	816,775	2,292,946
Industry	29,847,029	45,025	904,617	8,133,191
Export	7,266,736	133,760	340,312	1,813,613
Agriculture	1,369,331	82,290	158,347	3,297,831
Consumer or personal	10,005,895	712	1,893,114	1,224,949
	118,724,171	**1,417,748**	**8,764,823**	**40,260,612**

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

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4.3.5 Offsetting financial assets and financial liabilities

The Bank does not offset financial assets against financial liabilities.

4.3.6 Risk limit control and mitigation policies
a. Collateral held and their financial effect

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

The Bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on creditworthiness, the Bank aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.
For impaired loans, the Bank obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.
The fair value of the collaterals are based on the last revaluations carried out by the Bank's in-house engineers. The valuation technique adopted for properties is in line with the Bank's valuation manual and the revalued amount is similar to fair values of properties with similar size and location.
The fair value of collaterals other than properties such as share certificates, cash, NBE bills etc. as disclosed at the carrying amount as management is of the opinion that the cost of the process of establishing the fair value of the collateral exceeds benefits accruable from the exercise.

4.4. LIQUIDITY RISK

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

According to the Licensing and Supervision of Banking Business liquidity requirement (5th replacement) Directive No SBB/57/2014 of the National Bank of Ethiopia, Any licensed commercial bank shall maintain liquid assets of not less than fifteen percent (15%) of its net current liabilities, the net current liabilities refers to the sum of demand (current) deposits, savings deposits and time deposits and similar liabilities with less than one-month maturity and deduct the uncreated effects in relation to deposits the reported liquidity ration to the NBE is presented in below.

Description	30 June 2024 Birr'000	30 June 2023 Birr'000
Total liquid assets	28,413,990	24,098,100
Net current liabilities	178,465,300	151,431,960
15% of net current liabilities	26,769,795	22,714,794
Liquidity ratio	**15.92%**	**15.91%**
Excess/deficit liquid asset	**1,644,195**	**1,383,306**

4.4.1. Management of liquidity risk

Liquidity risk may not be seen in isolation as it can be triggered by other financial risks such as credit risk, market risk, etc. Generally, liquidity risk results from size and maturity mismatch of asset and liabilities.
In order to keep optimal asset-liability structure, thereby adhere to regulation in jurisdiction;
Boa Adopts liquidity risk management system that is governed by adequate oversight, early warning system and proper implementation of risk management process.

The Bank shall form the ALCO committee whose members are drawn from its senior Management and entrust in which the responsibility of managing the overall liquidity of the Bank.
Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.
The Bank has incurred indebtedness in the form of borrowings. The Bank evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Bank devises strategies to manage its liquidity risk.
Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Bank's reputation.

For day-to-day liquidity management, the treasury operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis. Besides, the process of managing liquidity risk also includes:

- Maintaining a sufficient amount of unencumbered high quality liquidity buffer as a protection against any unforeseen interruption to cash flows;
- Managing short and long-term cash flows via maturity mismatch report and various indicators;
- Monitoring depositor concentration at the Bank levels to avoid undue reliance on large depositors;
- Managing liquidity exposure by domestic and significant foreign currencies;
- Diversifying funding sources to ensure appropriate funding mix;
- Conducting liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios.

4.4.2. Maturity analysis of financial Asset and Liabilities

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

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30 June 2024	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Cash and Bank balances	22,219,099	4,781,191	944,754	-	-
Net investment	99,958	-	485,648	754,520	9,481,672
Net loans and advances	37,050,866	17,130,300	12,913,015	20,024,751	80,618,141
Total	**59,369,922**	**21,911,491**	**14,343,417**	**20,779,271**	**90,099,812**
Liabilities					
Deposits from customers	58,521,193	18,474,340	13,437,047	19,633,415	82,443,101
Other liabilities	-	1,094,277	-	-	5,393,309
Total	**58,521,193**	**19,568,617**	**13,437,047**	**19,633,415**	**87,836,410**
Net Mismatch	**848,730**	**2,342,874**	**906,369**	**1,145,856**	**2,263,403**

30 June 2023	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Assets					
Cash and Bank balances	18,522,714	1,958,970	666,460		
Net investment			3,090,700		5,384,663
Net loans and advances	38,954,670	14,221,730	11,323,550	18,559,910	60,936,308
Total	**57,277,384**	**16,180,700**	**15,080,710**	**18,559,910**	**66,320,971**
Liabilities					
Deposits from customers	**49,500,754**	**15,889,474**	**14,118,266**	**17,814,189**	**61,214,188**
Borrowings	3,360,118			-	-
Other liabilities	1,282,442			845	8,170,409
Total	**54,143,314**	**15,889,474**	**14,118,266**	**17,815,034**	**69,384,597**
Net Mismatch	**3,134,070**	**291,226**	**962,444**	**744,876**	**(3,063,626)**

4.5. Market risk

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

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

4.5.1. Management of market risk

Management of market risk is an area that has received increasing attention from managers and supervisors of the globe as banks financial trading activities have been growing from time to time.
In Ethiopia, the market is not that much sensitive and involvement of banks are so limited to a few types of exposures. The risk exposures considered as relevant are interest rate and exchange rate risks, and hence, these are incorporated in this risk management program me.
The risk measurement techniques employed by the Bank comprise both quantitative and qualitative measures.

i). Interest rate

Interest rate risk is the potential impact on institutions earnings and on the net-asset values of the changes of its interest rates. IRR arises when an institutions principal and cash flows, both on and off the balance sheets have mismatched reprising dates.
Banks are exposed to IRR because they invariably operate with unmatched balance sheet i.e. being Either IR sensitive asset or IR sensitive liabilities.
The Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows.
Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the ALCO to protect total net interest income from changes in market interest rates.

30 June 2024	Fixed Birr'000	Floating Birr'000	Non-interest Bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	5,725,945		22,217,965	27,943,909
Loans and Advance to customers	159,014,782		4,907,799	163,922,581
Investment Securitas –FVOCI	10,821,281		1,018,934	11,840,215
Other Asset			8,140,862	8,140,862
Other None interest sensitive balance			10,455,601	10,455,601
Total Asset	**175,562,008**	-	**46,741,161**	**222,303,167**
Liabilities			-	
Deposits from customers	141,888,679		50,620,417	192,509,096
Borrowing				
Lease Liabilities	267,204			267,204
Other liabilities			4,814,931	4,814,931
Other non-interest sensitive balance		-	1,517,838	1,517,838
Total Liabilities	**142,155,882**		**56,953,186**	**199,109,068**
Total Equity		-	**23,194,100**	**23,194,100**
Total equity and liabilities	**142,155,882**		**80,147,286**	**222,303,169**
Interest rate sensitivity gap	**33,406,125**		**(33,406,125)**	

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30 June 2023	Fixed Birr'000	Floating Birr'000	Non-interest Bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	3,908,279		17,239,865	21,148,143
Loans and Advance to customers	140,719,463		3,076,705	143,796,168
Investment Securitas –FVOCI	8,475,363		887,369	9,362,732
Other Asset			6,596,667	6,596,667
Total Asset	**153,103,105**	**-**	**27,800,606**	**180,903,711**
Liabilities				
Deposits from customers	115,112,766		43,424,106	158,536,872
Borrowing	3,366,312			3,366,312
Lease Liabilities	343,289			343,289
Other liabilities			6,087,382	6,087,382
Other non-interest sensitive balance			1,703,113	1,703,113
Total Liabilities	**118,822,367**	**-**	**51,214,601**	**170,036,968**
Total Equity			**19,475,296**	**19,475,296**
Total equity and liabilities	**118,822,367**		**70,689,897**	**189,512,265**
Interest rate sensitivity gap	**34,280,738**	**-**	**(42,889,292)**	**(8,608,554)**

The sensitivity of the income statement is the effect of the assumed changes in saving interest rates on the profit or loss for a year, based on the floating rate non–trading financial assets and financial liabilities held at 30 June 2024 and 30 June2023. The total sensitivity of equity assumes that there are parallel shifts in the yield curve.

Sensitivity analysis for interest rate risk

30 June 2024	Increase (decrease) in basis points Birr'000	Impact of an increase P/L and equity Birr'000	Impact of a decrease P/L and Equity Birr'000
Impact to profit	2%	668,123	(668,123)
30 June 2023			
Impact to profit	2%	685,615	(685,615)

ii). Foreign exchange risk

Foreign exchange risk is the potential for loss from exposure to foreign exchange rate fluctuation. This implies an asset or investment denominated in a foreign currency will lose value as a result of Unfavorable exchange rate fluctuations between the investment's foreign currency and the investment holders in domestic currency. Exchange risk is associated with potential gain or loss that occurs as a result of change on exchange rate based on foreign currency holdings and liability of the Bank. Such change in value of currencies affects net open position in terms of local currency.
In general, foreign exchange rate risk is potential loss as a result of adverse movement in FOREX Rates.
Foreign currency sensative asset and liability presentd as follows:

30 June 2024	30 June 2024 Birr'000	30 June 2023 Birr'000
Asset		
Cash on hand	55,576	66,778.27
Deposit with other foreign banks	3,260,576	1,835,296.68
Other asset(Uel foreign)	153,487	63,486.36
Total	**3,469,638**	**1,965,561**
Liabilities		
Deposits from customers	3,765,873	4,380,407
Other FCY liabilities	240,421	2,191,587
Total	4,006,294	6,571,994
Net foreign asset/(liabilities)	**(536,655)**	**(4,606,432)**

As can been seen in the above table the net foreign asset and liabilities gap has significantly reduced.

