ANNUAL REPORT 2020 21

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Years of Fruitful Partnership

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Years of Fruitful Partnership

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Wegagen Bank®

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Our Vision

Aspiring to be a champion of excellence in banking business in Ethiopia

Mission

Maximize stakeholders' value by providing diversified banking services through competent and motivated employees, and up-to-date technology.

Core Values

Teamwork

- We collaborate and work collectively to meet our common goals
- We promote and support a diverse, yet unified team

Integrity

- We do the right thing, even when no one is watching
- We keep our word and honor our commitments
- We maintain confidentiality and privacy of all stakeholders

Innovation

- We adapt and respond rapidly to changes
- We encourage creativity and new ideas

Responsiveness

- We provide prompt and convenient customer service

BOARD OF **DIRECTORS**

Abdishu Hussien
Chairman

Woldegebriel Naizghi
V/Chairman

Hailu Molla
Member

Fikru Jiregna
Member

Kidane Hagos
Member

Hassen Yesuf
Member

Gebreegzibher Hadush
Member

Fithanegest Gebru
Member

W/ro Mahlet Haile
Member

Executive **Management**

Akililu Wubet
A/Chief Executive Officer (CEO)

Hussen Amde
Chief Credit Officer

Tilahun Timoteos
Chief Information Officer

Kindie Abebe
Chief Finance and Materials Mgt Officer

Haile G/Egziabher
Chief Resource Mobilization & Digital Banking Officer

Getye Mekuria
A/Chief Marketing and Strategy Officer

Yehwalashet Zewdu
Chief Internal Auditor

Debela Merga
Chief Risk & Compliance Mgt Officer

Chief Human Capital Officer

MANAGEMENT TEAM

Tekle Eticha
Director, Corporate Strategy and Change Management

Bahiru Demissie
Director, Research and Business Development

Mengistu Tadesse
Director, Resource Mobilization and Branch Operations

Abebaw G/Tsadik
Director, Treasury Management

Fantahun Demissie
Director, Credit Analysis and Portfolio Management

Kibeb G/Egziabher
Director, Trade Services

Meried Haile
Director, Corporate and Business Relationship Management

Yoseph G/Yohannes
Director, Personal and SME Relationship Management

Niguss Girma
Director, Employee Benefit & Performance Management

Goitom Gebretsadkan
Director, Core Application Management

Kidus Gebreselassie
Director, Core Infrastructure Management

Getachew Berhane
Director, Program Management

MANAGEMENT TEAM

Negassi Fisseha
Director, Management Information System

Afewerk Gebretsadik
Director, Marketing and Corporate Communications

Simret Tesfay
Director, Talent Development

Zeray Gebrewahid
Director, Legal Services

Tajudin Hussen
Director, Interest Free Banking

Kaleb Tadesse
Executive Assistant

Kidane G/Sellassie
Director, Digital Banking Operations

Sebsibe Zebro
Director, Property Administration and Facilities

Ibrahim Dawd,
Sharia Advisor

Director, Procurement and Supplies Management

Director, Digital Banking Technology

Director, Financial Accounting

Director, Talent Management

DISTRICT DIRECTORS TEAM

Agere Belay
Director, North Addis Ababa District

Tessema Gessesse
Director, South Addis Ababa District

Kidane W/Giorgis
Director, West Addis Ababa District

Ashenafi Gidey
Director, East Addis Ababa District

Ashenafi Ayalew
Director, Hawassa District

Diribsa Tesfa
Director, Jimma District

Kassanew Alem
Director, Bahir Dar District

Bikila Yohannes
Director, Dire Dawa District

Mehari Berhe
Director, Shire District

Habtom Gebreegziabher
Director, Mekelle District

Congratulations!!

Gold Taxpayer of 2013 E.C

We are delighted to receive a **gold level** tax payer award for the 3rd consecutive time from the Ministry of Revenue.

Message from **Chairperson of the Board of Directors**

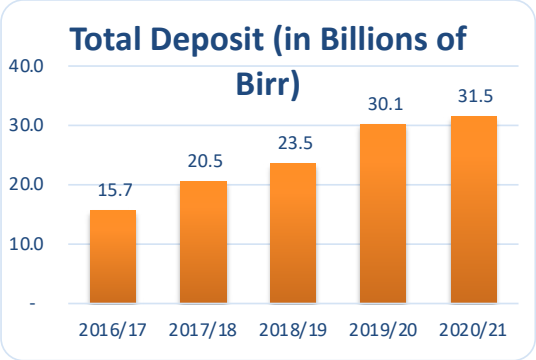
On behalf of the Board of Directors and myself, I am honored to present the annual report of Wegagen Bank for the fiscal year 2020/21 to the shareholders of the Bank. The concluded fiscal year has been marked by multifaceted challenges. The COVID 19 pandemic has continued to affect the global economic environment of the FY 2020/21, particularly in the first six months of the year. As the pandemic severely affected social and economic engagements following the imposition of lockdowns and travel restrictions, the global economy contracted in 2020. However, the production and administration of vaccines at the global level beginning from December 2020 has enabled countries to end their lockdowns. Although the rate of vaccination varies from country to country, it has given hope for global economy. Moreover, the stimulus provided in the form of fiscal support by various developed, emerging and developing countries has played its role to enhance economic activities. As a result, IMF projected the global economy to grow by 5.9% in 2021. Looking at the regional growth, the advanced economies were expected to grow by 5.4 % in 2021, mainly pushed by USA resulting from substantial fiscal support and the faster vaccinations. Similarly, the growth in emerging and developing economies was forecasted to reach 6% in 2021, mainly due to the improving global trade and commodity prices, while the Sub-Saharan economy was projected to grow by 2.8% in 2021. In the period under review, the Ethiopian economy has been influenced by the COVID-19 pandemic, political instability, the increasing inflation, and shortage of foreign currency. The outbreak of conflict in the northern part of the country has hampered the economic activities of the region. The conflict also affected the operation of the banking industry particularly its effect on our Bank was immense mainly due to the closure of many branches and damage of properties in the conflict areas. This in turn impacted its efforts in resource mobilization and loan collections. In the fiscal year 2020/21, high inflation has continued to be the major problem of the country's economy with annual average inflation rate of 20.1%. On the positive side, the export performance of the country has shown increment, registering a total of USD 3.62 billion in twelve months, which saw a 19% growth from similar period of the preceding year. Overall, Ethiopian government projected the economy to grow slightly above the previous year's growth of 6.1%. Grappling with the challenging global and national business environment, our Bank has managed to make profit while also registering increments in other key performance indicators. In the fiscal year 2020/21, the Bank earned a total income of Birr 5 billion, showing a 13% growth from preceding year balance of Birr 4.4 billion whereas, the Bank's total expense was Birr 3.3 billion rising by 44 % year-on-year. As a result, profit before tax stood at Birr 193 million. At the end of the FY 2020/21, the total deposit of the Bank reached Birr 31.5 billion, exhibiting a growth of 5% (Birr 1.4 billion) over last year's balance of Birr 30.1 billion. Meanwhile, the Bank's total outstanding loans and advances granted to different sectors stood at Birr 27.3 billion,

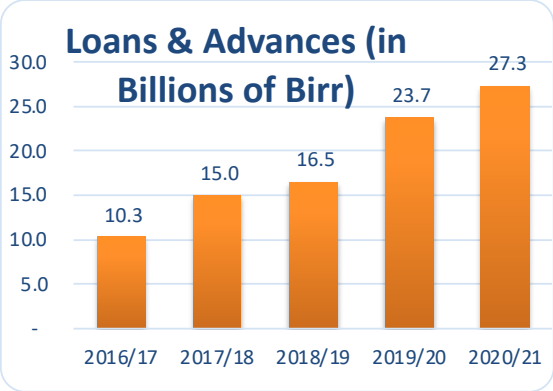
reflecting a growth of 15% year-on-year. Likewise, the total asset of the Bank reached Birr 39.7 billion at the end of FY 2020/21, featuring an increase of 4% over the previous year balance of Birr 38.2 billion. In the period under review, the Bank has intensively worked on digital banking channels in addition to the conventional banking system. With the effort made to expand customer base, the deposit accounts of the Bank increased to 2,329,636 boosting by 29% over the preceding year's balance. As well, the number of card holders, mobile banking subscribers and internet banking users reached 528,010, 1,019,828 and 11,518 as at June 30, 2021, showing an increase of 41%, 78% and 497%, respectively. In addition, the number of agency banking users constituted 235,756 increasing by 103%. In terms of accessibility, the Bank has opened 15 new branches in the fiscal year increasing the total number of its branches to 398. In addition, the number of ATM and POS terminals reached 296 and 273 respectively, during the same period while the number of agents working with the Bank totaled 2,072 as at June 30, 2021, increasing by 82% from preceding year's balance of 1,140 agents. To match up its expansion effort and to facilitate the smooth running of service delivery, the Bank has given much attention for human capital management throughout the period under review. Accordingly, total employees of the Bank excluding outsourced staffs has increased to 4,957 as at June 30, 2021. Besides, the Bank delivered a variety of technical and developmental trainings to 3,485 employees in the fiscal year. The trainings are aimed to build the capability of employees to improve service quality and efficiency. In a bid to enhance efficiency and provide quality services to customers, the Bank has continued to invest in technology. Currently, the Bank is making use of an up-to-date Core Banking System and state-of-the-art data center. In addition, the Bank strives for sustained improvement in technological capability as well as strengthening IT security in order to tackle any incident of security breach.

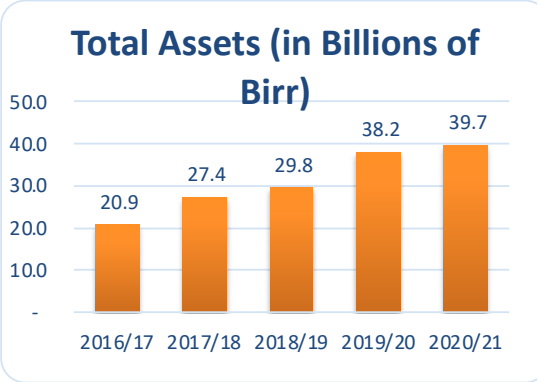
Looking forward, the impact of COVID-19 pandemic on the global economy is expected to subside, mainly due to progress in vaccination and policy supports taken by some countries. Although the progress to access vaccination is uneven among countries and regions and also there are still new variants of the virus, the overall economic outlook is positive. Hence, in its latest report, IMF projects the global economy to grow by 5.9% in 2021 and 4.9% in 2022. Contrarily, the extended conflict in the northern part of the country and its negative impact on social and economic situation makes it difficult to project the national economic outlook of the country. In the face of the challenges at the national environment, the Bank will forge ahead its commitment to service excellence and put maximum effort to boost operational performances by leveraging all its resources and engaging all its stakeholders showing resilience in line with the strategic direction of the Bank. In conclusion, it is with great respect that I would render my appreciations to all esteemed customers, respected shareholders, Board Members, Management and the entire employees of the Bank for their unreserved effort and industriousness. I would also like to seize this opportune moment to thank the National Bank of Ethiopia and other key players for their role in facilitating conducive business environment for the banking industry.

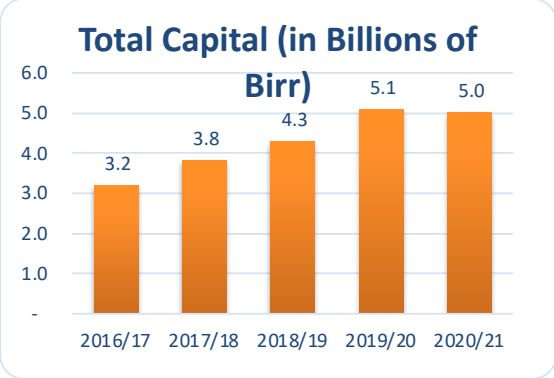
Abdishu Hussien
Chairman, Board Of Directors

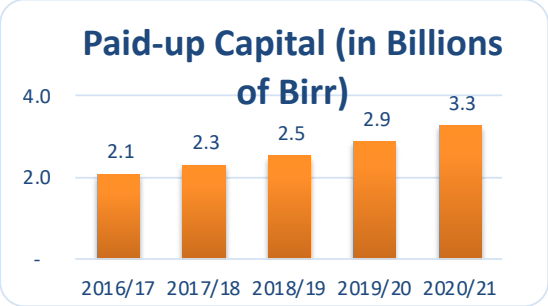
Performance Highlights

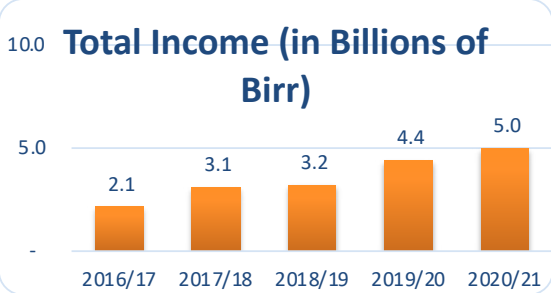


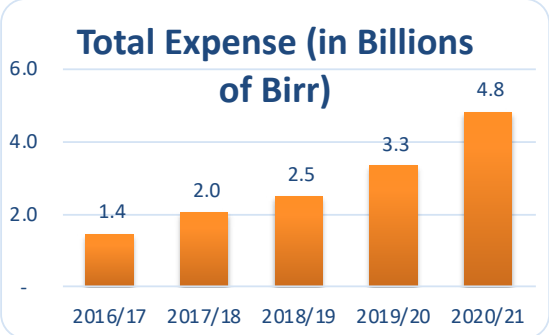


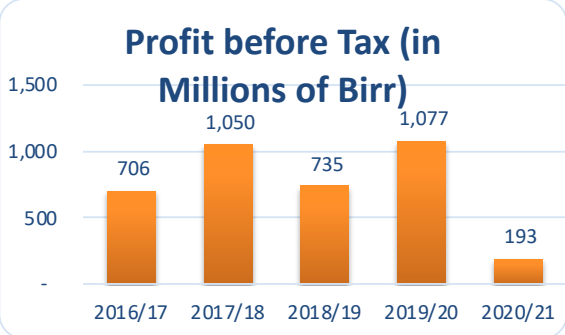












Wegagen in Numbers

399
Branches

2,329,636
Deposit Accounts

528,010
Card Holders

235,756
Agency Banking Users

11,518
Internet Banking users

1,019,828
Mobile Banking Subscribers

296
ATM

273
POS

2072
Agent

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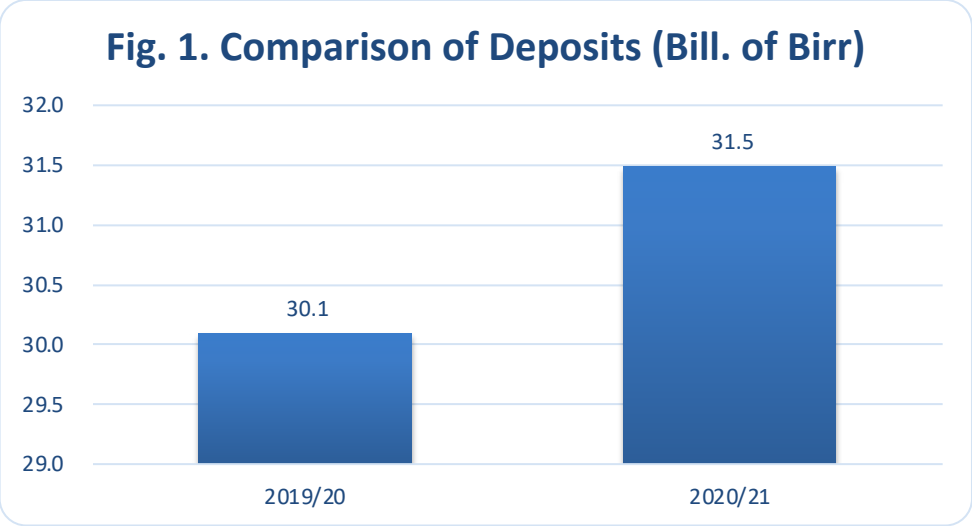
Wegagen Bank®

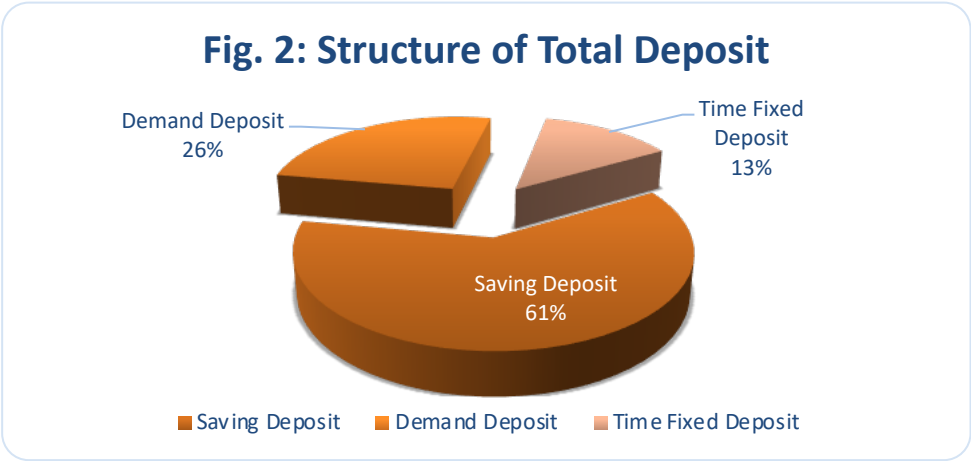
1. Operational Performance

1.1.Deposit Mobilization

The total deposit of the Bank reached Birr 31.5 billion as at June 30, 2021, exhibiting a 5% growth from the beginning year balance of Birr 30.1 billion. The incremental net deposit mobilized in the period under review was Birr 1.4 billion.

