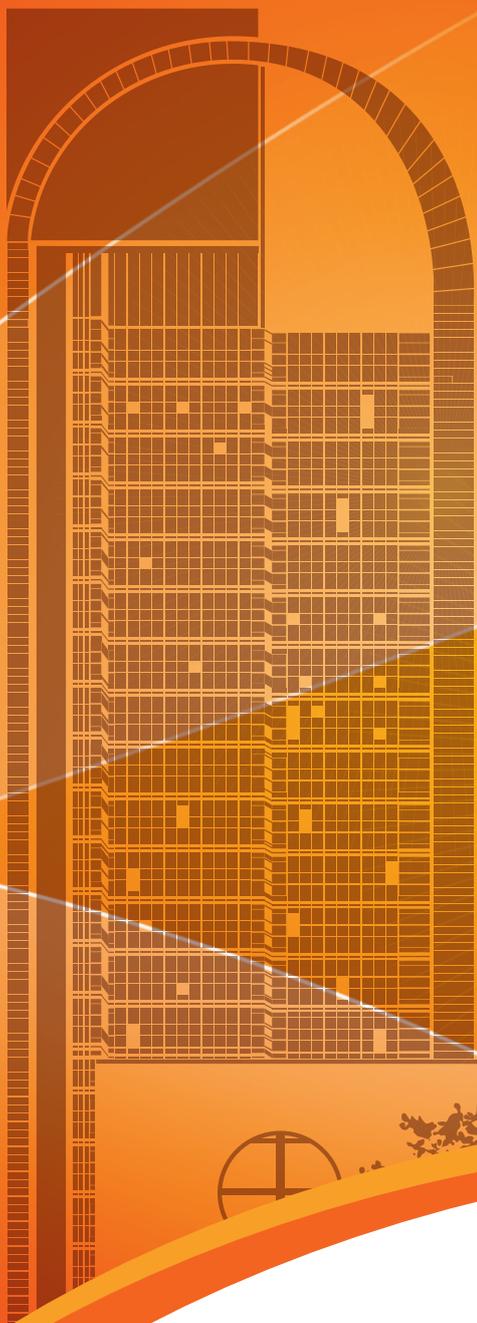


2017  
18

ANNUAL  
REPORT



פּוֹדָאָטְוִינְט אַבֶּז  
**Excelling Together**

חֵזק וְנֶחֱמָה  
**Wegagen Bank** 

**Your Card is  
your Wallet.**



## **Take your Agar Card Today.**

Enjoy unparalleled purchasing power and be part of the world of special privileges, benefits and rewards designed exclusively for you with your Wegagen Agar Visa Card.

Go to the nearest Wegagen Bank branch today.  
**For more information, visit: [www.wegagen.com](http://www.wegagen.com)**

### **YOUR WEGAGEN BANK APP.**

Available for download via iTunes® or Google Play®



## CONTENT

<b>Message from Chairperson of the Board of Directors .....</b>	<b>9</b>
<b>Message from the President/CEO .....</b>	<b>12</b>
<b>Board of Directors' Report .....</b>	<b>16</b>
<b>Independent Auditor's Report .....</b>	<b>33</b>
<b>Statement of profit or loss and other comprehensive income .....</b>	<b>36</b>
<b>Statement of financial position .....</b>	<b>37</b>
<b>Statement of changes in equity.....</b>	<b>38</b>
<b>Statement of cash flows .....</b>	<b>39</b>
<b>Notes to the Financial Statements .....</b>	<b>41</b>



***Excelling Together***

**Our Vision**

**“To be one of the ten most  
reputable and competent Banks in  
Africa by the year 2025”**

**Wegagen Bank S.C. was established on June 11, 1997. It came into being thanks to 16 visionary founding members who recognized the critical role that financial institutions would play to create a sustainable economic development and raised an initial capital of birr 30 million. As at June 30, 2018 the paid up capital of the Bank reached Birr 2.3 billion. The number of Shareholders is now 3,199.**





welcome.

## **Our Mission**

- Optimize the stockholder value through sustainable growth and profitability
- Provide wide range of innovative and customer focused Banking products and services
- Boost operational excellence by employing state-of-the-art information Technology
- To be the employer of choice by creating conducive working environment wherein employees achieve their career aspiration

## Core Values

Honesty, Integrity and  
Loyalty

Service Excellence

Professionalism

Learning and Innovation

Employee Satisfaction

Respect and Dignity

Social Responsiveness

Good Corporate  
Governance

Equal Employment  
Opportunity



Mengisteab G/kidan  
**Chairman**



Tefera Molla  
**V. Chairman**



Amanuel G/Kidan  
**Member**



Atey Tadele  
**Member**



Tadesse Adane  
**Member**



Araya Merid  
**Member**



Col. Mulu Berhane  
**Member**



W/ro Ferida Ahmed  
**Member**



W/ro Mahta Embaye  
**Member**



Fikru Jiregna  
**Member**



Araya G/Egziabher  
**President/CEO**



Woldegebriel Wedajo  
**VP, Resources**



Wondifraw Tadesse  
**VP, Corporate  
Services**



Desaley Embza  
**VP, Operation**



Assefa Yeshanew  
**A/VP, Information  
Technology Services**

THE MANAGEMENT TEAM



**Yehwalashet Zewdu**  
**Director, Control**



**Addis W/Cherkos**  
**Director, Branch Operations**



**Tesfaye H/Michael**  
**Director, Engineering Services**



**Getshu Begashaw**  
**Director, Treasury Management**



**Yohannes Mengistu**  
**Director, Material Resources & Facilities Mgt.**



**Kindie Abebe**  
**Director, Accounts & Reconciliation**



**Russom Mesghena**  
**Director, Human Resource Mgt.**



**Yoseph Gezachew**  
**Director, Credit Analysis & Portfolio Mgt.**



**Desalegn Assefa**  
**Director, Corporate Strategies & Change Mgt.**



**Fikru W/Tensie**  
**Director, Marketing & Corporate Communications**



**Tewodros Legesse**  
**Director, International Banking**



**Zeray G/Wahid**  
**Executive Assistant**



**Nebiyu Mengistu**  
**Director, E-Banking**



**Tilahun Temotewos**  
**Director, IT Infrastructure Mgt. Services**



**Geteye Mekuria**  
**Director, Risk & Compliance Mgt.**



**Medhanie Taddele**  
**Director, Legal Services**



## Message from Chairperson of the Board of Directors

It is indeed an honor and privilege for me to present Wegagen Bank's FY 2017/18 annual report to the General Assembly of shareholders of the Bank.

Both the global and domestic economic environments have shown a modest improvement despite the circumstances in the fiscal year under review. The IMF World Economic Outlook indicates that the global economy has registered growth in 2017 attributable to the investment recovery in advanced economies coupled with continued strong growth in most of emerging Asian economies. Compared to 2016, advanced economies grew 2.4% in 2017, up by 0.7%, while that of emerging market and developing economies registered a growth of 4.7%, exhibiting a 0.3% growth year-on-year. The domestic economy is expected to grow in EFY 2010, with an estimated rate between upper single digit and lower double digit, despite the double-digit inflation experienced in the whole fiscal year except the month of July. The export sector has shown signs of recovery with a marginal increase of 4% at USD 1.95 Billion over last fiscal year's corresponding period. The fiscal year under review also saw the introduction of various directives in the regulatory and banking industry, which helped it continue to register a robust growth in all key financial and operational performance indicators.

Withstanding both external and internal challenges, the Bank has registered remarkable performances in the 2017/18 fiscal year with the joint effort of all stakeholders. The Bank's total deposit reached



**“ The fiscal year under review also saw the introduction of various directives in the regulatory and banking industry, which helped it continue to register a robust growth in all key financial and operational performance indicators. ”**

Birr 20.5 billion as at June 30, 2018, exhibiting a growth of 30.6% year-on-year. Corresponding to growth of total deposit, total outstanding loans and advance grew by 45.1% year-on-year to reach 15 billion. Moreover, total asset and paid-up capital of the Bank reached Birr 27.4 billion and Birr 2.3 billion showing a growth of 31.1% and 11.5%, respectively, over the preceding year balances.

The Bank earned a total income of Birr 3.1 billion and incurred a total expense of Birr 2.1 billion in the 2017/18 fiscal year. In fiscal year 2017/18, the Bank realized a profit before tax of Birr 1.1 million. This performance was a 48.8% growth as compared to preceding year's performance. The return on asset (ROE) and Return on Equity (ROE) stood at 3.3% and 22.5%, respectively.

On top of registering notable performance in both operational and financial indicators, the Bank's performance in areas of strategy implementation, human capital development, expansion of service delivery channels and utilization of banking technology was remarkable. In a bid to expand its business and accessibility, the Bank has grown in size; increasing its number of employees to 4,165; expanding its branch network adding 64 new branches to reach 277; and expanding its customer base as well as customer service delivery channels through deployment of electronic banking technologies. In the year under review, the Bank has also completed and colourfully inaugurated its Headquarters building, which now houses the head office operations.

Looking forward, the Bank will strive to register higher performance in both operational and financial indicators in the year ahead, by implementing various initiatives in the areas of operational excellence, human capital development, information communication technologies and business development. The Bank, therefore, remains committed to pursue its vision and mission and there by meeting the interest of all of its stakeholders in the upcoming periods.

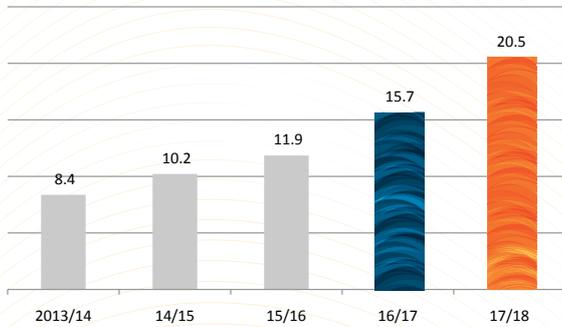
Lastly, I would like to convey my sincere appreciations to all esteemed customers, respected shareholders, members of the Board of Directors, management and entire employees of the Bank for the unified effort, commitment, and dedication provided to support the Bank to record a better performance. I would also like to thank National Bank of Ethiopian and other key players in the industry for the role they played in creating conducive business environment for the banking industry.



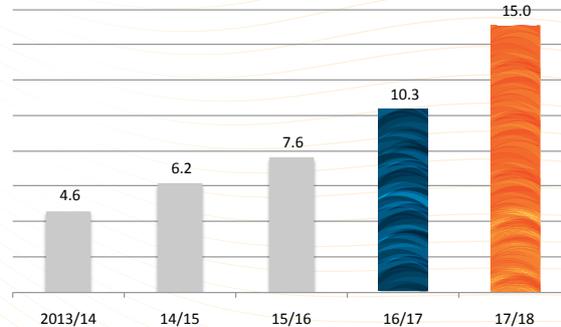
Mr. Mengsteab G/Kidan  
Chairman Board of Directors



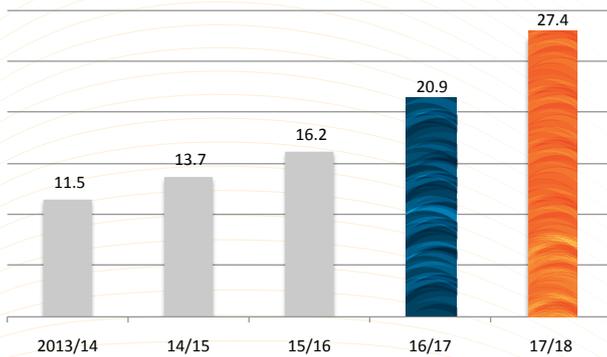
## PERFORMANCE HIGHLIGHTS



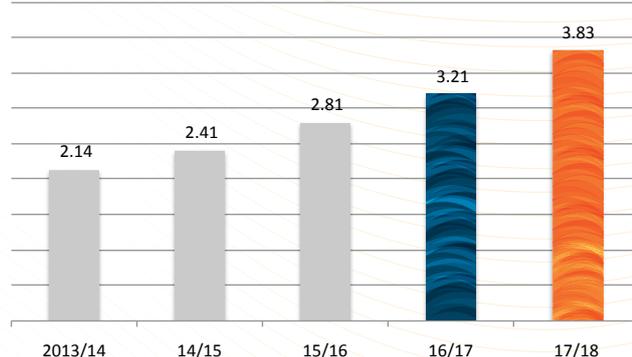
**Total Deposit (billions)**



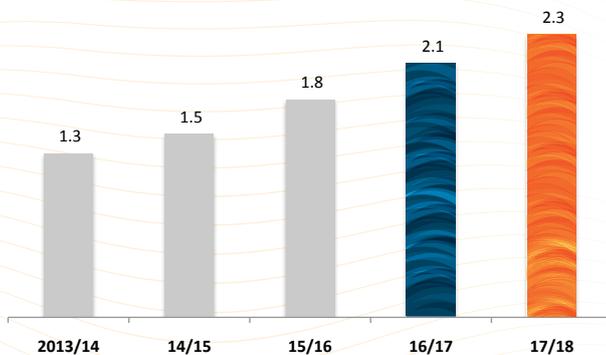
**Loans & Advances (billions)**



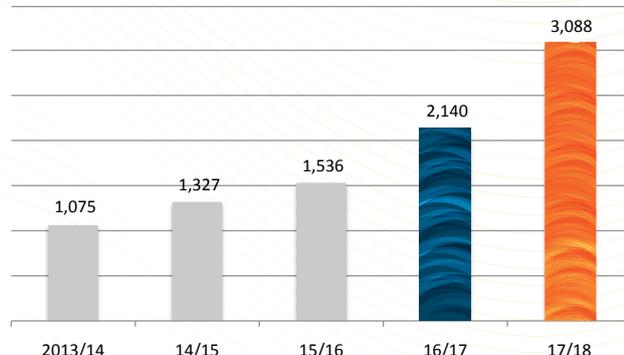
**Total Assets (billions)**



**Total Capital (billions)**



**Paid-up Capital (billions)**



**Total Income (Millions)**

## Message from the President/CEO

Dear Fellow Shareholders,

EFY 2010 was a true test of our ambition and discipline. The year brought challenges and headwinds, yet our underlying performance remained robust. We witnessed good growth in our year-on-year profits, and other key performance indicators. My colleagues and I are pleased to report that our Bank has registered a profit of over a billion birr becoming only the third private bank to do so and solidifying its position as one of the leading private commercial banks in the country.

In line with our Vision 2025 and corresponding strategic plan, we continued to invest in strategic initiatives set out to modernize Wegagen and prepare it for the 21st century banking requirements that come from the ever enlightened and ever demanding customer and the potential threats that may arise from the opening of the economy to international competition. Whilst focusing on investments in long-term strategic infrastructure, capacity, and human capital, we have also demonstrated a substantial growth in all areas of operation including loans and deposits.

Against a backdrop of continuing economic & regulatory challenges, I am pleased to see our key indicators performing well with a strong return on equity of 36%, commendable resource mobilization rate of 30.8%, and strong capital adequacy ratio of 19%. We have expanded our branch network to over 277 across the length and breadth of



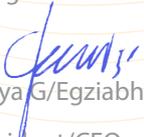
**“ I am pleased to see our key indicators performing well with a strong return on equity of 36%, commendable resource mobilization rate of 30.8%, and strong capital adequacy ratio of 19%. ”**

the country operating under nine District Offices which had been instrumental in our efforts to grow value of deposits to Birr 20.4 billion. While the balance sheet is always an important measure of achievement, we believe success goes beyond the numbers. In the concluded fiscal year, we have set out to implement several initiatives that position our Bank in a favorable situation amid a heated competition among banks. We have developed & implemented resource mobilization strategies, resulting in introduction of several products & services; review of our customer experience & service delivery; conducted aggressive image and brand visibility campaigns; introduced new core banking technology & started building new data center; undertook preparations to construct buildings for our regional offices; as well as customer segmentation and value proposition endeavors.

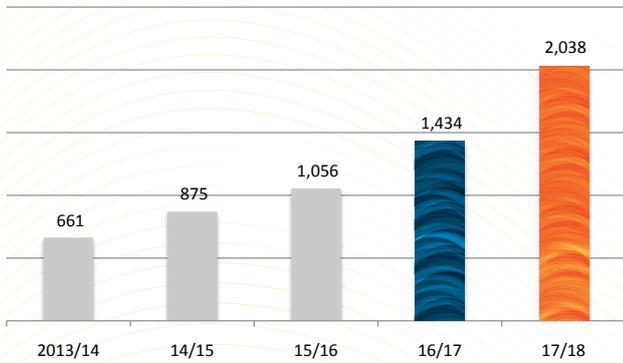
Competition in the market is growing, so is our preparedness. Our investments & initiatives that we continue to put in place will ensure not only our competitiveness in today's situations but also bolster our position as we aspire to be the most reputable bank. The achievements we made this year bear witness to the fact that we are on the right track. We will continue to build on our strong foundation. In the next fiscal year, we will certainly be in a much better position despite the economic uncertainties.

Wegagen's greatest assets are our carefully considered strategy, a clear and compelling vision, and — perhaps most important - a strong set of shared values from our talented and committed workforce and broader stakeholder. Our success & achievements always come from the joint efforts that all stakeholders put in. I would like to take this moment to thank our Shareholders, both the outgoing & new Board of Directors, my fellow colleagues at the Executive Management and all staff for their unreserved commitment to the remarkable success & achievement we registered in EFY 2010. I trust that what we have seen in EFY 2010 will encourage us to do even more and achieve far better in EFY 2011.

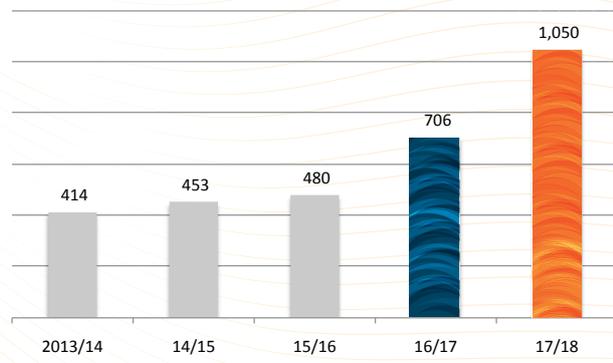
Congratulations and thank you

  
Araya G/Egziabher  
President/CEO

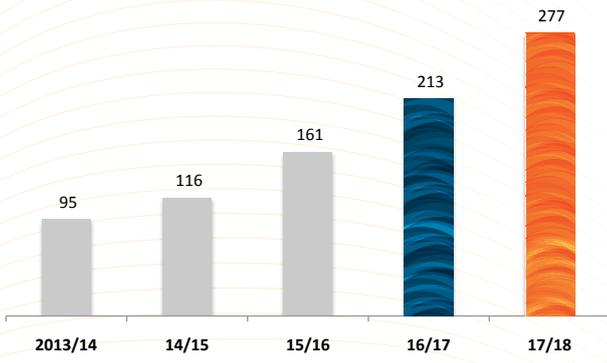




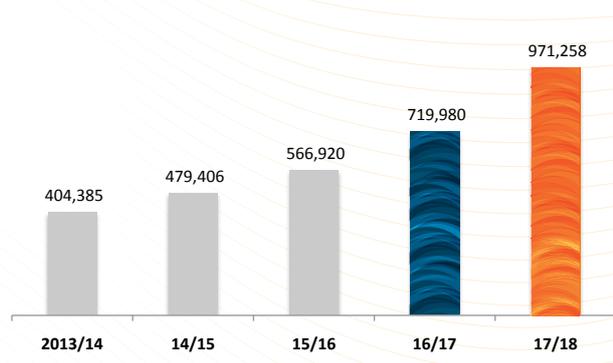
**Total Expense (Millions)**



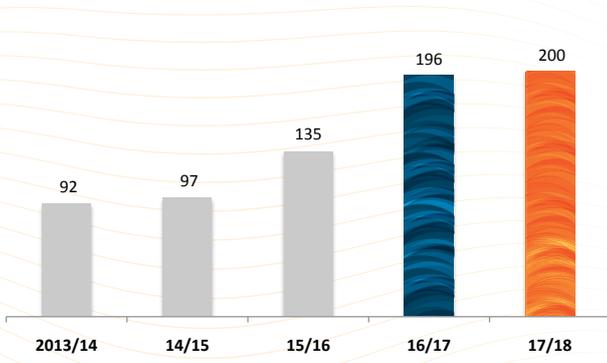
**Profit Before Tax (Millions)**



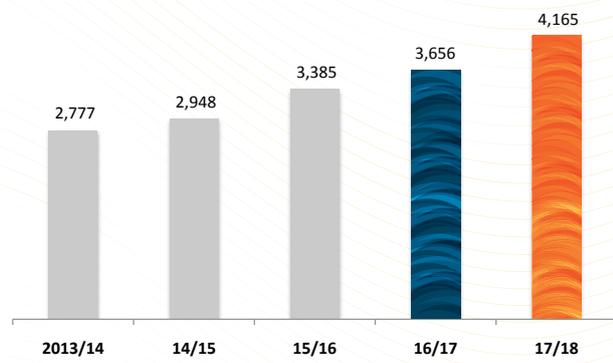
**Number of Branches**



**Number of Deposit Account**



**Number of ATMs**



**Number of Employees**



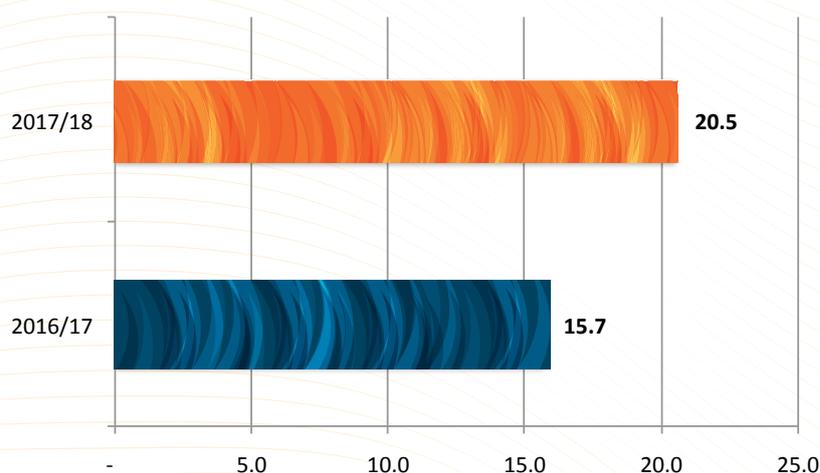
# OPERATIONAL PERFORMANCE



## 1. OPERATIONAL PERFORMANCE

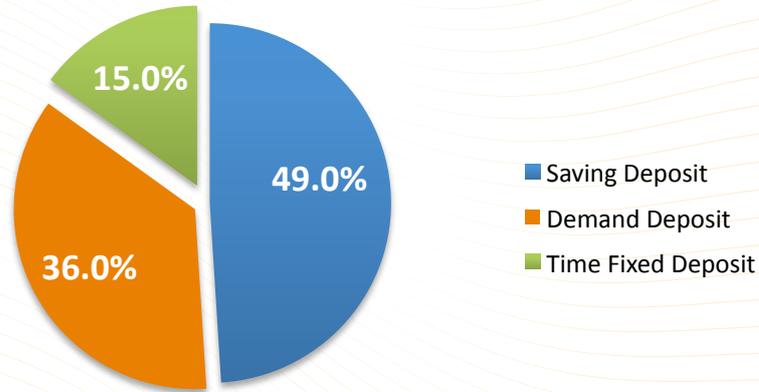
### 1.1. Deposit Mobilization

The Bank has been registering sustainable and steady growth of deposits over the last five years. As at June 30, 2018, the total deposit of the Bank reached Birr 20.5 billion exhibiting a growth of 30.6% or Birr 4.8 billion over the beginning year balance of Birr 15.7 billion. This sustainable performance in deposit mobilization largely reflects the aggressive branch expansion pursued by the Bank, the growth registered in the customer base and the ameliorated customer services provided by the Bank.



**Fig 1 : Comparison of Total Deposits (In Billions of Birr)**

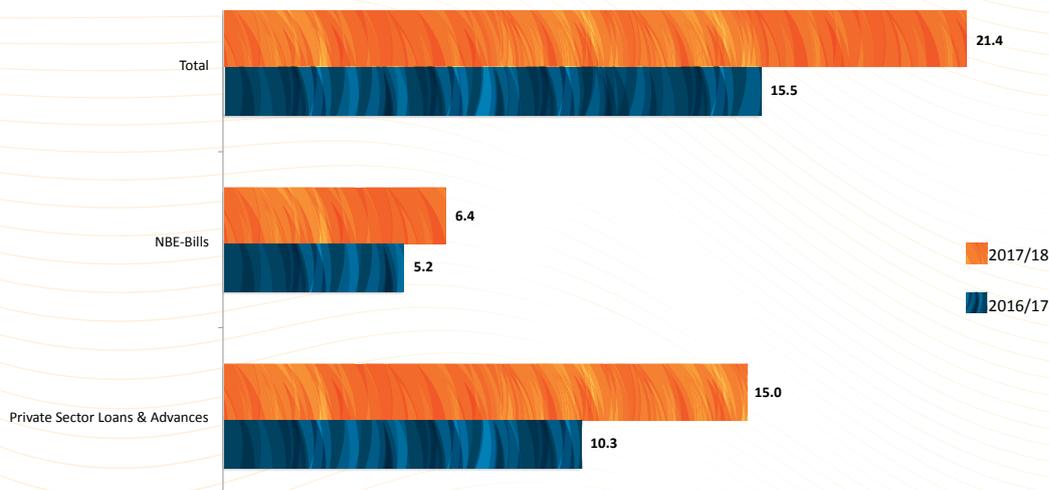
Saving deposit took the largest share of the total deposit reflecting the Bank's focus on mobilizing stable and less costly types of deposit. As a result, the share of Saving deposit was 49% in the fiscal year 2017/18. The second largest proportion of the total deposit was held by demand deposit with a share of 36% followed by time fixed deposit with a share of 15%.