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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:

	At 30 June 2024			At 30 June 2023		
Currency type	**Currency carrying amount**	**10% Depreciation**	**10% Appreciation**	**Currency carrying amount**	**10% Depreciation**	**10% Appreciation**
Asset						
USD	3,248,483	(324,848)	324,848	1,411,412	(141,141)	141,141
EUR	190,522	(19,052)	19,052	422,075	(42,208)	42,208
GBP	25,757	(2,576)	2,576	121,186	(12,119)	12,119
AED	1,613	(161)	161	2,938	(294)	294
Other	3,264	(326)	326	7,950	(795)	795
	3,469,638	**(346,964)**	**346,964**	**1,965,561**	**(196,556)**	**196,556**
Libaility						
USD	3,888,780	(388,878)	388,878	6,472,734	(647,273)	647,273
EUR	99,062	(9,906)	9,906	10,310	(1,031)	1,031
GBP	18,452	(1,845)	1,845	15,993	(1,599)	1,599
AED	-	-	-		-	-
Other	-	-	-	72,957	(7,296)	7,296
	4,006,294	**(400,629)**	**400,629**	**6,571,994**	**(657,199)**	**657,199**
Increase/(decrease	**(536,655)**	**53,666**	**(53,666)**	**(4,606,432)**	**460,643**	**(460,643)**
Tax charge at 30%		16,100	(16,100)	(1,381,930)	138,193	(138,193)
Effect on net profit		37,566	(37,566)	(3,224,503)	322,450	(322,450)
As a percentage of net profit		1%	-1%		8%	-8%

At 30 June 2024 if the shilling had weakened/ strengthened by 10% against the major trading currencies, with all other variables held constant, net profit would have been Birr 38 million (2023: Birr. 322 million) lower/higher.

4.6 CAPITAL MANAGEMENT

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

Due to this, the capital increase decision has been passed from 12.5 billion to 15 billion on the 14th extra prdinary shareholders meeting due to the following reasons:

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

Capital Management-Principles

- BoA always maintain and comply the minimum Capital requirement and capital adequacy ratio; set forth by relevant laws of the Bank;
- There is an updated capital maintenance and determination of short and long-term plan and its corresponding evaluation criteria that commensurate to its business strategies
- BoA timely increase its capital in line with the contemporary business requirements and competition in the industry
- Deploy its capital to support sustainable, long-term revenue and net income growth by maintaining
- Existing customers attracting new customers, diversify and introduce new products, acquisition
- Investment and other available methods.

4.6.1. Capital adequacy ratio

Regulatory capital- NBE(National Bank of Ethiopia)

According to the Licensing and Supervision of Banking Business minimum Capital Requirement for Banks (Amended) Directive No SBB/78/2021 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.

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

4.6.1.2 Application of capital adequacy ratios

The capital adequacy ratios of the Bank are computed in accordance primary capital sum this includes primary capital, share premium, general reserve and legal reserve over the risk weighted asset on balance sheet and off-balance sheet.

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

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Capital Component	30 June 2024 Birr'000	30 June 2023 Birr'000
Paid-up-capital	14,205,583	11,898,416
Paid -up-capital in excess of par	5,998	5,998
Legal reserve	4,401,041	3,341,543
Special Reserve	25,919	25,919
Total Capital	**18,638,542**	**15,271,876**
Risk Weighted Asset		
On-balance sheet	174,641,538	150,215,743
Off balance sheet	9,918,532	4,877,536
Total risk weighted assets	**184,560,070**	**155,093,279**
Capital Adequacy Ratio	**10.10%**	**9.85%**

4.7 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are 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.

4.7.1. Basis of fair valuation Equity Investment

The fair value of the equity investments was made by the internationally known consulting firm in collaboration with other Ethiopian private banks, By using this valuation method investment securities valuation based on by multiples on actual market prices the unknown value of the valuation object is calculated based on the known values of comparable objects (companies, transactions or IPOs). The selection of the appropriate multiple within a range requires judgment, considering qualitative and quantitative factors specific to the measurement.
We have selected the below market multiples for the purpose of our valuation:

- Enterprise Value to Earnings before Interest, Tax, Depreciation and Amortization (EV/EBITDA) and
- Price to Book Value (P/BV)

Specific consideration

- EV/EBITDA is a better measure where the leverage and net profits are more vulnerable to business cycles.
- P/BV ratio works well in the case where the business model is matured, a common measure for valuation of financial institutions (banks and insurance Companies). These institution are subject to regulatory solvency and capital adequacy requirements therefore their liquidated value fairly approximates the book values.
- The above measures are also consistent with the Bank's previously applied market multiples.

4.7.2 Valuation models

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are 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: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) .This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.
In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

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

4.7.3 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.

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30 June 2024	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total
Financial assets					
Cash and balances with banks	27,943,909			27,943,909	27,943,909
Loans and receivables	163,922,581			163,922,581	163,922,581
Debt Securitas at amortize cost	10,821,281			10,821,281	10,821,281
Financial assets at fair value through OCI	887,369			1,018,934	1,018,934
Total	**203,575,141**	-	-	**203,706,705**	**203,706,705**
Financial liabilities					
Deposits from customers	168,372,942			168,372,942	168,372,942
Debt securities issued				-	-
Borrowings	0			-	-
Other liabilities	4,814,931			4,814,931	4,814,931
Total	**173,187,873**			**173,187,873**	**173,187,873**

30 June 2023	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total
Financial assets					
Cash and balances with banks	21,148,143			21,148,143	21,148,143
Loans and receivables	143,796,168			143,796,168	143,796,168
Debt Securites at amortized cost	8,475,363			8,475,363	8,475,363
Finalcial assets at fair value trough OCI	894,523			887,369	887,369
Total	**174,314,197**	-	-	**174,307,043**	**174,307,043**
Financial liabilities					
Deposits from customers	158,536,872			158,536,872	158,536,872
Debt securities issued					
Borrowings	3,366,312			3,366,312	3,366,312
Other liabilities	9,453,695			9,453,695	9,453,695
Total	**171,356,879**			**171,356,879**	**171,356,879**

4.7.4 Fair Value of Financial assets and liabilities

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

30 June 2024	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Level 4 Birr'000
Financial assets					
Investment securities;					
FVOCI	887,369	-	-	1,018,934	1,018,934
Total	887,369	-	-	1,018,934	1,018,934

4.8 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

5. INTEREST INCOME

	30 June 2024 Birr'000	30 June 2023 Birr'000
Interest on Term Loan	18,166,329	14,570,916
Interest on over draft	2,572,239	2,097,305
Interest on Import & export bills	127,366	140,996
Interest on Advance sales contract	764,566	1,551,428
Interest from penalty	1,372,655	1,445,776
Interest on foriegn deposit	67,145	10,081
Interest on Treasury Bonds	437,459	100,315
Interest earn on DBE Bond	221,199	113,037
Interest on deposit from Local bank	765,446	562,891
Interest income on Treasury bills	108,760	371,879
	24,603,162	**20,964,626**

6. INTEREST EXPENSE

	30 June 2024 Birr'000	30 June 2023 Birr'000
Interest on Saving Account	(6,338,736)	(5,063,052)
Interest on Time deposit	(1,403,119)	(792,940)
Interest on loans	(276,655)	(284,435)
	(8,018,511)	**(6,140,426)**

7. NET FOREIGN EXCHANGE GAIN OR LOSS

	30 June 2024 Birr'000	30 June 2023 Birr'000
Loss on foreign exchange	(3,166,794)	(4,430,816)
Gain on foreign exchange	3,265,985	4,207,253
	99,191	**(223,562)**

	30 June 2024 Birr'000	30 June 2023 Birr'000

8. . COMMISSION EARNED

Letters of credit and other import/export facilities	261,106	194,504
Money and Telegraphic transfers and direct debit charges	10,300	9,359
Letters of guarantees	214,854	131,990
Other commissions	422,992	395,901
Total	**909,251**	**731,755**

	30 June 2024 Birr'000	30 June 2023 Birr'000

9. DIVIDEND INCOME

Dividend income from investing activities	**45,543**	**52,915**

	30 June 2024 Birr'000	30 June 2023 Birr'000

10. OTHER OPERATING INCOME

Rental Income	25,832	19,058
Gain on disposal of fixed assets	4	1,278
Gain on disposal of Acquired assets		6,547
Postage		4
Loan processign fee income	130,029	82,923
Income from Murabaha Financing	554,454	281,464
Other Income	190,937	123,490
	901,256	**514,764**