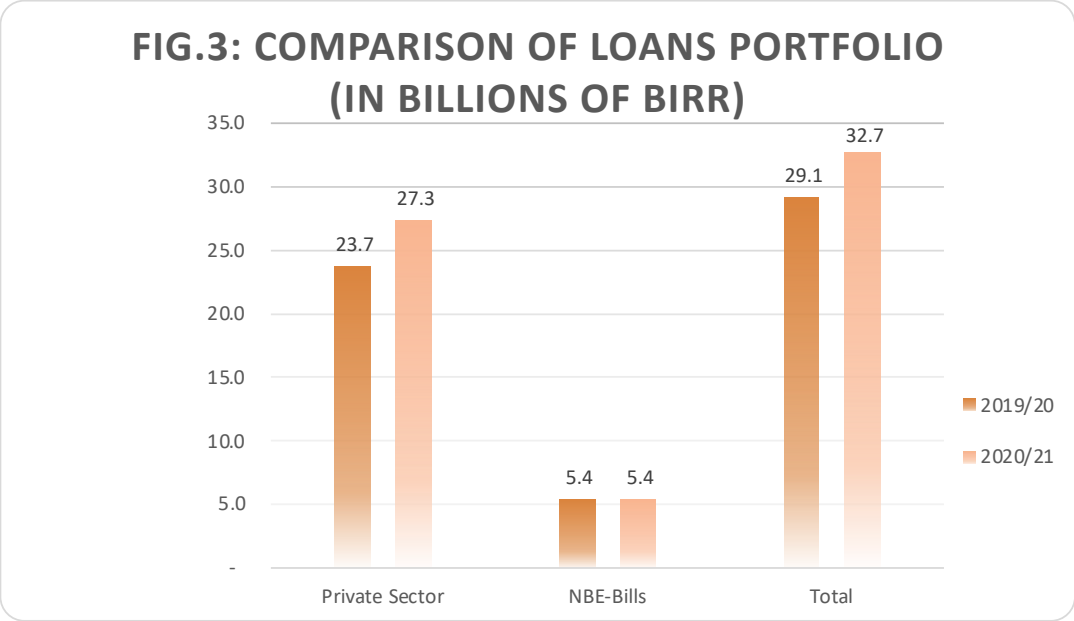


Looking at the composition, saving deposit took the largest share with 61% followed by Demand deposit and Time fixed deposit taking 26% and 13%, respectively. The largest share constituted by saving deposits showcases the Bank's focus and effort to mobilize more stable and less costly deposits.

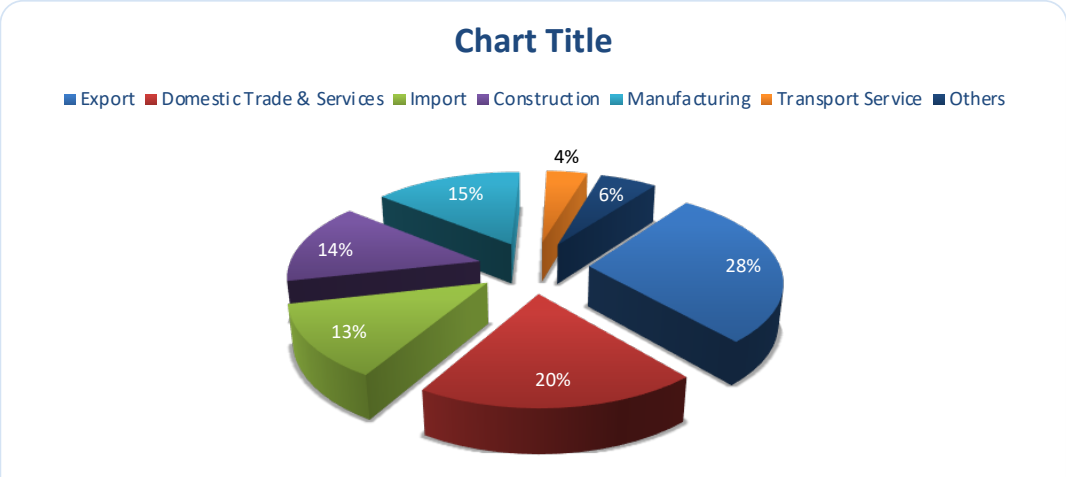


1.2. Loans and Advances

Over the years, the Bank has been playing its intermediary role of channeling fund to private and public sectors so as to support investments and the overall economic growth endeavor of the country. At the end of the FY 2020/21, the Bank's gross outstanding loans and advances granted to various sectors including IFB financing reached Birr 27.3 billion, witnessing a growth of 15% or Birr 3.6 billion over previous year's balance of Birr 23.7 billion. Moreover, the NBE Bill remained at Birr 5.4 billion as at June 30, 2021. Accordingly, the aggregate loans and NBE bill of the Bank hits Birr 32.7 billion, showing an increment of Birr 3.6 billion (12%) over the preceding year's balance.



Sector-wise, the credit portfolio of the Bank revealed that Export sector constituted the largest portion with 28% share followed by Domestic Trade and Services 20%, Manufacturing 15%, Construction 14%, import 13%, other sectors 6%, and Transport Service 4%.



1.3. International Banking Operations

In the reporting period, the adverse effect of COVID-19 pandemic on global economy has continued although there have been improvements owing to the production and administration of vaccines. This had its own impact on the inflow of foreign currency to the country. Accordingly, the total amount of foreign currency generated in the fiscal year was equivalent to USD 252 million, declined by 28% from the preceding year.

In order to surmount the challenges and enhance foreign currency generation, the Bank has undertaken various initiatives, which include strengthening relationship with exporters, NGOs, correspondent banks as well as international money transfer agents.

1.4. Interest Free Banking Service

Interest free banking service has been registering a sustained growth for the last couple of years. As at June 30, 2021, the Bank's deposit from interest free banking services stood at Birr 1.5 billion. Year-on-year comparison, IFB deposit jumped by 15% over last year's balance of Birr 1.3 billion. The total financing through IFB amounted Birr 362 million at the end of FY2020/21.

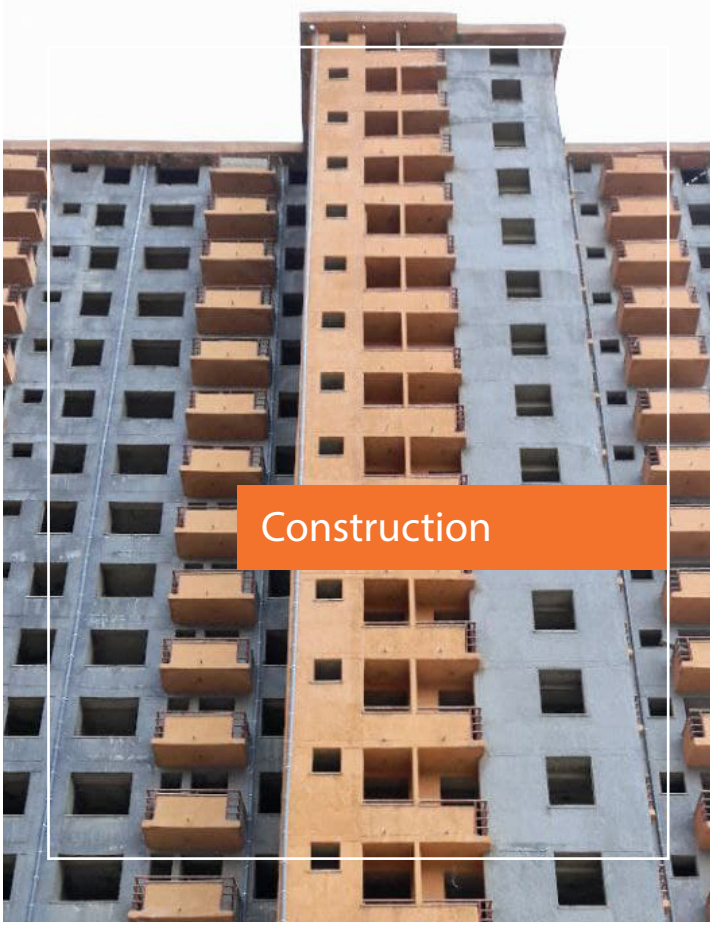
In the past few years, the Bank has undertaken various initiatives to expand its interest free banking services. In line with the Bank's strategic direction, IFB services have been scaled up from window based to dedicated branches. Furthermore, the IFB unit has been re-organized to a directorate level, indicating the Bank's due attention given to the service.

2. Financial Performance

2.1. Asset Expansion

The total asset of the Bank reached Birr 39.7 billion at the end of FY 2020/21, growing by 4% over the previous year's balance of Birr 38.2 billion. Outstanding loans and advances comprised the lion's share of the Bank's total asset slicing 66% followed by NBE Bills (14%), Cash and Bank Balance (12%), and Fixed Assets (4%).

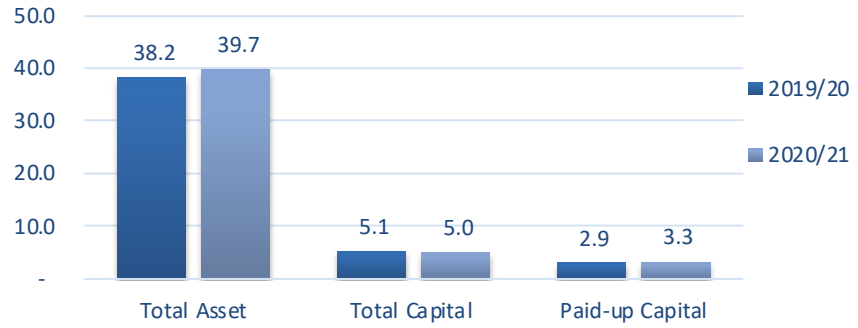
Some of the Projects financed by Wegagen



2.2. Capital Growth

As at June 30, 2021 total capital of the Bank accounted to Birr 5 billion which includes paid-up capital, legal and other reserves, retained earnings and share premium. Comprising 59% of total capital, Paid -up capital witnessed 14% growth over last year's same period balance to reach Birr 3.3 billion as at June 30,2021.

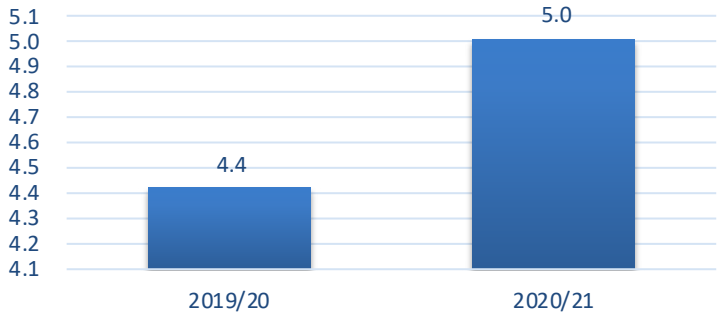
Fig.5: Comparison of Asset, Capital & Paid-up Capital (in billions of Birr)



2.3. Total Income

In the fiscal year 2020/21, the Bank earned a total income of Birr 5 billion, which saw a 13% growth from preceding year's balance of Birr 4.4 billion. Throughout the past few years the total income of the Bank has been on the upward trajectory.

Fig. 6. Comparison of Total Income
(In Billions of Birr)



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Warka

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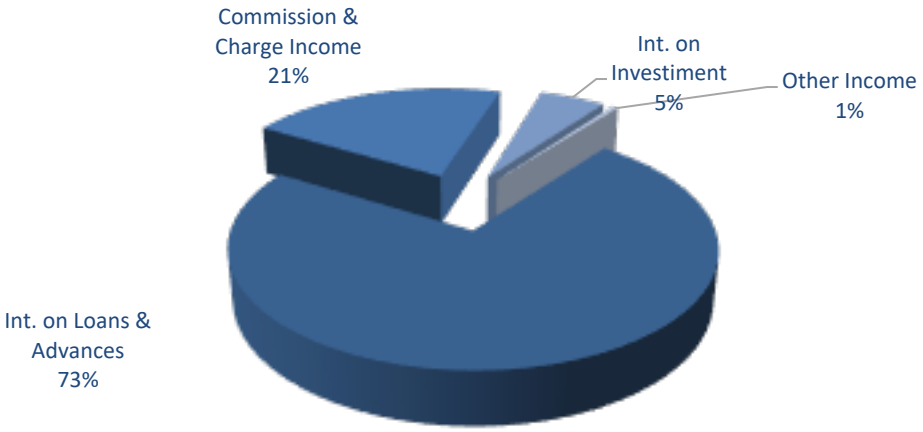
Wegagen Bank

In terms of composition, interest earned on loans and advances took the lion's share with 73% followed by commission and charges and interest on investment with 21% and 5% respectively.

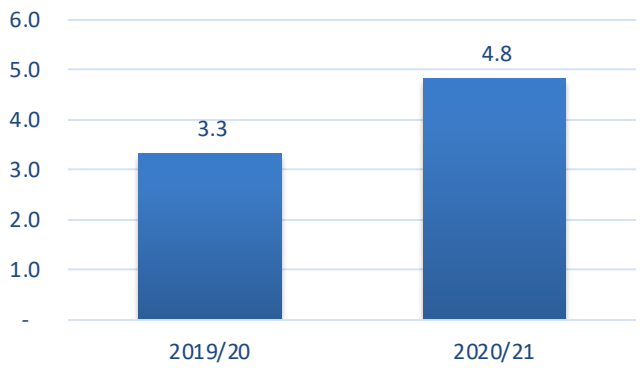
Fig.7: Composition of Total Income



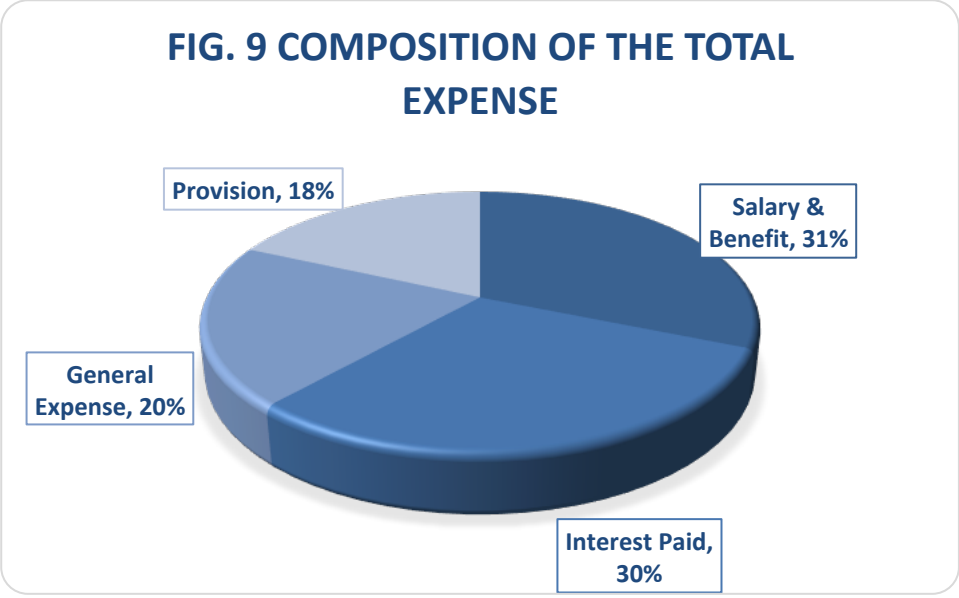
2.4. Total Expense

The Bank's total expense hiked to Birr 4.8 billion in the fiscal year 2020/21, which went up by 44% against Birr 3.3 billion incurred a year earlier. This increment in total expense was attributed to Salary and Benefit Expense, Interest Expense and provision expense that rose by 37%, 19%, and 307% against their respective position of the preceding year.

Fig.8: Comparison of Total Expense (In Billions of Birr)



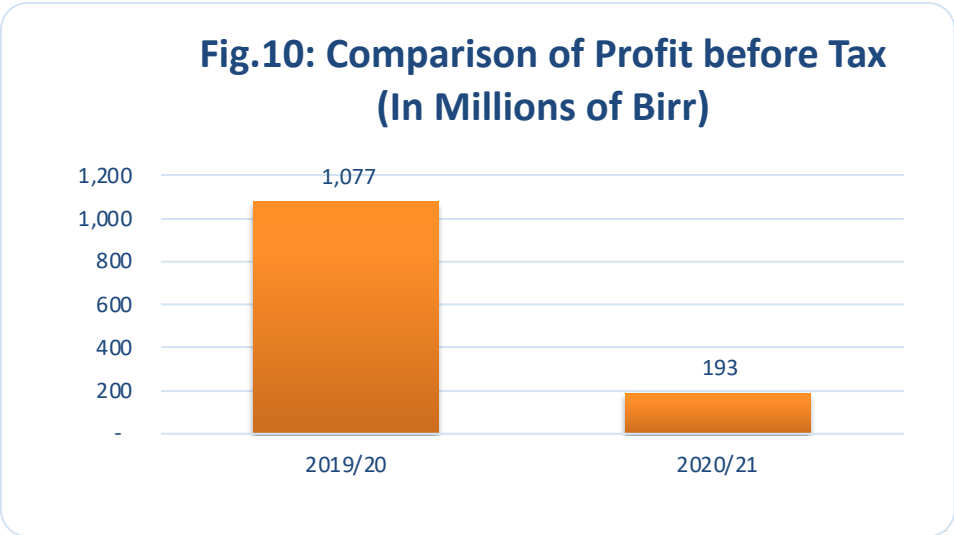
Looking at breakdown of the expense items, Staff Salaries and Benefits and Interest Expense claimed the highest share with 31% and 30% respectively, followed by General Expense, and Provision Expense with a share of 20% and 18%, respectively.



2.5. Profit before Tax

The business environment of the country has been engulfed with multitude hurdles that have had ramifications to the banking industry in general and our Bank in particular. Coupled with the adverse effect of COVID-19, the armed conflict that sustained for more than a year in the Northern part of the country, which resulted in the closure of almost one third of the Bank's branches and deterioration of quite a large portfolio of asset has challenged the income generation of the Bank and hence putting significant dent on profitability.

Against the odds, the Bank has, thus, registered a profit before tax amounting Birr 193 million in the FY 2020/21.



3. Customer Base Expansion

The aggressive account opening effort of the Bank is paying off. By opening additional 521,211 new accounts in the FY2020/21, the number of deposit accounts reached 2,329,636 as at June 30, 2021. This showed a growth of 29% from the previous year record of 1,808,425 deposit accounts, resulting in the expansion of the Bank's customer base both in number and variety. As at June 30, 2021, the number of card holders constituted 528,010 mounting by 41% from 373,232 balance of previous year performance. Likewise, the number of mobile banking, internet banking and agency banking subscribers increased to 1,019,828, 11,518 and 235,756 with year-on-year growth of 78%, 497% and 103%, respectively.

4. Accessibility

In an effort to reach the mass and be accessible, the Bank has employed different mechanisms in expanding its presence. Accordingly, in the FY 2020/21 the Bank opened additional 15 new branches, which increased its total number of branches to 398. The conflict that broke out in the northern part of the country has affected the operational activities of the Bank's existing branches as well as its plan for expansion in the period under review. Overall, out of the total branches of the Bank, 143 branches are located in Addis Ababa while the rest 255 branches reside throughout the country.

In addition to opening branches, the Bank has put a lot of investment in digitalizing its services to be more accessible from anywhere any time. In this regard, the Bank has aggressively expanded its ATMs, POS, Mobile and Internet banking services. As at June 30, 2021, the number of ATM and POS terminals reached 296 and 273 respectively. Similarly, the number of agents working with the Bank reached 2,072 increasing by 93% from last year's 1,140 agents.

5. Human Capital

To match up its expansion effort and to facilitate the smooth running of service delivery, the Bank has given much attention for human capital management throughout the period under review. At the end of the fiscal year 2020/21, total employees of the Bank excluding outsourced staff reached 4,957, of which 3,285 (66%) are male and the remaining 1,674 (34%) are female.

