ENAT BANK

ANNUAL REPORT 2018/19

Vision statement

To become a bank of choice in Ethiopia by 2030 mainly by maximising women's economic capabilities.

Mission statement

To remain true to our name, set a trend in the provision of excellent and inclusive banking services mainly by focusing on women's economic needs and taking advantage of the state- of - the art technology, innovation and professional workforce with the aim of maximising the value of our shareholders.

Core Values

Dedication
Approachable
Impartiality
Integerity
Concern for employees
Learning organisation
Teamwork
Professionalism

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Askale Benti
Mekiya Mamiyu
Almaz Tseham
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Rahel Zewdie

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Sara Abera
Meaza Ashenafi
Hadia M.Gonji
Aster Solomon

MESSAGE FORM THE BOARD OF DIRECTORS

Dear Shareholders:

In the fiscal year of 2018/19, the domestic economy has demonstrated certain fluctuations. The growth of the economy has been limited to a single digit in contrast to double digit growth of the previous years. Inflation has recently soared about 15% resulting in the escalation of prices across markets. Export has dropped both in volume and foreign exchange earnings. All these external factors have impacted our performance in the past fiscal year in one way or another.

As a result, foreign currency mobilization remained a tough challenge for our Bank in the fiscal year. The problem was further exacerbated by inadmissible, illicit and uncontrolled act of certain market agents. Although our overall progress is visible, these incidents have negatively influenced our performance in resource mobilisation.

As Board of Directors, our major task has been to focus on strategies that help our Bank avert challenges and capitalise on opportunities offered by the external environment. The Management of the Bank has made successful recourse to the option of mobilizing domestic resources instead, to enhance our financing capability. We, then, succeeded to register a profit upsurge of 27% over that of last year same period. Our major revenue stream has remained solid since significant share of our revenue has been from interest earned on loans and other advances extended to customers.

A new five year strategic plan has been formulated and adopted. Taking into account Enat Bank's capabilities, we have opted for redefining its short term vision to the one that takes the economic climate into consideration and remains pragmatically achievable. Our commitment to move the Bank forward is yet unwavering. As it seems to be, however, we have not side lined our previous vision of becoming world class bank. Rather; the new

vision is a footrest and spur to hurl Enat Bank to its grand destination of becoming world class bank.

Our unequivocal commitment to expanding our reach remains firm. We are opening branches in different regional states and introducing digital banking services in the new fiscal year. At present, we are operating in 45 branches and this number will have grown to the minimum of 70 by the end of the new fiscal year. The growth of outlets, as believed, will reinforce our stronghold on important business catchment areas. Besides, the digital banking services will also be piloted and launched at full scale in the coming two quarters to position Valued Added services in the market.

We once again would like to reassure our shareholders' that we are determined to realise our short term vision of making Enat Bank the Bank of choice in Ethiopia by 2030. Our Bank is on fertile ground for a speedy ascent, and as always, the loyalty and trust of our shareholders, stakeholders and customers in us is the foundation of our achievement and the guarantee for our future success.

Finally, we would like to thank all of our shareholders, business partners and customers for their trust and tolerance in times of setback. We are also thankful to our employees who strive relentlessly to make and keep our bank successful. We also thank the National Bank of Ethiopia for their unreserved support as a regulatory body.

Hanna Tilahun

Chairperson of the Board

BOARD OF DIRECTORS

Wro Hanna Tilahun
Chairperson

Ato Habtu Dimtsu
Deputy Chairperson

Wro Shitaye
Hussein

Wro Frehiwot Worku

Wro Nigest Haile

Amb. Konjit
Sinegiorgis

Ato Alemayehu Kebede

Ato Eyobed Tibebu

Wro Roman Legesse

Ato Woldegabriel Naizgi

Ato Itana Ayana

MESSAGE FROM THE PRESIDENT

Wondwossen Teshome

Dear Shareholders

I am indeed honoured to present the operational performance of Enat Bank for the fiscal year of 2018/2019.

Despite the pressure of external situations, Enat Bank has once again sustained profitability in the fiscal year as done in the preceding years. Profit after tax stood at Birr 202 million representing 27% growth over last year same period. Our revenue has totalled Birr 983 million of which 76% is generated from interest income. We persistently work to solidify our revenue stream. As substantive evidence, Enat Bank's major revenue stream depends on constant core business activities in contrast to gains from a one-time incidental business transaction.

with respect to resource mobilisation, our net deposit stood at Birr 7.1 billion which is 43% growth over the preceding year. We have a good experience in converting liabilities into productive assets. We, have, thus effectively extended loans amounting to Birr 5.1 billion to various economic sectors exhibiting a growth of 55% over last year. Our loan to deposit ratio stands at 71%.The loan quality is invigorating and above the regulatory requirements.

Our customer base has continued to expand. We are presently operating in 45 branches situated in different parts of the country. The high rental cost is, however, impairing our stride to expand more. To mitigate such adverse situation, we usually opt for effective use of space to save on costs. In the new fiscal year, the number of branches is expected to grow to 70 to strengthen our network of outlets and branches. Our objective is to have one representative branch office in every regional town with ancillary outlets in the surrounding catchment areas.

We are launching Digital Banking Service in the new fiscal year. The implementation of mobile banking, wallet and internet banking is a turnaround in Enat bank's payment space. Such breakthrough will upscale our ability to expand and penetrate into new markets.

Dear shareholders! We are determined to foster the Bank's capital base. The total paid up capital of the Bank has grown to Birr 1.2 billion at the end of the fiscal year representing 23% growth over last year same period. I candidly admit that the pursued strategic direction to raise paid up capital might have resulted in smaller Dividend per Share (DPS) comparatively. However, I assure you that this is a temporary occurrence and sustainable increase in DPS will be achieved in the near future.

Finally, I would like to thank our shareholders for their perseverance and confidence to invest in Enat Bank. We are also grateful to our customers for their full dedication and determination to work with us and our Board of Directors for their commitment and leadership. My heartfelt thanks goes to our employees who are always alert and on their toes for our success. I offer a special expression of gratitude to the National Bank of Ethiopia for giving us assistance in times of need.

MANAGEMENT TEAM

Ato Wondwossen Teshome
President

Wro Birtukan G/Egzi
VP. Operations

Ato Ermias Andarge
VP. Corporate Sevices

Wro Genet Hagos
Chief Audit Exucutive

Ato Belay Gezahegn
Dir. Business
Dev't. & Planning Dep't

Wro Lelise Temesgen
Dir. Credit Management
Dep't

Wro Lealem Getachew
Dir. IBD

Ato Dinku Kasaye
Chief Information
Officer

Wro Abeba Tesfaye
Dir. Women's Financial
Services Dep't

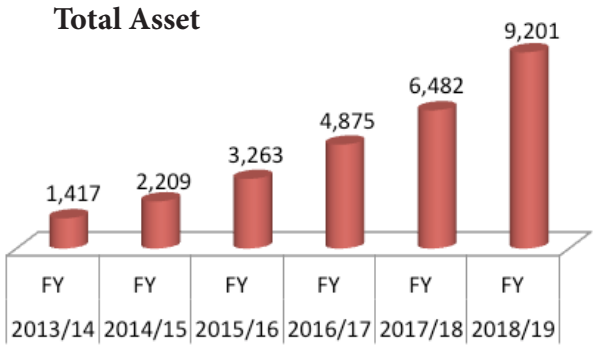
Ato Haile Atfaye
Dir HRM & SS
Dep't

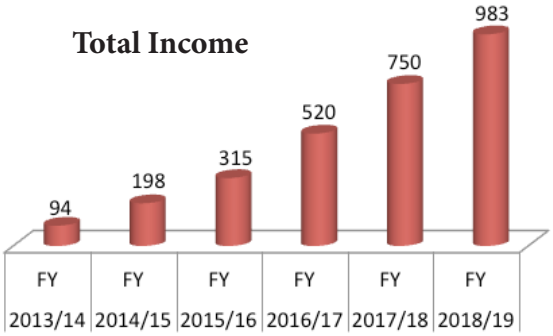
Ato Melese Gizaw
Dir. Risk & Compliance
Dep't

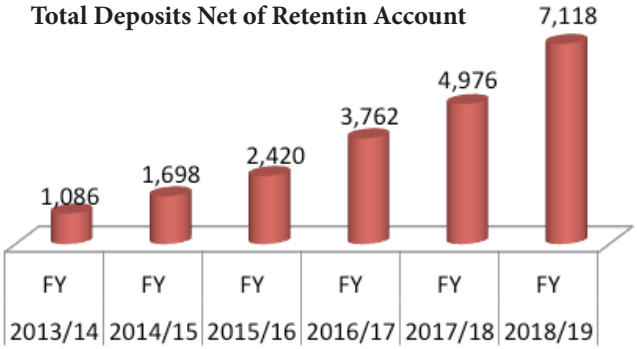
Ato Henok Yilma
Dir. Finance & Accounts
Dep't

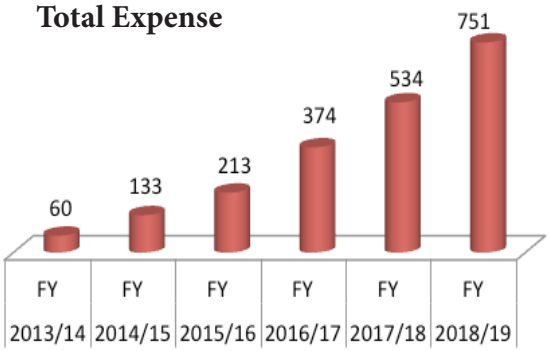
Ato Feyisa Tarekegn
A/Dir. Legal Services
Dep't

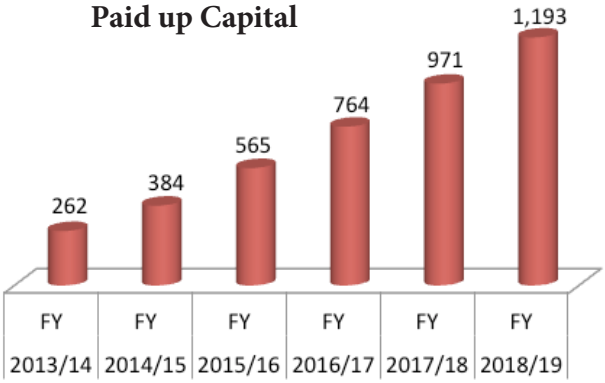
I. Financial Performance Highlights (In Millions of Birr)

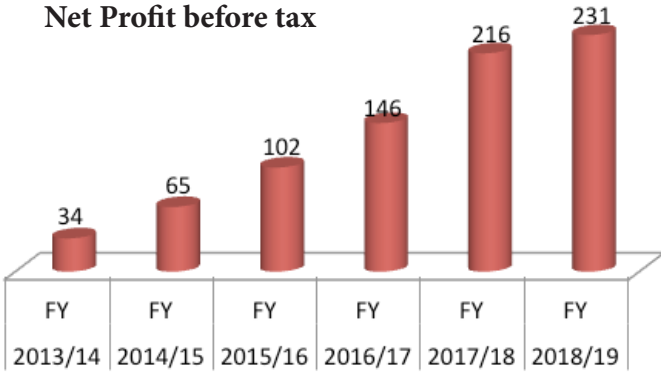


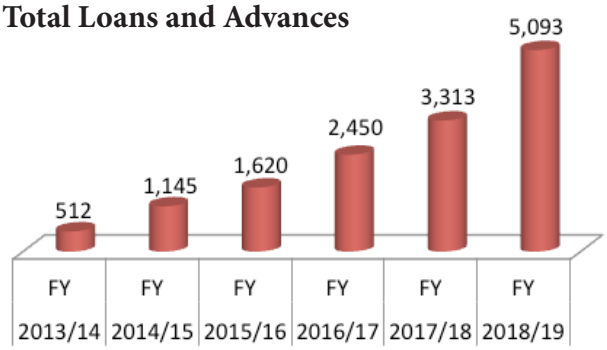


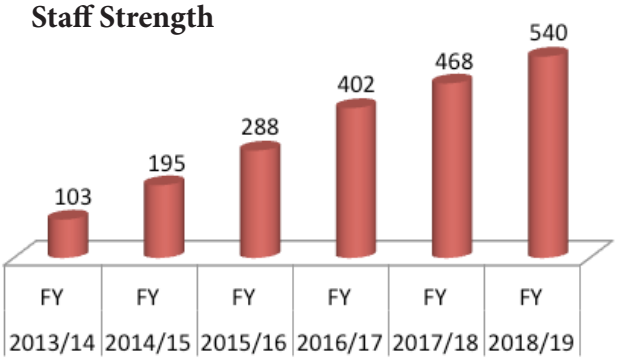












II. Corporate Governance

The Board is responsible to ensure that operational activities have been carried out in accordance with the principles of the corporate governance and the directive issued by the National Bank of Ethiopia. The oversight of the Board has been vital to make sure that business activities are handled in compliance with the directives of the regulatory body, policies and procedures of the Bank as well as relevant national and international laws.

In the fiscal year, the Board has accomplished various activities. To mention but a few; it has reviewed loans and other advances extended to customers; assessed risk exposures and compliance status of the Bank. Moreover, Internal Audit reports have been scrutinised thoroughly and close follow up has been made on rectifications of irregular findings.

Another important accomplishment of the year has been the approval of a new strategic plan and adoption of a new vision. The new vision is more pragmatic and expected to be achieved in 2030. It is bedrock up on which subsequent visions of the Bank are founded. .

