DEVELOPMENT BANK OF ETHIOPIA

Annual Report

2020/21

Contents

Development Bank of Ethiopia

VISION

To be a world class development bank that helps to achieve Ethiopia's economic transformation vision by 2030.

MISSION

Development Bank of Ethiopia is a specialized financial institution established to promote the national development agenda through development finance and close technical support to viable projects from the priority areas of the government by mobilizing fund from domestic and foreign sources while ensuring its sustainability.

The Bank earnestly believes that these highly valued objectives can best be served through continuous capacity building, customer focus and concern to the wider environment.

VALUES

- Commitment to mission
- Customer focus
- Integrity
- Team work
- High value to employees
- Learning organization
- Concern to the environment

Credit Products and Services of DBE

- Long-term loan
- Medium-term loan
- Working capital loan for DBE financed projects
- Lease financing
- Co-financing or syndicate financing
- Guarantee services
- Managed funds

Annual Report

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Ownership and Governance

Development Bank of Ethiopia is a specialized state-owned development financial institution established in 1909.

- Mandate

The current mandate of the Bank is the provision of development credit to viable priority projects along with technical support through mobilizing resources from domestic and foreign sources.
Priority areas of the Bank are:

- Commercial agriculture projects,
- Agro-processing industries,
- Manufacturing,
- Mining and extractive industries, and
- Lease financing service for Small and Medium Enterprises.

- Capital of the Bank

Paid-up capital of the Bank as of June 30, 2021 stood at birr 32 billion. This is mainly due to the approved paid-up of birr 21 billion capital injection.

- Governance and Organizational Structure

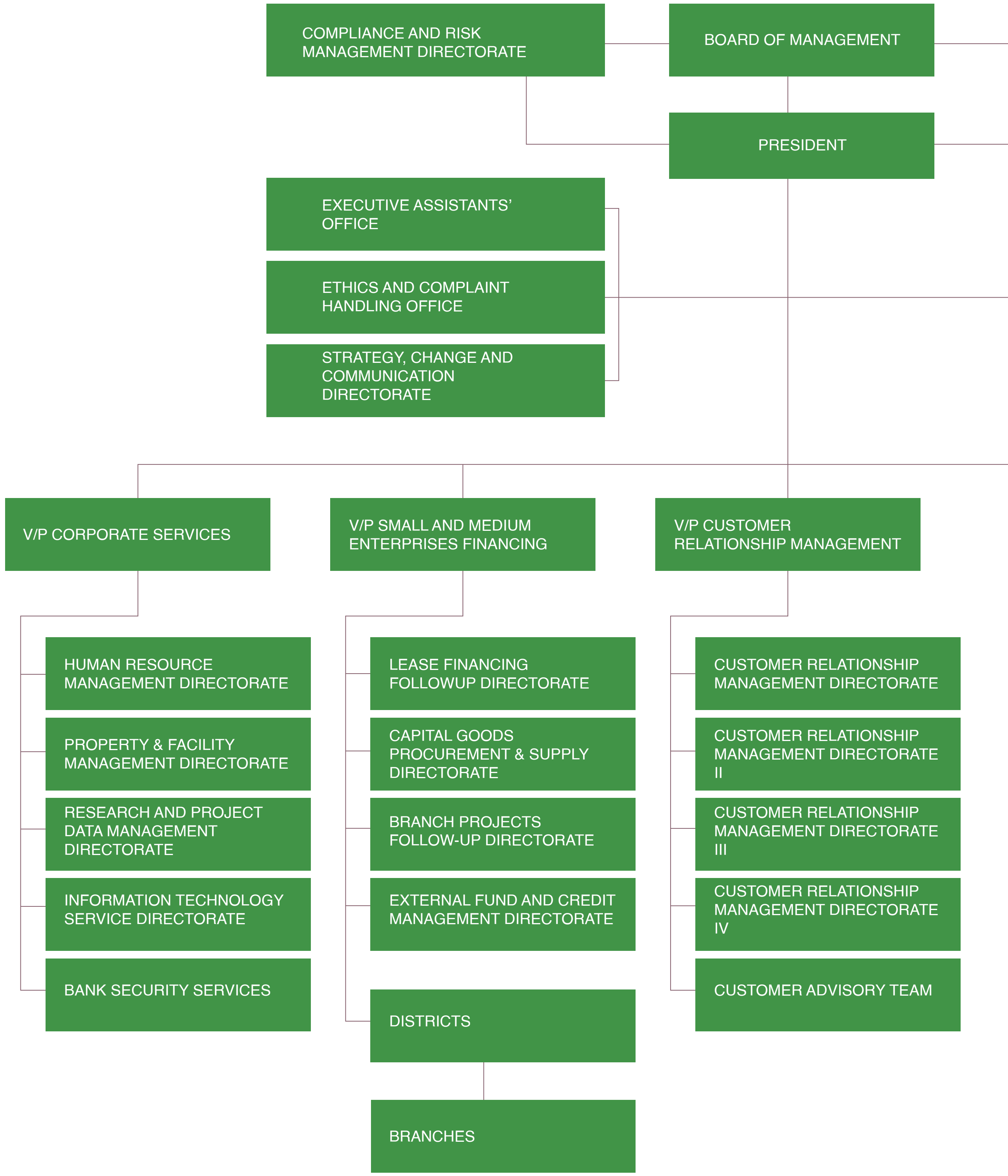
Development Bank of Ethiopia (DBE) is a specialized state-owned development financial institution, which is supervised by the Public Enterprises Holding and Administration. A Board of Management (BOM) consisting of ten senior government officials oversee, direct and control the Bank. The President of the Bank also attends the regular meetings of the BOM as a non-voting member. The two top bodies (Public Enterprises Holding and Administration Agency (PEHAA) and BOM are, among others, responsible for issuing major policies of the Bank, approval of its strategic and operational plans as well as the close and regular monitoring of the Bank's operations.

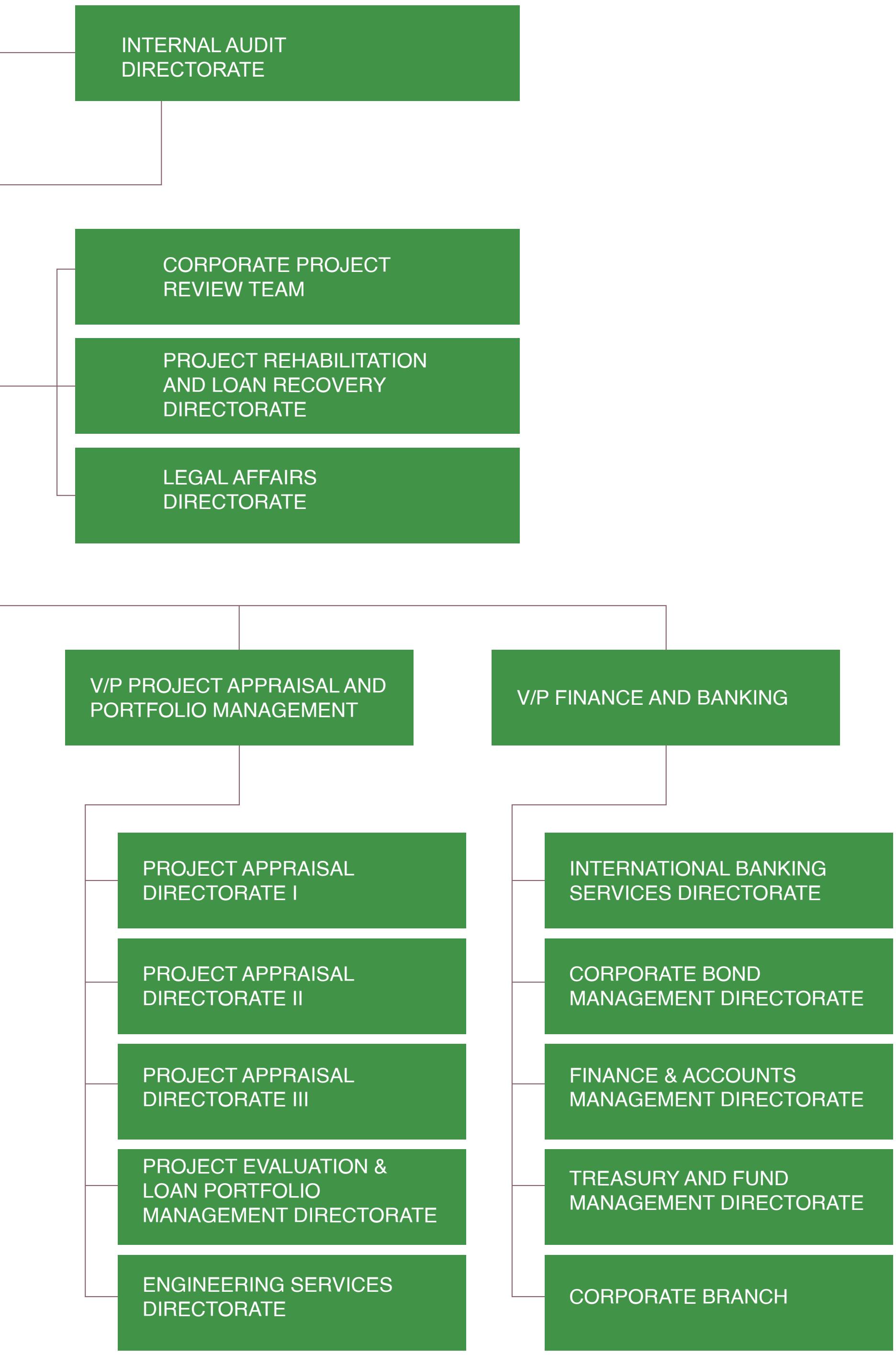
The top Executive Management Committee (EMC), which consists of the President and five Vice Presidents, is a direct responsible body to administer the overall operations of the Bank. The President chairs the EMC and acts as an official representative of the Bank. Middle level management members are, on the other hand, responsible for the day-to-day management of the Bank's operational activities.

Pertaining to good governance, the Bank's management is structured in transparent way and those decisions taken and their enforcement are done in a manner that follows rules and regulations with developed policies and procedures.

The Bank's BOM has established separate Compliance and Risk Management and Internal Audit Directorates for the effective implementation of policies and procedures. Ethical conduct and complaint handling is also part of DBE's culture. Accordingly, the Bank has Ethics and Compliant Handling Office under the direct supervision of the President.

DBE's Organigram




INTERNAL AUDIT DIRECTORATE
CORPORATE PROJECT REVIEW TEAM
PROJECT REHABILITATION AND LOAN RECOVERY DIRECTORATE
LEGAL AFFAIRS DIRECTORATE
V/P PROJECT APPRAISAL AND PORTFOLIO MANAGEMENT
V/P FINANCE AND BANKING
PROJECT APPRAISAL DIRECTORATE I
PROJECT APPRAISAL DIRECTORATE II
PROJECT APPRAISAL DIRECTORATE III
PROJECT EVALUATION & LOAN PORTFOLIO MANAGEMENT DIRECTORATE
ENGINEERING SERVICES DIRECTORATE
INTERNATIONAL BANKING SERVICES DIRECTORATE
CORPORATE BOND MANAGEMENT DIRECTORATE
FINANCE & ACCOUNTS MANAGEMENT DIRECTORATE
TREASURY AND FUND MANAGEMENT DIRECTORATE
CORPORATE BRANCH

MESSAGE FROM THE BOARD CHAIRMAN

Dear Customers and Stakeholders, I feel greatly honoured to convey a brief message on the FY 2020/21 Annual Report with the Audited Financial Statements of Development Bank of Ethiopia / DBE/. The 2020/21 FY was accompanied with local and global phenomena that severely affected the financial sector. For instance, the Coronavirus has changed the macroeconomic landscape of the global economy. As a result, the economy faced a recession with the impact of COVID-19. Likewise, the instabilities and insecurities in the world as well as in our country, coupled with the rising inflation and the shortage of hard currency etc. were also the other hurdles for the smooth operation of DBE.

Development Bank of Ethiopia as a policy bank was not an island to escape from the challenges as the global economy is intertwined. When it comes to our Bank, the war in the northern part of the country has also seriously affected the operations of our bank.

No matter serious were the challenges, the Bank has finally surmounted the multifaceted hurdles it faced to register a record-breaking success in almost all of its financial and non-financial operations in 2020/21. Changing challenges in to opportunities, DBE has registered a stunning achievement registering a 3.28 billion birr profit after provision and tax. In addition, the Bank has improved almost all of its credit operations in the reported time period.

DBE was in a situation where it was not able to carry out its national responsibility at the desired level before a year. Due to this, it went bankrupt and was tabled as government agenda for a decision as to whether it should continue or liquidated. Thanks to our wise government, cognizant of the indispensible role the Bank played in Ethiopian economy in its 110 plus years of service, and seeing its future prospects, the government of Ethiopia has finally passed a sound decision on the Bank to continue to exist by injecting the required amount of capital.

The other measure the government took was changing the Bank's leadership; it has replaced the board and the executive management of the Bank with new and experienced economists who have local and global exposures in the financial world. After the new leadership had taken the helm of the Bank, the Bank crafted and put in place the five year strategic reform plan and strictly followed up its implementation. In this regard, the Board of the Bank have regularly supported the executive management through conducting regular meetings, reporting and follow ups.

Today, Development Bank of Ethiopia is under a wave changes implementing its five-year strategic reform plan. For instance, the Bank is revising its Project and Lease Financing Policies and other related documents. It has also worked to the prevalence of transparent working systems and procedure; specifically, The Board and the Executive management of the Bank along with the employees have worked for the dominance of transparency and accountability in all the credit operations of the Bank. The Board of the Bank is seriously working to ensure the benefits of employees as the employees are irreplaceable assets of the Bank

> ...DBE has registered a stunning achievement registering a 3.28 billion birr profit after provision and tax.

To sum up, for the extra-ordinary achievements of the FY 2020/21, I would like to thank our far-sighted government for taking decisive measure and save our Bank from the verge of liquidation. I also thank the Executive Management of the Bank who has proved concrete success due to surpassed leadership. The esteemed employees of DBE should take the major credit; had it not been for their day-in and day-out work, today's success wouldn't have been realized. Last but not least, I sincerely thank our customers, stakeholders, and the media because their support for our success was invaluable.

Thank you,

Tegegnework Gettu (PhD)

BOARD OF MANAGEMENT

H.E. Tegegnework Gettu (PhD)

Abebe Yitayew (PhD)

Ato Netsanet Lemessa

H.E. Ato. Zekarias Erkola

W/rt Melikt Sahlu

H.E. Ato Tesfaye Daba

H.E. Ato Oumer Hussien

H.E. Esayas Kassa (PhD)

Ato Mesfin Nemarra

H.E. Ato Tefera Derbew

EXECUTIVE MANAGEMENT

Yohannes Ayalew (phD)
President

Ato Getachew Wakie
VP, Corporate Project Appraisal and Portfolio Management

Ato Adane Mehari
A/VP, Project Financing

Ato Sefialem Liben
VP, Corporate Services

Ato Abebaw Siraj
A/VP, Finance and Banking

Ato Yilma Abebe
A/VP, Small and Medium Enterprises Financing

Yohannes Ayalew (PhD), President

MESSAGE FROM THE PRESIDENT

Dear readers,

On behalf of the Executive Management and the esteemed employees of Development Bank of Ethiopia (DBE), I am greatly honoured to present this Annual Report of the FY 2020/21. This report along with the audited financial statements summarizes DBE's major accomplishments, the shortfalls observed and the challenges faced in its overall operations in the reported time period.

As you all know, the year 2020/21 has seen a number of domestic and global socio-economic and political uncertainties which went against especially the financial sector. In this regard, the persistence of COVID 19 and its ripple effects that have obviously shaken the global economy to the core, the instabilities occurred in our country, the surge of inflation, the shortage of foreign currency, delay of machinery suppliers, power shortage and outage, and other related factors were some of the challenges we faced in 2020/21. That said, Development Bank of Ethiopia has continued its success by achieving almost all of its financial and non-financial objectives.

It is my great pleasure to inform you yet another year of record net profit of the Bank, that is, Birr 3.28 Billion after provision and tax during the reported year. This result is extra-ordinary and commendable as the gained profit is 1029% of the planned target. If the total projects of Tigray region which held billions of provisions were excluded, our profit would be as twice as the registered current net profit.

Development Bank of Ethiopia has also seen remarkable performances in its major credit operations. In 2020/21 FY, the Bank has approved Birr 10.4 Billion and disbursed Birr 10.1 Billion. Likewise, it has collected Birr 8.9 Billion. When compared with the previous year's figures, this is almost a twofold achievement in the approval, disbursement and collection operations of the Bank in its project and lease financing schemes. Consequently, a total of 8,045 employment opportunities have been created through projects financed by DBE.

In addition, the total loan portfolio of the Bank has reached Birr 59.9 Billion; this is an increase by 7.6% when compared with the previous year's accomplishment. Regarding Non-performing Loans (NPLs), the Bank's NPLs stood at 26.13% by the end of June 2020/21. This is a reduction by 9.43% when compared with last year's 24.1% of NPLs.

In a bid to fast track the economic structural transformation process of Ethiopia, DBE has introduced and implemented knowledge based financing on Small and Medium Enterprises (SMEs). In relation to this, the Bank has conducted trainings for 5,111 SME's across the country at 12 training centres. Those trainees who have properly attended the training and certified are qualified for the lease financing support of the Bank.

Cognizant of its obligation to return to the community what belongs to the community, DBE, has implemented its corporate social responsibility programs in the form of sponsorship and donations for individuals and charity organizations spending some 714 thousand Birr.

The financial and non-financial milestones the Bank achieved in the reported year are attributed to the government of Ethiopia which rescued the Bank from the verge of demise by replacing the Bank board and executive leadership with well-regarded and well-known figures in the economic sector. The five year strategic reform plan of the Bank which is under implementation has also enabled us to press ahead on the success track to be more profitable in the reported year.

The hard work of our esteemed and dedicated employees of the Bank who worked round the clock should also be highly commended for their invaluable role. Our respected customers, our development partners and the stakeholders of DBE have also contributed their share in our achievements in the FY 2020/21.

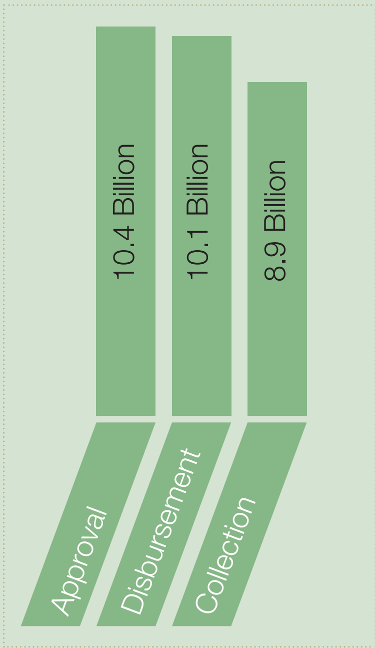
We are highly encouraged and more inspired by the obtained success to work even harder in the coming financial year in order to meet the ever increasing expectations of our customers, and we will also work to take the Bank to the next heights. This is only possible through working day in and day out with our customers and stakeholders.

DBE has come a long way of augmenting the socio-economic growth of Ethiopia. On the final exciting note, I would like to inform you that we will be marking DBE's 115th service anniversary as of next year.

Thank you,

Yohannes Ayalew (PhD), President

DBE in Numbers 2020/21



Total loan portfolio

59.9 Billion Birr

NPLs ▼

26.13%

Net Profit

3.28 Billion Birr

DBE at Glance

Foundation	Number of Employees
1909	2,249

Capital

32 Billion

Distribution/Accessibility

Districts	Branches
12	76

In 1909

we started operation here

Overview of the Ethiopian Economy

The Ethiopian economy registered a 6.3 percent growth in 2020/21 which was, slightly higher than the 6.1 percent expansion in the previous year. This growth was broad based with industry growing at 7.3 percent, service 6.3 percent, and agriculture 5.6 percent. As a result, the share of industry in GDP increased slightly to 29.3 percent from 29.0 percent a year ago, while that of the service sector remained around 39.6 percent. In contrast, the share of agriculture to GDP dropped marginally to 32.5 percent from 32.7 percent over the same period. This reflects a gradual but steady shift in the structure of the economy towards developing manufacturing sector and promoting export-led growth while continuing to give due attention to modernizing the agriculture sector which has dominated the country's economy for decades in terms of employment, foreign exchange earnings, supply of raw materials and market for domestic industries.

▶ Source: Extracted from the Annual Report of National Bank of Ethiopia for the Year 2020/21.

ETHIOPIA'S ANNUAL ECONOMIC GROWTH RATE	6.3%
INDUSTRY SECTOR GROWTH	7.3%
SERVICE SCTOR GROWTH	6.3%
AGRICULTURAL SECTOR GROWTH	5.6%

Printing Industry

1 Credit Operational Highlights for 2020/21

1.1. Overall Credit Operation

During the fiscal year ended June 30, 2021, the Bank approved Birr 10.4 Billion (103 percent against planned target) and disbursed Birr 10.1 Billion (100 percent achievement against target), and collected Birr 8.9 Billion (108 percent achievement against target) from various projects. Compared to the previous year performance, both disbursement and collection had exhibited a growth of 18 percent and 16 percent respectively. Whereas, there was a 0.39 percent decline in approval performance compared to the previous year achiements. Details are shown in Table 1

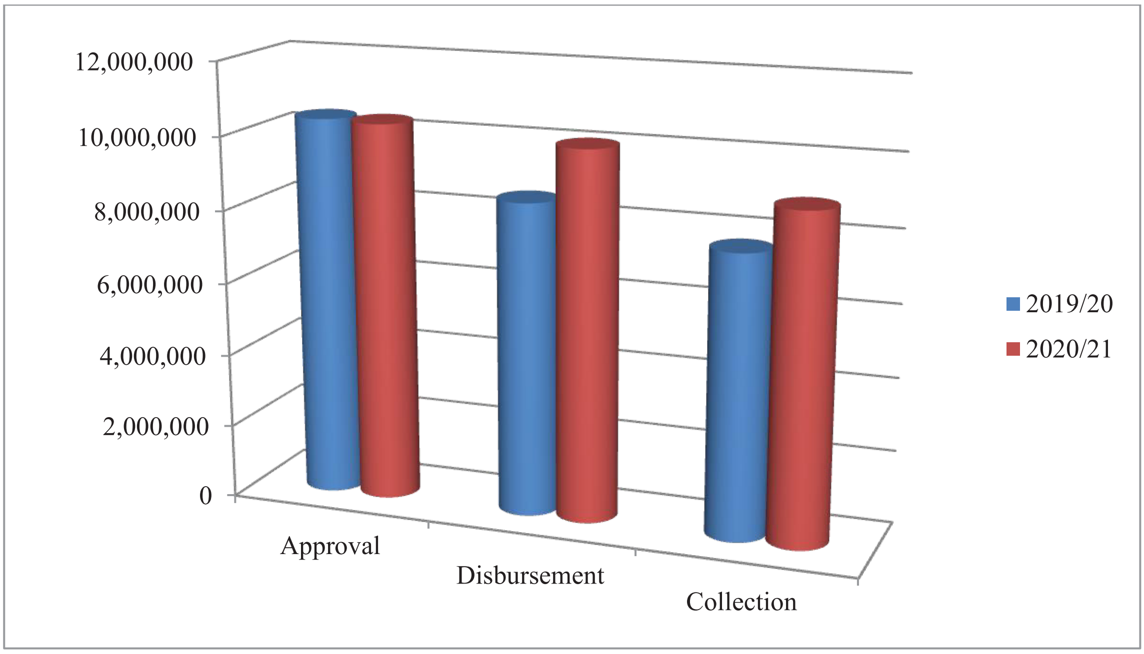


Figure 1: Summary of Credit Operation during the fiscal year ended June 30, 2021.

Birr '000

Sr. No.	Item	Agriculture		Manufacturing		Mining & Energy		Financial Service		Services		Staff Loan		Total	
		2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
1	Approval	1,396,374	547,800	6,465,233	2,184,271	329,212	399,450	2,039,395	6,426,380	21,426	517,140	148,743	285,490	10,400,383	10,359,532
2	Disbursement	524,200	336,175	5,494,919	3,738,000	452,788	291,260	1,784,754	5,408,000	134,874	19,270	155,534	277,550	8,547,069	10,069,877
3	Collection	624,806	739,036	4,657,540	4,812,189	851,747	819,819	1,390,130	2,647,674	82,539	68,737	89,679	113,969	7,696,440	8,911,425

Table 1: Summary of Credit and Lease Operation during the fiscal year 2020/21


One of **SMEs** financed by DBE

The Bank has mobilized Birr 1.74 billion from sale of **Grand Ethiopian Renaissance Dam** Bond in 2020/21 FY.

1.2 Project Loan and Lease Approval

1.2.1 Loan Approval by Economic Sector

During the reporting fiscal year, the Bank approved a total of Birr 10.4 Billion. Of which, Birr 547 Million was approved to agriculture sector, while Birr 2.2 Billion to the manufacturing sector, Birr 399 Million to mining and energy sector and Birr 6.4 Billion to financial services. Moreover, the remaining Birr 517 Million and Birr 285 Million went to the service sector and staff loan respectively. Accordingly, the lion's share of approval was made to the financial services (which accounted 62 percent of the total loan approval). The details are shown in table 2.