Over the course of the fiscal year, the Bank delivered a variety of technical and developmental trainings to 3,485 employees with the aim of building the capability of employees to improve service quality and efficiency. In addition to this, the Bank continued to sponsor educational fee of its employees who attend higher education. In the period under review, the COVID 19 pandemic has imposed challenge on the provision of training particularly at the beginning of the year though the restrictions began to ease at the later part of the year.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Wegagen Bank
Excelling Together

6. Banking Technology

To create efficiency and provide quality services to customers, the Bank has continued to give much emphasis to technology. Currently, the Bank is making use of an up-to-date Core Banking System and state-of-the-art data center. In addition, the Bank strives for continuous improvement in technological capability as well as strengthening IT security in order to tackle any incident of security breach.

7. Own Building

The Bank has been among the pioneers in constructing headquarters building that bring benefits to the Bank by saving a great deal of money from rent expense and by positively contributing to the image of the Bank. As part of the Bank's plan to construct commercial buildings in major cities across the country, a plot of land has been acquired in Mekelle and its architectural design has been finalized. However, the process has been halted by the ongoing conflict in the region. On the other hand, the effort to acquire land for expansion project of the existing headquarters building has progressed in the period under review whereby the Addis Ababa City Administration has permitted the requested plot of land. The process of acquisition has been stalled due to the temporary suspension of land related services.

8. Risk and Compliance Management

Wegagen Bank has adopted a sound risk management system that monitors the risk susceptibility of the Bank with the aim of protecting the interest of different stakeholders such as customers, employees, shareholders and society at large. The Bank's risk management system is comprehensive and has been developed in line with the contemporary developments, international best practices and regulatory requirements as well as the size, complexity and diversity of business activities. Moreover, the Bank has been striving to ensure that the overall business operations are conducted in line with applicable national and international laws, regulations, directives and standards. As part of risk and compliance management endeavors, the Bank has given special emphasis in fighting against financing of terrorism and money laundering by placing appropriate framework and working procedures. Established as per regulatory requirement, the Bank's Risk and Compliance Management & Loan Review Sub-board Committee conducts regular meetings to evaluate the risk portfolio and compliance against established standards and monitors that the risks are contained within acceptable level. In the reporting period, risk assessments on credit, asset- liability, operational and strategic risks have been conducted. In addition, in a bid to implant risk managment culture, capacity building trainings have been delivered to staff of the Bank.

9. Internal Control

Internal control system helps as a checking mechanism to find and correct wrongdoings within possible short time. With this understanding, the Bank has put in place appropriate internal control system that undertakes regular assessment on different organs of the Bank to examine whether the Bank is complying with regulatory requirements as well as internal policies, procedures and standards. The Bank's internal control unit is an independent unit that directly reports to the Board of Directors and it has the capability and authority to freely examine different functional units of the Bank.

In the FY 2020/21, various inspections and audit examinations on the overall operational activities of branches and head office organs were conducted. Moreover, special investigations on fraud incidents and customers' complaints as well as asset inventory were conducted in the period under review.

10. Corporate Social Responsibility

Wegagen Bank recognizes the need to give back to the society and ever since its establishment, the Bank has been supporting different social programs that benefit the society at large.

During the period under review, the Bank continued to discharge its social responsibilities in the face of the different challenges the year has brought. Accordingly, it has spent more than Birr 5 million to support various initiatives from governmental and non-governmental actors aiming to improve the livelihood of the society. Some of the major initiatives the Bank involved includes, among others, support for educational materials and school feeding program of Addis Ababa city Administration, financial support to Ethiopian Red Cross and Hamlin Fistula Hospital.

Board Members, Executive Management and Staff celebrating Wegagen Bank's 25th founding anniversary opening ceremony.

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Years of Fruitful Partnership

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Years of Fruitful Partnership

2020/2021 AUDITOR'S REPORT

www.wegagen.com

Wegagen Bank S.C
Financial Statement
For the year ended 30 June 2021
Directors, Executive Managements, Auditors and Principal Bankers

Directors

Ato. Abdishu Hussien	Chairman
Ato. Woldegebriel Naizghi	Vice chairman
Ato. Hailu Molla	Member
Ato. Fikru Jiregna	Member
Ato. Kidane Hagos	Member
Ato. Hassen Yesuf	Member
Ato. Gebreegzibher Hadush	Member
Ato. Fithanegest Gebru	Member
W/ro. MahletHaile	Member

Executive Management

Ato. Aklilu Wubet	A. Chief Executive Officer
Ato. Kindie Abebe Alemayehu	Chief, Finance & Materials Management Officer
Ato. Haile G/Egziabher G/Selassie	Chief, Resource Mobilization & Digital Banking Operation Officer
Ato. Hussen Amde Hulala	Chief, Credit Officer
Ato. Tilahun Temotewos Handino	Chief, Information Officer
Ato. Geteye Mekuria Kassahun	Acting Chief, Marketing and Strategy Officer
Ato. Niguss Girma Abebe	Delegated Chief, Human Capital Officer
Ato. Yehwalashet Zewdu Goshu	Chief Internal Auditor
Ato. Debela Merga Dugassa	Chief, Risk and Compliance Officer

Independent auditor

Degefa and Tewodros Audit Sevice Partnership Authorised Auditors,Chartered Certified Accountants Addis Ababa
Ethiopia.

Principal bankers

Citi Bank
Commerz Bank
B.Pourle Djibouti
ING Belgium
Standard chartered Bank
Nordea Bank
Uni-Credito Italiano

Barclays Bank
Bank of Africa

Wegagen Bank S.C
Financial Statement
For the year ended 30 June 2021
Report of the Directors

The directors submit their report together with the financial statements for the year ended 30 June 2021, to the members of Wegagen Bank ("Wegagen or the Bank"). This report discloses the financial performance and state of affairs of the Bank.

Incorporation and address

Wegagen Bank S.C was established on June 11, 1997. It came into being with 16 founding members who recognised 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, 2021, the paid up capital of the Bank reached Birr 3.28 Billion. As at June 30,2021, the Bank has 4,076 shareholders and a network of 398 branches.

Principal activities

The mandate of the Bank is to provide efficient and effective full-fledged commercial banking services by utilizing qualified, honest and motivated staff and state-of-the-art technology and thereby optimize shareholders interest.

Results and dividends

The Bank's results for the year ended 30 June 2021 are set out on page 8. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2021 Birr'000	30 June 2020 Birr'000
Net Interest Income	2,462,003	2,010,940
Net operating income	2,661,443	2,966,491
Profit before tax	193,118	1,077,453
Tax charge	(66,396)	(245,537)
Profit for the year	126,722	831,916
Other comprehensive income net of taxes	(19,687)	15,840
Total comprehensive income for the year	107,035	847,756
Earnings Per Share	4.2%	31.3%

Ato. Abdishu Hussien
Chairman, Board of Directors

Wegagen Bank S.C
Financial Statement
For the year ended 30 June 2021
Statement of Directors' Responsibilities

In accordance with the Financial Reporting Proclamation No. 847/2014 the Accounting and Auditing Board of Ethiopia (AABE) may direct the Bank to prepare financial statements in accordance with International Financial Reporting Standards, whether their designation changes or they are replaced, from time to time.
The Directors are responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standard and in the manner required by the Accounting and Auditing Board of Ethiopia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank is required keep such records are necessary to:

a) Exhibit clearly and correctly the state of its affairs;
b) Explain its transactions and financial position; and
c) Enable the National Bank to determine whether the Bank had complied with the provisions of the Banking Business Proclamation and regulations and directives issued for the implementation of the aforementioned proclamation.

The Directors accepts responsibility for the annual financial statement, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Banking Business Proclamation, Commercial code of 2013 E.C and the relevant Directives issued by the National Bank of Ethiopia.
The Directors are the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit of loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control."Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

The financial statements on pages 37 to 94 were approved and authorized for issue by the board of directors and management on December 11, 2021 and were signed on its behalf by:

Ato. Abdishu Hussien
Chairman, Board of Directors

Ato. Aklilu Wubet
A. Chief Executive Officer

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

OPINION

We have audited the accompanying financial statements of WEGAGEN BANK SHARE COMPANYwhich comprise the statement of profit and loss and other comprehensive income for the year ended 30 June 2021, statement of financial position as at 30 June 2021,statement of changing equity and statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of WEGAGEN BANK SHARE COMAPNYas at 30 June 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by IASB.

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

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

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

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

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon; we do not provide a separate opinion on these matters. We have determined that the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our Audit Addressed the key Audit matter
During our review of the financial records of the bank for the year ended 30 June 2021, we noted that the bank has large amount of outstanding loans and advances, cash balances, fixed assets and other un-cleared receivable balances at war zone in the northern part of Ethiopia. As the result, we have requested the bank to assess its maximum risk exposure in these areas and maintain adequate provision for all probable losses. The foregoing matter required us to have an in-depthdiscussion with Management and Board of the Directors of the bank to ensure whether this risk exposure has been catered for seriously.	We have addressed the matter: As it is national issue, the bank is communicating withbankers associations to come up with a coordinated way forward for handing these risk exposures. As of reporting date, there is limited information to specifically assess the risk. Hence, the Management has maintained maximumpossible provision based on the available information. In addition, we have requested the bank to provide us action plan as to how the bank planned to mitigate the risks associated with its financial and non-financial resources located at war zones.Thus, the bank prepared action plan based on its rough assessment of the situation with respective risk mitigation strategies.

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.

Degefa&Tewodros AudiServices
Partnership
Chartered Certified Accountants

Addis Ababa

December 11, 2021

Wegagen Bank S.C
Financial Statement
For the year ended 30 June 2021
Statement of Profit or Loss and Other Comprehensive Income

	Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
Interest income	5	3,928,065	3,245,295
Interest expense	6	(1,466,062)	(1,234,355)
Net interest income		2,462,003	2,010,940
Net fees and commission income	7	1,053,555	1,144,380
Net Trading Income		3,515,558	3,155,320
Other operating income	8	25,931	27,417
Loan impairment charge	9	(789,497)	(154,800)
Impairment losses on other assets	10	(90,548)	(61,446)
Net operating income		2,661,443	2,966,491
Salaries and benefits	11	(1,501,791)	(1,099,047)
Amortisation of intangible assets	19	(21,680)	(18,580)
Depreciation of property, plant and equipment	20	(148,803)	(131,210)
Other operating expenses	12	(794,211)	(638,361)
Audit fees		(518)	(518)
Directors' related expenses		(1,322)	(1,323)
Total Operating Expenses		(2,468,326)	(1,889,038)
Profit before tax		193,118	1,077,453
Income tax expense	13.a	(66,396)	(245,537)
Profit after tax		**126,722**	**831,916**
Other comprehensive income (OCI) net of income tax			
Remeasurement loss on retirement benefits	24	(21,323)	11,596
Fair value gain of Equity Investments		1,635	4,243
Total Other comprhensive Income		(19,687)	15,840
Total comprehensive income for the period		**107,035**	**847,756**
Basic & diluted earnings Per Share	26	4.2%	31.3%

Ato. Abdishu Hussien
Chairman, Board of Directors

Ato. Aklilu Wubet
A. Chief Executive Officer

Wegagen Bank S.C
Financial Statement
Statement of Financial Position As of 30 June 2021

	Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
ASSETS			
Cash and bank balances	14	4,847,309	6,363,591
Loans and advances to customers	15	26,037,179	23,249,128
Investment securities:			
- Equity Investments at FVOCI	16	77,962	69,629
- Debt Securities at Amortized Cost	16	5,398,283	5,410,146
Other assets	17	991,782	625,337
Investment property	18	595	613
Intangible assets	19	60,183	74,882
Property, plant and equipment	20	1,541,438	1,637,379
Right of Use Asset	20 a	700,878	728,889
Total assets		**39,655,610**	**38,159,595**
LIABILITIES			
Deposit from customers	21	29,581,108	29,260,046
Deposit from financial institutions	22	1,910,087	834,030
Current tax liabilities	13	58,777	220,572
Other liabilities	23	2,913,637	2,600,588
Employee benefit obligations	24	117,655	74,527
Deferred tax liabilities	13	59,432	62,264
Total liabilities		**34,640,697**	**33,052,026**
EQUITY			
Share capital	25	3,282,041	2,891,562
Share premium	25	46,284	38,487
Retained earnings	27	(125,416)	518,003
Legal reserve	28a	1,447,016	1,415,335
Regulatory Risk Reserve	28b	384,593	244,098
Other Reserve	28c	(19,604)	84
Total equity		5,014,914	5,107,569
Total equity and liabilities		**39,655,610**	**38,159,595**

Ato. Abdishu Hussien
Chairman, Board of Directors

Ato. Aklilu Wubet
A. Chief Executive Officer

Wegagen Bank S.C
Financial Statement
For the year ended 30 June 2021
Statement of Changes in Owners Equity

	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Regulatory Risk Reserve Birr'000	Other Reserve Birr'000	Total Birr'000
As at 1 July 2019	2,521,615	31,666	407,697	1,207,356	141,036	(15,756)	4,293,613
							-
Contributions to equity	221,518		(221,518)	-			-
Dividend declared	-	-	(186,180)	-			(186,180)
New shares issued	148,429	6,821	-			-	155,250
Fair value gain of Equity investments (net of tax)						4,243	4,243
Impairment on cash and debt securities			-				-
Impairment on Loans			-				-
Profit for the year			831,916				831,916
Remeasurement of Defined Benefit						11,596	11,596
Prior year directors' share of profit paid			(621)				(621)
Directors' share of profit	-	-	(2,250)	-			(2,250)
Transfer to legal reserve	-	-	(207,979)	207,979			-
Transfer to Regulatory Risk Reserve			(103,062)		103,062		-
Transfer from Regulatory Risk Reserve	-	-	-		-		-
	-	-	-		-		-
						-	-
As at 30 June 2020	**2,891,562**	**38,487**	**518,003**	**1,415,335**	**244,098**	**85**	**5,107,567**
Contributions to equity	334,959		(334,959)	-			-
Dividend declared	-	-	(183,044)	-			(183,044)
New shares issued	55,520	7,797	-			-	63,318
Fair value gain of Equity						1,635	1,635
Impairment on cash and debt securities			-				-
Impairment on Loans			-				-
Profit for the year			126,722				126,722
Remeasurement of Defined Benefit						(21,324)	(21,324)
Prior period tax adjustment			(78,963)				(78,963)
Directors' share of profit	-	-	(1,000)	-			(1,000)
Transfer to legal reserve	-	-	(31,681)	31,681			-
Transfer to Regulatory Risk Reserve			(140,494)		140,494		-
As at 30 June 2021	**3,282,041**	**46,284**	**(125,416)**	**1,447,016**	**384,593**	**(19,604)**	**5,014,914**

Ato. Abdishu Hussien
Chairman, Board of Directors

Ato. Aklilu Wubet
A. Chief Executive Officer

Wegagen Bank S.C
Financial Statement
For the year ended 30 June 2021
Statement of Cash Flows

	Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
Cash flows from operating activities			
Cash generated from operations	29	(876,102)	1,392,856
profit tax assesment paid		(51,400)	
Income tax paid	13.c	(220,709)	(140,529)
Net cash (outflow)/inflow from operating activities		**(1,148,211)**	**1,252,327**
Cash flows from investing activities			
Purchase of investment securities		(1,763)	1,456,473
Purchase of intangible assets	19	(6,982)	(31,065)
Purchase of property, plant and	20	(53,014)	(386,465)
Payment for asset use right aquistions		(194,359)	(151,233)
Dividend income received		-	-
Proceeds from sale of PPEs		-	5
Procceds from sale of investments		-	-
Net cash (outflow)/inflow from investing activities		(256,117)	887,715
Cash flows from financing activities			
Directors share of profit paid		(1,000)	(4,521)
Lease payment		-	(27,292)
Share premium collected		7,797	6,821
New shares issued		55,520	148,157
Dividend paid		(174,272)	(180,682)
Net cash (outflow)/inflow from financing activities		(111,954)	(57,517)
Net increase/(decrease) in Cash and bank balances		**(1,516,282)**	**2,082,525**
Cash and bank balances at the beg. of the	14	6,363,591	4,281,066
Effect of exchange rate movement on Cash and bank balances		-	-
Cash and bank balances at the end of the year		**4,847,308**	**6,363,591**

Ato. Abdishu Hussien
Chairman, Board of Directors

Ato. Aklilu Wubet
A. Chief Executive Officer

Wegagen Bank S.C
Financial Statement
For the year ended 30 June 2021
Notes to the Financial Statement

1 General Information

Wegagen Bank S.C. ("Wegagen Bank or the Bank") is a private commercial Bank that was established in 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. As at June 30, 2021, the paid up capital of the Bank reached Birr 3.28 billion contributed by 4,076 shareholders. The Bank's registered office is at Kirkos sub city, Wereda 7, infront of National Stadium, in Addis Ababa, Ethiopia. However, it operates in all the ten regions and two city administrations of Ethiopia by opening 398 branches.

The Bank is principally engaged in the provision of diverse range of financial services ranging from accepting deposits from the public and lending to a wide range of sectors that mainly includes manufacturing, import, export, construction, domestic trade and transport areas. It also performs trade services activities to facilitate the import and export process of the Country. Moreover, it facilitates local and international remittance activities through various partners. Last but not least, the Bank reaches its customers through various electronic banking channels like ATM, internet banking, mobile banking and agency banking platforms.

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 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, assumptions and management judgment in applying the Bank's accounting policies. Changes in estimates and assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying estimates and 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.

Certified Auditors in Ethiopia
Degefa and Tewodros Audit Service Partnership

Wegagen Bank S.C
Financial Statement
For the year ended 30 June 2021
Notes to the Financial Statement

2.2.1 Going Concern

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

2.2.2 Changes in accounting policies and disclosures

The Bank has consistently applied the accounting policies to all periods presented in these financial statements. The below are amendments to standards that are effective for annual periods beginning after 1 July 2020, and have not been applied in preparing these financial statements.

Standard	Description	Effective date	Impact
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows	The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied retrospectively. Earlier application is permitted.	The Bank has opted not adopt early. No significant impact is expected.
IAS 16, Property plant and equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, or depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The Bank opted to adopt the amendments when due. But no significant change is expected.
IAS 37, Provision, contingent liabilities and contingent assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The Bank opted to apply the amendments when due.
IAS 41 Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity - the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The standard is not relevant for the Bank's reporting purpose.

Wegagen Bank S.C
Financial Statement
For the year ended 30 June 2021
Notes to the Financial Statement

IFRS 3, Business combination	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.	The standard is not relevant for the Bank's reporting purpose as of now. The amendments shall be considered when the Bank gets involved in a transaction that involve business combination
IFRS 9 Financial Instruments	The final version of IFRS 9 "Financial Instruments" issued in July 2014 is the IASB's replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The Bank shall apply the amendments when due. The amendments are expected to have an impact on the Bank's financial statements.
Annual Improvements to IFRS Standards 2018-2020	IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	The improvements are effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted.	The bank shall apply the improvements when due. The improvements are not expected to have an significant impact on the bank's financial statements.
Definition of Accounting Estimates (Amendments to IAS 8)	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	Effective for annual reporting periods beginning on or after 1 January 2023.	The bank shall apply the amendment when due. The amendments are not expected to have an impact on the bank's financial statements.
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	Effective for annual reporting periods beginning on or after 1 January 2023.	The bank shall apply the amendment when due. The amendments are expected to have an impact on the bank's financial statements.