III. Information Technology Development

Information technology development is one of the critical success factors for our Bank. The dynamics in payment space has made digitisation mandatory since corporate entities are going digital. Settlements of electric and water bill are no more the way they have been years before. For instance corporate entities like Ethiopian Airlines have already digitised their payment system. Passengers are no more required to walk to ticket offices to get their tickets. Ethiopian Revenue and Customs Authority (ERCA) is introducing online payment system branded as Derash.

This is a signal that indicates commercial banks ought to sprint ahead of events in their environment. Enat Bank, having understood the transformational change that is taking place in the external environment, has been working on digitisation of its payment system. Our Information System Department has been diligently working to seamlessly link our systeme to that of the Ethiopian Airlines, ERCA's Derash, Ethiopian Commodity Exchange (ECX) and Dangote Cement Factory. On the average more than 90% of these tasks have been completed; and up on full integration, our payment sphere will be widened to accommodate the service demand of our customers.

We are on the verge of launching Digital Banking Services (DBS) in the new fiscal year. This includes internet banking, mobile banking and wallet services. When these Alternative payment Channels are implemented, customers can access our services from wherever they are and make payments online without the necessity of coming to our branches. Our wallet service will be given at branch level at the initial stage and then roll out to selected agents subsequently. The use of agent will relieve our Bank from exorbitant yet unavoidable branch opening cost .

IV. Hunan Resource Management

The total number of permanent employees has reached 540, of which 60% are women employees. Even though we are equal provider of employment opportunities, we are more inclined towards capable women candidates without compromising competence. We have recruited 95 new employees in the fiscal year of which 73% are women. Regarding human resource development, 39 training courses have been offered to all employees. An employee has averagely taken two training courses in the fiscal year.

V. Banking on Women

Women play a vital role in driving the economic growth that fuels our economy. Through our women business solutions, advisory services, and access to capital; women entrepreneurs have the capacity to succeed. We have helped more than 1761 women Micro Small and Medium Enterprises (MSMEs) from all over Ethiopia grow their businesses in their communities.

Enat Women Business Solutions Program

The program is one of the top small business loan programs for women in business; with ETB 933 Million total outstanding business loan balances as at June 2018/19. A total of 714 women owner of small and medium businesses from the different regions of Ethiopia have developed their businesses.

Guarantee Risk Fund Loan Program

Through the "Guarantee Risk Fund" special loan program is for women-owned business only. More than 108 women business owners of micro and small businesses from different regions have been connected to mentoring and workshops to build organizational management, financial acumen and leadership skills; Up to date 56 women business owners benefited from our shareholders contribution total of 11.4 million invested in the program,

MFI Capital Program

We believe that beyond the objective of developing all our business lines, it is important to bring our contribution to the well-being of the society. We have elaborated a many-sided social responsibility strategy that aims to lead to changes for the better in terms of women entrepreneurship support. We partner with Eshet and Peace MFI's and provided **ETB 10 Million in funds to 991 women business.**

Women Entrepreneurial Support

Enat Bank is permanently involved in supporting women entrepreneurship, as well as in entrepreneurial education programs. Since 2013 we partnered with EDC in organizing Women Entrepreneurship Workshops that aim to contribute to further developing entrepreneurial skills and abilities for women SMEs and young entrepreneurs.

Moreover, we support projects that enhance the role of women in business leadership.

In this regard, in 2018 the bank signed a Banking on Women Advisory partnership with the IFC

(International Finance Corporation-World bank Group), which aimed to develop three main pillars to support WEs (women entrepreneurs). Pillar 1 – Financial support, Pillar 2- Educating Women Entrepreneurs & Pillar 3 Encouraging Women Entrepreneurs. The Bank trained and certified 20 managers and women focal ambassadors, and provided to 8 staff global certification by IFC & LPI (Learning and Performance Institute), which will allow Enat Bank staff to develop and provide in house workshops and training that focus on offering women entrepreneurs the theoretical and practical instruments for building successful businesses.

Transforming Communities by Empowering Women

As a leader in Women Banking, Enat Bank is delivering financing solutions that strengthening women entrepreneurship, and create jobs. This includes the commitment from our Shareholders, which deployed millions from their profit to the special loan program for women-owned businesses only. However, there is a significant gap between the capital that must be applied to women business owners need, and the amount is being deployed today. This gap cannot be filled by philanthropic capital alone, it requires private sector engagement.

Every day our teams are creating new solutions, forging new partnerships, and providing guidance and support to fuel progress and spur women entrepreneurship. Meet Yanet Aylew owner of Yanet Car Rental Tour and Travel, who benefited from the shareholder funding, and is making difference in our community.

Yanet, an ambitious young lady came to the Enat Women's Financial Services three years ago for financial support to start her business. She said ***"I wanted the empowering bank to help me be my own Boss.*** I was dreaming about starting a business and be a role model especially to young women. She added. I want to prove that women can work hard, and be successful, and also do it on their terms. To achieve that success, however, I need a bank that I can trust and who have a lean business model, and can give me a reliable sound advice". ***Enat Bank***

knows and understands women entrepreneurs need so well. Our challenges is to access finance without collaterals, and our entrepreneurial acumen. They provided me the finance I needed, and were always there when significant decisions need to be made. Over the past three years, my company has acquired 2 new vehicles, hired 8 new employees, tripled my capital base, and succeeded to excel in an industry dominated by male", ***"I feel like Enat Bank invested in my success. They know where I want to go and how to help me get there."***

VI. Corporate Citizenship

We believe our commitment to corporate citizenship sets us apart. Our goal is clear; we want to help people, business and communities we serve succeed financially. We work with a range of public and private sector stakeholders to understand the most urgent problems and the solutions that can have the most impact.

In 2018/19 FY to help communities and people in need our bank contributed +6 million in Birr in donations and sponsorship funding to Ministry of Women, Children and Youth Affairs, PM office, Addis Ababa City Government Mayer Office (support for students exercise Book), and others humanitarian organizations were among the recipients of our donations. Ye Enat Weg Charitable Association, Mery Joy Development Association, Association of self –help Group Good vision for children, and Emperor Haile Selassie I Memorial were among the recipients of the Donations.

It is exciting to think of the positive change we can make in our communities and in people's lives through philanthropy.

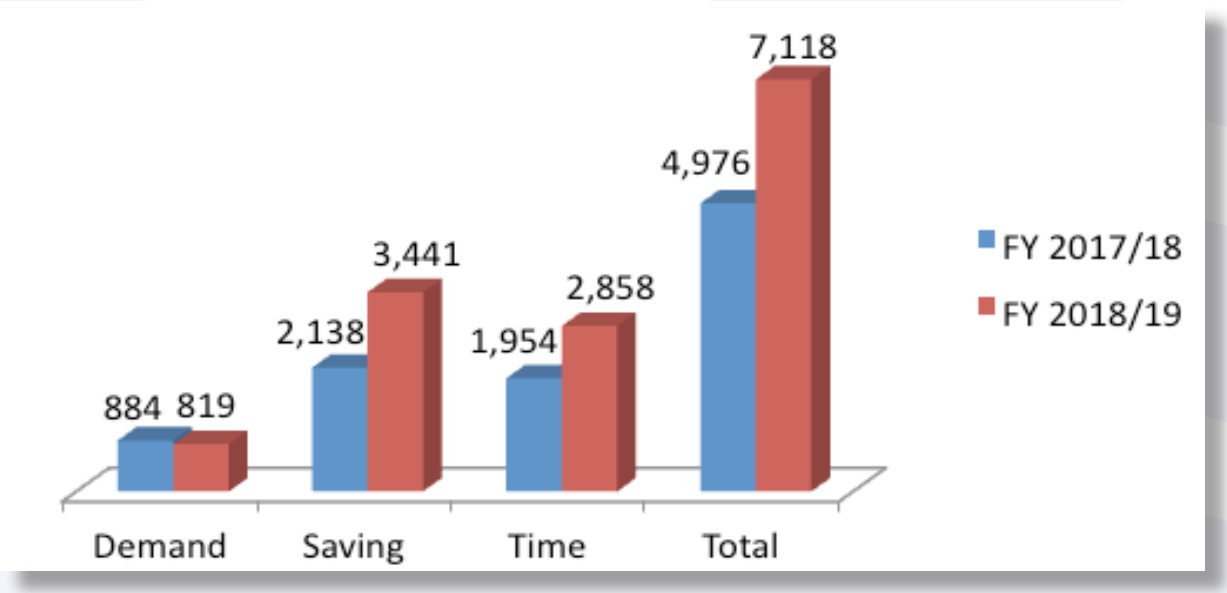
We continue to make progress in our efforts to address the negative consequences of climate change and other environmental challenges affecting our planet; our bank supported and participated in ***"Green Legacy" seedling plantation Initiative by the Ethiopian Government, and planted 200 trees*** around Jemo Glass factory, Addis Ababa.

Also, on the celebration of International Women Day, Enat Bank sponsored ***Women only 5K run by Great Run and CPU College with the Theme Innovate for Change."***

VII. Financial Performances

Deposit

One of the most indispensables resources for commercial banks is deposit. It is uncompromisingly vital and the most decisive resource to extend credit. Enat Bank has strong stance in maintaining its liquidity stand to address the demand of potential borrowers. As at June 30, 2019 total net deposit stood at 7.1 billion. This is exceedingly greater than last year same period by 43%. The deposit of Enat Bank is far greater than that of peer banks.



Loans and Advances

The survival of a bank hinges on its ability to convert its liabilities (deposits mobilised from customers) into productive assets (loans and advances extended to borrowers). No bank has ever succeeded by solely pursuing only either one of the two. Deposit mobilisation has no return by itself if not hooked to loans and advances. In growing economy the demand for loans and credit is high. Banks that have better liquidity stand can adequately respond to the demand of their borrowers. Having understood this, Enat Bank has been striving hard since its establishment to positively react to loan request of borrowers. To this effect, we have so far extended loans and advance with outstanding balance of Birr 5.1 billion as at June 30, 2019 which exceeds the previous year performance by 55%.

The quality of portfolio of loans is gauged by the amount of loans at risk. Our portfolio at risk remained at the lowest level less than 2% at the end of the fiscal year. We are persistent in maintaining favourable quality of loan at any point in time. We make a concerted effort from grassroots to the highest echelon to fix a single loan. We have also a dedicated unit of portfolio management that follow the trails of every single loan from disbursement to settlement.

Income

Our effort is to assure our profit is sustainable with reasonable growth. The income structure of our bank is dependable as 76% of our revenue has come from interest income.

Profit

We have registered a profit after tax of Birr 202 million in the fiscal year of 2018/19. This amount represents 27% growth over last year same period. As can be observed, Enat Bank has exhibited linearly organic growth over the past years in every aspect of banking operation.

Growth of Equity

Total capital of the Bank has reached 1.5 billion at the end of the fiscal year. This figure has shown a leap of 29% over last year same period. The major component of equity is the upfront paid-up capital mobilised from subscribers. The total share capital has reached Birr 1.2 billion exhibiting 23% growth over last year same period. The number of shareholders has reached 17 thousand and Women shareholders represent 64 % of the total.

AUDITORS' REPORT

ENAT BANK

2018/19

Enat Bank Share Company

IFRS Financial Statements
For the Period Ended 30 June 2019
Corporate information

Company registration number
KK/AA/3/0006590/2006 E.C (Ethiopian Calender)

License number
LBB/019/12 G.C (Gregorian Calender)

Directors *(As of 30 June 2019)*

Nigist Haile Goshu	Board of Director (Member)	*(Appointed January 2018)*
Kongit Sinegiorgis W/Mariam (Amb)	Board of Director (Member)	*(Appointed January 2018)*
Hana Tilahun Tefera	Board of Director (Chair Person)	*(Appointed January 2018)*
Alemayehu Kebede Beshah	Board of Director (Member)	*(Appointed January 2018)*
Frehiwot Worku Beyene	Board of Director (Member)	*(Appointed January 2018)*
Eyobed Tibebu Lisanework	Board of Director (Member)	*(Appointed January 2018)*
Welde Gebreal Nizigi	Board of Director (Member)	*(Appointed January 2018)*
Itana Ayana Leta	Board of Director (Member)	*(Appointed January 2018)*
Roman Legesse W/Gebreal	Board of Director (Member)	*(Appointed January 2018)*
Shitaye Hussen Ahmed	Board of Director (Member)	*(Appointed January 2018)*
Habtu Dimsu Werese	Board of Director (Vice Chair Person)	*(Appointed January 2018)*

Executive management *(As of 30 June 2019)*

Wondwossen Teshome Tesema	President	*(Appointed February 2014)*
Birtukan Gebreegzi Gebretekle	Vice President	*(Appointed Novembe 2011)*
Ermias Andarge Ayele	Vice President	*(Appointed September 2012)*
Lealem Getachew Fikre	Director, International Banking Department	*(Appointed January 2013)*
Dinku Kassaye Habtemariam	Chief Information Officer	*(Appointed March 2013)*
Lelise Temesgen Tucho	Director,Credit Management Department	*(Appointed September 2012)*
Melese Gizaw Desta	Director, Risk & Compliance Management Department	(Appointed September 2012)
Feyessa Tarekegn Gerbaba	A/Director, Legal Services Department	*(Appointed May 15, 2019)*
Haile Atfaye Ayele	Director, Human Resource Management & support Services	*(Appointed May 2014)*
Genet Hagos Gebremedhin	Director, Internal Audit Department	*(Appointed January 2015)*
Belay Gezahegn Demeke	Director, Business Development & Planning Department	*(Appointed May 2015)*
Henok Yilma Haileselassie	Director, Finance and Accounts Department	*(Appointed May 2015)*
Abeba Tesfai Nugussie	Director, Women Financial Services Department	*(Appointed August 2015)*

Independent auditor

Degefa & Tewodros Audit Services Partnreship
Chartered Certified Accountants
P.O Box 8118
Addis Ababa
Ethiopia

Corporate office
Enat Bank Share Company
Kirkos sub-city,Woreda 08,Around Bambiss Bridge
P O Box 18401
Addis Ababa, Ethiopia

Enat Bank Share Company

IFRS Financial Statements
For the Period Ended 30 June 2019
Report of the directors

The directors submit their report together with the financial statements for the period ended 30 June 2019, to the members of Enat Bank (" the Bank"). This report discloses the financial performance and state of affairs of the

Incorporation and address
Enat Bank was incorporated in Ethiopia in 2011 by eleven visionary Ethiopian women who envisioned of creating a fully-fledged commercial bank with a special focus on women banking needs.