Table 2: Total Project Loan and Lease Financing Approval by Economic Sector - Birr '000

Sr. No.	Sector	2019/20	2020/21	% Change
1	**Agriculture**	1,396,374	547,000	**(61)**
	Public Enterprises	-	384	-
	Cooperative	7,219	25,754	257
	Private	1,389,154	520,662	(63)
2	**Manufacturing**	6,465,233	2,184,271	(66)
	Public Enterprises	77,181	31,150	(60)
	Private	6,205,689	30,005	(99)
	Micro-Enterprises	182,363	2,123,116	1064
3	**Mining and Energy**	329,212	399,449	21
	Public Enterprises	-		
	Micro-Enterprise	138,400	91,651	(34)
	Private	190,812	307,798	61
4	**Financial Service**	2,039,395	6,426,377	215
	Public Enterprises	373,516	1,218,550	226
	Microfinance	1,665,880	5,207,828	213
5	**Service**	21,426	517,144	2313
	Public Enterprises			
	Cooperative			
	Private	21,426	517,144	
6	**Staff Loan**	148,743	285,491	92
	Private	148,743	285,491	
	Total	**10,400,382**	**10,359,532**	**(0.4)**

Birr '000

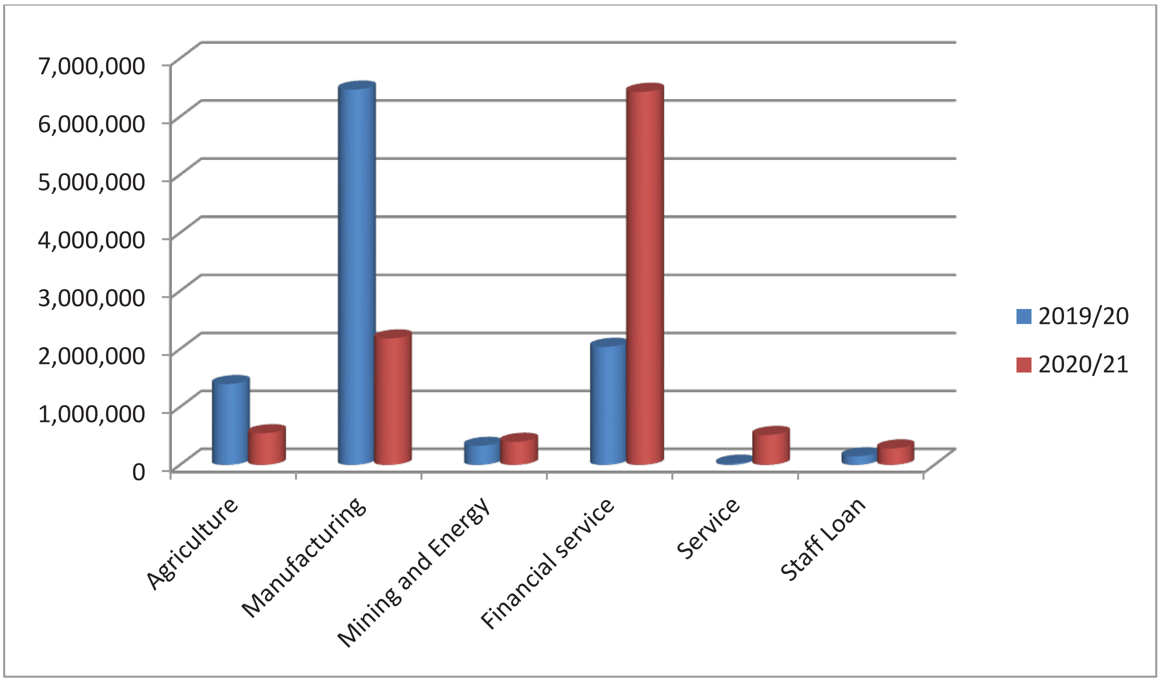


Figure 2: Project Loan and Lease Financing Approval by Economic Sector

1.2.2 Project Loan and Lease Approval by Category

In the year 2020/21, the lion's share of the approval was made to microfinance (which accounted 50 percent of the total approval of the Bank in the given reporting period).

Table 3: Project Loan and Lease Financing Approval by Social Sector '000' Birr

Sr. No	Category	2019/20	2020/21
1	Public Enterprise	450,696	1,250,083
2	Micro Enterprises	182,363	2,123,116
3	Cooperative	7,219	25,754
4	Private	7,955,824	1,661,100
5	Microfinance	1,804,280	5,299,479
	Total	**10,400,382.11**	**10,359,532**

1.3 Project Loan and Lease Disbursement

1.3.1. Project Loan and Lease Disbursement by Economic Sector

In the reporting period, the Bank disbursed Birr 10.07 Billion. In assessing sector-wise distribution, the data revealed that Birr 336.2 Million was disbursed to agriculture, while Birr 3.7 Billion to manufacturing, Birr 291 Million to mining and energy and Birr 5.4 Billion for financial services. Furthermore, the remaining Birr 19.3 Million and Birr 277.6 Million disbursements were made to service sector and staff loan respectively. Overall, more than half of the total approval (54 percent) was disbursed for financial services.

Table 4: Total Project Loan and Lease Financing Disbursement by Economic Sector - Birr '000

Sr. No.	Sector	2019/20	2020/21	% change
1	**Agriculture**	**524,200**	**336,175**	**(36)**
	Public Enterprises		4,314	
	Cooperative	31,692	12,898	(59)
	Private	492,507	18,963	(35)
2	**Manufacturing**	**5,494,919**	**3,737,626**	**(32)**
	Public Enterprises	208,302	93,183	(7)
	Private	5,225,153	3,488,987	(33)
	Micro Enterprise	61,464	55,456	(10)
3	**Mining and Energy**	**452,788**	**291,256**	**(36)**
	Public Enterprises		49,693	
	Micro Finance	52,515	48,952	(7)
	Private	400,273	192,610	(52)
4	**Financial Service**	**1,784,754**	**5,407,996**	**203**
	Public Enterprises	453,646	1,067,758	134
	Microfinance	1,331,109	4,340,238	226
5	**Service**	**134,874**	**19,270**	**(86)**
	Public Enterprises			
	Cooperative			
	Private	134,874	19,270	(86)
6	**Staff Loan**	**155,534**	**277,555**	**78**
	Private	155,534	277,555	78
	Total	**8,547,069**	**10,069,877**	**18**

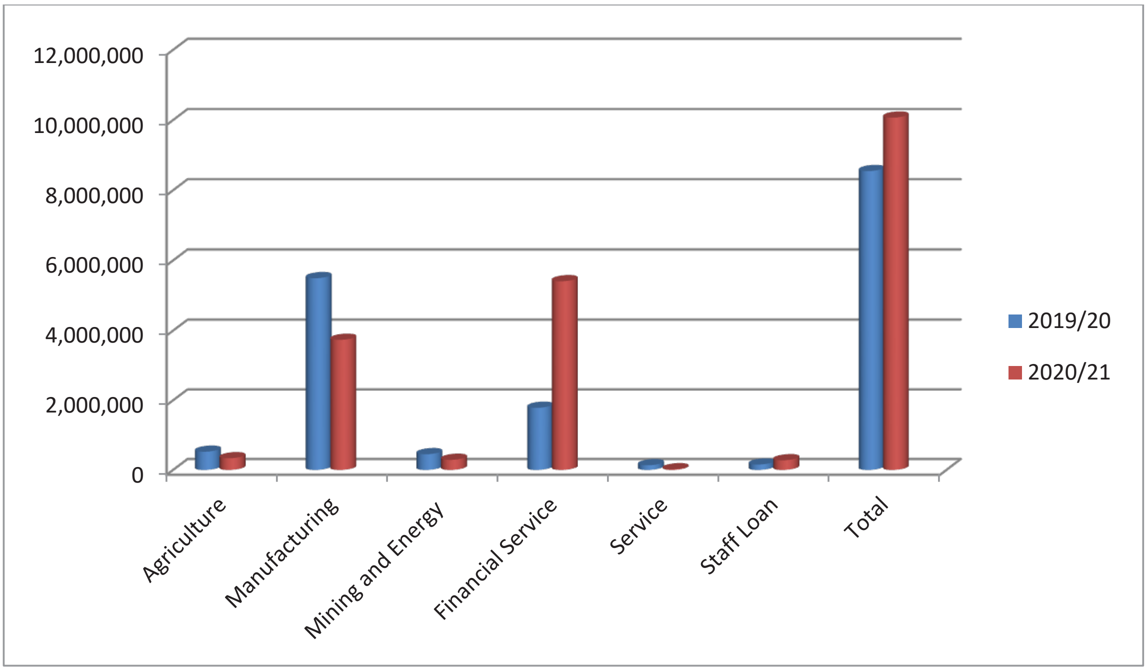


Figure 3: Loan Disbursement by Economic Sector

1.3.2 Loan Disbursement by Category

During the year ended June 30, 2021, the Bank disbursed Birr 10.07 Billion. Out of which, Birr 4.3 Billion to private owned companies, Birr 1.3 Billion to public enterprises, Birr 4.4 Billion to micro-finance institutions, Birr 13 Million was also disbursed to cooperatives and Birr 55.5 Billion to micro enterprises. This shows that the Bank has played crucial role pertaining to private sector in line with the government agenda. Overall, the amount disbursed to micro-enterprises and the private sector accounts for 86 percent of the Bank's total disbursement.

Table 5: Project Loan and Lease Financing Disbursement by Social Sector '000' Birr

Sr. No.	Category	2019/20	2020/21
1	Public Enterprise	661,948	1,314,947
2	Micro Enterprises	1,383,624	4,389,190
3	Cooperative	31,692	12,898
4	Private	6,408,341	4,297,385
5	Microfinance	61,464	55,456
	Total	8,547,069	10,069,877

1.4 Loan Collection

1.4.1. Loan Collection by Economic Sector

In the reporting period, the Bank collected Birr 8.9 Billion (which was 108 percent achievement against the plan target). Out of which, Birr 739 Million was collected from agriculture, Birr 4.8 Billion from manufacturing, Birr 529.8 Million from mining and energy, Birr 2.6 Billion from financial services, Birr 68.7 Million from service sector and Birr 114 Million from staff loan. Accordingly, the share of manufacturing accounted 54 percent of the total project loan and Lease financing collection of the Bank in the given fiscal year.

Table 6: Total Project Loan and Lease Financing Collection by Economic Sector - Birr '000

Sr. No.	Sector	2019/20	2020/21	% Change
1	**Agriculture**	624,806	**739,036**	18
	Public Enterprises	-	9,845	
	Cooperative	9,910	14,601	47
	Private	614,896	714,590	16
2	**Manufacturing**	**4,657,540**	**4,812,189**	3
	Public Enterprises	191,210	239,604	25
	Private	4,456,688	4,514,424	1.3
	Micro Enterprises	9,642	58,162	503
3	**Mining and Energy**	**851,747**	**529,819**	38
	Public Enterprises	1,371	24,376	1678
	Micro Enterprise	68,513	119,854	75
	Private	781,864	385,589	(51)
4	**Financial Service**	**1,390,130**	**2,647,674**	90.5
	Public Enterprises	742,398	164,741	(78)
	Microfinance	647,732	2,482,934	283
5	**Service**	**82,539**	**68,737**	(17)
	Public Enterprises			
	Cooperative			
	Private	82,539	68,737	(17)
6	**Staff Loan**	**89,679**	**113,969**	27
	Private	89,679	113,969	27
	Total	**7,696,440**	**8,911,425**	**15.8**

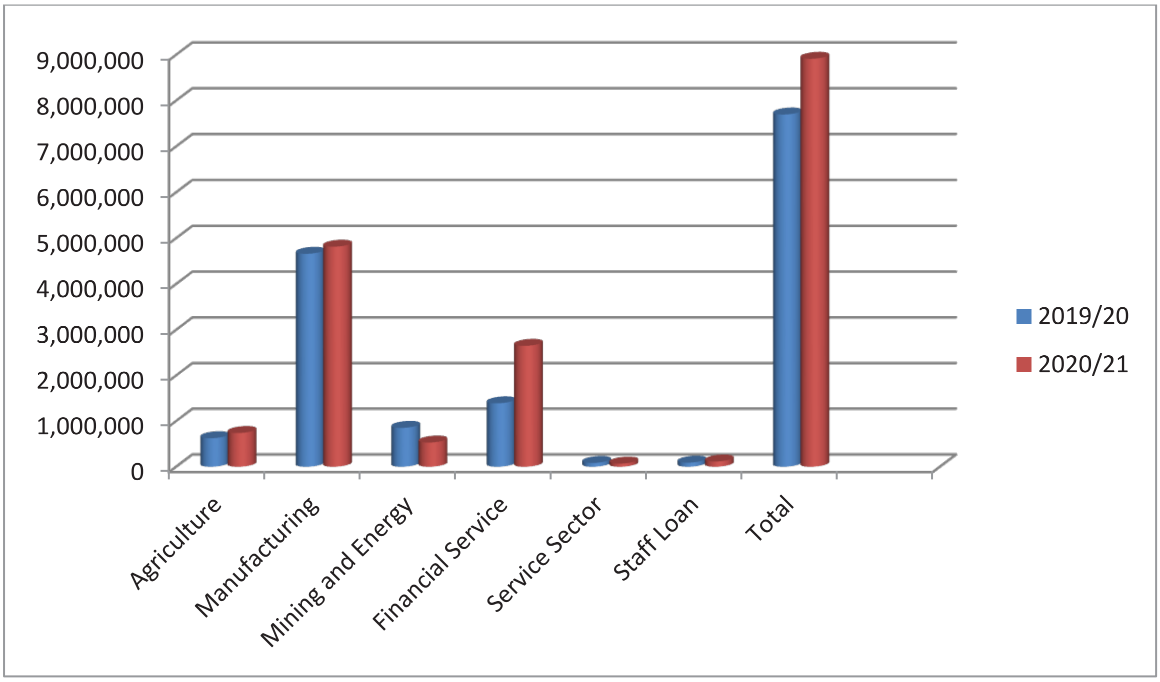


Figure 4: Loan Collection by Economic Sector - Birr '000

1.4.2 Project Loan and Lease Financing Collection by Social Sector

The biggest share of the Bank's collection came from the private sector which accounted for Birr 5.8 Billion (which accounted 65 percent of the Bank's total collection). During the reporting period, loan collection made from microfinance was also high (contributing close to 30 percent of the total collection). Besides , Birr 439 million from Public Enterprises, Birr 58.2million from micro enterprise and Birr 14.6 million from cooperatives were also collected during the reporting period as illustrated in the below table.

Table 7: Loan Collection by Social Sector - Birr '000

Category	2019/20	2020/21
Public Enterprise	934,978	438,566
Micro Finance	716,245	2,602,787
Cooperative	9,910	14,601
Private	6,025,665	5,797,310
Micro Enterprise	9,642	58,162
	7,696,440	**8,911,425**

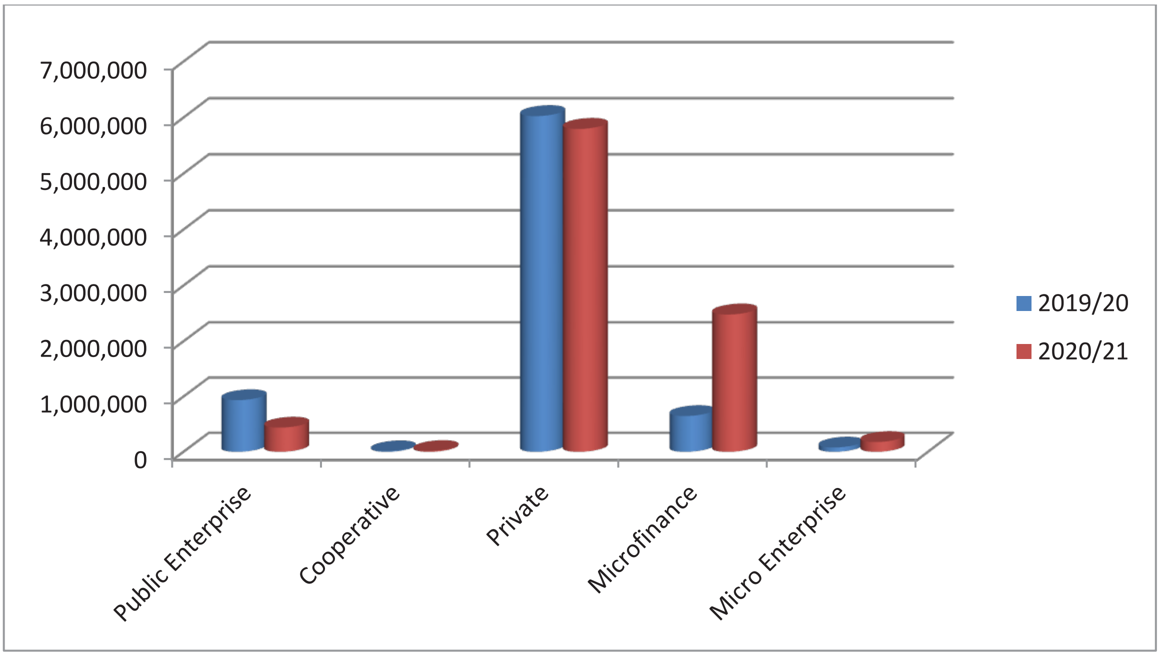


Figure 5: Loan Collection by Social Sector - Birr '000

1.5. Loan Outstanding Balance

The Bank's total outstanding loan on June 30, 2021 was Birr 59.9 Billion. Of which, the share of agriculture Birr 11.27 Billion, manufacturing Birr 38.5 Billion, mining and energy Birr 257 Million, financial service Birr 8.7 Billion, service Birr 338.5 Million and staff loan Birr 823.57 Million. Accordingly, the lion's share in the total loan outstanding of the Bank in the reporting period was goes to Manufacturing (64 percent).

Table: 8 Summary of Loan Portfolio by Sector - Birr '000

Sr. No.	Sector	Public Enterprise	Cooperative	Private	Microfinance	Total	Percentage Share
1	Agriculture		611,574	10,653,813	-	**11,265,387**	19%
2	Manufacturing	4,687,667	57,608	33,755,391		**38,500,666**	64%
3	Mining and Energy			257,230		**257,230**	0.4%
4	Financial Service	-	-		8,687,462	**8,687,462**	14.5%
5	Service	-	-	338,486		**338,486**	0.6%
6	Staff Loan	-	-	823,570		**823,570**	1.4%
Total						**59,872,802**	**100%**

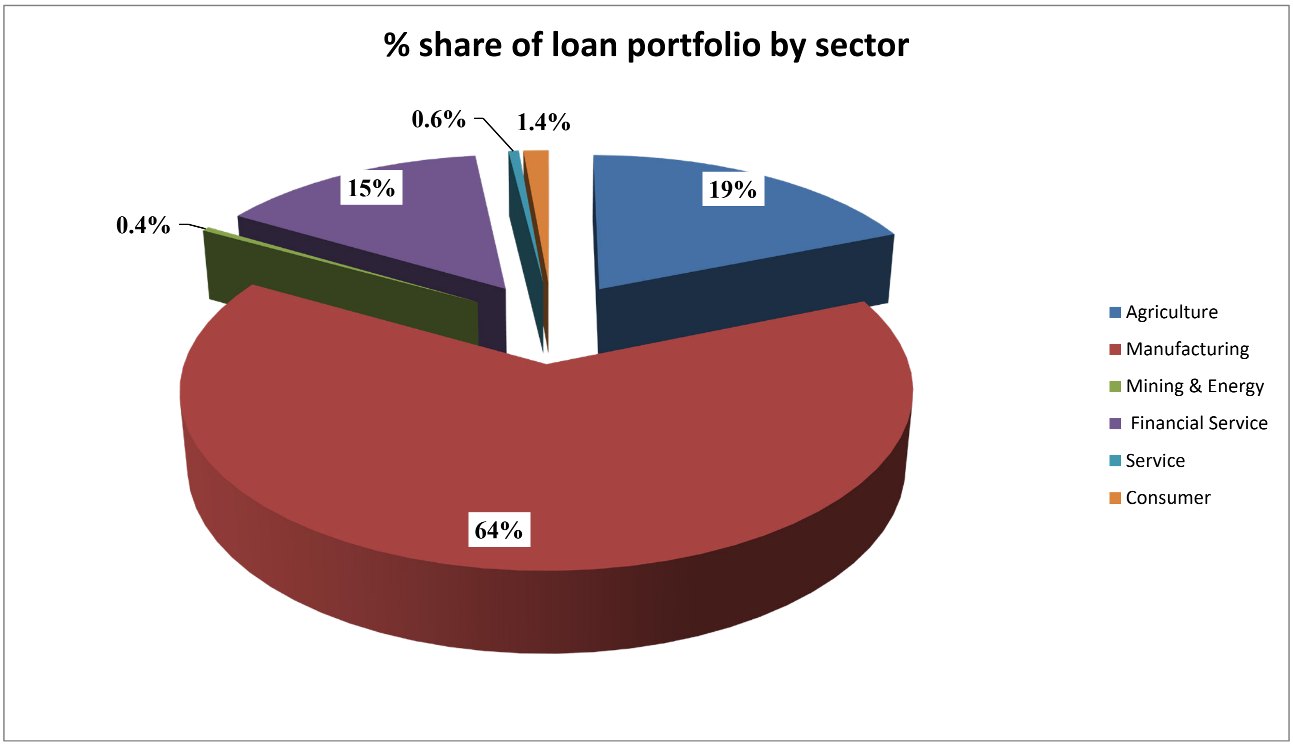


Figure 6: Percentage share of Loan Portfolio by Economic Sector

1.6 Socio-Economic Benefits

The Bank's mission is to promote the national development agenda through the provision of development finance and close technical support to viable projects from the priority areas of the government. Accordingly, the Bank finances long term and medium-term projects and hence creates employment opportunities, generates taxes to the government, and enhances foreign currency earning.

The total number of employment opportunities created by projects which are financed by DBE in the reporting period was 8,045 on permanent and temporary basis. Besides, through its external fund administration unit (for example, under RUFIP program) the Bank also created significant number of employment opportunities. Hence, the Bank is playing significant role in reducing unemployment rate in the country.

With respect to tax revenue and foreign exchange generation, the projects financed in the reporting period under review are expected to generate about Birr 254.30 Million and Birr 875 Million, respectively. Thus, the Bank is playing a key role in improving the socio-economic development of the country.

2. Export Credit Guarantee, External Fund and Credit Management

The total outstanding loan balance under these programs reached Birr 8.9 Billion in the year ended on June 30, 2021. Of which, Birr 3.6 Billion is held by RUFIP program, Birr 2.86 Billion by SME projects and Birr 2.17 Billion is by WEDP, . In the reporting period, a total of Birr 6.6 Billion was approved, Birr 5.5 Billion Disbursed, and Birr 2.9 Billion collected.

3. Human Resource Performance

The Bank's total employees at the end of June 30, 2021 was 2,249 (Two thousand two hundred forty-nine). Out of this, 70.7percent (1,591) employees were professionals who are working in high-level supervisory position, 15.0% (337) were semi-professional, administration and clerical positions, and 5.3 percent (120) were technical and skilled while the remaining 8. 9 percent (200) employees were manual and custodian. A total of 135 internal and external recruitment was made during the reporting period (indicating 171 percent achievement against the planned target).

Table 9 Summary of Human Resource Management Performance

Sr. No.	Activity	Type		2020/21	
			Plan	**Actual**	**%**
	Existing/Beginning		2,263	2,265	100%
1	Recruitment	External	79	26	38%
		Internal		109	
	Total		**79**	**135**	171%
2	Separation/Attrition	Resignations	101	20	20%
		Retirement	16	18	113%
		Dismissal	2	3	150%
		Death		5	
	Total		**119**	**46**	**39%**
	End balance no of employees		**2,223**	**2,249**	**101%**
3	Training for Employees		1.166	708	61%

4. Research Activities

The research unit of the Bank handles all the tasks of availing research information and data mainly for the core units of the Bank - Customer Relationship Management Directorates, Project Appraisal Directorates, Project Rehabilitation and Loan Recovery Directorate and Districts.

The Research and Project Data Management and Project Evaluation and Portfolio Management directorates are the key support organs of the Bank which have been re-established to conduct commodity study, research preparation, model bankable project preparation, cross- cutting project supporting data establishment, civil cost development, and the machinery, equipment, furniture and fixture data organization. All the outputs need updating works periodically and are also intended to serve the Corporate Project Review Team, Ethics and Compliance Management Office, and Districts and Branches.

To satisfy the current credit demand from different sectors/commodity/, the findings of research directorates were compiled, updated and disseminated. Accordingly, in the reporting period, various new commodity studies and updating works were carried out.

5. Financial Performance

In 2020/21, the Bank registered encouraging financial performance as briefly discussed below:

5.1. Assets, Libilities and Capital

5.1.1 Total Assets

The total asset of the Bank has reached Birr 123.1 Billion showing 30 percent increment compared with the previous year.

5.1. 2. Total Liabilities

The total liabilities of the Bank has reached Birr 91.1 Billion showing 3 percent increment when compared with the previous year.

5.1. 3. Capital

During the fiscal year, the total capital of the Bank reached Birr 32 billion showing an increment of 423 percent from the previous fiscal year. This huge increment of the Bank's capital was mainly due to the Birr 21.8 Billion injection by the government on May 2020.

5.2 Income and Expenses

5.2.1 Income

During the year under review, the Bank earned a total income of Birr 8.1 Billion which is 98 percent of the planned target.

5.2.2 Expenses

The total expense of the year under review was Birr 4.6 Billion (which is 108 percent of the plan target) . The total expense registered in the reporting period was higher than the previous year due to provision expenses, interest and charges increment of the year associated with the interest bearing mobilized funds and price hike on general expenses.

5.2.3 Profit/ Loss

During thereporting period, the Bank has earned a net profit of Birr 3.28 Billion (which is 1029 percent against the plan target).

5.3 Foreign Currency Generation

The total foreign exchange generated during the reporting period was USD 24 Million.

5.4. Grand Ethiopian Renaissance Dam (GERD) Bond

During the year ended June 30, 2021, DBE mobilized close to Birr 1.74 Billion from the sale of the GERD bond.

5.5. Capital Expenditure

During the reporting period, the Bank's total capital expenditure was Birr 12.5 Million, which was 8 percent of the planned target.

6 Concern to the Environment

One of the core values of the Development Bank of Ethiopia is financing environmentally feasible projects. DBE has been engaged on this task by asking investors certifications from concerned governmental organ about environmental impact of the specific project to be financed. Pertaining to this, the Bank has prepared and approved its environmental policy/guideline which enables the Bank to play its role in addressing environmental issues.

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Auditor's
Report

Annual Report for the year ended June 30, 2021

License for Banking Business and Lease Financing

NBE Registration No. LBB/003/70

Board of Management (as of June 30, 2021)

Board of Management (as of June 30, 2021)		Appointment since
H.E. Tegegnework Gettu Mengesha (PhD)	Chairman (Independent Non-Executive Director (Board of Management))	25-Dec-18
H.E. Ato Oumer Hussein Oba	Deputy Chairman (Independent Non-Executive Director (Board of Mgt)	25-Dec-18
H.E. Ato Tefera Derbew Yimam	Independent Non-Executive Director (Board of Management Member)	25-Dec-18
H.E. Esayas Kassa Araya (PhD)	Independent Non-Executive Director (Board of Management Member)	25-Dec-18
H.E. Ato Zekarias Erkola Yimam	Independent Non-Executive Director (Board of Management Member)	15-Aug-17
H.E. Ato Tesfaye Daba Wakjira	Independent Non-Executive Director (Board of Management Member)	28-Nov-20
Ato Netsanet Lemessa Gurara	Independent Non-Executive Director (Board of Management Member)	28-Nov-20
Ato Mesfin Nemarra Deressa	Independent Non-Executive Director (Board of Management Member)	25-Dec-18
Wrt Melikt Sahlu Denbu	Independent Non-Executive Director (Board of Management Member)	25-Dec-18
Abebe Yitayew Ambaye (PhD)	Independent Non-Executive Director (Board of Management Member)	28-Nov-20

Executive management (as of June 30, 2021)

Yohannes Ayalew (PhD)	President
Ato Getachew Wakie	Vice President, Corporate Project Appraisal and Portfolio Management
Ato Sefialem Liben	Vice President, Corporate Services

Registered office
Development Bank of Ethiopia Tower
Josip Broz Tito Street
P.O Box 1900
Kirkos Sub-City (Kasanchis)
Addis Ababa, Ethiopia

Independent auditors
The Federal Democratic Republic of Ethiopia
Audit Services Corporation
Josip Broz Tito Street
P.O Box 5720
Kirkos Sub-City (Kasanchis)
Addis Ababa
Ethiopia

Actuaries
QED Actuaries and Consultants (Pty) Ltd
P.O. Box 413313, Craighall 2024
1st floor, The Bridle, Hunts End Office Park, 38 Wierda Road West, Wierda Valley
Email: craigfalconer@qedacturial.com
Sandton, Johannesburg, 2196,
South Africa

The Board of Management submits its report together with the consolidated and separate financial statements and independent auditor's report of the Development Bank of Ethiopia ("DBE or the Bank") and its Subsidiary (together, the "Group") and the Bank for the year ended 30 June 2021. This report discloses the financial performance and state of affairs of the Group and the Bank.