Certified Auditors in Ethiopia
Degefa and Tewodros Audit Service Partnership

Wegagen Bank S.C
Financial Statement
For the year ended 30 June 2021
Notes to the Financial Statement

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 recognized in profit or loss within other income or loss. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date with monetary assets translated at selling rate and monetary liabilities at buying rate.

2.4 Recognition of Income and Expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Bank, earns income from interest on loans and commission and service charges from the various services it provides to customers. The Bank's main expenses includes the interest it paid to deposits from customers, the impairment allowance for loans and the operating expenses it incurs to run the day to day operations of the Bank.

2.4.1 Net Interest Income

2.4.1.1. Policy Applicable

a. Effective Interest Rate and Amortized Cost

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortized cost of the financial liability. When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

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b. Amortized Cost and Gross Carrying Amount

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

c. Calculation of Interest Income and Expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

d. Presentation

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

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;
- interest on debt instruments measured at FVOCI calculated on an effective interest basis;

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

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 recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period. Other fees and commission expenses relates mainly to transaction and service fees and they are expensed as the services are received.

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2.4.3 Dividend Income

This is recognized when the Bank's right to receive the payment is established, which is generally when the shareholders of the investee company 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. The monetary assets and liabilities include financial assets within the foreign currencies deposits received and held on behalf of third parties etc.

2.4.5 Other income and expense- Other expenses are recognized when they are incurred by the Bank and other revenues recognized when they are earned which usually occurs simultaneously with cash collection.

2.5 Financial instruments

a. Recognition and initial measurement- The Bank shall initially recognize loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) shall be recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability shall be measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

b. Classification and Subsequent Measurement

Financial Assets- On initial recognition, a financial asset shall be classified either as measured at either amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Bank shall measure a financial asset at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is to hold it to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI). `

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

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

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

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

• the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
• how the performance of the portfolio is evaluated and reported to the Bank's management;
• the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
• How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
• The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis shall be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.
Financial assets shall not be reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

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

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

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

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

Financial Liabilities

The Bank shall classify its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL. A financial guarantee is an undertaking/commitment that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

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

c. **Impairment**- At each reporting date, the Bank shall assess whether there is objective evidence that financial assets (except equity investments), other than those carried at FVTPL, are impaired. The Bank shall recognize loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

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No impairment loss shall be recognized on equity investments.

The Bank shall measure loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

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

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

Loss allowances for lease receivables shall always be measured at an amount equal to lifetime ECL.

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

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

i. Measurement of ECL- it is probability-weighted estimate of credit losses & shall be measured as follows:

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

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

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

• for financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Where the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then the Bank shall assess whether the financial asset should be derecognized and ECL are measured as follows:

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

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

The key inputs into the measurement of ECL are the term structure of probability of default (PD), loss given default (LGD); and exposure at default (EAD).

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

Probability of Default (PD)-It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations. The methodology of estimating PDs.

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

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

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

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

risk:

— Quantitative test based on movement in PD;

— Qualitative indicators; and

— A backstop of 30 days past due,

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

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

a. **Term Loan Exposures**

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

— Data from credit reference agencies, press articles, changes in external credit ratings

— Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

— Internally collected data on customer behavior – e.g. utilization of credit card facilities

— Affordability metrics

b. **Overdraft Exposures**

— Payment record – this includes overdue status as well as a range of variables about payment ratios

— Utilization of the granted limit

— Requests for and granting of forbearance

— Existing and forecast changes in business, financial and economic conditions

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

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. However, for overdrafts that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

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

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

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

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

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

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

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

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;

- Exposures are not generally transferred directly from 12-month ECL measurement to credit- impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2)

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

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

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

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

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes. The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

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

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

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

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

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

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

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

- instrument type;
- credit risk grading;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

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

c. Credit-Impaired Financial Assets

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

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

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

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

A loan that has been renegotiated due to deterioration in the borrower's condition shall be considered to be credit-impair unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more shall be considered credit-impaired even when the regulatory definition of default is different.

d. Presentation of Allowance for ECL in the Statement of Financial Position

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

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

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e. **Write-off**

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

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

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

f. Non-Integral Financial Guarantee Contracts

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

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

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

g. Derecognition

The Bank shall derecognize a financial asset when:

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

• It transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or

• Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

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Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI shall not be recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank shall be recognized as a separate asset or liability.

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

h. Modifications of Financial Assets and Financial Liabilities

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

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

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

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it shall first consider whether a portion of the asset should be written off before the modification takes place.

Where the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, and then the Bank shall first recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss.

Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and shall be amortized over the remaining term of the modified financial asset.

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

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

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

i. Offsetting

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

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

j. **Designation at Fair Value through Profit or Loss**

At initial recognition, the Bank may designate certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise. The Bank shall designate certain financial liabilities as at FVTPL in either of the following circumstances:

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

Islamic Banking

Murabaha is an Islamic financing transaction which represents an agreement whereby the Bank buys a commodity/good and sells it to counterparty (customer) based on a promise received from that counterparty to buy the commodity according to specific terms and conditions. The selling price comprises of the cost of the commodity/goods and a pre-agreed profit margin. It is treated as financing receivables. Financing receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The profit is quantifiable and contractually determined at the commencement of the contract. Murabaha Income (profit) is recognized as it accrues over the life of the contract using the effective profit method (EPRM) on the principal balance outstanding. These products are carried at amortized cost less impairment.

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2.6 Cash and Cash Equivalents

Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

2.7 Property, Plant and Equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost to their residual values starting from the asset is available for use over their estimated useful lives, as follows:

Asset class	Useful Lives
Buildings	50
Computer hardware	7
Furniture's and fittings	10
Equipments	5 to 20
Lifts	15
Motor Vehicles	10

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 recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognized.

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

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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 amortization and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in income statement in the period in which the expenditure is incurred.

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

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, which ranges from two to six 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 recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

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.

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

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 amortized over the period in which the service is to be enjoyed.

(b) Other Receivables

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

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

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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, summarized in the following notes:

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

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

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

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

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

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

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

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

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

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

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

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 organization 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 6% and 12% by employees and the Bank respectively based on the employees' salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

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(b) ***Profit-Sharing and Bonus Plans***

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

(c) ***Defined Benefit Plans***

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

2.14 Provisions

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

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

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.

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2.17 Leases

The Bank has initially adopted IFRS 16 from 1 July 2019. The standard eliminates the classification of leases as either operating leases or finance leases under IAS 17 and introduces a single lease accounting model that requires lessees to recognize assets and corresponding liabilities. Due to the transition method chosen by the Bank in applying IFRS 16, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

It also elected to apply the practical expedient that allows entities to rely on its assessment of whether leases were onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

The effect of initially applying IFRS 16 is mainly attributed to:

_ an increase in non-current assets as obligations to make future payments under leases previously classified as an operating lease were recognized on the balance sheet, along with the corresponding asset: right-of-use asset.

_ Expenditure on operation has decreased and finance cost have increased, as operating lease costs have been replaced by depreciation and interest expense on lease liabilities.

The adoption of IFRS 16 requires the Bank to make a number of assumptions, estimations and judgments that includes:

_ lease liabilities were determined based on the value of the remaining lease payments, discounted by an appropriate incremental borrowing rate.

_ term of each arrangement was based on the original lease term.

_ The discount rate used to determine lease liabilities was the Bank's incremental borrowing rate. It was calculated based on observable inputs.

At the commencement date, the Bank recognized:

_ all leases as right right-of-use-asset at cost. Cost of right-of-use asset includes the amount of lease liability, lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to be incurred by the Bank in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

_ a lease liability at the present value of the lease payments that are not paid at that date. Present value of lease payments will be determined by discounting future lease payments at the interest rate implicit in the lease arrangement, if it is readily determined or at Bank's incremental borrowing rate.

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After the commencement date, the Bank measures:

_ right-of-use assets using cost model, i.e. cost at initial recognition less accumulated depreciation (in line with IAS 16: Property, plant and Equipment) and accumulated impairment losses (in line with IAS 36: Impairment of Assets).

_ lease liability by increasing its carrying amount to reflect interest on the lease liability and by reducing its carrying amount to reflect lease payments made.

Interest incurred on lease liability will be recognized in the statement of profit and loss as a finance cost.

Determination of whether an arrangement is a lease, or contains a lease:

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 fulfillment 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 Lessor

The Bank has rented temporary freehold space in its head office building that is mainly constructed for office use. The lease advance payments are recognized as deferred income until recognized.

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

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

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

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

3 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and 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
- Financial risk management and policies
- Sensitivity analyses disclosures

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3.1 Judgments

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

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.

3.2 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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 recognized 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 cash flow from collateral obtained would arise within 12 months where the financial asset is collaterised.

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 judgment 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 judgment 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 judgment is required in establishing fair values. Judgments 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.

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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 judgment. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

Taxes

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

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

Development Cost

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

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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 existence and 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 risk.

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 Risk and Compliance sub-Committee, which is 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 assisted in these functions by the Risk and Compliance Management Department which 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 Classification of financial assets and financial liabilities

The following table shows measurement categories and amounts in accordance IFRS 9 for the Bank's financial assets and financial liabilities as at june 30,2021

	Financial assets (Birr, 000)			
		30-Jun-20		30-Jun-21
Financial assets	classification under IFRS 9	Original carrying amount	Increase/ decrease	New carrying amount under IFRS 9
Cash and bank balances	Amortised cost	6,363,591	(1,516,282)	4,847,309
Loans and advances to customers	Amortised cost	23,249,128	2,788,051	26,037,179
Equity Investments at FVOCI	FVOCI	69,629	8,333	77,962
Investment securities: Loans and receivables	Amortised cost	5,410,146	(11,863)	5,398,283
Other financial assets at amortised cost	Amortised cost	20,421	5,992	26,413
Total financial assets		**35,112,916**	**1,274,230**	**36,387,146**
Financial liabilities				
Deposits from customers	Amortised cost	29,260,046	321,062	29,581,108
Deposit from financial institutions	Amortised cost	834,030	1,076,057	1,910,087
Other financial liabilities	Amortised cost	1,941,405	189,457	2,130,862
Total financial liabilities		**32,035,481**	**1,586,577**	**33,622,058**

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The application of the Bank's accounting policies on the classification of financial instruments under IFRS 9 are set out in **Note 2.5** resulted in the reclassifications set out in the table above and explained below.

Further equity investment securities were reclassified out available-for-sale categories to FVOCI at their then fair values. The carrying amount of those assets was adjusted so that their amortised cost under IFRS 9 was as if those assets were accounted for at amortised cost from their inception.

On the adoption of IFRS 9, some other financial assets were reclassified out of the loans and receivable to amortized cost and some to non financial assets. The carrying amount of those assets was adjusted so that their amortised cost under IFRS 9 was as if those assets were accounted for at amortised cost from their inception.

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 and other financial assets. 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).

Exposure to credit risk is managed through periodic analysis of the ability of borrowers and potential borrowers to determine their capacity to meet principal and interest thereon. Exposure to credit risk is also mitigated, in part, by obtaining collateral, commercial and personal guarantees. In Managing credit risk the Board of Directors approves the credit policy, risk limits, collateral requirements, risl gradings and follows up the implementation of same. The credit limits are placed on the amount of risk accepted in relation to one borrower, or groups of borrowers, to geographical regions, and to term of the financial instrument and economic sectors. The policies and limits are reviewed and modified periodically based on changes and expectations of the markets where the Bank operates, regulations, and other factors.

4.3.2 Concentrations of credit risk

Gross loans and advances to customers per sector is analysed as follows:

	30 June 2021 Birr'000	30 June 2020 Birr'000
Manufacturing	4,009,083	2,762,415
Domestic Trade and Services	5,406,287	4,467,062
Construction	3,921,198	3,072,284
Transport Service	1,109,082	1,403,434
Export	7,756,109	7,418,982
Import	3,542,099	3,133,969
Staff loans	1,185,967	1,074,516
IFB-Financing &	361,866	381,481
	27,291,690	23,714,142

4.3.3. Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments (2021) and available-for-sale debt assets (2021). Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

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

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Credit Quaity Anaysis for Loans and Advances

	2021			Total	2020
In Birr'000	Stage 1	Stage 2	Stage 3		Total
Loans & advances to customers at amortised cost					
Stage 1 - Pass	22,986,006,369			22,986,006	20,321,973
Stage 2 - Special mention		1,698,844,914		1,698,845	1,825,846
Stage 3 - Non performing			2,954,395,743	2,954,396	1,273,943
Total gross exposure	22,986,006,369	1,698,844,914	2,954,395,743	27,639,247	23,421,762
Loss allowance	296,208,532	42,083,671	916,132,977	1,254,425	(456,310)
Net carrying amount	**22,689,797,837**	**1,656,761,243**	**2,038,262,766**	**26,384,822**	**22,965,451**

Wegagen Bank SC
Credit Quaity Anaysis for others Assets

In Birr'000	2021			
Item	Stage	Gross Exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	4,847,309	(71)	4,847,238
Investment securities (debt instruments)	12 Month ECL	5,288,962	(269)	5,288,693
Other financial assets	Lifetime ECL	1,487,175	(33,315)	1,453,860
Emergency staff loans	Lifetime ECL	284,103	(14)	284,089
Totals		11,907,549	(33,669)	11,873,879

Wegagen Bank SC
Credit Quaity Anaysis for others Assets

In Birr'000	2020			
Other financial assets (debt instruments)	**Stage**	Gross Exposure	Loss allowance	**Net carrying amount**
Cash and bank balances	12 Month ECL	6,363,611	(20)	**6,363,591**
Investment securities (debt instruments)	12 Month ECL	6,194,685	(310)	**6,194,375**
Other receivables and financial assets	Lifetime ECL	104,493	(726)	**103,767**
Emergency staff loans	Lifetime ECL	172,857	(9)	**172,848**
Totals		**12,835,646**	**(1,057)**	**12,834,581**

4.3.4. 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 collateral for loans and advances gramted to customers.

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, which is usually done every three years. 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.

Collateral Held (000)

Type of financial asset	30-Jun-21	30-Jun-20	**Principal type of collateral held**
Loands and Advances	**833,829,145**	**178,256,411**	Land and Building, Vehicles, Machines, shares and Bank Gurantees

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4.3.5. Measurement of Expected Credit Losses (ECL)

i) Techniques used for estimating impairment

ECL is a probability-weighted estimate of credit losses. It shall be measured as follows:
• for financial assets that are not credit-impaired at the reporting date (stage 1 and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
• for financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;
• for undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
• for financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

ii) Incorporation of forward-looking information
The key drivers for credit risk for each of the Bank's economic sectors is summarized below:

Sector/Product	Macroeconomic factors				
Agriculture, Personal loans and Staff loans	INFLATION: Consumer price index, 2010 = 100, ave	EXCHANGE RATE: ETB/USD, ave	GDP EXPENDITURE: Exports of goods and services, USD per capita	DEBT: Government domestic debt, ETBbn	STRATIFICATION: Household Spending, ETBbn
Domestic Trade & Services	GDP: GDP per capita, USD	GDP EXPENDITURE: Imports of goods and services, USDbn	INFLATION: Consumer price index, 2010 = 100, eop	EXCHANGE RATE: ETB/USD, ave	FISCAL: Total revenue, USDbn
Building & Construction and Manufacturing & Production	GDP EXPENDITURE: Exports of goods and services, USD per capita	FISCAL: Current expenditure, USDbn	DEBT: Government domestic debt, ETBbn	-	-
Export and Import	GDP EXPENDITURE: Exports of goods and services, ETBbn	GDP EXPENDITURE: Imports of goods and services, ETBbn	EXCHANGE RATE: Real effective exchange rate, index	GDP EXPENDITURE: Private final consumption, USDbn	DEBT: Total government debt, USDbn

The economic scenarios used as at 30 June 2021 included the following key indicators for Ethiopia for the years 2021 to 2022:

Macro-Economic Factor	2020	2021	2022
INFLATION: Consumer price index, 2010 = 100	397	470.4	517.4
GDP: GDP per capita, USD	783	889	1004
GDP EXPENDITURE: Exports of goods and services, USD per capita	64.4	72.1	80.3
GDP EXPENDITURE: Exports of goods and services, ETBbn	246.7	291.7	342.9
EXCHANGE RATE: ETB/USD	33.31	34.31	35.34
GDP EXPENDITURE: Imports of goods and services, USDbn	25.4	31.4	35.9
FISCAL: Current expenditure, USDbn	8.1	9.6	10.9
GDP EXPENDITURE: Imports of goods and services, ETBbn	845.7	1077.9	1270.6
INFLATION: Consumer price index, 2010 = 100	397	470.4	517.4
DEBT: Government domestic debt, ETBbn	752	872.3	1003.1
EXCHANGE RATE: Real effective exchange rate, index	126.32	124.12	122.16
GDP EXPENDITURE: Private final consumption, USDbn	68	81.9	95
STRATIFICATION: Household Spending, ETBbn	2095.7	2503.8	2991.5
FISCAL: Total revenue, USDbn	9.6	10.3	11.6
DEBT: Total government debt, USDbn	55.2	67.1	77

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Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analysing semi – annual

Scenario probability weightings

As at June	2021			2020		
	Upside	Median/Centra	Downside	Upside	Median/Central	Downside
Cluster 1	0%	50%	50%	16%	69%	16%
Cluster 2	0%	50%	50%	10%	80%	10%
Cluster 3	0%	50%	50%	13%	74%	13%
Cluster 4	0%	50%	50%	14.50%	71%	14.50%

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

iii). *Loss allowance*

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2020 represent the allowance account for credit losses and reflect the measurement basis under IFRS 9.