Principal activities
The mandate of the Bank is to provide banking services for all, with a special focus of faciltating greater access to and use of financial services for women, and creating values for shareholders. The bank's inclusive business model initiative involves women entrepreneurs in order to expand economic opportunities while creating value for Ethiopia's businesses, and society in general.

Results and dividends
The Bank's results for the year ended 30 June 2019 are set out on page 24. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2019 Birr'000	30 June 2018 Birr'000
Net interest income	259,445	177,465
Profit / (loss) before tax	231,453	216,524
Tax (charge) / credit	(29,835)	(57,649)
Profit / (loss) for the year	201,619	158,875
Other comprehensive profit / (loss) net of taxes	6,567	(2,048)
Total comprehensive profit / (loss) for the year	208,185	156,827

Directors

The directors who held office during the year and to the date of this report are set out on page 19.

Enat Bank Share Company

IFRS Financial Statements
For the Period Ended 30 June 2019
Statement of directors' responsibilities

In accordance with the Banking Business Proclamation No. 592/2008, the National Bank of Ethiopia (NBE) may direct the Bank to prepare financial statements in accordance with international financial statements standards, whether their designation changes or they are replaced, from time to time.

The Bank's president is responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in Ethiopia and in the manner required by the Commercial Code of Ethiopia of 1960, 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 as are necessary to:

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

b) explain its transactions and financial position; and

c) enable the 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 the aforementioned

The Bank's president accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards, Banking Business Proclamation, Commercial code of 1960 and the relevant Directives issued by the National Bank of Ethiopia.

The President is of 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 or loss.

The President 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 President to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Hanna Tilahun
Chairperson Board of Directors

Wondewossen Teshome
President

Enat Bank Share Company

Independent auditors' report
For the period ended 30 June 2019

We have audited the accompanying financial statements of ENAT BANK SHARE COMPANY which comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income and statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ENAT BANK SHARE COMPANY as at 30 June 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard (IFRS) and related interpretations as issued by International Accounting Standards Board(IASB). And as required by the commercial code of Ethiopia, based on our audit we report as follows:

i. Pursuant to Article 375(1) of the Commercial Code of Ethiopia, 1960 and based on our reviews of the board of directors' report, we have not noted any matter that we may wish to bring to your attention.
ii. Pursuant to article 375 (2) of the commercial code of Ethiopia we recommend the financial statements be approved.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board 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 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
The Bank has implemented IFRS 9 financial instruments. This standard was published in July 2014, replacing the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial	We have assigned a team with vast experience of banking business and hands-on experience on IFRS implementation process. The bank has engaged international consultancy firm (KPMG) to enable it to properly implement IFRS 9 and its new requirements and concerned staffs were trained properly to ensure sustainability of IFRS compliance. The management of the bank further explained to us that it used various alternative ways for gathering various market information and used

instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Due to newness of some of requirement of this IFRS to the bank and country as whole, it had challenges in the area of business process, knowledge and training, market information and technology requirements which made the implementation process tiresome. As result, we have had series of discussions with the concerned unit of the bank on the matter; reviewed relevant documents and of course the verification work took us much time.	unobservable inputs in cases where market information is not available which is as per requirement of IFRS and it is also considering information system updates and upgrades to enable it to comply to data requirements of this standard.

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.

Degef & Tewodros Audit Services
Partnership
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Addis Ababa

Enat Bank Share Company

IFRS Financial Statements
For the Period Ended 30 June 2019
Statement of profit or loss and other comprehensive income

	Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
Interest income	5	742,829	489,608
Interest expense	6	(483,384)	(312,143)
Net interest income		259,445	177,465
Fee and commission income	7	169,633	185,463
Fee and commission expense	7	-	-
Net fees and commission income		169,633	185,463
Other operating income	8	70,196	76,190
Total operating income		499,274	439,118
Loan impairment charge	9	(6,722)	(5,128)
Impairment losses on other assets	10	(42)	-
Net operating income		492,509	433,990
Personnel expenses	11	(146,319)	(118,196)
Amortisation of intangible assets	19	(5,674)	(5,690)
Depreciation and impairment of property, plant and equipment	20	(17,914)	(16,385)
Other operating expenses	12	(91,148)	(77,193)
Profit before tax		231,453	216,524
Income tax expense	13	(29,835)	(57,649)
Profit after tax		**201,619**	**158,875**
Other comprehensive income (OCI) net on income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	24	(1,630)	(2,926)
Deferred tax (liability)/asset on remeasurement gain or loss	13	489	878
Remeasurement gain/loss Fair value of investment		11,011	-
Deferred tax (liability)/asset on remeasurement of Investments	13	(3,303)	-
		6,567	(2,048)
Total comprehensive income for the period		**208,185**	**156,827**
Basic and Diluted earnings per share (Birr)	25	185	184.00

The notes on pages 28 to 83 are an integral part of these financial statements.

Enat Bank Share Company

IFRS Financial Statements
As At 30 June 2019
Statement of financial position

	Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
ASSETS			
Cash and balances with banks	14	1,694,669	1,307,717
Loans and receivables	15	5,093,548	3,313,951
Investment securities:			
-Fair value through other comprehensive income	17	28,375	15,902
-Amortized Cost	17	1,923,928	1,379,940
Other assets	18	300,696	312,343
Intangible assets	19	14,195	19,587
Property, plant and equipment	20	135,017	124,210
Deferred tax assets	13		
Acquired Asset	21	11,119	8,725
Total assets		**9,201,547**	**6,482,374**
LIABILITIES			
Deposits from customers	22	7,441,141	5,090,526
Current tax liabilities	13	38,432	35,998
Other liabilities	23	166,741	147,123
Retirement benefit obligations	24	9,975	6,380
Deferred tax liabilities	13	10,110	15,455
Total liabilities		**7,666,400**	**5,295,482**
EQUITY			
Share capital	25	1,193,756	971,011
Retained earnings	26	140,651	72,404
Profit or loss account		-	
Legal reserve	27	155,289	104,884
Regulatory risk reserve	28	28,621	31,305
Special reserve	29	11,200	9,245
Other reserves	24	5,633	(1,957)
Total equity		1,535,149	1,186,892
Total equity and liabilities		**9,201,547**	**6,482,374**

The notes on pages 28 to 83 are an integral part of these financial statements.

The financial statements on pages 24 to 27 were approved and authorised for issue by the board of directors on November 2019 and were signed on its behalf by:

Hanna Tilahun
Chairperson Board of Directors

Wondewossen Teshome
President

Enat Bank Share Company

IFRS Financial Statements
For the Period Ended 30 June 2019
Statement of changes in equity

	Notes	Share capital Birr'000	Retained earnings Birr'000	Other reserves Birr'000	Legal reserve Birr'000	Regulatory risk reserve Birr'000	Special reserve Birr'000	Total Birr'000
As at 1 July 2018		971,011	72,404	(1,957)	104,884	31,305	9,245	1,186,892
								-
Profit for the period	26		201,619					201,619
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)				(1,141)				(1,141)
Investments measured at fair value through other comprehensive income				7,708				7,708
Transaction with owners in their capacity as owners								-
Contribution of equity net of transaction costs		222,745						222,745
Dividend paid for			(70,232)					(70,232)
Transfer to legal reserve	27		(50,405)		50,405			-
Transfer to regulatory risk reserve	28		(9,328)			9,328		-
Transfer to special reserve	29		(2,172)				2,172	-
Dividend tax paid on special reserve			-	-	-	-	(217)	(217)
Directors share from the profit			(1,093)					(1,093)
IFRS 9 day 1 Adjustment			(143)	1,023		(12,012)		(11,131)
								-
Total comprehensive income for the period		**222,745**	**68,247**	**7,590**	**50,405**	**(2,684)**	**1,955**	**348,258**
								-
As at 30 June 2019		**1,193,756**	**140,651**	**5,633**	**155,289**	**28,621**	**11,200**	**1,535,149**

The notes on pages 28 to 83 are an integral part of these financial statements.

Enat Bank Share Company

IFRS Financial Statements
As At 30 June 2019
Statement of cash flows

	Notes	30 June 2019 Birr'000	30 June Birr'000
Cash flows from operating activities			
Cash generated from operations	30	850,831	568,695
Withholding tax paid			(1)
Income tax paid		(35,998)	(27,228)
Net cash (outflow)/inflow from operating activities		**814,833**	**541,466**
Cash flows from investing activities			
Purchase of investment securities	17	(543,988)	(408,394)
Purchase of equity investment			(632)
Purchase of intangible assets	19	(282)	-
Purchase of property, plant and equipment	20	(28,788)	(46,173)
Aquired asset		(2,394)	(8,725)
Proceeds from sale of property, plant and equipment	30		
Proceed on disposal of Asset held for sale	21		
Net cash (outflow)/inflow from investing activities		(575,453)	(463,924)
Cash flows from financing activities			
Proceeds from issues of shares	25	222,745	207,094
Dividend paid		(72,404)	(71,381)
Directors profit share paid		(1,093)	(1,100)
Transferred to Special reserve		1,955	-
		(143)	-
Net cash (outflow)/inflow from financing activities		151,061	134,613
Net increase/(decrease) in cash and cash equivalents		**390,441**	**212,157**
Cash and cash equivalents at the beginning of the year	14	1,307,717	1,085,418
Foreign exchange (losses)/ gains on cash and cash equivalents		(3,488)	10,142
Cash and cash equivalents at the end of the year	14	**1,694,669**	**1,307,717**

The notes on pages 28 to 83 are an integral part of these financial statements.

Enat Bank Share Company

Interim financial statements
For the Period Ended 30 June 2019
Notes to the financial statements

1 General information

Enat Bank SC (" the Bank") is a private commercial Bank domiciled in Ethiopia. The Bank became operational on 5 March 2013 in accordance with the provisions of the Commercial code of Ethiopia of 1960 and the Licensing and Supervision of Banking Business Proclamation No. 84/1994. The Bank registered office is at:

Enat Bank Share Company
Kirkos sub-city,Woreda 08,Around Bambiss Bridge
P O Box 18401
Addis Ababa, Ethiopia

The bank is involved in provision of banking services for all, with a special focus of faciltating greater access to and use of financial services for women, and creating values for shareholders. The bank's inclusive business model initiative involves women entrepreneurs in order to expand economic opportunities while creating value for Ethiopia's businesses, and society in general.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of preparation

The financial statements for the period ended 30 June 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

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

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

- available-for-sale financial assets, certain classes of property, plant and equipment and investment property – measured at fair value
- assets held for sale – measured at fair value less cost of disposal, and
- defined benefit pension plans – plan assets measured at fair value.

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

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

Enat Bank Share Company

Interim financial statements
For the Period Ended 30 June 2019
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2.2.1 Going concern

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

2.2.2 Changes in accounting policies and disclosures

The Bank has initially adopted IFRS 9 from 1 July 2018, a number of other new standards are also effective from 1 July 2018.

Due to the transition method chosen by the Bank in applying IFRS 9, comparative information throughout these financial statements has not
generally been restated to reflect its requirements.

The effect of initially applying these standards is mainly attributed to the following:

–an increase in impairment losses recognised on financial assets **(Note (7)**; and

–additional disclosures related to IFRS 9 **(see Notes 2.1 and 7);**

Except for the changes below, the Bank has consistently applied the accounting policies as set out in **Note 2** to all presented in these financial statements.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Bank has adopted consequential amendments to IAS 1
Presentation of Financial Statements, which require separate presentation in the statement of profit or loss and OCI of interest revenue calculated using the effective interest method. Previously, the Bank disclosed this amount in the notes to the financial statements.

Additionally, the Bank has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been applied to the comparative information.

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarized below. The full impact of adopting the standard is set out in **Note** 7.

Transition from IAS 39 to IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except comparative periods which have generally not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 Julv 2018.

Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

The Bank used the exemption not to restate comparative periods but considering that the amendments made by IFRS 9 to IAS 1 introduced the requirement to present 'interest income calculated using the effective interest rate' as a separate line item in the statement of profit or loss and OCI, the Bank changed the description of the line item from 'interest income' reported in 2018 to 'interest income calculated using the effective interest method'.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application;

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of investments in equity instruments not held for trading as at FVOCI.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

Enat Bank Share Company

Interim financial statements
For the Period Ended 30 June 2019
Notes to the financial statements

2.3 SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Financial assets and financial liabilities

Policy applicable from 1 July 2018

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 recognised 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 assets 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 (see 1.8).