**Fig 2 : Structure of Total deposit**

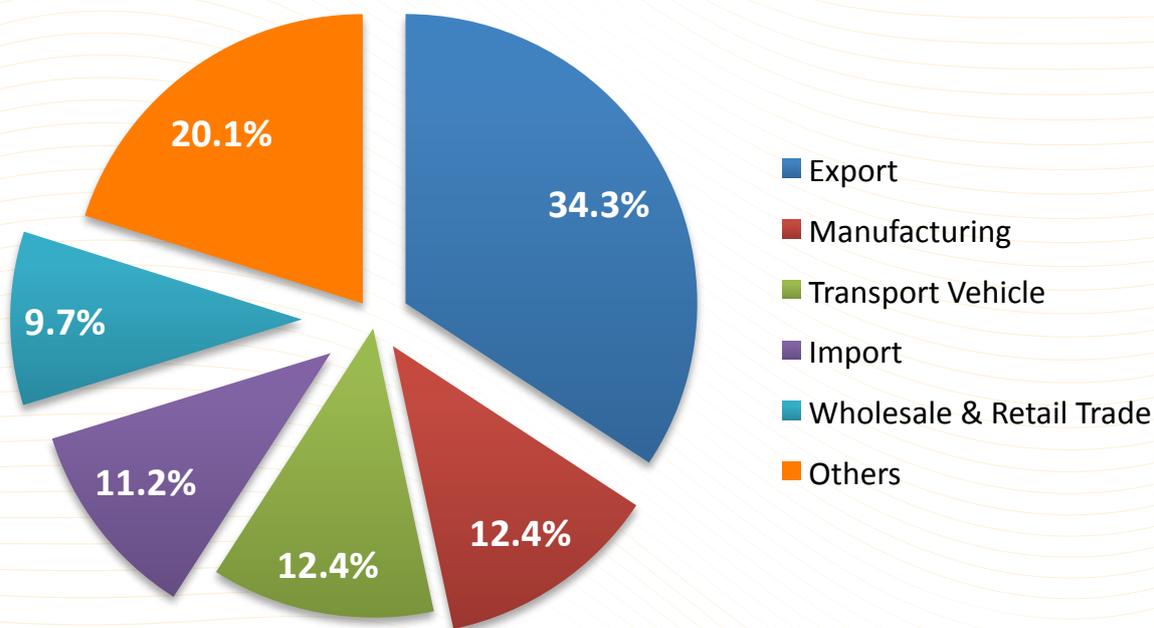
### 1.2. Loans and Advances

Propelled by the growth recorded in total deposit, total outstanding loans and advances ascended significantly in the fiscal year 2017/18. The Bank’s total outstanding loans and advance due from private sector stood at Birr 15 billion as of June 30, 2018 showing an increment of 46% (Birr 4.7 billion) over last year similar period of Birr 10.3 billion. Likewise, showing a growth of 23.5% or Birr 1.2 billion, total loans due from the government in the form of NBE Bills reached Birr 6.4 billion as at June 30, 2018.



**Fig 3 : Comparison of Loans Portfolio (In Billions of Birr)**

The Bank provides loans to diverse sectors of the economy which covers agriculture, industry and service sectors. In line with country's developmental agenda, the largest share of the total loan portfolio of the Bank was held by Export Sector with a share of 34.3% ahead of Manufacturing Sector: 12.4%, Transport Vehicle: 12.4%, Import Sector: 11.2% and Wholesale and Retail Trade Services: 9.7%. Whereas, the remaining proportion was held by Other Sectors which accounted for 20.1% altogether.



*Fig 4 : Loans & Advances by Sector*

### 1.3. International Banking Operations

During the reporting period, the Bank has conducted various activities to augment its foreign currency earnings. The partnership with international money transfer agents as well as renowned correspondent banks has been strengthened to enhance foreign currency receipts from remittance and export sources. Furthermore, the Bank has expanded its digital channels and membership to international payment card to generate additional foreign currency from payment card services.

The Bank has also provided various incentives for those customers who receive foreign currency through international remittance agents and sell foreign currency at the counter of the Bank. To boost the performance of foreign currency generation from cash purchase, additional new forex bureau was opened during the reporting period.

### 1.4. Interest Free Banking Service

The Bank has already started providing Interest Free Banking services along with conventional banking services to widen its customer base as well as to enhance financial inclusion in the country. Since the recent commencement of the service, the interest free banking performance is encouraging and growing overtime. Currently, in its interest free banking segment, the Bank is providing deposit products of Amana and Qerd as well as financing products of Murabah and Qerd-Al-Hassen for Exports.

During the reporting period, the Bank has taken various initiatives to increase its resource mobilization and utilization from interest free banking services. Among other things, the Bank is working on widening of interest free banking products and services to expand its customer base. The Bank is also in its final stage to appoint a Sharia Advisory, which will provide general guidance on the business model and oversee the entire business of Interest Free Banking Service.

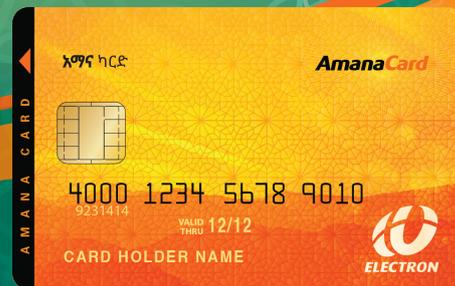
ወጋገን ባንክ  
Wegagen Bank®

ከወለድ ነፃ  
የባንክ አገልግሎት

ወጋገን  
አማና

### የአማና ካርድዎን ዛሬውኑ ይውሰዱ

ወጋገን ባንክ ሸሪክን መሠረት ያደረገ ወጋገን አማና የተሰኘ ከወለድ ነፃ የባንክ አገልግሎት ፍጹም በተለየ እና በተደራጀ መስኮት እየሰጠ ይገኛል። ወጋገን አማና ካርድን በመውሰድ ቀላልና ምቹ አገልግሎት ማግኘት ይቻላል።



## 2. Corporate Social Responsibility

Corporate Social Responsibility (CSR) is the concept whereby organizations integrate social and environmental concerns into their business operations and into their interaction with their stakeholders on a voluntary basis. As a socially responsible corporate citizen, Wegagen Bank gives back to communities it operates in, in pursuit of betterment of life. By the powers bestowed up on the Board of Directors (BOD) of Wegagen Bank to develop and institute policies and guidelines that inform the day-to-day operations of the Bank, the Bank's Corporate Social Responsibility (CSR) Policy and Strategy has been put in place in the fiscal year for subsequent implementation. In the concluded fiscal year, Wegagen has been actively discharging its corporate social responsibility obligations in accordance with the policy.

In addition to the planned & budgeted regular CSR activities, Wegagen Bank has extended its support to the rehabilitation efforts of people displaced from various parts of our country due to conflicts. Wegagen donated a total of birr 23 million to rehabilitate citizens displaced in Oromia, Somali, SNNP & Tigray. Furthermore, it has also donated birr 2 million to Amhara Regional State to support the fight against Water Hyacinth also known as "Emboch Arem", the weed that engulfed Lake Tana and threatened the livelihood of thousands of farmers.

Every fiscal year Wegagen plans & executes regular CSR initiatives in the areas of critical importance to the communities it works with. Wegagen's support is executed through both government and NGOs at local & national levels. The list of the beneficiaries includes Mekedonia- support to destitute elders; the Ethiopian Red Cross; Yenat Weg Association-school feeding program; various orphanages, and people suffering from renal failure, and so on.

These donations & CSR initiatives are a testimony to Wegagen's commitment to heeding communities' calls in times of distress, a tradition with which we are all proud.

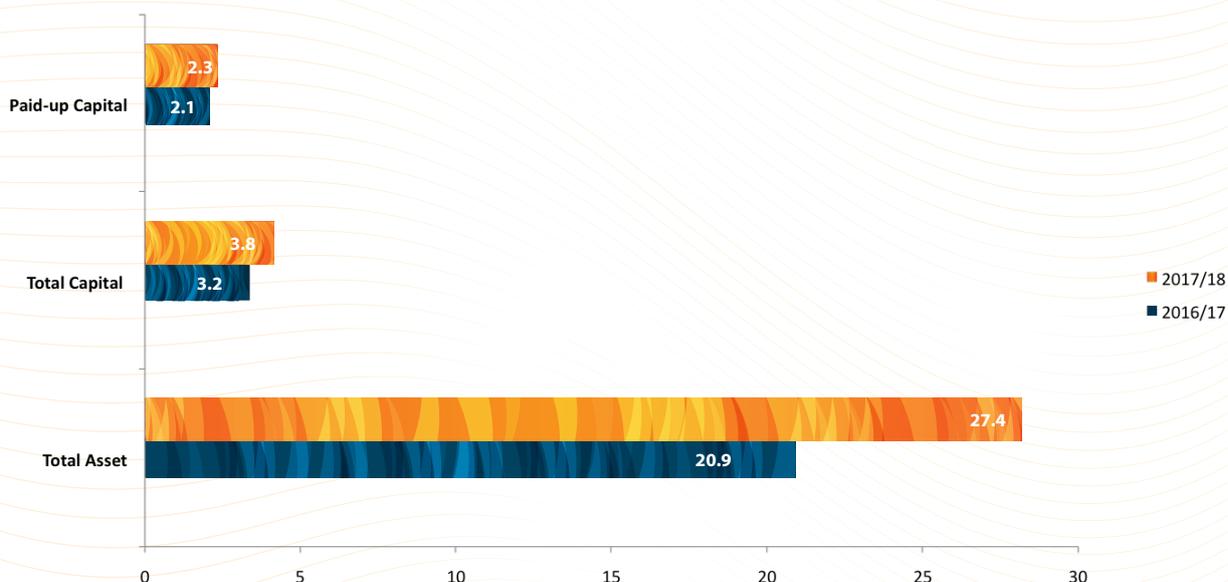
### 3. FINANCIAL PERFORMANCE

#### 3.1. Asset Expansion

Total Asset of the Bank has continued to expand considerably in the fiscal year 2017/18. The Bank accumulated total Assets of Birr 27.4 billion as at June 30, 2018, showing an increment of 31.1% (Birr 6.5 billion) over the beginning year balance of Birr 20.9 billion. The growth in total asset of the Bank is the reflection of growth recorded in major components of total asset such as outstanding loans and advances, NBE Bills, Fixed Asset and Cash and Bank Balance. The largest proportion of total asset was held by loans and advances with a share of 54.9% followed by NBE Bills and Cash and Bank Balance with a share of 23.3% and 14.8%, respectively.

#### 3.2. Capital Growth

Total capital of the Bank which includes paid-up capital, legal reserve, retained earnings and share premium reached Birr 3.8 billion as at June 30, 2018. Accounting for 60% of the total capital, paid-up capital of the Bank reached Birr 2.3 billion as June 30, 2018. Year-on-year, it grew by 11.5% or Birr 238.2 million upon Birr 2.1 billion of the beginning year balance.



**Fig 5: Comparison of Assets, Capital & Paid -Up Capital (In Billions of Birr)**



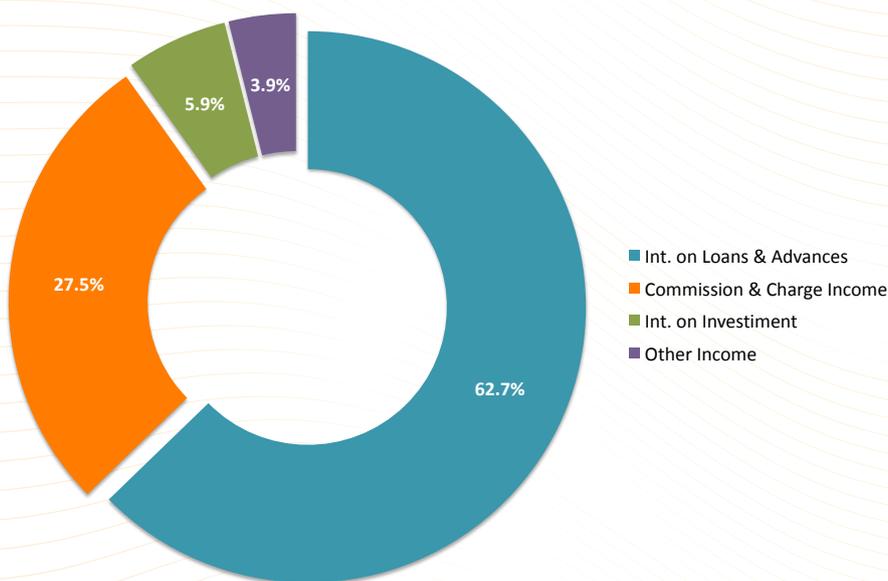
### 3.3. Total Income

In the fiscal year 2017/18, the Bank earned a total income of Birr 3.1 billion. As compared to Birr 2.1 billion earned a year earlier, it swelled by 44.3% or Birr 947.8 million. All major categories of income contributed positively to the recoded total income growth where Interest on Loans and Advances, Commission and Charge Income and Interest on Investment grew by 60.2%, 31.2% and 30%, respectively.



**Fig 6: Comprison of Total Income (In Billions of Birr)**

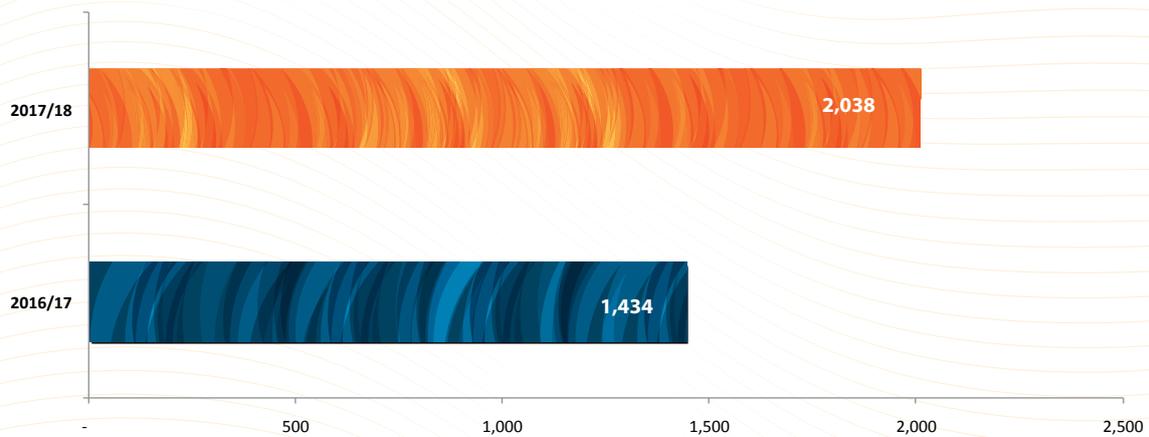
The composition of total income indicates that Interest on Loans and Advances dominated the total income of the Bank with a share of 62.7%. Commission and Charge Income and Interest on Investment accounted for 27.5% and 5.9%, respectively. The remaining proportion was held by Other Income category with a share of 3.9%.



**Fig 7: Composition of Total Income**

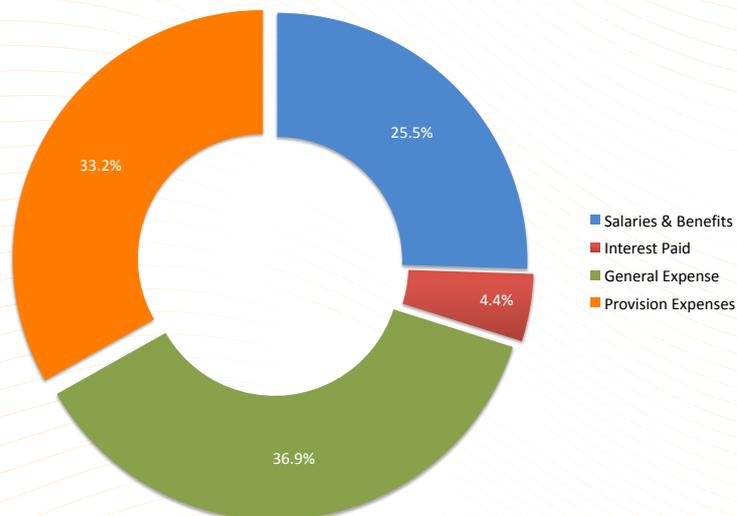
### 3.4. Total Expenses

Total expense for the fiscal year 2017/18 amounted to Birr 2.0 billion, which soared by 42.1% or Birr 603.4 million upon Birr 1.4 billion incurred a year earlier. The growth recoded in total expense was a reflection of 61.1%, 32.1% and 32% growth recoded in Interest Expense, Salary and Benefit Expense and General Expense over the level of the preceding year, respectively.



**Fig 8: Comparison of Total Expenses(in Million of Birr)**

Among the major total Expense items, Staff Salaries and Benefits took the largest proportion with a share of 36.9% followed by Interest Expens and General Expense which claimed 33.2% and %, respectively. While, the remaining portion contributed by other various small expense items with a share of 3.8%.

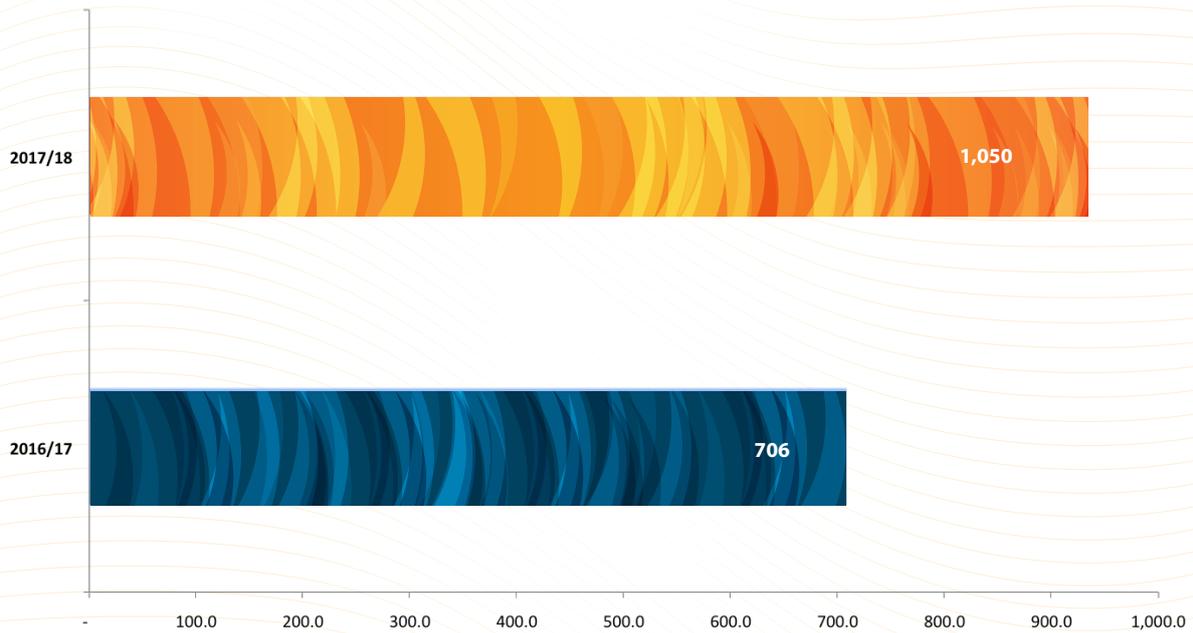


**Fig 9: Composition of Total Expenses**



### 3.5. Profit Before Tax

The Bank realized Birr 1.1Billion profit before tax in the fiscal year 2017/18. Put against the previous year performance of Birr 706 million, this year performance ascended by 48.8% or Birr 344.4 million.



**Fig 10: Comparison of Profit before Tax ( In Million of Birr)**

# Goh Junior



## Nothing like a Good Foundation for their Future.

Every parent dreams of seeing their child grow up to be happy, healthy and successful. Get them started by cultivating a savings culture with a Goh Junior Saving Account.

Go to the nearest Wegagen Bank branch today.  
For more information, visit: [www.wegagen.com](http://www.wegagen.com)

**YOUR WEGAGEN BANK APP**  
Available for download via iTunes\* or Google Play\*



#### 4. STRATEGIC PLAN AND PERFORMANCE MANAGEMENT

Fiscal year 2017/18 marks the third year implementation of the Bank's five year strategic plan that covers from 2015/16 to 2019/20. During the third year of strategic plan implementation period, notable financial performances have been recoded and numerous strategic initiatives have been executed. Among other things, new Core-Banking System has been put in place, the construction of new and modern data center has commenced, the Bank has successfully implemented the rebranding project, competency based human resource management has been strengthened and aggressive branch expansion as per the strategic plan has been conducted to mention only the major ones. Moreover, the Bank has continued the implementation of Integrated Performance Management System (IPMS) in order to instill result based performance culture in the Bank and to interlink employees' performance to the overall strategy of the Bank.

With the aim of tracking the progress of the five year strategic plan, two and half year performance review of the Bank's strategic plan has been conducted against preset targets and industry performances. As a result, strong and weak areas have been identified and plausible recommendations were forwarded and implemented in the period under review.

#### 5. HUMAN CAPITAL

The Bank has continued implementing competency based Human Resource Management System in order to develop the knowledge, skill and attitude of its employees. In the fiscal year 2017/18, the Bank conducted various employees' recruitment as well as promotion in line with the principles of competency based Human Resource Management System. As a result, the total employees of the Bank excluding outsourced security staff stood at 4,165 as at June 30, 2018, showing an increment of 13.9% over the beginning year level of 3,656, mainly triggered by aggressive branch expansion. Gender composition data of the Bank reveals that 68.2% (2,839 employees) are male and the remaining 31.8% (1,326 employees) are female.

During the reporting year, the Bank has provided various kinds of trainings to employees drawn from different levels in order to bridge employees' skill, knowledge and attitude gaps. Hence, about 6,127 employees took both local and foreign training on various topics in fiscal year 2017/18. On top of providing training, the Bank also continued to sponsor educational fee for its employees who attend studies in various universities and colleges.



Wegagen Bank signed a contract to build a new state-of- the art data center with Alta Computech and Moti Engineering plc at Sheraton Addis on September 26, 2018. The above pictures show the signing ceremony and kick off session of the data center building project.

## 6. PROMOTION AND NEW PRODUCT DEVELOPMENT

In strengthening its image in the eyes and hearts of the public as well as marketing its products and services, the Bank has conducted various kinds of promotions using both the print and electronic media. Moreover, during the reporting period, several promotional and giveaway items have been distributed to different stakeholders. Numerous sponsorship and donation programs have been also conducted to support the different segment of the society and thereby enhancing the image of the Bank. As a part of the implementation of the new brand identity of the Bank, production of a new signage with the newly crafted logo and corporate color is in progress.

In the just concluded fiscal year, new products and services which target various parts of the society have been launched. New products being commercialized in the reporting period include Nigat Women Account, Goh Junior Account, Admas Saving, Diaspora Mortgage Loan and School Account.

## 7. BRANCH NETWORK

In fiscal year 2017/18, the Bank opened 64 new additional branches in various parts of the country in order to broaden its customer base and reach closer to customers thereby to enhance resource mobilization. This effort brought the total number of branches of the Bank to 277 as at June 30, 2018. Year-on-year, it has shown a growth of 30.0%. The branch network of the Bank is wide and covers all regions of the country and the capital city. As a result, 112 branches are found in the capital city while the remaining 165 branches are found in different regional towns.

## 8. ALTERNATIVE CHANNELS

On top of expanding branches physically, the Bank has been diversifying and expanding its service delivery channels by applying innovative information technology to excel its service provision and create convenience for its customers. As a result, the Bank's ways of banking has been diversified to include digital channels such as Automated Teller Machine (ATM), Point of Sale (PoS), Internet banking and Mobile banking. In addition to MasterCard and VISA international card services, the bank is also providing agency banking services to its esteemed customers using HelloCash Platform.

The number of customers using the service of the Bank via these channels is growing overtime signaling further expansion in the number of ATM and PoS terminals. Accordingly, the total number of ATM and PoS terminals reached 200 and 293, respectively, as at June 30, 2018, showing a growth over the beginning year level. The number of mobile, internet and agency banking subscribers is also growing significantly year-on-year.

## 9. BANKING TECHNOLOGY

With the aim of providing efficient and effective customer service, the Bank has been proactively working towards enhancing its information technology capacity to deploy what the contemporary business environment requires. In line with that, the Bank has introduced a new and modern Core Banking System called Oracle Flex Cube. This Core Banking System has been successfully implemented in all the Branches and forex bureaus of the Bank since January 1, 2018.

The Bank is also enhancing its e-payment technologies and infrastructures to support digital channels expansion. Moreover, the process of constructing the state-of-the art data center, which aims to accommodate Bank's current and future needs of managing large and complex amount of data, is progressing well in the new Headquarters building.

## 10. HEADQUARTERS BUILDING

Other remarkable triumph of the Bank in the reporting period was the completion of Headquarters building construction. The Headquarters building construction has been successfully completed and colorfully inaugurated at the presence of governmental officials and other stakeholders. Subsequently, the Bank moved most of its Head office units to the new headquarters building and able to save a sizable amount of rental expenses during the reporting period.

The Bank also pursued similar activities in various regional towns and as a result, a plot of land has already been acquired in Mekelle town and process to acquire a plot of land in Bahir Dar, Hawassa and Dire Dawa towns is in progress.