Incorporation

Development Bank of Ethiopia was incorporated in Ethiopia in 1909 as a specialized state-owned development financial institution, and is domiciled in Ethiopia.

The Bank is fully owned by the Federal Government of Ethiopia and is supervised by the Public Enterprises Holding and Administration Agency.

Principal activities

The mandate of the Bank is to support the economic growth and development of the country through the provision of medium- and long-term finance and other credit services and facilities to viable/bankable investment projects in the Government priority areas and sectors, which seem to have market failure, impacted by economic shocks and missing or underdeveloped market, along with technical support through mobilizing resources from domestic and foreign sources. Specifically, the Bank provides finance to encourage mainly private sector investment in sectors like commercial agriculture, agro-processing, manufacturing, mining and extractive as well as energy generating industries. It also supports SME through capital goods lease (hire purchase financing). Moreover, it implements/administers special projects/programs and managed funds entrusted to it by multilateral lending institutions and government agencies. Since its initial establishment in 1909, the Bank has been playing a catalytic role in promoting the economic development of the country.

Results

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

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Restated* Birr'000	Restated* Birr'000
Interest income	7,559,342	7,558,236	6,840,875	6,839,977
Profit/ (Loss) before tax	4,672,048	4,671,469	1,842,453	1,842,068
Income tax income/ (expense)	(808,061)	(808,061)	(27,933)	(27,931)
Profit/ (Loss) for the year	3,863,986	3,863,408	1,814,520	1,814,138
Other comprehensive income/ (loss) (net of tax)	(44,388)	(44,388)	30,570	30,570
Total comprehensive income/ (loss) for the year	3,819,598	3,819,019	1,845,090	1,844,708

* See note 41 for details concerning restatement

Board of Management

The Board of Management members who held office during the year and to the date of this report are set out on page 5. Dr. Tegegnework Gettu, the Chairman of the Board of Management, has signed the report on behalf of the Board of Management of the Bank.

H. E. Dr. Tegegnework Gettu

Chairman of the Board of Management

Addis Ababa, Ethiopia

In accordance with the Financial Reporting Proclamation No. 847/2014, the Group and Bank are required to prepare their consolidated and separate financial statements in accordance with the International Financial Reporting Standards (IFRS).

The Group's and Bank's Board of Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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. This responsibility includes, inter alia, ensuring that the Group and the Bank:

a) keep proper accounting records that disclose, with reasonable accuracy, the financial position, financial performance and cash flows of the group and bank;

b) establish adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepare the consolidated and separate financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied and reasonable in the circumstances.

The Board of Management is of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Group and Bank and of their financial performance and cash flows, as well as the adequate systems of internal financial control that may be relied upon in the preparation of financial statements.

The Board of Management has assessed the Group's and Bank's ability to continue as a going concern. Hence, nothing has come to the attention of the Board of Management to indicate that the Bank will not remain as a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Management by the Chairman of the Board of Management and the President, as follows:

H.E. Dr. Tegegnework Gettu
Chairman, Board of Management
8 June 2022

Dr. Yohannes Ayalew
President/Chief Executive Officer
8 June 2022

Statement of board of management's responsibilities

orting Proclamation No. 847/2014, the Group and Bank are required to prepare their consolidated and separate financial statements in accordance with the International Financial Reporting Standards (IFRS).

The Group's and Bank's Board of Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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. This responsibility includes, inter alia, ensuring that the Group and the Bank:

a) keep proper accounting records that disclose, with reasonable accuracy, the financial position, financial performance and cash flows of the group and bank;

b) establish adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepare the consolidated and separate financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied and reasonable in the circumstances.

The Board of Management is of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Group and Bank and of their financial performance and cash flows, as well as the adequate systems of internal financial control that may be relied upon in the preparation of financial statements.

The Board of Management has assessed the Group's and Bank's ability to continue as a going concern. Hence, nothing has come to the attention of the Board of Management to indicate that the Bank will not remain as a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Management by the Chairman of the Board of Management and the President, as follows:

H.E. Dr. Tegegnework Gettu	Dr. Yohannes Ayalew
Chairman, Board of Management	President/Chief Executive Officer
8 June 2022	8 June 2022

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Notes	Birr'000	Birr'000	Restated* Birr'000	Restated* Birr'000
Interest income calculated using the effective interest method	5	7,559,342	7,558,236	6,840,875	6,839,977
Interest expense calculated using the effective interest method	6	(2,872,352)	(2,872,352)	(2,657,601)	(2,657,601)
Net interest income		4,686,990	4,685,884	4,183,274	4,182,375
Fee and commission income (net)	7	256,478	256,478	270,563	270,563
Other operating income	8	462,606	462,606	424,052	424,052
Total operating income		5,406,074	5,404,968	4,877,889	4,876,990
Loan impairment (charge)/reversal	9	1,263,883	1,263,883	(1,355,014)	(1,355,014)
Impairment losses on other assets	10	(206,589)	(206,589)	(507,056)	(507,056)
Net operating income/ (loss)		6,463,368	6,462,262	3,015,819	3,014,920
Personnel expenses	11	(1,080,122)	(1,079,656)	(686,157)	(685,690)
Depreciation of investment property	20	(3)	(3)	(8,819)	(8,819)
Amortization of intangible assets	21	(19,895)	(19,895)	(10,426)	(10,426)
Depreciation and impairment of property, plant and equipment	22	(91,342)	(91,340)	(83,352)	(83,349)
Depreciation of right-of-use assets	19	(28,974)	(28,974)	(23,472)	(23,472)
Interest expense on lease liability	19	(2,098)	(2,098)	(1,596)	(1,596)
Other operating expenses	12	(568,886)	(568,827)	(359,545)	(359,500)
Profit / (Loss) before tax		4,672,048	4,671,469	1,842,453	1,842,068
Income tax income/(expense)	13	(808,061)	(808,061)	(27,933)	(27,931)
Profit /(loss) after tax		3,863,986	3,863,408	1,814,520	1,814,138

Other comprehensive income (OCI) net of income tax						
Items that will not be subsequently reclassified into profit or loss:						
Remeasurement gain/ (loss) on retirement benefits obligations	27	(70,848)	(70,848)	31,763	31,763
Net change in fair value of equity investments measured at FVOCI	16	7,436	7,436	11,909	11,909
Income tax related to the above	13	19,024	19,024	(13,101)	(13,101)
Total other comprehensive income/ (loss) for the year, (net of tax)		(44,388)	(44,388)	30,570	30,570
Total comprehensive income/ (loss) for the year		3,819,598	3,819,019	1,845,090	1,844,708
Profit/ (loss) attributable to:					
Owner of the bank		3,863,986	3,863,408	1,814,520	1,814,138
Non-controlling interest	33	0.03		0.02	
Profit/ (loss) for the year		3,863,986	3,863,408	1,814,520	1,814,138
Total comprehensive income/ (loss) attributable to:					
Owner of the bank		3,819,598	3,819,019	1,900,696	1,900,314
Non-controlling interest		0.03		0.02	
Total comprehensive income/ (loss) for the year		3,819,598	3,819,019	1,845,090	1,844,708

* See note 41 for details concerning restatement

The notes on pages 13 to 94 are an integral part of these financial statements.

		Group	Bank	Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020	1 July 2019	1 July 2019
	Notes	Birr'000	Birr'000	Restated* Birr'000	Restated* Birr'000	Restated* Birr'000	Restated* Birr'000
ASSETS							
Cash and bank balances	14	13,039,677	13,029,527	13,287,460	13,277,888	7,604,457	7,595,676
Loans and advances to customers	15	50,462,984	50,462,984	43,265,674	43,265,674	40,248,990	40,248,990
Investment securities:							
- Financial assets measured at FVOCI	16	45,867	45,867	37,930	37,930	25,390	25,390
- Financial assets measured at amortized cost	16	44,521,817	44,521,817	32,354,893	32,354,893	31,038,403	31,038,403
Deferred day one loss on Investment securities	16	8,817,420	8,817,420				
Investment in subsidiary	17		9,999		9,999		9,999
Other assets	18	5,090,859	5,090,395	5,853,282	5,852,829	3,371,353	3,370,381.74
Rights-of-use-assets	19	62,415	62,415	30,397	30,397		
Investment property	20	152	152	210,264	210,264	219,082	219,082
Intangible assets	21	74,865	74,865	107,889	107,889	77,484	77,484
Property, plant and equipment	22	922,532	922,519	731,444	731,429	814,189	814,175
Total Assets		123,038,588	123,037,961	95,879,234	95,879,192	83,399,347	83,399,581
LIABILITIES							
Deposits from customers	23	746,476	746,476	729,664	729,664	800,683	800,683
Current tax liabilities	13	987,144	987,141	572,807	572,805	516,824	516,824
Other liabilities	26	4,779,961	4,779,920	6,691,575	6,691,541	4,363,261	4,363,118
Lease liabilities	19	38,043	38,043	15,200	15,200		
Debt securities issued	24	11,026,475	11,026,475	9,435,473	9,435,473	9,800,005	9,800,005
Borrowings	25	73,099,599	73,099,599	70,963,000	70,963,000	62,315,634	62,315,634
Retirement benefit obligations	27	173,775	173,775	92,097	92,097	47,696	47,696
Deferred tax liabilities	13	187,233	187,233	219,133	219,133	240,050	240,050

Total Liabilities		**91,038,706**	**91,038,663**	**88,718,950**	**88,718,914**	**78,084,153**	**78,084,010**
EQUITY							
Capital	28	28,520,000	28,520,000	7,500,000	7,500,000	7,500,000	7,500,000
Legal reserve	32	1,596,124	1,595,913	630,157	630,061	176,527	176,527
Accumulated loss	29	(1,359,802)	(1,360,174)	(3,835,862)	(3,835,770)	(4,845,648)	(4,845,270)
Regulatory credit risk reserve	31	3,261,572	3,261,572	2,839,613	2,839,613	2,488,509	2,488,509
Other reserves	30	(18,014)	(18,014)	26,375	26,375	(4,195)	(4,195)
Total equity attributable to owner of the Bank		**31,999,881**	**31,999,298**	**7,160,283**	**7,160,279**	**5,315,193**	**5,315,571**
Non-controlling interest	33	1		1		1	
Total equity		**31,999,882**	**31,999,298**	**7,160,284**	**7,160,279**	**5,315,194**	**5,315,571**
Total equity and liabilities		**123,038,588**	**123,037,961**	**95,879,234**	**95,879,192**	**83,399,347**	**83,399,581**

* See note 41 for details concerning restatement

The notes on pages 13 to 94 are an integral part of these financial statements.

The financial statements on pages 8 to 94 were approved and authorized for issue by the board of management on 8 June 2022 and were signed on its behalf by:

H.E. Dr. Tegegnework Gettu
Chairman, Board of Management
8 June 2022

Dr. Yohannes Ayalew
President/Chief Executive Officer
8 June 2022

	Notes	Capital	Accumulated loss	Other reserve	Legal reserve	Regulatory credit risk reserve	Non-controlling interest	Attributable to owner of the Bank
		Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 1 July 2019	28	7,500,000	(4,435,060)	(4,195)	176,527	2,488,509	1	5,725,782
Correction of errors (see note 41)			(410,588)					(410,588)
Restated balance as at 1 July 2019		7,500,000	(4,845,648)	(4,195)	176,527	2,488,509	1	5,315,193
Profit /(Loss) for the year (restated*)	29		1,814,520					1,814,520
Transfer to regulatory credit risk reserve	31		(351,104)			351,104		
Transfer to legal reserve (restated*)	32		(453,630)		453,630			
Other comprehensive income								
Re-measurement gain/ (loss) on defined benefit plans (net of tax)	27			22,234				22,234
Change in fair value of equity instrument at fair value through other comprehensive income (net of tax)	30			8,336				8,336
Total comprehensive income for the year (restated*)			1,009,787	30,570	453,630	351,104	-	1,845,090
As at 30 June 2020 (restated*)		7,500,000	(3,835,862)	26,375	630,157	2,839,613	1	7,160,284
As at 1 July 2020		7,500,000	(3,835,862)	26,375	630,157	2,839,613	1	7,160,284
Transactions with owner of the Bank								
Additional capital injection		21,020,000						21,020,000
Total contributions		21,020,000						21,020,000
Profit /(Loss) for the year	29		3,863,986					3,863,986

Transfer to regulatory credit risk reserve	31		(421,959)			421,959		
Transfer to legal reserve	32		(965,968)		965,968			
Other comprehensive income:								
Re-measurement gain/ (loss) on defined benefit plans (net of tax)	27			(49,594)				(49,594)
Change in fair value of equity instrument at fair value through other comprehensive income (net of tax)	30			5,205				5,205
Total comprehensive income for the year			2,476,060	(44,388)	965,968	421,959		3,819,598
As at 30 June 2021		28,520,000	(1,359,802)	(18,014)	1,596,124	3,261,572	1	31,999,882

Bank	Notes	Capital	Accumulated loss	Other reserve	Legal reserve	Regulatory risk reserve	Attributable to owner of the Bank
		Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 1 July 2019	28	7,500,000	(4,434,682)	(4,195)	176,527	2,488,509	5,726,159
Correction of errors (see note 41)			(410,588)				(410,588)
Restated balance as at 1 July 2019		7,500,000	(4,845,270)	(4,195)	176,527	2,488,509	5,315,571
Total comprehensive income							
Profit /(Loss) for the year (restated*)	29		1,814,138				1,814,138
Transfer to regulatory credit risk reserve	31		(351,104)			351,104	
Transfer to legal reserve (restated*)	32		(453,534)		453,534		
Other comprehensive income:							
Re-measurement gain/ (loss) on defined benefit plans (net of tax)	27			22,234			22,234
Change in fair value of equity instrument at fair value through other comprehensive income (net of tax)	30			8,336			8,336
Total comprehensive income for the year (restated*)			1,009,500	30,570	453,534	351,104	1,844,708
As at 30 June 2020 (restated*)		7,500,000	(3,835,770)	26,375	630,061	2,839,613	7,160,279
As at 1 July 2020		7,500,000	(3,835,770)	26,375	630,061	2,839,613	7,160,279
			#REF!				
Transactions with owner of the Bank							
Additional capital injection		21,020,000					21,020,000
Total contributions		21,020,000					21,020,000
Profit /(Loss) for the year	29		3,863,408				3,863,408

Transfer to regulatory credit risk reserve	31		(421,959)			421,959	
Transfer to legal reserve	32		(965,852)		965,852		
Other comprehensive income:							
Re-measurement gain/ (loss) on defined benefit plans (net of tax)	27			(49,594)			(49,594)
Change in fair value of equity instrument at fair value through other comprehensive income (net of tax)	30			5,205			5,205
Total comprehensive income for the year			2,475,597	(44,388)	965,852	421,959	3,819,019
As at 30 June 2021		28,520,000	(1,360,174)	(18,014)	1,595,913	3,261,572	31,999,298
* See note 41 for details concerning restatement							

The notes on pages 13 to 94 are an integral part of these financial statements.

	Notes	Group 30 June 2021 Birr'000	Bank 30 June 2021 Birr'000	Group 30 June 2020 Birr'000	Bank 30 June 2020 Birr'000
Cash flows from operating activities					
Cash generated from operations	34a	(1,368,197)	(1,368,774)	(535,235)	(536,031)
Income tax paid	13	(406,601)	(406,601)	(5,968)	(5,968)
Interest payment on tax		(60,476)	(60,476)		
Retirement benefit paid	27	(9,085)	(9,085)	(3,247)	(3,247)
Net cash (outflow)/inflow from operating activities		(1,844,359)	(1,844,936)	(545,697)	(546,493)
Cash flows from investing activities					
Purchase of equity investment	16			(632)	(632)
Purchase of investment property	20				
Purchase of intangible assets	21			(111,670)	(111,670)
Proceeds from sale of property, plant and equipment	34a			787	787
Purchase of property, plant and equipment	22	(86,645)	(86,645)	(45,659)	(45,654)
Net cash (outflow)/inflow from investing activities		(86,645)	(86,645)	(157,174)	(157,169)
Cash flows from financing activities					
Proceeds from issue of debt securities	23	1,763,467	1,763,467	619,120	619,120
Repayment of debt securities	23	(172,465)	(172,465)	(983,651)	(983,651)
Proceeds from borrowings	24	3,950,553	3,950,553	13,974,022	13,974,022
Repayment of borrowings	24	(4,273,543)	(4,273,543)	(7,594,460)	(7,594,460)
Repayment of principal portion of lease payments	19	(14,570)	(14,570)	(11,945)	(11,945)
Net cash (outflow)/inflow from financing activities		1,253,442	1,253,442	6,003,086	6,003,086
Net increase/(decrease) in cash and cash equivalents		(677,562)	(678,139)	5,300,215	5,299,423
Cash and cash equivalents at the beginning of the year	14	13,288,121	13,278,548	7,604,836	7,596,055
Foreign exchange (losses)/ gains on cash and cash equivalents		429,766	429,766	383,071	383,071
Cash and cash equivalents at the end of the year	14	13,040,325	13,030,176	13,288,121	13,278,548

The notes on pages 13 to 94 are an integral part of these financial statements.

1 General information

Development Bank of Ethiopia (“”Development Bank or the Bank””) is a specialized financial institution established to promote the national development agenda through development finance and close technical support to viable projects from the priority areas of the Government by mobilizing funds from domestic and foreign sources while ensuring its sustainability. The consolidated and separate financial statements of the Bank for the year ended 30 June 2021 comprise the Bank and its subsidiary (together referred to as “”the Group”” and separately referred to as “”Group entities””). The Bank and its subsidiary are not listed on a stock market as there is no a stock exchange in the country.

The Bank was initially established in 1909 and was last reestablished on the 24th of January 2003 in accordance with the Council of Ministers Regulations No. 83/2013. The Bank is governed by the Public Enterprises Proclamation No. 25/1992 and in compliance with the Banking Business Proclamation No. 592/2008

The Bank has one subsidiary, namely Ethio Capital and Investment PLC, which was established on June 14, 2017 in accordance with the then Commercial code of Ethiopia of 1960.

The Group does not have any associate or unconsolidated structured entity.

The Bank’s registered office is at:

Development Bank of Ethiopia Tower

Josip Broz Tito Street

P.O Box 1900

Kirkos Sub-city (Kasanchis)

Addis Ababa, Ethiopia

The Bank is principally engaged in the provision of diverse range of financial products and services to corporate, retail and small- and medium-sized enterprise clients, as well as lease financing (hire purchase) to SMEs, based in the Ethiopian market.

The consolidated and separate financial statements for the period ended June 30, 2021 were approved for issue by the Board of Directors on 8 June 2022.

2. Summary of significant accounting policies

2.1Introduction to summary of significant accounting policies

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

2.2Basis of preparation

The consolidated and separate financial statements of the Group and Bank for the period ended 30 June 2021 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 consolidated and separate financial statements comprise the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of financial position, the consolidated and separate statement of changes in equity, the consolidated and separate statement of cash flows and the notes to the consolidated and separate financial statements.
The consolidated and separate financial statements have been prepared in accordance with the going

concern principle under the historical cost concept, except for the following:

- •defined benefit obligations measured at fair value;
- •equity investments measured at fair value through other comprehensive income; and
- •staff loans measured at fair value.

All values are rounded to the nearest thousand, except when otherwise indicated. The consolidated and separate financial statements are presented in thousands of Ethiopian Birr (Birr '000)."
The preparation of consolidated and separate 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 Group's and 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 Group's and Bank's consolidated and separate financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2 Summary of significant accounting policies (continued)

2.3 Going concern

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

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

New standards and amendments and interpretations effective and adopted during the year

The Group/the Bank has adopted the following amendments including any consequential amendments to other standards for the year ended 30 June 2021.

2.4.1 Amendment to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)

IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) have both been amended by the International accounting standard board (IASB), on October 2018. The amendments are effective for annual reporting periods beginning on or after 1 July 2020, although earlier application was permitted. The purpose for the amendment is to expand on the definition of materiality and bring more clarity to its characteristics.
The revised definition of 'material' is quoted below:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.
Three new aspects of the new definition should especially be noted:

Obscuring

The existing definition only focuses on omitting or misstating information. However, the IASB concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A)."
"Could reasonably be expected to influence

The existing definition referred to 'could influence' which the IASB felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.

Primary users

The existing definition referred only to 'users' which again the IASB feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

2.4.2 Amendment to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) (continued)

The amendment emphasises five ways material information can be obscured:
If the language regarding a material item, transaction or other event is vague or unclear. If information regarding a material item, transaction or other event is scattered in different places in the financial statements.

If dissimilar items, transactions or other events are inappropriately aggregated. If similar items, transactions or other events are inappropriately disaggregated.•
If material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The group has incorporated and applied this definition in the preparation of its financial statements.

2.4.3 Other New and Amended Standards and Interpretations

Several other new amendments and interpretations are also effective for the first time from 1 July 2020, but do not have [a material] impact on the Group's/Bank's consolidated and separate financial statements. These include, but not limited to, the following:

- Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39
- Revised Conceptual Framework for Financial Reporting
- Covid-19-related Rent concessions - Amendments to IFRS 16

2.5 Basis of Consolidation

a) Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Bank. The Bank controls an entity if it is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Bank reassesses periodically whether it has control if there are changes to one or more elements of the control listed. This includes circumstances in which protective rights held become substantive and lead to the Group having control over an investee.

The financial statements of a subsidiary is consolidated from the date the Group acquires control, up to the date that such effective control ceases.

In the separate financial statements, investment in a subsidiary is measured at cost less impairment.

Disclosures for investment in a subsidiary is provided in Notes 17 and 32.

b) "Loss of control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any related non-controlling interests and the other components of equity relating to a subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

c) Changes in ownership interests in subsidiaries without change of control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). When the proportion of the equity held by non-controlling interests (NCIs) changes, the carrying amounts of the controlling and NCIs are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

d) Transactions eliminated on consolidation

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

e) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

6 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 Ethiopian Birr.

b) Transactions and balances

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

Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

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 Group and 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 Group and the Bank earn income from interest on loans given to customers for commercial agriculture, agro-processing, manufacturing, mining and extractive industries, hire purchase leases, personal loans, etc. On top of that, the Bank earns interest from deposit placements with local and foreign banks, as well as with investment in Government Treasury notes and special Government bonds. Other incomes include fees and commissions on letter of credits, guarantees and managed/entrusted funds. “

2.7.1 Interest income and expense

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 amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group and the Bank estimate future cash flows considering all contractual terms of the financial instrument, but not expected credit loss (ECL). For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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 'amortised 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 amortisation 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 if the financial assets fall into Stage 3 (impaired loans).

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

c) Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial ability. 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 amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.
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 amortised 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 amortised 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 using the effective interest method presented in the statement of profit and loss and other compressive income (OCI) include:

interest on financial assets and financial liabilities measured at amortized cost; and
interest on debt instruments measured at FVOCI (currently, such instruments as well as hedge products are not available at the Group and the Bank).

Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost.

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 like commission income on cash payment order (CPO) and fund transfer, commission income on insurance, commission on letters of credit, financial guarantee contracts issued and commission on managed funds are recognised as the related services are performed.
A contract with a customer that results in a recognised financial instrument in the Group's/Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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 relate mainly to transaction and service fees, which 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.

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 profit or loss and it is further broken down into realised and unrealised portion.

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

2.8 Financial instruments

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

2.8.1 Financial assets and liabilities

i) Recognition and initial measurement

The Group and Bank initially recognise loans and advances, Ethiopian special government bonds and Treasury notes, deposits, debt securities issued (savings and renaissance dam bonds), borrowings and other receivables and payables on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group and Bank become a party to the contractual provisions of the instrument.
A financial asset or financial liability is 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. The fair value of a financial instrument at initial recognition is generally its transaction price.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is evidenced by a quoted price in an active market or is based on a valuation technique using only inputs observable in market transactions (or in which any unobservable inputs are judged to be insignificant in relation to measuring the day one difference), the Group/Bank recognises the difference between the transaction price and fair value in profit or loss as day one profit or loss. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

ii) Classification and subsequent measurement

a) Financial assets

On initial recognition, a financial asset is classified as measured at either amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).
The Group and Bank measure a financial asset at amortised 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 payments of principal and interest (SPPI).

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

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

– the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI. On initial recognition, an equity investment that is held for trading is classified at FVTPL. However, for equity investment that is not held for trading, the Group and 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 amortised cost or FVOCI above are classified as measured at FVTPL.

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

and Bank are not expected to hold such financial instruments in the near foreseeable future.
Business model assessment

The Group and Bank 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 realising cash flows through the sale of the assets;
– how the performance of the portfolio is evaluated and reported to the Group's and 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 revenue in prior periods, the reasons for such revenue and its expectations about future revenue activity. However, information about revenue activity is not considered in isolation, but as part of an overall assessment of how the Group's and Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.
Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are 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. Nevertheless, the Group and Bank are not expected to hold financial assets for trading in the near foreseeable future.

Reclassifications

Financial assets are not 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 (SPPI)
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is 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 Group and Bank consider 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 Group and Bank consider: — 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).

b) Financial liabilities

The Group and Bank classify its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL. However, the Group and Bank are not expected to hold financial liabilities as measured at fair value through profit or loss (FVTPL) in the near foreseeable future.
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 Group and 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 amortisation recognised in accordance with the revenue recognition policies.

iii) Impairment

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

The Group and Bank recognise 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 is recognised on equity investments.

The Group and Bank measure loss allowances at an amount equal to lifetime expected credit losses (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 are always measured at an amount equal to lifetime expected credit loss (ECL).

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Life-time expected credit loss (ECL) is the loss that results 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'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

a) Measurement of ECL

Expected credit loss (ECL) is a probability-weighted estimate of credit losses. It is 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 Group and Bank in accordance with the contract and the cash flows that the Group and Bank expect 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 Group and Bank if the commitment is drawn down and the cash flows that the Group and Bank expect to receive; and

— for financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Group and Bank expect to recover.

When discounting future cash flows, the following discount rates are used:
– for financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
– for POCI assets: a credit-adjusted effective interest rate;

– for lease receivables: the discount rate used in measuring the lease receivable; –
for undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
– for financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows. b)
Credit enhancements: collateral valuation and financial guarantees
To mitigate their risks on financial assets, the Group and Bank seek to use collateral, where possible. The collateral comes in various forms such as buildings, machinery, furniture and fixture, bank guarantees, other non-financial assets and credit enhancements such as margin of letters of credit and credit risk guarantee. Collateral, unless repossessed, is not recorded on the Group's/Bank's statement of financial position.

Cash flows expected from credit enhancements, which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on a regular basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued at frequent intervals.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using appropriate valuation models. Non-financial collateral, such as real estate, is valued by independent engineers."

c) 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 Group and Bank assess whether the financial asset should be derecognised and expected credit loss (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.

d) Credit-impaired financial assets

t each reporting date, the Group and Bank assess whether financial assets carried at amortised cost, debt financial assets carried at FVOCI, and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets').