- ***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.

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

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

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

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

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

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 recognised 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.

No impairment loss shall be recognised on equity investments.

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

— debt investment securities that are determined to have low credit risk at the reporting date; and
— Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

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

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

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

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It shall be measured as follows:

— for financial assets that are not credit-impaired at the reporting date (stage 1 and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
— for financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;
— for undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and

Enat Bank Share Company

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

Restructured financial assets

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

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

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

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 a 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.

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 recognised 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 recognised in the fair value reserve.

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.

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.

Enat Bank Share Company

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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.

d. **Derecognition**

Financial assets

The Bank shall derecognize a financial asset when:

— The contractual right to the cash flows from the financial asset expires (see also (1.4)), 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 recognised in OCI shall be recognised in profit or loss.

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

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

Financial liabilities

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

e. Modifications of financial assets and financial liabilities

Financial assets

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

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset shall be deemed to have expired. In this case, the original financial asset shall be derecognized (see (1.3)) and a new financial asset shall be recognised 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, 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.

Financial liabilities

The Bank shall derecognize a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms shall be recognised at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognised 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 recognised in profit or loss. Any costs and fees incurred are recognised 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.

f. Offsetting

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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.

g. Designation at fair value through profit or loss

Financial assets

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

Financial liabilities

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

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

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

2.4 Policy applicable before 1 July 2018

2.4.1 Financial Instruments

a. Recognition

The Bank initially recognizes loans and advances, deposits and debt securities on the date at which they are originated. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provision of the instrument.

A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, financial liabilities (deposits and debt securities) are measured at their amortized cost using the effective interest method.

b. *Classification*

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Investments held for trading are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Investments held for trading are subsequently re-measured at fair value based on quoted bid prices or dealer price quotations, without any deduction for transaction costs. All related realized and unrealized gains and losses are included in profit or loss. Interest earned whilst holding held for trading investments is reported as interest income.

Foreign exchange forward and spot contracts are classified as held for trading. They are marked to market and are carried at their fair value. Fair values are obtained from discounted cash flow models which are used in the determination of the foreign exchange forward and spot contract rates. Gains and losses on foreign exchange forward and spot contracts are included

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money directly to a debtor with no intention of trading the receivable. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at amortized cost using the effective interest method. Loans and receivables compose of loans and advances and cash and cash equivalents.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. A sale or reclassification of more than an insignificant amount of held to maturity investments would result in the reclassification of the entire category as available for sale and would prevent the Bank from classifying investment securities as held to maturity for the current and the following two financial years. Held to maturity investments includes treasury bills and bonds. They are subsequently measured at amortized cost using the effective interest rate method.

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Available-for-sale

Available-for-sale financial investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any other category of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and presented in the available-for-sale fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is re-classified to profit or loss.

c. ***Identification and measurement of impairment of financial assets***

At each reporting date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset than can be estimated reliably.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. Significant assets found not to be specifically impaired are then collectively assessed for any impairment that may have been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would otherwise not consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the Bank.

In assessing collective impairment the Bank uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rate, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised through the unwinding of

Impairment losses on available-for-sale securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognised previously in profit or loss.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

d. ***De-recognition***

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include repurchase transactions.

e. ***Offsetting of financial assets and financial liabilities***

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

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

f. ***Fair value of financial assets and financial liabilities***

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, in the principal, or in its absence, the most advantageous market to which the Bank has access at that date.

g. ***Amortized cost measurement***

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The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for

2.4.2 Net interest income

a. *Effective interest rate and amortized cost*

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

- the gross carrying amount of the financial asset; or
- the 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

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 (or impairment allowance before 1 July 2018).

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

c. *Calculation of interest income and expense*

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts 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
- interest on debt instruments measured at FVOCI calculated on an effective interest basis;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

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

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

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

2.6. Net trading income

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

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

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A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

IFRS 16 - Leases

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

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

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*

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2.7 Recognition of income and expenses

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

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

2.7.1 Interest and similar income and expense

For all financial instruments measured at amortised cost interest income or expense is recorded using the Effective Interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate (EIR), but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and Interest and similar expense for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.7.2 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income such as correspondent charges and estimation fees, are recognised as the related services are performed.

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

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

2.7.3 Dividend income

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

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2.7.4 Foreign exchange revaluation gains or losses

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

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

2.8 Cash and cash equivalents

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

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

2.9 Property, plant and Equipment

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

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

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

Asset category	**Years**	**Residual values**
Buildings	50	5% of cost
furniture and fittings		
Short-lived	5	1% of Cost
Medium -lived	10	1% of Cost
Computer equipment	7	1% of Cost
Motor vehicles	10	5% of cost
Other office equiment		
Short-lived	5	1% of Cost
Medium -lived	10	1% of Cost
Long-lived	20	1% of Cost

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

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

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

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

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2.10 Intangible assets

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

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

Amortisation is calculated using the straight–line method as below

Description	Years	Residual value
Software	6	Nil

2.11 Non-current assets (or disposal groups) held for sale and discontinued operations

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

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

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

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

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

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2.12 Impairment of non-financial assets

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

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

The Bank bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

2.13 Other assets

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

(a) Prepayment

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

(b) Other receivables

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

2.14 Fair value measurement

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

- Disclosures for valuation methods, significant estimates and assumptions Notes 3.2 and Note 4.6.1
- Quantitative disclosures of fair value measurement hierarchy Note 4.6.2

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

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

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

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

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

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

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

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

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2.15 Employee benefits

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

(a) Defined contribution plan

The Bank operates two defined contribution plans;

i) pension scheme in line with the provisions of Ethiopian pension of private organisation employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank respectively;
ii) provident fund contribution, funding under this scheme is 2% by only the Bank ;

Both schemes are 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.

(b) Defined benefit plan

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

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

Past-service costs are recognised immediately in income.

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

(c) Termination benefits

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

(d) Profit-sharing and bonus plans

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

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2.16 Provisions

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

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

2.17 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.

2.18 Legal reserve

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

2.19 Leases

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

Bank as a lessee

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

Bank as a lessor

Leases where the Bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.20 Income taxation

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

3 Significant accounting judgements, estimates and assumptions

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

Other disclosures relating to the Bank's exposure to risks and uncertainties includes:
• Capital management Note 4.5
• Financial risk management and policies

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3.1 Judgements

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

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

Impairment losses on loans and receivables

Regading impairement of financial instruments the Bank needs to do the detail presented in Note 2.3 of this financial statement.

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Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.7 for further disclosures.

Depreciation and carrying value of property, plant and equipment

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

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Bank is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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

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

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

Taxes

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

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

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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 profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk. It is also subject to country risk and various operating risks.

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

4.1.1 Risk management structure

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Board has established the Loan Review and Risk sub-Committee, which are responsible for developing and monitoring Bank's risk management policies.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in the regulation, market conditions, products and services offered. The Bank, through its training and procedures and policies for management, aims to develop a constructive control environment, in which all employees understand their roles and obligations.

The Bank's Board of Directors is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Board of Directors is assisted in these functions by the Risk and Compliance Department.

The Risk and Compliance Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Risk sub 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.

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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 Credit risk

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

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

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

The National Bank of Ethiopia (NBE) sets credit risk limit for a single borrower and related party not to exceed 25% and35% of Bank's total capital amount as of the reporting quarterly period respectively.

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

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4.2.1 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments (2019) and available-for-sale debt assets (2018). Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in **Note 2.2.2**

	2019				2018
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Loans and advances to customers at amortised cost					
Stage 1 – Pass	4,944,825	-	-	**4,924,730**	**3,105,458**
Stage 2 – Special mention	-	126,203	-	**126,203**	**172,073**
Stage 3 - Non performing	-	-	100,627	**100,627**	**57,056**
Total gross exposure	**4,944,825**	**126,203**	**100,627**	**5,151,560**	**3,334,587**
Loss allowance	(22,758)	(1,495)	(14,369)	**(38,666)**	**(20,635)**
Net carrying amount	**4,922,067**	**124,708**	**86,257**	**5,112,894**	**3,313,952**

In Birr'000	2019			
Other financial assets (debt instruments)		**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and balances with banks	12 Month ECL	1,355,360	(68)	**1,355,292**
Investment securities (debt instru	12 Month ECL	1,923,928	(96)	**1,923,832**
Other receivables and financial as	Lifetime ECL	21,008	(1)	**21,007**
Totals		**3,300,296**	**(166)**	**3,300,131**

In Birr'000	2018			
Other financial assets (debt instruments)		**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and balances with banks		1,307,717	-	**1,307,717**
Investment securities (debt instruments)		1,379,940	-	**1,379,940**
Other receivables and financial assets		4,909	-	**4,909**
Totals		**2,692,566**	-	**2,692,566**

4.2.2 Collateral held

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

Nature of security in respect of loans and receivables

30 June 2019	**Secured against real estate** Birr'000	**Bank guarantees** Birr'000	**Equitable Mortgage** Birr'000	**Shares** Birr'000	**Others** Birr'000
Agriculture			37,998		325.75
Construction	89,964		800,718	7,032	126,005
Domestic trade and services			731,259	2,719	116,281
Emergency staff loan					21,453
Export			996,790		69,784

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Import			799,666	41,878	46,401
Industry			691,325		148,393
Personal			1,755		25,885
Staff residential loan			95,231		
Staff vehicle loan			174		1,961
Transport			71,233		227,329
	89,964.15	-	4,226,150.74	51,628.50	783,816.62

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

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

4.2.3 Investment securities designated as at FVTPL

At 30 June 2019, the Bank had no exposure to credit risk of the investment securities designated as at FVTPL

4.2.4 Amounts arising from ECL

i) ***Inputs, assumptions and techniques used for estimating impairment***

See accounting policy in **Note 2.2.2**

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

— the Bank uses three criteria for determining whether there has been a significant increase in credit risk:
— quantitative test based on movement in PD;
— qualitative indicators; and
— a backstop of 30 days past due,

iii) ***Credit risk grades***

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

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

a. **Term loan exposures**

— Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance
— Data from credit reference agencies, press articles, changes in external credit ratings

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— 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 behaviour – e.g. utilisation of credit card facilities
— Affordability metrics

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

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

ii) ***Determining whether credit risk has increased significantly***

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

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling:

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 of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank 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).

iii) ***Definition of default***
The Bank considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank.
- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or

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- 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

iv) ***Incorporation of forward-looking information***

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

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

External information considered includes economic data and forecasts published by 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.

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 and Transport	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
Construction, Industry and Hotel & Tourism,	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

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The economic scenarios used as at 30 June 2019 included the following key indicators for Ethiopia for the years 2019 to 2023

Macro-economic factor	2019	2020	2021
INFLATION: Consumer price index, 2010 = 100	317.40	349.10	384.00
GDP: GDP per capita, USD	836.00	928.00	1,019.00
GDP EXPENDITURE: Exports of goods and services, USD per capita	54.90	59.80	66.60
GDP EXPENDITURE: Exports of goods and services, ETBbn	179.80	213.80	260.30
EXCHANGE RATE: ETB/USD	29.23	31.10	33.15
GDP EXPENDITURE: Imports of goods and services, USDbn	16.60	16.90	17.10
FISCAL: Current expenditure, USDbn	7.80	8.30	8.90
GDP EXPENDITURE: Imports of goods and services, ETBbn	485.30	526.50	568.40
INFLATION: Consumer price index, 2010 = 100	296.30	326.00	358.60
DEBT: Government domestic debt, ETBbn	642.70	752.00	872.30
EXCHANGE RATE: Real effective exchange rate, index	123.13	121.01	117.74
GDP EXPENDITURE: Private final consumption, USDbn	58.90	66.20	73.50
STRATIFICATION: Household Spending, ETBbn	1,707.60	1,926.30	2,149.30
FISCAL: Total revenue, USDbn	10.50	10.90	11.40
DEBT: Total government debt, USDbn	57.00	65.20	75.40

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.

4.2.5 Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of: its remaining lifetime PD at the reporting date based on the modified terms; with the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

4.2.6 Measurement of ECL

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

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

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

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.
LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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

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

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

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

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

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

- instrument type;
- credit risk grading;
- collateral type;
- LTV ratio for retail
- 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.

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i) *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 2018 represent the allowance account for credit losses and reflect the measurement basis under IAS 39.

	2019			
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	
Loans and advances to customers at amortised cost (on balance sheet exposures)				
Balance as at 1 July 2018	**9,678**	**1,149**	**9,808**	**20,635**
Day one IFRS 9 transition	12,560	1,480	-3,629	10,410
Adjusted balance at 1 July 2018	**22,238**	**2,629**	**6,179**	**31,045**
Transfer to stage 1 (12 months	2,580	-362	-2,218	
Transfer to stage 2 (Lifetime	-304	477	-173	
Transfer to stage 3 (Lifetime	-286	-73	359	
Net remeasurement of loss	-7,863	-18	10,729	2,848
New financial assets originated	13,907	868	1,522	16,298
Financial assets derecognised	-7,512	-2,026	-2,031	-11,569
Balance as at 30 June 2019	**22,759**	**1,495**	**14,368**	**39,366**

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	2019		
In Birr'000	Stage **1**	Stage **2**	Stage **3**
Loan commitments and financial guarantee contracts (off balance sheet exposures)			
Balance as at 1 July 2018	-	-	-
Day one IFRS 9 transition	**1,621**	**-**	**1621**
Adjusted balance at 1 July 2018	1,621	-	1621
Transfer to stage 1 (12 months	-	-	-
Transfer to stage 2 (Lifetime	-	-	-
Transfer to stage 3 (Lifetime	-	-	-
Net remeasurement of loss	-39	-	-39
New financial assets originated	408	-	408
Financial assets derecognised	**-1,228**	**-**	**0**
Balance **as at 30 June 2019**	763	-	-1228

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	2019			
In Birr'000	**Cash and balances**	**Investment securities (debt instruments)**		**Other receivables and financial**
Other financial assets (debt				
Balance as at 1 July 2018	-	-		-
Day one IFRS 9 transition	54	69	5	5
Adjusted balance at 1 July	**54**	**69**	**5**	**5**
Net remeasurement of loss	14	28	-4	38
Balance as at 30 June 2019	**68**	**96**	**1**	**166**

The following table provodes a reconciliation for 2019 between amounts shoum in the above tables reconciling opening and closing balances of loss allowances per class of financial instruments' line item in the consolidated statement of profit or loss and other comprehensive income..