## 11. RISK AND COMPLIANCE MANAGEMENT

Risk management is one of the key functions in ensuring that the Bank runs a robust, safe and sustainable business, trusted by stakeholders including but not limited to its customers, employees, shareholders and society at large. To this end, Wegagen Bank manages its business responsibly and in compliance with the regulatory requirements of the country. Cognizant of the significance of effective corporate governance and oversight, the Board's Risk and Compliance Management subcommittee plays pivotal role in ensuring all relevant risks are adequately addressed with risk mitigation measures, and also regularly evaluates the risk portfolio against established standards and monitors that the risks are contained within acceptable level.

The Bank has conducted risk assessment on regular basis across various operations of the Bank and escalates those risks with significant current and/or potential exposures to the Board and management for appropriate risk mitigation response. Equally important, the Bank has been committed to ensure that its overall operational activities are conducted in conformity with applicable national and internal laws, regulations and directives thereby protecting the Bank from risk of non-compliances.

Bank-wide and tailored training programs to target groups are offered regularly to enhance employees' awareness on risk and compliance issues, and thereby implanting risk & compliance culture across the Bank.

## **12. INTERNAL CONTROL**

Internal control function of the Bank entrusted to assure daily operations of the Bank. To this end, the internal control function of the Bank is independently organized in accordance to the national and international standards to oversee management's compliance with internal policies and procedures as well as applicable rules, regulations and directives.

In the reporting period, various internal control activities including risk based audit inspections, financial and operational audits, special investigations and asset inventory were conducted in the reporting period to check whether they are performed as per internal policies and procedures of the Bank and applicable laws.

# NigatWomen

Every Morning starts a  
new page in your story.  
Make it a **great one**  
today!



## TAKE YOUR NIGAT CARD TODAY!

Enjoy unparalleled purchasing power and be part of the world of special privileges, benefits and rewards designed exclusively for women with your Nigat Wegagen Card.

We are working towards creating better banking services not only to our existing customers but also our potential customers.

### YOUR WEGAGEN BANK APP.

Available for download via iTunes® or Google Play®



## **WEGAGEN BANK SHARE COMPANY**

### **Annual IFRS Financial Statements**

### **For the year ended 30 June 2018**

### **Independent Auditor's Report**

We have audited the accompanying financial statements of WEGAGEN BANK SHARE COMPANY which comprise the statement of financial position as at 30 June 2018, the statement of comprehensive income and other profit or loss, Statement of Change in Equity and statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

#### **OPINION**

In our opinion, the financial statements give a true and fair view of the financial position of WEGAGEN BANK SHARE COMPANY as at 30 June 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reports (IFRS) as issued by International Accounting Standard Board (IASB).

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

Pursuant to Article 375(1) of the Commercial Code of Ethiopia of 1960 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 375 (2) of the Commercial Code of Ethiopia 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 accountants' code of Ethics for Professional Accountants (IESBE Code) together with the ethics 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 the matter described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our Audit Addressed the key Audit Matter
<p>During the year under review the bank has changed its reporting framework from “Ethiopian GAAP” to the International financial reporting standards (IFRS) framework. The conversion had the following challenges:</p> <ul style="list-style-type: none"> <li>• IFRS was totally new in Ethiopia;</li> <li>• There was a knowledge gap both in the country and in the Bank;</li> <li>• The Bank’s previous financial statements preparation process was not designed in a way that fulfills the information requirements of IFRS;</li> <li>• Non existence of capital and active properties market in the country which impacts heavily on the fair valuations of assets and liabilities.</li> </ul> <p>The foregoing matters required us to scrutinize in depth whether the conversions has been carried out in accordance with IFRS 1.</p>	<p>We have addressed the matter by: assigning an engagement team that is capable of verifying whether the conversion process was properly carried out. In doing so we have verified that: to address the matters raised the Bank’s management has hired an international accountancy firm, PWC, that has a vast experience in the field as a consultant and set up a dedicated internal team for the project. The Bank has also trained a good number of its staff in IFRS both locally and abroad to fill the knowledge gap. As far as financial and statistical information required by IFRS financial statements, the management of the Bank has designed a quick fix approach of compiling information required for the new reporting framework whilst working on a system change. Various approaches have also been used to value assets and liabilities where the historical cost approach is not acceptable to bridge the lack of market information. We have verified that such approaches are in line with the IFRS framework.</p>

## 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.

Degafa & Tewodros Audit Services Partnership

Chartered Certified Accountants

Addis Ababa, October 27, 2018



# Wegagen Bank S.C.

ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

## Statement of profit or loss and other comprehensive income

	Notes	30, June 2018 Birr'000	30, June 2017 Birr ' 000
Interest income	5	2,115,769	1,346,995
Interest expense	6	(752,121)	(466,843)
Net interest income		1,363,648	880,152
Fee and commission income	7	850,421	648,424
Other operating income	8	121,488	144,471
Total operating income		2,335,556	1,673,047
Loan impairment charge	9	(61,084)	(57,168)
Impairment losses on other assets	10	(27,699)	(4,204)
Net operating income		2,246,772	1,611,675
Salaries and benefits	11	(677,150)	(512,436)
Amortisation of intangible assets	19	(8,396)	(9,866)
Depreciation of property, plant and equipment	20	(79,631)	(56,017)
Other operating expenses	12	(430,512)	(326,914)
Audit fees		(398)	(280)
Directors' related expenses		(598)	(499)
Profit before tax		1,050,088	705,663
Income tax expense	13	(256,534)	(186,876)
Profit after tax		793,555	518,787
Transfer to legal reserve		(198,389)	(133,041)
Profit after tax and legal reserve		595,166	385,746
Director's share of profit written back		233	162
Director's share of profit		(1,215)	(1,000)
		594,184	384,908
Other comprehensive income (OCI) net of income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	24	(25,900)	(3,385)
Deferred tax (liability)/asset on remeasurement gain or loss	13	7,770	1,016
		(18,130)	(2,370)
Total comprehensive income for the period		576,054	382,538
Basic & diluted earnings per share (Birr)	26	365	273

The financial statements on page 36 to 135 were approved and authorised for issue by the board of directors on October 20, 2018 and were signed on its behalf by:

Mr. Mengisteab G/Kidan  
Chairman Board of Directors



Mr. Araya G/Egzabher  
President/CEO



# Wegagen Bank S.C.

ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

## Statement of financial position

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<b>ASSETS</b>				
Cash and bank balances	14	4,048,855	3,904,383	3,097,488
Loans and advances to customers	15	14,785,041	10,092,719	7,407,902
Investment securities:				
- Available for sale	16	35,370	59,370	59,370
- Loans and receivables	16	6,394,493	5,179,695	4,415,053
Other assets	17	699,763	632,931	402,931
Investment property	18	649	667	685
Intangible assets	19	77,457	44,670	22,888
Property, plant and equipment	20	1,349,278	982,882	755,159
		27,390,906	20,897,317	16,161,476
<b>Total assets</b>		<b>27,390,906</b>	<b>20,897,317</b>	<b>16,161,476</b>
<b>LIABILITIES</b>				
Deposit from customers	21	20,063,841	14,020,235	11,078,548
Deposit from financial institutions	22	442,288	1,677,610	845,390
Current tax liabilities	13	197,558	157,524	77,324
Other liabilities	23	2,750,288	1,782,138	1,442,022
Employee benefit obligations	24	55,442	25,479	20,827
Deferred tax liabilities	13	54,984	22,195	19,498
<b>Total liabilities</b>		<b>23,564,401</b>	<b>17,685,180</b>	<b>13,483,609</b>
<b>EQUITY</b>				
Share capital	25	2,310,321	2,072,112	1,778,851
Share premium	25	31,666	31,666	25,424
Retained earnings	27	361,816	254,633	152,907
Legal reserve	28	1,052,114	853,726	720,685
Regulatory Reserve	28	70,588	-	-
<b>Total equity</b>		<b>3,826,506</b>	<b>3,212,137</b>	<b>2,677,867</b>
<b>Total equity and liabilities</b>		<b>27,390,906</b>	<b>20,897,317</b>	<b>16,161,476</b>

Mr. Mengisteab G/Kidan  
Chairman Board of Directors



Mr. Araya G/Egziabher  
President/CEO



# Wegagen Bank S.C.

ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

## Statement of changes in equity

	NOTES	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	LEGAL RESERVE	Regry. RESERVE	Total
		Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
<b>As at 1 July 2016</b>		<b>1,778,851</b>	<b>25,424</b>	<b>152,907</b>	<b>720,685</b>		<b>2,677,867</b>
Profit for the year	27	-	-	518,787	-		518,787
Other comprehensive income:							-
Adjustment to loan loss provision relayed to write offs				-			-
Re-measurement gains on defined benefit plans (net of tax)		-	-	(2,369)	-		(2,369)
<b>Total comprehensive income for the period</b>		<b>1,778,851</b>	<b>25,424</b>	<b>669,325</b>	<b>720,685</b>		<b>3,194,285</b>
<b>Transactions with owners in their capacity as owners:</b>							-
Prior period contributions to equity, net of transaction costs and tax		10,401	-	-	0		10,401
Contributions to equity, net of transaction costs and tax		143,671	-	(143,671)	0		-
Issues of ordinary shares		139,189	6,242	0	0		145,431
Dividend paid		-	-	(137,142)	0		(137,142)
Prior year directors' share of profit written back		-	-	162	0		162
Directors' share of profit		-	-	(1,000)	0		(1,000)
Transfer to legal reserve	28	-	-	(133,041)	133,041		-
<b>As at 30 June 2017</b>		<b>2,072,112</b>	<b>31,666</b>	<b>254,633</b>	<b>853,726</b>		<b>3,212,137</b>
<b>As at 1 July 2017</b>		<b>2,072,112</b>	<b>31,666</b>	<b>254,633</b>	<b>853,726</b>		<b>3,212,137</b>
Profit for the year	27			793,555			793,555
Other comprehensive income:				(18,130)			(18,130)
Re-measurement gains on defined benefit plans (net of tax)							-
Transfer to regulatory risk reserve							-
<b>Total comprehensive income for the year</b>		<b>2,072,112</b>	<b>31,666</b>	<b>1,030,058</b>	<b>853,726</b>		<b>3,987,562</b>
<b>Transactions with owners in their capacity as owners:</b>							-
Prior period contributions to equity, net of transaction costs and tax				-	-		-
Contributions to equity, net of transaction costs and tax		238,209	-	(238,209)	-		-
Issues of ordinary shares				0	-		-
Dividend paid		-	-	(160,074)	-		(160,074)
Prior year directors' share of profit written back		-	-	233	-		233
Directors' share of profit		-	-	(1,215)	-		(1,215)
Transfer to legal reserve	28	-	-	(198,389)	198,389		-
Transfer to Regulatory Reserve	28			(70,588)		70,588	-
<b>As at 30 June 2018</b>		<b>2,310,321</b>	<b>31,666</b>	<b>361,816</b>	<b>1,052,114</b>	<b>70,588</b>	<b>3,826,506</b>

Mr. Mengisteab G/Kidan  
Chairman Board of Directors



Mr. Araya G/Egzabher  
President/CEO



# Wegagen Bank S.C.

ANNUAL IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

## Statement of cash flows

	NOTES	30 JUNE 2018 Birr'000	30 JUNE 2017 Birr'000
<i>Cash flows from operating activities</i>			
Cash generated from operations	29	2,033,405	1,957,230
Income tax paid		(175,860)	(102,964)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>1,857,545</b>	<b>1,854,266</b>
<i>Cash flows from investing activities</i>			
Purchase of investment securities		(1,197,952)	(754,584)
Purchase of intangible assets	19	(41,182)	(35,930)
Purchase of property, plant and equipment	20	(449,575)	(268,552)
Dividend income received		1,493	1,839
Proceeds from sale of property, plant and equipment	29	0	1,506
Proceeds from sale of investments		131,940	
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(1,555,275)</b>	<b>(1,055,721)</b>
<i>Cash flows from financing activities</i>			
Proceeds from issues of shares	25	0	145,431
Directors share of profit paid		(1,100)	(739)
Dividend paid		(156,699)	(136,341)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(157,798)</b>	<b>8,351</b>
<b>Net increase/(decrease) in Cash and bank balances</b>		<b>144,472</b>	<b>806,895</b>
Cash and bank balances at the beginning of the year	14	3,904,383	3,097,488
Effect of exchange movement on Cash and bank balances		144,472	806,895
<b>Cash and bank balances at the end of the year</b>	14	<b>4,048,855</b>	<b>3,904,383</b>

Mr. Mengisteab G/Kidan  
Chairman Board of Directors





Mr. Araya G/Egziabher  
President/CEO





Wegagen Bank's FY 2017/18 annual report to the General Assembly of shareholders of the Bank. The Bank has registered remarkable performances in the 2017/18 fiscal year with the joint effort of all stakeholders. The Bank's total deposit reached Birr 20.5 billion as at June 30, 2018, exhibiting a growth of 30.6% year-on-year.



## 1. General information

Wegagen Bank S.C. ("Wegagen Bank or the Bank") is a private commercial Bank domiciled in Ethiopia. The Bank was established in 11 June 1997 in accordance with the provisions of the Commercial code of Ethiopia of 1960 and the Licensing and Supervision of Banking Business Proclamation No. 84/1994. The Bank registered office is at: KIRKOS SUBCITY WOREDA - 7, ADDIS ABABA ETHIOPIA

The Bank is principally engaged in the provision of diverse range of financial products and services to a wide range of sectors including but not limited to wholesale, retail and SME, construction, import-export, manufacturing, health, tourism, and transport clients base in the Ethiopian market.

## 2. Summary of significant accounting policies

### 2.1. Introduction to summary of significant accounting policies

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

### 2.2. Basis of preparation

The financial statements for the year ended 30 June 2018 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 for the year ended 30 June 2018 are the first the Bank has prepared in accordance with IFRS. Refer to note 36 for information on how the Bank adopted IFRS.

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 3.

### **2.2.1. Going concern**

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

### **2.2.2. Changes in accounting policies and disclosures**

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2017, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

#### **IFRS 9 - Financial Instruments**

"IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Based on the initial assessment carried out by the Bank, the impact of the application of the new standard is as follows:

#### **Classification and measurement.**

IFRS 9 require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual

cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement. The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

Having completed its initial assessment, the Bank has concluded that:

- its loans and advances to customers, National Bank of Ethiopia (NBE) bill and other financial assets that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9.
- its equity investments will be classified as FVOCI.

### Impairment of financial assets

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Bank will establish a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

To calculate ECL, the Bank will estimate the risk of a default occurring on the financial instrument during

its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and the cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan.

In comparison to IAS 39, the Bank expects the impairment charge under IFRS 9 to be more volatile than under IAS 39 and to result in an increase in the total level of current impairment allowances.

Under IFRS 9, the Bank will group its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- **STAGE 1** – Performing loans: when loans are first recognised, the Bank recognises an allowance based on 12-month expected credit losses.
- **STAGE 2** – Underperforming loans: when a loan shows a significant increase in credit risk, the Bank records an allowance for the lifetime expected credit loss.
- **STAGE 3** – Impaired loans: the Bank recognises the lifetime expected credit losses for these loans.

In addition, in Stage 3 the Bank accrues interest income on the amortised cost of the loan net of allowances.

When estimating lifetime ECLs for undrawn loan commitments, the Bank will:

- Estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment and
- Calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down.

For financial guarantee contracts, the Bank will estimate the lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

For revolving facilities such as credit cards and overdrafts, the Bank measures ECLs by determining

the period over which it expects to be exposed to credit risk, taking into account the credit risk management actions that it expects to take once the credit risk has increased and that serve to mitigate losses.

The Bank will incorporate forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECLs.

The Bank will consider forward-looking information such as macroeconomic factors (e.g., unemployment, GDP growth, interest rates, etc.) and economic forecasts.

### **Hedge accounting**

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS 9 become mandatory on 1 January 2018. The new hedging rules are, however, not expected to impact the Bank as it does not have hedge contracts.

### **IFRS 15 - Revenue from contracts with customers**

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and other related standards and interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. This standard will not present material impacts to the Bank.

### **IFRS 16 - Leases**

This standard was issued in January 2016 (Effective 1 January 2019) . It sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. it also substantially carries forward the lessor accounting requirements in IAS 17. The Bank is yet to assess the impact of this standard.

### **Amendments to IAS 7- Disclosure Initiative**

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted. The amendment will be effective for annual periods beginning on or after 1 January 2017.

### **Amendment to IAS 40 - Transfers of Investment Property**

The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The list of evidence for a change of use in the standard was re-characterised as a non-exhaustive list of examples to help illustrate the principle.

The Board provided two option for transition:

- prospectively, with any impact from the reclassification recognised as adjustment to opening retained earnings as at the date of initial recognition, or

- retrospectively - only permitted without the use of hindsight.

Additional disclosures are required if an entity adopts the requirements prospectively.

## 2.3 Foreign currency translation

### a) Functional and presentation currency

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

### b) Transactions and balances

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

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

Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

## 2.4 Recognition of income and expenses

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

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

#### **2.4.1 Interest and similar income and expense**

For all financial instruments measured at amortised 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 takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate (EIR), but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and Interest and similar expense 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 recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss."

#### **2.4.2 Fees and commission**

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income (for example commission on drafts, cash payment order (CPO), letter of credit (LC), letter of guarantee, etc) are recognised 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 recognised on a straight-line basis over the commitment period.

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

### 2.4.3 Dividend income

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

### 2.4.4 Foreign exchange revaluation gains or losses

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

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

## 2.5 Financial instruments - initial recognition and subsequent measurement

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.

### 2.5.1 Financial assets

#### Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. 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 recognised on the trade date, i.e., the date that the Bank commits to purchase or sell the asset.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into two categories:

- Loans and receivables
- Available-for-sale financial investments

**a) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest and similar income in income statement. The losses arising from impairment are recognised in income statement in loan impairment charge.

The Bank's loans and receivables comprise of Ethiopian government bonds and loans and advances to customers.

**b) Available-for-sale (AFS) financial assets**

Equity investments are classified as AFS. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial investment. Interest earned whilst holding AFS financial investments is reported as interest and similar income. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

The Bank evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Bank is unable to trade these financial assets due to inactive markets, the Bank may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the

EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss. Refer to the information below under reclassification.

#### **'Day 1' profit or loss**

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Other operating income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

#### **Reclassification of financial assets**

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Bank does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to income statement.

The Bank may reclassify a non-derivative trading asset out of the 'held-for-trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

**Derecognition of financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Bank's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) the Bank has transferred substantially all the risks and rewards of the asset, or
  - (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of the Bank's continuing involvement. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

**Impairment of financial assets**

The Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter Bankruptcy or other

financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### **(i) Financial assets carried at amortised cost**

For financial assets carried at amortised cost (such as loans and receivables), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'loan impairment charge'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset

reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Bank.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### **(ii) Available-for-sale (AFS) financial instruments**

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

### **Renegotiated loans**

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

### **Collateral valuation**

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

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

### **Collateral repossessed**

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

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

### **2.5.2 Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities.

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

The Bank's financial liabilities include deposits from customers, margins held on letters of credit and other liabilities. Interest expenditure is recognised in interest and similar expense."

#### **Subsequent measurement**

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

#### **Financial liabilities at amortised cost**

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

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

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

## Derecognition of financial liabilities

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

### 2.5.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where The Bank has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Bank has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as Bankruptcy or the termination of a contract.

### 2.6 Cash and bank balances

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

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

### 2.7 Property, plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in income statement as incurred.

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

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

Asset class	Depreciation rate (years)
Buildings	50
Computer hardware	7
Furnitures and fittings	10
Equipments	5 to 20
Lifts	15
Motor Vehicles	10
Leasehold land	70 to 99

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

Capital work-in-progress is not depreciated as these assets are not yet available for use.

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

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

## 2.8 Intangible assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation

method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented as a separate item in the income statement.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

- Computer software –3 to 6 years

## **2.9 Non-current assets (or disposal groups) held for sale**

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 a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised 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 recognised.

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 statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

## 2.10 Impairment of non-financial assets

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

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

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

## 2.11 Other assets

Other assets are generally defined as claims held against other entities for the future receipt of money.

The other assets in the Bank's financial statements include the following:

### (a) Prepayment

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

### (b) Other receivables

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

The Bank's other receivables are receivables from mastercard, receivables from visa card and other receivables from debtors. This has been added to the the carrying amounts of the investment.

## 2.12 Fair value measurement

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

- Disclosures for valuation methods, significant estimates and assumptions Notes 3 and Note 4.7.1
- Quantitative disclosures of fair value measurement hierarchy Note 4.7.2
- Financial instruments (including those carried at amortised cost) Note 4.7.3"

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

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

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

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

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

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

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

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

The 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.

### 2.13 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 organisation employees 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 7% and 13% by employees and the Bank respectively based on the employees' salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate. The liability recognized in the statement of financial position in respect of defined benefit pension.

#### (b) Profit-sharing and bonus plans

The Banks recognises 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 recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### (C) Defined Benefit plans

The Bank recognizes the liability for for severance and other long service awards based on actuarial requirements that set assumptions for salary increases, inflation, discount rates, turnover, mortality and others.

### 2.14 Provisions

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

reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in 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 recognised as other operating expenses.

### **2.15 Share capital**

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

### **2.16 Earnings per share**

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

### **2.17 Leases**

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

#### **Bank as a lessee**

Leases that do not transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

### **2.18 Income taxation**

#### **(a) Current income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable

income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

#### **(b) Deferred tax**

Deferred tax is recognised 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 recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

Deferred tax assets and liabilities are only offset when there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

ወደላቀ ገዢ በአጋርነት  
**Excelling Together**



ዛሬ ቀኑ **ብሩህ** ነው

በትጋት ፣ ለሥራ ፣ ለስኬት

ማልደው ሲነሱ ፣ ከእርስዎ ጋር ነን።

### 3. Significant accounting judgements, estimates and assumptions

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

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

- Capital management Note 4.6
- Financial risk management and policies Note 4
- Sensitivity analyses disclosures Note 4.5.2

#### 3.1 Judgements

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

#### 3.2 Operating lease commitments - Bank as lessee

The Bank has entered into commercial property leases. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

#### 3.3 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when

they occur.

### **Impairment losses on loans and receivables**

The Bank reviews its loan portfolios for impairment on an on-going basis. The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that has been deemed to be impaired, management has deemed that cashflow from collateral obtained would arise within 12 months where the financial asset is collateralised. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the statement of financial position date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgement applied in the calculation of the Bank's impairment charge on financial assets are set out in the Financial risk management section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current

economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

#### ***Fair value measurement of financial instruments***

When the fair values of financial assets recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. As at the year end there are no financial instrument currently measured at fair value.

#### ***Defined benefit plans***

The cost of the defined benefit pension plan such as managerial employee compensation and the severance benefit and their present value of these benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### ***Depreciation and carrying value of property, plant and equipment***

The estimation of the useful lives and residual values of assets is based on management's judgement. 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.

#### ***Taxes***

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences

arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

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

### ***Development cost***

The Bank capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The development costs that were capitalised by the Bank relates to those arising from the development of computer software.

## **4. Financial risk management**

### **4.1 Introduction**

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

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

#### 4.1.1 Risk management structure

The Board of Directors (“the Board”) has overall responsibility for the establishment and oversight of the Bank’s risk management framework. The Board has established the Credit Review sub-Committee and Risk sub-Committee, which are responsible for developing and monitoring Bank’s risk management policies.

The Bank’s risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the regulation, market conditions, products and services offered.

The Bank, through its training and procedures and policies for management, aims to develop a constructive control environment, in which all employees understand their roles and obligations.

The Bank’s Board of Directors is responsible for monitoring compliance with the Bank’s risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

The Bank’s Board of Directors is assisted in these functions by the Risk Management Department. The Risk Management Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Risk Management Committee.

#### 4.1.2 Risk measurement and reporting systems

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

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

#### **4.1.3 Risk mitigation**

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

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

#### **4.2 Financial instruments by category**

The Bank's financial assets are classified into the following measurement categories: available-for-sale and loans and receivables and the financial liabilities are classified into other liabilities at amortised cost.

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

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

30 June 2018	NOTES	Available for sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and balances with banks	14		4,048,855	4,048,855
Loans and receivables	15		14,785,041	14,785,041
Investment securities:				-
- Available for sale	16	35,370		35,370
- Loans and receivables	16		6,394,493	6,394,493
Other assets	17		213,044	213,044
<b>Total financial assets</b>		<b>35,370</b>	<b>25,441,433</b>	<b>25,476,803</b>

30 June 2017	NOTES	Available for sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and balances with banks	14	-	3,904,383	3,904,383
Loans and receivables	15	-	10,092,719	10,092,719
Investment securities:				-
- Available for sale	16	59,370	-	59,370
- Loans and receivables	16	-	5,179,695	5,179,695
Other assets	17	-	312,630	312,630
<b>Total financial assets</b>		<b>59,370</b>	<b>19,489,426</b>	<b>19,548,796</b>

1 July 2016	NOTES	Available for sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and balances with banks	14	-	3,097,488	3,097,488
Loans and receivables	15	-	7,407,902	7,407,902
Investment securities:				
- Available for sale	16	59,370	-	59,370
- Loans and receivables	16	-	4,415,053	4,415,053
Other assets	17	-	114,267	114,267
<b>Total financial assets</b>		<b>59,370</b>	<b>15,034,710</b>	<b>15,094,080</b>

### 4.3. Credit risk

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

The Bank adopts a conservative approach to credit risk.

#### 4.3.1. Management of credit risk

For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

In Managing credit risk the Board of Directors follows up the implementation of : credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, compliance with regulatory and statutory requirements.

Reviewing and assessing credit risk. Assess all credit exposures in excess of designated limits, prior to facilities being committed to customers.