	30 June 2024 Birr'000	30 June 2023 Birr'000

11. LOAN IMPAIRMENT CHARGE

Loans and receivables - charge for the year (note 17)	(1,099,637)	(960,372)
	(1,099,637)	**(960,372)**

12 IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS

	30 June 2024 Birr'000	30 June 2023 Birr'000
Other assets - charge for the year	69,342	(24)
Bank balance	(284)	(165)
Debt securities	(112)	(27)
Guarantee and LC	(36)	109
Other assets - reversal of impairment losses	-	-
	68,909	**(107)**

13 PERSONNEL EXPENSES

	30 June 2024 Birr'000	30 June 2023 Birr'000
Clerical Staff Salary	(3,974,811)	(3,315,034)
Contractual Staff Salary	(680,931)	(402,987)
Non-Clerical Staff Salary	(229,659)	(205,151)
Bonus	(190,288)	(596,214)
Provident Fund	(501,104)	(418,284)
Fuel Allowance	(1,971,315)	(1,250,593)
Leave Pay	(87,631)	(108,908)
Training Education	(254,755)	(200,258)
Living Allowance	(330,897)	(264,647)
Cash Indemnity Allowance	(64,763)	(54,390)
Medical	(113,343)	(64,746)
Staff Insurance	(593)	(29,270)
Car and representation Allowance	(142,804)	(116,255)
Uniforms	(26,986)	(3,147)
Amortization of prepaid employee benefit	(144,096)	(82,357)
Drivers Allowance	(1,181)	(1,196)
Other staff expenses	(397,008)	(320,812)
	(9,112,164)	**(7,434,250)**

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	30 June 2024 Birr'000	30 June 2023 Birr'000
14 OTHER OPERATING EXPENSES		
Postage, telephone, telegram , telex/fax	(10,170)	(7,702)
Stationery and printing	(216,843)	(187,852)
Advertising	(129,036)	(180,540)
Repair and Maintenance	(125,222)	(89,136)
Fuel and Lubricant	(93,947)	(59,600)
Insurance	(63,806)	(40,111)
Per diem and travel	(21,252)	(33,856)
Correspondent charges	(18,003)	(15,804)
Utilities	(18,551)	(13,722)
Donations and contributions	(93,913)	(203,861)
Annual reception	(10,257)	(7,266)
RTGS Transaction fee	(28,992)	
Bank charges	(9,323)	(4,491)
Entertainment	(25,029)	(19,531)
Legal fees	(20,002)	(63,524)
Wages for non-employees	(9,441)	(8,162)
Transportation of Currency	(23,626)	(47,962)
Audit fees	(2,344)	(1,160)
ATM and POS card issuance fee	(68,000)	(68,172)
Software license fee	(294,173)	(197,356)
Promotional gift items	(55,999)	(21,187)
Impairment for non-current asset	-	(823)
Board of Directors remuneration	(3,806)	(2,525)
IT Support and maintenance exp.	(244,033)	(112,065)
Consultancy fee	(1,065)	
Mudarabah profit accrual	(150)	(1,299)
Mudarabah cost of fund	(59,683)	(12,997)
EATS membership and transaction fee	(155)	(20,460)
Insurance for deposits	(472,300)	
other IFB expense	(432)	(15,379)
Other administration expenses	(604,164)	(365,392)
	(2,723,717)	**(1,801,985)**

15. RECONICLIATION 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 Birr'000	30 June 2023 Birr'000
15a. Component of tax expenses		
Current tax expense	1,104,334	1,284,234
Deferred tax (15e)	(64,286)	72,962
	1,040,047	1,357,196

	30 June 2024 Birr'000	30 June 2023 Birr'000
15b. Current Tax		
IFRS Accounting profit	**5,278,044**	**5,230,027**
Add : Disallowed exp		
Entertainment	25,029	19,531
Donation	92,450	1,991
Penalty	21,663	19,356
Depreciation for accounting purpose	610,450	432,830
Amortization for accounting purpose	83,540	63,531
Amortization of Employee benefit	144,096	82,357
Severance Payment	78,166	63,009
Interest expense on lease liability	13,877	17,253
impairment on non-current asset	-	823
Accrued leave	74,823	96,571
Legal expense	20,002	13,254
Land and building tax	16,291	
Unrealized foreign exchange gain or loss	(747)	28,345
Provision for other Asset	(68,909)	106
Provision for loans and advances as per IFRS	1,099,637	960,372
Written- Off loan	1,838	1,855
Tax payment as per tax audit work	117,640	34,518
Staff loan Interest income as per tax	355,772	151,455
	2,685,618	**1,987,157**
Less :		
Depreciation for tax purpose	804,328	572,552
Amortization for tax purpose	68,684	79,580
Interest income taxed at source-Local & foreign deposits	832,591	562,891
Dividend income taxed at source	45,543	52,915
Interest income taxed at source-Treasury bills	108,760	371,879
Interest income taxed at source-Treasury bonds	437,459	100,315
Interest income taxed at source-DBE bonds	221,199	113,037
Staff loan Interest income as per IFRS	339,943	276,582
Provision for loans and advances as per NBE 80%	1,446,428	809,901
Net income from rental operation	16,361	
	4,321,296	**2,939,653**
Taxable profit	3,642,367	4,277,533
	1,092,710	**1,283,260**
Add : 10% of interest on foreign deposits	6,715	973
Current tax at 30%	**1,099,426**	**1,284,234**

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	30 June 2024 Birr'000	30 June 2023 Birr'000
15.c Statement of Financial Position(Current income tax liability)		
Balance at the beginning of the year	1,282,443	1,365,459
Charge for the year:		
Income tax expense	1,099,426	1,284,234
Rental Income tax expense payable to A.A. Large tax payers office	4,348	
Prior year (over)/ under provision		
WHT Notes utilized	(9,496)	(1,791)
Payment during the year	(1,282,443)	(1,365,459)
Balance at the end of the year	**1,094,277**	**1,282,443**

15.d Deferred income tax

Deferred income 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

	30 June 2024 Birr'000	30 June 2023 Birr'000
Deferred tax Asset	214,036	178,261
Deferred tax liability	(326,423)	(332,332)
	(112,387)	**(154,071)**

The analysis defered tax is as follows:
To be recovered after more than 12 months
Deferred income tax assets , deferred income tax charge/(credit) in profit or loss ("P/L), in equity and other comprehensive :

Deferred income tax Asset

Description.	At 1 July 2023 Birr'000	Adjustment made to recognize previous years deferred tax effect Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2024 Birr'000
Annual Leave	98,281	-	22,403		120,684
Post-employment benefit obligation	79,980	-	23,450	(10,078)	93,352
Total deferred tax assets/(liabilities	178,261	-	**45,852**	**(10,078)**	**214,036**

Desc.	At 1 July 2022 Birr'000	Adjustment made to recognize previous years deferred tax effect Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2023 Birr'000
Annual Leave	-	69,310	28,971	-	98,281
Post-employment benefit obligation	59,181		21,559	(760)	79,980
Total deferred tax assets/(liabilities	**59,181**	**69,310**	**50,530**	**(760)**	**178,261**

Deferred income tax liabilities:	At 1 July 2023 Birr'000	Adjustment made to recognize previous years deferred tax effect Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2024 Birr'000
Property, plant and equipment	(223,816)	-	18,434		(205,383)
Equity Investments	(108,516)	-		(12,524)	(121,040)
Total deferred tax liabilities	**(332,332)**	-	**18,434**	**(12,524)**	**(326,423)**

Deferred income tax liabilities:	At 1 July 2022 Birr'000	Adjustment made to recognize previous years deferred tax effect Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2023 Birr'000
Property, plant and equipment	(100,324)		(123,492)		(223,816)
Equity Investments	0	(110,662)		2,146	(108,516)
Total deferred tax liabilities	**(100,324)**	**(110,662)**	**(123,492)**	**2,146**	**(332,332)**

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	30 June 2024 Birr'000	30 June 2023 Birr'000
15.e Deferred tax Liability		
Severance pay - carrying amount	311,174	266,600
Severance pay - tax base	-	
Severance pay temporary difference	**311,174**	**266,600**
Deferred tax asset - @ 30%	**93,352**	**79,980**
Annual Leave - carrying amount	402,280	327,604
Annual Leave - tax base	-	
Annual leave temporary difference	**402,280**	**327,604**
Deferred tax asset - @ 30%	**120,684**	98,281
PPE- carrying amount	6,912,104	5,299,821
PPE - tax base	6,227,495	4,553,767
PPE temporary difference	**684,609**	**746,054**
Deferred tax liability - @ 30%	**205,383**	**223,816**
Equity investment - carrying amount	1,018,934	887,369
Equity investment - tax base	615,466	525,650
Equity Investment -temporary difference	**403,468**	**361,720**
Deferred tax liabilty - @ 30%	121,040	108,516
Deferred tax liability(Asset) - @ 30%	**(112,387)**	**(154,071)**