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In Birr'000	Loans and advances to customers at amortised cost	Loan commitments and financial guarantee contracts	Other financial assets	Total charge/(credit)
Net remeasurement of loss allowance	2,848	-39	38	2,847
New financial assets originated or purchased	16,298	408	-	16,706
Financial assets derecognised	-11,569	-1,228	-	-12,796
Amounts directly written off during the year	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Total	**7,577**	**-858**	**38**	**6,757**

Impaired financial assets – Comparative information under IAS 39

In millions of ETB	Loans and advances to customers 2018	Loans and advances to banks 2018	Investment securities 2018
Loans with renegotiated terms			
Gross carrying amount	3,334,587		1,379,940
Impaired amount	57,056		-
Allowance for impairment	(20,635)		-
Net carrying amount	3,313,951		1,379,940
Neither past due nor impaired	3,137,372		
Grades 1 Pass	(9,678)		
Past due but not impaired	140,158		
Individually impaired	57,056		
Allowance for impairment	(9,808)		
Individual	(9,808)		
Collective	(10,827)		
Total allowance for	(20,635)		

— ***Loans with renegotiated terms***

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

— ***Loans that were past due but not impaired***

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Loans that were 'past due but not impaired' are those for which contractual interest or principal payments were past due but the Bank believed that impairment was not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank. The amounts disclosed exclude assets measured at FVTPL.

4.2.7 Concentrations of credit risk

The Bank monitors concentrations of credit risk by economic sector. An analysis of concentrations of credit risk from loans and advances, loan commitments, financial guarantees and investment securities is shown below;

	Note	Amount Millions of ETB
Carrying amount		5,108,930
Amount		5,132,917
Concentration by		
Agriculture		38,314
Industry		*839,707*
Construction		*1,025,503*
Domestic Trade and Services		*850,062*
Personal loans		*25,350*
Export		*1,066,573*
Import		*889,838*
Transportation		*298,566*
Emergency Staff Loan		*18,724*
Staff Residential Loan		*78,425*
Staff Vehicle Loan		1,856
Total		

4.2.8 Offsetting financial assets and financial liabilities

The Bank does not offset financial assets against financial liabilities.

Net interest income

In millions of ETB	**2019**	**2018**
Interest income	**742,829**	489,608
Interest expense	**483,384**	312,143
Net interest income	**259,445**	177,465

4.2.9 Financial assets and financial liabilities

1.1 Classification of financial assets and financial liabilities

The following table shows the original measurement categories and amounts in accordance with IAS 39 as at 30 June 2018 and the new measurement categories and amounts under IFRS 9 for the Bank's financial assets and financial liabilities as at 1 July 2018.

Birr'000			**30-Jun-18**			
Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**Re-classification**	**Re-measurement**	**Re-measurement**
Cash and balances with banks	Loans and receivables	Amortised cost	1,307,717	-	-54	1,307,663
Loans and advances to customers	Loans and receivables	Amortised cost	3,313,952	-	-12,012	3,301,940

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Investment securities: Available for sale	Available for sale	FVOCI	15,902	-	1,462	17,364
Investment securities: Loans and receivables	Loans and receivables/Held to maturity	Amortised cost	1,379,940	-	-69	1,379,871.00
Other financial assets at amortis	Loans and receivables	Amortised cost	4,909	-	-5	4,904
Total financial			**6,022,420**	**-**	**-10,678**	**6,011,742**
Financial liabilities						
Deposits from customers	Amortised cost	Amortised cost	5,090,526	-	-	5,090,526
Other financial liabilities (including ECL on loan commitments and guarant	Amortised cost	Amortised cost	14,980	-	1,621	16,601
Total financial liabilities			**5,105,506**	**-**	**1,621**	**5,107,127**

The Bank's accounting policies on the classification of financial instruments under IFRS 9 are set out in **Note 2.1**. The application of these policies resulted in the reclassifications set out in the table above and explained below.

- On the adoption of IFRS 9, certain financial assets such as cash and cash equivalents, loans and advances to customers – both interest bearing and interest free and treasury bills and bonds (NBE bills and government bonds) were reclassified out of the loans and receivable to amortized cost. The carrying amount of those assets was adjusted so that their amortized cost under IFRS 9 was as if those assets were accounted for at amortised cost from their inception.

- 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 amortized cost under IFRS 9 was as if those assets were accounted for at amortized cost from their inception.

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- On the adoption of IFRS 9, other financial assets such accounts receivables, uncleared effects – both local and foreign and guarantee for overseas employment agencies were reclassified out of the loans and receivable to amortized cost. The carrying amount of those assets was adjusted so that their amortized cost under IFRS 9 was as if those assets were accounted for at amortized cost from their inception.

The following table summarises the impact of transition to IFRS 9 on the opening balance of the fair value reserve, regulatory risk reserve and retained ea

In Birr'000	**Impact of adopting IFRS 9 at 1 July 2018**
Fair value reserve	
Closing balance under IAS 39 (30 June 2018)	-
Reclassification of investment securities (equity) measured at cost from available-for- sale to	**1,462.00**
Related tax	**(439.00)**
Adjusted opening balance under IFRS 9 (1 July 2018)	**1,023.00**
Regulatory risk reserve (difference between IFRS and NBE provisions)	
Closing balance under IAS 39 (30 June 2018)	**31,306.00**
Recognition of expected credit losses under IFRS 9 on loans and advances to customers (on balance sheet)/(Off	**12,011.00**
Related tax	-
Adjusted opening balance under IFRS 9 (1 July 2018)	**19,294.00**
Retained earnings	
Closing balance under IAS 39 (30 June 2018)	**72,404.00**
Recognition of expected credit losses under IFRS 9 on other financial assets such as bank balances, receivables and investment securities	**(142.00)**
Related tax	-
Adjusted opening balance under IFRS 9 (1 July 2018)	**72,262.00**

4.3 Liquidity risk

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

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

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4.3.1 Management of liquidity risk

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

The Bank has incurred indebtedness in the form of borrowings. The Bank evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Bank devises strategies to manage its liquidity risk.

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

4.3.2 Financing arrangements

The Bank has access to the following undrawn borrowing facilities at the end of the reporting period:

	30 June 2019 Birr'000	1 July 2018 Birr'000
Expiring within one year (borrowings)		156,252
Expiring beyond one year (borrowings)	70,290	-
	70,290	156,252

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4.3.3 Maturity analysis of financial liabilities

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

30 June 2019	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Deposits from customers	826,049.94	1,319,667.76	1,059,307.88	1,010,565.06	1,688,355.98
Debt securities issued					
Borrowings					70,290.05
Other liabilities	34,443.69	31,648.70	34,435.63	27,425.91	37,583.87
Total financial liabilities	860,493.63	1,351,316.46	1,093,743.52	1,037,990.97	1,796,229.90

30 June 2018	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Deposits from customers	146,994	1,210,280	618,221	705,223	976,661
Debt securities issued					-
Borrowings					-
Other liabilities	42,865	85,729		8,539	8,538
Total financial liabilities	189,858.56	1,296,009.44	618,221.32	713,761.68	985,199.00

4.4 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.

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

4.4.1 Management of market risk

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

4.4.2 Management of market risk

Market risk is monitored by the risk management department on regularly, to identify any adverse movement in the underlying variables.

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(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 treasury bills, Ethiopian government bonds and cash deposits.
The table below sets out information on the exposures to fixed and variable interest instruments.

30 June 2019	Fixed Birr'000	Floating Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	339,309	41,332	1,314,028	1,694,669
Loans and receivables	-			-
Total	339,309	41,332	1,314,028	1,694,669
Liabilities				
Deposits from customers	6,299,665		1,141,476	7,441,141
Debt securities issued				-
Other liabilities			166,763	166,763
Total	6,299,665	-	1,308,240	7,607,904

30 June 2018	Fixed Birr'000	Floating Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	226,747	78,704	1,002,266	1,307,717
Loans and receivables	3,313,951			3,313,951
Total	3,540,698	78,704	1,002,266	4,621,668
Liabilities				
Deposits from customers	4,092,128		998,398	5,090,526
Debt securities issued				-
Other liabilities			128,947	128,947
Total	4,092,128	-	1,127,345	5,219,473

(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.

The total foreign currency denominated assets and liabilities exposed to risk as at year end is shown below.

Foreign currency denominated balances

	30 June 2019 Birr'000	1 July 2018 Birr'000
Cash and bank balances	44,582	79,613
Deposit from customers	265,298	217,446

4.5 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.

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4.6.1 Capital adequacy ratio

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

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. Capital includes capital contribution, retained earnings, legal reserve and other reserves .

	30 June 2019 Birr'000	1 July 2018 Birr'000
Capital		
Capital contribution	1,193,756	971,011
Retained earnings	133,368	72,404
Legal reserve	153,981	104,884
	1,481,105	1,148,299
Risk weighted assets		
Risk weighted balance for on-balance sheet items	6,134,290	4,117,180
Credit equivalents for off-balance sheet items	1,445,130	1,183,960
	9,060,525	5,301,140
Risk-weighted Capital Adequacy Ratio (CAR)	**16%**	**22%**
Minimum required capital	**8%**	**8%**
Excess	**8%**	**14%**

4.6 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.

4.6.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input 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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4.6.2 Financial instruments not measured at fair value - Fair value hierarchy

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

30 June 2019	Carrying amount Birr'000	Fair value Birr'000
Financial assets		
Cash and balances with banks	1,694,669	1,694,669
Loans and receivables	5,093,548	5,093,548
Investment securities	1,923,928	1,923,928
Total	8,712,145.39	8,712,145
Financial liabilities		
Deposits from customers	7,441,141	7,441,141
Borrowings	70,290	70,290
Other liabilities	166,763	166,763
Total	7,678,194	7,678,194

30 June 2018	Carrying amount Birr'000	Fair value Birr'000
Financial assets		
Cash and balances with banks	1,307,717	1,307,717
Loans and receivables	3,313,951	3,313,951
Investment securities	1,395,842	1,395,842
Total	6,017,510	6,017,510
Financial liabilities		
Deposits from customers	5,090,526	5,090,526
Debt securities issued		
Borrowings	17,177	17,177
Other liabilities	129,946	129,946
Total	5,237,649.00	5,237,649

Financial Instruments measured with Fair value

The Banks Equity investments in Eth Switch with a cost of 12.002 million and in United Insurance S.C with a cost of 3.9 million have been measured for Fair value.
Due to non availablity of stock market we can't measure it with a first hand information. However, the the consultants measured it some other methods and the measurement resulted in the following

As the financial report for United Insurance Company for the fiscal year ended 2019 was not ready during the evaluation time fair value of 2018 has been taken for 2019 also.