Loans and advances to customers at amortised cost (on balance sheet exposures)	2021				2020
In Birr'000	Stage 1	Stage 2	Stage 3	Total	Total
Balance at 1 July	138,741	8,168	309,402	456,310	355,422
Transfer to 12 months ECL				0	0
Transfer to Lifetime ECL not credit impaired				-	-
Transfer to Lifetime ECL credit impaired	801,626	6,751	(10,277)	798,100	-
Net remeasurement of Loss allowance				-	76,497
Net financial assets originated or purchased				97,036	97,036
Financial assets derecognised				-	(72,644)
Balance at 30 June	**940,367**	**14,919**	**299,125**	**(1,254,510)**	**456,310**

Loan commitments and financial guarantee contracts (off balance sheet exposures)	2021				2020
In Birr'000	Stage 1	Stage 2	Stage 3	Total	Total
Balance at 1 July	8,673	22		8,694	3,710
Transfer to 12 months ECL				-	-
Transfer to Lifetime ECL not credit impaired	(8,574)			(8,574)	-
Transfer to Lifetime ECL credit impaired				-	-
Net remeasurement of Loss allowance				-	1,242
Net financial assets originated or purchased				-	6,038
Financial assets derecognised				-	(2,295)
Balance at 30 June	**99**			**99**	**8,694**

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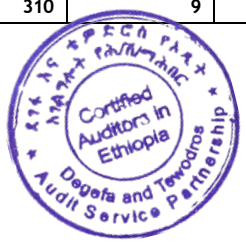
Other financial assets	2021				
In Birr'000	Cash and balances with banks	Investment securities (debt instruments)	Emergency staff loans	Other receivables and financial assets	Total
Balance as at 1 July	20	310	9	726	1,064
Net remeasurement of loss allowance			6	184,516	184,522
New financial assets originated or purchased				-	-
Balance as at 30 June	20	310	14	185,242	185,586

Other financial assets	2020				
In Birr'000	Cash and balances with banks	Investment securities (debt instruments)	Emergency staff loans	Other receivables and financial assets	Total
Balance as at 1 July	71	343	-	726	1,140
Net remeasurement of loss allowance	(51)	(34)	9	0	(76)
New financial assets originated or purchase	-	-	-	-	-
Balance as at 30 June	**20**	**310**	**9**	**726**	**1,064**



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4.3.6. Offsetting financial assets and financial liabilities

The Bank does not offset financial assets against financial liabilities.

4.4 Liquidity risk

4.4.1 Introduction

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 liquid 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.

4.4.2 Management of liquidity risk

Cash flow forecasting is performed by the Treasury Department. The 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 Treasury 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. It then maintain a portfolio of short-term liquid assets, largely made up of physical cash, cash with banks, 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 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. In addition to regulatory liquidty ratio requirements, the Bank has set its own internal liquity ratio limits and monitor it accordingly.

The Bank has access to a limited funding base as there is no active primary and secondary market in Ethiopia. Funds are raised using instruments including deposits, borrowed funds and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall Bank strategy.

In order for the liquidity risk to be kept at acceptable level the bank has set internal limits on liquidity risk exposure which are regularly followed and reported. Also as part of the overall liquidity risk management in order to address future emergencies, as a liquidity crisis management tool the bank has established liquidity contingency plan with clearly defined roles and responsibilities of the parties involved in the processes itself.

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 of Ethiopia

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4.4.3. Maturity analysis of financial Assets and Financial liabilities

The table below analyses the Bank's financial assets and 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. Considering that 43% of the deposits will be withdrawan within a short period of time; one year without any additioanl deposit mobilization, which is unlikely to happen, there will be a positive liquidty gap between maturing assets and liabilities. Moreover, in terms of regulatory compliance in terms of iquidty postion, the Bank's liquidity postion as at June 30,2021 stood at 17.1%, which is well above the regulatory requirement of 15% indicating that the Bank is liquid to honor its committments. This was a persistent penomena during the whole year.

30 June 2021

	Below 1 year	1-3 years	Over 3 years
	Birr'000	Birr'000	Birr'000
ASSETS			
Cash and Bank Balances	4,847,309		
Debt Securities at Amortized Cost	2,873,408	2,456,417	68,459
Loans and advances	8,523,662	13,135,135	4,378,382
Other assets	26,413		
TOTAL	16,270,792	15,591,552	4,446,841
LIABILITIES			
Deposits	18,033,645	11,553,354	72,072
Other liabilities	2,130,862		
Income Tax payable	58,777		
TOTAL	20,223,284	11,553,354	72,072
Net Mismatch	(3,952,493)	4,038,198	4,374,769
Cumulative Mismatch	(3,952,493)	85,705	4,460,474

30 June 2020

	Below 1 year	1-3 years	Over 3 years
	Birr'000	Birr'000	Birr'000
ASSETS			
Cash and Bank Balances	6,363,591		
Debt Securities at Amortized Cost	3,246,101	1,623,034	541,011
Loans and advances	11,625,246	6,974,329	4,649,553
Other assets	20,421		
TOTAL	21,255,359	8,597,363	5,190,564
LIABILITIES			
Deposits	14,644,029	8,811,387	5,874,258
Other liabilities	1,941,405		
Income Tax payable	220,572		
TOTAL	16,806,006	8,811,387	5,874,258
Net Mismatch	4,449,353	(214,024)	(683,694)
Cumulative Mismatch	4,449,353	4,235,329	3,551,635

4.4.4 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.

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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.

The table below sets out information on the exposures to interest rate sensitive financial assets and liabilities:

30 June 2021	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Financial assets			
Cash and bank balances		4,847,309	4,847,309
Loans and advances to customers	26,037,179		26,037,179
Equity Investments at FVOCI		77,962	77,962
Debt Securities at Amortized Cost	5,398,283		5,398,283
Other Financial Assets		26,413	26,413
Total	31,435,462	4,951,684	36,387,146
Financial liabilities			
Deposits from customers	29,581,108		29,581,108
Deposits from Financial Instritutions	1,910,087		1,910,087
Guarantees issued		2,326,847	2,326,847
Letter of credit		1,345,362	1,345,362
Loan commitments	1,001,942		1,001,942
Other Financial liabilities		2,130,862	2,130,862
Total	32,493,138	5,803,071	38,296,209

30 June 2020	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Financial assets			
Cash and bank balances		6,363,591	6,363,591
Loans and advances to customers	23,249,128		23,249,128
Investment securities;		-	-
Equity Investments at FVOCI		69,629	69,629
Debt Securities at Amortized Cost	5,410,146	-	5,410,146
Other Financial Assets		20,421	20,421
Total	28,659,275	6,453,641	35,112,916
Financial liabilities			
Deposits from customers	29,260,046		29,260,046
Deposits from Financial Instritutions	834,030		834,030
Guarantees issued		3,897,937	3,897,937
Letter of credit		1,050,882	1,050,882
Loan commitments	640,369		640,369
Other Financial liabilities		1,941,405	1,941,405
Total	30,734,445	6,890,224	37,624,669

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(ii) Foreign exchange risk

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

The Bank is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. 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 2021 Birr'000	30 June 2020 Birr'000
USD	1,236,809	120,885
GBP	8,929	2,102
Euro	119,362	9,908
Other currencies	77,335.94	119
	1,442,436	133,014

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 June21	Basis points Birr'000	Effect of appreciation of the Birr against foreign currencies Birr'000	Effect of depreciation of the Birr against foreign currencies Birr'000
USD	10%	123,680.91	(123,681)
GBP	10%	893	(893)
Euro	10%	11,936	(11,936)
Total		136,510	(136,510)

30 June 2020	Basis points Birr'000	Effect of appreciation of the Birr against foreign currencies Birr'000	Effect of depreciation of the Birr against foreign currencies Birr'000
USD	10%	12,088	(12,088)
GBP	10%	210	(210)
Euro	10%	991	(991)
Total		13,289	(13,289)

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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 operational risk by adopting the policy and procedure on operational risk management as approved by the board of directors 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 risk and control self-assessment on continuous process.
During the fiscal year, the Bank made assessmnet of potentail operational risk areas including IT security risks, made register of operational risk incldents, investigated them and took action on perperators and strengthen its internal controls accordingly. Despite the number of operational risk incidents, the Bank sustained insignifact losses.

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.

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. As at June 30,2020, the ratio stood at 15.67% showing a marginal Decrease compared with same period last year.This arises becasue of a low expansion of capital compared with asseets during the fiscal year ended June 30,2021.

	30 June 202' Birr'000	'30 June 2020 Birr'000
Capital		
Share capital	3,282,041	2,891,562
Share premium	46,284	38,487
Retained earnings	(125,416)	518,003
Legal reserve	1,447,016	1,415,335
Regulatory Risk Reserve	384,593	244,098
Total regulatory capital	5,034,518	5,107,485
Total risk weighted assets	34,687,130	26,125,607
Capital Adequacy Ratio (CAR)	**15%**	**20%**
Minium Capital Adequacy ratio	**8%**	**8%**

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 date 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.

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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 2021	Carrying amount Birr'000	Fair value Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets						
Cash and Bank Balances	4,847,309	4,847,309	4,847,309			4,847,309
Loans and advances to customers	26,037,179	26,037,179			26,037,179	26,037,179
Investment securities;					-	-
- Debt Securities at Amortized C	5,398,283	5,398,283			5,398,283	5,398,283
- Equity Investments at FVOCI	50,768	77,962			77,962	77,962
Other Financial Assets	26,413	26,413			26,413	26,413
Total	36,359,952	36,387,146	4,847,309	-	31,539,837	36,387,146
Financial liabilities						
Deposits from customers	29,581,108	29,581,108			29,581,108	29,581,108
Deposit from financial institutions	1,910,087	1,910,087			1,910,087	1,910,087
Other Financial liabilities	2,130,862	2,130,862			2,130,862	2,130,862
Total	33,622,058	33,622,058	-	-	33,622,058	33,622,058

30 June 2020	Carrying amount Birr'000	Fair value Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets						
Cash and Bank Balances	6,363,591	6,363,591	6,363,591			6,363,591
Loans and advances to customers	23,249,128	23,249,128			23,249,128	23,249,128
Investment securities;					0	-
- Loans and receivables	5,410,146	5,410,146			5,410,146	5,410,146
- Available for Sale securities	44,771	69,629			69,629	69,629
Other Assets	20,421	20,421			20,421	20,421
Total	35,088,058	35,112,916	6,363,591	-	28,749,325	35,112,916
Financial liabilities						
Deposits from customers	29,260,046	29,260,046			29,260,046	29,260,046
Deposit from financial institutions	834,030	834,030			834,030	834,030
Other liabilities	1,941,405	1,941,405			1,941,405	1,941,405
Total	32,035,481	32,035,481	-	-	32,035,481	32,035,481

4.8.3 Transfers between the fair value hierarchy categories

During the 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.

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		30 June 2021 Birr'000	30 June 2020 Birr'000
5	**Interest income**		
	Cash and bank balances	36,051	8,663
	Loans and advances to customers	3,621,216	2,956,006
	Investment securities	268,648	280,626
	Interest Income on Corrospondent Bank Accounts	2,149	-
		3,928,065	3,245,295

		30 June 2021 Birr'000	30 June 2020 Birr'000
6	**Interest expense**		
	Saving deposits	1,067,489	813,147
	Fixed time deposits	356,775	377,389
	Current deposits	5,971	15,095
	Correspondent Banks	-	-
	Short termborrowing	13,385	5,252
	Leases	22,442	23,472
		1,466,062	1,234,355

		30 June 2021 Birr'000	30 June 2020 Birr'000
7	**Net fees and commission income**		
	Commission and fees on L/C	900,426	975,250
	Commission on Gurantees	89,244	108,832
	Agent Banking Fee	11,633	6,099
	ATM Transaction Fees-Foreign	1,236	1,562
	ATM Transaction Fees-Local	2,176	2,004
	Commission on CPO issued	1,029	3,021
	Commission on Export	-	-
	Commission on IBC	-	-
	Credit Information Charge	4,203	1,448
	Service Charge-Local	-	-
	SWIFT charges	5,999	7,363
	Commission Sundries	20,879.22	23,426
	Commission & Charges from IFB	16,337	13,575
	Commission and Fees on Fund transfers	394	1,799
		1,053,555	1,144,380

		30 June 2021 Birr'000	30 June 2020 Birr'000
8	**Other operating income**		
	Gain from Sale of Investments	-	-
	Rental income	7,645	13,497
	Estimation fees	768	1,890
	Cash Surplus	92	152
	Rebates	1,599	1,178
	Fee on Bounced Checks	66	99
	Dividend income	4,234	3,024
	Gain on Disposal of Old Assets	991	2
	Gain on Disposal of Acquired properties	-	-804
	Card purchase & replacement income	2,929	3,085
	Sundries-Local	7,607	5,294
		25,931	27,417

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		30 June 2021 Birr'000	30 June 2020 Birr'000
9	**Loan impairment charge**		
	Loans and Advances - charge for the year (note 15b)	789,497	154,800
	Loans and Advances - reversal of provision (note 15b)		-
		789,497	154,800

		30 June 2021 Birr'000	30 June 2020 Birr'000
10	**Impairment losses on other assets**		
	Other assets - charge for the year (note 17)	90,589	61,531
	Other assets - reversal of impairment losses (note 17)	(41)	(85)
		90,548	61,446

		30 June 2021 Birr'000	30 June 2020 Birr'000
11	Salaries and benefits		
	Employee salaries	878,027	599,469
	Outsourced employee salaries	89,924	82,011
	Pension costs	100,577	67,178
	Short-term employee benefits	416,580	333,191
	Severance pay- Defined benefit plan	16,683	17,199
		1,501,791	**1,099,047**

		30 June 2021 Birr'000	30 June 2020 Birr'000
12	**Other operating expenses**		
	Advertisement & Publicity	45,361	48,599
	Agent Banking	8,671	106
	Bank Charges	6,729	2,107
	Broad Band Expense	6,402	13,274
	Card payment Charges	30,805	34,040
	Consultant Fee	1,350	3,101
	Communication expenses	14,059	15,820
	Consumables	16,209	17,910
	Donations	17,190	31,636
	Ethswitch Charges	4,736	2,749
	Stump Duty Expense	781	605
	Entertainment	2,883	1,491
	Event organization expense	772	1,788
	Insurance	11,759	8,703
	IT support charges	24,503	21,387
	Legal and professional fees	39	661
	License Fee and Taxes	3,790	2,949
	Loss on Disposal of fixed assets	659	86
	Loss on Disposal of Acquired Asset	-	-
	Maintenance	21,306	25,784
	Membership Fee	282	500
	Money transfer charges	12,824	11,143
	Penalty Expense	2,903	1,992
	Perdiem and Travel	8,268	13,639
	Petrol and Oil	10,380	10,900
	Printing and stationary	10,549	12,362
	Rental expenses	4,495	33,828
	Subscription & Publication	546	622
	Sundries	6,271	9,759
	Uniform	9,408	8,880
	Utilities	5,971	5,358
	Loss on foreign exchange Dealing	269,078	107,972
	Write off Expense	-	-
	Wages for non-permanent employees.	1,937	1,986
	Depreciation ROU	233,298	186,625
		794,211	**638,361**

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		30 June 2021 Birr'000	30 June 2020 Birr'000
13	**Company income and deferred tax**		
13.a	**Current income tax**		
	Company income tax	60,790	221,347
	Prior year over/ under/ provision	-	-
	Deferred income tax/(credit) to profit or loss	5,606	24,190
	Total charge to profit or loss	66,396	245,537
	Tax (credit) on other comprehensive income	(8,437)	6,788
	Total tax in statement of comprehensive income	57,958	252,325

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 2021 Birr'000		30 June 2020 Birr'000	
	Profit before tax		193,118		1,077,453
	Tax calculated at statutory tax rate of 30 %		57,935		323,236
Add:	Entertainment	865		447	
	Donation	16		107	
	Penalty	871		598	
	Provision for Legal cases	-		0	
	Employee Severance benefits	5,005		5,160	
	Loss on disposal of fixed assets	198			
				26	
	Provision for loans and other assets	264,014		64,874	
	Depreciation for accounting purpose	44,641		39,363	
	Depreciaion and int. expense IFRS 16	76,722		63,029	
	Amortization for accounting purpose	6,504		5,574	
	Loss on FCY revaluation	54,658			
	Life Insurance	4,810			
	Staff Loan Fair valuation expense	4,555			
	Accrud leave Expense	18,619		-	
			481,477		179,177
Less:					
	Depreciation for tax purpose	(59,334)		(49,449)	
	Amortization for tax purpose	(7,285)		(5,614)	
	Rent expense	(75,490)		(60,599)	
	Employee severance paid in cash	(1,205)		(1,085)	
	Provision for loans and other assets	(241,984)		(76,624)	
	Provision for Legal cases	-		-	
	Gain from sale of investment	-		-	
	Gain from sale of assets	-		-	
	Dividend income taxed at source	(1,270)		(907)	
	Interest income exempt/taxed at Sources	(92,055)		(86,787)	
			(478,623)		(281,066)
			60,790		**221,347**

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13.c Current income tax liability	30 June 2021 Birr'000	30 June 2020 Birr'000
Balance at the beginning of the year	220,572	139,754
Charge for the year:		
Income tax expense	60,790	221,347
Payment during the year	(220,572)	(139,754)
Withholding tax	(138)	(775)
Prior period tax adjustment	(1,875)	
Balance at the end of the year	**58,777**	**220,572**

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 2020 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to OCI Birr'000	30 June 2021 Birr'000
Property, plant and equipment	77,164	9,406	-	86,570
Post employment benefit obligation	(22,358)	(3,800)	(9,138)	(35,297)
Equity Investments	7,458		701	8,158
Total deferred tax assets/(liabilities)	62,264	5,606	(8,437)	59,432

Deferred income tax assets/(liabilities):	At 1 July 2019 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2020 Birr'000
Property, plant and equipment	48,900	28,264	-	77,164
Post employment benefit obligation	(23,254)	(4,074)	4,970	(22,358)
Equity Investments	5,639		1,819	7,458
Total deferred tax assets/(liabilities)	31,285	24,190	6,788	62,264

14 Cash and bank balances	30 June 2021 Birr'000	30 June 2020 Birr'000
Cash in hand	1,023,549	1,757,172
Deposit with local commercial banks	617,251.0	404,770.8
Deposit with foreign banks	1,426,393.2	738,419
Deposit with National Bank of Ethiopia	1,780,145	2,668,572
Treasury Bills	-	794,677
Impairment Allowance for cash	(29)	(20)
	4,847,309	6,363,591

Maturity analysis	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	3,268,033	4,887,316
Non-Current	1,579,276	1,476,276
	4,847,309	6,363,591

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		30 June 2021 Birr'000	30 June 2020 Birr'000
15	**Loans and advances to customers**		
15a.	**Loans and advances to customers**		
	Manufacturing	4,009,083	2,762,415
	Domestic Trade and Services	5,406,287	4,467,062
	Construction	3,921,198	3,072,284
	Transport Service	1,109,082	1,403,434
	Export	7,756,109	7,418,982
	Import	3,542,099	3,133,969
	Staff loans	1,185,967	1,074,516
	IFB-Financing & Investments	361,866	381,481
	Gross amount	**27,291,690**	**23,714,142**
	Less: Impairment allowance (note 15b)	(1,254,510)	(465,013)
		26,037,179	**23,249,128**

Maturity analysis	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	8,523,662	11,625,246
Non-Current	17,513,517	11,623,882
	26,037,179	23,249,128

15b 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:

Alowance for loan impairment	As at 1 July 2020 Birr'000	Write offs during the year Birr'000	Charge for the year Birr'000	As at 30 June 2021 Birr'000
Construction	234,397		(45,652)	188,745
Domestic Trade and Servces	81,687		7,398	89,086
Export	75,116		758,539	833,655
Import	24,981		26,833	51,813
Manufacturing	19,972		24,627	44,599
Staff loans	3,417		338	3,755
Transport Service	25,443		(1,165)	24,278
IFB-Financing & Investments		-	18,578	18,578
	465,013	-	789,497	1,254,510

Alowance for loan impairment	As at 1 July 2019 Birr'000	Adjustmnent as at July 1,2019 Birr'000	Write offs during the year Birr'000	Charge for the year Birr'000	As at 30 June 2020 Birr'000
Construction	44,194		(102.31)	190,305	234,397
Domestic Trade and Servces	46,902		(184.17)	34,970	81,687
Export	181,828		(2,835.99)	(103,876)	75,116
Import	23,587		(39,473.13)	40,867	24,981
Manufacturing	16,652		-	3,319	19,972
Staff loans	4,045		(39.57)	(588)	3,417
Transport Service	38,214		(2,573.26)	(10,198)	25,443
	355,422		(45,208)	154,800	465,013

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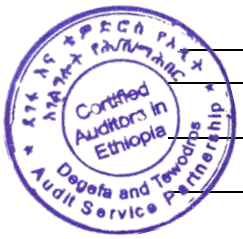
		30 June 2021 Cost Birr'000	Fair value Adjustment	30 June 2021 Birr'000	30 June 2020 Birr'000
16	**Investment Securities**				
16a	**Equity Investment securities at FVOCI**				
	Ethio switch	12,502	30,419	42,921	39,187
	Africa Insurance S.C	13,266	2,753	16,019	14,160
	Raaz Transport	-	-		-
	Addis Ababa Exhibition & Con. Center	15,000	(8,546)	6,454	9,055
	Ethiopian Reinsurance S.C	10,000	2,569	12,569	7,228
				-	-
		50,768	27,194	77,962	69,629

All the above equity investmnets are made in unquoted companies whose fair value is determined on net asset basis.