Limiting concentrations of exposure to geographies, industries, individual or group exposures and maturity exposures (for loans and advances).

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

##### ***(a) Probability of Default***

This is the probability that an obligor or counterparty will default over a given period, usually one year. This can be calculated on portfolio by portfolio basis or collectively depending on availability of historical data.

##### ***(b) Loss Given Default***

Loss Given Default is defined as the portion of the loan determined to be irrecoverable at the time of loan default (1 – recovery rate). Our methods for estimating LGD includes both quantitative and qualitative factors.

**(c) Exposure at Default**

This represents the amount that is outstanding at the point of default. Its estimation includes the drawn amount and expected utilisation of the undrawn commitment at default.

**4.3.2. Impairment assessment**

The Bank assesses its impairment for the purpose of IFRS reporting using a two-way approach which includes an Individual assessment and portfolio assessment.

**(a) Individual assessment**

The Bank reviewed and revised existing impairment triggers for each loan asset portfolio to ensure that a trigger identifies a loss event as early as possible, which would result in the earliest possible recognition of losses within the IFRS framework. The Bank then estimated the impairment based on the shortfall between the present value of estimated future cash flows and the asset carrying amount.

**(b) Collective assessment**

Loans and receivables that are not specifically impaired are assessed under collective impairment. For the purpose of collective impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to contractual terms.

The Bank generally bases its analyses on historical experience. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. The impairment allowance is reviewed by credit management to ensure alignment with the Bank's overall policy.

### 4.3.3 Credit related commitments risks

The Bank holds collateral against loans and receivables to customers in the form of bank guarantees and property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired or after three years when the customer requests additional loan facilities.

### 4.3.4 Credit risk exposure

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

The Bank's maximum exposure to credit risk at 30 June 2018, 30 June 2017 and 30 June 2016 respectively, is represented by the net carrying amounts in the statement of financial position.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Cash and bank balances</i>	4,048,855	3,904,383	3,097,488
<i>Loans and advances to customers</i>	14,785,041	10,092,719	7,407,902
<i>Investment securities:</i>			
- <i>Loans and receivables</i>	6,394,493	5,179,695	4,415,053
<i>Other assets</i>	213,044	312,630	114,267
	25,441,433	19,489,426	15,034,709
<b>Credit risk exposures relating to off balance sheets are as follows:</b>			
<i>Loan commitments</i>	-	240,868	192,730
<i>Unutilized overdraft and other facilities</i>	2,709,202	1,857,014	1,366,766
<i>Letter of credit obligations</i>	1,130,563	2,149,035	1,609,996
	3,839,765	4,246,918	3,169,493
<b>Total maximum exposure</b>	<b>29,281,198</b>	<b>23,736,344</b>	<b>18,204,202</b>

#### (b) Assets obtained by taking possession of collateral

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<b>Reposessed Properties</b>	24,520	8,035	8,029

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

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

**(i) Gross loans and advances to customers per sector is analysed as follows:**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Agriculture</i>	135,009	129,152	58,239
<i>Automobile</i>	34,475	23,413	7,879
<i>Manufacturing</i>	1,882,093	1,177,756	999,859
<i>Health Services</i>	10,620	19,104	15,320
<i>Wholesale and Retail Trade</i>	1,455,435	1,329,359	1,222,617
<i>Hotel and Tourism</i>	565,412	469,845	466,518
<i>Mortgage</i>	138,773	131,686	133,734
<i>Construction - Building</i>	608,616	395,013	190,697
<i>Transport Service</i>	31,007	42,481	47,317
<i>Transport Vehicle</i>	1,862,172	1,335,530	856,810
<i>Miscellaneous domestic trade</i>	331,820	391,658	162,779
<i>Export</i>	5,186,792	2,308,563	1,423,192
<i>Import</i>	1,683,761	1,733,671	1,443,725
<i>Construction Bridge</i>	648,266	453,999	284,345
<i>Staff loans and advances</i>	473,390	353,001	259,614
	<b>15,047,640</b>	<b>10,294,233</b>	<b>7,572,645</b>

Gross loans and advances to customers per National Bank of Ethiopia's impairment guidelines is analysed as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Pass</i>	11,939,074	9,328,559	7,193,975
<i>Special mention</i>	1,154,311	833,877	249,629
<i>Substandard</i>	1,694,052	63,481	41,476
<i>Doubtful</i>	197,186	32,175	25,904
<i>Loss</i>	63,017	36,141	61,661
	<b>15,047,640</b>	<b>10,294,233</b>	<b>7,572,645</b>

The above table represents a worse case scenario of credit risk exposure of the Bank as at the reporting dates without taking account of any collateral held or other credit enhancements attached. The

exposures are based on net carrying amounts as reported in the statement of financial position.

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

#### 4.3.4 Credit quality analysis

##### (a) Credit quality of cash and bank balances

The credit quality of Cash and bank balances and short-term investments that were neither past due nor impaired at as 30 June 2018, 30 June 2017 and 30 June 2016 are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. However, Cash and bank balances that is held in foreign banks can be assessed by reference to credit rating agency designation as shown in the table below;

	30 June 2018	30 June 2017	1 July 2016
	Birr'000	Birr'000	Birr'000
<i>Cash and bank balances are neither past due nor impaired</i>			
A+	238,551	290,224	532,663
B+	22,289	13,122	48,279
AA-	2,383	2,276	2,370
A-	7,845	241	7,121
BBB+	34,091	13,305	11,395
Others	3,987,895	3,585,215	2,495,660
	<b>4,293,055</b>	<b>3,904,383</b>	<b>3,097,488</b>

#### Definitions of ratings

**A: High credit quality** This denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

**BBB: Good credit quality** This indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic

conditions are more likely to impair this capacity.

**Others** This indicates financial institutions or other counterparties with no available ratings and cash in hand.

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

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

Concentration of loans and advances to customers- Industry

30 June 2018	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Individually impaired Birr'000	Total Birr' 000
<i>Agriculture</i>	70,267	7,554	57,189	135,009
<i>Automobile</i>	26,128	2,257	6,090	34,475
<i>Manufacturing</i>	1,553,504	272,220	56,369	1,882,093
<i>Health Service</i>	10,280	5	335	10,620
<i>Wholesale and Retail</i>	1,271,897	95,230	88,322	1,455,448
<i>Hotel and Tourism</i>	473,844	75,327	16,241	565,412
<i>Mortgage</i>	78,510	30,559	29,703	138,773
<i>Building Construction</i>	461,993	28,263	118,359	608,616
<i>Transport services</i>	21,219	753	9,036	31,007
<i>Transport vehicles</i>	1,315,877	206,279	346,222	1,868,378
<i>Domestic Services-Miscellaneous</i>	205,948	85,095	40,777	331,820
<i>Export</i>	3,962,153	280,000	944,640	5,186,792
<i>Import</i>	1,461,818	163,330	58,613	1,683,761
<i>Construction Bridge</i>	447,049	27,412	173,805	648,266
<i>Staff Loans</i>	492,195	50,435	8,556	551,186
<b>Gross</b>	11,852,681	1,324,719	1,954,255	15,131,656
<b>Less: Impairment allowance (note 15a)</b>	(61,180)	(7,088)	(194,331)	(262,599)
<b>Net</b>	<b>11,791,501</b>	<b>1,317,632</b>	<b>1,759,924</b>	<b>14,869,057</b>

30 June 2017	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Individually impaired Birr'000	Total Birr'000
<i>Agriculture</i>	121,856	2,745	4,551	129,152
<i>Automobile</i>	20,683	129	2,601	23,413
<i>Manufacturing</i>	1,064,098	89,612	24,046	1,177,756
<i>Health Service</i>	13,068	6,036	-	19,104
<i>Wholesale &amp; retail trade</i>	1,182,020	109,560	37,793	1,329,373
<i>Hotel and Tourism</i>	462,773	5,518	1,554	469,845
<i>Mortgage</i>	106,521	23,707	1,457	131,686
<i>Building construction</i>	566,066	178,512	2,740.16	747,318
<i>Transport services</i>	36,756	1,149	4,577	42,481
<i>Transport vehicle</i>	1,136,668	182,822	16,039.82	1,335,530
<i>Mis. Domestic services</i>	354,560	31,089	6,009	391,658
<i>Export</i>	2,284,328	198,538	20,505	2,503,371
<i>Import</i>	1,429,867	100,452	8,545	1,538,864
<i>Construction Bridge</i>	101,419	-	275	101,694
<i>Staff loans</i>	434,509	361	1,104	435,974
<b>Gross</b>	<b>9,315,190</b>	<b>930,231</b>	<b>131,798</b>	<b>10,377,220</b>
<b>Less: Impairment allowance (note 15a)</b>	<b>(163,237)</b>	<b>(13,349)</b>	<b>(24,929)</b>	<b>(201,515)</b>
<b>Net</b>	<b>9,151,953</b>	<b>916,882</b>	<b>106,870</b>	<b>10,175,705</b>

1 July 2016	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Individually impaired Birr'000	Total Birr'000
<i>Agriculture</i>	35,166	18,012	5,061	58,239
<i>Automobile</i>	5,543	1,782	553	7,879
<i>Manufacturing</i>	948,751	24,855	26,253	999,859
<i>Health Services</i>	15,952	(4)	-	15,948
<i>Whole sale and Retail Trade</i>	1,059,804	130,973	31,840	1,222,617
<i>Hotel and Tourism</i>	434,687	11,724	20,106	466,518
<i>Mortgage</i>	126,295	5,951	1,487	133,734
<i>Building construction</i>	155,405	31,994	3,298.00	190,697
<i>Transport Services</i>	40,059	6,601	657	47,317
<i>Transport Vehicle</i>	841,094	21,966	3,162.88	866,223
<i>Domestic Services-Miscellaneous</i>	147,954	3,513	1,269	152,736
<i>Export</i>	1,333,323	63,545	26,324	1,423,192
<i>Import</i>	1,356,231	82,998	4,495	1,443,725
<i>Construction Bridge</i>	268,203	11,958	4,183	284,345
<i>Staff loans</i>	316,429	513	351	317,293
<b>Gross</b>	<b>7,084,899</b>	<b>416,383</b>	<b>129,041</b>	<b>7,630,323</b>
<b>Less: Impairment allowance (note 15a)</b>	<b>(121,339)</b>	<b>(7,808)</b>	<b>(35,596)</b>	<b>(164,743)</b>
<b>Net</b>	<b>6,963,560</b>	<b>408,575</b>	<b>93,445</b>	<b>7,465,580</b>

Individually impaired loans are loans that has well passed their recovery period. The counterparties are under financial difficulties to repay their debt. Individually impaired staff loans are loans given to staffs that are no longer staff of the Bank hence the recoverability of the loans is doubtful.

**(i) Loans and receivables - neither past due nor impaired**

The credit quality of the portfolio of loans and receivables that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Loans and receivables in this category are loans past due for less than 30 days.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Neither past due nor impaired</i>	11,852,681	9,315,190	7,084,899
<i>Collective impairment</i>	(61,180)	(163,237)	(121,339)
<i>Loan and receivables (net)</i>	11,791,501	9,151,953	6,963,560

**(ii) Loans and receivables - past due but not impaired**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Less than 30 days</i>	170,408	96,354	166,754
<i>Past due up to 30- 90 days</i>	1,154,311	833,877	249,629
	1,324,719	930,231	416,383
<i>Collective impairment</i>	(7,088)	(13,349)	(7,808)
<i>Loan and receivables (net)</i>	1,317,632	916,882	408,575

Loans and receivables that have been classified as neither past due nor impaired or past due but not impaired are assessed on a collective basis.

**(iii) Loans and receivables - individually impaired loans**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Substandard</i>	1,694,052	63,481	41,476
<i>Doubtful</i>	197,186	32,175	25,904
<i>Loss</i>	63,017	36,142	61,661
	1,954,255	131,798	129,041
<i>Specific impairment</i>	(194,331)	(24,929)	(35,596)
<i>Loan and receivables (net)</i>	<b>1,759,924</b>	<b>106,870</b>	<b>93,445</b>

**(iv) Allowance for impairment**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Specific impairment</i>	194,331	24,929	35,596
<i>Collective impairment</i>	68,268	176,586	129,147
<i>Total allowance for impairment</i>	262,599	201,515	164,743

**4.3.5 Credit concentrations**

The Bank monitors concentrations of credit risk by social sector and geographical location. An analysis of concentrations of credit risk at 30 June 2018, 30 June 2017 and 30 June 2017. The Bank concentrates all its financial assets in Ethiopia. With some assets placed in Foreign banks.

<b>30 June 2018</b>	<b>PUBLIC ENTERPRISE Birr'000</b>	<b>PRIVATE Birr'000</b>	<b>TOTAL Birr'000</b>
<i>Cash and bank balances</i>	2,787,172	1,261,683	4,048,855
<i>Loans and advances to customers</i>		15,047,640	15,047,640
<i>Investment securities:</i>			-
- Available for sale		35,370	35,370
- Loans and receivables	6,394,493		6,394,493
<i>Other assets</i>	8,293	-	8,293
<b>TOTAL</b>	<b>9,189,958</b>	<b>16,344,693</b>	<b>25,534,651</b>

<b>30 June 2017</b>	<b>PUBLIC ENTERPRISE Birr'000</b>	<b>PRIVATE Birr'000</b>	<b>TOTAL Birr'000</b>
<i>Cash and bank balances</i>	2,639,404	1,264,979	3,904,383
<i>Loans and advances to customers</i>	-	10,294,233	10,294,233
<i>Investment securities:</i>			
- Available for sale		59,370	59,370
- Loans and receivables	5,179,695	-	5,179,695
<i>Other assets</i>	26	325,614	325,640
<b>TOTAL</b>	<b>7,819,125</b>	<b>11,944,196</b>	<b>19,763,321</b>

<b>1 July 2016</b>	<b>PUBLIC ENTERPRISE Birr'000</b>	<b>PRIVATE Birr'000</b>	<b>TOTAL Birr'000</b>
<i>Cash and bank balances</i>	1,710,226	1,387,261	3,097,488
<i>Loans and advances to customers</i>	-	7,572,645	7,572,645
<i>Investment securities:</i>			
- Available for sale		59,370	59,370
- Loans and receivables	4,415,053	-	4,415,053
<i>Other assets</i>	26	123,906	123,933
<b>TOTAL</b>	<b>6,125,306</b>	<b>9,143,183</b>	<b>15,268,488</b>

## 4.3.6 Nature of security in respect of loans and advances to customers.

30 June 2018	Secured against real estate Birr'000	Plant and machinery Birr'000	Motor Vehicles Birr'000	Others Birr'000	Total Birr'000
<i>Agriculture</i>	123,705	3,148	-	-	126,854
<i>Automobile</i>	-	16,533	68,403	-	84,935
<i>Manufacturing</i>	5,461,182	1,274,144	69,977	20,613	6,825,917
<i>Health Service</i>	66,772	-	1,680	-	68,452
<i>Wholesale and Retail Trade</i>	5,477,500	151,033	100,573	7,885	5,736,991
<i>Hotel and Tourism</i>	1,407,268	-	7,530	-	1,414,798
<i>Mortgage</i>	253,205	97,328	2,395	-	352,928
<i>Construction - Building</i>	1,582,095	-	10,185	-	1,592,280
<i>Transport vehicle</i>	980,307	685,412	2,929,197	2,310	4,597,227
<i>Transport Services</i>	142,977	11,650	46,610	-	201,237
<i>Miscellaneous domestic trade</i>	1,073,734	59,895	23,710	-	1,157,339
<i>Export</i>	3,283,614	159,263	252,198	105,104	3,800,179
<i>Import</i>	4,954,473	285,634	163,389	169,841	5,573,336
<i>Construction Bridge</i>	1,621,353	318,755	132,342	-	2,072,450
<i>Staff loans</i>	643,973	-	78,303	126	722,402
	27,072,159	3,062,795	3,886,493	305,879	34,327,326

30 June 2017	Secured against real estate Birr'000	Plant and machinery Birr'000	Motor Vehicles Birr'000	Others Birr'000	Total Birr'000
<i>Agriculture</i>	156,711	-	-	-	156,711
<i>Automobile</i>	1,768	-	54,643	-	56,411
<i>Manufacturing</i>	2,196,469	75,149	3,940	188,739	2,464,296
<i>Health Service</i>	74,621	-	1,680	-	76,301
<i>Wholesale and Retail Trade</i>	3,607,542	26,815	38,395	7,885	3,680,636
<i>Hotel and Tourism</i>	1,233,108	-	12,030	-	1,245,138
<i>Mortgage</i>	309,281	-	2,395	-	311,676
<i>Construction - Building</i>	2,525,521	87,888	65,516	-	2,678,924
<i>Transport vehicle</i>	834,366	488,128	1,984,051	-	3,306,545
<i>Transport Services</i>	146,582	8,840	52,355	-	207,777
<i>Miscellaneous domestic trade</i>	1,004,013	37,752	38,284	-	1,080,049
<i>Export</i>	1,358,285	11,464	62,935	54,171	1,486,855
<i>Import</i>	3,876,337	-	24,732	400	3,901,469
<i>Construction Bridge</i>	366,882	-	2,770	-	369,652
<i>Staff loans</i>	516,337	-	72,060	126	588,522
	18,207,822	736,036	2,415,784	251,322	21,610,964

1 July 2016	Secured against real estate Birr'000	Plant and machinery Birr'000	Motor Vehicles Birr'000	Others Birr'000	Total Birr'000
<i>Agriculture</i>	71,205	-	2,744	-	73,949
<i>Automobile</i>	6,416	-	21,506	-	27,922
<i>Manufacturing</i>	1,774,079	98,456	5,639	200,974	2,079,149
<i>Health Service</i>	65,544	-	2,885	-	68,429
<i>Wholesale and Retail Trade</i>	3,019,236	-	47,163	-	3,066,399
<i>Hotel and Tourism</i>	960,807	-	8,040	-	968,847
<i>Mortgage</i>	226,885	-	2,395	-	229,280
<i>Construction - Building</i>	768,452	2,353	1,980	-	772,785
<i>Transport vehicle</i>	690,421	251,079	1,163,130	-	2,104,630
<i>Transport Services</i>	144,008	16,450	28,205	-	188,663
<i>Miscellaneous domestic trade</i>	346,973	3,270	10,885	-	361,128
<i>Export</i>	576,430	11,464	38,282	37,393	663,569
<i>Import</i>	3,051,658	-	53,896	111,064	3,216,619
<i>Construction Bridge</i>	674,243	116,330	38,922	-	829,495
<i>Staff loans</i>	320,080	-	55,027	126	375,234
	12,696,437	499,402	1,480,699	349,558	15,026,097

\* Others refers to loans and advances secured by shares, guarantees and loans obtained without collaterals.

#### 4.3.7 Collateral held and their financial effect

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

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

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

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

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

Liquidity risk management in the Bank is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation.

##### **4.4.1 Management of liquidity risk**

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 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.

The finance department receives information from other departments regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The finance department then maintain a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank.

The Net loan balance is the outstanding loans at the year end less the recovery value of the loans. The daily liquidity position and market conditions are regularly monitored. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Bank and liquidity reports are submitted weekly to the NBE.

The liquidity contingency plan is specifying developments, so that immediate actions will be taken in order to prevent escalation of such events. In regular course of the activities of the Bank liquidity risk is managed according to the Policy and Procedure on liquidity risk management. As key indicators, that will be used to recognise liquidity problems, the Bank, as minimum is defining the following:

- substantial increase in the assets financed by short term deposits;
- significant and sudden decrease in the core deposits or loss of the regular depositors of the Bank;
- considerable decrease in the assets quality, particularly the credit portfolio;
- extensive withdrawal of deposits before their maturity date;
- regulatory liquidity indicators; internal liquidity indicators; As a part of the crisis management actions, within the Liquidity Contingency Plan, the following are considered as immediate:
  - borrow on inter-bank money market;
  - sell short term securities (domestic and foreign);
  - borrowing from the National Bank

#### 4.4.2 Maturity analysis of financial liabilities

The table below analyses the Bank's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future. For Guarantees and letter of credit obligations, the Bank has applied a credit conversion factor of 50% on the face value of each commitments. This approach is inconsistent with the National Bank of Ethiopia Directive.

30 June 2018	Below 1 year Birr'000	1-2 Year Birr'000	2-5 Year Birr'000	Over 5 years Birr'000	Total Birr'000
<i>Deposits</i>	14,721,438	5,767,671	17,020	-	20,506,129
<i>Guarantees issued</i>	1,141,916	156,940	4,027.20		1,302,884
<i>Letter of credit and other credit related obligations</i>	565,282				565,282
<i>Loan commitments</i>	2,709,202				2,709,202
<i>Other liabilities</i>	2,375,280	500.00	1,500.00	2,270	2,379,550
<b>Total financial liabilities</b>	<b>21,513,118</b>	<b>5,925,111</b>	<b>22,547</b>	<b>2,270</b>	<b>27,463,046</b>

30 June 2017	Below 1 year Birr'000	1-2 Year Birr'000	2-5 Year Birr'000	Over 5 years Birr'000	Total Birr'000
<i>Deposits</i>	12,576,510	3,107,865	13,470	-	15,697,845
<i>Guarantees issued</i>	783,142	41,548	32,184	-	856,874
<i>Letter of credit</i>	1,074,518	-	-	-	1,074,518
<i>Loan commitments</i>	2,097,883	-	-	-	2,097,883
<i>Other liabilities</i>	1,667,707	300.00	2,700.00	-	1,670,707
<b>Total financial liabilities</b>	<b>18,199,759</b>	<b>3,149,713</b>	<b>48,354</b>	<b>-</b>	<b>21,397,826</b>

1 July 2016	Below 1 year Birr'000	1-2 Year Birr'000	2-5 Year Birr'000	Over 5 years Birr'000	Total Birr'000
<i>Deposits</i>	8,891,580	3,032,358	-	-	11,923,938
<i>Guarantees issued</i>	791,673	131,230	8,556	-	931,460
<i>Letter of credit obligations</i>	804,998	-	-	-	804,998
<i>Loan commitments</i>	1,559,497	-	-	-	1,559,497
<i>Other liabilities</i>	1,352,046	300	2,700	-	1,355,046
<b>Total financial liabilities</b>	<b>13,399,795</b>	<b>3,163,888</b>	<b>11,256</b>	<b>-</b>	<b>16,574,939</b>

#### 4.4.3 Financial assets pledged as collaterals

The Bank had no financial asset pledged as collateral during the year under review.

#### 4.5 Market risk

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

##### 4.5.1 Management of market risk

The Bank manages changes in interest rate risk by applying fixed term interest rates while the foreign exchange risk is managed by matching of liabilities and assets and holding of assets appreciating currencies especially the USD to which the Birr is pegged to. Assets and liabilities committee (ALCO) analyzes the Bank's market risk on a monthly basis and reports to the Risk Committee. ALCO performs analyses and makes decisions with regard to balance sheet structure, liquidity risk, and currency risk and also is analyzing the risk of the Bank's treasury unit.

##### *(i) Interest rate risk*

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

The Bank's exposure to the risk of changes in market interest rates relates primarily to the Bank's obligations and financial assets with floating interest rates. The Bank is also exposed on fixed rate financial assets and financial liabilities. The Bank's investment portfolio is comprised of loans and advances to customers, Ethiopian government bonds and cash deposits. For Guarantee and letter of credit obligations, a credit conversion factor of 50% is applied on their face value as per the National Bank of Directive.