Cost	Fair value Measurement 2018	Fair Value Measurement 2019	Company Name	
3,900,000.00	**7,597,326.00**	**7,597,326.00**	United Insurance Company	
12,002,000.00	9,766,765.00	20,777,244.00	Eth Switch	

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		30 June 2019 Birr'000	30 June 2018 Birr'000
5	**Interest income**		
	Interest on term loans	507,652	332,958
	Interest on import and export facilities	46	972
	Interest on overdraft	137,330	105,433
	Interest on deposits with domestic banks	43,085	14,362
	Interest on NBE bills	53,661	35,246
	Interest earned on correspondents	1,054	638
		742,829	489,608

		30 June 2019 Birr'000	30 June 2018 Birr'000
6	**Interest expense**		
	Interest on certificate of deposits	(285,585)	(106,725)
	Interest on customer savings	(195,539)	(205,418)
	Interest on Borrowing	(2,259)	0
		(483,384)	(312,143)

		30 June 2019 Birr'000	30 June 2018 Birr'000
7	**Net fees and commission income**		
	Fee and commission income		
	Financial guarantee contracts issued	137,349	149,966
	Commission on letters of credit	29,093	35,052
	Cashier payment order	357	327
	Commission on managed funds	2,835	118
		169,633	185,463
	Fee and commission expense		
			-
	Net fees and commission income	169,633	185,463

		30 June 2019 Birr'000	30 June 2018 Birr'000
8	**Other operating income**		
	Net gain on foreign exchange	-	10,142
	Service charge	59,239	61,079
	Other income	8,759	3,058
	Correspondent charges	478	449
	Dividend income	1,153	616
	Postage and processing fees	7	8
	Swift charges	462	242
	Penalty Charge Income	97	597
		70,196	76,190

			30 June 2019 Birr'000	30 June 2018 Birr'000
9	**Loan impairment charge**			
	Loans and receivables - charge for the year	Note 15(a)	(6,722)	(5,128)
	Loans and receivables - reversal of provision	Note 15(a)		-
			(6,722)	(5,128)

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			Birr'000	Birr'000
10	**Impairment losses on other assets**			
	Other assets - charge for the year	Note 17	42.20	-
	Other assets - reversal of impairment losses	Note 17		
			42.20	-

			30 June 2019 Birr'000	30 June 2018 Birr'000
11	**Personnel expenses**			
	Short term employee benefits :			
	Salaries and wages		(90,590)	(72,522)
	Staff allowances		(11,529)	(9,595)
	Overtime		(526)	(404)
	Bonus		(14,531)	(15,094)
	Pension costs – Defined contribution plan		(8,266)	(8,569)
	Other staff expenses		(18,749)	(11,001)
			(144,191)	(117,185)
	Long term employee benefits :			
	Pension costs - Defined benefit plans		(2,128)	(1,011)
			(2,128)	(1,011)
			(146,319)	(118,196)

			30 June 2019 Birr'000	30 June 2018 Birr'000
12	**Other operating expenses**			
	Rental expenses		(40,432)	(35,652)
	Office supplies and sundry		(5,621)	(7,102)
	Advertisement and Publicity		(4,935)	(4,541)
	Commissions		(3,836)	(5,278)
	Electricity, telephone and internet		(5,518)	(5,439)
	Travelling expenses		(10)	(635)
	Repairs and maintenance		(5,857)	(4,584)
	Event organization expense		(1,515)	(1,399)
	Fuel and lubricants		(2,372)	(2,133)
	Per diem administration		(1,107)	(348)
	Represenation allowance		(1,309)	(1,206)
	Insurance		(1,134)	(1,195)
	Legal and professional fees		(5,027)	(3,642)
	Entertainment		(987)	(925)
	Director fees		(1,331)	(836)
	Correspondent costs		(425)	(514)
	Bank charges		(626)	(484)
	Subscription and Publication		(71)	(222)
	Wages for non employees		(221)	(221)
	Women loan expense		(594)	(402)
	Audit fees		(213)	(184)
	Donations		(500)	(206)
	Postage and stamps		(56)	(40)
	Security expenses		(3,964)	(4)
	Net loss on foreign exchange		(3,488)	-
			(91,148)	(77,193)

			30 June 2019 Birr'000	30 June 2018 Birr'000
13	**Company income and deferred tax**			
13a	**Current income tax**			
	Company income tax		38,432	48,121
	Prior year (over)/under provision			-

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Notes to the financial statements

Deferred income tax/(credit) to profit or loss	(8,598)	9,529
Total charge to profit or loss	**29,835**	**57,650**
Tax (credit) on other comprehensive income	2,814	(878)
Total tax in statement of comprehensive income	**32,649**	**56,772**

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13b Reconciliation of effective tax to statutory tax

differs from the theoretical amount that would arise using the statutory income tax

	30 June 2019 Birr'000	30 June 2018 Birr'000
Profit before tax	231,453	215,648
Add:Disallowed expenses		
Donation	500	206
Deffered expense		76
Entertaiment	987	925
Severance pay temporary difference	2,128	1,011
Provision for loans and advances as per IFRS	6,722	5,129
Deprciation for accounting purpose	17,914	16,385
Amortization for accounting purpose	5,674	5,690
Other Provision Other Asset	42	
Total disallowable expenses	**33,967**	**29,422**
Less: Allowable expenses		
Deprciation for tax purpose	26,573	24,216
Interest income on deposit with other bank	43,085	35,246
Interset income on NBE Bills	53,661	14,362
Provision for loans and advances for tax NBE 80%	12,840	10,228
Dividend taxed at source	1,153	616
Total allowable expenses	137,312	84,668
Taxable profit	128,108	160,402
Current tax at 30%	38,432	48,121

13c Current income tax liability

	30 June 2019 Birr'000	30 June 2018 Birr'000
Balance at the beginning of the year	(35,998)	(15,106)
Current year provision	(38,432)	(48,121)
WHT Notes utilised	-	1
Payment during the year	35,998	27,228
Balance at the end of the year	- (38,432)	(35,998)

13d Deferred income tax

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
Deferred tax liabilities	(10,110)	(15,455)
	- (10,110)	(15,455)

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13e 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 2018 Birr'000	Credit/ (charge) to P/L Birr'000	Effect of opening balance restatement Birr'000	Credit/ (charge) to equity Birr'000	30 June 2019 Birr'000
Property, plant and equipment	(17,369)	8,008	-		(9,361)
Post employment benefit obligation	1,914	590	-	489	2,993
Equity Securities	-	-	(439)	(3,303)	(3,742)
Total deferred tax assets/(liabilities)	(15,455)	8,598	(439)	(2,814)	(10,110)

14 Cash and balances with banks

		30 June 2019 Birr'000	30 June 2018 Birr'000
Cash in hand		339,309	226,866
Balance held with National Bank of Ethiopia		514,196	775,399
Deposits with local banks		799,832	226,747
Deposits with foreign banks		41,332	78,704
	-	1,694,669	1,307,717

Maturity analysis

		30 June 2019 Birr'000	30 June 2018 Birr'000
Current		1,379,669	1,072,717
Non-Current		315,000	235,000
	-	1,694,669	1,307,717

Cash and cash equivalents in the statement of cash flows are the same as on the statement of

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		30 June 2019 Birr'000	30 June 2018 Birr'000
15 Loans and receivables			
Agriculture		38,314	15,391
Industry		839,707	560,660
Construction		1,025,503	659,710
Domestic Trade and Services		850,062	598,920
Personal loans		25,350	20,731
Export		1,066,573	623,975
Import		889,838	614,793
Transportation		298,566	185,174
Emergency Staff Loan		18,724	17,484
Staff Residential Loan		78,425	35,489
Staff Vehicle Loan		1,856	2,260
Hotel			-1
Gross amount	-	5,132,917	3,334,586
Less: Impairment allowance (note 16a)		39,369	20,635
Specific impairment			
Collective impairment			
	-	5,093,548	3,313,951

		30 June 2018 Birr'000	30 June 2017 Birr'000
17 Investment securities			
FVOCI			
Equity Investments		28,375	15,902
	-	28,375	15,902
Amortized cost			
NBE bills		1,923,928	1,379,940
Gross amount	-	1,923,928	1,379,940
Less individual allowance for impairment			-
	-	1,952,303	1,395,842

Maturity analysis		30 June 2019 Birr'000	30 June 2018 Birr'000
Current		214,874	126,743
Non-Current		1,737,429	1,269,099
	-	1,952,303	1,395,842

The Bank hold equity investments in Eth-switch of 5.55% (of the subscribed capital of the investee as of June 30, 2019) and United Insurance Share Company of 1.2% (30 June 2019 of the total subscribed capital of the investee). These investments are unquoted equity securities measured at fair value.

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		30 June 2019 Birr'000	30 June 2018 Birr'000
18 Other assets			
Financial assets			
Items in course of collection		692	12,285
Uncleared effects		20,257	4,909
	-	20,949	17,194
Non-financial assets			
Prepaid staff benefit		4,119	18,736
Prepaid Assets Women loans benefit		701	889
Deposit and Prepayments		132,822	135,150
Sundry receivables		138,708	137,547
Inventory and office supplies		3,680	2,828
			-
	-	280,029	295,149
Less :			
Impairment allowance on other assets	-	282	-
Gross amount	-	**300,696**	**312,343**

Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	300,696	312,343
Non-Current	-	-
-	300,696	312,343

18a Impairment allowance on other assets

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

		30 June 2019 Birr'000	30 June 2018 Birr'000
Balance at the beginning of the year			
(Reversal)/charge for the year (note 10)		282	-
Balance at the end of the year	-	282	-

18b Inventory

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

		30 June 2019 Birr'000	30 June 2018 Birr'000
Stationary stock account		1,028	957
Other stock		977	834
Stock accounts		606	497
Uniform stock		420	259
Cheque book stock		611	280
Revenue stamp loans		9	-
Revenue stamp accounts		0	-
ATM Debit Card (ENAT Card)		-	-
		29	-
	-	3,680	2,828

Enat Bank Share Company

Interim financial statements

For the Period Ended 30 June 2019

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19 Intangible Assets

	Purchased software Birr'000
Cost:	
As at 1 July 2018	33,749
Acquisitions	282
Reclassifications	
As at 30 June 2019	34,031
Accumulated amortisation and impairment losses	
As at 1 July 2018	(14,162)
Amortisation for the year	(5,674)
Impairment losses	
As at 30 June 2019	(19,836)
Net book value	
As at 30 June 2018	14,195

Enat Bank Share Company

Interim financial statements
For the Period Ended 30 June 2019
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		Motor vehicles	Premises	Office and other equipment	Furniture and fittings	Computer and accessories	Total
		Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
20	**Property, plant and equipment**						
	Cost:						
	As at 1 July 2018	**40,487**	31,673	**28,503**	**35,251**	**32,725**	**168,639**
	Additions	4,621	-	7,690	5,146	11,331	**28,788**
	Disposals			(263.09)	(16.95)	(199.31)	**(479)**
	Reclassification			111	(142)	30	**(1)**
	As at 30 June 2019	**45,108**	**31,673**	**36,041**	**40,238**	**43,887**	**196,947**
							-
	Accumulated depreciation						
	As at 1 July 2018	**11,692**	**238**	**10,717**	**9,613**	**12,169**	44,429
	Charge for the year	4,009	602	**4,373**	**3,702**	5,229	17,914
	Disposals			(211.26)	(7.72)	(195.16)	(414)
	Reclassification			(47.00)	(13.00)	61.00	
	As at 30 June 2019	15,701	840	14,832	13,294	17,264	**61,930**
							-
	Net book value						
	As at 30 June 2019	**29,408**	**30,833**	**21,209**	**26,944**	**26,623**	**135,017**

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		30 June 2019 Birr'000	30 June 2018 Birr'000
21	**Assets held for sale**		
	Balance as at the beginning of the year	8,725	-
	Transfer from property, plant and equipment		8,725
	Addition	2,394	
	Disposals		-
	Fair value gain/(loss) on assets held for sale		
	Balance at the end of the year -	11,119	8,725

Enat bank took over collateral of some customers and these were recorded in the books as Assets classified as held for sale as the Bank had no intention to make use of the property for administrative use. Management initiated a plan to dispose of these assets to willing buyers and expects to have completed the transaction before the end of the next financial period.

These assets have been valued by in-house engineers responsible for collateral valuation using the market approach determined using Level 3 inputs.

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

		30 June 2019 Birr'000	30 June 2018 Birr'000
22	**Deposits from customers**		
	Demand deposits	818,607	884,277
	Savings deposits	3,441,388	2,138,144
	Time deposits	2,858,277	1,953,984
	Retentions payable on letters of credit	322,869	114,121
	-	7,441,141	5,090,526

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		30 June 2019 Birr'000	30 June 2018 Birr'000
23	**Other liabilities**		
	Financial liabilities		
	Unearned Income	5,287	14,796
	Audit fee	213	184
	Borrowing	70,290	17,077
	-	**75,790**	**32,057**
	Non-financial liabilities		
	Other payable	73,648	95,565
	Blocked current account	4,831	2,122
	Tax payable	3,280	1,984
	Sales tax on interest paid	1,014	928
	VAT Payable	421	383
	Dividend payable	-	503
	Defined contribution liabilities	1,114	857
	Payable to withdrawing shareholders	-	-
	Witholding tax payable	114	185
	Graduate Tax	31	41
	Incoming 205 Payable	-	57
	Capital gain tax	-	4
	Director fees payable	8	1,100
	Leave days accrual	6,492	9,727
	Stamp duty payables	-	1,610
	-	90,951	115,067
	Gross amount -	**166,741**	**147,123**

Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	96,451	130,046
Non-Current	70,290	17,077
-	166,741	147,123

Enat Bank Share Company

Interim financial statements
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		30 June 2019 Birr'000	30 June 2018 Birr'000
24	**Retirement benefit obligations**		
	Defined benefits liabilities:		
	Severance pay Note 26(a)	9,975	6380
	Liability in the statement of financial position	**9,975**	**6,380**
	Income statement charge included in personnel expenses:		
	Severance costs Note 26(a)	1,965	1,011
	Total defined benefit expenses	**1,965**	**1,011**
	Remeasurements for:		
	Remeasurement (gains)/losses Note 26(a)	(1,630)	(2,926)
	Deffered tax liablity (asset)/ on emeasurement (gains)/losses	489	878
`		**(1,141)**	**(2,048)**

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

Maturity analysis		30 June 2019 Birr'000	30 June 2018 Birr'000
Current			
Non-Current	-	9,975	6,380
	-	9,975	6,380

24a Severance pay

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

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

		30 June 2019 Birr'000	30 June 2018 Birr'000
A	**Liability recognised in the financial position**	9,975	6,380

		30 June 2019 Birr'000	30 June 2018 Birr'000
B	**Amount recognised in the profit or loss**		
	Current service cost	1,180	574
	Interest cost	948	437
		2,128	1,011

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24 Retirement benefit obligations (Contd)

C Amount recognised in other comprehensive income:

Remeasurement (gains)/losses arising from changes in demographic assumptions		-
Remeasurement (gains)/losses arising from changes in the financial assumptions	866	1,956
Remeasurement (gains)/losses arising from loss experience	764	970
-	1,630	2,926