15f Depreciation for tax purpose

Asset type 30 June 2024	Cost	Depreciation for the year	Accumulated depreciation	Book Value
Premises	2,071,778	28,544	88,193	1,955,041
Motor vehicles	1,337,898	160,171	439,576	738,152
Office furniture & fittings	1,830,713	217,557	323,076	1,290,079
Office equipment	1,949,667	249,748	524,086	1,175,832
Computer and accessories	1,170,241	147,975	439,114	583,152
Intangible assets	806,845	68,684	255,292	482,868
Investment	6,656	333	3,953	2,370
Total	**9,173,797**	**873,012**	**2,073,291**	**6,227,495**

Asset type 30 June 2023	Cost	Depreciation for the year	Accumulated depreciation	Book Value
Premises	1,382,416	26,309	61,885	1,294,223
Motor vehicles	1,005,816	101,403	338,173	566,241
Office furniture & fittings	1,228,164	126,793	196,283	905,088
Office equipment	1,389,544	194,591	329,496	865,457
Computer and accessories	868,997	123,123	315,990	429,884
Intangible assets	745,464	79,580	175,712	490,172
Investment	6,656	333	3,619	2,703
Total	**6,627,057**	**652,132**	**1,421,159**	**4,553,767**

15g. Rental Income tax

	30 June 2024
Addis Abeba City	
Income;	24,829
Rental Income	
Expense;	
Depreciation	(8,468)
Profit (loss) before tax from rental operation	**16,361**
Rental income tax @ 30% due to Addis Abeba City admistartions	4,908
Withholding tax receivable	560
Net Tax Due to A.A. LARGE TAX PAYERS OFFICE	**4,348**

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	30 June 2024 Birr'000	30 June 2023 Birr'000
16. CASH AND CASH EQUIVALENTS		
Cash in hand	5,169,932	3,996,212
Balances with central banks,		
Reserve account with National Bank of Ethiopia	13,485,000	11,085,046
Other accounts with National Bank of Ethiopia	275,585	297,490
Deposits with foreign banks	3,288,582	1,861,968
Deposits with local banks	5,725,945	3,908,279
	27,945,044	**21,148,995**
Less: Impairment Allowance for Bank Balance	(1,134)	(850)
	27,943,909	21,148,144

The simplified impairment method will be adopted for impairment of receivables and other financial assets. This is as outlined in the steps below.
- Obtain historical periodic receivables ageing reports for 2 years.
-Flow rate represents the probability of a receivable moving into the next ageing bucket in the subsequent tracking period. Each flow rate is assumed to be independent of the next.
-A loss rate is calculated for each bucket as a product of subsequent flow rates. This represents the probability that the receivables in a given bucket will reach the 90 DPD.

The maturity profile of deposits with from local financial institutions are as follows:

	30 June 2024 Birr'000	30 June 2023 Birr'000
Within three Month	4,879,350	1,586,581
Within six month	846,595	2,199,049
Within one year	-	122,648
	5,725,945	**3,908,278**

The reserve with National Bank of Ethiopia represents regulatory cash ratio requirements based on customer deposits with the Bank. As at 30 June 2024. The cash ratio requirement was 7% . The funds are not available for the day to day operations of the Bank and are non-interest bearing.

Amounts included in cash and cash equivalents are current. Reserves with National Bank of Ethiopia are non - current. Cash and balances with National Bank of Ethiopia are classified as 'loans and receivables'.
There is proper policy, procedures and guidance to all responsible units about the cash management operation for smooth executive of cash related duties

17 LOANS, ADVANCE AND FINANCING TO CUSTOMERS

(i) Loans , advances and Financing by types;

	30 June 2024 Birr'000	30 June 2023 Birr'000
Loans, advances and Financing at amortized cost		
Conventional banking loans and advances:		
Term Loan	134,284,221	117,034,249
Overdraft loans	16,969,569	13,501,429
Advance loans	11,575,482	12,898,639
	162,829,273	**143,434,318**
Interest Free Financing and advances:		
Murabaha financing	6,849,048	4,225,947
Unearned income	-1,941,249	-1,149,242
	4,907,799	**3,076,705**
Total Carrying Amount	**167,737,072**	**146,511,022**
Allowances for loans , advances and financing :		
Loan loss Allowance_stage 1	(1,249,466)	(933,288)
Loan loss Allowance_stage 2	(632,678)	(252,415)
Loan loss Allowance_stage 3	(1,932,347)	(1,529,152)
Total loan loss allowance	**(3,814,491)**	**(2,714,855)**
Net Carrying Amount	**163,922,581**	**143,796,168**

(ii) Loans and advances analyzed by economic purpose are as follows

	30 June 2024 Birr'000	30 June 2023 Birr'000
Domestic trade and services	30,819,717	24,516,857
Import	8,786,435	7,251,708
Construction	18,265,790	18,032,133
Transport	6,993,967	5,287,499
Industry	38,368,434	30,819,128
Export	39,103,265	38,528,009
Agriculture	9,565,794	10,648,681
Consumer or personal	10,925,869	8,350,302
Gross amount	**162,829,273**	**143,434,318**

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(iii) Interest free financing excluding differed income analyzed by economic purpose are as follows

	30 June 2024 Birr'000	30 June 2023 Birr'000
DTS	3,783,472	1,386,268
Manufacturing	785,317	928,735
Consumer and mortgage	938,333	653,507
Agricultural Input	393,371	354,619
Building and Constriction	444,929	525,723
Motor Vehicle	316,936	221,259
Intl trade-export	87,716	61,664
Machinery and Equipment	58,635	63,381
Intl trade-import	40,339	30,791
	6,849,048	4,225,947
Unearned income	(1,941,249)	(1,149,242)
Gross financing and advances	**4,907,799**	**3,076,705**

(iv) The maturity profile of loans and advances are as follows

	30 June 2024 Birr'000	30 June 2023 Birr'000
Short -Term loan (within 12 months)	23,420,210	27,566,988
Medium -term loan(More than 1 year but less than or equal to five (5) years	24,766,830	36,504,030
Long- term loan (More than five (5) years)	114,642,233	79,363,300
Gross loans and Advances	**162,829,273**	**143,434,318**

The above classification by maturity is based on the loan portfolio classification methodology of the National Bank Ethiopia(NBE)

(v) The maturity profile of Murabaha financing are as follows

	30 June 2023 Birr'000	30 June 2022 Birr'000
Short -Term loan (within 12 months)	18,864	283,215
Medium -term loan(More than 1 year but less than or equal to five (5) years	3,485,574	2,821,056
Long- term loan (More than five (5) years)	1,403,361	1,121,676
Gross loans, Advances and Financing	**4,907,799**	**4,225,947**

The above classification by maturity is based on the loan portfolio classification methodology of the National Bank Ethiopia (NBE)

(vi) Analysis of changes in gross carrying amount and the corresponding allowances for loans, advances and Interest free financing are as follows

As at 30 June 2024

Changes in the gross carrying amount of financing and advances carried at amortized cost for the contributed to the changes in the loss allowances during the financial year ended 30 June 2024 were mainly due to the following:

– The increase in the volume of loans and advances by 14%; and

– Increase in the deterioration of loan status following the unrest in parts of the country and economic slowdown;

–Change in the collateral recovery ratio, (the amount expected to be collected from sales of collateral) from the last F.Y

In millions of ETB Loans and advances to customers at amortized cost (on balance sheet exposures)	2024			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit	Stage 3 Lifetime ECL Credit impared	Total
Balance at 1 July 2023	933,287	252,415	1,529,152	2,714,854
Transfer to 12 months ECL	(324,828)	97,698	227,130	-
Transfer to Lifetime ECL not credit impaired	120,176	(128,069)	7,893	0
Transfer to Lifetime ECL credit impaired	24,439	6,111	(30,550)	-
Net remeasurement of Loss allowance	232,748	362,583	341,524	936,855
Net financial assets originated or purchased	415,562	92,292	112,371	620,225
Financial assets derecognised	(151,916)	(50,354)	(255,173)	(457,442)
Balance as at 30 June 2024	**1,249,466**	**632,678**	**1,932,347**	**3,814,491**

In millions of ETB Loans and advances to customers at amortized cost (on balance sheet exposures)	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit	Stage 3 Lifetime ECL Credit impared	Total
Balance at 1 July 2021	822,830	137,150	794,503	1,754,483
Transfer to 12 months ECL	27,423	14,662	(42,085)	-
Transfer to Lifetime ECL not credit impaired	44,871	(59,579)	14,709	-
Transfer to Lifetime ECL credit impaired	(184,863)	37,639	147,224	-
Net remeasurement of Loss allowance	109,491	39,040	438,471	587,002
Net financial assets originated or purchased	293,486	123,567	264,400	681,452
Financial assets derecognised	(179,950)	(40,063)	(88,070)	(308,082)
Balance as at 30 June 2023	**933,287**	**252,415**	**1,529,152**	**2,714,854**