		30 June 2021 Birr'000	30 June 2020 Birr'000
16b	**Investment in Debt Securities**		
	Ethiopian Government Securities	5,398,552	5,410,456
	Impairment Allowance for Debt Securities	(269)	(310)
	Balance	5,398,283	5,410,146

Maturity analysis	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	1,264,106	1,264,106
Non-Current	4,184,945	4,190,811
	5,449,051	5,454,917

		30 June 2021 Birr'000	30 June 2020 Birr'000
17	**Other assets**		
	Financial assets		
	Receivable from African insurance	-	-
	Uncleared effect -Foreign	-	-
	Staff receivables	2,231	4,232
	Receivable from money transfer agents	9,332	7,803
	Receivable from National Bank of Ethiopia	-	-
	Recievable from VISA	11,433	2,368
	Recievable from Master Card	1,704	410
	Ethio Pay Settlement Receivable	-	-
	Eth-switch Receivable	2,898	6,333
	Gross amount	27,598	21,147
	Less: Impairment allowance	(1,186)	(726)
		26,413	20,421
	Non-financial assets		
	Prepayments	11,476	16,775
	Prepaid expenses on staff loans	305,306	213,093
	Inventory	52,976	42,424
	Accrued Income Recievable	-	-
	Repossessed properties	114,281	100,068
	Cash Shortage	27,387	6,481
	Shares held for resale	-	1,699
	Other receivables	637,999	318,313
		1,149,426	698,853
	Less: Impairment allowance (note 17a)	(184,056)	(93,936)
		965,369	604,916
	Gross amount	**991,782**	**625,337**



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Maturity analysis	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	877,501	525,269
Non-Current	114,281	100,068
	991,782	625,337

17a Impairment allowance on other assets

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
Balance at the beginning of the year	94,662	36,624
Written off during the year	(9)	(3,493)
(Reversal)/charge for the year	90,589	61,531
Balance at the end of the year	185,242	94,662

17b Inventory

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
Stationery	10,746	11,519
Office supplies	25,418	17,676
Visa cards	1,088	4,885
Other stock	15,563	8,178
Memorial Coins	161	165
	52,976	42,424

	30 June 2021 Birr'000	30 June 2020 Birr'000
18 Investment property		
Cost:		
At the beginning of the year	943	943
Acquisitions	-	-
*Transfers from PPE	-	-
At the end of the year	943	943
Accumulated depreciation:		
At the beginning of the year	330	312
Charge for the year	18	18
*Transfers from PPE	-	-
At the end of the year	348	330
Net book value		
As at 30 June	595	613

*Transfers from PPE relates to buildings used for rentals.

18a Amounts recognised in profit or loss for investment properties

	30 June 2021 Birr'000	30 June 2020 Birr'000
Rental income	7,645	230

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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 2021 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 2021, and 30 June 2020

30 June 2021	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Investment properties	631			3,742

30 June 2020	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Investment properties	613			3,111

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	Purchased software Birr'000	Software under development Birr'000	Total Birr'000
19 Intangible Assets			
Cost:			
As at 1 July 2019	87,945	-	87,945
Acquisitions	31,065		31,065
Derecognition	-		-
Adjustments/Transfers to intangible assets	-	-	-
As at 30 June 2020	**119,009**	**-**	**119,009**
As at 1 July 2020	119,009	-	119,009
Acquisitions	6,982		6,982
Derecognition	-		-
Adjustments/Transfers to intangible assets	-	-	-
As at 30 June 2021	**125,991**	**-**	**125,991**
Accumulated amortisation			
As at 1 July 2019	25,547	-	25,547
Derecognition			-
Amortisation	18,580		18,580
As at 30 June 2020	**44,127**	**-**	**44,127**
As at 1 July 2020	44,127	-	44,127
Derecognition			-
Amortisation	21,680		21,680
As at 30 June 2021	**65,808**	**-**	**65,808**
Net book value			
As at 30 June 2020	**74,882**	**-**	**74,882**
As at 30 June2021	**60,183**	**-**	**60,183**

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	Office Equipments Birr'000	Building Birr'000	Motor vehicles Birr'000	Furniture and fittings Birr'000	Computer equipments Birr'000	Capital work in Progress Birr'000	Total Birr'000
20 Property, plant and equipment							
Cost:							
As at 1 July 2019	316,706	796,293	253,392	148,147	278,261	44,181	1,836,980
Additions	108,984	45,110	2,786	95,333	134,252		386,465
Disposals	-	-		(5)	-		(5)
Reclassification						(44,181)	(44,181)
As at 30 June 2020	**425,690**	**841,403**	**256,178**	**243,478**	**412,514**	**-**	**2,179,262**
As at 1 July 2020	425,690	841,403	256,178	243,478	412,514	-	2,179,262
Additions	14,204	-	5,697	15,526	7,606	9,982	53,014
Disposals	(731)	-	-	(238)	(556)		(1,525)
Reclassification	(6,614)			938	5,675	-	(0)
As at 30 June 2021	**432,549**	**841,403**	**261,875**	**259,701**	**425,239**	**9,982**	**2,230,748**
Accumulated depreciation							
As at 1 July 2019	113,862	24,610	104,930	51,744	115,551	-	410,697
Charge for the year	36,211	15,914	21,311	15,573	42,183		131,192
Disposals	-			(5)	-		-5
As at 30 June 2020	**150,072**	**40,524**	**126,241**	**67,312**	**157,734**	**-**	**541,883**

	Office Equipments	Building	Motor vehicles	Furniture and fittings	Computer equipments	Capital work in Progress	Total
As at 1 July 2020	150,072	40,524	126,241	67,312	157,734	-	541,883
Charge for the year	41,238	16,018	20,120	22,113	49,350		148,839
Disposals	(665)			(221)	(527)		(1,413)
As at 30 June 2021	**190,646**	**56,542**	**146,361**	**89,204**	**206,557**	**-**	**689,309**
Net book value							
As at 30 June 2020	**275,618**	**800,879**	**129,937**	**176,167**	**254,780**	**-**	**1,637,379**
As at 30 June 2021	**241,903**	**784,861**	**115,513**	**170,497**	**218,682**	**9,982**	**1,541,438**

20 a Right of Use Asset and lease liability

	30-Jun-21	1-Jul-20
Right of Use Asset		
office buildings	700,878	728,889
Lease liability		
Current	42,829	43,598
Non currenet	135,626	141,339
Lease liability	178,456	184,937
Depreciaiton of ROU	233,298	186,625

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		30 June 2021 Birr'000	30 June 2020 Birr'000
21	**Deposits from customers**		
	Demand deposits	7,943,559	8,273,031
	Saving deposits	18,632,054	18,438,130
	Fixed term deposits	3,005,494	2,548,884
		29,581,108	29,260,046

Maturity analysis	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	17,283,594	14,452,730
Non-Current	12,297,514	14,807,315
	29,581,108	29,260,046

		30 June 2021 Birr'000	30 June 2020 Birr'000
22	**Deposit from financial institutions**		
	Saving Deposit	616,124	124,713
	Demand Deposit	133,927	66,587
	Fixed Term deposit	1,160,036	642,731
	Total	1,910,087	834,030

Maturity analysis	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	750,051	191,299
Non-Current	1,160,036	642,731
	1,910,087	834,030

		30 June 2021 Birr'000	30 June 2020 Birr'000
23	**Other liabilities**		
	Financial liabilities		
	Blocked Account	12,576	12,661
	Cash payment order payable	130,193	225,191
	Customer deposits for letter of credit	678,804	788,288
	Deferred revenue	39,328	115,281
	Deposit for Guarantees Issued	10,696	199,070
	Directors fee payable	-	-
	Dividend payable	51,050	42,278
	Exchange payable to NBE	38,821	59,246
	Nostro Account	1,094,367	445,857
	Old draft payable	41,560	41,888
	Payable to Ethio switch	8,876	7,849
	Prepaid card control account	2,538	3,529
	Telegraphic transfer payable	14,629	267
	Borrowing	7,425	-
		2,130,862	1,941,405

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Non-financial liabilities		
Provision for court cases	1,020	1,020
Pension Contribution Pay	19,574	3,000
Stamp duty payable	1,204	844
Interest Tax Payable	5,360	5,378
Interest Tax Payable from corrospondent bank	214	-
Withholding tax payable	761	510
Employee income Tax Payable	40,314	7,522
VAT payable	364	733
Cost Sharing Payable	517	143
Technical Service Payable	596	264
Accrued leave pay	130,626	79,007
Sundry payables	403,770	375,824
Lease Liability	178,456	184,937
	782,775	659,183
Gross amount	**2,913,637**	**2,600,588**

Maturity analysis	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
Current	2,778,011	2,479,375
Non-Current	135,626	121,213
	2,913,637	2,600,588

		30 June 2021 Birr'000	**30 June 2020 Birr'000**
24	**Employee benefit obligations**		
24a	**Defined benefits liabilities:**		
	-Severance benefits	117,655	74,527
	Liability in the statement of financial position	117,655	74,527

Income statement charge included in personnel expenses	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
- Severance pay	16,683	12,863
Total defined benefit expenses	16,683	12,863
Remeasurements for:		
- Severance pay	30,461	16,566
	30,461	16,566

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

24b 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:

Wegagen Bank S.C
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	30 June 2021 Birr'000	30 June 2020 Birr'000
A Liability recognised in the statement of financial position	117,655	74,527

B Amount recognised in profit or loss statement	30 June 2021 Birr'000	30 June 2020 Birr'000
Current and past service cost	7,664	8,111
Interest cost	11,744	9,806
	19,408	17,917

C Amount recognised in other comprehensive income:	30 June 2021 Birr'000	30 June 2020 Birr'000
Remeasurement losses arising from experience	(33,333)	(9,421)
Remeasurement losses arising from changes in the financial assumptions	2,872	25,987
Tax Credit/Charge	9,138	(4,970)
	(21,323)	11,596

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
At the beginning of the year	74,527	77,512
Current and past service cost	7,664	8,111
Interest cost	11,744	9,806
Re-measurement (gains)/ losses	30,461	(16,566)
Benefits paid	(6,741)	(4,336)
At the end of the year	117,655	74,527

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2021 Birr'000	30 June 2020 Birr'000
Discount Rate (p.a)	11.75%	11.75%
Long term salary increase (p.a)	12.00%	12.00%
Average Rate of Inflation (p.a)	10.00%	10.00%

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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	
	Males	Females
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 of the main results to changes in the assumed salary escalation rates and the discount rate have been calculated based on the duration of the liablities. The cahanges in the 30 June 2021 Defined Benefit Obligation and the assets are reflected below:

	DBO impact	Current service cost one year impact
	Birr'000	Birr'000
Discount rate + 1%	69,356	7,258
Discount rate - 1%	86,714	9,074
Salary Increase +1%	86,606	9,063
Salary Increase +1%	69,304	7,252

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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.

		30 June 2021 Birr'000	30 June 2020 Birr'000
25	**Share capital**		
	Authorised:		
	Ordinary shares of Birr 1000 each	6,000,000	6,000,000
	Issued and fully paid:		
	Ordinary shares of Birr 1000 each	3,282,041	2,891,562
	Share premium	46,284	38,487
		3,328,325	2,930,049

26 Earnings per share

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
Profit attributable to shareholders	126,722	831,916
Weighted average number of ordinary shares in issue	3,050,150	2,658,735
Basic earnings per share (%age)	4.2%	31.3%

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 and the year before, hence the basic and diluted profit per share have the same value.

		30 June 2021 Birr'000	30 June 2020 Birr'000
27	**Retained earnings**		
	At the beginning of the year	518,004	407,696
	Dividend Paid/Capitalized	(518,004)	(407,696)
	Impairment for loans	-	-
	Impairment for other assets	-	-
	Adjustment of Defined Benefit obligation	-	-
	Profit/(Loss)for the year	126,722	831,916
	Transfer to Legal Reserve	(31,681)	(207,979)
	Transfer to Regulatory Reserve	(140,494)	(103,062)
	Directors' share of profit	(1,000)	(2,250)
	Prior period additional tax charge	(78,963)	-
	Prior year directors' share of profit paid	-	(621)
	Re-measurement loss on defined benefit plans (net of tax)	-	-
	At the end of the year	(125,416)	518,004

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Degefa and Tewodros Audit Service Partnership

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For the year ended 30 June 2021
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		30 June 2021 Birr'000	30 June 2020 Birr'000
28	**Reserve**		
28a	**Legal Reserve**		
	At the beginning of the year	1,415,334	1,207,355
	Transfer from profit or loss	31,681	207,979
	At the end of the year	1,447,015	1,415,334

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.

28b Regulatory Risk Reserve

This includes interest on Non perfroming loans/Stage 3 loans that are recognized per IFRS but not avilable for dividend distribution as required by National Bank of Ethiopia Directive and the excess of provision per NBE directive over that of IFRS 9 which is not accounted as bad debt expense.

	30 June 2021 Birr'000	30 June 2020 Birr'000
Opening Balance	244,098	141,036
Add : Additional provision per NBE	128,222	102,936
Interest income on Non Performing Loans(NPL)	171,050	49,257
Less: Income Tax (30%) and legal reserve		
: Tax on interest from Non-performing loans	(51,315)	(14,777)
: Transfer to legal reserve from interest income on NP	(29,934)	(8,620)
: Transfer to Legal reserve from additional provision	(32,056)	(25,734)
: Transfer to Retained Earnings prior year adjustment	(45,473)	-
	384,593	244,098

28c Other Reserve

The other reserve includes the fair value gain/loss on equity instruments classified at FVOCI and remeasurement gains/losses on defined benefit obligations of the Bank.

	30 June 2021 Birr'000	30 June 2020 Birr'000
Opening Balance	84	(15,756)
Reclassification of defined Benefit plan	-	-
Fair Value gain of Equity Instruments	1,635	4,243
Remeasurement loss on defined beefit plans(net of tax)	(21,323)	11,596
	(19,604)	84

Wegagen Bank S.C
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For the year ended 30 June 2021
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		30 June 2021 Birr'000	30 June 2020 Birr'000
29	**Cash generated from operating activities**		
	Profit before tax	193,118	1,077,453
	Adjustments for non-cash items:		
	Depreciation of property, plant and equipment	148,839	131,192
	Depreciation of investment property	18	18
	Amortisation of intangible assets	21,680	18,580
	Amortization of right of use assets	233,298	186,625
	Fixed asset adjustment	0	44,181
	(Gain)/Loss on disposal of property, plant and equipment	(332)	83
	Impairment on loans and receivables	880,086	216,331
	Employee benefit obligations	12,667	14,299
	Gain from sale of investments	-	-
	Dividend income	(4,234)	(3,024)
	Decrease in provision for cash and cash equivalents	-	(51)
	Changes in working capital:		
	-Decrease/ (Increase) in loans and advances	(3,577,548)	(7,308,042)
	-Decrease/ (Increase) in other assets	(457,025)	(262,618)
	-Increase/ (Decrease) in deposits from customers	321,062	6,248,099
	-Increase/ (Decrease) in deposits from financial institutions	1,076,057	300,701
	-Increase/ (Decrease) in other liabilities	276,211	729,029
		(876,102)	**1,392,856**

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Wegagen Bank S.C
Financial Statement
For the year ended 30 June 2021
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30 Related party transactions

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

		Nature of relationship	30 June 2021 Birr'000	30 June 2020 Birr'000
30.a	*Transactions with related parties*			
	Loans and advances	Influential shareholders	1,056,829	1,058,222
	Deposit balances	Influential shareholders	1,004,563	1,053,384
			2,061,392	2,111,607

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 2021.

	30 June 2021 Birr'000	30 June Birr'000
Salaries and other employee benefits	9,544	8,268
	9,544	8,268

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

31 Employees

The total number of persons employed by the Bank during the year was as follows:

	30 June 2021 Number	30 June 2020 Number
Total staff	4,937	4,867

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 2021 is Br. 136.1 million (30 June 2019: Birr 116.5 million). The Bank has made assessment of these legal cases, and held Br. 1.02 million provision (Br. 1.02 million as at June 30,2019). The remaining legal cases are remote and thus no obligation related to the Bank.

Wegagen Bank S.C
Financial Statement
For the year ended 30 June 2021
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Guarantees and letters of credit

32.b

The Bank conducts business involving issuance of various bid bond, performance bonds and advance payment 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, whcih created committment 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 custmers 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 2021 Birr'000	30 June 2020 Birr'000
Guarantees issued	2,326,847	3,993,443
Letter of credit	1,345,362	1,123,452
	3,672,209	5,116,895

32.c Commitments

Loan commitments	30 June 2021 Birr'000	30 June 2020 Birr'000
Unutilized overdraft and other facilities	1,001,942	640,369
	1,001,942	640,369

33 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 2021 and on the profit for the year ended on that date, which have not been adequately provided for or disclosed.