30 June 2018	Fixed Birr'000	Non-Interest Bearing Birr'000	Total Birr'000
<i>Financial assets</i>			
<i>Cash and bank balances</i>	4,048,855		4,048,855
<i>Loans and advances to customers</i>	14,785,041		14,785,041
<i>Investment securities;</i>			-
- <i>Available for sale</i>		35,370	35,370
- <i>Loans and receivables</i>	6,394,493		6,394,493
<i>Other assets</i>		699,763	699,763
<b>Total</b>	<b>25,228,389</b>	<b>735,133</b>	<b>25,963,522</b>
<i>Financial liabilities</i>			
<i>Deposits from customers</i>	20,063,841		20,063,841
<i>Deposits from Financial Institutions</i>	442,288		442,288
<i>Guarantees issued</i>		1,302,884	1,302,884
<i>Letter of credit</i>		565,282	565,282
<i>Loan commitments</i>	2,709,202		2,709,202
<i>Other liabilities</i>		2,379,550	2,379,550
<b>Total</b>	<b>23,215,331</b>	<b>4,247,715</b>	<b>27,463,046</b>

30 June 2017	Fixed Birr'000	Non-Interest Bearing Birr'000	Total Birr'000
<i>Financial assets</i>			
<i>Cash and bank balances</i>	3,904,383	-	3,904,383
<i>Loans and advances to customers</i>	10,092,719	-	10,092,719
<i>Investment securities;</i>			-
- <i>Available for sale</i>	-	59,370	59,370
- <i>Loans and receivables</i>	5,179,695	-	5,179,695
<i>Other assets</i>	-	312,630	312,630
<b>Total</b>	<b>19,176,796</b>	<b>372,000</b>	<b>19,548,796</b>
<i>Financial liabilities</i>			
<i>Deposits from customers</i>	14,020,235	-	14,020,235
<i>Deposits from Financial Institutions</i>	1,677,610	-	1,677,610
<i>Guarantees issued</i>		856,874	856,874
<i>Letter of credit</i>		804,998	804,998
<i>Loan commitments</i>	2,709,202	-	2,709,202
<i>Other liabilities</i>	-	1,670,707	1,670,707
<b>Total</b>	<b>18,407,046</b>	<b>3,332,579</b>	<b>21,739,625</b>

1 July 2016	Fixed Birr'000	Non-Interest Bearing Birr'000	Total Birr'000
<i>Financial assets</i>			
<i>Cash and bank balances</i>	3,097,488	-	3,097,488
<i>Loans and advances to customers</i>	7,407,902	-	7,407,902
<i>Investment securities;</i>			
- Available for sale	-	59,370	59,370
- Loans and receivables	4,415,053	-	4,415,053
<i>Other assets</i>	-	114,267	114,267
<b>Total</b>	<b>14,920,443</b>	<b>173,637</b>	<b>15,094,079</b>
<i>Financial liabilities</i>			
<i>Deposits from customers</i>	11,078,548	-	11,078,548
<i>Deposits from Financial institutions</i>	845,390	-	845,390
<i>Guarantees issued</i>		931,460	931,460
<i>Letter of credit</i>		804,998	804,998
<i>Loan commitments</i>	1,559,497	-	1,559,497
<i>Other liabilities</i>	-	1,355,046	1,355,046
<b>Total</b>	<b>13,483,435</b>	<b>3,091,504</b>	<b>16,574,939</b>

**(ii) Foreign exchange risk**

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

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

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

**foreign currency denominated balances**

Cash and bank balances	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
USD	218,255	329,569	617,499
GBP	8,838	8,285	1,374
Euro	28,147	49,853	37,906
Other currencies	35,950	7,884	5,426
	291,189	395,591	662,205

**Sensitivity analysis for foreign exchange risk**

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

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

30 June 2018	Basis points Birr'000	Effect of appreciation of the Birr against foreign currencies Birr'000	Effect of appreciation of the Birr against foreign currencies Birr'000	Closing rates at reporting date Birr'000
USD	10%	21,826	(21,826)	27.81
GBP	10%	884	(884)	
Euro	10%	2,815	(2,815)	32.20
<b>Total</b>		25,524	(25,524)	

30 June 2017	Basis points Birr'000	Effect of appreciation of the Birr against foreign currencies Birr'000	Effect of appreciation of the Birr against foreign currencies Birr'000	Closing rates at reporting date Birr'000
USD	10%	32,957	(32,957)	23.11
GBP	10%	829	(829)	29.96
Euro	10%	4,985	(4,985)	26.35
<b>Total</b>		38,771	(38,771)	

1 July 2016	Basis points Birr'000	Effect of appreciation of the Birr against foreign currencies Birr'000	Effect of appreciation of the Birr against foreign currencies Birr'000	Closing rates at reporting date Birr'000
USD	10%	61,750	(61,750)	22.18
GBP	10%	137	(137)	27.21
Euro	10%	3,791	(3,791)	24.40
<b>Total</b>		65,678	(65,678)	

#### 4.6 Operational Risk

Operational risk is risk of loss due to inappropriate or weak internal processes, inappropriate persons and inappropriate or weak systems in the Bank as well as external events. The Bank defined its framework for managing with the operational risk by adopting the policy and procedure on operational risk management. Policy and Procedure for Operational Risk Management was adopted by the Supervisory Board of the Bank. In the Policy, the basic aims are defined such as operational risk management (system and processes for managing operational risk, organizational structure, reporting system, internal control and etc), as well as measuring and monitoring the operational risk. Implementation of the operational risk management framework is meant to be delivered by performing RCSA (Risk and control self-assessment) which is continuous process, and by using the operational loss event database. Within the strategy for Risk Management, the Bank has defined the acceptable level of exposure to operational risk.

#### 4.7. 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.

##### 4.7.1. Capital adequacy ratio

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Capital</i>			
<i>Share capital</i>	2,310,321	2,072,112	1,778,851
<i>Share premium</i>	31,666	31,666	25,424
<i>Retained earnings</i>	361,816	254,633	152,907
<i>Legal reserve</i>	1,052,114	853,726	720,685
<i>Regulatory Reserve</i>	70,588	-	-
<i>Total regulatory capital</i>	<b>3,826,506</b>	<b>3,212,137</b>	<b>2,677,867</b>
<i>Total risk weighted assets</i>	<b>18,450,859</b>	<b>14,281,395</b>	<b>12,961,959</b>
<i>Risk-weighted Capital Adequacy Ratio (CAR)</i>	21%	22%	21%
<i>Maximum required capital</i>	8%	8%	8%
<i>Determination of the excess and (short-fall) on capital (8%)</i>	1,169,948	885,541	822,727

#### 4.8. Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

##### 4.8.1 Valuation models

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

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

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

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

#### 4.8.2 Financial instruments measured at fair value - fair value hierarchy

The following table summarises the carrying amounts of financial assets and liabilities not measured at fair value and their fair value measurements as at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

30 June 2018	Carrying Amount Birr'000	Fair Value Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
<b>Financial assets</b>						
Cash and Bank Balances	4,048,855	4,048,855	4,048,855			4,048,855
Loans and advances to customers	14,785,041	14,785,041			14,785,041	14,785,041
Investment securities;		-			0	-
- Loans and receivables	6,394,493	6,394,493			6,394,493	6,394,493
- Available for Sale securities	35,370	35,370			35,370	35,370
Other Assets	213,044	213,044			213,044	213,044
<b>Total</b>	<b>25,476,803</b>	<b>21,179,534</b>	<b>-</b>	<b>-</b>	<b>21,179,534</b>	<b>21,179,534</b>
<b>Financial liabilities</b>						
Deposits from customers	20,063,841	20,063,841			20,063,841	20,063,841
Deposit from financial institutions	442,288	442,288			442,288	442,288
Other liabilities	2,375,280	2,375,280			2,375,280	2,375,280
<b>Total</b>	<b>22,881,409</b>	<b>22,881,409</b>			<b>22,881,409</b>	<b>22,881,409</b>

30 June 2017	Carrying Amount Birr'000	Fair Value Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
<b>Financial assets</b>						
Cash and bank balances	3,904,383	3,904,383	3,904,383			3,904,383
Loans and advances to customers	10,092,719	10,100,700			10,100,700	10,100,700
Investment securities;						-
- Loans and receivables	5,179,695	5,179,695			5,179,695	5,179,695
- Available for sale	59,370	59,370			59,370	59,370
Other assets	312,630	312,630			312,630	312,630
<b>Total</b>	<b>19,548,796</b>	<b>19,556,778</b>	<b>3,904,383</b>	<b>-</b>	<b>15,652,395</b>	<b>19,556,778</b>
<b>Financial liabilities</b>						
Deposits from customers	14,020,235	14,020,235	-	-	14,020,235	14,020,235
Deposit from financial institutions	1,677,610	1,677,610	-	-	1,677,610	1,677,610
Other liabilities	1,667,707	1,667,707	-	-	1,667,707	1,667,707
<b>Total</b>	<b>17,365,551</b>	<b>17,365,551</b>	<b>-</b>	<b>-</b>	<b>17,365,551</b>	<b>17,365,551</b>

30 June 2016	Carrying Amount Birr'000	Fair Value Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
<b>Financial assets</b>						
<i>Cash and bank balances</i>	3,097,488	3,097,488	3,097,488	-		3,097,488
<b>Loans and advances to customers</b>	7,407,902	7,413,611	-		7,413,610.56	7,413,611
<b>Investment securities;</b>					-	
- Loans and receivables	4,415,053	4,415,053	-		4,415,053	4,415,053
- Available for sale	59,370	59,370	-		59,370.00	59,370
<b>Other assets</b>	114,267	114,267	-	-	114,267	114,267
<b>Total</b>	11,822,955	11,828,664	-	-	12,002,300	15,099,788
<b>Financial liabilities</b>						
<b>Deposits from customers</b>	11,078,548	11,078,548	-	-	11,078,548	11,078,548
<i>Deposit from financial institutions</i>	845,390	845,390	-	-	845,390	845,390
<b>Other liabilities</b>	1,355,046	1,355,046	-	-	1,355,046	1,355,046
<b>Total</b>	13,278,984	13,278,984	-	-	13,278,984	13,278,984

**(a) Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The financial assets that fall under this category are Ethiopian government securities.

**(b) Loans and advances to customers**

The fair values of loans and advances to customers are based on cash flows discounted using a rate based on the market interest rate of 10.58% for the other staff loans (30 June 2017:10.32% and 30 June 2016:10.32%) and 9.5% for housing loans (30 June 2017: 9.5% and 30 June 2016:9.5%). The discount rate

equals to the average of the prime lending rates for Banks in Ethiopia. The fair values are within Level 2 of the fair value hierarchy.

#### 4.8.3 Valuation technique using significant unobservable inputs – Level 3

The Bank has no financial asset measured at fair value on subsequent recognition.

#### 4.8.4 Transfers between the fair value hierarchy categories

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

#### 4.9 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 2018 Birr'000	30 June 2017 Birr'000
<i>Cash and bank balances</i>	12,795	110
<i>Loans and advances to customers</i>	19,331,150	1,206,485
<i>Investment securities</i>	169,824	140,401
	2,115,769	1,346,995

#### 6. Interest expense

	30 June 2018 Birr'000	30 June 2017 Birr'000
<i>Saving deposits</i>	420,466	270,862
<i>Fixed time deposits</i>	328,462	195,981
<i>Current deposits</i>	3,177	0
<i>Leases</i>	16	0
	752,121	466,843

**7. Net fees and commission income**

	30 June 2018 Birr'000	30 June 2017 Birr'000
<i>Commission and fees on L/C</i>	732,731	533,843
<i>Commission on Gurantees</i>	82,519	81,723
<i>Agent Banking Fee</i>	3	10
<i>ATM Transaction Fees-Foreign</i>	462	281
<i>ATM Transaction Fees-Local</i>	4,251	2,510
<i>Commission on CPO issued</i>	3,189	3,355
<i>Commission on Export</i>	5	112
<i>Commission on IBC</i>	5,743	14,198
<i>Commission on OBC</i>	-	-
<i>Credit Information Charge</i>	411	481
<i>Service Charge-Local</i>	6,631	3,470
<i>SWIFT charges</i>	5,527	3,839
<i>Commission Sundries</i>	6,497	77
<i>Commission &amp; Charges from IFB</i>	41	-
<i>Commission and Fees on Fund transfers</i>	2,411	4,624
	850,421	648,424

**8. Other operating income**

	30 June 2018 Birr'000	30 June 2017 Birr'000
<i>Gain from Sale of Investments</i>	107,940	-
<i>Rental income</i>	3,395	289
<i>Bad debt recoveries</i>	-	300
<i>Estimation fees</i>	439	689
<i>Cash Surplus</i>	103	132
<i>Rebates</i>	2,053	970
<i>Fee on Bounced Checks</i>	54	142
<i>Dividend income</i>	1,493	1,839
<i>Gain on foreign exchange</i>		135,541
<i>Gain on Disposal of Old Assets</i>	14	-
<i>Card purchase &amp; replacement income</i>	993	861
<i>Pin replacement income</i>	-	2
<i>Sundries-Local</i>	5,002	1,887
<i>Sundries-Foreign</i>	0	1,818
	121,488	144,471

**9. Loan impairment charge**

	30 June 2018 Birr'000	30 June 2017 Birr'000
<i>Loans and receivables - charge for the year (note 15a)</i>	61,084	57,168
<i>Loans and receivables - reversal of provision (note 15a)</i>	-	-
	61,084	57,168

**10. Impairment losses on other assets**

	30 June 2018 Birr'000	30 June 2017 Birr'000
<i>Other assets - charge for the year (note 17)</i>	27,699	4,204
<i>Other assets - reversal of impairment losses (note 17)</i>	-	-
	27,699	4,204

**11. Salaries and benefits**

	30 June 2018 Birr'000	30 June 2017 Birr'000
<i>Employee salaries</i>	381,637	303,262
<i>Outsourced employee salaries</i>	41,723	21,506
<i>Pension costs</i>	42,923	33,062
<i>Short-term employee benefits</i>	204,824	150,486
<i>Severance pay- Defined benefit plan</i>	6,044	4,119
	677,150	512,436

**12. Other operating expenses**

	30 June 2018 Birr'000	30 June 2017 Birr'000
<i>Advertisement &amp; Publicity</i>	32,440	31,771
<i>Bank Charges</i>	2,422	1,159
<i>Broad Band Expense</i>	20,823	14,398
<i>Card payment Charges</i>	8,809	15,796
<i>Consultant Fee</i>	707	0
<i>Communication expenses</i>	10,481	7,404
<i>Consumables</i>	5,974	5,144
<i>Donations</i>	18,134	685
<i>Ethswitch Charges</i>	401	0
<i>Stump Duty Expense</i>	1,069	0
<i>Entertainment</i>	2,742	4,337
<i>Event organization expense</i>	1,787	17

**12. Other operating expenses (cont.)**

	30 June 2018 Birr'000	30 June 2017 Birr'000
<i>Insurance</i>	6,619	6,205
<i>IT support charges</i>	16,255	29,203
<i>Legal and professional fees</i>	335	(617)
<i>License Fee and Taxes</i>	827	760
<i>Loss on Disposal of fixed assets</i>	752	2,150
<i>Maintenance</i>	19,065	16,002
<i>Membership Fee</i>	302	196
<i>Money transfer charges</i>	6,829	5,734
<i>Penalty Expense</i>	52	281
<i>Perdiem and Travel</i>	7,579	7,897
<i>Petrol and Oil</i>	10,378	7,668
<i>Printing and stationery</i>	14,183	12,489
<i>Rental expenses</i>	172,464	142,177
<i>Subscription &amp; Publication</i>	547	588
<i>Sundries</i>	5,679	4,274
<i>Uniform</i>	6,774	7,632
<i>Utilities</i>	3,091	2,448
<i>Loss on foreign exchange Dealing</i>	51,815	-
<i>Wages for non-permanent employees.</i>	1,178	1,116
	430,512	326,914

**13. Company income and deferred tax**

	30 June 2018 Birr'000	30 June 2017 Birr'000
<b>13.a Current income tax</b>		
<i>Company income tax</i>	197,638	157,643
<i>Prior year over/ under/ provision</i>	18,336	25,521
<i>Deferred income tax/(credit) to profit or loss</i>	40,559	3,712
<i>Total charge to profit or loss</i>	256,534	186,876
<i>Tax (credit) on other comprehensive income</i>	(7,770)	(1,016)
<i>Total tax in statement of comprehensive income</i>	248,764	185,860

**13.b Reconciliation of effective tax to statutory tax**

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

		30 June 2018 Birr'000	30 June 2017 Birr'000	
	<i>Profit before tax</i>		1,050,088	705,663
	<i>Tax calculated at statutory tax rate of 30 %</i>		315,026	211,699
<b>ADD</b>	Entertainment	823		1,301
	Donation	40		159
	Penalty	16		84
	Provision for Legal cases	101		-
	Employee Severance benefits expensed	1,813		1,236
	Loss on disposal of fixed assets	12		623
	Provision for loans and other assets	26,635		18,412
	Depreciation for accounting purpose	23,889		16,805
	Amortization for accounting purpose	2,519		2,960
				55,848
<b>LESS</b>	Depreciation for tax purpose	(30,391)		(14,497)
	Amortization for tax purpose	(2,559)		(1,616)
	Employee severance paid in cash	(594)		(855)
	Provision for loans and other assets	(33,740)		(10,234)
	Provision for Legal cases			(207)
	Gain from sale of investment	(32,382)		
	Interest income taxed at source- foreign	(13)		(33)
	Dividend income taxed at source	(448)		(552)
	Interest income taxed at source-NBE Bills	(50,839)		(42,012)
	Interest income taxed at source-Local Deposit	(3,825)		-
	Interest income taxed at source-Investment in Government Bond	(108)		(108)
			(154,899)	(70,115)
			215,975	183,164

**13.c Current income tax liability**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Balance at the beginning of the year</i>	157,524	77,324	100,127
<i>Charge for the year:</i>			
<i>Income tax expense</i>	215,975	183,164	77,358
<i>Payment during the year</i>	(175,860)	(102,845)	(100,127)
<i>Withholding tax</i>	(80)	(119)	(34)
<i>Balance at the end of the year</i>	197,558	157,524	77,324

The income tax payable during the period are current in nature.

**13.d Deferred income tax**

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

Deferred income tax assets/(liabilities):	At 1 July 2017 Birr'000	Credit/(Charge) to P/L Birr'000	Credit/(charge ) to equity Birr'000	30 June 2018 Birr'000
<i>Property, plant and equipment</i>	29,839	41,778		71,617
<i>Post employment benefit obligation</i>	(7,644)	33,728	(7,770)	(16,633)
<i>Total deferred tax assets/(liabilities)</i>	22,195	75,505	(7,770)	54,984

Deferred income tax assets/(liabilities)::	At 1 July 2016 Birr'000	Credit/ (Charge)to P/L Birr'000	Credit/ (charge ) to equity Birr'000	30 June 2017 Birr'000
<i>Property, plant and equipment</i>	25,746	4,092	-	29,839
<i>Post employment benefit obligation</i>	(6,248)	(380)	(1,016)	(7,644)
<i>Total deferred tax assets/(liabilities)</i>	19,498	3,712	(1,016)	22,195

**14. Cash and bank balances**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Cash in hand</i>	1,077,343	886,913	738,079
<i>Deposit with local commercial banks</i>	-	-	105
<i>Deposit with foreign banks</i>	184,340	378,066	649,077
<i>Deposit with National Bank of Ethiopia</i>	2,787,172	2,639,404	1,710,226
	4,048,855	3,904,383	3,097,488

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	3,037,750	3,148,277	2,496,382
Non-Current	1,011,106	756,106	601,106
	4,048,855	3,904,383	3,097,488

Cash and bank balances in the statement of cash flows are the same as on the statement of financial position as the Bank had no bank overdrafts at the end of each reporting period,

15. Loans and advances to customers	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Agriculture	135,009	129,152	58,239
Automobile	34,475	23,413	7,879
Manufacturing	1,882,093	1,177,756	999,859
Health Services	10,620	19,104	15,320
Wholesale and Retail Trade	1,455,435	1,329,359	1,222,617
Hotel and Tourism	565,412	469,845	466,518
Mortgage	138,773	131,686	133,734
Construction - Building	608,616	395,013	190,697
Transport Service	31,007	42,481	47,317
Transport Vehicle	1,862,172	1,335,530	856,810
Miscellaneous domestic trade	331,820	391,658	162,779
Export	5,186,792	2,308,563	1,423,192
Import	1,683,761	1,733,671	1,443,725
Construction Bridge	648,266	453,999	284,345
Staff loans and advances	473,390	353,001	259,614
Gross amount	15,047,640	10,294,233	7,572,645
Less: Impairment allowance (note 15a)			
- Specific impairment	(194,331)	(24,929)	(35,596)
- Collective impairment	(68,268)	(176,586)	(129,147)
	14,785,041	10,092,719	7,407,902

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	9,059,476	6,204,930	4,546,684
Non-Current	5,725,565	3,887,789	2,861,218
	14,785,041	10,092,719	7,407,902

**15a Impairment allowance on loans and advances to customers**

A reconciliation of the allowance for impairment losses for loans and receivables by class, is as follows:

Specific allowance for impairment	As at 1 July 2016 Birr'000	Write offs during the year Birr'000	Charge for the year Birr'000	As at 30 June 2017 Birr'000	Charge for the year Birr'000	As at 30 June 2018 Birr'000
<i>Agriculture</i>	1,703	-	(201)	1,502	15,206	16,707
<i>Automobile</i>	-	-	822	822	(199)	623
<i>Building construction</i>	-	-	-	-	7,356	7,356
<i>Construction Bridge</i>	1,000	-	(1,000)	-	3,176	3,176
<i>Export</i>	24,750	(20,294)	6,951	11,407	471	11,878
<i>Health service</i>	-	-	(3,575)	(3,575)	127,843	124,268
<i>Hotel and Tourism</i>	3,575	-	(365)	3,211	(117)	3,094
<i>Import</i>	482	-	2,906	3,387	(3,250)	137
<i>Manufacturing</i>	344	-	(98)	247	7,577	7,824
<i>Mortgage</i>	98	-	658	756	(658)	98
<i>Domestic Services-Miscellaneous</i>	-	-	1,049	1,049	1,219	2,268
<i>Transport Services</i>	-	-	1,394	1,394	89	1,483
<i>Transport Vehicle</i>	-	-	552	552	5,149	5,701
<i>Whole sale and Retail Trade</i>	3,445	(92)	73	3,426	5,086	8,512
<i>Staff loans</i>	199	(10)	563	752	454	1,205
	35,596	(20,396)	9,729	24,929	169,403	194,331

Collective allowance for impairment	As at 1 July 2016 Birr'000	Write offs during the year Birr'000	Charge for the year Birr'000	As at 30 June 2017 Birr'000	Charge for the year Birr'000	As at 30 June 2018 Birr'000
<i>Agriculture</i>	3,043	-	5,950	8,993	(7,483)	1,510
<i>Automobile</i>	154	-	584	738	(368)	370
<i>Building construction</i>	2,757	-	10,690	13,447	(10,045)	3,403
<i>Construction Bridge</i>	4,988	-	(2,797)	2,192	2,940	5,131
<i>Domestic Services-Miscellaneous</i>	2,551	-	3,020	5,572	(3,914)	1,658
<i>Export</i>	33,485	-	30,208	63,693	(45,315)	18,377
<i>Health service</i>	-	-	-	-	24	24
<i>Hotel and Tourism</i>	11,297	-	2,169	13,466	(8,342)	5,123
<i>Import</i>	8,634	-	(733)	7,901	(3,525)	4,377

Collective allowance for impairment Contd.	As at 1 July 2016 Birr'000	Write offs during the year Birr'000	Charge for the year Birr'000	As at 30 June 2017 Birr'000	Charge for the year Birr'000	As at 30 June 2018 Birr'000
<i>Manufacturing</i>	22,755	0	(5,510)	17,245	(8,707)	8,538
<i>Mortgage</i>	1,641	0	120	1,761	(853)	907
<i>Transport Services</i>	433	0	165	597	(17,011)	(16,413)
<i>Transport Vehicle</i>	11,540	0	5,681	17,222	(11,587)	5,634
<i>Whole sale and Retail Trade</i>	24,257	0	(2,281)	21,976	5,757	27,733
<i>Staff loans</i>	1,611	0	174	1,785	111	1,895
	129,147	0	47,439	176,586	(108,318)	68,268
<b>Total impairment</b>	<b>164,743</b>	<b>(20,396)</b>	<b>57,168</b>	<b>201,515</b>	<b>61,084</b>	<b>262,599</b>

**16. Investment securities Available for sale:****Equity Investments;**

	Holdings %	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Ethio switch</i>	6%	11,370	11,370	11,370
<i>Africa Insurance S.C</i>	5%	9,000	9,000	9,000
<i>Raaz Transport</i>	17%	10,000	10,000	10,000
<i>Raya Brewery</i>	4%	0	24,000	24,000
<i>Ethiopian Reinsurance S.C</i>	1%	5,000	5,000	5,000
		35,370	59,370	59,370
<b>Loans and receivables:</b>				
<b>Ethiopian Government Securities</b>		6,394,493	5,179,695	4,415,053
<b>Gross amount</b>		6,394,493	5,179,695	4,415,053

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Current</i>	772,005	761,554	697,543
<i>Non-Current</i>	5,622,488	4,418,141	3,717,510
	6,394,493	5,179,695	4,415,053

The Bank holds equity investments in Ethio switch of 6% (30 June 2017: 6%, 1 July 2016: 6%), African insurance S.C 5% (30 June 2017: 5%, 1 July 2016: 5%), Raaz transport 17% (30 June 2017: 17%, 1 July 2016: 17%), 4%, 1 July 2016: 4%), and Ethiopian Reinsurance S.C 1% (30 June 2017: 1%, 1 July 2016: 1%).

The fair value of the unquoted equity securities carried at cost cannot be reliably estimated as there are no active market for these financial instruments; they have therefore been disclosed at cost less impairment. Of the above investments, the Bank is generating dividends from its investment in Africa Insurance, while the remaining investments are new one which are under establishment or started operation recently. The Bank had made assessment of each investee and found out that neither is in prolem and thus beleive that these investments are not impaired. Moreover, the investment in Raya Brewery is sold during the fiscal year 2017/18 at a substantial prenjum.of about 7.5 fold its cost.