A financial asset is 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 reorganisation; 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 is considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

e) Presentation of allowance for expected credit loss (ECL) in the statement of financial position

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

— for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

— for loan commitments and financial guarantee contracts: generally, as a provision, presented under other liabilities;

— where a financial instrument includes both a drawn and an undrawn component, and the Group and Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group and Bank present 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 is disclosed and is recognised in the fair value reserve.

f) Write-off

Loans and debt securities are 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 Group and Bank determine 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 is carried out at the individual asset level.

Recoveries of amounts previously written off are recognized when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and other compressive income (OCI).

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

g) Financial guarantee contracts held

The Group and Bank 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. The factors that the Group considers when making this assessment include whether:
– the guarantee is implicitly part of the contractual terms of the debt instrument;

– the guarantee is required by laws and regulations that govern the contract of the debt instrument;

– the guarantee is entered into at the same time as and in contemplation of the debt instrument; and

– the guarantee is given by the parent of the borrower or another company within the borrower's group."
If the Group and Bank determine 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 is treated as a transaction cost of acquiring it. The Group and Bank consider the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group and Bank determine that the guarantee is not an integral element of the debt instrument, then they recognise an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group/Bank present gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

iv) Derecognition of financial assets and liabilities

a) Financial assets

The Group and Bank derecognise a financial asset when:

— The contractual right to the cash flows from the financial asset expires; or
— It transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
— the Group and Bank neither transfer nor retain substantially all of the risks and rewards of ownership and they do 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 derecognised) 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 are recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not 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 Group and Bank is recognised as a separate asset or liability.

b) Financial liabilities

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

v) Modifications of financial assets and financial liabilities

a) Financial assets

If the terms of a financial asset are modified, then the Group and Bank 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 are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are 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 are 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 maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group and Bank plan to modify a financial asset in a way that would result in forgiveness of cash flows, then they consider whether a portion of the asset should be written off before the modification takes place.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group and Bank first recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognise the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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

b) Financial liabilities

The Group and Bank derecognise 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 is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is 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. For floating-rate financial

liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and Bank currently have a legally enforceable right to set off the amounts and they intend either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are 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 Group's and Bank's trading activity.

vii) Designation at fair value through profit or loss (FVTPL)

a) Financial assets

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

b) Financial liabilities

The Group and Bank 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.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (notes and coins on hand), deposits held at call with banks and other short-term highly liquid investments 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 Group/Bank in the management of its short-term commitments balances.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, non-restricted current accounts with National Bank of Ethiopia and amounts due from banks on demand or with an original maturity of three months or less.

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

2.10 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 Group and Bank recognise such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in profit or loss 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 Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

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

Asset class	Estimated Useful Life in Years	Residual Value
Buildings	50	5%
Motor vehicles	10	5%
Furniture & fittings		
- Medium-lived	10	1%
- Long-lived	20	1%
Computer and related items	7	1%
Office equipment		
- Short-lived	5	1%
- Long-lived	10	1%
Lift and roofing	15	1%

The Group and Bank commence depreciation when the asset is available for use. Freehold land is not depreciated.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. 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 profit or loss when the asset is derecognised.

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

2.11 Intangible assets

"Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss 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 consolidated and separate statement of profit or loss and other comprehensive income, if significant.
Amortisation of computer software is calculated using the straight–line method to write down the cost of intangible assets to their residual values over the estimated useful lives of six (6) years or the license/ maintenance contract period, with nil residual value.

2.12 Investment property

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

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Group and Bank and the cost can be reliably measured. This is usually when all risks are transferred.
Investment properties are measured initially at cost, including transactions costs. The Group and Bank have opted to subsequently carry investment property at cost less accumulated depreciation and any accumulated impairment losses under the cost model and disclose fair value. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group and Bank use alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the reporting date by the Bank's internal valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for disclosing the fair values in the notes to the financial statements.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised. Investment properties are derecognised when they have been disposed. Gains or losses arising from disposal of investment property are determined as the difference of the net disposal proceeds and the carrying amount of the asset and they are recognized in profit or loss.

Depreciation is calculated using the straight-line method to allocate the cost to the residual values over the estimated useful life of 50 years, with a residual value of 5%.

2.13 Leases

Lease is a contract or part of a contract, that conveys the right to use the underlying assets for a period of time in exchange for consideration. This definition more focused who controls the right of use asset. At inception of a contract, the Group/Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group/Bank acting as a lessee

The Group/Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group/Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

The Group/Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The commencement date is the date on which a lessor makes available an underlying asset for use by a lessee.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently measured at cost (by applying a cost model) less any accumulated depreciation and any accumulated impairment losses. In addition, the right-of-use asset is periodically adjusted for any remeasurements of the lease liability resulting from reassessments or lease modifications. The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's/Bank's incremental borrowing rate. Generally, the Group/Bank uses its incremental borrowing rate as the discount rate (of 8%).

The Group/Bank determines its incremental borrowing rate by analyzing its borrowing from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased. Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Group/Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Group/Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group/Bank is reasonably certain not to terminate early.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs."

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

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

The Group and the Bank present the right-of-use assets and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Group/Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets with lease amount of less than Birr 50,000 and short-term leases, where appropriate. The Group/Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term, where applicable.

Group/Bank acting as a lessor

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

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

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

Rental income arising under operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease 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.

The Group and the Bank apply derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

The Group and the Bank further regularly review estimated unguaranteed residual values used in calculating the gross investment in the lease.

2.14 Impairment of non-financial assets

The Group and Bank assess, 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 Group and Bank estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

The Group and Bank base 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 Group and Bank estimate 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 profit or loss.

2.15 Inventories

Inventories of assets (capital goods) held for leasing are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost method. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

2.16 Other assets

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

(a) Prepayment

(b) Other receivables

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

The Bank's other receivables are rent receivables, advance payments for procurement and other receivables from debtors.

2.17 Assets obtained by taking possession of collateral

Repossessed collateral represents financial and non-financial assets acquired by the Group and Bank in settlement of overdue loans either partially or in their entirety. The Group's/Bank's policy is to determine whether a repossessed asset should be sold or is best used for its internal operations. Assets for which selling is determined to be a better option are immediately transferred to assets held for sale or other asset category at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group's and Bank's policy. Assets determined to be used for internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

In its normal course of business, the Bank engages its internal experts to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus/shortfall funds are treated as gain/loss subsequent to repossession .

2.18 Fair value measurement

The Group and Bank measure financial instruments classified (equity investments) as at fair value through other comprehensive income (FVOCI), defined benefit obligations and staff loans at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

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

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 Group/ Bank.

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

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

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

• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and Bank determine 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 Group's and Bank's management determine the policies and procedures for both recurring fair value measurement, such as equity investments at fair value through other comprehensive income.

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

2.19 Employee benefits

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

(a) Defined contribution plan

The Group/Bank makes contributions to a statutory defined pension scheme to which the employer and employee make contributions of 11% and 7% of the employee's basic salary, respectively. The Group's/ Bank's contributions are charged to profit or loss in the year in which they accrue. Other than the regular contributions made in terms of the statutory public fund, the Bank does not have any further liability to the fund.

(b) Defined benefit plan

The Group/Bank operates an unfunded severance pay plan for its employees who have served the Bank for 5 years and more and are below the retirement age (i.e. have 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 year in employment to a maximum of 12 months final monthly salary. The Bank also operates other schemes related to unfunded pension prize for eligible pensioners, funeral assistance benefit and pensioner medical benefit for eligible pensioners.

Defined benefit plans define an amount of liability that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.
The liability recognised in the statement of financial position in respect of unfunded defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. 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 unfunded defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period.
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 profit or loss 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 profit or loss.

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

(c) Termination benefits

Termination benefits (such as severance pay and funeral benefits) are payable to employees 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) Bonus plans

The Bank recognises a liability and an expense for bonuses based on a formula that takes into consideration the net profit generated after certain adjustments. The Bank recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 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 the consolidated and separate statement of profit or loss and other comprehensive income 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.

2.21 Capital

The Bank is wholly owned by the Federal Democratic Republic of Ethiopia.

The authorized capital is fully paid in cash and in kind.

2.22 Legal reserve

The legal reserve which is a statutory reserve to which no less than 25% of the net profits after taxation is 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 is 10% of the annual net profit.

2.23 Income taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group/Bank has determined that interest and penalties related to income taxes do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in ‘other expenses’.

(a) Current income tax

The income tax expense or credit for the period is the expected tax payable or receivable on the current period’s taxable income or loss based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. It also includes any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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. Current tax also includes any tax arising from dividends.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss.

Current tax assets and liabilities are offset only if certain criteria are met.”

(b) Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities [amounts used for taxation purposes] and their carrying amounts for the financial reporting purposes.

Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

– temporary differences related to investments in subsidiaries to the extent that the Group/Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

– taxable temporary differences arising on the initial recognition of goodwill."
Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits 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 simultaneously.

2.24 Standards issued but not yet effective

New standards, amendments and interpretations issued but not yet effective
There are a number of new standards, amendments to standards and interpretations, which have been issued by the IASB, that are effective in future accounting periods. However, the Group and Bank have decided not to adopt early in preparing these consolidated and separate financial statements. The most significant of these are as follows, which are all effective for the annual reporting periods beginning on or after 1 January 2022:

New Standards or Interpretations	Effective for annual periods beginning on or after
Reference to the Conceptual Framework - Amendments to IFRS 3	January 1, 2022
Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37	January 1, 2022
Property, Plant and Equipment: Proceeds before Use - Amendments to IAS 16	January 1, 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 1, 2023
Definition of Accounting Estimates - Amendments to IAS 8	January 1, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 1, 2023
Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1 - Subsidiary as a First-time Adopter, IFRS 9 - Financial Instruments -Fees in the '10 per cent' test for derecognition of financial liabilities, IFRS 16 - Leases - Lease incentives, and IAS 41 - Agriculture -Taxation in fair value measurements)	January 1, 2022

The aforementioned new and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements or when they become effective are expected neither to have a significant impact on the consolidated and separate financial statements of the Group and Bank, nor to impact the Group and Bank as they are not relevant to the Group's/Bank's activities.

3 Significant accounting judgments, estimates and assumptions

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

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

- Capital management Note 4.6
- Financial risk management and policies Note 4
- Sensitivity analyses disclosures Note 4.5.1

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

a) Measurement of right-of-use assets and lease liabilities under IFRS 16 leases
The application of IFRS 16 requires the Group and the Bank to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include: determining contracts in scope of IFRS 16, determining the contract term and determining the implicit interest rate (or incremental borrowing rate) used for discounting of future cash flows.

The present value of the lease payment is determined using the discount rate or incremental borrowing rate representing the rate of nominal interest rate the Group/Bank pays to bond instrument buyers. The expenses relating to leases for which the Bank applied the practical expedient described in IFRS 16 (leases with the contract term of less than 12 months and low-value leases) are recognised in profit or loss.
i) Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Group and the Bank determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group and the Bank have several lease contracts that include extension and termination options. The Group and the Bank apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, they consider all relevant factors that create an economic incentive for them to exercise either the renewal or termination. After the commencement date, the Group and the Bank reassess the lease term if there is a significant event or change in circumstances that is within their control that affects their ability to exercise or not to exercise the option to renew or to terminate.

ii) Determining the incremental borrowing rate

The Group/Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group/Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group/Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as to reflect the terms and conditions of the lease).

b) Going concern basis

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

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 Group and Bank based their 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 Group and Bank. Such changes are reflected in the assumptions when they occur.

a) Impairment losses on loans and advances to customers and other financial assets
The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's and Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Group's and Bank's internal credit grading model, which assigns probability of defaults (PDs) to the individual grades;
- The Group's and Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit losses (LTECL) basis and the qualitative assessment;
- The segmentation of financial assets when their expected credit losses (ECL) is assessed on a collective basis;
- Development of expected credit loss (ECL) models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as foreign exchange, unemployment levels, GDP and collateral values, and the effect on PDs, exposure at defaults (EADs) and loan given defaults (LGDs)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's and Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

b) Fair value measurement of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. 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 a variety of valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments and estimates 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.

c) Defined benefit plans

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

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

e) 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 Group and Bank are 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 Group and Bank consider 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 Group and 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 Group and Bank operate 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 Group and 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.

f) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. 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 filings, 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 judgment 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.

4 Financial risk management

4.1 Introduction

Risk is inherent in the Group's and Bank's activities, but is managed through an integrated risk management framework/program, including ongoing identification, measurement and monitoring, and subject to appropriate risk limits and other controls, and adherence to limits. This process of risk management is critical to the Group's and Bank's continuing profitability, and each individual within the Group and Bank is accountable for the risk exposures relating to its responsibilities. The Group and Bank are exposed to credit risk, liquidity risk, market risk and different operational risks. It is also subject to various risks, including country risk and various operating and business risks, that affect the financial sector of the country.

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

The Group/Bank strives to apply best practices in identifying, evaluating, measuring, controlling and monitoring risks to ensure that any risks are set at an acceptable level. Whilst it is not possible to eliminate risk absolutely, the Group/Bank actively promotes and applies best practices at all levels and to all of its activities, including its business relationship with external stakeholders and partners.

The Group/Bank considers risk management as an integral part of its day-to-day core business activities."

4.1.1 Risk management structure

The Group's/Bank' Board of Management has overall responsibility for the establishment and oversight of the Group's/Bank's risk management framework. The Board of Management has established the Board Risk Sub-Committee, a subset of the Board of Management, which is responsible for the overall risk management approach and for approving the risk management strategies and principles and policies. It also has the responsibility to monitor the overall risk process within the Group and Bank.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's/Bank's activities.

The Senior Management (Executive Management) Committee chaired by the President (Chief Executive Officer) has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is also responsible for managing risk decisions and monitoring risk levels and reports on a monthly basis to the Board Risk Sub-Committee.

The Group/Bank, through its ongoing training and development program, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. It is the Bank's policy to ensure that a robust risk awareness is embedded in its organisational risk culture. Employees are expected to take ownership and be accountable for the risks the Bank is exposed to that they decide to take on. Compliance breaches and internal audit findings are important elements of employees' annual performance evaluation and remuneration reviews.

The Compliance and Risk Management Directorate is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Executive Management, Board Risk Sub-Committee and Asset and Liability Management Committee to ensure that procedures are compliant with the overall framework.

The Compliance and Risk Management Directorate is responsible for monitoring compliance with risk principles, policies and limits across the Bank. It carries out an assessment of risk on a regular basis to monitor the Group's/Bank's independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This directorate also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported, where necessary, to the Executive Management Committee and Asset and Liability Management Committee, and further to the Board Risk Sub-Committee and the relevant actions are taken to address exceptions and any areas of weakness.

The Bank's Treasury and Fund Management Directorate is responsible for managing the Bank's financial assets, financial liabilities, capital structure and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank, in terms of managing the asset and liability maturity gap analysis.

The Group and Bank have established a comprehensive risk management program (system) in line with the internationally accepted risk management principles and best practices to suit the risk profile of the Group and Bank

The Bank has also set up the Asset and Liability Management Committee (ALCO), Loan Approval Committee and Loan Review Committee which are responsible for developing and monitoring the Bank's risk management policies in their province of duties.

The Bank has established a wall between and among credit units like client relationship, loan appraisal, loan review, loan approval, and project evaluation and loan portfolio management.
The Bank's policy is that the risk management processes throughout the Bank are audited at least once per year by the Internal Audit Unit, which examines both the effectiveness and adequacy of the risk management framework, policies and procedures and the Bank's compliance with the risk management controls and procedures. Internal Audit Unit discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Sub-Committee.

4.1.2 Risk measurement and reporting systems

The Group's and 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 (i.e. forward-looking macro-economic information). The Bank also runs worst-case scenarios that would arise in the event that extreme events, which are unlikely to occur or 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 priority-area sectors in which the country has comparative advantages. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk mitigation

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

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

4.2 Financial instruments by category

The Bank's financial assets are classified into the following measurement categories: financial assets at fair value through other comprehensive income (FVTOCI), financial assets at amortized cost. The financial liabilities are classified into other liabilities at amortised cost.

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance. The Bank's classification of its financial assets is summarised in the table below:"

Group		FVOCI	Amortized Cost	Total
30 June 2021	Notes	Birr'000	Birr'000	Birr'000
Cash and bank balances (net)	14		13,039,677	13,039,677
Loans and advances to customers (net)	15		50,462,984	50,462,984
Investment securities:				
- Financial assets measured at FVOCI	16	45,867		45,867
- Financial assets measured at amortized cost	16		44,521,817	44,521,817
Other assets	18		1,680,199	1,680,199
Total financial assets		45,867	109,704,677	109,750,544

Bank		FVOCI	Amortized Cost	Total
30 June 2021	Notes	Birr'000	Birr'000	Birr'000
Cash and bank balances (net)	14		13,029,527	13,029,527
Loans and advances to customers (net)	15		50,462,984	50,462,984
Investment securities:				
- Financial assets measured at FVOCI	16	45,867		45,867
- Financial assets measured at amortized cost	16		44,521,817	44,521,817
Other assets	18		1,679,826	1,679,826
Total financial assets		45,867	109,694,154	109,740,021

Group	Notes	FVOCI	Amortized Cost	Total
30 June 2020		Birr'000	Birr'000	Birr'000
Cash and bank balances (net)	14		13,287,460	13,287,460
Loans and advances to customers (net)	15		43,265,674	43,265,674
Investment securities:				
- Financial assets measured at FVOCI	16	37,930		37,930
- Financial assets measured at amortized cost	16		32,354,893	32,354,893
Other assets	18		2,538,092	2,538,092
Total financial assets		37,930	91,446,119	91,484,049

Bank	Notes	FVOCI	Amortized Cost	Total
30 June 2020		Birr'000	Birr'000	Birr'000
Cash and bank balances (net)	14		13,277,888	13,277,888
Loans and advances to customers (net)	15		43,265,674	43,265,674
Investment securities:				
- Financial assets measured at FVOCI	16	37,930		37,930
- Financial assets measured at amortized cost	16		32,354,893	32,354,893
Other assets	18		2,537,722	2,537,722
Total financial assets		37,930	91,436,176	91,474,107

4.3 Credit Risk

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

The Bank manages this risk by applying a rigorous set of criteria in credit granting. It ensures that the lending activities are based on strong underwriting standards, KYC (know your customer) principles and confining its dealings to institutions and individuals of high creditworthiness, and ensuring that exposures to counterparties are appropriately secured. The Bank has high risk appetite for credit risk by taking into account expected returns, the external environment, and developments in the composition of the Bank's balance sheet.

Exposure to credit risk is managed through periodic analysis/review 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 requiring additional equity contribution and 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, one related party and all related parties to not exceed 25%, 5% and 35% of Bank's total capital amount, respectively.
Credit management is conducted as per the risk management policy and guideline approved by the Board of Management and the Risk Management Committee. Such policies are reviewed and modified periodically based on changes and expectations of the markets, regulations and other factors where the Bank operates.

4.3.1 Management of credit risk

"In measuring credit risk of financial assets at amortized cost to various counterparties, the Bank considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counterparty/obligor and its likely future developments, credit history of the counterparty/obligor, and the likely recovery ratio in case of default obligations in terms of value of collateral and other way-out. The Bank's policy is to lend principally on the basis of our customer' repayment (project's cash generating) capacity through rigorous quantitative and qualitative evaluation. However, the Bank ensures that its loans are backed by collateral to reflect the risk of the obligors and the nature of the facility as a last resort, in case the worst scenario occurs.

4.3.2 Credit related commitment risks

The Bank holds collateral against loans and advances to customers in the form of bank property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of lending, and are subsequently updated/reviewed at regular intervals.

In the estimation of credit risk, the Bank estimates the following parameters:
(a) Probability of Default (PD)

This is the probability that an obligor or counterparty will default over a given period, usually one year. The probability of default (PD) estimates the possibility of a loan facility moving from the performing status (stage 1) to the non-performing status (stage 3). For impairment purposes, the PD parameter is estimated using a transition matrix multiplication approach that estimates the movement of loan amounts from one bucket to the next. The PDs will then be adjusted with forward looking information.
(b) Loss Given Default (LGD)

The loss given default (LGD) that measures how much (in form of a percentage) the bank is expected to lose in the event that default occurs from a customer. This is estimated by considering two scenarios in the Bank, that is, using collateral in instances whether the customer has collateral against the debt instrument that they have undertaken with the Bank and/ or an analysis of the historical cash collections after the default event, for cases that the debt instrument is not supported by any security. The LGD will be computed at the customer level.

(c) Exposure at Default (EAD)

The exposure at default (EAD) is estimated based annual outstanding exposure on each loan facility over the remaining lifetime from the reporting period.

4.3.3 Credit risk exposure

(a) Maximum exposure to credit risk before collateral held or credit enhancements and nature of security
The table below shows the Group's and Bank's maximum exposure to credit risk which is represented by the net carrying amounts in the statement of financial position and the value of collateral and credit enhancements held as at 30 June 2021 and 30 June 2020 respectively is shown as follows:

The table below shows the Group's and Bank's maximum exposure to credit risk which is represented by the net carrying amounts in the statement of financial position and the value of collateral and credit enhancements held as at 30 June 2021 and 30 June 2020 respectively is shown as follows:

Group	Value of collateral/security and credit enhancements held				
30 June 2021	Maximum exposure to credit risk	Property	Bank guarantees	Others (including L/C Margin)	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cash and bank balances (net)	13,039,677				
Loans and advances to customers (net)	50,462,984	49,218,560	350,168	4,652,259	54,220,987
Investment securities:					
- Financial assets measured at FVOCI	45,867				
- Financial assets measured at amortized cost	44,521,817				
Other assets	1,680,199				
	109,750,544	49,218,560	350,168	4,652,259	54,220,987
Credit exposures relating to off-balance sheet items:					
Loan commitments	10,817,919				
Letters of credit	2,902,669			1,748,413	1,748,413
Guarantees					
	13,720,587			1,748,413	1,748,413
Total maximum exposure	123,471,131	49,218,560	350,168	6,400,672	55,969,400
Bank 30 June 2021					
Cash and bank balances (net)	13,029,527				
Loans and advances to customers (net)	50,462,984	49,218,560	350,168	4,652,259	54,220,987
Investment securities:					
- Financial assets measured at FVOCI	45,867				
- Financial assets measured at amortized cost	44,521,817				
Other assets	1,679,826				
	109,740,021	49,218,560	350,168	4,652,259	54,220,987
Credit exposures relating to off-balance sheet items:					
Loan commitments	10,817,919				
Letters of credit	2,902,669			1,748,413	1,748,413
Guarantees					
	13,720,587			1,748,413	1,748,413
Total maximum exposure	123,460,608	49,218,560	350,168	6,400,672	55,969,400

		Value of collateral/security and credit enhancements held			
Group	Maximum exposure to credit risk	Property	Bank guarantees	Others (including L/C Margin)	Total
30 June 2020	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cash and bank balances (net)	13,287,460				
Loans and advances to customers (net)	43,265,674	21,266,326	295,006	5,029,421	26,590,752
Investment securities:					
- Financial assets measured at FVOCI	37,930				
- Financial assets measured at amortized cost	32,354,893				
Other assets	2,538,092				
	91,484,049	21,266,326	295,006	5,029,421	26,590,752
Credit exposures relating to off-balance sheet items:					
Loan commitments	15,270,229				
Letters of credit	3,751,192			2,546,985	2,546,985
Guarantees	8,590				
	19,030,011			2,546,985	2,546,985
Total maximum exposure	110,514,061	21,266,326	295,006	7,576,405	29,137,737
Bank					
30 June 2020					
Cash and bank balances (net)	13,277,888				
Loans and advances to customers (net)	43,265,674	21,266,326	295,006	5,029,421	26,590,752
Investment securities:					
- Financial assets measured at FVOCI	37,930				
- Financial assets measured at amortized cost	32,354,893				
Other assets	2,537,722				
	91,474,107	21,266,326	295,006	5,029,421	26,590,752
Credit exposures relating to off-balance sheet items:					
Loan commitments	15,270,229				
Letters of credit	3,751,192			2,546,985	2,546,985
Guarantees	8,590				
	19,030,011			2,546,985	2,546,985
Total maximum exposure	110,504,118	21,266,326	295,006	7,576,405	29,137,737

(b) Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Bank by taking possession of collaterals held as security against loans and advances (measured at amortized cost) at the year end are shown below.

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Birr'000	Birr'000
Buildings	1,285,667	1,285,667	1,232,208	1,232,208
Equipment and machinery	2,776,626	2,776,626	2,338,638	2,338,638
Motor vehicles	110,385	110,385	79,236	79,236
	4,172,678	4,172,678	3,650,082	3,650,082

The Group's and Bank's policy are to pursue timely realisation of the collateral in a timely manner. In general, the Group and Bank have no any intention to make use of the non-cash collateral for their own operations.

4.3.4 Loans and advances to customers at amortised cost

(a) Gross loans and advances to customers per sector are analysed as follows:

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Birr'000	Birr'000
Agriculture	10,492,279	10,492,279	10,398,513	10,398,513
Manufacturing	34,125,683	34,125,683	32,626,033	32,626,033
Mining and energy	202,358	202,358	1,068,348	1,068,348
Service	401,710	401,710	447,893	447,893
Lease services	5,067,179	5,067,179	3,879,065	3,879,065
Micro-financing	8,703,258	8,703,258	5,442,290	5,442,290
Working capital	766,957	766,957	1,575,747	1,575,747
Consumer (staff)	449,555	449,555	353,683	353,683
	60,208,978	60,208,978	55,791,573	55,791,573

(b) Gross loans and advances to customers as per National Bank of Ethiopia's impairment guidelines are analysed as follows:

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Birr'000	Birr'000
Pass	27,961,608	27,961,608	24,064,721	24,064,721
Special mention	16,089,998	16,089,998	11,408,255	11,408,255
Substandard	4,651,487	4,651,487	4,772,918	4,772,918
Doubtful	4,667,548	4,667,548	4,174,747	4,174,747
Loss	6,838,337	6,838,337	11,370,932	11,370,932
	60,208,978	60,208,978	55,791,573	55,791,573

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

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

4.3.5 Credit quality analysis

(a) Credit quality of cash and bank balances

The credit quality of cash and bank balances and short-term investments that were neither past due nor impaired as at 30 June 2021 and 30 June 2020 is shown below. Cash and bank balances that are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. However, cash and bank balances that held in foreign banks can be assessed by reference to credit rating agency designation as shown in the table as follows:

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Birr'000	Birr'000
A	126,636	126,636	212,218	212,218
BBB+	1,964,409	1,964,409	2,228,600	2,228,600
Not rated	10,949,280	10,939,130	10,847,303	10,837,731
	13,040,325	13,030,176	13,288,121	13,278,548

Definitions of ratings

A: High credit quality

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

B: Good credit quality

This indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

Not rated

This indicates financial institutions or other counterparties with no available ratings and cash in hand.
A "+ "(plus) or "-" (minus) may be appended to a rating to indicate the relative position of a credit within the rating category. This is based on Fitch national long-term issuer default ratings.

Credit quality of loans and advances to customers

The following table sets out information about the credit quality of financial assets measured at amortised cost and equity investments at fair value through other comprehensive income. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 2.8.1 (iii).