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WEGAGEN BANK SC
Statement of profit or loss for Interesft Free Banking Operation
for the year ended June 30, 2021

	2021	2020
Income from Murabaha Financing	16,523,304.64	13,516,198.89
Fees and Commssion Income	9,309,576.79	58,785.62
Operating Income	**25,832,881.43**	**13,574,984.51**
Depreciation Expense	253,391.21	144,185.87
General Expense	271,935.38	270,307.12
Rent Expense	2,088,620.00	720,391.00
Profit paid on Mudaraba TD	3,992,876.78	3,935,084.91
BAD DEBT EXPENSE	10,569,393.91	1,268,313.49
Salary and Benefits	8,333,403.90	2,150,537.35
Profit or Loss Before Tax from IFB Operation	**323,260.25**	**5,086,164.77**
Profit Tax	96,978.08	1,525,849.43
Profit/loss After Tax	**226,282.18**	**3,560,315.34**

WEGAGEN BANK SC
Statement of financial position for Interesft Free Banking Operation
As at June 30, 2021

	2021	2020
ASSETS		
Cash	1,012,288,876.40	974,188,339.37
Property and Equipment (Net)	3,184,934.41	2,468,685.83
IFB Profit Receivables	52,323,997.69	42,171,930.52
Murabaha Financing	240,759,067.77	209,434,462.60
Quard Financing	115,587,558.26	162,930,633.30
Provision for Doubtful Loans and Advances	(15,681,381.02)	(5,111,993.11)
Other Asset	-	23,665.36
TOTAL ASSETS	**1,408,463,053.51**	**1,386,105,723.87**
Liabilities		
Saving- private Al Wadiah	1,186,839,086.64	1,123,768,843.07
Qard (Current) Account	119,351,580.47	129,103,990.52
Mudarabah Saving- private Al Wadiah	1,017,885.21	675,944.73
Mudaraba Fixed Time Investment	33,784,451.52	80,513,057.95
Qard NR FCY (Diaspora)	8,500,069.70	2,254,140.33
Amanah NR- Birr (Diaspora)	157,155.81	328,188.97
TOTAL DEPOSIT	**1,349,650,229.35**	**1,336,644,165.57**
Unearned IFB Profit	52,323,997.69	42,171,930.52
Other Liability	490.12	1,877,609.62
Charity Payable	1,175,889.40	325,853.39
TOTAL LIABILITY	**1,403,150,606.56**	**1,381,019,559.10**
Capital Account		
Accumulated profit/loss	**5,312,446.95**	**5,086,164.77**
Total Liabilities & Capital Account	**1,408,463,053.51**	**1,386,105,723.87**

Sharia Advisor's Attestation report on WB's Interest Free Banking (IFB) Window services

In the name of Allah, the most beneficent, the most merciful

To the President of Wegagen Bank

As one of the deliverables dictated on our IFB Consultancy Service Agreement, I hereby provide this attestation report for the consumption of all concerned stakeholders.

I have reviewed the principles and the practices relating to the IFB (Interest Free Banking) transactions provided by Wegagen Bank during the year ending June 30, 2021. The NBE directive number SBB/72/2019, which allowed the operation of IFB services in Ethiopia, emphasized that IF Banking is required to follow Islamic law or Sharia Principles. I have, therefore, conducted my review to form an independent opinion as to whether Wegagen Bank S.C. has complied with Islamic law or Sharia principles in providing IFB services.

Wegagen Bank's management is responsible for ensuring that the bank conducts its IF banking business in accordance with Islamic law (Sharia) principles. It is my responsibility to form an independent opinion, based on my review of the IFB operations of the bank.

My review included examining each type of transaction, the relevant documentation, systems and procedures adopted by Wegagen Bank. I have made my review so as to acquire all the information and explanation which are considered necessary to obtain sufficient evidence to provide reasonable assurance that the IFB operation of Wegagen Bank has not violated Islamic Sharia rules and principles.

Therefore, in my opinion

1. The contracts, procedures and formats used by Wegagen Bank that I have reviewed are in compliance with the Islamic Sharia rules and principles.

2. The financial statements reported by management which is enclosed with this attestation report fairly represent the sources and uses of funds related to the IFB operations of the bank for the year ended June 30, 2021.

With regards,

Ibrahim Dawd,

IFB Consultant/Sharia Advisor/

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خدمة من غير الفوائد البنكية

Wegagen Bank

Excelling Together

ፍሬያማ ዓመታት በአጋርነት

Years of Fruitful Partnership

BRANCH CONTACTS

www.**wegagen**.com

BRANCH CONTACTS

Branches Under North Addis Ababa District			
SN	Branches	ቅርንጫፎች	Telephone
	ሰሜን አዲስ አበባ ዲስትሪክት ጽ/ቤት North Addis Ababa District Office		011 170 4455/58
1	Addisu Gebeya	አዲሱ ገበያ	011 126 4402/12
2	Arada	አራዳ	011 111 1074/75
3	Arat Kilo	አራት ኪሎ	011 170 4453/52
4	Balderas Sub Branch	ባልደራስ ንዑስ ቅርንጫፍ	011 667 4757
5	Bambis	ባምቢስ	011 557 6343/58
6	Cathedral	ካቴድራል	011 156 0002
7	CMC Michael	ሲኤምሲ ሚካኤል	011 667 5913
8	Enqulal Fabrika	እንቁላል ፋብሪካ	011 126 7355
9	Eri Bekentu	እሪ በከንቱ	011 126 3861
10	Gullele	ጉለሌ	011 273 2016/17
11	Jan Meda	ጃን ሜዳ	011 126 1400/01
12	Kazanchis	ካዛንቺስ	011 554 5670/71
13	Kebena	ቀበና	011 126 1094/96
14	Kechene	ቀጨኔ	011 126 3139
15	Kidist Mariam	ቅድስት ማርያም	011 157 0033/35
16	Kotebe	ኮተቤ	011 666 3730 011 661 4493
17	Lamberet	ላምበረት	011 667 62 89
18	Lamberet Menaheria	ላምበረት መናኸሪያ	011 666 0853/1947
19	Megenagna	መገናኛ	011 667 4019/12
20	Mesfine Harar Avenue	መስፍነ ሀረር ጎዳና	011 171 2033/32
21	Nigist Zewditu Street	ንግስት ዘውዲቱ መንገድ	011 557 8071
22	Piassa	ፒያሳ	011 126 6894
23	Salite Mihret	ሰዓሊተ ምህረት	011 667 6386/87
24	Sebara Babur	ሰባራ ባቡር	011 157 0329
25	Shola	ሾላ	011 659 1822
26	Sululta	ሱሉልታ	011 161 7501
27	Wesen	ወሰን	011 667 8951/46
28	Wuhalimat	ውኃልማት	011 663 1518/17
29	Yeka Abado	የካ አባዶ	011 893 1029

የቅርንጫፎች አድራሻ

Branches Under East Addis Ababa District			
SN	Branches	ቅርንጫፎች	Telephone
	ምሥራቅ አዲስ አበባ ዲስትሪክት ጽ/ቤት East Addis Ababa District Office		011 6674649/69
30	Agar	አጋር	011 667 0436 011 667 0313
31	Adama	አዳማ	022 111 9055 022 110 0524
32	Adama Boset	አዳማ ቦሰት	022 212 0055/37
33	Africa Avenue	አፍሪካ አቬኑ	011 662 4772/69
34	Adey Ababa Stadium	አደይ አበባ ስታድየም	011 635 6496 011 635 6035
35	Atlas	አትላስ	011 639 2083/91
36	Ayat Addebabay	አያት አደባባይ	011 639 0044/28
37	Ayat Noah	አያት ኖህ	011 667 4649/69
38	Ayat Gebeya	አያት ገበያ	011 639 0410/11
39	Ayat-Tafo	አያት ጣፎ	011 639 0610 011 639 1950
40	Al-Nejashi	አልነጃሺ	011 639 2459
41	Beshale	በሻሌ	011 667 7408 011 667 7688
42	Bole 17	ቦሌ 17	011 667 1916 011 667 1588
43	Bole Arabsa	ቦሌ አራብሳ	011 612 5670/72
44	Bole Bulbula	ቦሌ ቡልቡላ	011 470 0869/95
45	Bole Medhanialem	ቦሌ መድኃኒአለም	011 661 6135/36
46	Bole Michael	ቦሌ ሚካኤል	011 639 2033/06
47	Bole Millennium	ቦሌ ሚሊኒየም	011 662 2757 011 666 2620
48	Berecha	በሬቻ	022 212 4041 022 212 3013
49	Bulbula Condominium	ቡልቡላ ኮንዶሚኒየም	011 822 4059
50	Cape Verde Avenue	ኬፕ ቨርዴ አቬኑ	011 667 3376 011 667 3448
51	CMC	ሲ ኤም ሲ	011 647 9047/44
52	Enewari	እነዋሪ	011 688 0518/10
53	Debre Birhan	ደብረ ብርሃን	011 637 5420/21
54	Atse-Zera Yaekob	አፄ ዘርዓ ያቆብ	011 681 1872 011 681 1803

BRANCH CONTACTS

55	Gerji	ገርጂ	011 629 8141/14
56	Gerji Mebrat Hayil	ገርጂ መብራት ኃይል	011 667 6405 011 667 6372
57	Gerji Sunshine	ገርጂ ሰንሻይን	011 629 0265 011 629 0016
58	Gerji Unity	ገርጂ ዩኒቲ	011 639 5053/52
59	Gollagul	ጎላጉል	011 690 6008 011 690 6222
60	Gurd Shola	ጉርድ ሾላ	011 645 9752/53
61	Haya Arat	ሃያ አራት	011 618 0677 011 618 0670
62	Hayahulet	ሃያ ሁለት	011 667 2428/14
63	Imperial	ኢምፔሪያል	011 668 6222/23
64	Jackros	ጃክሮስ	011 667 1419/20
65	Loke	ሎቄ	011 668 0720 011 668 0046 011643 2317
66	Legetafo	ለገጣፎ	011 668 2777/79
67	Mehal Adama	መሀል አዳማ	022 111 2280/84
68	Meri Loke	መሪ ሎቄ	011 668 2946 011 668 3982
69	Mickey Leland Street	ሚኪ ሊላንድ መንገድ	011 635 4021/61
70	Moenco	ሞኤንኮ	011 668 6145 011 668 7118
71	Shalla Menafesha	ሻላ መናፈሻ	011 618 9303 011 618 2094
72	Summit Yetebaberut	ሰሚት የተባበሩት	011 639 1549/68
73	Summit 72	ሰሚት ሰባ ሁለት	011 639 1987/89
74	Summit	ሰሚት	011 667 9001/22
75	Yerer Ber	የረር በር	011 667 5863/73

የቅርንጫፎች አድራሻ

Branches Under West Addis Ababa District			
SN	Branches	ቅርንጫፎች	Telephone
	ምዕራብ አዲስ አበባ ዲስትሪክት ጽ/ቤት West Addis Ababa District Office		011 369 1797 011 369 1828
76	Abakoran	አባኮራን	011 278 1177/81
77	Abdi Nono	አብዲ ኖኖ	011 260 1278 011 260 1347
78	Abinet	አብነት	011 278 0544/80/51
79	Africa Union	አፍሪካ ዩኒየን	011 554 7061/63
80	Alem Bank	አለም ባንክ	011 369 4708/56
81	Alemgena	አለም ገና	011 367 9965 011 367 9281
82	Amana	አማና	011 231 6181 011 231 6182
83	Atena Tera	አጠና ተራ	011 273 9521/23 011 273 9522
84	Autobis Tera	አውቶቢስ ተራ	011 273 5510 011 273 4844
85	Ayer Tena	አየር ጤና	011 369 3400/52/50
86	Berbere Tera	በርበሬ ተራ	011 273 3950
87	Bisrate Gebriel	ብስራተ ገብርኤል	011 369 1794/65
88	Dubai Tera	ዱባይ ተራ	011 273 4889/90
89	Ehil Berenda	እህል በረንዳ	011 273 4981 011 273 5318
90	Furi	ፉሪ	011 367 9207
91	Gambia Street	ጋምቢያ መንገድ	011 531 9082/83
92	Geja Sefer	ጌጃ ሰፈር	011 557 9140 011 557 9891
93	Gesho Tera	ጌሾ ተራ	011 273 3873
94	Girar	ግራር	011 369 5406 011 369 4921
95	Gojam Berenda	ጐጃም በረንዳ	011 126 3662 011 126 3858
96	Habte Giorgis	ሀብተ ጊዮርጊስ	011 111 2972/73
97	Jemo	ጀሞ	011 471 3033
98	Kolfe	ኮልፌ	011 273 9304 011 273 9942

BRANCH CONTACTS

99	Lideta	ልደታ	011 552 3709 011 553 9872
100	Likuanda	ልኳንዳ	011 273 9296 011 273 9610
101	Mekanisa	መካኒሳ	011 369 8225/32
102	Mekanisa Abo	መካኒሳ አቦ	011 369 9963 011 369 8781
103	Mekenisa Micheal	መካኒሳ ሚካኤል	011 369 8447/49
104	Merkato	መርካቶ	011 275 2867 011 275 2929
105	Merkato Arategna	መርካቶ አራተኛ	011 273 3710 011 273 3966
106	Merkato Tana	መርካቶ ጣና	011 273 5668/67
107	Mesalemia	መሳለሚያ	011 276 8611 011 275 8151/50
108	Meskel	መስቀል	011 551 6652/27
109	Mexico	ሜክሲኮ	011 557 5577/78
110	Military Tera	ሚሊተሪ ተራ	011 213 4605/08
111	Sefere Selam	ሰፈረ ሰላም	011 273 5089 011 273 5925
112	Sengatera	ሰንጋተራ	011 557 6952/55
113	Shema Tera	ሸማ ተራ	011 273 3473/2997
114	Shera Tera	ሸራ ተራ	011 273 5562 011 273 5401
115	Sidamo Tera	ሲዳሞ ተራ	011 273 3079/55
116	Sost Kutir Mazoriya	ሶስት ቁጥር ማዞሪያ	011 369 2129/27
117	Stadium	ስታዲየም	011 558 0105/06/07
118	Tabot Maderiya	ታቦት ማደሪያ	011 369 7242/7629 011 369 7036
119	Tekle Haymanot	ተክለሃይማኖት	011 156 3812/13
120	Tulu Bolo	ቱሉ ቦሎ	011 342 0064 011 342 0057
121	Welete	ወለቴ	011 380 3174
122	Weliso	ወሊሶ	011 341 1984 011 341 1617
123	Weyra Bethel	ወይራ ቤተል	011 349 2753 011 349 5308
124	Yeshi Debelle	የሺ ደበሌ	011 384 0191
125	Zenebework	ዘነበወርቅ	011 369 8764/62

Branches Under South Addis Ababa District			
SN	Branches	ቅርንጫፎች	Telephone
	ደቡብ አዲስ አበባ ዲስትሪክት ጽ/ቤት South Addis Ababa District Office		011 466 4569/4649
126	Akaki	አቃቂ	011 471 6847/40
127	Arerti	አረርቲ	022 223 0541/43
128	Beklobet	በቅሎ ቤት	011 466 3580/81
129	Bishoftu	ቢሾፍቱ	011 437 1062/25/02
130	Bulgaria Mazoria	ቡልጋሪያ ማዞሪያ	011 470 1345 011 470 1205
131	Bole	ቦሌ	011 552 3524 011 553 6666
132	Bole Mega	ቦሌ ሜጋ	011 558 2517/54
133	Crown	ክራውን	011 854 7122 011 462 6018
134	Dukem	ዱከም	011 432 0945 011 432 0753
135	Gara Oda	ጋራ ኦዳ	011 471 1550 011 471 0974
136	German Adebabay	ጀርመን አደባባይ	011 369 8928 011 369 9938
137	Goffa	ጐፋ	011 465 5816/17
138	Goffa Camp	ጐፋ ካምኘ	011467 2505 011416 5166
139	Goffa Mebrat Hail	ጐፋ መብራት ኃይል	011 467 3753 011 466 1545
140	Hana Mariam	ሀና ማርያም	011 471 1254 011 471 1854
141	Jati	ጃቲ	0114716 844/46
142	Kaliti Maseltegna	ቃሊቲ ማሰልጠኛ	011 439 1109 011 439 0668
143	Kaliti	ቃሊቲ	011 439 4285/86
144	Kera	ቄራ	011 385 2076/66
145	Kilinto	ቂሊንጦ	011 451 2279 011 451 2198
146	Kirkos	ቂርቆስ	011 470 3896 011 470 3906
147	Lafto	ላፍቶ	011 471 0028/29
148	Lebu	ለቡ	011 471 2756/71

BRANCH CONTACTS

149	Lebu Ertu	ለቡ ኤርቱ	011 471 3963/64
150	Meskel Flower	መስቀል ፍላወር	011 416 4753 011 416 8005
151	Modjo	ሞጆ	022 236 0300/03
152	Nefas Silk	ንፋስ ስልክ	011 470 7612/15
153	Flamingo	ፍላሚንጎ	011 558 0663
154	Olympia	ኦሎምፒያ	011 557 5099 011 557 5916
155	Saris Adey Abeba	ሳሪስ አደይ አበባ	011 470 8410 011 470 8254
156	Saris Addisu Sefer	ሳሪስ አዲሱ ሰፈር	011 470 7694 011 470 7718
157	Saris 58	ሳሪስ 58	011 471 1851 011 471 1454
158	Saris Total	ሳሪስ ቶታል	011 470 9163 011 470 8587
159	Sebeta	ሰበታ	011 338 0359/66
160	Torban Gerba	ቶርባን ገርባ	011 430 0820 011 430 1115
161	Tulu Dimtu	ቱሉ ዲምቱ	011 471 5772 011 471 5497
162	Tulu Dimtu Condominium	ቱሉ ዲምቱ ኮንዶሚኒየም	011 888 6831/33
163	Worku Sefer	ወርቁ ሰፈር	011 471 7693/92
164	WelloSefer	ወሎ ሰፈር	011 466 8006/93

Branches Under Bahir Dar District

SN	Branches	ቅርንጫፎች	Telephone
	ባህርዳር ዲስትሪክት ጽ/ቤት Bahir Dar District Office		058 320 9667 058 320 6119
165	Abay Mado	አባይ ማዶ	058 321 3213 058 320 2095
166	Adet	አዴት	058 338 1110/61
167	Ataye	አጣዬ	033 661 0775
168	Bahir Dar	ባህርዳር	058 220 2038 058 220 4490 058 226 6118
169	Bati	ባቲ	033 553 1576 033 553 1577
170	Buanbua wuha	ቧንቧ ውሃ	033 311 6317 033 311 5519