### 17. Other assets

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<b>Financial assets</b>			
<i>Receivable from African insurance</i>	4,506	1,510	1,334
<i>Uncleared effect -Local</i>	-	6,472	-
<i>Uncleared effect -Foreign</i>	64,653	111,478	57,123
<i>Staff receivables</i>	440	1,202	987
<i>Receivable from money transfer agents</i>	5,833	8,544	1,055
<i>Receivable from National Bank of Ethiopia</i>	8,293	26	26
<i>Prepaid expenses on staff loans</i>	78,999	84,533	59,092
<i>Shares held for resale</i>	357	82,494	-
<i>Recievable from VISA</i>	8,002	1,668	2,958
<i>Recievable from Master Card</i>	3,883	436	-
<i>Cash Shortage</i>	3,306	21	824
<i>VAT Recievable</i>	103	-	-
<i>Ethio Pay Settlement Receivable</i>	1,383	-	-
<i>Eth-switch Receivable</i>	8,287	-	-
<i>Other receivables</i>	65,709	27,258	534
<b>Gross amount</b>	253,753	325,640	123,933
<i>Less: Impairment allowance (note 17a)</i>	(40,709)	(13,010)	(9,666)
	213,044	312,630	114,267
<b>Non-financial assets</b>			
<i>Prepaid leasehold land</i>	-	-	-
<i>Prepayments</i>	439,728	292,243	264,560
<i>Repossessed properties</i>	24,520	8,035	8,029
<i>Inventory</i>	22,471	20,023	16,075
	486,719	320,301	288,664
<b>Gross amount</b>	699,763	632,931	402,931

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Current</i>	260,035	340,688	138,371
<i>Non-Current</i>	439,728	292,243	264,560
	699,763	632,931	402,931

### 17a Impairment allowance on other assets

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Balance at the beginning of the year</i>	13,010	9,666	9,666
<i>(Reversal)/charge for the year (note 10)</i>	27,699	3,344	-
<i>Balance at the end of the year</i>	40,709	13,010	9,666

### 17b Inventory

A breakdown of the items included within inventory is as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Stationery</i>	4,299	7,571	4,622
<i>Office supplies</i>	11,798	8,025	4,656
<i>Visa cards</i>	1,307	1,147	4,002
<i>Other stock</i>	4,783	2,971	2,457
<i>Memorial Coins</i>	283	309	339
	22,471	20,023	16,075

<b>18. Investment property</b>	<b>30 June 2018 Birr'000</b>	<b>30 June 2017 Birr'000</b>	<b>30 June 2016 Birr'000</b>
<b>Cost</b>			
<i>At the beginning of the year</i>	943	943	-
<i>Acquisitions</i>	-	-	-
<i>*Transfers from PPE</i>	-	-	943
<i>At the end of the year</i>	943	943	943
<b>Accumulated depreciation:</b>			
<i>At the beginning of the year</i>	276	258	-
<i>Charge for the year</i>	18	18	-
<i>*Transfers from PPE</i>	-	-	258
<i>At the end of the year</i>	294	276	258
<b>Net book value</b>			
<i>As at 30 June</i>	649	667	685

*\*Transfers from PPE relates to buildings used for rentals.*

<b>18a. Amounts recognised in profit or loss for investment properties</b>	Notes	<b>30 June 2018 Birr'000</b>	<b>30 June 2017 Birr'000</b>
<i>Rental income</i>		230	289

### **18b Fair value measurement of the Bank's Investment properties**

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

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

The fair value of the Bank's Investment property as at 30 June 2018 has been arrived at by in-house engineers qualified estate surveyors and 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.

### 18c Fair value hierarchy

Details of the Bank's Investment properties and information about the fair value hierarchy at 30 June 2018, 30 June 2017 and 30 June 2016 respectively are as follows:

30 June 2018	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
<i>Investment properties</i>	649			2,963

30 June 2017	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
<i>Investment properties</i>	667			2,963

1 July 2016	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
<i>Investment properties</i>	685	-	-	2,963

<b>19. Intangible Assets</b>	<b>Purchased Software Birr'000</b>	<b>Software under Development Birr'000</b>	<b>Total Birr'000</b>
<b>Cost</b>			
<i>As at 1 July 2016</i>	79,675	9,580	89,255
<i>Acquisitions</i>	3,431	32,499	35,930
<i>Adjustments/Transfer to Intangible Assets</i>	3,025	(7,306)	(4,282)
<i>As at 30 June 2017</i>	86,131	34,773	120,903
<i>As at 1 July 2017</i>	86,131	34,773	120,903
<i>Acquisitions</i>	41,182		41,182
<i>Derecognition</i>	(74,141)		(74,141)
<i>Adjustments/Transfers to intangible assets</i>	34,773	(34,773)	0
<i>As at 30 June 2018</i>	87,945	-	87,945
<b>Accumulated amortisation</b>			
<i>As at 1 July 2016</i>	66,367		66,367
<i>Amortisation</i>	9,866		9,866
<i>As at 30 June 2017</i>	76,233	-	76,233
<i>As at 1 July 2017</i>	76,233	-	76,233
<i>Derecognition</i>	(74,141)		(74,141)
<i>Amortisation</i>	8,396		8,396
<i>As at 30 June 2018</i>	10,488	-	10,488
<b>Net book value</b>			
<i>As at 1 July 2016</i>	13,308	9,580	22,888
<i>As at 30 June 2017</i>	9,898	34,773	44,670
<i>As at 30 June 2018</i>	77,457	-	77,457

## 20. Property, plant and equipment

Cost:	Office Equipments Birr'000	Building Birr'000	Motor Vehicles Birr'000	Furniture and fittings Birr'000	Computer Equipment Birr'000	Capital Work in Progress Birr'000	Total Birr'000
<b>As at 1 July 2016</b>	107,432	4,561	145,823	74,318	127,063	485,233	944,430
<i>Additions</i>	32,418	-	59,246	30,010	38,653	108,528	268,856
<i>Write-offs</i>	(784)	-	(186)	(3,831)	(3,085)	-	(7,885)
<i>Disposals</i>	(1,847)	-	(1,827)	(391)	(4,749)	-	(8,814)
<i>Reclassifications</i>	24,067	-	306	(6,176)	250	-	18,446
<b>As at 30 June 2017</b>	161,286	4,561	203,362	93,931	158,132	593,761	1,215,034
<b>As at 1 July 2017</b>	161,286	4,561	203,362	93,931	158,132	593,761	1,215,034
<i>Additions</i>	102,715	198,018	614	21,187	84,003	43,037	449,575
<i>Write-offs</i>	-	-	-	-	-	-	-
<i>Disposals</i>	-	(48)	-	-	-	-	(48)
<i>Reclassification</i>	(1,745)	593,761	(404)	(671)	(707)	(593,761)	(3,527)
<b>As at 30 June 2018</b>	262,255	796,293	203,572	114,447	241,428	43,037	1,661,034
<b>Accumulated depreciation</b>							
<b>As at 1 July 2016</b>	51,168	541	59,071	25,890	52,600	-	189,271
<i>Charge for the year</i>	8,344	275	20,895	8,685	14,629	-	52,828
<i>Write-offs</i>	(559)	-	(186)	(2,113)	(1,650)	-	(4,508)
<i>Disposals</i>	(1,802)	-	(1,827)	(357)	(3,816)	-	(7,802)
<i>Adjustments</i>	8,193	(188)	(7,638)	(960)	2,957	-	2,363
<b>As at 30 June 2017</b>	65,344	628	70,315	31,145	64,720	-	232,152
<b>As at 1 July 2017</b>	65,344	628	70,315	31,145	64,720	-	232,152
<i>Charge for the year</i>	22,704	8,782	17,264	9,272	21,591	-	79,613
<i>Disposals</i>	-	(9)	-	-	-	-	(9)
<b>As at 30 June 2018</b>	88,048	9,401	87,579	40,417	86,311	-	311,756
	-88,498	-9,401	-87,579	-40,571	-86,821	-	-312,870
<b>Net book value</b>							
<i>As at 1 July 2016</i>	56,264	4,020	86,752	48,428	74,463	485,233	755,159
<i>As at 30 June 2017</i>	95,942	3,933	133,047	62,786	93,412	593,761	982,882
<i>As at 30 June 2018</i>	174,207	786,891	115,993	74,031	155,117	43,037	1,349,278

**21. Deposits from customers**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Demand deposits</i>	7,451,155	5,798,997	4,537,853
<i>Saving deposits</i>	10,003,905	7,395,386	5,951,946
<i>Fixed term deposits</i>	2,608,781	825,851	588,749
	20,063,841	14,020,235	11,078,548

**Maturity analysis**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Current</i>	14,279,150	10,898,900	8,046,190
<i>Non-Current</i>	5,784,691	3,121,335	3,032,358
	20,063,841	14,020,235	11,078,548

**22. Deposit from financial institutions**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Saving Deposit</i>	29,901	20,182	63,301
<i>Demand Deposit</i>	24,861	77,095	44,502
<i>Fixed Term deposit</i>	387,526	1,580,333	737,587
<b>Total</b>	442,288	1,677,610	845,390

**Maturity analysis**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Current</i>	442,288	1,677,610	845,390
<i>Non-Current</i>			
	442,288	1,677,610	845,390

**23. Other liabilities**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<i>Financial liabilities</i>			
<i>Accruals</i>	0	301	912
<i>Accrued leave pay</i>	66,829	49,662	37,569
<i>Blocked Account</i>	21,385	32,094	16,241
<i>Cash payment order payable</i>	280,495	219,867	252,957
<i>Customer deposits for letter of credit</i>	735,679	1,125,068	850,472
<i>Deferred revenue</i>	60,977	65,884	59,566
<i>Deposit for Guarantees Issued</i>	27,515	15,826	10,973
<i>Directors fee payable</i>	978	1,000	900
<i>Dividend payable</i>	26,390	23,128	32,728

**23. Other liabilities (Contd.)**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Exchange payable to NBE	69,533	58,646	35,040
Nostro Account	998,166	0	0
Old draft payable	45,184	51,734	40,045
Payable to Ethio switch	23,626	4,027	0
Payable to international money transfer agents	0	103	100
Pension Contribution Pay	1,752	1,020	685
Prepaid card control account	2,014	5,742	0
Telegraphic transfer payable	14,713	12,902	13,858
Third party agent payable	42	703	0
	2,375,280	1,667,707	1,352,046
<b>Non-financial liabilities</b>			
Provision for bonus	60,954	46,000	27,000
Provision for court cases	894	559	1,249
Stamp duty payable	3,387	13,646	2,409
Interest Tax Payable	7,874	0	1,507
Withholding tax payable	356	0	482
Employee income Tax Payable	4,618	3,579	3,557
VAT payable	308	0	477
Cost Sharing Payable	28	0	0
Technical Service Payable	202	0	0
Sundry payables	296,387	50,647	53,293
Board of director's allowance			0
	375,008	114,431	89,975
<b>Gross amount</b>	<b>2,750,288</b>	<b>1,782,138</b>	<b>1,442,022</b>

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	2,750,288	1,782,138	1,442,022
Non-Current			
	2,750,288	1,782,138	1,442,022

## 24. Employee benefit obligations

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<b>Defined benefits liabilities:</b>			
-Severance benefits	55,442	25,479	20,827
<b>Liability in the statement of financial position</b>	<b>55,442</b>	<b>25,479</b>	<b>20,827</b>

## Income statement charge included in personnel expenses:

	30 June 2018 Birr'000	1 June 2017 Birr'000
- Severance pay	6,044	4,119
<b>Total defined benefit expenses</b>	<b>6,044</b>	<b>4,119</b>
	25,479	20,827
<b>Remeasurements for:</b>		
- Severance pay	25,900	3,385
	25,900	3,385

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

## Maturity analysis

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<b>Current</b>	<b>6,044</b>	<b>4,119</b>	<b>0</b>
<b>Non-Current</b>	<b>49,398</b>	<b>21,360</b>	<b>20,827</b>
	55,442	25,479	20,827

## 25a Severance pay

The Bank operates an unfunded severance pay plan for its managerial 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 and provident 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.

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<b>A. Liability recognised in the statement of financial position</b>	55,442	25,479	20,827

<b>B. Amount recognised in profit or loss statement</b>	30 June 2018 Birr'000	30 June 2017 Birr'000
Current and past service cost	4,508	3,455
Interest cost	1,536	664
	6,044	4,119

<b>C. Amount recognised in other comprehensive income:</b>	30 June 2018 Birr'000	30 June 2017 Birr'000
Remeasurement (gains)/losses arising from experience	16,676	8,592
Remeasurement (gains)/losses arising from changes in the financial assumptions	9,224	(5,207)
Tax Credit/Charge	(7,770)	(1,016)
	18,130	2,370

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

	30 June 2018 Birr'000	30 June 2017 Birr'000
At the beginning of the year	25,479	20,827
Current and past service cost	4,508	3,455
Interest cost	1,536	664
Remeasurement (gains)/ losses	25,900	3,385
Benefits paid	(1,981)	(2,852)
At the end of the year	55,442	25,479

The significant actuarial assumptions were as follows

i.) Financial Assumption Long term Average	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Discount Rate (p.a)	12.89%	14.25%	14.30 %
Long term salary increase (p.a)	12.00%	9.70 %	9.60 %
Average Rate of Inflation (p.a)	10.00%	7.70 %	7.60 %

**ii) Mortality in Service**

Mortality rates are commonly set with reference to standard tables published by reputable institutions (such as the Actuarial Society of South Africa and the Central Statistics Agency (“CSA”)) who have access to statistically significant data from which to derive mortality rates. Sample mortality rates are as follows:

Age	MORTALITY RATE	
	MALE	FEMALE
20	0.31%	0.22%
25	0.30%	0.23%
30	0.36%	0.31%
35	0.41%	0.28%
40	0.52%	0.32%
45	0.45%	0.43%
50	0.63%	0.63%
55	0.98%	0.98%
60	1.54%	1.54%

**iii.) Withdrawal/Resignation from Service**

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed that resignation rates decrease by 0.5% for each age from 15% at age 20 (and below) to 0% at age 50. A sample of the resignation rates is summarised in the table below.

Age	RESIGNATION RATES PER ANNUM
20	15.00%
25	12.50%
30	10.00%
35	7.50%
40	5.00%
45	2.50%
50	0.00%

The sensitivity to changes in the discount rate and salary inflation rate has been calculated. The changes in the 30 June 2017 Defined Benefit Obligation and the Current Service Cost (excluding interest) for the one year projection to 30 June 2018 are reflected below:

	DBO Impact Birr'000	Current Service Cost One Year Impact Birr'000
Discount rate + 0.5%	(1,071,324)	(106,247)
Discount rate - 0.5%	1,123,360	111,408

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

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the severance pay plan at the end of the reporting year is 12 years (30 June 2017: 10 years, 1 July 2016: 10 years)

## 25. Share capital

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
<b>Authorised:</b>			
Ordinary shares of Birr 1000 each	2,600,000	2,600,000	2,600,000
<b>Issued and fully paid:</b>			
Ordinary shares of Birr 1000 each	2,310,321	2,072,112	1,778,851
Share premium	31,666	31,666	25,424
	2,341,987	2,103,778	1,804,275

## 26. Earnings per share

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

	30 June 2018 Birr'000	30 June 2017 Birr'000
Profit attributable to shareholders	793,555	518,787
Weighted average number of ordinary shares in issue	2,173,494	1,897,551
Basic earnings per share (Birr)	365	273

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2017:nil, 1 July 2016: nil), hence the basic and diluted profit per share have the same value.

## 27. Retained earnings

	30 June 2018 Birr'000	30 June 2017 Birr'000
At the beginning of the year	254,633	152,907
Dividend Paid/Capitalized	(398,283)	(280,813)
Profit/ (Loss) for the year	793,555	518,787
Transfer to Legal Reserve	(198,389)	(133,041)
Transfer to Regulatory Reserve	(70,588)	
Directors' share of profit	(1,215)	(1,000)
Prior year directors' share of profit written back	233	162
Re-measurement gains on defined benefit plans (net of tax)	(18,130)	(2,369)
At the end of the year	361,816	254,633

**28. Reserve****28 a. Legal Reserve**

	30 June 2018 Birr'000	30 June 2017 Birr'000
At the beginning of the year	853,726	720,685
Transfer from profit or loss	198,389	133,041
At the end of the year	1,052,114	853,726

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

**28 b. Regulatory Risk Reserve**

This includes interest on Non performing loans that are recognized per IFRS but not available for dividend distribution as required by National Bank of Ethiopia Directive.

	30 June 2018 Birr'000	30 June 2017 Birr'000
Interest income on Non Performing Loans	134,454	-
Less: Income Tax (30%)	(40,336)	-
: Transfer to Legal reserve	(23,529)	-
	70,588	-

### 29. Cash generated from operating activities

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
Profit before tax		1,050,088	705,663
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	20	79,613	55,999
Depreciation of investment property	18	18	18
Amortisation of intangible assets	19	8,396	9,866
Gain/(Loss) on disposal of property, plant and equipment	20	40	2,076
Impairment on loans and receivables	15	88,784	61,372
Employee benefit obligations		4,063	1,267
Amortised cost on NBE bills		0	259
Interest accrued on NBE bills		(16,847)	(10,317)
Gain from sale of investments		(107,940)	0
Dividend income		(1,493)	(1,839)
Deferred Expenditure Adjustmnet		0	3,978
Changes in working capital:			
-Decrease/ (Increase) in loans and advances	15	(4,753,407)	(2,741,984)
-Decrease/ (Increase) in other assets	0	(94,631)	(234,205)
-Increase/ (Decrease) in deposits from customers		6,043,606	2,941,687
-Increase/ (Decrease) in deposits from financial institutions		(1,235,322)	832,220
-Increase/ (Decrease) in other liabilities	0	964,910	349,616
-Increase/ (Decrease) in Fixed Assets in Store		3,527	(18,446)
		2,033,405	1,957,230

### 30. Related party transactions

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

30 a. Transactions with related parties	Nature of relationship	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Loans and advances	Inflential shareholders	555,759	423,058	456,105
Deposit balances	Inflential shareholders	6,938,263	1,501,530	1,241,112
		7,494,021	1,924,587	1,697,217

**30 b. 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 is shown. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2018.

	30 June 2018 Birr'000	30 June 2017 Birr'000
Salaries and other employee benefits	5,669	4,751
	5,669	4,751

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

**31. Directors and employees**

The average number of persons (excluding directors) employed by the Bank during the year was as follows:

	30 June 2018	30 June 2017	1 July 2016
Total staff	4,158	3,656	3,384

**32. Contingent liabilities and assets****32 a. 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 2018 is Br. 58.5 million (30 June 2017: Birr 77.9 million and 1 July 2016: Birr 13.4 million). The Bank has made assessment of these legal cases, and hold Br. 0.9 million provision (Br. 0.6 million as at June 30,2017). The remaining legal cases are remote and thus no obligation related to the Bank..

### 32 b . Guarantees and letters of credit

The Bank conducts business involving issuance of various bid bond, performance bonds and advance payment bond guarantees. These instruments are given as a security to support the performance of a customer to third parties. The Bank also issued letter of credit facilities to importers, which created commitment to the Bank to settle the obligation in foreign currency when the L/C documents are clearly presented to the Bank and recover the amount from customers in local currency. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Guarantees issued	2,605,767	1,713,748	1,862,919
Letter of credit	1,130,563	2,149,035	1,609,996
	3,736,331	3,862,783	3,472,916

### 32 c . Commitments

Loan commitments	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Loans approved but not disbursed	-	240,868	192,730
Unutilized overdraft and other facilities	2,709,202	1,857,014	1,366,766
	2,709,202	2,097,883	1,559,497

### 33. Operating lease commitments - Bank as lessee

The Bank leases various properties under non-cancellable operating lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of the each lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
No later than 1 year	118,118	125,611	132,610
Later than 1 year and no later than 5 years	126,253	137,503	199,655
<b>Total</b>	<b>244,371</b>	<b>263,115</b>	<b>332,264</b>

### 34. Events after reporting period

In the opinion of the Directors, 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 2018 and on the profit for the year ended on that date, which have not been adequately provided for or disclosed.

### 35 First-time adoption of IFRS for the Bank

These financial statements, for the year ended 30 June 2018, are the first the Bank has prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

For periods up to and including the year ended 30 June 2017, the Bank prepared its financial statements in accordance with its accounting framework. Accordingly, the Bank has prepared financial statements which comply with IFRS applicable for periods ending on or after 30 June 2018, together with the comparative period data as at and for the year ended 30 June 2017, as described in the summary of significant accounting policies.

In preparing these financial statements, the Bank's opening statement of financial position was prepared as at 1 July 2016, the Bank's date of transition to IFRS. This note explains the principal adjustments made by the Bank in restating its financial statements prepared under the previous framework, including the statement of financial position as at 1 July 2016 and the financial statements as at and for the year ended 30 June 2017.

In preparing its opening IFRS statement of financial position, the Bank has adjusted amounts reported previously in financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) of Ethiopia and the Commercial code of 1960. An explanation of how the transition from GAAP to IFRS has affected the Bank's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

**Exemptions applied****(a) Leases**

The Bank is required to determine whether an arrangement contains a lease based on the facts and circumstances existing on 1 July 2016.

**(b) Fair value measurement of financial instruments at initial recognition**

If Wegagen Bank decides to apply the exemption, the Bank would apply the “day 1” gain or loss recognition requirements in IAS 39 prospectively to transactions entered into after the transition date (1<sup>st</sup> July 2016).

**Exceptions applied****(a) Estimates**

Estimates made in accordance with IFRSs at the date of transition to IFRSs should be consistent with estimates made for the same date in accordance with the previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error or where previous estimates did not require estimates such as post-employment benefits.

**(b) De-recognition of financial assets and financial liabilities**

This exception exempts a first time adopter from full retrospective application of the de-recognition rules in IAS 39, ‘Financial instruments: Recognition and measurement’, for all financial assets and liabilities derecognised before 1 January 2004 or transition date. Therefore, financial assets and liabilities derecognised before 1 July 2016 are not re-recognised under IFRS.

**36a Reconciliation of Statement of total comprehensive income for the year ended 30 June 2017**

	Notes	Previous GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS as at 30 June 2017 Birr'000
Interest income		1,345,232	-	1,763	1,346,995
Interest expense		(466,843)	-	-	(466,843)
<b>Net interest income</b>		878,389	-	1,763	880,152
Fee and commission income		261,433	392,328	(5,336)	648,425
<b>Net fees and commission income</b>		1,139,822	392,328	(3,573)	1,528,577
Net gains from dealing in foreign currencies		526,886	(526,886)	-	-
Other operating income		6,250	138,221	-	144,471
Income from card payments		3,663	(3,663)	-	-
<b>Total operating income</b>		536,799	(392,328)	-	144,471
Loan impairment charge		(38,436)	-	(18,732)	(57,168)
Impairment losses on other assets		(4,204)	-	-	(4,204)
<b>Net operating income</b>		1,633,981	-	(22,306)	1,611,675
Salaries and benefits		(543,911)	7,632	23,844	(512,436)
Amortisation of intangible assets		-	(7,697)	(2,169)	(9,866)
Depreciation and impairment of property, plant and equipment		-	(52,828)	(3,189)	(56,017)
General and administrative		(365,354)	365,354	-	-
Other operating expenses		-	(328,257)	1,343	(326,914)
Card payment Charges		(15,796)	15,796	-	-
Directors fee		(499)	-	-	(499)
Audit fee		(280)	-	-	(280)
<b>Profit before tax</b>		708,141	-	(2,477)	705,663
Income tax expense		(175,979)	-	(10,897)	(186,876)
<b>Profit after tax</b>		532,162	-	(13,374)	518,787
Transfer to legal reserve		(133,041)	-	-	(133,041)
<b>Net profit after tax and legal reserve</b>		399,122	-	(13,375)	385,747
Prior year directors' share on profit written back		161	-	-	161
Directors' share on profit		(1,000)	-	-	(1,000)
<b>Profit after tax</b>		398,283	-	(13,375)	384,908

36 b. Reconciliation of equity as at 30 June 2017

	Notes	Previous GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS as at 30 June 2017 Birr'000
<b>ASSETS</b>					
Cash and bank balances		3,904,383	-	-	3,904,383
Loans and advances to customers	A	10,235,073	-	(142,354)	10,092,719
Investment securities:		-	-	-	-
Available for sale	B	-	59,370	-	59,370
'Loans and receivables	C	-	5,179,577	118	5,179,695
NBE Bills		5,099,335	(5,099,335)	-	-
Equity Investment		65,370	(65,370)	-	-
Stock of supplies		56,129	(56,129)	-	-
Other assets	D	593,375	(44,989)	84,545	632,931
Deferred charges		44,247	(44,247)	-	-
Investment property	E	-	264	403	667
Intangible assets	F	-	44,247	423	44,670
Property, plant and equipment	G	939,026	35,837	8,018	982,882
Leasehold land		12,231	(9,229)	(3,002)	-
<b>Total assets</b>		<b>20,949,169</b>	<b>(3)</b>	<b>(51,849)</b>	<b>20,897,317</b>
<b>LIABILITIES</b>					
Deposit from customers		14,020,235	-	-	14,020,235
Deposit from financial institutions	H	1,603,798	73,811	-	1,677,609
Margins held on letter of credit		1,125,068	(1,125,068)	-	-
Current tax liabilities		175,860	-	(18,336)	157,524
Other liabilities	I	665,419	1,051,257	65,463	1,782,139
Employee benefit obligations	J	-	-	25,479	25,479
Leasehold land payable		3,002	(3,002)	-	-
Deferred tax liabilities		-	-	22,195	22,195
<b>Total liabilities</b>		<b>17,593,382</b>	<b>(3,002)</b>	<b>94,801</b>	<b>17,685,180</b>
<b>EQUITY</b>					
Share capital		2,072,112	-	-	2,072,112
Share premium	K	31,666	-	-	31,666
Legal reserves	L	853,726	-	-	853,726
Retained earnings		398,283	-	(143,650)	254,633
<b>Total Equity</b>		<b>3,355,787</b>	<b>-</b>	<b>(143,650)</b>	<b>3,212,137</b>
<b>Total equity and liabilities</b>		<b>20,949,169</b>	<b>(3,002)</b>	<b>(48,849)</b>	<b>20,897,317</b>

## 36 C. Reconciliation of equity as at 1 July 2016

	Notes	Previous GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS as at 1 July 2016 Birr'000
<b>ASSETS</b>					
Cash and bank balances		3,097,488	-	-	3,097,488
Loans and advances to customers	A	7,506,216	-	(98,314)	7,407,902
<b>Investment securities:</b>					
- Available for sale	B	-	59,370	-	59,370
- Loans and receivables	C	-	4,414,676	377	4,415,053
NBE Bills		4,344,751	(4,344,751)	-	-
Equity Investment		65,370	(65,370)	-	-
Stock of supplies		33,735	(33,735)	-	-
Other assets	D	382,294	(37,385)	58,022	402,931
Deferred charges		19,059	(19,059)	-	-
Investment property	E	-	264	421	685
Intangible assets	F	-	19,059	3,829	22,888
Property, plant and equipment	G	727,385	17,397	10,378	755,159
Leasehold land		13,467	(10,465)	(3,002)	-
<b>Total assets</b>		<b>16,189,765</b>	<b>-</b>	<b>(28,289)</b>	<b>16,161,476</b>
<b>LIABILITIES</b>					
Deposit from customers		11,078,548	-	-	11,078,548
Deposit from financial institutions	H	787,300	58,090	-	845,390
Margins held on letter of credit		850,472	(850,472)	-	-
Current tax liabilities		102,845	-	(25,521)	77,324
Other liabilities	I	561,824	792,382	87,816	1,442,022
Retirement benefit obligations	J	-	-	20,827	20,827
Leasehold land payable		3,002	-	(3,002)	-
Deferred tax liabilities		-	-	19,498	19,498
<b>Total liabilities</b>		<b>13,383,991</b>	<b>-</b>	<b>99,618</b>	<b>13,483,609</b>
<b>EQUITY</b>					
Share capital		1,778,851	-	-	1,778,851
Share premium		25,424	-	-	25,424
Legal reserves		720,685	-	-	720,685
Retained earnings	K	280,814	-	(127,907)	152,907
		2,805,774	-	(127,907)	2,677,867
<b>Total equity and liabilities</b>		<b>16,189,765</b>	<b>-</b>	<b>(28,289)</b>	<b>16,161,476</b>

Notes to the reconciliation of equity as at 1 July 2016 and 30 June 2017 and total comprehensive income for the year ended 30 June 2017.