Group/Bank				
	2021			
In Birr'000	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at amortised cost				
Stage 1 – Pass	27,961,608			27,961,608
Stage 2 – Special mention		16,089,998		16,089,998
Stage 3 – Non-performing			16,157,372	16,157,372
Total gross exposure	27,961,608	16,089,998	16,157,372	60,208,978
Loss allowance	(830,967)	(1,316,056)	(7,598,972)	(9,745,995)
Net carrying amount	27,130,642	14,773,941	8,558,401	50,462,984
Group/Bank				2020
In Birr'000	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at amortised cost				
Stage 1 – Pass	24,064,721			24,064,721
Stage 2 – Special mention		11,408,255		11,408,255
Stage 3 – Non-performing			20,318,597	20,318,597
Total gross exposure	24,064,721	11,408,255	20,318,597	55,791,573
Loss allowance	(1,002,120)	(1,397,274)	(10,126,505)	(12,525,899)
Net carrying amount	23,062,601	10,010,981	10,192,092	43,265,674

(C) Credit quality of other financial assets

		In Birr '000			
Group		2021			
		Gross exposure	Deferred day-one loss	Loss allowance	Net carrying amount
Other financial assets (debt instruments)					
Cash and balances with banks	12 Month ECL	13,040,325		(648)	13,039,677
Investment securities (debt instruments)	12 Month ECL	53,387,326	(8,817,420)	(2,222)	44,567,684
Other receivables and financial assets	12 Month ECL	1,925,850		(245,651)	1,680,199
Total		68,353,501	(8,817,420)	(248,521)	59,287,560

Bank		In Birr '000			
		2021			
		Gross exposure	Deferred day-one loss	Loss allowance	Net carrying amount
Other financial assets (debt instruments)					
Cash and balances with banks	12 Month ECL	13,030,176		(648)	13,029,527
Investment securities (debt instruments)	12 Month ECL	53,387,326	(8,817,420)	(2,222)	44,567,684
Other receivables and financial assets	12 Month ECL	1,925,477		(245,651)	1,679,826
Total		68,342,978	(8,817,420)	(248,521)	59,277,037

Group		In Birr '000			
		2020			
		Gross exposure	Deferred day-one loss	Loss allowance	Net carrying amount
Other financial assets (debt instruments)					
Cash and cash equivalents	12 Month ECL	13,288,121		(661)	13,287,460
Investment securities (debt instruments)	12 Month ECL	32,394,441		(1,618)	32,392,823
Other receivables and financial assets	12 Month ECL	2,855,432		(317,339)	2,538,092
Total		48,537,994		(319,618)	48,218,376

Bank		In Birr '000			
		2020			
		Gross exposure	Deferred day-one loss	Loss allowance	Net carrying amount
Other financial assets (debt instruments)					
Cash and cash equivalents	12 Month ECL	13,278,548		(661)	13,277,888
Investment securities (debt instruments)	12 Month ECL	32,394,441		(1,618)	32,392,823
Other receivables and financial assets	12 Month ECL	2,855,062		(317,339)	2,537,722
Total		48,528,051		(319,618)	48,208,433

(d) Credit quality of investment securities measured at amortized cost

As at 30 June 2021 and 30 June 2020, all investment securities measured at amortized cost are neither past due nor impaired.

(e) Investment securities designated at FVTPL

As at 30 June 2021, the Bank had no exposure to credit risk of the investment securities designated as at FVTPL

4.3.6 Nature of security in respect of loans and advances

The Bank holds collateral against most of its credit exposures. The following table sets out the principal types of collateral held against loans and advances to customer with different segments or economic sectors.

The estimated value of collaterals are based on the last revaluations carried out by the bank's engineers. The valuation technique adopted for properties is in line with the bank's valuation manual.

	Type and value of collateral by economic sector					
Group/Bank						
	Real estate	Bank guarantees	Machinery and equipment	Motor vehicles	Others	Total
30 June 2021	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Economic sector						
Agriculture	2,293,983	12,296	1,339,374	655,389	2,579,134	6,880,175
Manufacturing	13,694,707	337,872	23,674,202	1,314,024	1,369,331	40,390,137
Mining and energy	42,229		44,682	15,184	10,348	112,443
Service	236,370		21,681	10,896	94	269,041
Lease services	249,231		3,345,465	372,460	586,669	4,553,824
Micro-financing						
Consumer (staff)	590,606			74,280		664,887
Working capital	384,314		839,522	19,961	106,683	1,350,480
	17,491,440	350,168	29,264,925	2,462,194	4,652,259	54,220,987

Group/Bank						
30 June 2020						
Economic sector						
Agriculture	1,439,043	4,586	1,873,487	788,107	3,078,029	7,183,253
Manufacturing	12,918,779	125,773	21,798,247	1,041,048	6,684,593	42,568,440
Mining and energy	80,331		451,225	11,846	53,656	597,058
Service	850,262		17,581	1,652	36,665	906,160
Lease services			5,110,121			5,110,121
Micro-financing						
Consumer (staff)	491,228			76,603	560	568,390
Working capital	330,324	164,647	510,568	31,282	530,774	1,567,596
	16,109,967	295,006	29,761,229	1,950,538	10,384,277	58,501,018

4.3.7 Collateral held and their financial effect

The general creditworthiness of a customer (the cash generating capacity of a project) tends to be the most relevant indicator of credit quality of a loan extended. However, collateral provides additional security and the Bank generally holds the project's property, plant and equipment as collateral [as a last resort]. The collateral comes in various forms, such as cash (equity contribution), securities, letters of credit/ guarantees, real estate, machinery and equipment, motor vehicles and other credit enhancements.

In the case of short-term consumer (staff) loans (other than housing and car loans), they are secured to the extent of the employee's continued employment in the Bank in the form of monthly salary deduction and with expected future severance pay being held as collateral.

The Bank may take collateral in the form of a first-degree mortgage over the property, plant and equipment of projects financed by the Bank with a certain percentage of equity contribution. If, however, the project's property, plant and equipment do not meet the minimum requirement, a promoter/borrower is required to bring additional collateral. The Bank does not sell, repossess or repledge the collateral in the absence of default by the owner of the collateral.

Because of the Bank's focus on customers' creditworthiness (projects' cash generating capacity), the Bank does not routinely update the valuation of collateral held against all loans and advances to customers. However, valuation of collateral is updated when the Bank takes foreclosure measures and when the loan is put on a watchlist and the loan is monitored more closely. In addition, for credit-impaired loans, the Bank obtains appraisal of collateral because it provides the management with inputs for determining the appropriate credit risk actions.

The estimated value of the collateral is based on the last revaluations carried out by the Bank's in-house engineers. The valuation technique adopted for properties is in line with the Bank's valuation manual .

4.3.8 Amounts arising from ECL

i) Inputs, assumptions and techniques used for estimating impairment
ii) Significant increase in credit risk

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

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

- the remaining lifetime probability of default (PD) as at the reporting date;
- 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 for short term loans and 180 days for medium and long term loans, in line with regulatory requirements set by NBE for development banks in Ethiopia.

iii) Credit risk grades

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

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

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

- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
- Internally collected data on customer 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

iv) Generating the term structure of PD

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

v) Determining whether credit risk has increased significantly

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

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 expected credit loss (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 expected credit loss (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).

vi) Definition of default

The Bank considers a financial asset to be in default when: the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); the borrower is more than 90 days past due (short term loans) and more than 360 days (medium and long term loans) on any material credit obligation to the Bank, in line with regulatory requirements set by NBE for development banks in Ethiopia;

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or it is becoming probable that the bank 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; based on data developed internally and obtained from external sources; and Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.
vii) Incorporation of forward-looking information

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

The Bank formulates three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside (optimistic) and one downside (pessimistic). 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. The upside and downside scenarios are based on a combination of a percentage error factor 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 non-performing loans (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 its 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 Bank is summarized below:

Macro-economic factors				
GDP: GDP per capita, USD	GDP EXPENDITURE: Domestic Demand, USD per capita	LABOUR FORCE: Unemployment, % of labour force, ave	EXCHANGE RATE: ETB/USD, ave	DEBT: Government domestic debt, ETBbn
The economic scenarios used as at 30 June 2021 included the following key indicators for Ethiopia for the years 2020 to 2022:				
Macro-Economic factor		2020	2021	2022
GDP: GDP per capita, USD		783	889	1004
GDP EXPENDITURE: Domestic Demand, USD per capita		929.3	1015.5	1098
LABOUR FORCE: Unemployment, % of labour force, ave		5.6	5.5	5.6
EXCHANGE RATE: ETB/USD, ave		33.31	34.31	35.34
DEBT: Government domestic debt, ETBbn		752	872.3	1003.1

Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analyzing semi-annual historical data over the past 5 years.
The scenario probability weightings applied in measuring ECL are as follows:

	2021			2020		
As at 30 June	Upside	Median/Central	Downside	Upside	Median/Central	Downside
Scenario probability weighting		50%	50%		50%	50%

viii) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised 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. All loans are subject to the forbearance policy. The Bank's Project Rehabilitation and Recovery Directorate 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 behavioral indicators.

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

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

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

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

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from 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.

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;
- loan-to-value (LTV) ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

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

x) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument:

In Birr '000	2021			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost (on balance sheet exposures)				
Balance as at 1 July 2020	1,002,120	1,397,274	10,126,505	12,525,899
Transfer to stage 1 (12 months ECL)	268,420	(177,717)	(90,703)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	(772,092)	1,027,821	(255,729)	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(561,366)	(631,773)	1,193,139	-
Net remeasurement of loss allowance	873,262	(305,625)	(1,607,642)	(1,040,005)
New financial assets originated or purchased	59,192	11,550	80,379	151,121
Financial assets derecognised	(38,570)	(5,473)	(1,846,977)	(1,891,021)
Balance as at 30 June 2021	830,967	1,316,056	7,598,972	9,745,995

In Birr '000	2020			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost (on balance sheet exposures)				
Balance as at 1 July 2019	393,215	471,821	10,305,850	11,170,885
Transfer to stage 1 (12 months ECL)	376,989	(343,853)	(33,136)	
Transfer to stage 2 (Lifetime ECL not credit impaired)	(653,412)	785,042	(131,630)	
Transfer to stage 3 (Lifetime ECL credit impaired)	(849,790)	(585,093)	1,434,883	
Net remeasurement of loss allowance	1,667,818	1,055,304	(963,477)	1,759,645
New financial assets originated or purchased	102,329	19,680	51,983	173,991
Financial assets derecognised	(35,029)	(5,625)	(537,968)	(578,623)
Balance as at 30 June 2020	1,002,120	1,397,274	10,126,505	12,525,899

In Birr '000	2021			
	Stage 1	Stage 2	Stage 3	Total
Financial guarantee contracts (off-balance sheet exposures)				
Balance as at 1 July 2020	48			48
Transfer to stage 1 (12 months ECL)				
Transfer to stage 2 (Lifetime ECL not credit impaired)				
Transfer to stage 3 (Lifetime ECL credit impaired)				
Net re-measurement of loss allowance				
New financial assets originated or purchased	48			48
Financial assets derecognised	(48)			(48)
Balance as at 30 June 2021	48			48

In Birr '000	2020			
	Stage 1	Stage 2	Stage 3	Total
Financial guarantee contracts (off-balance sheet exposures)				
Balance as at 1 July 2019	74			74
Transfer to stage 1 (12 months ECL)				
Transfer to stage 2 (Lifetime ECL not credit impaired)				
Transfer to stage 3 (Lifetime ECL credit impaired)				
Net re-measurement of loss allowance				
New financial assets originated or purchased	48			48
Financial assets derecognised	(74)			(74)
Balance as at 30 June 2020	48			48

	2021			
In Birr '000	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Other financial assets (debt instruments)				
Balance as at 1 July 2020	661	1,618	317,339	319,618
Net measurement of loss allowance	(13)	604	(71,688)	(71,097)
Balance as at 30 June 2021	648	2,222	245,651	248,521

	2020			
In Birr '000	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Other financial assets (debt instruments)				
Balance as at 1 July 2019	378	1,552	121	2,051
Net measurement of loss allowance	283	66	317,218	317,567
Balance as at 30 June 2020	661	1,618	317,339	319,618

provides the ECL charges (impairment losses) included for the year in the reconciliation between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument or recorded in the consolidated and separate statement of profit or loss and other comprehensive income.

	2021			
In Birr' 000	Loans and advances to customers at amortised cost	Financial guarantee contracts	Other financial assets	Total charge/(credit)
Net measurement of loss allowance	(1,040,005)			(1,040,005)
New financial assets originated or purchased	151,121	48	248,521	399,690
Financial assets derecognised	(1,891,021)	(48)	(319,618)	(2,210,687)
Amounts directly written off during the year	1,516,022			1,516,022
Total	(1,263,883)	0	(71,097)	(1,334,980)

	2020			
In Birr' 000	Loans and advances to customers at amortised cost	Financial guarantee contracts	Other financial assets	Total charge/ (credit)
Net measurement of loss allowance	1,667,818	1,055,304	(963,477)	1,759,645
New financial assets originated or purchased	173,991	48	319,618	493,658
Financial assets derecognised	(578,623)	(48)	(319,618)	(898,289)
Total	1,263,187	1,055,304	(963,477)	1,355,014

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 favorable 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

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 the stage of collection of amounts owed to the bank. The amounts disclosed exclude assets measured at FVTPL.

4.3.9 Statement of prudential adjustments

(a) "Provisions under prudential guidelines are determined using the time/age based provisioning prescribed by the National bank of Ethiopia (NBE) Directive. This is at variance with the expected credit loss (adjusted with forward looking) model required by IFRS 9. As a result of the differences in the methodology/provision, there will be variances in the impairment allowances required under the two methodologies.

Hence, banks would be required to comply with the following:

Provision expense for loan losses recognized in the statement of profit or loss and other comprehensive income should be determined based on the requirements of IFRS 9. However, the IFRS provisions should be compared with the provisions determined under NBE Directives and the resultant expected impact/ changes should be treated in regulatory credit risk reserve, as follows:
provision, the excess provisions should be transferred from retained earnings (general reserve) account to a non-distributable "regulatory credit risk reserve". When prudential provisions is less than IFRS provision, IFRS determined provision is charged to the statement of profit or loss and other comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to retained earnings account to the extent of the excess prudential provisions which were previously recognized/held in the regulatory credit risk reserve.However, the Bank did not hold any regulatory credit risk reserve as at 30 June 2021 in respect of differences between loan impairment losses as determined under IFRS and NBE as the cumulative loan provision computed under IFRS was higher than that of the NBE's requirement.
The impairment allowance determined under NBE Directive and IFRS 9 as at 30 June 2021 and 30 June 2020 is as follows:

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Birr'000	Birr'000
Total impairment allowance as per IFRS	11,111,463	11,111,463	13,684,871	13,684,871
Total impairment allowance in line with NBE Directives	6,970,821	6,970,821	9,189,905	9,189,905
Difference (excess of IFRS over NBE)	4,140,642	4,140,642	4,494,965	4,494,965

(b) As per the requirement of IFRS, banks should recognize interest income on impaired loans after deducting impairment loss from the gross carrying amount using the EIR. However, as per the requirement of NBE, banks should derecognize interest income on impaired loans.
To comply with the directive of the NBE, the Group and Bank have reversed the suspended interest on impaired loans from retained earnings account and transferred to regulatory credit risk reserve account as the amount is non-distributable to the owner of the Group and Bank.

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Birr'000	Birr'000
Suspended interest transferred to regulatory credit risk reserve	3,261,572	3,261,572	2,839,613	2,839,613

4.3.10 Credit concentrations

The Group and Bank monitor concentrations of credit risk by economic sector. An analysis of concentrations of credit risk of gross loans and advances to customers and other financial assets at 30 June 2021 and 30 June 2020 is shown below. The Bank concentrates all its financial assets in Ethiopia.

Group	Agriculture	Manufacturing	Financial Service	others	Total
30 June 2021	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cash and bank balances			13,040,325		13,040,325
Loans and advances to customers	10,492,279	34,125,683	8,703,258	6,887,759	60,208,978
Investment securities:					
- Financial assets measured at FVOCI			45,867		45,867
- Financial assets measured at amortized cost				44,524,039	44,524,039
Other assets				1,925,850	1,925,850
	10,492,279	34,125,683	21,789,450	53,337,648	119,745,060

Bank	Agriculture	Manufacturing	Financial Service	others	Total
30 June 2021	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cash and bank balances			13,030,176		13,030,176
Loans and advances to customers	10,492,279	34,125,683	8,703,258	6,887,759	60,208,978
Investment securities:					
- Financial assets measured at FVOCI			45,867		45,867
- Financial assets measured at amortized cost				44,524,039	44,524,039
Other assets				1,925,477	1,925,477
	10,492,279	34,125,683	21,779,300	53,337,275	119,734,537

Group	Agriculture	Manufacturing	Financial Service	others	Total
30 June 2020	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cash and bank balances			13,288,121		13,288,121
Loans and advances to customers	10,398,513	32,626,033	5,442,290	7,324,737	55,791,573
Investment securities:					
- Financial assets measured at FVOCI			37,930		37,930
- Financial assets measured at amortized cost				32,356,510	32,356,510
Other assets				2,855,432	2,855,432
	10,398,513	32,626,033	18,768,341	42,536,679	104,329,567

Bank	Agriculture	Manufacturing	Financial Service	others	Total
30 June 2020	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cash and bank balances			13,278,548		13,278,548
Loans and advances to customers	10,398,513	32,626,033	5,442,290	7,324,737	55,791,573
Investment securities:					
- Financial assets measured at FVOCI			37,930		37,930
- Financial assets measured at amortized cost				32,356,510	32,356,510
Other assets				2,855,062	2,855,062
	10,398,513	32,626,033	18,758,769	42,536,309	104,319,624

4.3.11 Commitments and guarantees

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group and Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. The table below shows the Group's and Bank's maximum credit risk exposure for commitments and guarantees.

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Birr'000	Birr'000
Letters of credit	2,902,669	2,902,669	3,751,192	3,751,192
Guarantees			8,590	8,590
Loan commitments	10,817,919	10,817,919	15,270,229	15,270,229
Total maximum exposure	13,720,587	13,720,587	19,030,011	19,030,011

4.4 Liquidity risk

Liquidity risk is defined as the risk that the Group and the Bank do not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In other words, liquidity risk is the risk that the Group and Bank cannot meet their maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Group and Bank might be unable to meet their payment obligations when they fall due as a result of mismatches in the timing and amounts of the cash flows under both normal and stress circumstances, which is inherent to the Group's and Bank's operations and lending activities. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group and Bank on acceptable terms.

Liquidity risk management in the Group and Bank is solely determined by the Treasury and Fund Management Directorate as well as by the Asset and Liability Management Committee (ALCO), which bear the overall responsibility for liquidity risk. The main objective of the Group's and Bank's liquidity risk framework is to maintain sufficient liquidity in order to ensure that they meet their maturing obligations.

4.4.1 Management of liquidity risk

Cash flow forecasting is performed by the Treasury and Fund Management Directorate. The Treasury and Fund Management Directorate monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. To this end, the Treasury and Fund Management Directorate of the Bank is working collaboratively with other work units within the Bank to ensure the liquidity risk strategy is executed in a holistic manner. This incorporates an assessment of expected cash flows and the availability of diversified funding sources.

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

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

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

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

4.4.2 Maturity analysis of financial liabilities

The table below analyses the Group's and 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.

The table below analyses the Group's and 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.

Group	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year
30 June 2021	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Deposits from customers	223,943	149,295	149,295	149,295	74,648
Debt securities issued	256,950	513,901	770,851	1,027,802	8,456,971
Borrowings	514,548	760,258	3,862,159	11,199,176	56,763,458
Other liabilities - lease liabilities	858	1,716	2,574	5,147	27,749
Other liabilities -Other	477,996	716,994	955,992	1,194,990	1,433,988
Total financial liabilities	1,474,295	2,142,164	5,740,871	13,576,410	66,756,814
Letters of credit	145,133	435,400	870,801	1,161,067	290,267
Loan commitments	1,081,792	2,163,584	3,245,376	2,163,584	2,163,584
Other commitments	5,737	11,474	17,211	22,948	
Total commitments	1,232,662	2,610,458	4,133,387	3,347,600	2,453,851

Bank					
30 June 2021					
Deposits from customers	223,943	149,295	149,295	149,295	74,648
Debt securities issued	256,950	513,901	770,851	1,027,802	8,456,971
Borrowings	514,548	760,258	3,862,159	11,199,176	56,763,458
Other liabilities - lease liabilities	858	1,716	2,574	5,147	27,749
Other liabilities -Other	477,992	716,988	955,984	1,194,980	1,433,976
Total financial liabilities	1,474,291	2,142,158	5,740,863	13,576,400	66,756,801
Letters of credit	145,133	435,400	870,801	1,161,067	290,267
Loan commitments	1,081,792	2,163,584	3,245,376	2,163,584	2,163,584
Other commitments	5,737	11,474	17,211	22,948	
Total commitments	1,232,662	2,610,458	4,133,387	3,347,600	2,453,851

Group					
30 June 2020					
Deposits from customers	218,899	145,933	145,933	145,933	72,966
Debt securities issued	214,883	429,766	644,650	859,533	7,286,641
Borrowings	14,589	609,004	1,482,313	7,255,219	61,601,874
Other liabilities - lease liabilities	1,520	1,520	1,724	1,520	8,916
Other liabilities -Other	669,157	1,003,736	1,338,315	1,672,894	2,007,472
Total financial liabilities	1,119,049	2,189,960	3,612,935	9,935,099	70,977,871
Letters of credit	187,560	562,679	1,125,358	1,500,477	375,119
Guarantees issued	859	1,718	2,577	3,436	
Loan commitments	1,527,023	3,054,046	4,581,069	3,054,046	3,054,046
Other commitments	12,365	24,730	37,096	49,461	
Total commitments	1,727,807	3,643,173	5,746,099	4,607,419	3,429,165

Bank	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year
30 June 2020	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Deposits from customers	218,899	145,933	145,933	145,933	72,966
Debt securities issued	214,883	429,766	644,650	859,533	7,286,641
Borrowings	14,589	609,004	1,482,313	7,255,219	61,601,874
Other liabilities - lease liabilities	1,520	1,520	1,724	1,520	8,916
Other liabilities -Other	669,154	1,003,731	1,338,308	1,672,885	2,007,462
Total financial liabilities	1,119,046	2,189,955	3,612,928	9,935,090	70,977,860
Letters of credit	187,560	562,679	1,125,358	1,500,477	375,119
Guarantees issued	859	1,718	2,577	3,436	
Loan commitments	1,527,023	3,054,046	4,581,069	3,054,046	3,054,046
Other commitments	12,365	24,730	37,096	49,461	
Total commitments	1,727,807	3,643,173	5,746,099	4,607,419	3,429,165

4.5 Market Risk

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

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

4.5.1 Management of market risk

The main objective of market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's and Bank's solvency while optimising the return on risk. Market risk is monitored regularly by the Compliance and Risk Management Directorate to identify any adverse movement in the underlying variables.

(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. Borrowing and lending obtained and granted at variable rates give rise to interest rate risk.

The Group's and Bank's exposure to the risk of changes in market interest rates relates primarily to the Group's and Bank's obligations and financial assets with floating interest rates. The Bank is also exposed on fixed rate financial assets and financial liabilities. The Group's and Bank's investment portfolio is comprised of loans and advances, treasury bills, Ethiopian government bonds and cash and bank deposits. The Group and Bank often revise their lending rate across segments of the credit portfolio based on the cost of funds and the perceived risk in each credit portfolio segment to keep the overall profitability and sustainability, in consideration of the Bank's unique development objective.

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

Group	Fixed interest	Floating interest	Non-interest bearing	Total
30 June 2021	Birr'000	Birr'000	Birr'000	Birr'000
Assets				
Cash and balances with banks	9,402,800		3,637,525	13,040,325
Loans and advances to customers	60,208,978			60,208,978
Investment securities	30,331,897		14,238,009	44,569,906
Other assets			1,925,850	1,925,850
Total	99,943,675		19,801,384	119,745,060
Liabilities				
Deposits from customers	138,113		608,363	746,476
Debt securities issued	11,026,475			11,026,475
Borrowings	72,428,875	670,724		73,099,599
Other liabilities			4,735,414	4,735,414
Total	83,593,463	670,724	5,343,776	89,607,964

Bank	Fixed interest	Floating interest	Non-interest bearing	Total
30 June 2021	Birr'000	Birr'000	Birr'000	Birr'000
Assets				
Cash and balances with banks	2,103,316		10,926,860	13,030,176
Loans and advances to customers	60,208,978			60,208,978
Investment securities	30,331,897		14,238,009	44,569,906
Other assets			1,925,477	1,925,477
Total	92,644,191		27,090,345	119,734,537
Liabilities				
Deposits from customers	138,113		608,363	746,476
Debt securities issued	11,026,475			11,026,475
Borrowings	72,428,875	670,724		73,099,599
Other liabilities			4,735,386	4,735,386
Total	83,593,463	670,724	5,343,748	89,607,936

Group	Fixed interest	Floating interest	Non-interest bearing	Total
30 June 2020	Birr'000	Birr'000	Birr'000	Birr'000
Assets				
Cash and balances with banks	2,440,818		10,847,303	13,288,121
Loans and advances to customers	55,791,573			55,791,573
Investment securities	29,779,364		2,577,147	32,356,510
Other assets			2,855,432	2,855,432
Total	88,011,755		16,279,882	104,291,636
Liabilities				
Deposits from customers	125,226		604,438	729,664
Debt securities issued	9,435,473			9,435,473
Borrowings	70,065,086	897,914		70,963,000
Other liabilities			6,656,961	6,656,961
Total	79,625,786	897,914	7,261,399	87,785,099

Bank	Fixed interest	Floating interest	Non-interest bearing	Total
30 June 2020	Birr'000	Birr'000	Birr'000	Birr'000
Assets				
Cash and balances with banks	2,440,818		10,837,731	13,278,548
Loans and advances to customers	55,791,573			55,791,573
Investment securities	29,779,364		2,577,147	32,356,510
Other assets			2,855,062	2,855,062
Total	88,011,755		16,269,939	104,281,694
Liabilities				
Deposits from customers	125,226		604,438	729,664
Debt securities issued	9,435,473			9,435,473
Borrowings	70,065,086	897,914		70,963,000
Other liabilities			6,656,939	6,656,939
Total	79,625,786	897,914	7,261,378	87,785,077

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate non–trading financial assets and financial liabilities held at 30 June 2021 and 30 June 2020.

	Increase/ (decrease) in basis points	Group	Bank	Group	Bank
		30-Jun-21	30-Jun-21	30-Jun-20	30-Jun-20
		Birr'000	Birr'000	Birr'000	Birr'000
USD	10% (↑)	(67,072)	(67,072)	(89,791)	(89,791)
USD	10% (↓)	67,072	67,072	89,791	89,791

(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 Group and Bank are exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The Group's and Bank's foreign currency deposit 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 Group's and Bank's foreign denominated borrowings and cash and bank balances.

The net foreign currency denominated assets and liabilities exposed to risk as at year end was Birr 2.46 billion (30 June 2020: Birr 2.56 billion).