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
At the beginning of the year	6,380	2,549
Current service cost	1,180	574
Interest cost	948	437
Remeasurement (gains)/ losses	1,630	2,926
Benefits paid	(163)	-106
At the end of the year -	9,975	6,380

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2019 Birr'000	30 June 2018 Birr'000
Discount rate (p.a)	11.75%	12.68%
Long term salary Increase rate (p.a)	12.00%	12.00%

ii) Mortality in Service

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

Age	Mortality rate Male	Female
20-24	0.00306	0.00223
25-29	0.00303	0.00228
30-34	0.00355	0.00314
35-39	0.00405	0.00279
40-44	0.00515	0.00319
45-49	0.00450	0.00428
50-54	0.00628	0.00628
55-59	0.00979	0.00979
60-64	0.01536	0.01536

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24 Retirement benefit obligations (Contd)

iii) Withdrawal from Service

The withdrawal rates are as summarised below :

Age	Resignation rates per annum
Less than 20	0.00%
21-25	5.40%
26-30	2.91%
31-35	3.43%
36-40	4.51%
Above 41	5.17%

The sensitivity of the overall defined benefit liability to changes in the weighted principal assumption is:

		Impact on defined benefit obligation			
		30 June 2019			
	Change in assumption	DBO Impact of an increase Birr'000	DBOImpact of a decrease Birr'000	Service Cost Impact of an increase Birr'000	Service Cost Impact of a decrease Birr'000
Discount rate	1%	9,000	11,066	1,487	1,828
Salary Increase rate	1%	11,054	8,994	1,826	1,486
		30 June 2018			
Discount rate	0.5%	(312,121)	(58,491)		
Salary Increase rate	0.5%	334,118	61,820		

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 2019 Birr'000	30 June 2018 Birr'000
25 Ordinary share capital		
Authorised:		
Ordinary shares of Birr 1000 each	1,193,756	971,011
Issued and fully paid:		
Ordinary shares of Birr 1,000 each	1,193,756	971,011

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
Profit attriutable to shareholders	201,619	158,875
Weighted average number of ordinary shares in issue	1,092	865
Basic and diluted earnings per share (Birr)	185	184

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		30 June 2019 Birr'000	30 June 2018 Birr'000
26	**Retained earnings**		
	At the beginning of the year	72,404	38,887
	Profit/ (Loss) for the year	201,619	158,875
	Transfer to legal reserve	(50,405)	(39,719)
	Transfer to special reserve	(2,172)	(3,322)
	Transfer to regulatory reserve	(9,328)	(9,837)
	Dividend provided for	(70,232)	(71,380)
	Directors share on profit	(1,093)	(1,100)
	Prior period djustment	(143)	
	At the end of the year	140,651	72,404

		30 June 2019 Birr'000	30 June 2018 Birr'000
27	**Legal reserve**		
	At the beginning of the year	104,884	65,165
	Transfer from profit or loss	50,405	39,719
	At the end of the year	155,289	104,884

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

		30 June 2019 Birr'000	30 June 2018 Birr'000
28	**Regulatory risk reserve**		
	At the beginning of the year	31,305	21,468
	Transfer (from) / to retained earnings	9,328	9,837
	Effect of IFRS 9 adjustment for 2018	-12,012	
	At the end of the year	28,621	31,305

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

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is higher than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the Bank.

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is less than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred from regulatory risk reserve to the retained earning to the extent of the non-distributable reserve previously recognised.

		30 June 2019 Birr'000	30 June 2018 Birr'000
29	**Special reserve**		
	At the beginning of the year	9,245	5,923
	Transfer (from) / to retained earnings	2,172	3,322
	Dividend tax paid on last year reserve	-217	-
	At the end of the year	11,200	9,245

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For the Period Ended 30 June 2019

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		Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
30	**Cash generated from operating activities**			
	Profit before tax		231,453	216,524
	Adjustments for non-cash items:			
	Depreciation of property, plant and equipment	20	17,914	16,385
	Amortisation of intangible assets	19	5,674	5,691
	Gain/(Loss) on disposal of property, plant and equipment	20	65	-
	Impairment on loans and receivables	15	6,722	5,128
	Retireent Benefit liability	18	2,128	1,011
	Severance Paid	24		(106)
	Provision on other asset		97	
	Net gain or loss on foreign exchange	8	3,488	(10,142)
	Change in working capital			
	-Decrease/ (Increase) in loans and advances to customer	15	(1,798,331)	(868,595)
	-Decrease/ (Increase) in other asset	18	11,551	(79,090)
	-Decrease/ (Increase) in other liablities	23	19,455	43,369
	-Decrease/ (Increase) in deposits from customer	22	2,350,615	1,238,518
			850,831	568,693

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
Proceeds on disposal	479	3
Net book value of property, plant and equipment disposed (Note	414	2
Gain/(loss) on sale of property, plant and equipment	65	1

Enat Bank Share Company

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31 Related party transactions

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

	30 June 2019 Birr'000	30 June Birr'000
31a Transactions with related parties		
Loans disbursed to :		
Vice president - Operations	1,447	4,252
Vice President - Corporate services	2,195	
	3,642	4,252

31b Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2019.

	30 June 2019 Birr'000	1 July 2018 Birr'000
Salaries and other short-term employee benefits	3,011	2,509
Post-employment benefits	331	176
Termination benefits		-
Sitting allowance (Representation Allowance)	156	156
Other expenses (Provident fund contribution)	60	48
	3,342	2,685

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

32 Directors and employees

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

	30 June 2019 Number	1 July 2018 Number
Professionals and High Level Supervisors	78	63
Semi-professional, Administrative and Clerical	416	411
Technician and Skilled	46	21
	540	495

ii) The table below shows the number of employees (excluding directors), who earned over Birr 10,000 as emoluments in the year and were within the bands stated.

	30 June 2019 Birr'000	1 July 2018 Birr'000
10,000 - 30,000	285	208
30,001 - 50,000	26	5
50,001 - 100,000	7	3
Above 100,000		-
	318	216

Enat Bank Share Company

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33 Contingent liabilities

33a Claims and litigation

The Bank has no contingent liabilities as at the date of this report. (30 June 2019)

33b Guarantees and letters of credit

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

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

	30 June 2019 Birr'000	1 July 2018 Birr'000
Financial guarantees		
Performance guarantees	2,653,732	2,122,436
Letters of credit	204,750	223,077
	2,858,482	2,345,513

34 Commitments

The Bank has commitments, not provided for in these financial statements being unutilised facilities.

	30 June 2019 Birr'000	1 July 2018 Birr'000
Loans approved but not disbused	-	-
Unutilized facilities	154,638	156,252
	154,638	156,252

35 Operating lease commitments - Bank as lessee

The Bank leases various properties under non-cancellable operating lease agreements. The lease terms are between one and five years, and majority of these lease agreements are renewable at the end of the each lease period at market rate.
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2019 Birr'000	1 July 2018 Birr'000
Not later than 1 year	3,420	49,229
Later than 1 years but not later than 5 years	106,839	74,875
Later than 5 years	-	-
Total	110,259	124,104

36 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Bank as at 30 June 2018 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.


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ከጊዜዎ ጋር ይጓዙ
ደ እናት?

የዳይሬክተሮች ቦርድ መልዕክት

ውደ ባለአክሲዮኖች፣

በ2011 ዓም የአገራችን የኤኮኖሚ ዕድገት ከሁለት አኃዝ በታች መሆኑና ከፍተኛ የዋጋ ንረት መመዝገቡ በሥራችን ላይ ተፅዕኖ ፈጥሯል፡፡ በተለይም የአገሪቱ የወጪ ንግድ በከፍተኛ ደረጃ በማሽቆልቆሉ ምክንያት የውጭ ምንዛሪ የማሠባሠብ ጥረታችን ላይ አሉታዊ ተፅዕኖ አሳድሯል፡፡

ይሁን እንጂ ከውጭ ምንዛሪ የሚገኘውን ጥቅም በሌሎች ትርፋማ ሥራዎች በማካካስና በጎ አጋጣሚዎችን በመጠቀም ባንካችንን ትርፋማ ለማድረግ ችለናል፡፡ በዚህ ዓመት ተቀማጭ ገንዘብን በከፍተኛ ደረጃ በማሰባሰብና ብድር በመስጠት የትርፋችን ምንጭ አስተማማኝ እንዲሆን አድርገናል፡፡ በ2011 በጀት ዓመት ባንካችን ያስመዘገበው ትርፍ ከግብር በኋላ ብር 202 ሚሊየን ሲሆን ከዓምናው ተመሳሳይ ወቅት ጋር ሲነፃፀር የ 27 በመቶ ጭማሪ አሣይቷል የገቢያችን 76 በመቶ ከብድር የተገኘ ወለድ ሲሆን ይህም በበጀት ዓመቱ መሠረታዊው የባንክ ሥራ ላይ አተኩረን መሥራታችንን ያመለክታል፡፡

ለወደፊቱም ባንካችንን ስኬታማ ለማድረግ አዲስ የአምስት ዓመት ስልት (ስትራቴጂ) ነድፈናል፡፡ ከዚሁ ጋር በተያያዘ በ2021 ዓ.ም. በሴቶች ላይ በምንሠራው ስኬታማ ሥራ ላይ በመንተራስ እናት ባንክን በአገራችን ተመራጭ ባንክ ለማድረግ ራዕይ ሰንቀን ተነስተናል፡፡ ይህ ራዕይ ለወደፊቱ ባንካችንን በዓለም አቀፍ ደረጃ የታወቀ

ባንክ ለማድረግ ለምናደርገው ጥረት እንደ ዕርካብና መስፈንጠሪያ የሚያገለግል ነው፡፡

ተደራሽነትን ለማስፋት የምናደርገው ጥረት አሁንም ፅኑ ነው፡፡ በተለያዩ የክልል ከተሞችና አዋጭ ቦታዎችን በመምረጥ ቅርንጫፎችን በመክፈት ላይ እንገኛለን፡፡ ባሁኑ ሰዓት በተለያዩ ከተሞችና ክልሎች ውስጥ ቀልጣፋ አገልግሎት የሚሰጡ 45 ቅርንጫፎች አሉን፡፡ ከዚህም በላይ ዘመናዊ ቴክኖሎጂን በተግባር ላይ በማዋል በእጅ ስልክ አማካይነት የባንክ አገልግሎት ለሁሉም እንዲዳረስ ለማድረግ በመሥራት ላይ እንገኛለን፡፡ በቅርቡም ተግባር ላይ ይውላል፡፡

አሁንም በድጋሚ ልናረጋግጥላቸው የምንወደው ነገር ቢኖር የባንካችንን የአጭር ጊዜ ራዕይ ለማሳካት ማንኛውንም ጥረት እናደርጋለን፡፡ ባንካችን ለዕድገት ትልቅ ተስፋ ያለው ባንክ ነው፡፡ ከዚህም በላይ ባለአክሲዮኖቻችን፣ ባለድርሻዎችና ደንበኞቻችን በኛ ላይ ያላቸው ዕምነትና ከኛ ጋር ለመሥራት ያላቸው ቁርጠኝነት ለስኬታችን ዋናው መሠረት ነው፡፡

በመጨረሻም ባለአክሲዮኖቻችን እና ለባለድርሻዎቻችን እንዲሁም ለደንበኞቻችን ከልብ የመነጨ ምስጋናዬን ለማቅረብ እወዳለሁ፡፡ ባንካችን ስኬታማ ለማድረግ ጊዜና ቦታ ሣይወስናቸው ቀንና ከሌሊት ለሚተጉ ሠራኞቻችንም እንዲሁ የከበረ ምስጋናዬን አቀርባለሁ፡፡ በመጨረሻም ባንካችን ህጋዊነት ተከትሎ እንዲሠራ የቅርብ ክትትል ለሚያደርግልን የብሔራዊ ባንክ ታላቅ ምስጋና ለማቅረብ እወዳለሁ፡፡

ሐና ጥላሁን

የቦርድ ሰብሳቢ

የባንኩ ፕሬዚደንት መልዕክት

የባንካችንን 2011 ዓ.ም የበጀት ዓመት የሥራ አፈፃፀም ሪፖርት በራሴና በባንካችን አስተዳደር ስም ሳቀርብ ታላቅ ክብር ይሠማኛል፡፡

ምንም እንኳን በበጀት ዓመቱ ከመልካም አጋጣሚዎች በላይ የአስጊ ሁኔታዎች ተፅዕኖ ያመዘነ ቢሆንም ባንካችን አሁንም በትርፋማነቱ ቀጥሏል፡፡ ትርፋችን ከቀረጥ በኋላ ብር 202 ሚሊየን ሲሆን ይህም ከዓምናው ተመሣሣይ ወቅት ጋር ሲነፃፀር የ 27 በመቶ ዕድገት አሣይቷል፡፡ ጠቅላላ ገቢያችን ብር 982 ሚሊየን ሲሆን ከዚህ ውስጥ 76 በመቶ ከወለድ የተገኘ ነው፡፡

ተቀማጭ ሂሳብን ከማሰባሰብ አንፃር በተሠራው ሥራ የባንካችን የተቀማጭ ሂሳብ ድምር ብር 7.1 ቢሊየን የደረሰ ሲሆን ከዓምናው ተመሣሣ ወቅት ጋር ሲነፃፀር 43 በመቶ ዕድገት አሣይቷል፡፡ የተቀማጭ ሂሳብ ማሳበሰብ ዋና ዓላማ ጥሩ ብድሮችን በመስጠት ባንኩን ትርፋማ ማድረግ ነው፡፡ ከዚህ አንፃር በበጀት ዓመቱ በተለያየ ሥራ ላይ ለተሠማሩ ግለሰቦችና ድርጅቶች የተሰጠ የብድር መጠን ብር 5.1 ቢሊየን ደርሷል፡፡ ይህም ካምናው ተመሣሣይ ወቅት ጋር ሲነፃፀር 55 በመቶ ዕድገት አሳይቷል፡፡