<b>A. Loans and advances to customers</b>	<b>30 June 2017 Birr'000</b>	<b>1 July 2016 Birr'000</b>
<b>Loans and advances under previous GAAP</b>	10,235,073	7,506,216
-Remeasurement adjustments;		
(i) Recognition of interest differential on staff loans	9,046	7,023
(ii) Recognition of fair value on staff loans	(92,032)	(64,701)
(iii) Additional impairment allowance on loans and advances to customers	(59,368)	(40,636)
<b>Loans and advances to customers per IFRS</b>	<b>10,092,719</b>	<b>7,407,902</b>

**Loans and advances to customers explanatory notes**

(i) Under previous GAAP, Staff loans were issued at below market interest rates, interest on the loans were recognised at the nominal rates. Under IFRS, such loans must be recognised at the market rate i.e rate of interest for similar loan facilities which in this case the average of the prime lending rates gotten from Banks in Ethiopia. The difference between the nominal interest rates recognised and the market rates are capitalised as part of the carrying amount of the loans.

(ii) Under previous GAAP, Staff loans were recognised at cost less any repayments made. Under IFRS, the loans must be recognised at fair value by discounting all future cash flows at the market rate of interest for similar loan facilities which in this case the average of the prime lending rates gotten from Banks in Ethiopia. The difference between the disbursed amounts and the fair value of the loans were capitalised to prepaid expenses on staff loans and amortised over the tenure of the loans.

(iii) Under the previous GAAP, loans and advances to customers were subjected to impairment provision based on the aging of such balances. The impairment loss was determined by applying a percentage provision to the different age buckets in which the outstanding amounts have been segmented. The rates and age buckets were determined based on the National Bank of Ethiopia Supervision of Banking Business directive Number SBB/52/2012. Under IFRS, the Bank is required to assess whether an objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. For financial assets where no evidence of impairment existed, these assets were collectively assessed for impairment. Specific impairment was calculated on individually significant loans for which an objective evidence of impairment existed. The difference between the principles applied in calculating impairment allowance

under IFRS and the NBE guidelines resulted in different impairment loss amounts. The difference between the impairment recognised using the NBE guidelines and IFRS impairment provision was recognised as an adjustment to retained earnings.

<b>B. Investment securities- available for sale financial assets</b>	<b>30 June 2017 Birr'000</b>	<b>1 July 2016 Birr'000</b>
<b>Available for sale financial asset under previous GAAP</b>	-	-
-Reclassification adjustments;		
(i) Equity investments	65,370	65,370
(ii) Government bonds	(6,000)	(6,000)
<b>Investment securities- available for sale financial assets per IFRS</b>	<b>59,370</b>	<b>59,370</b>

#### Investment securities- available for sale financial assets explanatory notes

(i) Under the previous GAAP, the unquoted equity securities were not disclosed in accordance to IAS 39. Under IFRS, the unquoted equity securities were reclassified to investment securities held as available for sale financial assets in accordance to IAS 39.

(ii) Under the previous GAAP, the government bonds were classified as equity investments but has now been appropriately reclassified to investment securities held as loans and receivables.

<b>C. Investment securities- loans and receivables financial assets</b>	<b>30 June 2017 Birr'000</b>	<b>1 July 2016 Birr'000</b>
<b>loans and receivables financial asset under previous GAAP</b>	-	-
-Reclassification adjustments;		
(i) NBE bills	5,099,335	4,344,751
(ii) Government bonds	6,000	6,000
(iii) Accrued interest on NBE bills and bonds	74,242	63,925
(iv) Recognition of amortised cost on NBE bills	118	377
<b>Investment securities- loans and receivables financial assets per IFRS</b>	<b>5,179,695</b>	<b>4,415,053</b>

#### Investment securities- loans and receivables financial assets per IFRS

(i) Under the previous GAAP, the unquoted equity securities were not disclosed in accordance to IAS 39. Under IFRS, the unquoted equity securities were reclassified to investment securities held as available for sale financial assets in accordance to IAS 39.

(ii) Under the previous GAAP, the government bonds were classified as equity investments but has now been appropriately reclassified to investment securities held as loans and receivables.

(iii) Under the previous GAAP, accrued interest on NBE bills were classified as other assets. Under IFRS, this has been appropriately reclassified to the carrying amount of the NBE bills.

(iv) Under the previous GAAP, NBE bills were recognised at cost. Under IFRS, all financial assets classified as loans and receivable will be carried at amortised cost. The amortised cost has been determined and the diffencial between the carrying amount and the amortised cost has been passed.

<b>D. Other assets</b>	<b>30 June 2017 Birr'000</b>	<b>1 July 2016 Birr'000</b>
<b>Other assets under previous GAAP</b>	593,375	382,294
<b>-Reclassification adjustments;</b>		
(i) <b>Accrued interest on NBE bills (see IFRS reconciliation C(iii))</b>	(74,242)	(63,925)
(ii) <b>Stock of supplies</b>	20,023	16,075
(iii) <b>Prepaid operating lease</b>	10,465	10,465
<b>-Remeasurement adjustments;</b>		
(iv) <b>Recognition of prepaid expenses on staff loans</b>	92,032	64,701
(v) <b>Amortisation of prepaid expenses on staff loans</b>	(7,500)	(5,609)
(vi) <b>Lease amortisation</b>	(1,222)	(1,070)
<b>Other assets per IFRS</b>	<b>632,931</b>	<b>402,931</b>

Other assets explanatory notes

(i) See IFRS reconciliation C(iii) explanatory note.

(ii) Under the previous GAAP, stock of supplies were disclosed separately in the financial statements. Under IFRS, this has been reclassified under the other assets as appropriate.

(iii) Under the previous GAAP, leasehold land is treated as a finance lease. Under IFRS, this is recognised as operating lease and the amount prepaid is treated as a prepayment and amortised over the period of the lease.

(iv) See IFRS reconciliation A(ii) explanatory note.

(v) Under the previous GAAP, staff loans were recognised at cost less repayments. Under IFRS, the loan is recognised at fair value. The difference between the fair value and the amount disbursed which is the prepaid asset is amortised over the tenure of the loans.

vi) See IFRS reconciliation D(iii) explanatory note.

### E. Investment property

	30 June 2017 Birr'000	1 July 2016 Birr'000
Investment property under previous GAAP	-	-
Reclassification adjustment - investment property reclassified from PPE	264	264
Remeasurement adjustment - investment property	403	421
<b>Intangible assets per IFRS</b>	<b>667</b>	<b>685</b>

#### Investment property explanatory notes

Under previous GAAP, buildings held for rental purposes and capital appreciation were classified as PPE. Under IFRS, these buildings meets the definition of investment property as stated in IAS 40. This has now been reclassified appropriately in accordance to the requirements of the standard..

### F. Intangible assets

	30 June 2017 Birr'000	1 July 2016 Birr'000
Intangible assets under previous GAAP	-	-
(i) Reclassification adjustment - intangible assets reclassified from deferred charges	44,247	19,059
(ii) Remeasurement adjustment- reduction in amortisation from the revision of useful life	423	3,829
<b>Intangible assets per IFRS</b>	<b>44,670</b>	<b>22,888</b>

#### Intangible assets explanatory notes

(i) Under previous GAAP, softwares and other intangible assets were recognised as deferred charges. These assets are separately identifiable and have been reclassified and appropriately shown on the financial statements as intangible asset.

(ii) Under previous GAAP, software costs recognised as deferred charges were amortised over 5years. Under IFRS, after proper assessment the useful life was revised to 6 years and amortised appropriately.

**G. Property, plant and equipment**

	30 June 2017 Birr'000	1 July 2016 Birr'000
Property, plant and equipment under previous GAAP	939,026	727,385
-Reclassification adjustments;		
(i) Investment property	(217)	(264)
(ii) Stock of supplies (at cost)	36,106	17,659
-Remeasurement adjustments;		
iii). Additional PPE found	2	3
(iv) Reduction in depreciation from the revision of useful life.	16,174	13,076
v). Additional Deperication related to stock of supplies	(8,208)	(2,701)
Property,plant and equipment per IFRS	982,882	755,159

Property, plant and equipment explanatory note

(i) Under the previous GAAP, leasehold land was shown separately on the financial statement. Under IFRS, this has now been reclassified to the carrying amount of PPE.

(ii) See IFRS reconciliation E explanatory note.

(iii) Under the previous GAAP, some items of PPE such as furnitures in stores and equipments in stores were classified as stock of supplies. Under IFRS, these assets are available for use and meets the criteria for recognition as PPE under IAS 16. These assets have now been reclassified under PPE.

(iv) Under IFRS, rates used for calculating deperciation expense has been revised accordingly to suit the appropriate use of the assets taking cognizance of the environment of use. This has led to increase in value of PPE.

**H. Deposit from financial institutions**

	30 June 2017 Birr'000	1 July 2016 Birr'000
Deposits from customers under previous GAAP	1,603,798	787,300
-Reclassification adjustments;		
Fixed deposit	73,812	58,089
Deposit from financial institutions per IFRS	1,677,610	845,389

Deposit from financial institutions explanatory notes

Under the previous GAAP, accrued interest on fixed customer deposits were recognised separately as part of other liabilities. Under IFRS, accrued interest on fixed customer deposits is included in the carrying amount of the financial liability giving rise to it. All accrued interest on fixed customer deposits

was reclassified and included in the carrying amount of the financial liabilities giving rise to it.

<b><i>I. Other liabilities</i></b>	<b>30 June 2017</b> Birr'000	<b>1 July 2016</b> Birr'000
Other liabilities as per previous GAAP	665,419	561,824
-Reclassification adjustments;		
(i) Accrued interest on deposits from customers.	(73,811)	(58,090)
(ii) Margins held on letter of credit	1,125,068	850,472
-Remeasurement adjustments;		
(v) Provision for bonus		27,000
(vi) Deferred Revenue	64,903	59,567
(vi) Provision for court cases	559	1,249
<b>Other liabilities per IFRS</b>	<b>1,782,138</b>	<b>1,442,022</b>

#### Other liabilities explanatory notes

(i). See IFRS reconciliation H explanatory note.

(ii). Under the previous GAAP, margins held on letter of credit were disclosed separately on the financial statement. Under IFRS, this has been appropriately reclassified as other liabilities.

(iii). Under the previous GAAP, bonuses were not accrued for but expensed in the year of payment. Under IFRS, bonuses for each year should be provided for as far as there is an estimate of the amount expected to be paid and the timing could be reasonably determined.

(vi). Under the previous GAAP, provision for court cases has not been recognised. Under IFRS, these provisions have been reassessed and an additional provision has been booked based on the probability of the court cases.

v) Under the previous GAAP, revenues from letter of credit facilities and guarantees were recognized on collection basis and now they are reassessed and the unearned part booked as unearned revenue

<b><i>J. Retirement benefit obligations</i></b>	<b>30 June 2017</b> Birr'000	<b>1 July 2016</b> Birr'000
Retirement benefit obligations as per previous GAAP	-	-
Reclassification adjustment - retirement benefit reclassified from other liabilities	-	-
Remeasurement adjustment - severance benefit	25,479	20,827
<b>Retirement benefit obligations per IFRS</b>	<b>25,479</b>	<b>20,827</b>

(i). See IFRS reconciliation I(iii) explanatory note.

<b>K. Legal reserves</b>	<b>30 June 2017 Birr'000</b>	<b>1 July 2016 Birr'000</b>
Legal reserve as per previous GAA	853,726	720,685
Re-measurement adjustment - retained earnings	-	-
<b>Legal reserve per IFRS</b>	<b>853,726</b>	<b>720,685</b>

Legal reserves explanatory notes

Under IFRS, all the IFRS proposed adjustments that relates to retained earnings have been shared between the retained earnings and the legal reserve using the statutory transfer rate of 25% to legal reserve as directed by NBE.

<b>L. Retained earnings</b>	<b>30 June 2017 Birr'000</b>	<b>1 July 2016 Birr'000</b>
<b>Retained earnings as per previous GAAP</b>	<b>398,283</b>	<b>280,814</b>
-Remeasurement adjustments;		
(i) Provision for bonuses	27,000	(27,000)
(ii) Recognition of interest differential on staff loans	2,022	7,023
(iii) Amortization of prepaid expenses on staff loans	(1,890)	(5,609)
(iv) Additional amortization from the revision of useful life	(3,405)	3,828
(v) Recognition of the amortized cost on NBE bills	(259)	377
(vi) Reduction in depreciation of PPE from the revision of useful life.	2,339	13,078
(vii) Additional impairment allowance on loans and advances to customers	(18,732)	(40,636)
(viii) Amortization of transaction cost	(854)	(1,132)
(viii) Provision for court cases	690	(1,249)
(ix) IFRS rollover adjustments	(127,907)	0
(x) Amortization of prepaid leasehold land	1,084	(1,070)
(xi) Severance benefits	(4,652)	(20,827)
(xii) Adjustment to PPE to agree to fixed asset register	(50)	1
(xiii) Additional depercation related to fixed assets in store	(5,507)	(2,701)
(xiii) Unearned income from Gurantees issued	(9,983)	(34,935)
(xiii) Unearned income from letter of credit issued	5,500	(23,500)
(xiii) Deferred tax liability	(2,697)	(19,498)
(xiii) Loss related to disposal of PPE	807	0
(x) Current Tax liability	(7,185)	25,521
ix) Reduction in depreciation of investment propperty from the revision of useful life.	29	421
<b>Retained earnings per IFRS</b>	<b>254,633</b>	<b>152,907</b>



# Introducing a New Shopping Experience



## Shopping got easier.

Shoa Shopping Center in collaboration with Wegagen Bank and Fettan is pleased to introduce Shoa Shopping cards. Shoa Shopping Cards come in three different packages as Shoa Prepaid, Shoa Gift and Shoa Loyalty Cards, each with distinct value propositions offering you Convenience, Enhanced Relationships and Rewards respectively. Shoa Shopping Cards have gained popularity in town as they become the newest shopping phenomena.

### Where to get Shoa Shopping Cards?

Shoa shopping Cards are available in all Shoa supermarkets and Wegagen Bank Branches in Addis.

For any inquiry please contact us @

+ 251 922 72 4982 +251 11 554 9504 +251 11 554 9505





## Where we operate

Wegagen bank is currently operating throughout the country with a total of 318 Branches spread across the length & breadth of the Country. Its Headquarters together with 126 of its Branches are located in Addis Ababa, whereas 192 are located in different regional towns near and far..

**NORTH ADDIS ABABA DISTRICT OFFICE BRANCHES**

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
*	North Addis Ababa District Office	ሰሜን አዲስ አበባ ዲስትሪክት ጽ/ቤት	+ 251 11 554 5666	
1	Addisu Gebeya	አዲሱ ገበያ	+ 25111 126 4402/12	+ 251 11 126 4380
2	Arada	አራዳ	+ 251 11 111 1074/75	+ 251 11 111 1676
3	Balderas Sub Branch	ባልደራስ ንዑስ ቅርንጫፍ	+ 251 11 667 4753	
4	Bambis Area	ባምቢስ አካባቢ	+ 251 11 557 6343/58	+ 251 11 552 4455
5	Cathedral Area	ካቴድራል አካባቢ	+ 251 11 156 0002/60	+ 251 11 156 0010
6	Enqualal Fabrika	እንቁላል ፋብሪካ	+ 251 11 126 7355 + 251 11 126 7821	
7	Eri Bekentu	እሪ በከንቱ	+ 251 11 126 3861 + 251 11 126 3951	
8	Gullele	ጉለሌ	+ 251 11 273 2016/17	+ 251 11 273 2022
9	Kazanchis Area	ካሳንቺስ አካባቢ	+ 251 11 554 5670/71	+ 251 11 554 5665
10	Kebena	ቀበና	+ 251 11 126 1094/96	
11	Kechene	ቀጨኔ	+ 251 11 126 3139 + 251 11 126 3588	
12	Kidist Mariam Area	ቅድስት ማርያም አካባቢ	+ 251 11 157 0029/33	+ 251 11 157 0259
13	Kotebe	ኮተቤ	+ 251 11 827 8532/33	
14	Lamberet Sub Branch	ላምበረት ንዑስ ቅርንጫፍ	+ 251 11 667 62 89	+ 251 11 667 6414
15	Lamberet Menehariya	ላምበረት መናኸሪያ	+ 251 913 04 80 06 + 251 910 96 52 76	
16	Megenagna	መግናኛ	+ 251 11 667 4016/12	+ 251 11 667 3730
17	Mesfin Harar Avenue	መስፍን ዐረር ንዳና	+ 251 111712033/32	
18	Nigist Zewditu Street	ንግስት ዘውዲቱ መንገድ	+ 251 11 557 8071 + 251 11 557 8324	
19	Piassa	ፒያሳ	+ 251 11 126 6894 + 251 11 126 7958	
20	Salite Mihret	ሳሊተ ምዕረት	+ 251 11 667 6386 + 251 11 667 6387	
21	Sebara Babur Area	ሰባራ ባቡር አካባቢ	+ 251 11 157 0186 + 251 11 157 0329	+ 251 11 157 0040
22	Shola	ሾላ	+ 251 11 659 1822/24	
23	Sululta	ሱሉልታ	+ 251 11 161 7501 + 251 11 161 7492	
24	Wesen	ወሰን	+ 251 11 833 2799 + 251 11 667 8951	
25	Wuhalimat Area	ዉኃልማት አካባቢ	+ 251 11 663 1518/17	+ 251 11 662 5150

**EAST ADDIS ABABA DISTRICT OFFICE BRANCHES**

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
*	East Addis Ababa District Office	ምሥራቅ አዲስ አበባ ዲስትሪክት ጽ/ቤት	+ 251 11 667 0436	
26	Agar	አጋር	+ 251 11 667 0436 011 667 0313	+ 251 11 667 0429
27	Adama	አዳማ	+ 251 22 111 9055/86	+ 251 22 112 6070
28	Adama Boset	አዳማ ቦሳት	+ 251 22 212 0055/37	+ 251 22 212 0014
29	Africa Avenue	አፍሪካ አሴታ	+ 251 11 662 4772/69	+ 251 11 662 4770
30	Adey Ababa Stadium	አደይ አበባ ስፖርቲቫም	+ 251 11 635 6496 + 251 11 635 6035	
31	Atlas Area	አትላስ አካባቢ	+ 251 11 639 2083/91	+ 251 11 639 2074
32	Ayat Addebabay	አያት አደባባይ	+ 251 11 639 0044/28	+ 251 11 639 0064
33	Ayat Sub Branch	አያት ንዑስ ቅርንጫፍ	+ 251 11 639 1913	+ 251 11 639 0064



## EAST ADDIS ABABA - DISTRICT OFFICE BRANCHES CONT.

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
*	East Addis Ababa District Office	ምሥራቅ አዲስ አበባ ዲስትሪክት ጽ/ቤት	+ 251 11 667 0436	
34	Ayat-Tafo	አያት ጣፎ	+ 251 11 639 0610 + 251 11 639 1950	
35	Ayer-Amba Sub Branch	አየር አምባ ንቡስ ቅርንጫፍ	+ 251 11 639 2459	
36	Beshale Area	በሻሌ አካባቢ	+ 251 11 667 7408 + 251 11 667 7688	
37	Bole 17	ቦሌ 17	+ 251 11 667 1916 + 251 11 667 1588	
38	Bole Bulbula	ቦሌ ቡልቡላ	+ 251 11 470 0869/95	
39	Bole Medehanialem	ቦሌ መድኃኒአለም	+ 251 11 661 6135/36	+ 251 11 663 8968
40	Bole Michael Area	ቦሌ ሚካኤል አካባቢ	+ 251 11 639 2043/07	+ 251 11 639 2024
41	Bole Millennium	ቦሌ ሚሊኒየም	+ 251 11 554 5666	
42	Berecha	በሬቻ	+ 251 22 212 4041 + 251 22 212 3013	
43	Cape Verde Avenue	ኬፕ ቨርድ አቤታ	+ 251 11 667 3376 011 667 3448	
44	CMC Area	ሲ.ኤም.ሲ. አካባቢ	+ 251 11 647 9047/43	+ 251 11 647 9048
45	CMC Sub Branch	ሲ.ኤም.ሲ. ንቡስ ቅርንጫፍ	+ 251 11 667 5839 + 251 11 667 5913	
46	Gerji	ገርጂ	+ 251 11 629 8141/14	+ 251 11 629 8118
47	Gerji Mebrat Hayil	ገርጂ መብራት ኃይል	+ 251 11 667 6405 + 251 11 667 6372	
48	Gerji Sunshine Area	ገርጂ ሰንሸይን አካባቢ	+ 251 11 629 0265 + 251 11 629 0016	+ 251 11 629 0158
49	Gerji Unity	ገርጂ ዩኒቲ	+ 251 116395053/52	
50	Gollagul Area	ጎላጎል አካባቢ	+ 251 11 690 6008 + 251 11 690 6262	
51	Gurd Shola	ገርድ ሾላ	+ 251 11 645 9752/53	+ 251 11 645 9755
52	Haya Arat Area	ሃያ አራት አካባቢ	+ 251 11 618 0677 + 251 11 618 0784	+ 251 11 618 0734
53	Hayahulet Area	ሃያ ሁለት አካባቢ	+ 251 11 667 2428/14	+ 251 11 667 2448
54	Imperial	ኢምፔሪያል	+ 251 11 668 6222/23	
55	Jackros	ጃክሮስ	+ 251 11 667 1420 + 251 11 667 1343	
56	Loke	ሎቄ	+ 251 11 668 0240 + 251 11 668 0046	
57	Legetafo	ለገጣፎ	+ 251 11 668 2777/79	
58	Mehal-Adama	መዘል አዳማ	+ 251 22 111 2280/83	+ 251 22 111 2285
59	Mickey Leland Street	ሚኪ ሌላንድ መንገድ	+ 251 11 886 7027	
60	Shalla Menafesha	ሻላ መናፈሻ	+ 251 11 618 9303 + 251 11 618 2094	+ 251 11 663 0808
61	Summit Yetebaberut	ሰሜን የተባበሩት	+ 251 11 639 1549/68	
62	Summit 72	ሰሜን ሰባ ሁለት	+ 251 11639 1987/89	
63	Summit Area	ሰሜን አካባቢ	+ 251 11 667 9001/22	+ 251 11 667 9015
64	Yerer-Ber	የረር ቦር	+ 251 11 667 5863/73	

## WEST ADDIS ABABA DISTRICT OFFICE BRANCHES

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
*	West Addis Ababa District Office	ምዕራብ አዲስ አበባ ዲስትሪክት ጽ/ቤት	+251 11 369 1797 / + 251 11 369 1828	
65	Abakoran	አባኮራን	+ 251 11 278 1177/76	+ 251 11 278 1146
66	Abdi Nono	አብዱ ኖኖ	+ 251 11 260 1278 + 251 11 260 1347	
67	Abinet Area	አብነት አካባቢ	+ 251 11 278 0571/44	+ 251 11 278 0551
68	Africa Union	አፍሪካ ዩኒየን	+ 251 11 554 7061/63	+ 251 11 554 7062
69	Alem Bank Area	አለም ባንክ አካባቢ	+ 251 11 369 4782 + 251 11 369 4708	+ 251 11 369 4759

WEST ADDIS ABABA DISTRICT OFFICE BRANCHES CONT.