18. INVESTMENT SECURITIES

There are two types of securities: debt securities and equity securities. Regarding debt securities, the government bill and bond, classification is amortized cost, and we applied the impairment model;

a). Financial assets at amortized cost (Government securities)	30 June 2024 Birr'000	30 June 2023 Birr'000
Investment on DBE bond	3,298,173	1,895,713
Investment in Treasury Bills	512,710	3,264,417
Investment in Treasury bond	7,010,914	3,315,637
	10,821,797	8,475,767
Allowances for impairment losses	(516)	(404)
	10,821,281	8,475,363

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b)Details of government securities	30 June 2024 Birr'000	30 June 2023 Birr'000
As at July 01	8,088,701	7,589,895
Additions	4,841,492	4,490,598
Redeemed on maturity	(2,605,052)	(3,991,791)
Accrued Interest income	496,655	387,066
	10,821,797	**8,475,767**

(c) Impairment allowance on Government securities	30 June 2024 Birr'000	30 June 2023 Birr'000
At 1 July	(404)	(377)
Impairment charge for the year	(112)	(27)
At 30 June	**(516)**	**(404)**

We used Simplified ECL approach for impairment calculation

d) The maturity profile of government bills are as follows	30 June 2024 Birr'000	30 June 2023 Birr'000
Within one year	982,303	3,090,699
One year to three years	3,076,975	1,782,680
Three years to five years	6,762,519	3,602,388
After five years	-	-
	10,821,797	**8,475,767**

e). Equity investment	30 June 2024 Birr'000	30 June 2023 Birr'000
Financial assets at FVOCI (Equity investments)	1,018,934	887,369
	1,018,934	**887,369**

The fair value of the equity investments was made by the internationally known consulting firm (PWC) in collaboration with other Ethiopian private banks.

f). Movements and details of equity Investment securities as follows;

The Investments comprise of: At 30 June, 2024	As at 01 July, 2023 Birr'000	Addition Birr'000	Changes in fair value Birr'000	30 June 2024 Birr'000
Eth Switch S.Co	295,109	45,838	153,217	494,165
Addis Africa Int. Convention & Exch. Centre	7,121	-	13,360	20,481
Hohete Tibeb S.Co	14,184	697	485	15,367
Ethiopian reinsurance S.CO	42,802	4,430	(9,492)	37,740
Abay Industry Development S.C	525,903	18,870	(116,803)	427,970
Yetebaberut Petrolem	2,022	499	931	3,453
Nile Insurance s.c	228		50	278
Ethiopian Securities Exchange Share Company (ESX)	-	19,481		19,482
	887,368	**89,817**	**41,748**	**1,018,934**

*Noted that the bank did not recognize fair valuation for the above asterisked investments, since the investee companies have not started normal operations since the time this report was produced. The previously recognized fair valuation amounts have been reversed.

The Investments comprise of: At 30 June, 2023	Begining balance 2023 Birr'000	Addition Birr'000	Changes in fair value Birr'000	30 June 2023 Birr'000
Eth Switch S.Co	211,025	11,334	72,750	295,109
Addis Africa Int. Convention & Exch. Centre	17,501	-	(10,379)	7,121
Hohete Tibeb S.Co	17,212	2,508	(5,536)	14,184
Ethiopian reinsurance S.CO	569,244	12,460.00	(538,902)	42,802
Abay Industry Development S.C	25,782	36,200.00	463,922	525,903
Yetebaberut Petrolem	599	457	967	2,022
Nile Insurance s.c	279	101	(153)	228
	841,641	**63,059**	**(17,331)**	**887,369**

Investments in unlisted equity securities are non-current

19 Other assets

	30 June 2024 Birr'000	30 June 2023 Birr'000
Acquired collaterals	256,632	215,371
Sundry receivables	4,814,998	3,874,155
Items in course of collection from other banks	208,740	88,770
Deposit and Prepayment	188,414	62,877
Prepaid staff asset	2,694,824	2,447,546
Gross amount	**8,163,608**	**6,688,718**
Less: other asset -ECL	(22,746)	(92,051)
	8,140,862	**6,596,667**

- The nature of the prepaid staff asset is related to the difference between the interest rate applied for the staff loans and the market interest rate. The market interest rate is determined based on consumers loans given by Ethiopian banks and prepared by the Ethiopian banker associations, for common use;
- The difference between the market interest rate and bank interest rate is calculated on Mortgage loan, Vehicle loan, and Personal loan, then the prepaid amount amortized over the loan period;
- The expected credit loss model for trade and other receivables is based on a simplified approach such as a provision matrix.

19a. Maturity analysis	30 June 2024 Birr'000	30 June 2023 Birr'000
Within one year	8,070,992	6,318,516
One year to three years	3,443	69,656
Three years to five years	1,661	
After five years	87,512	300,546
	8,163,608	**6,688,718**

19b. Impairment allowance on other assets

The movement in impairment allowance on other financial assets is as follows:

	30 June 2024 Birr'000	30 June 2023 Birr'000
At 1 July	92,051	92,177
Amounts written of		
Change in impairment	(23,899)	
Previous year adjustment held in the regulatory risk reserve account	(45,406)	(126)
Balance at the end of the year	**22,746**	**92,051**

20. Investment property

Cost:	Total Birr'000
As at 1 July 2022	12,339
Acquisitions	-
Transfer from property and equipment	(0)
As at 30 June 2023	12,339
As at 1 July 2023	**12,339**
Acquisitions	-
Transfer from property and equipment	(0)
As at 30 June 2024	**12,339**
Accumulated depreciation and impairment losses	
As at 1 July 2022	(1,305)
Amortization for the year	(234)
Impairment losses	-
As at 30 June 2023	**(1,540)**
As at 1 July 2023	(1,540)
Transfer from property and equipment	
Amortization for the year	(234)
Impairment losses	-
As at 30 June 2024	**(1,774)**
Net book value	
As at 30 June 2023	**10,800**
As at 30 June 2024	**10,565**

The investment property comprises of the following properties:

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20a Amounts recognized in profit or loss for investment properties

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
Rental income		25,832	19,058
Direct operating expenses from property that generated rental income		-	-
		25,832	**19,058**

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

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

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

The fair value of the Bank's Investment property as at June 30,2024 and has been arrived at by in-house engineers qualified estate surveyors and reviewed and approved by independent valuers. These valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

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

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

20c. Fair value hierarchy

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

30 June 2024	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Investment properties	12,339			12,339

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

21 INTANGIBLE ASSETS COST:

Investment property Cost:	Birr'000
As at 1 July 2022	590,174
Acquisitions	206,819
WIP	(51,528)
As at 30 June 2023	**745,465**
As at 1 July 2023	745,465
Acquisitions	191,884
WIP	(39,469)
As at 30 June 2024	**897,880**
Accumulated amortization and impairment losses	
As at 1 July 2022	159,352
Amortization for the year	63,531
As at 30 June 2023	**222,883**
As at 1 July 2023	222,883
Amortization for the year	83,537
As at 30 June 2024	**306,421**
Net book value	
As at 30 June 2023	522,582
As at 30 June 2024	**591,459**

22 LEASES
22.1 Leases as Lessee

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

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

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22.1.1 Right-of Use Assets and lease obligation

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

	Land Birr'000	Building Birr'000	Total Birr'000
Cost:			
Balance at 01 July 2022	87,506	3,261,992	3,349,498
Adjustments	3,598	(85,664)	(82,067)
Charge for the year	5,796	1,171,050	1,176,846
Balance at 30 June 2023	**96,899**	**4,347,378**	**4,444,277**
Balance at 01 July 2023	96,899	4,347,378	4,444,277
Adjustments		32,284	32,284
Charge for the year	144,164	1,103,557	1,247,722
Balance at 01 July 2024	**241,063**	**5,483,220**	**5,724,283**
Amortization:			
Balance at 01 July 2022	12,223	1,214,399	1,226,622
Adjustments	(5,710)	1,191	(4,519)
Charge for the year	1,614	645,811	647,424
Balance at 30 June 2023	**8,126**	**1,861,401**	**1,869,527**
Balance at 01 July 2023	8,126	1,861,401	1,869,527
Adjustments	(0)		(0)
Charge for the year	4,018	**859,786**	863,804
Balance at 30 June 2024	**12,143**	**2,721,187**	**2,733,331**
Net Carrying Value at 30 June 2023	88,773	2,485,977	2,574,750
Net Carrying Value at 30 June 2024	228,920	2,762,032	2,990,952

ii. Lease Liabilities	Land Birr'000	Building Birr'000	Total Birr'000
Cost:			
Balance at 01 July 2022	49,632	354,461	404,093
Adjustments	(6,634)		(6,634)
Additions	7,542	74,320	81,861
Interest expense in P & L	-	17,253	17,253
Payment of Leases	(1,653)	(151,630)	(153,283)
Balance at 30 June 2023	**48,886**	**294,403**	**343,289**
Balance at 01 July 2023	48,886	294,403	343,289
Adjustments	-		-
Additions		32,284	32,284
Interest expense in P & L	-	13,877	13,877
Payment of Leases	(2,188)	(120,060)	(122,248)
Balance at 30 June 2024	**46,698**	**220,505.68**	**267,204**

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

Maturity analysis-Contractual undiscounted cash flows

	June 30,2024 Birr'000	June 30,2023 Birr'000
Less than one year	2,248	845
Between one and five years	220,701	159,483
More than five years	44,254	182,962
Total undiscounted leases liabilities	**267,204**	**343,289**

22.1.2. Amounts recognized in profit or loss

	June 30,2024 Birr'000	June 30,2023 Birr'000
Interest expenses on lease liabilities (Note 6)	13,877	17,253
Short term leases of low value assets(ATM rent)	19,390	15,007

	June 30,2024 Birr'000	June 30,2023 Birr'000
Total cash outflows for leases	416,202	1,176,846

22.2 Leases as Lessor
22.2.1 Finance Lease
The Bank does not hold any finance leases in its capacity as a lessor
22.2.2 Operating Lease

The Bank leases out its building's property. The bank has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 23 sets out information about the operating leases of property and equipment.