Foreign currency denominated balances				
	Group	Bank	Group	Bank
	30-Jun-21	30-Jun-21	30-Jun-20	30-Jun-20
	Birr'000	Birr'000	Birr'000	Birr'000
Cash and bank balances	3,463,666	3,463,666	3,742,688	3,742,688
Deposits from customers	332,716	332,716	289,494	289,494
Borrowings	670,724	670,724	897,914	897,914
	1,003,441	1,003,441	1,187,408	1,187,408
Net foreign currency exposure	2,460,225	2,460,225	2,555,280	2,555,280

Sensitivity analysis for foreign exchange risk

The sensitivity analysis for currency rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date. The sensitivity of the Bank's earnings to fluctuations in exchange rates is reflected by varying the exchange rates at 10% as shown below:

	Increase/ (decrease) in basis points	Group	Bank	Group	Bank
		30-Jun-21	30-Jun-21	30-Jun-20	30-Jun-20
		Birr'000	Birr'000	Birr'000	Birr'000
USD	10% (↑)	248,370	248,370	253,838	253,838
USD	10% (↓)	(248,370)	(248,370)	(253,838)	(253,838)
EUR	10% (↑)	(2,487)	(2,487)	1,362	1,362
EUR	10% (↓)	2,487	2,487	(1,362)	(1,362)
GBP	10% (↑)	140	140	81	81
GBP	10% (↓)	(140)	(140)	(81)	(81)

4.6 Capital management

The Group's and 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 Government/public, creditor and market confidence and to sustain future development of the business.

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 ratio is calculated as per the provisions of Directive No SBB/9/95 issued on August 18, 1995.

Capital includes paid-up capital, retained earnings (general reserve), legal reserve and other reserves (unencumbered reserves) to be approved by the National Bank of Ethiopia.

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

		30-Jun-21	30-Jun-20
		Birr'000	Birr'000
Capital			
Capital		28,520,000	7,500,000
Retained earnings		(1,360,174)	(3,477,325)
Legal reserve		1,595,913	643,963
		28,755,739	7,532,626
Risk weighted assets			
Risk weighted balance for on-balance sheet items		59,174,169	46,603,084
Credit equivalents for off-balance sheet items		1,691,011	2,343,382
		60,865,180	48,946,466
Risk-weighted capital adequacy ratio (CAR)		47%	15%
Minimum required capital		8%	8%
Excess/(shortfall)		39%	7%

4.7 Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

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

4.7.1 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, while unobservable inputs reflect the Bank's market assumptions.

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

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

•Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

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

4.7.2 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 categorized. The amounts are based on the values recognised in the statement of financial position.

Group	Carrying amount	Level 1	Level 2	Level 3	Total
30 June 2021	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Financial assets					
Cash and balances with banks (net)	13,039,677			13,039,677	13,039,677
Loans and advances to customers (net)	50,462,984			50,462,984	50,462,984
Investment securities:					
- Financial assets measured at FVOCI	45,867		45,867		45,867
- Financial assets measured at amortized cost	44,521,817			44,521,817	44,521,817
Other assets	1,680,199			1,680,199	1,680,199
Total	109,750,544		45,867	109,704,677	109,750,544
Financial liabilities					
Deposits from customers	746,476			746,476	746,476
Debt securities issued	11,026,475			11,026,475	11,026,475
Borrowings	73,099,599			73,099,599	73,099,599
Other liabilities	4,735,414			4,735,414	4,735,414
Total	89,607,964			89,607,964	89,607,964

Bank	Carrying amount	Level 1	Level 2	Level 3	Total
30 June 2021	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Financial assets					
Cash and balances with banks (net)	13,029,527			13,029,527	13,029,527
Loans and advances to customers (net)	50,462,984			50,462,984	50,462,984
Investment securities:					
- Financial assets measured at FVOCI	45,867		45,867		45,867
- Financial assets measured at amortized cost	44,521,817			44,521,817	44,521,817
Other assets	1,679,826			1,679,826	1,679,826
Total	109,740,021		45,867	109,694,154	109,740,021
Financial liabilities					
Deposits from customers	746,476			746,476	746,476
Debt securities issued	11,026,475			11,026,475	11,026,475
Borrowings	73,099,599			73,099,599	73,099,599
Other liabilities	4,735,386			4,735,386	4,735,386
Total	89,607,936			89,607,936	89,607,936

Group	Carrying amount	Level 1	Level 2	Level 3	Total
30 June 2020	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Financial assets					
Cash and balances with banks (net)	13,287,460			13,287,460	13,287,460
Loans and advances to customers (net)	43,265,674			43,265,674	43,265,674
Investment securities:					
- Financial assets measured at FVOCI	37,930		37,930		37,930
- Financial assets measured at amortized cost	32,354,893			32,354,893	32,354,893
Other assets	2,538,092			2,538,092	2,538,092
Total	91,484,049		37,930	91,446,119	91,484,049

	Carrying amount	Level 1	Level 2	Level 3	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Financial liabilities					
Deposits from customers	729,664			729,664	729,664
Debt securities issued	9,435,473			9,435,473	9,435,473
Borrowings	70,963,000			70,963,000	70,963,000
Other liabilities	6,656,961			6,656,961	6,656,961
Total	87,785,099			87,785,099	87,785,099

Bank	Carrying amount	Level 1	Level 2	Level 3	Total
30 June 2020	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Financial assets					
Cash and balances with banks (net)	13,277,888			13,277,888	13,277,888
Loans and advances to customers (net)	43,265,674			43,265,674	43,265,674
Investment securities:					
- Financial assets measured at FVOCI	37,930		37,930		37,930
- Financial assets measured at amortized cost	32,354,893			32,354,893	32,354,893
Other assets	2,537,722			2,537,722	2,537,722
Total	91,474,107		37,930	91,436,176	91,474,107
Financial liabilities					
Deposits from customers	729,664			729,664	729,664
Debt securities issued	9,435,473			9,435,473	9,435,473
Borrowings	70,963,000			70,963,000	70,963,000
Other liabilities	6,656,939			6,656,939	6,656,939
Total	87,785,077			87,785,077	87,785,077

4.7.3 Fair value methods and assumptions

(a) Loans and advances to customers

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

(b) Borrowings

Borrowings are carried at amortised cost. The fair value of the borrowings at each reporting year end was calculated by fair valuing the outstanding balances at each preceding year end to the current year.

4.7.4 Valuation technique using significant unobservable inputs – Level 3

The Group and the Bank has no financial asset measured using significant unobservable inputs.

4.7.5 Transfers between the fair value hierarchy categories

During this reporting period including the previous year annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

4.8 Offsetting financial assets and financial liabilities

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

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000

5 Interest income

Interest income calculated using the effective interest method

	Interest on agriculture loans	775,376	775,376	541,984	541,984
	Interest on manufacturing loans	3,893,181	3,893,181	3,714,174	3,714,174
	Interest on mining and energy loans	136,449	136,449	141,490	141,490
	Interest on service loans	58,587	58,587	233,092	233,092
	Interest on lease services loans	67,358	67,358	36,074	36,074
	Interest on micro-financing loans	517,085	517,085	180,331	180,331
	Interest on staff loans	35,098	35,098	38,019	38,019
	Interest on investment securities	1,604,451	1,604,451	1,544,033	1,544,033
	Interest on deposit placement	471,757	470,650	411,678	410,780
	Total interest income	7,559,342	7,558,236	6,840,875	6,839,977

Included within various line items under interest income for the year ended 30 June 2021 is a total of ETB 421,959,164 (30 June 2020: 501,576,607) relating to credit impaired loans and advances.

6 Interest expense

Interest expense calculated using the effective interest method					
	Interest on deposits	7,365	7,365	6,303	6,303
	Interest on Ethiopian Government Saving Bonds	587,365	587,365	566,458	566,458
	Interest on National Bank of Ethiopia borrowing	2,064,144	2,064,144	1,893,091	1,893,091
	Interest on Ministry of Finance borrowing	192,668	192,668	148,374	148,374
	Interest on China Development Bank borrowing	20,810	20,810	43,375	43,375
		2,872,352	2,872,352	2,657,601	2,657,601

7 Net Fee and commission income

7a Fee and commission income

	Commission income on CPO and FT	28,657	28,657	16,529	16,529
	Commission income on insurance	3,502	3,502	2,721	2,721
	Commission on letters of credit	227,000	227,000	253,802	253,802
		259,159	259,159	273,052	273,052
	Fee and commission expense	(2,681)	(2,681)	(2,489)	(2,489)
	Net fee and commission income	256,478	256,478	270,563	270,563

7b Disaggregated revenue information

	Group/Bank	For the year ended 30 June 2021			
	Segments	Corporate Banking	Retail Banking	Managed Fund	Total
	Net fee income earned from services that are provided over time				
	Net fee income from providing financial services at a point in time:				
	Fee and commission income on trade services (net)	224,319			224,319
	Fee on fund transfer and transaction services (net)		32,159		32,159
		224,319	32,159	-	256,478
	Total net revenue from contracts with customers	224,319	32,159	-	256,478

	Group/Bank	For the year ended 30 June 2020			
	Segments	Corporate Banking	Retail Banking	Managed Fund	Total
	Net fee income earned from services that are provided over time				
	Net fee income from providing financial services at a point in time:				
	Fee and commission income on trade services (net)	251,313			251,313
	Fee on fund transfer and transaction services (net)		19,250		19,250
		251,313	19,250		270,563
	Total net revenue from contracts with customers	251,313	19,250		270,563

Net fee income earned from services that are provided over time

Net fee income from providing financial services at a point in time:

Fee and commission income on trade services (net)	224,319			224,319
Fee on fund transfer and transaction services (net)		32,159		32,159
	224,319	32,159	-	256,478
Total net revenue from contracts with customers	224,319	32,159	-	256,478

Group/Bank	For the year ended 30 June 2020			
Segments	Corporate Banking	Retail Banking	Managed Fund	Total
Net fee income earned from services that are provided over time				
Net fee income from providing financial services at a point in time:				
Fee and commission income on trade services (net)	251,313			251,313
Fee on fund transfer and transaction services (net)		19,250		19,250
	251,313	19,250		270,563
Total net revenue from contracts with customers	251,313	19,250		270,563

The total revenue from contracts with customers is generated entirely from domestic operation as the Group and Bank have no any operation outside Ethiopia

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
8 Other operating income					
	Rental income	8,377	8,377	13,784	13,784
	Gain on disposal of property, plant and equipment (net)			119	119
	Gain on disposal of asset awaiting for resale			3,358	3,358
	Penalty charge income	797	797	2,769	2,769
	Gain on foreign exchange	429,766	429,766	383,071	383,071
	Other income	23,666	23,666	20,952	20,952
		462,606	462,606	424,052	424,052
9 Loan impairment charge					
	Loans and advances - charge/(reversal) for the year (note 15b)	(1,263,883)	(1,263,883)	1,355,014	1,355,014
		(1,263,883)	(1,263,883)	1,355,014	1,355,014
10 Impairment losses on other assets					
	Other assets - charge for the year (note 14,16, 18 & 26)	206,589	206,589	507,056	507,056
		206,589	206,589	507,056	507,056

The detail breakdown of annual impairment charge on other assets for the year ended 30 June 2021 and 30 June 2020 is as follows:

		Group/Bank	Group/Bank
		30 June 2021	30 June 2020
		Birr'000	Birr'000
Cash and Bank Balance	Note 14	(13)	283
Investment security (Treasury Notes/Bills & Gov't Bonds)	Note 16	604	66
Other financial assets measured at amortized cost & non-financial assets	Note 18	205,997	506,733
Letters of credit and Financial Guarantee	Note 26	0	(26)
		206,589	507,056

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
11 Personnel expenses					
	Salaries and wages	613,281	612,815	333,874	333,407
	Staff allowances	275,196	275,196	197,545	197,545
	Pension costs – defined contribution plan	54,077	54,077	28,284	28,284
	Pension costs – defined benefit plans	10,830	10,830	76,164	76,164
	Other staff expenses	126,738	126,738	50,290	50,290
		1,080,122	1,079,656	686,157	685,690
12 Other operating expenses					
	Perdiem and travel	18,369	18,369	26,743	26,743
	Fuel and lubricants	8,458	8,458	5,380	5,380
	Audit fees	1,062	1,030	954	933
	Repairs and maintenance	18,269	18,269	12,230	12,228
	Utility and communications	10,191	10,173	11,897	11,882
	Printing and stationery	7,751	7,748	5,095	5,092
	Subscription & publication	1,020	1,020	2,902	2,902
	Donations and sponsorship	153,595	153,595	10,523	10,523
	Entertainment	3,703	3,703	1,755	1,755
	Event organization	2,026	2,026	962	962
	Advertisement & publicity	6,062	6,062	1,393	1,393
	Insurance	6,692	6,692	5,858	5,858
	License and professional fees	28,375	28,375	27,392	27,392
	Commission for agents	6,331	6,331	2,186	2,186
	Board of management fees	851	851	1,883	1,883
	Wages	3,035	3,035	3,986	3,986

	Security	43,555	43,554	39,274	39,274
	Administration expense on asset awaiting for resale	153,047	153,047	139,256	139,256
	Loss on disposal of asset awaiting for resale	421	421	25,352	25,352
	Interest expense on late payment of tax	76,272	76,272		
	Miscellaneous	19,800	19,795	33,827	33,825
		568,886	568,827	359,545	359,500

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000 Restated*	Birr'000 Restated*
13 Current income tax and deferred tax					
13a Income tax expense/(income)					
	Tax expense				
	Current income tax	820,937	820,937	6,345	6,343
	Deferred income tax/(credit) to profit or loss	(12,876)	(12,876)	(34,018)	(34,018)
	Total charge to profit or loss	808,061	808,061	(27,673)	(27,675)
	Income tax charged/(credited) to other comprehensive income				
	Tax (credit) on other comprehensive income	19,024	19,024	(13,101)	(13,101)
	Total income tax charged/(credited) to other comprehensive income		19,024	(13,101)	(13,101)

13b Reconciliation of effective tax to statutory tax

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

Less: Tax effect of income taxed at source, tax exempt or tax presented separately

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Birr'000 Restated*	Birr'000 Restated*
Profit/ (Loss) before tax	4,671,469	4,671,469	1,842,453	1,842,068
Tax calculated at statutory tax rate of 30%	1,401,441	1,401,441	552,736	552,621
Add: Tax effect of disallowed expenses and reversal				
Entertainment	1,111	1,111	527	527
Donation and sponsorship	46,079	46,079	3,157	3,157
Event organization	608	608	289	289
Penalty	3	3	84	84
Interest expense on late payment of tax	22,882	22,882		
Amortization of right-of-use asset	8,692	8,692	7,042	7,042
Interest expense on lease liability	629	629	479	479
Accrued annual leave expense	13,589	13,589	1,555	1,555
Accrued bonus expense	24,118	24,118	11,954	11,954
Funeral assistance expense	47	47	58	58
lunch and parking	81	81	295	295
Depreciation for rented buildings	789	789	340	340
Insurance expense on rented buildings	10	10	21	21
Legal provision	169	169	2,142	2,142
Depreciation & amortization for accounting purpose	33,371	33,371	30,779	30,778
Withholding tax on technical services	778	778		
Provision for loans & other assets as per IFRS			558,621	558,621
Reversal of provision for loans & advance as per NBE (80%)	330,022	330,022		
Administration expense on asset awaiting for resale	45,914	45,914	41,777	41,777
Tax deductible expenses per tax asseesment [by tax authority]			37,367	37,367
Employee benefit expense (actuarial valuation)	3,249	3,249	22,849	22,849
	532,141	532,141	719,335	719,335
Less: Tax effect of allowed expenses and reversal				
Depreciation for tax purposes	24,320	24,320	18,573	18,572
Provision for loans and advances for tax purpose (80%)			601,124	601,124
Reversal of provision for loans and other asset as per IFRS	317,188	317,188		
Interest on non-performing loans (impaired loans) as per IFRS	126,588	126,588		
Bonues payment	12,582	12,582		
Payment of leasehold land	77	77	88	88
Office rent expense	8,341	8,341	7,134	7,134
	489,097	489,097	626,919	626,918

Less: Tax effect of income taxed at source, tax exempt or tax presented separately				
Interest income on treasury bills & notes	481,335	481,335	463,210	463,210
Interest on foreign deposits	142	142	7,708	7,708
Interest on local deposits	141,053	141,053	115,526	115,526
Rent income	2,513	2,513	4,135	4,135
Dividend income	150	150		
	625,193	625,193	590,615	590,615
Less: Tax effect of unused tax loss carried forward			113	
Business income tax at 30%	819,292	819,292	54,425	54,423
Rental income tax at 30%	1,598	1,598	4,957	4,957
Tax on interest from foreign deposits at 10%	47	47	2,569	2,569
Current income tax expense	820,937	820,937	61,951	61,949
Deferred income tax expense/ (income)	(12,876)	(12,876)	(34,018)	(34,018)
Total income tax expense/ (income)	808,061	808,061	27,933	27,931

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000 Restated*	Birr'000 Restated*
13c	Current income tax recoverable/ (liability)				
	Balance at the beginning of the year (restated*)	(572,807)	(572,805)	(516,824)	(516,824)
	Charge for the year:				
	Income tax expense	(820,937)	(820,937)	(61,951)	(61,949)
	Payment during the year (including withholding tax)	406,601	406,601	5,968	5,968
	Balance at the end of the year	(987,144)	(987,141)	(572,807)	(572,805)

13d Deferred income tax

Deferred income 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 income 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 income taxes related to the same fiscal authority.

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Birr'000	Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:				
To be recovered after more than 12 months	(187,233)	(187,233)	(219,133)	(219,133)
	(187,233)	(187,233)	(219,133)	(219,133)

Continued ...

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:

Group/Bank					
Deferred income tax assets/(liabilities):	At 1 July 2020	Reclassification	Credit/ (charge) to P/L	Credit/ (charge) to equity	30 June 2021
	Birr’000	Birr’000	Birr’000	Birr’000	Birr’000
Property, plant and equipment	(238,983)		9,627		(229,356)
Equity investments at FVOCI - net change in fair value	(7,779)			(2,231)	(10,010)
Post-employment benefit obligation	27,629		3,249	21,254	52,133
Total deferred tax assets/ (liabilities)	(219,133)		12,876	19,024	(187,233)

Group/Bank					
Deferred income tax assets/(liabilities):	At 1 July 2019	Reclassification	Credit/ (charge) to P/L	Credit/ (charge) to equity	30 June 2020
	Birr’000	Birr’000	Birr’000	Birr’000	Birr’000
Property, plant and equipment	(250,152)		11,169		(238,983)
Equity investments at FVOCI - net change in fair value	(4,841)	635		(3,573)	(7,779)
Adjustment on initial application of IFRS 9 (1 July 2018)	635	(635)			-
Post-employment benefit obligation	14,309		22,849	(9,529)	27,629
Total deferred tax assets/ (liabilities)	(240,050)		34,018	(13,101)	(219,133)

13e Rental income tax for the fiscal year ended 30 June 2021 and 30 June 2020 is presented as follows

		Rent income by Region/City Administration			
		Addis Ababa	Dire Dawa	Tigray	Total
30 June 2021					
Income:					
	Rental income	7,950	217	210	8,377
Expenses:					
	Depreciation	2,227	143	260	2,631
	Insurance	26	2	3	32
	Total rental expenses	2,254	146	263	2,663
	Net profit/(loss) from rental operation	5,696	71	(53)	5,714
	Rental income tax (30%)	1,709	21	(16)	1,714
	Withholding tax receivable	(115)		(1)	(116)
	Net rental income tax	1,594	21	(17)	1,598

Rent income by Region/City Administration

	30 June 2020 (Restated*)	Addis Ababa	Dire Dawa	Tigray	Total
Income:					
	Rental income	17,301	217	210	13,784
Expenses:					
	Depreciation	1,057	27	49	1,133
	Insurance	67	2	3	72
	Total rental expenses	1,124	28	52	1,204
	Net profit/(loss) from rental operation	16,178	189	157	16,524
	Rental income tax (30%)	4,853	57	47	4,957
	Withholding tax receivable	(287)		(4)	(291)
	Net rental income tax	4,567	57	43	4,666

13f Tax losses carried forward

The Group and the Bank has tax loss during the year ended 30 June 2021 and 30 June 2020 for which no deferred tax asset was recognized as follows:

			Group	Bank		
			30 June 2021	30 June 2021	Expiry Date	
			Birr'000	Birr'000		
Tax loss for the year			158		2025/26	
	Group			Bank		
	30 June 2020			30 June 2020		
	As previous-ly reported Birr'000	Adjustments	Restated* Birr'000	As previous-ly reported Birr'000	Adjustments	Restated* Birr'000
Tax loss for the period	(24,721)	24,721	-	(24,721)	24,721	-

The Group and the Bank could not utilize loss carried forward of Birr 24,721,140 in the determination of current tax liability due to additional tax assesement made by the Ministry of Revenues, and as a result, the Bank has paid additional tax.

* See note 41 for details concerning restatement

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
14	**Cash and bank balances**				
	Cash on hand	26,849	25,699	25,850	25,272
	Balance held with National Bank of Ethiopia	117,539	117,539	2,003,789	2,003,789
	Deposits with local banks	10,792,621	10,783,621	8,817,664	8,808,670
	Deposits with foreign banks	2,103,316	2,103,316	2,440,818	2,440,818
		13,040,325	13,030,176	13,288,121	13,278,548
	Less impairment allowance	(648)	(648)	(661)	(661)
		13,039,677	13,029,527	13,287,460	13,277,888
	Maturity analysis				
	Current	13,010,940	13,000,791	12,786,538	12,776,965
	Non-Current	28,737	28,737	500,922	500,922
		13,039,677	13,029,527	13,287,460	13,277,888

14a Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows are the same as on the statement of financial position as the Group and Bank had no bank overdrafts, restricted current accounts with the National Bank of Ethiopia and amounts due from banks on demand or with an original maturity of less than three months or less at the end of each reporting period.

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Birr'000	Birr'000
Cash in hand	26,849	25,699	25,850	25,272
Balance held with National Bank of Ethiopia	117,539	117,539	2,003,789	2,003,789
Deposits with local banks	10,792,621	10,783,621	8,817,664	8,808,670
Deposits with foreign banks	2,103,316	2,103,316	2,440,818	2,440,818
	13,040,325	13,030,176	13,288,121	13,278,548
Less impairment allowance	(648)	(648)	(661)	(661)
	13,039,677	13,029,527	13,287,460	13,277,888

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
15 Loans and advances to customers					
	Agriculture	10,492,279	10,492,279	10,398,513	10,398,513
	Manufacturing	34,125,683	34,125,683	32,626,033	32,626,033
	Mining and energy	202,358	202,358	1,068,348	1,068,348
	Service	401,710	401,710	447,893	447,893
	Lease services (note 15a)	5,067,179	5,067,179	3,879,065	3,879,065
	Micro-financing	8,703,258	8,703,258	5,442,290	5,442,290
	Working capital	766,957	766,957	1,575,747	1,575,747
	Consumer (staff)	449,555	449,555	353,683	353,683
	Gross amount	60,208,978	60,208,978	55,791,573	55,791,573
Less: impairment allowance for (note 15b):					
	- Stage 1 - 12 month expected credit loss	(830,967)	(830,967)	(1,002,120)	(1,002,120)
	- Stage 2 - Lifetime expected credit loss	(1,316,056)	(1,316,056)	(1,397,274)	(1,397,274)
	- Stage 3 - Lifetime expected credit loss	(7,598,972)	(7,598,972)	(10,126,505)	(10,126,505)
		50,462,984	50,462,984	43,265,674	43,265,674
Maturity analysis					
	Current	13,909,066	13,909,066	11,030,091	11,030,091
	Non-Current	36,553,918	36,553,918	32,235,583	32,235,583
		50,462,984	50,462,984	43,265,674	43,265,674

15a Lease services

The Bank, as policy-based financier, purchases capital goods to be leased out to small and medium enterprises (SMEs) in the form of hire-purchases leases (finance leases).

A reconciliation of the gross investment in the lease at the end of the reporting period, and the present value of minimum lease payments receivable at the end of the reporting period, is as follows:

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Birr'000	Birr'000
Gross investment in the finance lease receivable	8,007,162	8,007,162	6,064,939	6,064,939
Undisbursed commitment balances	(338,119)	(338,119)	(534,139)	(534,139)
Unearned finance income	(2,770,923)	(2,770,923)	(1,782,276)	(1,782,276)
Earned finance income	169,060	169,060	130,541	130,541
Gross amount	5,067,179	5,067,179	3,879,065	3,879,065
Impairment allowance for uncollectible minimum lease payments receivable	(719,709)	(719,709)	(667,475)	(667,475)
Present value of minimum lease payments	4,347,470	4,347,470	3,211,591	3,211,591
Gross investment in the finance lease receivable:				
- Not later than one year	2,998,423	2,998,423	1,504,158	1,504,158
- Later than one year and not later than five years	4,049,893	4,049,893	3,462,811	3,462,811
- Later than five years	958,846	958,846	1,097,970	1,097,970
	8,007,162	8,007,162	6,064,939	6,064,939
Present value of minimum lease payments may be analysed as:				
- Not later than one year	1,047,113	1,047,113	662,105	662,105
- Later than one year and not later than five years	2,730,107	2,730,107	2,443,873	2,443,873
- Later than five years	570,251	570,251	105,612	105,612
	4,347,470	4,347,470	3,211,591	3,211,591

15b Impairment allowance on loans and advances to customers

A reconciliation of the allowance for impairment losses for loans and advances to customers as at 30 June 2021 is as follows:

	ECL as at 30 June 2020	Charge for the year	ECL as at 30 June 2021
	Birr'000	Birr'000	Birr'000
Stage 1 - 12 month ECL	1,002,120	(171,153)	830,967
Stage 2 - Lifetime ECL	1,397,274	(81,218)	1,316,056
Stage 3 - Lifetime ECL	8,610,483	(1,011,511)	7,598,972
Total	11,009,878	(1,263,883)	9,745,995

A reconciliation of the allowance for impairment losses for loans and advances to customers as at 30 June 2020 is as follows:

		ECL as at 30 June 2019	Charge for the year	ECL as at 30 June 2020
		Birr'000	Birr'000	Birr'000
	Stage 1 - 12 month ECL	393,215	608,905	1,002,120
	Stage 2 - Lifetime ECL	471,821	925,454	1,397,274
	Stage 3 - Lifetime ECL	10,305,850	(179,345)	10,126,505
	Total	11,170,885	1,355,014	12,525,899

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000

16 Investment securities

16.1 Financial assets at fair value through OCI

	Equity investment				
	Balance at the beginning of the year	37,930	37,930	25,390	25,390
	Changes in the fair value of investments at FVTOCI	7,436	7,436	11,909	11,909
	Additional investments made during the year	500	500	632	632
		45,867	45,867	37,930	37,930
	Maturity analysis				
	Current				
	Non-Current	45,867	45,867	37,930	37,930
		45,867	45,867	37,930	37,930

The Bank holds equity investments in Eth-switch of 2.72% (30 June 2020: 5.13%). The equity investments primary valuation technique adopted by the bank in undertaking the valuation of the investee companies is the market approach. This is because the financial information available on the investee companies consists of historical audited financial statements.