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
*	West Addis Ababa District Office	ምዕራብ አዲስ አበባ ዲስትሪክት ጽ/ቤት	+251 11 369 1797 / +251 11 369 1828	
70	Alemgena	አለም ገና	+251 11 367 9965 +251 11 367 9281	
71	Atena Tera	አጠና ተራ	+251 11 273 9521 +251 11 273 9522	
72	Autobis Tera	አውቶቢስ ተራ	+251 11 273 5510 +251 11 273 4844	
73	Ayer Tena	አየር ጠኔና	+251 11 369 3400/52	+251 11 369 3444
74	Bisrate Gabriel Area	ብስራተ ገብርኤል አካባቢ	+251 11 369 1765/94	+251 11 369 1868
75	Dubai Tera	ዱባይ ተራ	+251 11 373 4889/90	
76	Furi	ፍሩ	+251 11 367 9206/04	+251 11 367 9208
77	Ehil Berenda	ኢህል በረንዳ	+251 11 273 4981 +251 11 273 5318	
78	Gambia Street	ጋምቢያ መንገድ	+251 11 531 9082/83	
79	Girar	ግራር	+251 11 369 5406 +251 11 369 4921	
80	Gojam Berenda	ጎጃም በረንዳ	+251 11 126 3662 +251 11 126 3858	
81	Gesho Tera	ጌሾ ተራ	+251 11273 3998/64	
82	Geja Sefer	ጌጃ ሰፈር	+251 11 557 9891 +251 11 557 9140	
83	Habte Giorgis	ዐብተ ጊዮርጊስ	+251 11 111 2972/73	+251 11 157 8499
84	Jemo	ጆም	+251 11 471 3042/33	+251 11 471 3038
85	Lideta Area	ልደታ አካባቢ	+251 11 552 0961 +251 11 552 9872	+251 11 552 3050
86	Likuanda	ልኳንዳ	+251 11 273 9296 +251 11 273 9610	
87	Mekenisa	መክነሳ	+251 11 369 8225/32	
88	Mekenisa Abo	መክነሳ አቦ	+251 11 369 9963 +251 11 369 8781	
89	Mekenisa Micheal	መክነሳ ሚካኤል	+251 111369 8447/49	
90	Merkato	መርከቶ	+251 11 275 2867 +251 11 275 2129	+251 11 275 2799
91	Merkato Tana	መርከቶ ጠና	+251 11 273 5668/67	
92	Mesalemia	መሳለሚያ	+251 11 276 8611 +251 11 276 5154	+251 11 276 5142
93	Meskel	መስቀል	+251 11 551 6652 +251 11 551 2728	+251 11 551 6834
94	Mexico Addebaby	ሜክሲኮ አደባባይ	+251 11 557 5577/78	
95	Military Tera Area	ሚሊተራ ተራ አካባቢ	+251 11 213 4605 +251 11 213 4597	+251 11 213 4609
96	Sost Kutir Mazoriya	ሶስት ቁጥር ማዘሪያ	+251 11 369 2129/27	
97	Sengatera	ሰንጋተራ	+251 11 557 6952/54	
98	Sidamo Tera	ሲዳሞ ተራ	+251 11 273 2941 +251 11 273 3079	
99	Shema Tera	ሸማ ተራ	+251 11 273 3473 +251 11 273 3695	
100	Shera Tera	ሸራ ተራ	+251 11 273 5562 +251 11 273 5401	
101	Stadium	ስታዲየም	+251 11 558 0105/07	+251 11 558 0106
102	Tabot Maderiya	ታቦት ማደሪያ	+251 11 369 7242 +251 11 369 7039	
103	Tekle Haymanot	ተክለሃይማኖት	+251 11 156 3813/12	+251 11 156 3811
104	Tulu Bolo	ቱሉ ቦሎ	+251 11 342 0064 +251 11 342 0057	+251 11 342 0065
105	Welete	ወሎቱ	+251 11 380 32 53 +251 11 380 3174	+251 11 380 30 28
106	Weliso	ወሊሶ	+251 11 341 1984 +251 11 341 1617	+251 11 341 0187
107	Weyra Bethel Area	ወይራ ቤተል አካባቢ	+251 11 349 2184 +251 11 349 5308	+251 11 349 5536
108	Yeshi Debelle	የሺ ደበሌ	+251 913 10 6046 +251 922 51 2292	
109	Zenebework	ዘንበወርቅ	+251 11 369 8764/62	



## SOUTH ADDIS ABABA DISTRICT OFFICE BRANCHES

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
*	South Addis Ababa District Office	ሰሜን አዲስ አበባ ዲስትሪክት ቆ/ቤት	+ 251 11 466 5741/40	
110	Akaki	አቃቂ	+ 251 11 471 6847/40	
111	Arerti	አረርቲ	+ 251 22 223 0537/41	022 223 0543
112	Beklobet	በቅሎ ቤት	+ 251 11 466 3580/81	011 466 3608
113	Bishoftu	ቢሾፍቱ	+ 251 11 437 1062/25	011 437 1010
114	Torban Gerba	ቢሾፍቱ ንዑስ ቅርንጫፍ	+ 251 11 430 0820 + 251 11 430 1115	
115	Bulgaria Mazoriya	ቡልጋሪያ ማዘሪያ	+ 251 11 470 1205 + 251 11 470 1345	
116	Bole	ቦሌ	+ 251 11 552 3524 + 251 11 552 9569	+ 251 11 552 4455
117	Dukem	ዱከም	+ 251 11 432 0945 + 251 11 432 0753	+ 251 11 432 0943
118	Goffa	ጎፋ	+ 251 11 465 5816/17	+ 251 11 465 4879
119	Goffa Camp	ጎፋ ካምፕ	+ 251 11 466 8784 + 251 11 467 1174	+ 251 11 416 5166
120	Goffa Mebrat Hail	ጎፋ መብራት ኃይል	+ 251 11 467 3753 + 251 11 466 1545	+ 251 11 466 1926
121	Jati	ጃቲ	+ 251 11 471 5150 + 251 11 471 6806	+ 251 11 471 6802
122	Kaliti Maseltegna Area	ቃሊቲ ማስልጠኛ አካባቢ	+ 251 11 439 1109 + 251 11 439 0668	+ 251 11 439 1120
123	Kaliti	ቃሊቲ	+ 251 11 439 4285/86	+ 251 11 439 4284
124	Kera	ቄራ	+ 251 11 385 2076/66	
125	Kirkos	ቂርቆስ	+ 251 11 470 3896 + 251 11 470 3906	
126	Lafto	ላፍቶ	+ 251 11 471 0028/29	+ 251 11 471 0009
127	Lebu	ለቡ	+ 251 11 471 2756/71	
128	Lebu Ertu	ለቡ ኤርቱ	+ 251 11 471 3963/64	
129	Meskel Flower	መስቀል ፍላጎር	+ 251 11 416 3760 + 251 11 416 8005	+ 251 11 416 6189
130	Modjo	ሞጆ	+ 251 22 236 0300/02	
131	Nefas Silk	ንፋስ ስልክ	+ 251 11 470 7612/15	+ 251 11 470 7634
132	Olympia Sub Branch	ኦሊምፒያ ንዑስ ቅርንጫፍ	+ 251 11 558 0663 + 251 11 558 0744	
133	Olympia	ኦሊምፒያ	+ 251 11 557 50 99/+ 251 11 557 5916	
134	Saris Addisu Sefer	ሳሪስ አዲሱ ሰፈር	+ 251 11 470 7694 + 251 11 470 7718	+ 251 11 470 7682
135	Saris 58	ሳሪስ 58	+ 251 11 471 1851 + 251 11 471 1454	
136	Sebeta	ሰበታ	+ 251 11 338 0359/66	+ 251 11 338 0351
137	Tulu Dimtu	ቱሉ ዲምቱ	+ 251 114715772 + 251 114715497	
138	Tulu Dimtu sub Branch	ቱሉ ዲምቱ ንዑስ	+ 251 11 888 6831/33	
139	Worku Sefer	ወርቁ ሰፈር	+ 251 11 471 7693/92	
140	WelloSefer	ወሎ ሰፈር	+ 251 11 466 8006/93	+ 251 11 466 8098

## BAHIR-DAR DISTRICT OFFICE BRANCHES

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
*	Bahir Dar District Office	ባህርዳር ዲስትሪክት ቆ/ቤት	+ 251 58 320 9647 / + 251 58 320 6121	
141	Abay Mado	አባይ ማዶ	058 321 3213 058 321 0965	
142	Adet	አደት	058 338 1110/61	
143	Ataye	አጣዬ	033 6610775	

**BAHIR-DAR DISTRICT OFFICE BRANCHES**

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
*	Bahir Dar District Office	ባህርዳር ዲስትሪክት ጽ/ቤት	+ 251 58 320 9647 / + 251 58 320 6121	
144	Bahir-Dar	ባህርዳር	+ 251 58 220 2038/39	+ 251 58 220 2037
145	Bati	ባቲ	+ 251 33 553 1576 + 251 33 553 2002	
146	Buanbua wuha	ቧንቧ ውሃ	+ 251 33 311 5519 + 251 33 311 6317	
147	Bure	ቡሬ	+ 251 58 774 1196 + 251 58 774 1050	
148	Debre Birhan	ደብረ ብርሃን	+ 251 11 637 5420/21	+ 251 11 681 4665
149	Debre Birhan Sub Branch	ደብረ ብርሃን ንዑስ ቅርንጫፍ	+ 251 11 681 1872	
150	Debre Markos	ደብረ ማርቆስ	+ 251 58 178 2524 + 251 58 178 2257	
151	Debre Tabor	ደብረ ታቦር	+ 251 58 141 3452 + 251 58 141 5465	
152	Dessie	ደሴ	+ 251 33 111 3788/89	+ 251 33 111 3790
153	Enewari	እነዋሪ	+ 251 11688 0518/10	
154	Fasiledes	ፋሲለደስ	+ 251 58 126 0022/23	+ 251 58 126 0020
155	Finote Selam	ፍኖተ ሰለም	+ 251 58 775 0476 + 251 58 775 0340	
156	Gendawuha	ገንዳ ውሃ	+ 251 58 331 0431 + 251 58 331 0278	+ 251 58 331 0010
157	Gondar	ጎንደር	+ 251 58 111 4816/15	
158	Injibara	እንጃባራ	+ 251 58 227 1575 + 251 58 227 1682	
159	Kobo	ቆቦ	+ 251 33 3341290/97	
160	Kombolcha	ኮምቦልቻ	+ 251 33 551 0753/54	+ 251 33 551 0323
161	Merawi	መሬዊ	+ 251 58 330 0972	
162	Metema Yohannes	መተማ ዮሐንስ	+ 251 58 231 1138/39	+ 251 58 331 0278
163	Motta	ሞጣ	+ 251 58 661 1807 + 251 58 661 1293	
164	Mugad	ሙጋድ	+ 251 33 3110478 + 251 33 3125789	
165	Shoa Robit	ሸዋ ሮቢት	+ 251 33 664 0704 + 251 33 664 1995	
166	Tana Bahir Dar	ጣና ባህር ዳር	+ 251 58 226 2015/18	+ 251 58 226 2021
167	Weldiya	ወልዲያ	+ 251 33 540 0791/89	+ 251 33 540 0756

**HAWASSA DISTRICT OFFICE BRANCHES**

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
*	Hawassa District Office	ሃዋሳ ዲስትሪክት ጽ/ቤት	+ 251 46 212 2288 + 251 46 2120897	
168	Aleta Wondo	አለታ ወንዶ	+ 251 46 224 0453 + 251 46 224 0687	+ 251 46 224 1197
169	Angacha	አንጋጫ	+ 251 46 340 04 04 + 251 11 340 04 06	
170	Arbaminch	አርባ ምንጭ	+ 251 46 881 5093/76	+ 251 46 881 0316
171	Arsi Negele	አርሲ ነገሌ	+ 251 46 116 2815/16	
172	Asella	አሰላ	+ 251 22 331 8292/94	+ 251 22 331 8293
173	Atote-Hawassa	አቶቴ ሐዋሳ	+ 251 46 212 5017/15	+ 251 46 212 5055
174	Bale Robe	ባሌ ሮቤ	+ 251 22 244 2959 + 251 22 224 1986	
175	Bule Hora	ቡሌ ዞራ	+ 251 46 443 1105/06	
176	Butajira	ቡታጃራ	+ 251 46 145 0060/61	



## HAWASSA DISTRICT OFFICE BRANCHES CONT.

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
*	<b>Hawassa District Office</b>	ሃዋሳ ዲስትሪክት ጽ/ቤት	+ 251 46 212 2288 + 251 46 2120897	
177	Batu	ባቱ	+ 251 46 141 8156 + 251 46 141 5362	
178	Damboya	ዳምቦያ	+ 251 46 245 0276 + 251 46 245 0233	
179	Dilla	ዲላ	+ 251 46 331 1105 + 251 46 331 0120	+ 251 46 3310119
180	Durame	ዱራሜ	+ 251 46 554 1449/46	
181	Doyongena	ዶዮንጅ	+ 251 46 224 0404 + 251 46 224 0505	
182	Hadero	ዐደሮ	+ 251 46 432 0617	
183	Halaba Kulito	ዘለባ ቁሊቶ	+ 251 46 556 1818 + 251 46 556 1316	
184	Hawassa	ሐዋሳ	+ 251 46 220 2629 + 251 46 220 4172	+ 251 46 220 5480
185	Hawassa Arab sefer Sub Branch	ሐዋሳ ኦሪብ ሰፈር ንዑስ ቅርንጫፍ	+ 251 46 212 4361/02	
186	Hawassa Monopol	ሃዋሳ ሞኖፖል	+ 251 46 212 8081 + 251 46 212 7833	
187	Hosanna	ዮሳፊና	+ 251 46 555 4216/09	+ 251 46 555 4053
188	Hosaena Gombora	ዮሳፊና ንምቦራ	+ 251 46 178 0533 + 251 46 178 0534	
189	Hulbareg	ዙልባረግ	+ 251 46 212 2288 + 251 46 212 0897	
190	Homecho	ዮሜቻ	+ 251 46 251 0285 + 251 46 251 0397	
191	Jinka	ጂንካ	+ 251 46 775 2294 + 251 46 775 2112	
192	Konso Karat	ኮንሶ ካራት	+ 251 46 773 0579 + 251 46 896 4232	
193	Meki	መቄ	+ 251 22 118 1246/27	+ 251 22 118 0137
194	Moyale	ሞያሌ	+ 251 46 444 1567 + 251 46 444 1750	
195	Negele	ነገሌ	+ 251 46 445 23 20 046 445 7473	
196	Shashemene	ሻሻመኔ	+ 251 46 110 3468/66	+ 251 46 110 3469
197	Shashemene Arada	ሻሻመኔ ኦራዳ	+ 251 46 211 0621 + 251 46 211 4546	
198	Shashemene Oda	ሻሻመኔ ኦዳ	+ 251 46 211 15 36 + 251 46 211 0984	
199	Shakiso	ሻኪሶ	+ 251 46 334 1851/50	
200	Tabor	ታቦር	+ 251 46 20123991/92	
201	Wolayita Sodo	ወላይታ ሶዶ	+ 251 46 551 4592 + 251 46 551 4593	+ 251 46 551 4777
202	Yirgalem	ዮርጋለም	+ 251 46 225 2421 + 251 46 225 2458	P.O.Box 195
203	Yirgachefe	ዮርጋጩፌ	+ 251 46 332 0410 + 251 46 332 0161	+ 251 46 332 0552

## DIRE DAWA DISTRICT OFFICE BRANCHES

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
*	<b>Dire Dawa District Office</b>	ድሬዳዋ ዲስትሪክት ጽ/ቤት	+ 251 25 111 08 27 + 251 25 111 0442	
204	Awash 7 Kilo	አዋሽ 7 ኪሎ	022 824 9130	
205	Aweday	አወዳያ	025 662 0298 025 662 0167	
206	Babile	ባቢሌ	025 665 0592	
207	Dire Dawa	ድሬዳዋ	025 112 4669 025 111 0001	025 111 0841
208	Gode	ጎድ	025 776 1541 025 776 2163	
209	Hafet-Issa Area	ሃፊት ኢሳ አካባቢ	025 112 4674 025 112 2469	025 112 4675
210	Harar	ሐረር	025 666 3623 025 666 4622	025 666 9819

**DIRE DAWA DISTRICT OFFICE BRANCHES**

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
*	Dire Dawa District Office	ድሬዳዋ ዲስትሪክት ጽ/ቤት	+ 251 25 111 08 27 + 251 25 111 0442	
211	Harar Arategna	ሐረር አራተኛ	+ 251 25 466 2289 + 251 25 466 9894	
212	Jigjiga	ጃጃጅጋ	+ 251 25 775 7628 + 251 25 775 2057	+ 251 25 775 2058
213	Kezira	ክዘራ	+ 251 25 113 0372/71	+ 251 25 113 0412
214	Kali	ካሊ	+ 251 25 278 8669	
215	Logia	ሎጊያ	+ 251 33 550 0499 + 251 33 550 0503	
216	Sabian	ሳቢያን	+ 251 25 411 1984 + 251 25 411 6448	
217	Seid Adebabay	ሰዔድ አደባባይ	+ 251 25 278 2914 + 251 25 278 0949	
218	Semera	ሰመራ	+ 251 33 366 0100	
219	Tog Wajaale	ቶግ ዋጃሌ	+ 251 25 882 0033/32	+ 251 25 882 0034
220	Kebre Dehar	ቀብራ ደዐር	+ 251 25 774 1453 + 251 25 774 1231	
221	Degah Bur	ደጋሀ ቡር	+ 251 25 771 0702 + 251 25 771 0596	

**JIMMA DISTRICT OFFICE BRANCHES**

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
*	Jimma District Office	ጅማ ዲስትሪክት ጽ/ቤት	+ 251 47 111 6168	
222	Abobo	አቦቦ	+ 251 47 559 04 88/23	
223	Agaro	አጋሮ	+ 251 47 221 1031/50	+ 251 47 221 1499
224	Assosa	አሰሳ	+ 251 57 775 1362/66	+ 251 57 775 1459
225	Awetu Sub Branch	አዊቱ ንዑስ ቅርንጫፍ	+ 251 47 211 6739	
226	Bedele	በደሌ	+ 251 47 445 1809/10	
227	Bonga	ቦንጋ	+ 251 47 331 1971/33	
228	Dimma	ዲማ	+ 251 47 835 9120/23	
229	Gambella	ጋምቤላ	+ 251 47 551 1950 + 251 47 551 1767	
230	Jimma Abajifar	ጅማ አባጃፋር	+ 251 47 111 6393/05	+ 251 47 111 6301
231	Jimma Gibe	ጅማ ጊቤ	+ 251 47 211 1003 + 251 47 211 2838	
232	Mizan Aman	ሚዛን አማን	+ 251 47 135 0066 + 251 47 135 0098	+ 251 47 135 0059
233	Meti	ሜቲ	+ 251 47 339 06 26	
234	Nekemte	ነቀምቱ	+ 251 57 661 3068/81	+ 251 57 661 3065
235	Gambella New Land	ጋምቤላ ኔውላንድ	+ 251 47 151 3233	
236	Openo	ኦፔኖ	+ 251 47 151 0038/39	
237	Pugnido	ፑንዳድ	+ 251 47 111 6168	
238	Teppi	ቴፒ	+ 251 47 556 2621	
239	Terpham	ተርፋም	+ 251 47 851 9369	
240	Welkite	ወልቂቤ	+ 251 11 365 8180/16	+ 251 11 365 8115



## MEKELLE DISTRICT OFFICE BRANCHES

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
	Mekelle District Office	መቐለ ዲስትሪክት ድ/ቤት	+ 251 34 241 5185/86	
241	Abala	አብዓላ	+ 251 34 665 0495/91	
242	Abyi Addi	ዓብይ ዓዲ	+ 251 34 446 0503 + 251 34 446 0313	034 446 0987
243	Addi Daero	አዲ ዳዕሮ	+ 251 34 432 0539/41	
244	Adi Remets	ዓዲ ረመዕ	+ 251 34 433 0333/34	
245	Addi Hawusi	አዲ ሃውሲ	+ 251 34 440 8439/31	034 440 6598
246	Adi Shumduhn	አዲ ሹምድሁን	+ 251 34 241 0017/44	034 241 0046
247	Adi Nebried	ዓዲ ነብሪኒድ	+ 251 34 325 0006/05	
248	Adi Hageray	አዲ ሃገራይ	+ 251 34 324 0707 + 251 34 324 0372	
249	Adi -Abun	አዲ- አቡን	+ 251 34 271 0001/02	
250	Adi-Gudem	ዓዲ ጉደም	+ 251 34 4370665	
251	Adigrat	አዲግራት	+ 251 34 445 2866 + 251 34 445 2790	+ 251 34 445 2745
252	Adwa	አድዋ	+ 251 34 771 4046/43	+ 251 34 771 4047
253	Agulae	አጉሊዕ	+ 251 34 314 0486 + 251 34 314 8221	
254	Alamata	አላማባ	+ 251 34 774 0772 + 251 34 774 0264	+ 251 34 774 0254
255	Atsbi	አፅቤ	+ 251 34 340 0322/27	+ 251 34 340 0299
256	Axum	አክሱም	+ 251 34 775 3631/95	+ 251 34 775 3440
257	Ayder	አይደር	+ 251 34 240 8582	
258	Baeker	ባዕከር	+ 251 47 111 6168	
259	Bizet	ብዘት	+ 251 34 312 0424 034 312 0501	
260	Castle	ካስትል	+ 251 34 440 2689/79	+ 251 34 440 2697
261	Chercher	ጫርጫር	+ 251 34 317 0338	
262	Chila	ቄላ	+ 251 34 559 4308	
263	Dansha	ዳንሻ	+ 251 34 436 0451 + 251 34 436 0118	
264	Dibdibo	ድብድቦ	+ 251 34 556 0415 + 251 34 556 0358	
265	Edaga Arbi	አዳጋ አርቤ	+ 251 34 346 0360/44	
266	Edaga Hamus	አዳጋ ሐምሱ	+ 251 34 773 0546 + 251 34 773 0185	+ 251 34 773 0164
267	Edaga Hibret	አዳጋ ዙብረት	+ 251 34 241 5185	
268	Edaga Mekelle	አዳጋ መቐለ	+ 251 34 441 3666/22	+ 251 34 441 3748
269	Endabaguna	አንዳባጉና	+ 251 34 661 0473/86	+ 251 34 661 0449
270	Endasselassie	አንዳሰላሴ	+ 251 34 444 4117/31	+ 251 34 444 4051
271	Enkodo Mekelle	አንኮዶ መቐለ	+ 251 34 241 5415/26	
272	Enticho	አንጥሮ	+ 251 34 449 0602 + 251 34 449 0803	+ 251 34 449 0145
273	Feres May	ፈረስ ማይ	+ 251 34 310 0174 + 251 343100162	
274	Gerhu Sirnay	ገርሁ ሰርናይ	+ 251 344380408 + 251 344380353	
275	Guya	ጉያ	+ 251 930 49 39 77	
276	Hadnet	ሐድንት	+ 251 34 241 5414/23	
277	Haik- Meshal	ሃይቅ መሰሐል	+ 251 968 88 93 21	
278	Hawelti	ሐወልቲ	+ 251 34 441 9674 + 251 34 441 9433	+ 251 34 441 9675
279	Hawzen	ሐውዚን	+ 251 34 667 0206 + 251 34 667 8604	+ 251 34 443 0643

MEKELLE - DISTRICT OFFICE BRANCHES CONT.

#	Branch	ቅርንጫፎች	TELEPHONE	FAX
	<b>Mekelle District office</b>	መቐለ ዲስትሪክት ቆ/ቤት	+ 251 34 241 5185/86	
280	Humera	ዙመራ	+ 251 34 448 0005/07	+ 251 34 448 0006
281	Illala Area	ኢላላ ኦክሲዲ	+ 251 34 440 6954/56	+ 251 34 440 8407
282	Kilte Awlaleo	ክልተ ኦሎሎ	+ 251 34 443 1217/44	
283	Korarit	ቆራሪት	+ 251 975 42 38 77	
284	Kukufto	ኩኩፍቶ	+ 251 34 241 5185	
285	Mahbere Deگو	ማህበረ ደጎ	+ 251 34 3290122/23	
286	Maichew	ማይጨው	+ 251 34 777 0563/49	+ 251 34 777 0473
287	Maygaba	ማይ ጋባ	+ 251 972 16 17 00	
288	Maykadra	ማይ ካድራ	+ 251 34 332 0055 + 251 34 332 0122	
289	May-kinetal	ማይ ቅጥላል	+ 251 930 49 38 64	
290	May-Tsebri	ማይ ፀብሪ	+ 251 34 662 0368/70	
291	Mayhanse	ማይ ሀንሰ	+ 251 975 42 38 76	
292	Mehoni	መኸኒ	+ 251 34 664 0258/62	
293	Mekelle	መቐለ	+ 251 34 440 8933/34	+ 251 34 440 3269
294	Meyda Agame	መይዳ ዓጋመ	+ 251 34 445 1785/94	+ 251 34 445 1788
295	Midre Genet	ምድረ ገነት	+ 251 34 241 5185	
296	Nebelet	ነበለት	+ 251 34 328 0240/85	
297	Nigiste-Saba	ንግስተ - ሳባ	+ 251 34 275 0061/74	
298	Quiha	ኩሃ	+ 251 34 240 2590 + 251 34 240 2054	
299	Rama	ራማ	+ 251 34 555 0585	
300	Raya Timuga	ራያ ጥሙጋ	+ 251 34 316 0280/18	
301	Romanat Area	ሮማኖት ኦክሲዲ	+ 251 34 440 6608/10	+ 251 34 440 8591
302	Selekleka	ሰለክሰካ	+ 251 34 776 0495/97	
303	Semema	ሰመማ	+ 251 34 445 5576/80	
304	Setit Humera	ሰቲት ዙመራ	+ 251 34 248 55 83/39	
305	Shire	ሸራ	+ 251 34 444 2165 + 251 34 444 2424	+ 251 34 444 2229
306	Sheraro	ሸራሮ	+ 251 34 550 0025 + 251 34 550 0104	
307	Welwalo	ወልዋሎ	+ 251 93 000 1873	
308	Wukro	ወቅሮ	+ 251 34 443 0373 + 251 34 443 0683	+ 251 34 443 0643
309	Wukro-Maray	ወቅሮ - ማራይ	+ 251 34 668 0208 + 251 34 668 0575	
310	Yechila	ሃዌላ	+ 251 34 422 0372	





Finally you have the  
**Freedom.Choice.Control.**



**Eyes on your Money.**

- Wegagen Direct- Internet banking is a revolutionary platform for Wegagen Bank customers that helps you manage your money, track your financial goals, and communicate with more freedom, choice and control.

**YOUR WEGAGEN BANK APP.**

Available for download via iTunes® or Google Play®