Rental income recognized by the bank during the year ended 30 June 2024 was birr 25.83 million (2023 birr 19.06 million)

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23. PROPERTY AND EQUIPMENT

	Buildings Birr'000	Motor vehicles Birr'000	Office and other equipment Birr'000	Furniture & fittings Birr'000	Computer & Related Items Birr'000	Construction in progress Birr'000	Total Birr'000
Cost:							
As at 1 July 2022	601,478	745,103	1,297,406	708,869	556,031	1,505,590	5,414,477
Additions	149,771	266,535	96,385	519,295	312,966	266,450	1,611,402
Reclassifications	871,690					(1,031,690)	(160,000)
Fixed asset adjustment		(1,419)	- (1,799)		-	(6,368)	(9,586)
Disposals		(4,402)	(2,448)		-	-	(6,850)
As at 30 June 2023	**1,622,939**	**1,005,817**	**1,389,544**	**1,228,164**	**868,997**	**733,982**	**6,849,443**
As at 1 July 2023	1,622,939	1,005,817	1,389,544	1,228,164	868,997	733,982	6,849,443
Additions	89,597	23,310	380,131	262,569	38,387	119,719	913,713
As at 30 June 2024	**2,071,778**	**1,337,898**	**1,949,667**	**1,830,713**	**1,170,241**	**461,511**	**8,821,808**
Accumulated depreciation							
As at 1 July 2022	38,490	240,953	275,101	133,307	234,473	-	922,323
Charge for the year	30,870	75,558	158,952	77,505	89,710	-	432,596
Fixed asset adjustments		(1,348)	(150)				(1,498)
Accumulated depreciation on disposals	-	(4,115)	(284)		-		(4,399)
As at 30 June 2023	**69,360**	**311,048**	**433,619**	**210,813**	**324,183**	-	**1,349,021**
As at 1 July 2023	69,360	311,048	433,619	210,813	324,183	-	1,349,021
Charge for the year	39,495	108,809	198,677	128,595	134,583	-	610,158
As at 30 June 2024	**108,855**	**419,858**	**632,296**	**339,407**	**458,766**		**1,959,182**
Net book value							
As at 30 June 2023	1,553,579	694,769	955,925	1,017,353	544,814	733,983	5,500,422
As at 30 June 2024	**1,962,924**	**918,040**	**1,317,371**	**1,491,305**	**711,475**	**461,511**	**6,862,626**

24. DEPOSITS FROM CUSTOMERS

	30 June 2024 Birr'000	30 June 2023 Birr'000
Saving Deposits	127,835,261	108,152,457
Demand Deposits	26,484,263	25,354,503
Fixed Time Deposits	14,053,417	6,960,309
	168,372,942	**140,467,269**

The deposits are sourced from the following types of customers

	30 June 2024 Birr'000	30 June 2023 Birr'000
Private sector & Staffs	145,661,628	120,864,339
Co-operatives & Associations	4,448,603	3,592,569
Domestic banks	5,588,531	4,299,849
NR - Transferable Birr accounts	140,172	115,737
Public agencies & enterprises	9,415,053	7,683,588
NR - Non-transferable Birr accounts	128,702	102,801
NR- Foreign currency accounts	2,101,371	3,252,496
Residents	888,881	555,889
	168,372,942	**140,467,268**

The weighted average effective interest rates on interest bearing customer deposits as at 30 June 2024 was 5.71% (June 2023 -5.17%)

The maturity profile of fixed deposits and negotiable instruments of deposits are as follows

	30 June 2024 Birr'000	30 June 2023 Birr'000
Within six months	12,083,279	6,086,449
Six months to one year	1,928,024	854,992
One year to three years	42,115	14,567
Three years to five years	-	4,300
	14,053,417	**6,960,308**

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25. INTEREST FREE CUSTOMERS DEPOSITS

	30 June 2024 Birr'000	30 June 2023 Birr'000
The deposits are presented types of deposits:		
Saving Deposits;		
Mudarabaha	1,299,105	175,356
Wadia	19,618,401	15,584,488
	20,917,507	**15,759,844**
Demand Deposits;		
Wadia Current	3,028,845	2,229,578
	3,028,845	**2,229,578**
Term Deposits;		
Mudarabaha	189,802	80,181
	189,802	**80,181**
Total IFB Deposit	**24,136,154**	**18,069,603**

Please note the term deposits are unrestricted

The IFB deposits are sourced from the following types of customers:

	30 June 2024 Birr'000	30 June 2023 Birr'000
Private sector & Staffs	23,428,675	17,932,509
Co-operatives & Associations	250,476	103,721
Domestic banks	451,142	20,921
Public agencies & enterprises	18,343	12,452
	24,136,154	**18,069,603**

The maturity profile of Term deposits are as follows:	30 June 2024 Birr'000	30 June 2023 Birr'000
Within Three months	100,228	58,864
Three months to Six Month	31,281	9,282
Six Month to One year	52,913	5,535
Above one year	5,380	6,500
	189,802	**80,181**

26. OTHER LIABILITIES

	30 June 2024 Birr'000	30 June 2023 Birr'000
Cashiers' payment orders	452,678	868,950
MTs and TTs payable - local and foreign	9,685	236
Dividend payable	131,573	97,272
Exchange and auction payable to NBE	130,507	117,581
Accrued leave payable	402,280	327,604
Board of Director fee	1,350	1,350
Margins held on letters of credit	951,488	493,888
Other payables	1,770,889	3,006,322
Bonus accrual	190,094	582,525
Unearned income	258,471	75,737
Provision on salary, other expense and asset damage for North Ethiopia conflict	515,917	515,917
Gross amount	**4,814,931**	**6,087,382**

	30 June 2024 Birr'000	30 June 2023 Birr'000
Within one year		
One year to three years	4,814,931	6,087,382
Three years to five years		
After five years		
	4,814,931	6,087,382

Movement in unearned income

2024	Guarantee commission	Service change on letter of credit	Total
01 July ,2023	57,687	18,051	75,737
Income recognized	(55,504)	(18,051)	(73,554)
Deffred income	159,803	96,485	256,288
Balance at the end of the year	**161,987**	**96,485**	**258,471**
2023			
01 July ,2022	44,514	67,057	111,570
Income recognized	(31,073)	(67,057)	(98,129)
Deffred income	44,246	18,051	62,296
Balance at the end of the year	**57,687**	**18,051**	**75,737**

BANK OF ABYSSINIA S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

27 . BORROWING

	30 June 2024 Birr'000	30 June 2023 Birr'000
Borrowings NBE	-	3,366,312
	-	3,366,312

28. RETIREMENT BENEFIT OBLIGATIONS

	30 June 2024 Birr'000	30 June 2023 Birr'000
Retirement benefit obligations		
Defined benefits liabilities:	311,174	266,600
– Severance pay (note 26a)		
Liability in the statement of financial position	**311,174**	**266,600**

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

Income statement charge included in personnel expenses:		
– Gross service cost	35,017	26,963
– Interest Cost on DBO		
Total defined benefit expenses	60,360	**53,182**
	95,377	**80,145**
Remeasurements for:		
– Actuarial (Gains)/Losses on economic assumptions	21,006	11,075
– Actuarial (Gains)/Losses on experience (liabilities)	(54,598)	(13,608)
Expense/(Income) recognised in OCI	**(33,592)**	**(2,533)**

28a. Severance pay

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

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

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

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

	30 June 2024 Birr'000	30 June 2023 Birr'000
A Liability recognized in the financial position	311,174	266,600

	30 June 2024 Birr'000	30 June 2023 Birr'000
B Amount recognized in the profit or loss		
Net Service Cost	35,017	26,963
Net Interest on Net Defined Benefit Asset	60,360	53,408
	95,377	**80,371**

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

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.