16.2	Financial assets at amortized cost				
	Treasury bills			4,710,234	4,710,234
	Treasury note and Government bond	53,341,459	53,341,459	27,646,277	27,646,277
	Gross amount	53,341,459	53,341,459	32,356,510	32,356,510
	Less: Deferred day one loss	(8,817,420)	(8,817,420)		
	impairment allowance	(2,222)	(2,222)	(1,618)	(1,618)
		44,521,817	44,521,817	32,354,893	32,354,893
Maturity analysis					
	Current	117,773	117,773	4,708,711	4,708,711
	Non-Current	44,404,044	44,404,044	27,646,181.91	27,646,181.91
		44,521,817	44,521,817	32,354,893	32,354,893

i) Classification of Ethiopian Treasury bills/notes and Special Government bonds

Treasury bills and notes and Ethiopian special government bonds are classified as amortized cost because management's intention is to hold these investments to maturity, and they are neither held for trading, nor managed on a fair value basis nor quoted in an active market.

ii) Redemption of Ethiopian Treasury bill/notes

Treasury bills and notes shall be redeemed within one year and three years, respectively. The outstanding balance of 364 days of Treasury bills held by the Bank were converted into a single three-year Treasury note (Serial No. 3) with an interest rate of 5% per annum. The principal shall be paid on December 3, 2023 as a bullet (after the elapse of three years). The interest shall be paid semi-annually on the 3rd day of June and 3rd day of December of each year. The interest payment shall commence on December 3, 2020 and end on December 3, 2023.

iii) Redemption of Special Ethiopian Government bonds

Ethiopian government bonds shall be redeemed in ten and fourteen equal annual installments after a grace period of two and five years for three serial bonds. These bonds are non-interest bearing bonds. The first bond amounting to Birr 18,758,946.00 was issued on 21 February 2014 to be paid over 10 years with an annual installment of Birr 1,875,894.60, commencing on 1 February 2016 and ending on 1 February 2025. The second bond amounting to Birr 2,567,767,114.00 was issued on 20 July 2016 to be paid in 10 equal annual installments with an annual installment of Birr 256,776,711.40, starting on 1 July 2022 and ending on 1 July 2031. The third bond amounting to Birr 21,020,000,000.00 was issued on 13 July 2020 to be paid in fourteen (14) equal annual installments with an annual installment of Birr 1,501,428,571.42, starting on 13 July 2026 and ending on 13 July 2039

iv) Unobservable valuation differences on initial recognition (deferred day one loss) on special Government bonds

When the fair value of financial assets (such as special Government bonds) differs from the transaction price on initial recognition, the Group/Bank recognises the difference as follows (IFRS 9.B5.1.2A, IFRS 13.59, IFRS 13.60, IFRS 13.B4, and IFRS 13.BC138):

When the fair value is evidenced by a quoted price in an active market for an identical asset (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised in profit or loss immediately as a day one gain or loss; or

In all other cases where the fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement or derecognition.

Accordingly, the Bank has decided to reocgnize the difference between transaction price and fair value on special Government bonds as 'Deferred day 1 loss' and amortize the deferred day one loss over the life of the instrument because of the use of valuation techniques for which not all the inputs were market observable data.

The table below shows, for special Government bonds, the movement in the aggregate [deferred] profit not recognised in profit or loss at the beginning and end of the year and a reconciliation of the changes of the balance during the year.

		Group 30 June 2021 Birr'000	Bank 30 June 2021 Birr'000	Group 30 June 2020 Birr'000	Bank 30 June 2020 Birr'000
17 Investment in subsidiary					
	Ethio Capital & Investment PLC		9,999		9,999
			9,999		9,999
Maturity analysis					
	Current				
	Non-Current		9,999		9,999
			9,999		9,999

(i)The Group has one subsidiary company, namely Ethiop Capital and Investment PLC, which is directly controlled by the Group. The subsidiary has share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation (i.e., Ethiopia) is its place of business.

The subsidiary is owned by six shareholders, with majority of shares (99,994 shares out of 100,000 shares issued on 14 June 2017) being held by the Development Bank of Ethiopia. The company was established in 2017 and the shares were fully paid up in cash at the time of its establishment. No additional shares have been issued subsequent to initial share issuance.

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of any member of the Group.

The relevant activities of the subsidiary is determined by the Board of Directors of the subsidiary based on simple majority shares.

Therefore, the Directors of the Group concluded that the Group has control over the subsidiary and was consolidated in the Group's financial statements.

Based on the contractual arrangements between the Group and the shareholders in the subsidiary, the Group has the power to appoint and remove the majority of the Board of Directors of the entity/company. The table below shows the detailed information on share holding in Ethio Capital and Investment PLC:

			Ownership interest	
Name of Company	Nature of business	Country of incorporation	30 June 2021	30 June 2020
Ethio Capital & Investment PLC	Asset management & others	Ethiopia	99.99%	99.99%

(ii) Non-controlling interests (NCI)

Set below is the summarized financial information of only one subsidiary, Ethio Capital and Investment PLC, which has non-controlling interest, even though it is immaterial to the Group. The information is presented as at 30 June 2021 and 30 June 2020.

		Ethio Capital & Investment PLC	
		30 June 2021	30 June 2020
		Birr'000	Birr'000
	Summarized statement of profit or loss		
	Operating income	1,106	899
	Operating expenses	(528)	(514)
	Profit before tax	579	385
	Income tax expense		(2)
	Profit/(loss) for the period	579	383
	Profit/(loss) allocated to NCI	0.03	0.02
	Consolidated statement of financial position		
	Assets		
	Cash and bank balances	10,150	9,573
	Other assets	464	454
	Property, plant and equipment	13	15
	Total assets	10,626	10,041
	Liabilities & Equity		
	Liabilities		
	Current tax liabilities		
	Other liabilities	41	34
	Total Liabilities	41	34
	Equity		
	Capital	10,000	10,000
	Accumulated loss	393	(70)
	Legal reserve	193	77
	Total equity	10,586	10,007
	Total liabilities and equity	10,626	10,041
	Accumulated NCI	1	1

		Ethio Capital & Investment PLC	
		30 June 2021	30 June 2020
		Birr'000	Birr'000
	Summarized statement of cash flows		
	Net cash flows (used in)/from operating activities	(530)	796
	Net cash flows (used in) /from investing activities	1,101	(558)
	Net cash flows (used in) /from financing activities		
	Net increase/ (decrease) in cash and cash equivalents	572	238
	Cash and cash equivalents, beginning of period	578	340
	Cash and cash equivalents, end of period	1,150	578

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
18 Other assets					
	Financial assets				
	Uncleared effects	45,345	45,345	11,885	11,885
	Staff advances	3,696	3,676	2,848	2,828

	Sundry receivables	1,876,809	1,876,456	2,840,698	2,840,348
		1,925,850	1,925,477	2,855,432	2,855,062
	Less: impairment allowance	(245,651)	(245,651)	(317,339)	(317,339)
		1,680,199	1,679,826	2,538,092	2,537,722
	Non-financial assets				
	Assets held for lease	90,248	90,248	340,578	340,578
	Prepaid staff expense	220,616	220,616	131,939	131,939
	Prepayments	27,242	27,242	17,162	17,162
	Inventory and office supplies	16,776	16,776	14,651	14,651
	Repossessed collateral	4,172,678	4,172,678	3,650,082	3,650,082
	Value added tax recoverable	90		84	
		4,527,650	4,527,560	4,154,495	4,154,412
	Less: Impairment allowance	(1,116,990)	(1,116,990)	(839,305)	(839,305)
		3,410,660	3,410,570	3,315,190	3,315,106
	Net amount	5,090,859	5,090,395	5,853,282	5,852,829
	Maturity analysis				
	Current	1,498,516	1,498,516	1,718,807	1,718,807
	Non-Current	3,592,343	3,591,879	4,134,475	4,134,022
		5,090,859	5,090,395	5,853,282	5,852,829

Property/assets held for lease relates to assets that the Bank has received under letters of credit for which it has made payments on behalf of its customers, but the related assets have not been transferred to the customers until such time that all the formalities for hand-over is finalised.

Three items (namely, Omo Valley Farm Cooperation plc, Seka Agro Processing plc and Else Addis Industrial Development) were subsequently sold for about Birr 1,320,415,278 from the list of repossessed collateral before the fiancial statements were approved for issue.

18a Impairment allowance on other assets

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

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Birr'000	Birr'000
Balance at the beginning of the year	1,158,971	1,158,971	651,915	651,915
Charge for the year (note 10)	206,589	206,589	507,056	507,056
Balance at the end of the year	1,365,560	1,365,560	1,158,971	1,158,971

19 Right-of-use assets and lease Liabilities

The Group and the Bank lease land and office buildings. The information about leases for which the Group and the Bank are a lessee is presented below:

(i) Right-of-use assets:

	Group/Bank		
	Land ETB '000	Building ETB '000	Total ETB '000
Cost:			
Balance as at 1 July 2020	3,437	50,834	54,271
Additions		60,991	60,991
Balance as at 30 June 2021	3,437	111,826	115,262
Accumulated amortization			
Balance as at 1 July 2020	789	23,085	23,873
Amortization for the year	387	28,587	28,974
Balance as at 30 June 2021	1,176	51,671	52,847
Net carrying value as at 30 June 2021	2,261	60,154	62,415

	Group/Bank		
	Land ETB '000	Building ETB '000	Total ETB '000
Cost:			
Balance as at 1 July 2019			
Reclassification	3,437		3,437
Adjustment on initial application of IFRS 16		50,834	50,834
Restated balance as at 1 July 2019	3,437	50,834	54,271
Additions	-	-	-
Balance as at 30 June 2020	3,437	50,834	54,271
Accumulated amortization			
Balance as at 1 July 2019			
Reclassification	401		401
Restated balance as at 1 July 2019	401	-	401
Amortization for the year	387	23,085	23,472
Balance as at 30 June 2020	789	23,085	23,873
Net carrying value as at 30 June 2020	2,648	27,749	30,397

(ii) Lease liabilities

	Group/Bank		
	Land ETB '000	Building ETB '000	Total ETB '000
Balance as at 1 July 2020	1,883	13,317	15,200
Additions		35,315	35,315
Interest expense recognized in P&L	211	1,887	2,098
Payment for leases	(257)	(14,313)	(14,570)
Balance as at 30 June 2021	**1,837**	**36,206**	**38,043**

	Group/Bank		
	Land ETB '000	Building ETB '000	Total ETB '000
Maturity analysis			
Current	252	10,043	10,295
Non-Current	1,585	26,164	27,749
	1,837	36,206	38,043

The detail maturity analysis of lease liabilities are set out below:

	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Lease liabilities	858	1,716	2,574	5,147	27,749
Total	858	1,716	2,574	5,147	27,749

	Group/Bank		
	Land ETB '000	Building ETB '000	Total ETB '000
Balance on initial application as at 1 July 2019			
Reclassification	1,963		1,963
Adjustment on initial application of IFRS 16		23,585	23,585
Restated balance as at 1 July 2019	**1,963**	**23,585**	**25,548**
Interest expense recognized in P&L	212	1,384	1,596
Payment for leases	(292)	(11,652)	(11,945)
Balance as at 30 June 2020	**1,883**	**13,317**	**15,200**

		Group/Bank		
		Land ETB '000	Building ETB '000	Total ETB '000
	Maturity analysis			
	Current	45	6,239	6,284
	Non-Current	1,838	7,078	8,916
		1,883	13,317	15,200

The detail maturity analysis of lease liabilities are set out below:

		0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year
	At 30 June 2020	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
	Lease liabilities	1,520	1,520	1,724	1,520	8,916
	Total	1,520	1,520	1,724	1,520	8,916

The maturity analysis of lease liabilities are also disclosed in Note 4.4.2. IFRS 16.58 requires disclosure of the maturity analysis of lease liabilities applying IFRS 7.39 and IFRS 7.B11 separately from the maturity analyses of other financial liabilities. As such, the Group presented a separate line item for lease liabilities in the maturity analysis of its financial liabilities.

The Group and the Bank recognize a lease liability at the present value of the lease payments that are not paid at that date. For lease liability in respect of office buildings, the Group and the Bank uses a weighted average incremental borrowing rate of 8% as determined based on saving bonds issued to the public. For land lease, the Group and the Bank applies a weighted average incremental borrowing rate of 11.5% based on the borrowing rate of commercial banks.

The Group and the Bank lease buildings for its office space. The building leases typically run for a period of between 2 and 5 years with majority of the contracts running for a period of 5 years. Some leases include an option to renew the lease for an additional period at the end of the contract term. The renewal terms and lease rental can not be reliably estimated before the end of the contracts.

The Group and Bank also lease land for construction of its own warehouse buildings. The land leases typically run for a period of 60 and 99 years. These leases include an option to renew the lease.

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
20 Investment property					
Cost:					
	At the beginning of the year	240,323	240,323	240,323	240,323
	Reclassification to PPE	(240,156)	(240,156)		
	At the end of the year	168	168	240,323	240,323
	Accumulated depreciation:				
	At the beginning of the year	30,060	30,060	21,241	21,241
	Charge for the year	3	3	8,819	8,819
	Reclassification to PPE	(30,047)	(30,047)		
	At the end of the year	16	16	30,060	30,060
	Net book value at the end of the year	152	152	210,264	210,264
20a	Amounts recognised in profit or loss for investment properties				
	Rental income	2	2	11,468	11,468
	Direct operating expenses from property that generated rental income	(4)	(4)	(1,052)	(1,052)
		(2)	(2)	10,416	10,416

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

Investment properties include those held for rental purposes and those in which the Bank occupies an insignificant portion. These properties are held to earn rentals and for capital appreciation. There are currently no restrictions on the realisability of these properties.
"Investment properties are initially measured [on transition] at fair value as deemed cost and subsequently measured at depreciated cost (less any accumulated impairment losses). Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 50 years. The fair value of investment properties has been disclosed as required.

The fair value of the Bank's Investment property as at 30 June 2021 and 2020 has been arrived at by the Bank's independent in-house engineers. These valuers/appraisers have appropriate qualifications and relevant/recent experience in the valuation of properties. Based on the bank valuation manual, all properties are valued using either the income approach or the [replacement] cost approach depending on the availability of data. The cost approach is based on determination of the minimum cost of replacing or replicating the service potential embodied in the property using comparable material and workmanship, in the most efficient way practicable, given the service requirements, the age and condition of the existing property and replacement in the normal course of the business. The cost approach mainly involves determination of replacement cost of developments and corresponding depreciation.
In applying cost approach, buildings are first categorized according to their purposes, height, materials of construction and size. Then each category is further classified into grades based on the quality of materials used for the construction. For the analysis of cost of construction, complete structural, architectural, electrical, sanitary and other designs of representative buildings are collected and bill of quantity is prepared using currently updated unit price manual, and finally the unit cost per m2 and/or per m3 is determined by dividing the estimated cost of the construction of the building into the building's plinth area or volume. There has been no change to the valuation technique during the year.

20c Fair value hierarchy

Details of the Bank's Investment properties and information about the fair value hierarchy at 30 June 2021 and 30 June 2020 are as follows:

	Group/Bank	Carrying amount	Level 1	Level 2	Level 3
	30 June 2021	Birr'000	Birr'000	Birr'000	Birr'000
	Investment properties	152			420
	Group/Bank				
	30 June 2020				
	Investment properties	210,264			311,658

Group/Bank	Purchased software Birr'000	Purchased software under progress Birr'000	Total Birr'000
21 Intangible assets			
Cost:			
As at 1 July 2019	63,905	53,992	117,897
Acquisitions	81,693	29,977	111,670
Transfer		(70,839)	(70,839)
As at 30 June 2020	145,598	13,130	158,728
As at 1 July 2020	145,598	13,130	158,728
Transfer		(13,130)	(13,130)
As at 30 June 2021	145,598	-	145,598
Accumulated amortisation			
As at 1 July 2019	40,413		40,413
Amortization for the year	10,426		10,426
As at 30 June 2020	50,839		50,839
As at 1 July 2020	50,839		50,839
Amortization for the year	19,895		19,895
As at 30 June 2021	70,733		70,733
Net book value			
As at 30 June 2020	94,760	13,130	107,889
As at 30 June 2021	74,865	-	74,865

22 Property, plant and equipment

	Buildings	Motor vehicles	Furniture and fittings	Machinery and equipment	Computer installations	Capital work in progress	Leasehold land	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Group								
Cost:								
As at 1 July 2019	610,140	272,537	32,061	48,581	149,181	8,457	3,437	1,124,394
Additions	17	16,170	592	9,067	17,151	2,663		45,659
Disposal (through sales)					(787)			(787)
Disposal (through donation)			(785)	(170)	(130)			(1,086)
Reclassification to right-of-use-asset							(3,437)	(3,437)
Transfer		(13,123)	(70)	(4,775)	(22,478)	(50)		(40,496)
As at 30 June 2020	610,157	275,584	31,797	52,703	142,936	11,069	-	1,124,247
As at 1 July 2020	610,157	275,584	31,797	52,703	142,937	11,069		1,124,247
Additions	13,490	41,191	793	4,792	26,379			86,645
Disposal (through sales)	-	(453)						(453)
Disposal (through donation)	-	(1)						(1)
Reclassification from investment property	240,156							240,156
Transfer		(3,214)		(36)		(11,069)		(14,319)
As at 30 June 2021	863,803	313,107	32,590	57,459	169,316	-	-	1,436,275
Accumulated Depreciation								
As at 1 July 2019	95,742	116,364	11,846	26,110	60,503		401	310,966

Continued ...

	Buildings	Motor vehicles	Furniture and fittings	Machinery and equipment	Computer installations	Capital work in progress	Leasehold land	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Charge for the year	34,999	24,849	2,776	4,704	16,025			83,352
Disposal (through sales)					(119)			(119)
Disposal (through donation)			(734)	(159)	(103)			(995)
Reclassification to right-of-use-asset							(401)	(401)
As at 30 June 2020	130,740	141,213	13,888	30,655	76,306		-	392,803
As at 1 July 2020	130,740	141,213	13,888	30,655	76,306			392,803
Charge for the year	42,058	25,173	2,797	4,934	16,381			91,342
Disposal (through sales)		(448)						(448)
Disposal (through donation)		(1)						(1)
Reclassification from investment property	30,047							30,047
Transfer								
As at 30 June 2021	202,846	165,936	16,685	35,589	92,687		-	513,743
Net book value								
As at 30 June 2020	479,417	134,371	17,909	22,048	66,630	11,069	-	731,444
As at 30 June 2021	660,957	147,171	15,905	21,870	76,629	-	-	922,532

	Buildings	Motor vehicles	Furniture and fittings	Machinery and equipment	Computer installations	Capital work in progress	Leasehold land	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Bank								
Cost:								
As at 1 July 2019	610,140	272,537	32,052	48,581	149,167	8,457	3,437	1,124,371
Additions	17	16,170	588	9,067	17,151	2,663		45,654
Disposal (through sales)					(787)			(787)
Disposal (through donation)			(785)	(170)	(130)			(1,086)
Reclassification to right-of-use-asset							(3,437)	(3,437)
Transfer		(13,123)	(70)	(4,775)	(22,478)	(50)		(40,496)
As at 30 June 2020	610,157	275,584	31,784	52,703	142,922	11,069	-	1,124,220
As at 1 July 2020	610,157	275,584	31,784	52,703	142,922	11,069		1,124,220
Additions	13,490	41,191	793	4,792	26,379			86,645
Disposal (through sales)		(453)						(453)
Disposal (through donation)		(1)						(1)
Reclassification from investment property	240,156							240,156
Transfer		(3,214)		(36)		(11,069)		(14,319)
As at 30 June 2021	863,803	313,107	32,577	57,459	169,301	-		1,436,247
Accumulated depreciation								

	Buildings	Motor vehicles	Furniture and fittings	Machinery and equipment	Computer installations	Capital work in progress	Leasehold land	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 1 July 2019	95,742	116,364	11,844	26,110	60,496		401	310,957
Charge for the year	34,999	24,849	2,774	4,704	16,023			83,349
Disposal (through sales)					(119)			(119)
Disposal (through donation)			(734)	(159)	(103)			(995)
Reclassification to right-of-use-asset							(401)	(401)
As at 30 June 2020	130,740	141,213	13,885	30,655	76,297		-	392,791
As at 1 July 2020	130,740	141,213	13,885	30,655	76,297			392,791
Charge for the year	42,058	25,173	2,796	4,934	16,380			91,340
Disposal (through sales)		(448)						(448)
Disposal (through donation)		(1)						(1)
Reclassification from investment property	30,047							30,047
As at 30 June 2021	202,846	165,936	16,681	35,589	92,676			513,728
Net book value								
As at 30 June 2020	479,417	134,371	17,899	22,048	66,626	11,069		731,429
As at 30 June 2021	660,957	147,171	15,896	21,870	76,625	-		922,519

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
23 Deposits from customers					
	Demand deposits	416,611	416,611	399,591	399,591
	Savings deposits	32,101	32,101	19,738	19,738
	Time deposits	106,012	106,012	105,488	105,488
	Customers deposits in foreign currency	191,752	191,752	204,847	204,847
		746,476	746,476	729,664	729,664
	Maturity analysis				
	Current	671,828	671,828	656,698	656,698
	Non-Current	74,648	74,648	72,966	72,966
		746,476	746,476	729,664	729,664
24 Debt securities issued					
	Ethiopian Government Saving Bond	11,026,475	11,026,475	9,435,473	9,435,473
		11,026,475	11,026,475	9,435,473	9,435,473

Ethiopian Government Saving (Renaissance Dam) Bonds are bonds bearing interest rates of 7.5% and 8% per annum issued by the Bank, with maturity periods between 1 to 5 years and over 5 years, respectively. These debt securities are measured using an effective annual interest rate. On top of that, there are some bonds being issued with no interest rate, which are measured at effective interest rate.
All these bonds are guaranteed by the Ethiopian Government.
The Bank has had no defaults of principal and interest or other breaches with respect to its debt securities in any of the years under consideration.

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Maturity analysis	Birr'000	Birr'000	Birr'000	Birr'000
	Current	2,569,504	2,569,504	2,148,832	2,148,832
	Non-Current	8,456,971	8,456,971.04	7,286,641	7,286,641
		11,026,475	11,026,475	9,435,473	9,435,473

24a Reconciliation of debt securities issued

A reconciliation of the changes in debt securities arising from financing activities is as follows:

	Balance at the beginning of the year	9,435,473	9,435,473	9,800,005	9,800,005
	Proceeds from issue of debt securities	1,763,467	1,763,467	619,120	619,120
	Repayments on debt securities	(172,465)	(172,465)	(983,651)	(983,651)
	Balance at the end of the year	11,026,475	11,026,475	9,435,473	9,435,473
25	Borrowings				
	China Development Bank	670,724	670,724	897,914	897,914
	Ministry of Finance	15,040,641	15,040,641	11,125,563	11,125,563
	National Bank of Ethiopia	57,388,234	57,388,234	58,939,524	58,939,524
		73,099,599	73,099,599	70,963,000	70,963,000
	Maturity analysis				
	Current	16,336,121	16,336,121	9,361,106	9,361,106
	Non-Current	56,763,478	56,763,478	61,601,895	61,601,895
		73,099,599	73,099,599	70,963,000	70,963,000

A Foreign Borrowing from China Development Bank (Direct Facility in U.S. Dollars)
The Bank had borrowed two foreign loan facilities amounting to US$25 million and US$30 million from China Development Bank with floating interest rate (bearing interest at the rate of 6 months USD LIBOR rate plus 2.6% margin per annum). These special loan facilities are repayable semi-annually, in U.S. dollars, commencing on 20 May 2013 and ending on 4 September 2023. The borrowings are measured at effective interest rate.

B Borrowing from Ministry of Finance (on-lent facilities in Ethiopian Birr)
The borrowings from Ministry of Finance are different loans on-lent facilities from various international lending institutions bearing interest ranging from 1.5% to 2.5% per annum and repayable in Ethiopian Birr in semi-annual installments, commencing on 31 January 2013 and ending on 31 July 2052. All these borrowings are concessional (soft loans) and were measured at effective interest rate.
C Borrowing from National Bank of Ethiopia (direct facilities in Ethiopian Birr)
The local borrowings from National Bank of Ethiopia are interest bearing loans obtained at the rate of 3% and 5% per annum with principal being repaid after 5 years and interest being paid annually. The loans are repayable in Ethiopian Birr. The borrowings are measured at effective interest rate.

D Borrowing covenant compliance

Development Bank of Ethiopia has complied with the financial covenants of its all borrowing , be it in Ethiopian Birr or foreign currency, during the reporting periods under review.

25a Reconciliation of the Group's and Bank's borrowings

A reconciliation of the changes in borrowings is as follows:

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
	Balance at the beginning of the year	70,963,000	70,963,000	62,315,634	62,315,634
	Proceeds from borrowings	3,950,553	3,950,553	13,974,022	13,974,022
	Accrued effective interest	2,272,473	2,272,473	2,086,635	2,086,635
	Foreign exchange movement	187,116	187,116	181,170	181,170
	Repayment of borrowings	(4,273,543)	(4,273,543)	(7,594,460)	(7,594,460)
	Balance at the end of the year	73,099,599	73,099,599	70,963,000	70,963,000

26 Other liabilities

Financial liabilities					
	Letter of credit margin payables	1,748,413	1,748,413	2,546,985	2,546,985
	Foreign exchange retentions payable	55,641	55,641	60,417	60,417
	Equity and other blocked account	1,640,553	1,640,553	1,103,356	1,103,356
	Defined contribution liabilities	7,739	7,739	3,857	3,857
	Banking instruments payables	13,112	13,112	11,430	11,430
	Exchange commission payable	17,850	17,850	6,311	6,311
	Risk fund payable	499,691	499,691	411,533	411,533
	Managed funds payable	48,247	48,247	61,174	61,174
	Accrued payable	206,426	206,426	96,856	96,856
	Allowance for impairment loss on off-balance sheet items	48	48	48	48
	Provisions	7,706	7,706	7,141	7,141
	Other payables	489,988	489,960	2,347,854	2,347,833
		4,735,414	4,735,386	6,656,961	6,656,939

	Non-financial liabilities				
	Stamp duty payable	417	417	407	407
	Withholding tax and valued added tax payables	9,886	9,885	21,083	21,083
	Interest charge on late payment of tax	14,380	14,380		
	Other tax payable	19,864	19,852	13,124	13,111
		44,547	44,534	34,614	34,601
	Gross amount	4,779,961	4,779,920	6,691,575	6,691,541
	Maturity analysis				
	Current	2,377,290	2,377,249	4,998,342	5,011,432
	Non-Current	2,402,671	2,402,671	1,693,233	1,680,109
		4,779,961	4,779,920	6,691,575	6,691,541

26a Provisions

Legal provisions arising out of current or potential claims from customers shall be recognized when the Group and the Bank have a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a professional estimate can be made of the amount of the obligation. Accordingly, provisions have been held in the financial statements for those legal cases during the current year where the Board of Management believes that it is probable that economic benefits would flow out of the Bank in respect of those litigations.

The provisions held for those legal claims as at 30 June 2021 and 30 June 2020 are presented as follows:

		Group/Bank	Group/Bank
		30 June 2021	30 June 2020
		Birr'000	Birr'000
	Balance as at 1 July 2020	7,141	
	Reversal of previous year provision	(7,141)	
	Provision held during the year	7,706	7,141
	Ending balance as at June 30,2021	7,706	7,141

27 Retirement benefit obligations

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
	Defined benefits liabilities:				
	– Employee benefit plan (note 27a)	144,899	144,899	77,700	77,700
	– Medical benefits scheme(note 27b)	28,876	28,876	14,397	14,397
	Liability in the statement of financial position	173,775	173,775	92,097	92,097

The income statement charge included within personnel expenses includes current service cost and interest cost on the defined benefit scheme.