ምንም እንኳን የቤት ኪራይ ውድነት ቅርንጫፍ የማስፋፋት ሥራችን ላይ አሉታዊ ተፅዕኖ ቢያሳድርም በበጀት ዓመቱ 45 ቅርንጫፎች ተከፍተው በተለያዩ የአገሪቱ ክልሎች አገልግሎት ሲሰጡ ቆይተዋል:: ይህን ተከትሎ የአስቀማጭና የተበዳሪ

ደንበኛ ቁጥር ጨምሯል፡፡ በሚቀጥለው የበጀት ዓመትም የቅርንጫፋችን ብዛት ወደ 70 ከፍ ለማድረግ ዕቅድ ይዘናል፡፡

በሌላ በኩል ቴክኖሎጂን ማዕከል ያደረገ የባንክ ሥራ ለመጀመር በዝግጅት ላይ ነን፡፡ ባሁኑ ሰዓት በተንቀሳቃሽ ስልክና በኢንተርኔት የባንክን አገልግሎት ለመስጠት ፕሮጀክት ቀርፀን ሥራ እየሰራን ነው፡፡ በሚቀጥሉት ሦስትና አራት ወራት ውስጥ ሙሉ በሙሉ ሥራውም ይጀመራል፡፡

ወድ ባለአክሲዮኖቻችን፡ ከዘላቂ ጥቅም አንፃር የባንካችንን ካፒታል ለማሳደግ በቁርጠኝነት እየሠራን ነው፡፡

የካፒታል ዕድገት ባንካችንን ጠንካራ የካፒታል መሠረት ላይ የሚያስቀምጥ እና ባለአክሲዮኖቻችን ዘላቂ የትርፍ ተጠቃሚ የሚያደርግ መሆኑ ግንዛቤ ሊያገኝ ይገባል፡፡

በመጨረሻም አክሲዮን በመግዛት ባንኩን እውን ላደረጉ ባለአክሲዮኖች፤ጠንካራ አመራር ሲሰጡን ለነበሩ የቦርድ አባላት፣ ያለ ምንም ቅድመ ሁኔታ ከኛ ጋር በመሥራት ባንኩን ትርፋማ ላደረጉ ደንበኞቻችን፣ መልካም ሥራቸው ባንካችንን ስኬታማ ላደረገ ሠራተኞቻችንና በቅርብ ክትትል ዕገዛ ለሚያደርግል ለብሔራዊ ባንክ የላቀ ምስጋናዬን ማቅረብ እውዳለሁ::

ወንድወሰን ተሾሞ

እናት ባንክ አክሲዮን ማህበር
የሃብትና ዕዳ መግለጫ
ሰኔ 23 ቀን 2011 ዓ.ም ካለቀው ዓመት

	Notes		30 June 2019 Birr'000	30 June 2018 Birr'000
ሃብት				
በእጅ ያለ ገንዘብ እና በባንክ ያለ ተቀማጭ	14		1,694,669	1,307,717
በብድር እና ለሌሎች ተሰብሳቢዎች	15		5,093,548	3,313,951
ኢንቨስትመንት				
- የገበያ ዋጋ ልኬቱ በተጨማሪ ገቢዎች የሆነ	17		28,375	15,902
- የብሄራዊ ባንክ ቢል	17		1,923,928	1,379,940
ለሌሎች ሃብቶች	18		300,696	312,343
ህልወታዊ ግዛፈት የሌላቸው ንብረቶች	19		14,195	19,587
ቋሚ ንብረት	20		135,017	124,210
የተወረሱ ንብረቶች	21	-	11,119	8,725
ጠቅላላ ሃብት		-	**9,201,547**	**6,482,374**
ዕዳ				
የደንበኞች ተቀማጭ ገንዘብ	22		7,441,141	5,090,526
የግብር ዕዳ	13		38,432	35,998
ሌሎች ዕዳዎች	23		166,741	147,123
የሰራተኞች አገልግሎት ክፍያ ዕዳ	24		9,975	6,380
ወደፊት የሚከፈል የግብር ዕዳ	13		10,110	15,455
ጠቅላላ ዕዳ		-	**7,666,400**	**5,295,482**
ካፒታል እና መጠባበቂያ				
የተከፈለ ካፒታል	25		1,193,756	971,011
ያልተከፈለ ትርፍ	26		140,651	72,404
ህጋዊ የመጠባበቂያ ሂሳብ	27		155,289	104,884
ለኢትዮየያ ብሄራዊ ባንክ መጠባበቂያ	28		28,621	31,305
ለልዩ የመጠባበቂያ ሂሳብ	29		11,200	9,245
ለሌሎች መጠባበቂያ ሂሳብ	24		5,633	(1,957)
ጠቅላላ ካፒታል		-	1,535,149	1,186,892
ጠቅላላ ዕዳ እና ካፒታል		-	**9,201,547**	**6,482,374**

እናት ባንክ አክሲዮን ማህበር
የትርፍ እና ኪሳራ መግለጫ
ሰኔ 23 ቀን 2011 ዓ.ም ካለቀው ዓመት

	Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
ከወለድ የተገኘ ገቢ	5	742,829	489,608
የወለድ ወጪ	6	(483,384)	(312,143)
የተጣራ የወለድ ገቢ		259,445	177,465
ከአገልግሎትእና ከኮሚሽን	7	169,633	185,463
የአገልግሎት እና የኮሚሽን ወጪ	7	-	-
የተጣራ ከአገልግሎት እና ከኮሚሽን የተገኘ ገቢ		169,633	185,463
ልዩ ልዩ ገቢዎች	8	70,196	76,190
ጠቅላላ የአገልግሎት ገቢ		499,274	439,118
ለአጠራጣሪ ብድሮች መጠባበቂያ	9	(6,722)	(5,128)
ለሌሎች አጠራጣሪ ተሰብሳቢዎች መጠባበቂያ	10	(42)	-
የተጣራ የአገልግሎት ገቢ		492,509	433,990
የሰራተኛ ወጪዎች	11	(146,319)	(118,196)
ህልዎታዊ ግዝፈት የሌላቸው ቅናሽ	19	(5,674)	(5,690)
ከቋሚ ንብረት የተደረገ የዕርጅና ቅናሽ	20	(17,914)	(16,385)
ለሌሎች ወጪዎች	12	(91,148)	(77,193)
ትርፍ ከግብር በፊት		231,453	216,524
የግብር ወጪ	13	(29,835)	(57,649)
ትርፍ ከግብር በኋላ		**201,619**	**158,875**
ተጨማሪ ገቢዎች ተገቢው የግብር ዕዳ ከተቀነሰ በኋላ			
በቀጣይ ወደ ትርፍ እና ኪሳራ መግለጫ የማይዞሩ			
በሰራተኞች ጥቅማ ጥቅም ላይ በተሰላ የድጋሚ ልኬት የተገኘ ገቢ ወይም ወጪ	24	(1,630)	(2,926)
በድጋሚ ልኬቱ ላይ የተገኘ የዘገየ የታክስ ሃብት ወይም ዕዳ	13	489	878
በባንኩ ኢንቨስትመንቶች ላይ በተሰላ የገበያ ዋጋ የተገኘ ገቢ ወይም ወጪ		11,011	
በገበያ ዋጋ ላይ የተገኘ የዘገየ የታክስ ሃብት ወይም ዕዳ	13	(3,303)	
		6,567	(2,048)
የባንኩ የተጣራ ትርፍ		**208,185**	**156,824**
ባለአክሲዮኖች በአንድ አክሲዮን የሚያገኙት ትርፍ	25	185	184

S/ No.	Branch Name	Address	Phone Number
1	Etige Taitu	Head Office (Kazanchis Enat Tower)	+251 115 15 16 39
2	Nigist-Saba	Bole Medhanealem (Beza Building)	+251 116 18 04 61
3	Abebech Gobena	Megenagna (Tamegas Building)	+251 116 67 39 99
4	Derartu Tullu	Mexico (K.Kare Building)	+251 115 57 25 36
5	Sindu Gebru	Merkato (to the west of Tana Commercial Center)	+251 112 73 23 01
6	Catherin Hamlin	Meskel Flower (In front of Dandii boru School)	+251 114 70 09 33
7	Sylvia Pankhurst	Sengatera (Yobek Commercial. Center)	+251 115 57 68 03
8	Shewareged Gedle	Kality (Beside Shewa Bakery)	+251 114 71 74 55
9	Yekake Wordwot	Gojam Berenda (Beside Oil Libya)	+251 112 73 27 35
10	Mulu Emebet Emiru	Hayahulet (Beside Yohanes Kitfo)	+251 116 67 23 78/ +251 116 67 22 97
11	Fatuma Roba	Furi (Jomo II In front of NOC)	+251 118 12 28 36
12	Dinkinesh "Lucy"	WenberTera (At the back of Amede Commercial Center)	+251 112 73 47 17
13	Merry Armede	Adisu Gebeya (Beside Tsion Hotel)	+251 111 26 87 53/ +251 111 26 85 67
14	Nigist Eleni	Saris (Saris Addisu Sefer Solomon Building)	+251 114 70 88 76
15	Dr. Jember Tefera	Bole (Morning Star Mall)	+251 118 33 34 76
16	Tsion Michael Andom	Lideta (Lideta Condominium Delina tower)	+251 115 57 90 12/13
17	Arbegna Kebedech Seyoum	Gerji (Sunshine Compound)	+251 116 39 54 87/ +251 116 39 53 61
18	Sr. Zebider Zewde	Lafto (In front of Southwest School)	+251 114 71 18 06/ +251 114 71 15 72
19	Prof. Yalemtsehay Mekonen	Arat Kilo (Around Berhana Selam Printing)	+251 111 26 38 84
20	Bizunesh Bekele	Bethel (Beside Bethel Hospital)	+251 113 69 73 38
21	Dr. Widad Kidanemariam	Ayat (End of Railway Line)	+251 116 39 04 19
22	Dr. Bogalech Gebre	Imperial (Beside Zola International Hotel)	+251 116 68 43 92
23	Emahoy Zemzem Gerbi	Merkato Cinema Ras (Around Anwar Mosque)	+251 112 73 54 82
24	Tirhas Mezgebe	Gofa Sefer (Beside Down Town Hotel)	+251 114 70 22 41
25	Shambel Sister Aster Ayana	Akaki (Yeshi Total)	+251 114 71 69 07
26	Emahoy Weletemariam Gelaw	Yeka Abado (Around Meskelegna Road)	+251 118 72 33 13

27	Hawassa	Hawassa (Haik Building)	+251 462 12 30 86
28	Mekele	Mekele (Kedamay Weyane Sub City)	+251 342 41 51 95/72
29	Bahir Dar	Bahir Dar (Kebele 4 Beside Zemamnesh Building)	+251 582 26 65 59
30	Dire Dawa	Dire Dawa (Around Ruz Tera)	+251 252 11 02 96
31	Adama	Adama (Around Franko in front of BM cafe)	+251 222 12 01 76
32	Shashemene	Shashemene (Abosto Area Infront of Bekera Building)	+251 462 11 98 94
33	Adi-Haki	AdiHaki (Mekele)	+251 342 41 12 40
34	Legetafo	Legetafo (Beside CCD Homes)	+251 116 68 30 33
35	Adama Arada	Adama (Around Arada Area)	+251 222 11 48 55
36	Gonder	Gonder (Awraris Building)	+251 582 11 77 95/96
37	Shashemene (sub branch)	Shashemene (Asnakech & Belete Commercial Center)	+251 462 11 14 39
38	Debre Berhan	Debre Berhan (Nega Commercial Center)	+251 116 37 63 88
39	Mekhoni	Tigray (Haddish Abebe Building)	+251 346 64 28 35/
40	Kuriftu	Bishoftu (Kuriftu Resort)	+251 114 30 86 24
41	Yetnebersh Nigussie Branch	Jackrose(Around Meta Beer Distribution Center)	+251 116 67 19 78 +251 116 67 16 97
42	Emahoy Tsegue Mariam Gebru	Haile Garment(Adjacent to TOTAL GAS Station)	+251 118 72 33 56
43	Zewdie Abegaz	Atkilt Tera(Piazza, adjacent to Keliffa Building)	+251 111 26 73 47 +251 112 26 78 14
44	Sister Berkenesh Kebede	Bole Bulbula (around Medhanialem Church)	+251 114 71 40 01 +251 114 71 48 19
45	Dire Dawa Sabian	Dire Dawa Sabian (around Dire Mall)	+251 024 11 53 85/86
46	Adigrat	Adigrat (around bus terminal , adjacent to Electric Power office)	+251 342 45 73 96 +251 342 45 05 40
47	Humera	Humera (around Abinet , infront of Kebron Hotel)	+251 342 48 59 58
48	Togowuchale	Togowuchale (on the way to Rayan Hotel)	+251 258 82 03 11 +251 258 82 05 21

ENAT BANK

የነገ ፍሬዎች

በእናት የልጆች ቁጠባ ሂሳብ በተሻለ ወለድ ለልጅዎ ዛሬ መቆጠብ ይጀምሩ!!