የቅርንጫፎች አድራሻ

171	Bure	ቡሬ	058 774 1194 058 774 1050
172	Debre Markos	ደብረ ማርቆስ	058 178 2524 058 178 2257
173	Debre Tabor	ደብረ ታቦር	058 141 3452 058 141 5465 058 841 8711
174	Dessie	ደሴ	033 111 3788/89 033 111 6944
175	Fasiledes	ፋሲለደስ	058 126 0022/23/24
176	Finote Selam	ፍኖተ ሰላም	058 775 0476 058 775 0340
177	Gendawuha	ገንዳ ውሃ	058 331 0010 058 331 0031
178	Ghion	ግዮን	058 320 7724 058 320 8720
179	Gish Abay	ግሽ አባይ	058 320 8869 058 320 5536
180	Gondar	ጎንደር	058 111 4815 058 111 4650 058 111 1620
181	Injibara	እንጂባራ	058 227 1575 058 227 1682
182	kobo	ቆቦ	033 334 1290/97
183	Kombolcha	ኮምቦልቻ	033 551 0753/54 033 551 1800
184	Maraki	ማራኪ	058 211 3639
185	Merawi	መርዓዊ	058 330 0972
186	Metema Yohannes	መተማ ዮሐንስ	058 555 5551 058 555 7760
187	Motta	ሞጣ	058 661 1807 058 661 1293
188	Mugad	ሙጋድ	033 312 5789 033 312 0478
189	Sefene Selam	ሰፈነ ሰላም	058 320 5456 058 320 7746
190	Shoa Robit	ሸዋ ሮቢት	033 664 0704 033 664 1995
191	Tana Bahir Dar	ጣና ባህር ዳር	058 226 2018 058 226 2002
192	Weldiya	ወልዲያ	033 540 0791/89

BRANCH CONTACTS

149	Lebu Ertu	ለቡ ኤርቱ	011 471 3963/64
150	Meskel Flower	መስቀል ፍላወር	011 416 4753 011 416 8005
151	Modjo	ሞጆ	022 236 0300/03
152	Nefas Silk	ንፋስ ስልክ	011 470 7612/15
153	Flamingo	ፍላሚንጎ	011 558 0663
154	Olympia	ኦሎምፒያ	011 557 5099 011 557 5916
155	Saris Adey Abeba	ሳሪስ አደይ አበባ	011 470 8410 011 470 8254
156	Saris Addisu Sefer	ሳሪስ አዲሱ ሰፈር	011 470 7694 011 470 7718
157	Saris 58	ሳሪስ 58	011 471 1851 011 471 1454
158	Saris Total	ሳሪስ ቶታል	011 470 9163 011 470 8587
159	Sebeta	ሰበታ	011 338 0359/66
160	Torban Gerba	ቶርባን ገርባ	011 430 0820 011 430 1115
161	Tulu Dimtu	ቱሉ ዲምቱ	011 471 5772 011 471 5497
162	Tulu Dimtu Condominium	ቱሉ ዲምቱ ኮንዶሚኒየም	011 888 6831/33
163	Worku Sefer	ወርቁ ሰፈር	011 471 7693/92
164	WelloSefer	ወሎ ሰፈር	011 466 8006/93

Branches Under Bahir Dar District

SN	Branches	ቅርንጫፎች	Telephone
	ባህርዳር ዲስትሪክት ጽ/ቤት Bahir Dar District Office		058 320 9667 058 320 6119
165	Abay Mado	አባይ ማዶ	058 321 3213 058 320 2095
166	Adet	አዴት	058 338 1110/61
167	Ataye	አጣዬ	033 661 0775
168	Bahir Dar	ባህርዳር	058 220 2038 058 220 4490 058 226 6118
169	Bati	ባቲ	033 553 1576 033 553 1577
170	Buanbua wuha	ቧንቧ ውሃ	033 311 6317 033 311 5519

የቅርንጫፎች አድራሻ

171	Bure	ቡሬ	058 774 1194 058 774 1050
172	Debre Markos	ደብረ ማርቆስ	058 178 2524 058 178 2257
173	Debre Tabor	ደብረ ታቦር	058 141 3452 058 141 5465 058 841 8711
174	Dessie	ደሴ	033 111 3788/89 033 111 6944
175	Fasiledes	ፋሲለደስ	058 126 0022/23/24
176	Finote Selam	ፍኖተ ሰላም	058 775 0476 058 775 0340
177	Gendawuha	ገንዳ ውሃ	058 331 0010 058 331 0031
178	Ghion	ግዮን	058 320 7724 058 320 8720
179	Gish Abay	ግሽ አባይ	058 320 8869 058 320 5536
180	Gondar	ጎንደር	058 111 4815 058 111 4650 058 111 1620
181	Injibara	እንጂባራ	058 227 1575 058 227 1682
182	kobo	ቆቦ	033 334 1290/97
183	Kombolcha	ኮምቦልቻ	033 551 0753/54 033 551 1800
184	Maraki	ማራኪ	058 211 3639
185	Merawi	መርዓዊ	058 330 0972

BRANCH CONTACTS

186	Metema Yohannes	መተማ ዮሐንስ	058 555 5551 058 555 7760
187	Motta	ሞጣ	058 661 1807 058 661 1293
188	Mugad	ሙጋድ	033 312 5789 033 312 0478
189	Sefene Selam	ሰፈነ ሰላም	058 320 5456 058 320 7746
190	Shoa Robit	ሸዋ ሮቢት	033 664 0704 033 664 1995
191	Tana Bahir Dar	ጣና ባህር ዳር	058 226 2018 058 226 2002
192	Weldiya	ወልዲያ	033 540 0791/89

Branches Under Hawassa District

SN	Branches	ቅርንጫፎች	Telephone
	ሃዋሳ ዲስትሪክት ጽ/ቤት Hawassa District Office		046 212 2288 046 212 0897
193	Aleta Wondo	አለታ ወንዶ	046 224 0453 046 224 0687
194	Angacha	አንገጫ	046 340 0404/06
195	Arbaminch	አርባ ምንጭ	046 881 5093/76
196	Asella	አሰላ	022 331 8292/94
197	Atote-Hawassa	አቶቴ ሐዋሳ	046 212 5017/15
198	Bale Robe	ባሌ ሮቤ	022 244 2959 022 224 1986
199	Batu	ባቱ	046 141 8156 046 141 5362
200	Bonosha	ቦኖሻ	046 453 0371 046 453 0256
201	Bule Hora	ቡሌ ሆራ	046 443 1105/06
202	Butajira	ቡታጅራ	046 145 0060/61
203	Damboya	ዳምቦያ	046 245 0276/33
204	Dilla	ዲላ	046 331 1105 046 331 0120
205	Doyogena	ዶዮገና	046 224 0404 046 224 0405

የቅርንጫፎች አድራሻ

206	Durame	ዱራሜ	046 554 14 49/46
207	Fonko	ፎንቆ	046 263 0307/08
208	Hadero	ሀደሮ	046 432 0617
209	Halaba Kulito	ሀላባ ቁሊቶ	046 556 1818 046 556 1316
210	Hawassa	ሐዋሳ	046 220 2629 046 220 4172
211	Hawassa Arab sefer	ሐዋሳ አረብ ሰፈር	046 212 4361/02
212	Hawassa Monopol	ሃዋሳ ሞኖፖል	046 212 8081 046 212 7833
213	Hawassa Tabor	ታቦር	046 212 3991/92
214	Homecho	ሆሜቾ	046 251 0285 046 251 0397
215	Hosaena	ሆሳዕና	046 555 4216/09
216	Hosaena Gombora	ሆሳዕና ጎምቦራ	046 178 0533/34
217	Hulbareg	ሁልባረግ	046 269 0295/0499
218	Jajura	ጃጁራ	046 265 0308 046 265 0015
219	Jinka	ጂንካ	046 775 2294 046 775 2112
220	Konso Karat	ኮንሶ ካራት	046 773 0579 046 896 4232
221	Meki	መቂ	022 118 1200/27
222	Moyale	ሞያሌ	046 444 1603 046 444 1750
223	Mudula	ሙዱላ	046 235 0626 046 235 0523
224	Negele	ነጌሌ	046 445 2320 046 445 7473
225	Negele Arsi	ነጌሌ አርሲ	046 116 2815/16
226	Shakiso	ሻኪሶ	046 334 1851/50
227	Shashemene	ሻሸመኔ	046 110 3468/66
228	Shashemene Arada	ሻሸመኔ አራዳ	046 211 0621 046 211 4546
229	Shashemene Oda	ሻሸመኔ ኦዳ	046 211 15 36 046 211 0984
230	Shinshicho	ሽንሺቾ	046 339 0893 046 339 0923

BRANCH CONTACTS

231	Wolayita Sodo	ወላይታ ሶዶ	046 551 4592 046 551 4593
232	Yirgachefe	ይርጋጨፌ	046 332 0410 046 332 0161
233	Yirgalem	ይርጋለም	046 225 2421 046 225 2458
Branches Under Diredawa District			
SN	**Branches**	**ቅርንጫፎች**	**Telephone**
ድሬዳዋ ዲስትሪክት ጽ/ቤት Diredawa District Office			025 111 0827 025 111 0442 025 111 4668
234	Al-Baraka	አል በረካ	025 278 3562 025 278 4299
235	Awash 7 Kilo	አዋሽ 7 ኪሎ	022 224 1571 022 224 1484
236	Aweday	አወዳይ	025 662 0280 025 662 0298
237	Babile	ባቢሌ	025 665 0592 025 665 0594
238	Chiro	ጭሮ	025 659 0685 025 659 0455
239	Degahbur	ደጋህቡር	025 771 0702 025 771 0596
240	Dire Dawa	ድሬዳዋ	025 112 4669 025 111 1101
241	Gode	ጎዴ	025 776 1541 025 776 2163
242	Hafet-Issa	ሃፈት ኢሳ	025 112 4674 025 112 4699 025 112 4697
243	Harar	ሐረር	025 666 3623 025 666 4622 025 666 4027
244	Harar Arategna	ሐረር አራተኛ	025 466 4813 025 466 9894 025 466 2289
245	Havana	ሃቫና	025 278 8669 025 278 6326

246	Jigjiga	ጅግጅጋ	025 775 7628 025 775 2057 025 775 3187
247	Kebre-Daher	ቀብሪ- ደሀር	025 774 1453 025 774 1231
248	Kebri-Beyah	ቀብሪ-በያህ	025 669 0477 025 669 0356
249	Kezira	ከዚራ	025 113 0372 025 113 0371
250	Logia	ሎጊያ	033 550 0499 033 550 0503
251	Sabian	ሳቢያን	025 411 1984 025 411 6448
252	Seid-Square	ሰይድ አደባባይ	025 278 0949 025 278 2914
253	Semera	ሰመራ	033 366 0100 033 366 0102
254	Togo-Wajaale	ቶጎ-ዋጃሌ	025 882 0033 025 882 0032

Branches Under Jimma District

SN	Branches	ቅርንጫፎች	Telephone
	ጅማ ዲስትሪክት ጽ/ቤት Jimma District Office		047 111 6168 047 111 6305
255	Abobo	አቦቦ	047 559 0423
256	Agaro	አጋሮ	047 221 1031/51
257	Ameya	አመያ	047 227 0424 047 227 3498
258	Assosa	አሶሳ	057 775 1362
259	Awetu	አዌቱ	047 211 6739
260	Bedele	በደሌ	047 445 1809/10
261	Bonga	ቦንጋ	047 331 1971/33
262	Dimma	ዲማ	0993 84 9516 0925 34 2475
263	Gambella	ጋምቤላ	047 551 1767 047 551 1944
264	Gambella New Land	ጋምቤላ ኒውላንድ	047 151 3233
265	Itang	ኢታንግ	047 465 0404

BRANCH CONTACTS

266	Jimma Abajifar	ጅማ አባጅፋር	047 111 6393 047 112 3616
267	Jimma Gibe	ጅማ ጊቤ	047 211 1003 047 211 2838
268	Jimma Jiren	ጅማ ጅሬን	047 211 3184
269	Jimma Bore	ጅማ ቦሬ	047 211 3180
270	Lare	ላሬ	047 553 0023
271	Maji	ማጂ	047 811 1258
272	Menit Shasha	መኤኒት ሻሻ	047 452 7576
273	Meti	ሜጢ	047 339 0627/28
274	Metu	መቱ	047 141 1050
275	Mizan Aman	ሚዛን አማን	047 135 0066/98
276	Nekemte	ነቀምት	057 661 3068/81/85
277	Omo Sub Branch	ኦሞ ንዑስ ቅርንጫፍ	0910 23 04 20
278	Openo	ኦፔኖ	047 151 0038/39
279	Pinyudo	ፒኝውዶ	047 465 0404
280	Sheko	ሸኮ	047 778 0526
281	Shey Bench	ሼይ ቤንች	047 777 0508 047 777 0725
282	Tello	ጠሎ	047 077 1033/19/83
283	Tepi	ቴፒ	047 556 2620/21
284	Terpham	ተርፋም	047 851 9369
285	Wacha	ዋቻ	047 338 0455/56
286	Welkite	ወልቂጤ	011 365 8180/16/18

Branches Under Mekelle District

SN	Branches	ቅርንጫፎች	Telephone
	መቀሌ ዲስትሪክት ጽ/ቤት Mekelle District Office		034 241 5185/86
287	Abala (Afar)	አብዓላ (አፋር)	034 665 0495/91
288	Abyi Addi	ዓብይ ዓዲ	034 446 0503 034 446 0313
289	Addi Hawusi	አዲ ሃውሲ	034 440 8439/31
290	Adi Shumdhun	አዲ ሹምድሁን	034 241 0017/44
291	Adi Gudem	አዲ ጉዶም	034 437 0665
292	Adi Ha	ዓዲሓ	034 241 5575 034 241 8477

የቅርንጫፎች አድራሻ

293	Adigrat	አዲግራት	034 445 2866 034 445 2790
294	Adigrat Menaheria	አዲግራት መናኸሪያ	0918 81 26 80
295	Adishu	ዓዲሹ	034 241 5185/86
296	Agulae	አጉላዕ	034 314 0486 034 314 8221
297	Alamata	አላማጣ	034 774 0772 034 774 0264
298	Ambasera	አምባሴራ	0917 33 19 37
299	Arid	አሪድ	0914 21 54 67
300	Atsbi	አፅቢ	034 340 0322/27
301	Ayder (Mekele)	አይደር (መቀሌ)	034 240 8582
302	Castle (Mekelle)	ካስትል (መቀሌ)	034 440 2689/79
303	Chercher (Raya)	ጨርጨር (ራያ)	034 317 0338
304	Daero	ዳዕሮ	034 241 3466
305	Edaga Arbi	እዳጋ አርቢ	034 346 0360/44
306	Edaga Hamus	እዳጋ ሐሙስ	034 773 0546 034 773 0185
307	Edaga Kedam	እዳጋ ቀዳም	0914 17 91 70
308	Edaga Mekelle	እዳጋ መቀሌ	034 441 3666/22
309	Enda Tirota	እንዳ ጥሮታ	0945 05 81 72
310	Enkodo Mekelle	እንኮዶ መቀሌ	034 241 5415/26
311	Fatsi	ፋፂ	034 241 5185/86
312	Freweyni	ፍሪወይኒ	034 447 0645/35
313	Gidimti	ግድምቲ	034 241 9839 034 241 6946
314	Guya	ጉያ	0914 47 35 93
315	Hadnet	ሐድነት	034 241 5414/23
316	Haik Mesahal	ሃይቅ መስሐል	0968 88 93 21
317	Hawelti	ሀውልቲ	034 441 9674 034 441 9433
318	Hawzen	ሓውዜን	034 667 0206 034 667 8604
319	Hawzen Adebabay	ሓውዜን አደባባይ	034 241 5185/86
320	Illala	ኢላላ	034 440 6954/56
321	Kelamino	ቃላሚኖ	0914 154949
322	Kelkel Debri	ቀልቀል ደብሪ	034 241 2564/79
323	Kilte Awlaelo	ክልተ አውላሎ	034 443 1217/44

BRANCH CONTACTS

384	Maykadra	ማይካድራ	034 332 0055 034 332 0122
385	Midre Genet	ምድረ ገነት	0914 18 63 44
386	Midre-Hayelom	ምድረ ሐየሎም	0914 21 08 10
387	Nigiste Saba	ንግስተ-ሳባ	034 275 0061/74
388	Rama	ራማ	034 555 0585
389	Remhay	ረምሃይ	034 275 0066/77
390	Sehul Shire	ስሁል ሽሬ	0913 80 22 30
391	Selekleka	ሰለክለካ	034 776 0495/97
392	Semema	ሰመማ	034 445 5576/80
393	Setit Humera	ሰቲት ሁመራ	0914 44 75 72
394	Sheraro	ሸራሮ	034 550 0025 034 550 0104
395	Shire	ሽሬ	034 444 2165 034 444 2424
396	Soloda	ሶሎዳ	034 271 0001 034 271 0020
397	Tahtay Adiyabo	ታህታይ አዲያቦ	0914 17 47 17
398	Tekeze	ተከዜ	0921 99 12 12
399	Wukro Maray	ውቅሮ ማራይ	034 668 0208 034 668 0575

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የቁጠባ ሒሳብ

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የነገ ስኬታማ ሕይወት ዛሬ መሰረት ይጣሉ

ዛሬ ነገ ሳይሉ በወጋገን ባንክ ጎህ የቁጠባ ሒሳብ ከፍተው ለልጆችዎ ጥሪት ያኑሩ።

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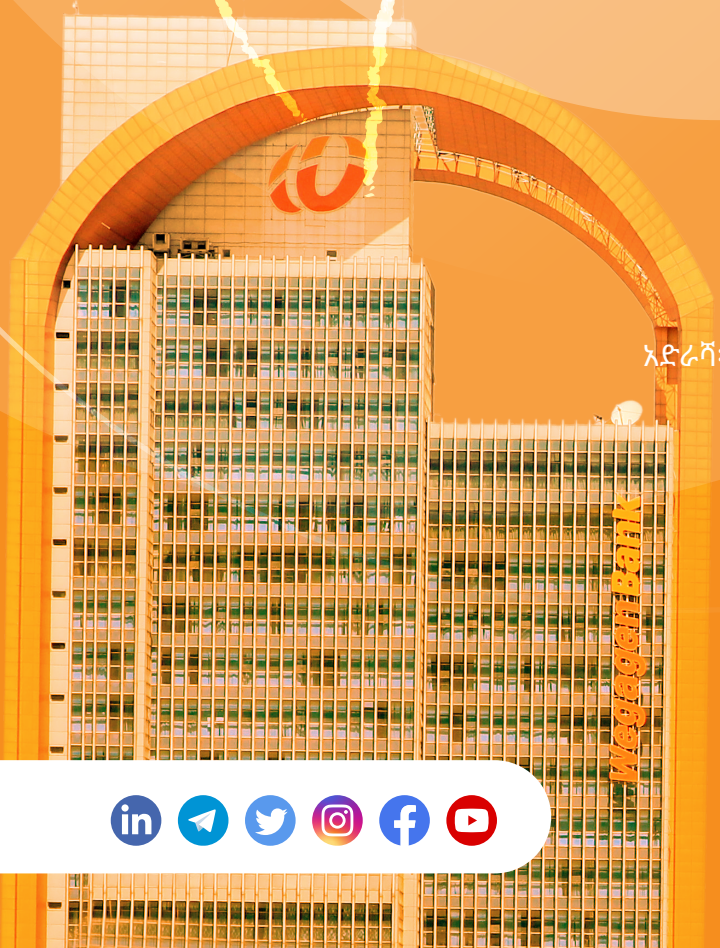

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