The Past Service Income in the previous year reflects the combined effect of removing the retirement benefit for all employees, adding the 3-year service minimum for management staff, and also adding all previous provident fund members to the valuation.

BANK OF ABYSSINIA S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

	30 June 2024 Birr'000	30 June 2023 Birr'000
C Amount recognized in other comprehensive income:		
Remeasurement (gains)/losses arising from changes in demographic assumptions	21,006	(13,608)
Remeasurement (gains)/losses arising from changes in the financial assumptions	(54,598)	11,075
Tax credit /(charge)	10,078	760
	-23,514	**-1,773**

Remeasurement (loss) on retirement benefits obligations of 2024 birr 33.59 million and 2023 birr 2.5 million it's other component of equity (OCE) with debit balance and should be.

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

	30 June 2024 Birr'000	30 June 2023 Birr'000
Defined Benefit Obligation at the beginning of the period	266,600	206,114
Current Service Cost (excluding interest)	35,017	26,963
Benefits Paid	-17,211	-17,352
Interest Cost	60,360	53,408
Actuarial (Gains)/Losses on economic assumptions	21,006	11,075
Actuarial (Gains)/Losses on experience	-54,598	-13,608
At the end of the year	**311,174**	**266,600**

The significant actuarial assumptions were as follows:

i. Financial Assumption Long term Average

	30 June 2024 Birr'000	30 June 2023 Birr'000
Discount rate (p.a)	18.70%	20.60%
Rate of person increase (p.a)	14.30%	15.10%
Average rate of inflation (p.a)	14.30%	15.10%
Net pre-retirement rate	**3.85%**	**4.78%**

ii. Mortality in Service

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

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

iii. Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 14% at the youngest ages falling with increasing age to 2.9% at age 40.
The sensitivity of the overall defined benefit liability to changes in the weighted principal assumption is:

30 june 2024	Base DBO ETB'000	DBO on changed assumptions ETB'000	% change
Discount rate +1%	311,174	291,686	-6.30%
Discount rate -1%	311,174	332,151	6.70%
Discount rate +1%	311,174	332,794	6.90%
Discount rate -1%	311,174	290,792	-6.60%

30 june 2023	Base DBO ETB'000	DBO on changed assumptions ETB'000	% change
Discount rate +1%	266,600	250,555	-6.00%
Discount rate -1%	266,600	283,823	6.50%
Discount rate +1%	266,600	284,515	6.70%
Discount rate -1%	266,600	249,675	-6.30%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.
There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the severance pay plan at the end of the reporting period is 2.78 years.

BANK OF ABYSSINIA S.C.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

29. ORDINARY SHARE CAPITAL

	30 June 2024 Birr'000	30 June 2023 Birr'000
Authorized:		
15,000,000 ordinary shares of Birr 1000 each	15,000,000	12,500,000
Issued and fully paid:		
14,205,000ordinary shares of Birr 1000 each	14,205,583	11,898,416

30. 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.

BoA presents basic earnings per share ("EPS") for profit or loss from continuing operations attributable to the ordinary equity holders of the Bank on the face of the income statements.
Distribution of dividend to shareholders shall be from the net profit which shall be proposed by the Board of directors and subsequently approved by the general assembly.

	30 June 2024 Birr'000	30 June 2023 Birr'000
Profit after tax	4,237,997	3,872,832
Weighted average number of ordinary shares in issue	12,875,221	9,907,298
Basic & diluted earnings per share (%)	33%	39%

31 RETAINED ERANINGS

	30 June 2024 Birr'000	30 June 2023 Birr'000
At the beginning of the year	2,877,747	2,140,154
Profit/ (Loss) for the year	4,237,997	3,872,832
Dividends paid	(2,877,747)	(2,140,154)
Director's Share of profit	(1,350)	(1,350)
Transfer to legal reserve	(1,059,499)	(985,536)
Transfer to regulatory risk reserve	(640,656)	(81,397)
Transfer from Revaluation surplus	3,899	3,888
Recognition of deferred tax effect of previous year's	36,523	69,310
At the end of the year	**2,576,913**	**2,877,747**

32. Legal reserve

	30 June 2024 Birr'000	30 June 2023 Birr'000
At the beginning of the year	3,341,542	2,356,007
Transfer from profit or loss	1,059,499	968,208
Recognition of deferred tax effect for previous years		17,327
At the end of the year	**4,401,041**	**3,341,542**

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

This account contains amount apportioned and credited from the yearly profit of the BoA in accordance with the prevailing rate; as per relevant NBE directive, the account is debited only when the Bank ceases its operations.

33. REGULATORY RISK RESERVE

	30 June 2024 Birr'000	30 June 2023 Birr'000
At the beginning of the year	704,452	623,055
Transfer (from) / to retained earnings;		
Loan provision adjustment (IFRS vs NBE)	201,860	39,003
Other asset provision (IFRS vs NBE)	381,121	
Interest Income suspended Adjustments	57,675	198,158
Previous years regulatory risk reserve adjustment	(36,523)	(155,764)
At the end of the year	**1,308,585**	**704,452**

The previous year's adjustments indicate that the reclassification of the other asset provision is in accordance with the National Bank of Ethiopia's provisioning requirements, moving it from the provision liability to the regulatory risk reserve account.
Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is higher than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the Bank.
Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is less than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred from regulatory risk reserve to the retained earning to the extent of the non-distributable reserve previously recognized.

Suspended interest income kept under this regulatory reserve account until the regulatory organs (NBE) amended the directive related with provision.
This account is affected for two possible reasons: one is when NBE loan and other asset provision differs from the IFRS loan and other asset provision; second 70% of suspended interest income is accumulated to this account.

BANK OF ABYSSINIA S.C.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

34. OTHER RESERVES

	30 June 2024 Birr'000	30 June 2023 Birr'000
At the beginning of the year	192,611	306,508
Movement in fair value reserve -equity investment	29,224	(5,008)
Re-measurement gains on defined benefit plan (Net of tax) (Note 26a)	23,514	1,773
Recognition of deferred tax effect of previous years		(110,662)
At the end of the year	**245,349**	**192,611**

We reversed the fair valuation of the gain or loss for Abay Industry and Addis Africa Convention Center, as both companies have not started normal operations. Therefore, we recognized the value as the invested amount.

35. REVALUTION SURPLUS ACCOUNT

	30 June 2024 Birr'000	30 June 2023 Birr'000
At the beginning of the year	428,610	438,866
Adjustment for for the year		-6,368
Amount recycled to retained earning for the year	-3,899	-3,888
	424,711	**428,610**

The revalution surplus account is a non-distributable to shareholder's and non-taxable income kept under equity section which is the net revalued amount for building asset in order to the bank followed fair value approach as deemed cost for first time adoption of IFRS until Tax authority recognize fair value approach regarding with property, plant and equipment. However, during the year the revolution surplus amount has reduced by the deprecated amount and transfer to retained earnings.

36. CASH GENERATED FROM OPERATING ACTIVITIES

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
Profit before tax		5,278,043	5,230,027
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	23	610,215	432,596
Depreciation of investment property	20	235	234
Depreciation of right use of asset	22	876,938	647,425
Amortization of intangible assets	21	83,540	63,531
Gain/(Loss) on disposal of property, plant and equipment	10	-	(8,043)
Impairment on loans and receivables	11	1,099,637	960,372
Impairment on other financial assets	12	(68,909)	107
Retirement benefit obligations		-	(52,881)
Income from share(Dividend Income)		-	1,720
Interest on lease liability		13,877	17,253
Severance Payment		78,166	63,009
Net Gain Foreign currency transactions and translations		99,191	(7,871)

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
Changes in working capital:			
-Decrease/ (Increase) in loans and advances	17	(19,394,955)	(33,177,016)
-Decrease/ (Increase) in other assets	19	(1,474,890)	(2,797,912)
-Increase/ (Decrease) in other liabilities	26	964,980	(1,749,366)
-Increase/ (Decrease) in deposits by customers	24	27,905,673	36,491,453
		16,071,740	**6,114,637**

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

	30 June 2024 Birr'000	30 June 2023 Birr'000
Proceeds from PPE	-	10,494
Net book value of property , plant and equipment disposed	-	(2,451)
Gain/(loss) on sale of property , plant and equipment	-	**8,043**

37. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel include all the directors and chief executive officers of the Bank.

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

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

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

37a. Loans and Advacnes to Board of directors and executive management of the bank

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

BANK OF ABYSSINIA S.C.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

	30 June 2024 Birr'000	30 June 2023 Birr'000
Loans to directors and executive Management	887,269	574,540

37b. Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2024.

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

	30 June 2024 Birr'000	30 June 2023 Birr'000
Board of directors		
Directors Allowance	3,806	2,525
Directors share on profit	1,350	1,350
Executive Management		
Salaries and other short-term employee benefits	45,908	41,660
Sitting/ representation allowance	2,760	2,718

38. CONTINGENT LIABILITIES

38a. 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 30 June 2024 is Birr 2.2 million (30 June 2023: Birr 2.2 million). No provision has been made in the financial statements as the Directors believe that it is not probable that the economic benefits would flow out of the Bank in respect of these legal actions.

38b Off-balance sheet items

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

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

	30 June 2024 Birr'000	30 June 2023 Birr'000
Financial guarantees	10,531,742	3,861,742
Loans and advances approved but not disbursed	4,932,812	4,821,883
Unutilized overdraft and other revolving facilities	3,344,056	678,117
Letters of credit	2,571,135	983,323
	21,379,745	**10,345,065**

39. COMPARATIVE FIGURES

Some of the previous year figures have been reclassified to make them comparable with current year presentation.

40 EVENTS AFTER REPORTING PERIOD

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

- Banks corporate governance directive
- Requirements for persons significant influence in the Bank
- Related party directive in respect of related party transactions
- Large exposures to counterparties or group of connected directives
- Asset classification and provisioning directive
- Foreign exchange directive, which includes a shift to a market -based exchange regime and the end of the surrender requirements to the NBE

Impact of Foreign Exchange Policy Change

As of the preparation date of this report, the Ethiopian Birr has depreciated by approximately 90%. This affects the balances of FCY-denominated assets and liabilities, as shown below:

As at 30 June 2024	Carrying Amount in Birr	'90% Depreciation
Foreign currency Assets	3,469,638	3,122,675
Foreign currency liabilities	4,006,294	3,605,664
	(536,655)	**(482,990)**

Based on this information, the bank could incur an impact of approximately 482 million in foreign exchange loss .

40 b. In the opinion of the Directors, except for the possible impact of the matter indicated in 40,a. above, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Bank as at 30 June 2024 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

አቢሲንያ ባንክ
Bank of Abyssinia

የ፳፻፲፮ ዓ.ም

የውጭ ኦዲተሮች ሪፖርት

የትርፍና ኪሳራ፣ ሌሎች ገቢዎች እንዲሁም የሀብትና እዳ መግለጫ

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ሰኔ 23 ቀን 2016 ዓ.ም ላለቀው አመት

	ማብራሪያ	ሰኔ 23, 2016 ብር'000	ሰኔ 23, 2015 ብር'000
ከወለድ የተገኘ ገቢ	5	24,603,162	20,964,626
ሲቀነስ:-የወለድ ወጪ	6	(8,018,511)	(6,140,426)
የተጣራየወለድ ገቢ		**16,584,651**	**14,824,200**
ከውጪ ሀገር ገንዘብ ምንዛሬ ተመን ለውጥ የተገኘ ትርፍ	7	99,191	(223,562)
ከአገልግሎት ገቢ		1,189,565	687,708
ከኮሚሽን ገቢ	8	909,251	731,755
የተጣራ የአገልግሎትና ኮሚሽን ገቢ		**2,198,007**	**1,195,901**
ከትርፍ ክፍፍል ገቢ	9	45,543	52,915
ከልዩ ልዩ ገቢ	10	901,256	514,764
		946,799	**567,679**
አጠቃላይ መደበኛ ገቢ		**19,729,457**	**16,587,780**
ለብድር የተያዘ መጠባበቂያ	11	(1,099,637)	(960,372)
ለሌሎች ሀብቶች የተያዘ መጠባበቂያ	12	68,909	(107)
የተጣራ መደበኛ ገቢ		**18,698,729**	**15,627,301**
ለሠራተኞች ደመወዝና ጥቅማ ጥቅሞች	13	(9,112,164)	(7,434,250)
ሀልዎትለሌላቸው (Intangible) ሀብት የማቋቋሚያ ወጪ	21	(83,540)	(63,531)
የቋሚ ሀብት እርጅና ተቀናሽ	23	(610,415)	(432,596)
የኢንቨስትመንት ሀብት እርጅና ተቀናሽ	20	(235)	(234)
የቤት ኪራይ ወጪ	22	(876,938)	(647,425)
ከቤት ኪራይ ጋር የተያያዘ የወለድ ወጪ	22	(13,877)	(17,253)
ሌሎች መደበኛ ወጪዎች	14	(2,723,717)	(1,801,986)
ትርፍ - ከትርፍ ግብር በፊት		**5,278,043**	**5,230,026**
ሲቀነስ:-የትርፍ ግብር መጠባበቂያ	15	(1,040,047)	(1,357,194)
ትርፍ - ከትርፍ ግብር በኋላ		**4,237,996**	**3,872,832**
ሌሎች ገቢዎች ከትርፍ ግብር በኋላ			
በትርፍና ኪሳራ መዝገብ የማይካተቱ ገቢዎች/ወጪዎች/			
በጡረታ ጊዜ ለሰራተኞች ሊከፈል የሚችል ጥቅማጥቅም	28	33,592	2,533
ወደፊት ሊከፈል የሚችል የትርፍ ግብር		(10,078	(760)
		23,514	**1,773**
በወቅታዊ ዋጋ ተሰልቶ የተገኘ የኢንቨስትመንት ገቢ	34	41,748	(7,154)
ወደፊት ሊከፈል የሚችል የትርፍ ግብር		(12,524)	(2,146)
		29,224	**(5,008)**
አጠቃላይ በትርፍና ኪሳራ መዝገብ የማይካተቱ ገቢዎች/ወጪዎች/		**52,738**	**(3,234)**
የአመቱ አጠቃላይ የተጣራ ገቢ		**4,290,734**	**3,869,598**
እያንዳንዱ አክሲዮን ያስገኘው ትርፍ	30	**33%**	**39%**

መኮንን ማንያዘዋል
የዲሬክተሮች ቦርድ ሊቀመንበር

በቃሉ ዘለቀ
ዋና ሥራ አስፈፃሚ

አቢሲንያ ባንክ
ሀብትና ዕዳ መግለጫ
ሰኔ 23 ቀን 2015 ዓ.ም ሳለቀው አመት

	ማብራሪያ	ሰኔ 23, 2016 ብር'000	ሰኔ 23, 2015 ብር'000
ሀብት			
ጥሬገንዘብ እና ጥሬ ገንዘብ አከል ሀብት	16	27,943,909	21,148,144
ለደንበኞች የተሰጡ ብድሮች	17	163,922,581	143,796,168
ኢንቨስትመንት	18		
የብሔራዊባንክ ሰነድ ግዢ		10,821,281	8,475,363
በተለያዩኢ. ማህበራት የተደረገ ኢንቨስትመንት		1,018,934	887,369
ሌሎች ሀብቶች	19	8,140,862	6,596,667
የኢንቨስትመንት ሀብት	20	10,565	10,800
ሀልዎት የሌላቸው (Intangible) ሀብት	21	591,459	522,582
ለቤት ክራይ የተከፈለ	22	2,990,952	2,574,750
ቋሚ ሀብት	23	6,862,626	5,500,422
አጠቃላይ ሀብት		**222,303,169**	**189,512,265**
የዕዳ ሚዛን			
የደንበኞች ተቀማጭ ገንዘብ	24	168,372,942	140,467,269
ከወለድ ነፃ ደንበኞች ተቀማጭ ገንዘብ	25	24,136,154	18,069,603
ሌሎች ዕዳዎች	26	4,814,931	6,087,382
ተከፋይ የትርፍ ግብር	15	1,094,277	1,282,442
በውል ዘመኑ ሊከፈል የሚችል የቤት ክራይ	22	267,204	343,289
በጡረታ ጊዜ ለሰራተኞች የሚከፈል ጥቅማጥቅም	28	311,174	266,600
ወደፊት የሚከፈል የትርፍ ግብር	15d	112,387	154,071
ብድር ከብሔራዊ ባንክ	27		3,366,312
አጠቃላይ የዕዳ ሚዛን		**199,109,069**	**170,036,968**
የካፒታልና መጠባበቂያ ሒሳቦች			
የተከፈለ ካፒታል	29	14,205,583	11,898,416
በአክሲዮንሽያጭ ዋጋ ብልጫ የተከፈለ		5,998	5,998
ያልተከፈለ ትርፍ	31	2,576,913	2,877,747
ለህንፃዎች ወቅታዊ ግምት በልዩነት የተያዘ	35	424,711	428,610
ሕጋዊ የመጠባበቂያ ሒሳብ	32	4,401,042	3,341,543
በብሔራዊ ባንክ መመሪያ መሰረት ለብድር የተያዘ ተጨማሪ መጠባበቂያ	33	1,308,585	704,452
ልዩ የመጠባበቂያ ሒሳብ		25,919	25,919
ሌሎች የመጠባበቂያ ሒሳቦች	34	245,349	192,612
አጠቃላይ ካፒታልና የመጠባበቂያ ሒሳቦች ሚዛን		**23,194,100**	**19,475,297**
አጠቃላይ ዕዳዎች ካፒታልና የመጠባበቂያ ሒሳብ ሚዛን		**222,303,169**	**189,512,265**

መኮንን ማንያዘዋል
የዲሬክተሮች ቦርድ ሊቀመንበር

በቃሉ ዘለቀ
ዋና ሥራ አስፈፃሚ

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