	Maturity analysis	Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
	Current	12,678	12,678	6,099	6,099
	Non-Current	161,097	161,097	85,998	85,998
		173,775	173,775	92,097	92,097

27a Employee benefit plan

The employee benefit plan is made up of three (3) unfunded schemes which are severance benefits that are paid on voluntary withdrawal, funeral assistance paid on death in service and pension prize paid on retirement. These plans have been aggregated in determining the retirement benefit obligation as the inherent risks applicable to these plans have been assessed not to be materially different.

The key financial assumptions are the discount rate and the rate of salary increases. The provision for gratuity was based on an independent actuarial valuation performed by QED Actuaries & Consultants (Pty) Ltd, based in South Africat, using the projected unit credit method.

The Group and Bank do not maintain any assets for the schemes but ensures that they have sufficient funds for the obligations as they crystallise.

(i) Severance gratuity benefit

The Bank operates unfunded severance pay plan for its employees who have served the Bank for at lease 5 years but below the retirement age, based on the statutory severance benefit as set out in Labor Proclamation No. 377/2003, as amended by the Labour (Amendment) Proclamation No. 494/2006. Employees are only entitled to the benefits under this scheme provided they have no entitlement to pension [fund] benefits at retirement date.

The benefit applicable is thirty times the average daily wages of their last week of service for the first year of service plus ten times the average daily wages of their last week of service for each subsequent year of service, but not exceeding a maximum of one year's wages payable to the employee."

(ii) Funeral Assistance gratuity benefit

The funeral assistance benefit on death in service is Birr 30,000.00 for all employees, including management staff, without any link to salary at death.

(iii) Pension Prize gratuity benefit

The pension prize benefit payable to all employees, including management staff, retiring at age 60 with a minimum of 10 years' service is 6, 10, 14 and 18 months' salary for 10 - 15 years, 16 - 20 years, 21 - 25 years and 26 years plus service respectively.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and other comprehensive income and in the statement of financial position for the respective plans:

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
A	Liability recognised in the financial position	144,899	144,899	77,700	77,700

The split of the defined benefit obligation in respect of the different benefits included is summarised below:

	Severance benefit (resignation)	35,190	35,190	17,689	17,689
	Funeral assistance (death in service)	1,146	1,146	1,123	1,123
	Pension prize (retirement)	108,563	108,563	58,888	58,888
		144,899	144,899	77,700	77,700
B	Amount recognised in the profit or loss				
	Current service cost	6,001	6,001	3,737	3,737
	Interest cost	11,993	11,993	4,836	4,836
	Past services cost	-	-	69,821	69,821
		17,994	17,994	78,394	78,394
C	Re-measurement (gains)/losses in other comprehensive income				
	Remeasurement (gains)/losses arising from changes in demographic assumptions				
	Remeasurement (gains)/losses arising from changes in economic assumptions	(8,494)	(8,494)	(30,632)	(30,632)
	Remeasurement (gains)/losses arising from changes in experience	64,120	64,120	(6,506)	(6,506)
		55,626	55,626	(37,138)	(37,138)
	Deferred tax (liability)/asset on re-measurement gain or loss	(16,688)	(16,688)	11,141	11,141
		38,938	38,938	(25,997)	(25,997)

D Changes in the present value of the defined benefit obligation

	At the beginning of the year	77,700	77,700	38,396	38,396
	Current service cost	6,001	6,001	3,737	3,737
	Actual benefit payments	(6,421)	(6,421)	(1,952)	(1,952)
	Interest cost	11,993	11,993	4,836	4,836
	Past services cost			69,821	69,821
Remeasurement (gains)/losses arising from changes in demographic assumptions					
	Remeasurement (gains)/losses arising from changes in economic assumptions	(8,494)	(8,494)	(30,632)	(30,632)
	Remeasurement (gains)/losses arising from changes in experience	64,120	64,120	(6,506)	(6,506)
	At the end of the year	144,899	144,899	77,700	77,700

E The principal assumptions used in determining defined benefit obligations

Discount rate (p.a)	15.50%	15.50%	14.90%	14.90%
Long term salary increases (p.a)	12.00%	12.00%	12.00%	12.00%
Average rate of inflation (p.a)	10.00%	10.00%	10.00%	10.00%
Net pre-retirement rate	3.13%	3.13%	2.59%	2.59%

(i) Discount rate

In Ethiopia, there is neither a deep market in corporate nor government bonds. Furthermore, the market for treasury bills in Ethiopia is inefficient and does not appear to be market determined. IAS 19 does not provide guidance for setting the discount rate in a country with limited government bonds or instruments.

The Bank therefore opted to use the yields on the Kenyan government bonds yield curve at the duration of the liabilities as at the valuation date of each year.

(ii) Inflation rate

The inflation rate was used to determine a reasonable estimate of expected long-term future salary increases, which tend to be related to long-term future inflation.

Based on the latest IMF projection (updated in April 2020), long-term inflation in Ethiopia is expected to converge towards a target of 10% over the long term.

(iii) Mortality rate

The mortality rates published in the Demographic and Health Survey ("DHS") 2016 report compiled by the Central Statistics Authority (CSA) was applied to 5 year age bands between the ages of 15 and 49. For ages over 47, mortality rate was assumed to be in line with the SA85/90 ultimate standard South African mortality tables published by the Actuarial Society of South Africa ("ASSA"), since the rates in these tables are similar to the DHS female mortality rate at age 47.

These rates combined are approximately summarized as follows:

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

(iv) Withdrawals from service

A resignation rate of 3.2% was applied per annum for all employees below age 50 and zero thereafter, based on past experience.

(v) Duration of the employee benefits plan

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the employee benefit scheme at the end of the reporting period is 11 years as at 30 June 2021 and 30 June 2020.

F Quantitative sensitivity analysis for significant assumption

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

			Impact on defined benefit obligation (DBO)			
			Group/Bank			
			30 June 2021			
			Base DBO		DBO on changed assumption	
		Change in assumption	Impact of an increase Birr '000	Impact of a decrease Birr '000	Impact of an increase Birr '000	Impact of a decrease Birr '000
	Discount rate	+1%/-1%	-144,899	144,899	-132,049	159,459
	Salary increase	+1%/-1%	-144,899	144,899	-159,127	131,555

			Impact on defined benefit obligation (DBO)			
			Group/Bank			
			30 June 2020			
			Base DBO		DBO on changed assumption	
		Change in assumption	Impact of an increase Birr '000	Impact of a decrease Birr '000	Impact of an increase Birr '000	Impact of a decrease Birr '000
	Discount rate	+1%/-1%	-77,700	77,700	-70,680	85,488
	Salary increase	+1%/-1%	-77,700	77,700	-85,626	70,446

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 defined benefit obligation liability recognised within the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The following payments are expected contributions to be made in for the next five (5) years out of the defined benefit plan obligation:

	Group 30 June 2021 Birr'000	Bank 30 June 2021 Birr'000	Group 30 June 2020 Birr'000	Bank 30 June 2020 Birr'000
Year ending 30 June 2022	9,905	9,905	4,757	4,757
Year ending 30 June 2023	13,637	13,637	6,713	6,713
Year ending 30 June 2024	12,322	12,322	8,005	8,005
Year ending 30 June 2025	16,356	16,356	7,746	7,746
Year ending 30 June 2026	20,556	20,556	9,701	9,701
Total projected benefit payment over 5 years	72,776	72,776	36,922	36,922

27b Medical benefits scheme

Employees retiring early at age 55 with at least 25 years of service are covered for 100% of local medication costs and expenses for medical treatment in government hospitals or the Bank's clinic under this scheme.

The key financial assumptions are the discount rate and the rate of medical benefit increases. The provision for medical benefits scheme was based on an independent actuarial valuation performed by QED Actuaries & Consultants (Pty) Ltd, based in South Africa, using the projected unit credit method.

The medical benefit is an unfunded scheme.

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
A	Liability recognised in the financial position	28,876	28,876	14,397	14,397
B	Amount recognised in the profit or loss				
	Current service cost				
	Interest cost	1,921	1,921	1,017	1,017
		1,921	1,921	1,017	1,017
C	Re-measurement (gains)/losses in other comprehensive income				
	Remeasurement (gains)/losses arising from changes in demographic assumptions				
	Remeasurement (gains)/losses arising from changes in the economic assumptions	(761)	(761)	(2,660)	(2,660)
	Remeasurement (gains)/losses arising from changes in experience	15,983	15,983	8,035	8,035
		15,222	15,222	5,375	5,375
	Deferred tax (liability)/asset on remeasurement gain or loss	(4,567)	(4,567)	(1,613)	(1,613)
		10,655	10,655	3,763	3,763

D Changes in the present value of the defined benefit obligation

Reconciliation of the defined benefit obligation for the Bank for the fiscal year ended June 30,2021 is presented as follows:

	Group 30 June 2021 Birr'000	Bank 30 June 2021 Birr'000	Group 30 June 2020 Birr'000	Bank 30 June 2020 Birr'000
At the beginning of the year	14,397	14,397	9,300	9,300
Current service cost				
Interest cost	1,921	1,921	1,017	1,017
Actual benefit payments	(2,664)	(2,664)	(1,295)	(1,295)
Remeasurement (gains)/losses arising from changes in demographic assumptions				
Remeasurement (gains)/losses arising from changes in the economic assumptions	(761)	(761)	(2,660)	(2,660)
Remeasurement (gains)/losses arising from changes in experience	15,983	15,983	8,035	8,035
At the end of the year	28,876	28,876	14,397	14,397

E The principal assumptions used in determining defined benefit obligations

		Group 30 June 2021 Birr'000	Bank 30 June 2021 Birr'000	Group 30 June 2020 Birr'000	Bank 30 June 2020 Birr'000
	Discount rate (p.a)	15.20%	15.20%	14.70%	14.70%
	Long term medical increase rate (p.a)	12.00%	12.00%	12.00%	12.00%
	Average rate of inflation (p.a)	10.00%	10.00%	10.00%	10.00%
	Net post-retirement rate	2.86%	2.86%	2.41%	2.41%

(i) Discount rate

In Ethiopia, there is neither a deep market in corporate nor government bonds. Furthermore, the market for treasury bills in Ethiopia is inefficient and does not appear to be market determined. IAS 19 does not provide guidance for setting the discount rate in a country with limited government bonds or instruments.

The Bank therefore opted to use a discount rate of yields on the Kenyan government bonds yield curve at the duration of the liabilities as at the valuation date of each reporting period.

(ii) Inflation rate

The inflation rate was used to determine a reasonable estimate of expected long-term medical benefit increases, which tend to be related to long-term future inflation.

Based on the latest IMF projection (updated in April 2020), long-term inflation in Ethiopia is expected to converge towards a target of 10% over the long term.

(iii) Medical cost increases

Future medical cost increases are usually linked with a long-term future inflation assumption, plus a margin representing that medical costs usually increase by more than general price inflation. It was assumed that long term medical cost increases is 2% higher than the assumed long term inflation rate on average.

(iv) Mortality rate

There are no mortality rates published for Ethiopia that reasonably cover ages above 60. As a result, the A(55) ultimate pensioner mortality standard tables, published by the Institute and Faculty of Actuaries was used to estimate the mortality of the pensioners. This is a commonly used mortality table for pensioners in East Africa.

		Males	Females
	65	0.0230	0.0139
	70	0.0378	0.0231
	75	0.0616	0.0388
	80	0.0986	0.0650
	85	0.1525	0.1063
	90	0.2241	0.1669

(v) Duration of the benefit plan

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the post-retirement medical benefits scheme at the end of the reporting period is 9 years as at 30 June 2021 and June 2020.

F Quantitative sensitivity analysis for significant assumption

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

		Impact on defined benefit obligation (DBO)			
		Group/Bank			
		30 June 2021			
		Base DBO		DBO on changed assumption	
	Change in assumption	Impact of an increase Birr '000	Impact of a decrease Birr '000	Impact of an increase Birr '000	Impact of a decrease Birr '000
Discount rate	+1%/ -1%	-28,876	28,876	-26,639	31,373
Medical cost increase	+1%/ -1%	-28,876	28,876	-31,324	26,558
		Impact on defined benefit obligation (DBO)			
		Group/Bank			
		30 June 2020			
		Base DBO		DBO on changed assumption	
	Change in assumption	Impact of an increase Birr '000	Impact of a decrease Birr '000	Impact of an increase Birr '000	Impact of a decrease Birr '000
Discount rate	+1%/ -1%	-14,397	14,397	-13,354	15,532
Medical cost increase	+1%/ -1%	-14,397	14,397	-15,549	13,320

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 post-retirement medical benefits liability recognised within the statement of financial position.

The following payments are expected contributions to be made in for the next five (5) years out of the defined benefit plan obligation:

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
	Year ending 30 June 2022	2,773	2,773	1,342	1,342
	Year ending 30 June 2023	2,985	2,985	1,447	1,447
	Year ending 30 June 2024	3,208	3,208	1,558	1,558
	Year ending 30 June 2025	3,440	3,440	1,673	1,673
	Year ending 30 June 2026	3,681	3,681	1,791	1,791
		16,087	16,087	7,811	7,811

28 Capital

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
	Capital as at 1 July 2020	7,500,000	7,500,000	7,500,000	7,500,000
	Additional capital	21,020,000	21,020,000		
	Total capital as at 30 June 2021	28,520,000	28,520,000	7,500,000	7,500,000

The Bank is wholly owned by the Federal Democratic Republic of Ethiopia and is a public financial enterprise. The authorized capital is Birr 28,520,000,000 and the capital is fully paid in cash and in kind in accordance with the "Development Bank of Ethiopia Establishment (Amendment) Council of Ministers Regulation No. 470/2020," which was issued on the 10th of July 2020 in the Federal Negarit Gazette. There are no shares.

29 Accumulated loss

	At the beginning of the year (restated*)	(3,835,862)	(3,835,770)	(4,845,648)	(4,845,270)
	Profit/ (Loss) for the year	3,863,986	3,863,408	1,814,520	1,814,138
	Transfer to legal reserve	(965,968)	(965,852)	(453,630)	(453,534)
	Transfer to regulatory credit risk reserve	(421,959)	(421,959)	(351,104)	(351,104)
	At the end of the year	(1,359,802)	(1,360,174)	(3,835,862)	(3,835,770)

30 Other reserves

	At the beginning of the year	26,375	26,375	(4,195)	(4,195)
	Change in fair value reserve-equity investment	7,436	7,436	11,909	11,909
	Deferred tax on unrealized gain on fair value of equity instruments	(2,231)	(2,231)	(3,573)	(3,573)
	Re-measurement gains/ (losses) on defined benefit plans	(70,848)	(70,848)	31,763	31,763
	Deferred tax on Re-measurement gains/(losses) on defined benefit plan	21,254	21,254	(9,529)	(9,529)
	At the end of the year	(18,014)	(18,014)	26,375	26,375
Other reserves consist of:					
	Defined benefit obligations reserve	(41,369)	(41,369)	8,225	8,225
	Fair value reserve - equity investment	23,355	23,355	18,150	18,150
	Total	(18,014)	(18,014)	26,375	26,375

Other reserves are items included under other comprehensive income (OCI). These reserves relate to the effect of remeasurement gains/losses (or actuarial gains /losses arising from economic assumptions and experience) on defined benefit plans in respect of severance pay, pension prize, funeral assistance and

post-retirement medical benefits, as well as the movement of fair value measurement in respect of equity investments measured at fair value through other comprehensive income . They are recognized in the period in which they occur, directly in other comprehensive income (OCI).
The other reserves are non-distributable.

31 Regulatory credit risk reserve

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Birr'000	Birr'000
At the beginning of the year	2,839,613	2,839,613	2,488,509	2,488,509
Transfer from net profit for the year	421,959	421,959	351,104	351,104
At the end of the year	3,261,572	3,261,572	2,839,613	2,839,613

The regulatory credit risk reserve is a non-distributable reserve as required by the regulations of the National Bank of Ethiopia (NBE) to be established for interest accrued on impaired loans (non-performing loans), by transferring from retained earnings, until such time as the loans are classified into performing status (i.e., pass and/or special mention).

32 Legal reserve

At the beginning of the year (restated*)	630,157	630,061	176,527	176,527
Transfer from net profit for the year	965,968	965,852	453,630	453,534
At the end of the year	1,596,124	1,595,913	630,157	630,061

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

For the subsidiary company, it is required to transfer annually 20% of its annual net profit to its legal reserve account until it reaches 10% of the company's capital in accordance with its Articles of Association.

33 Non-controlling interest

This represents the non-controlling interests (NCI) portion of the net assets of the Group.

	30 June 2021 Birr'000	30 June 2020 Birr'000
Ethio Capital & Investment PLC	1	1
	1	1
This represents the NCI share of profit/(loss) for the year		
Ethio Capital & Investment PLC	0.03	0.02
	0.03	0.02

34 Transactions with non-controlling interests

During the reporting period, the Development Bank of Ethiopia had no any transaction with the subsidiary company.

			Group	Bank	Group	Bank
34a	Cash generated from operating activities		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Notes	Birr'000	Birr'000	Birr'000	Birr'000
	Profit before tax		4,672,048	4,671,469	1,842,453	1,842,068
	Adjustments for:					
	Gain/(Loss) on foreign exchange dealing and fluctuation	8	(429,766)	(429,766)	(383,071)	(383,071)
	Depreciation of property, plant and equipment	22	91,342	91,340	83,352	83,349
	Depreciation of investment property	20	3	3	8,819	8,819
	Amortisation of intangible assets	21	19,895	19,895	10,426	10,426
	Depreciation of right-of-use assets	19	28,974	28,974	23,472	23,472
	Interest expense on lease liability		2,098	2,098	1,596	1,596
	(Gain) /loss on disposal of property, plant and equipment				(119)	(119)
	Adjustment on property, plant and equipment	22	5	5	1,992	1,992
	Accrued interest on Gov't bonds	16	94,786	94,786	90,554	90,554
	Impairment on loans and receivables	15	(1,263,883)	(1,263,883)	1,355,014	1,355,014
	Impairment on other assets and off-balance sheet items	18	206,589	206,589	507,056	507,056
	Re-investement of dividend income	16	(500)	(500)		
	Accrued effective interest and rate fluctuation	24	2,459,589	2,459,589	2,267,804	2,267,804
	Retirement benefit obligations	27	19,915	19,915	79,411	79,411
	Changes in working capital:					
	-Decrease/ (Increase) in loans and advances	15	(4,417,405)	(4,417,405)	(4,371,698)	(4,371,698)
	-Decrease/ (Increase) in other assets	18	(588,444)	(588,454)	(3,019,060)	(3,019,578)
	-Decrease/ (Increase) in investments security	16	35,051	35,051	(1,329,096)	(1,329,096)
	-Increase/ (Decrease) in customer's deposit	23	16,811	16,811	(71,018)	(71,018)
	-Increase/ (Decrease) in retirement benefit	27	81,678	81,678	44,401	44,401
	-Increase/ (Decrease) in deferred tax liablity	13	(414,336)	(414,336)	(20,917)	(20,917)
	-Increase/ (Decrease) in other liabilities	26	(1,911,614)	(1,911,621)	2,343,514	2,343,623
			(1,368,197)	(1,368,774)	(535,235)	(536,031)

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

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
	Proceeds on disposal	-	-	787	787
	Net book value of property, plant and equipment disposed (Note 22)	(5)	(5)	(668)	(668)
	Net gain/(loss) on sale of property, plant and equipment	(5)	(5)	119	119

34b Non-cash transaction

The Group and the Bank have received a special government bonds issued by the Ministry of Finanace (MOF) to increase the capital of the bank. As a result, this transaction has resulted in a significant increase of non-cash item amounting to Birr 21.02 billion, and this non-cash item is not included in the statement of cash flows.

Other non-cash items like additions on right-of-use assets and lease liabilities amounting to Birr 49,040,968 and 33,083,888 respectively are not included on the statement of cash flows.

35 Related party transactions

Development Bank of Ethiopia is a wholly-owned government financial institution.
A number of transactions were entered into with related parties in the normal course of business. These are disclosed below:

35a Loans and advances to key management members (year-end balances)

Key management has been determined to be the members of the Board of Management and the Executive Management of the Bank.

i) The Group/Bank has not granted any loans and advances to the Board of Management during the year ended 30 June 2021 and 30 June 2020.

ii) Loans and advances to Executive Management

	Group	Bank	Group	Bank
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Birr'000	Birr'000	Birr'000	Birr'000
At the end of the year	2,054	2,054	2,683	2,683

The loans and advances to Executive Management members comprise short-term loans (revolving emergency loans), which are guaranteed against severance pay at retirement, as well as housing loans with the financed residential buildings being held as collateral.

These loans are repaid on a monthly basis by deducting from the monthly salary payment of each Executive Management member.

35b Key management compensation

The compensation paid or payable to key management is shown below. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2021 and 30 June 2020.

		Group	Bank	Group	Bank
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		Birr'000	Birr'000	Birr'000	Birr'000
Salaries & other short-term benefits (executive management)	4,894	4,894	2,603	2,603	
Post-employment benefits (executive management)	948	948	661	661	
Bonus		1,959	1,959	1,050	1,050
Board fees		851	851	1,883	1,883
		8,653	**8,653**	**6,197**	**6,197**

Compensation of the Bank's executive management members includes salaries, various benefits and contributions to the post-employment defined benefits plans.

36 Manpower Stock

The average number of persons (excluding directors) employed by the Bank at the end of each reporting period was as follows:

			Bank 30 June 2021 Number	Bank 30 June 2020 Number
	Professionals and high-level supervisors		1,735	1,479
	Semi-professional, administrative and clerical		240	547
	Technician and skilled		92	118
	Manual and custodian		168	105
			2,235	2,249

37 Contingent liabilities and assets (claims)

37a Claims and litigation

The Bank is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The Bank has formal controls and policies for managing legal claims. Based on professional legal advice, the Bank provides and/or discloses amounts in accordance with its accounting policies. At year end, the Bank had several unresolved legal claims.
The maximum exposure of the Bank to legal cases as a defendant as at 30 June 2021 is estimated to be Birr 401,328,320 ((30 June 2020: 66,102,148). Out of the total maximum exposures, a provision of Birr 7,705,809 and Birr 7,141,297 as at 30 June 2021 and 30 June 2020 respectively has been made in the financial statements for those current or potential litigation claims which may arise from customers, counterparties or other parties in civil litigations. However, no further provisions have been made as the Bank's legal counsel believes that it is possible, but not probable, that the economic benefits would flow out of the Bank in respect of these legal actions. Instead, such legal claims are disclosed in the financial statements amounting to Birr 200,592,014.37 as at 30 June 2021 (30 June 2020: 66,102,148), without considering those closed court cases (amounting to Birr 193,030,491), which were decided in favour of the Bank.

On the other hand, the Bank, as a plaintiff, has instituted suits against third parties arising from the normal course of business. Based on the legal counsel's advice, the probable and virtually certain claims arising from settlement of these cases as at 30 June 2021 is Birr 66,845,264 (30 June 2020: 170,381,311.22). Out of which, the Bank has recognized other income from virtually certain claims amounting to Birr 851,034 as at 30 June 2021 (30 June 2020: nil). However, for the remaining probable court cases amounting to Birr 65,994,230 (30 June 2020: nil) has been disclosed in the notes to financial statements."
37bGuarantees and letters of credit

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees and letters of credit. Even though these obligations may not be recognised on the statement of financial position they contain credit risk and, therefore, form part of the overall risk of the Bank.

Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. The nominal values of such commitments are listed below:

In general, 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/discloses the fair value amount of contingent liabilities for the account of customers, as follows:

		Group 30 June 2021 Birr'000	Bank 30 June 2021 Birr'000	Group 30 June 2020 Birr'000	Bank 30 June 2020 Birr'000
	Performance guarantees			8,590	8,590
	Letters of credit for customers	2,902,669	2,902,669	3,751,192	3,751,192
		2,902,669	2,902,669	3,759,782	3,759,782

These guarantees and letters of credit are not provided for in the statement of financial position as at 30 June 2021 and 30 June 2020.

38 Commitments

	Loan commitments	10,817,919	10,817,919	15,270,229	15,270,229
	Other commitments	57,371	57,371	123,652	123,652
		10,875,290	10,875,290	15,393,881	15,393,881

Other commitments represent commitments made in respect of expected procurement of various items and services and the estimated cost to complete the Bank's construction work in progress based on the contractual agreements entered into between the Bank and the supplier/contractor.

39 Events Occurring During the Reporting Period

There is an ongoing war and political instability in the norther part of Ethiopia that has occurred during the reporting period. The total loans and advances amounting to Birr 8,880,855,736 as at 30 June 2021 and the related collateral at the Bank's Tigray Region are treated in the same manner as the other loans and advances owing to the fact that the current status of those loan balances and associated collateral could not be determined due to the Region's current conflict. Furthermore, the allowances for expected credit losses amounting to Birr 1,551,162,385 as at 30 June 2021 have been determined based on the status of the loans as at the reporting date. In addition, two projects with loans and advances totalling Birr 43,849,842 (net of ECLs) as at 30 June 2021 are located at Oromia Region where there was unrest.

Likewise, cash on hand and property, plant and equipment (net book value) include Birr 1,273,804 and Birr 23,685,736 respectively in respect of the Bank's branch offices located at the Tigray Region whose existence could not be confirmed due to the Region's current conflict.

40 Events after reporting period

In accordance with IAS 10 Events after the Reporting Period, the Group and Bank shall be required to distinguish between subsequent events that are adjusting events (i.e. those that provide further evidence of conditions that existed at the end of the reporting period) and non-adjusting events (i.e. those that are indicative of conditions that arose after the reporting period). The Group and Bank shall be required to adjust the amounts recognized in the financial statements to reflect any adjusting events that occur during the subsequent events period but prior to the date on which the financial statements are authorized for issue. For material non-adjusting events, the Group and Bank shall be required to disclose the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

In the opinion of the Board of Management, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Group and Bank as at 30 June 2021 and on the profit for the period ended on that date, which have not been adequately provided for, in the form of adjusting events.

Nevertheless, there are material non-adjusting subsequent events which shall be required to be disclosed in the notes to the financial statements. These are set out below.
The military operations in the northern part of Ethiopia have impacted the Bank's operations. Especially, after the armed conflict had spread out to Amhara and Afar regions, all branch offices that fall under the

catchment area of Dessie District (8 branches) were closed for about three or four months and are now opened. Moreover, there was one project located at Oromia Region which was affected by unrest, but the other loan at Adama District has been subsequently settled. As a result, the conflict had its impact on the security of assets held and loans/projects administered by head office as well as by Mekelle, Dessie and Hawassa districts in Tigray, Amhara, Afar and Oromia regions. The details of these assets as at 31 March 2022 are as follows:

		31 March 2022				
		Geographical Locations				
		Oromia Region	Tigray Region	Dessie & Afar Regions	Total	Percentage share
		Birr'000	Birr'000	Birr'000	Birr'000	
	Cash on hand	-	662	193	856	0.0%
	Loans and advances (net)	17,250	6,193,283	458,601	6,669,134	99.4%
	Property and equipment (net)	-	21,988	16,879	38,867	0.6%
		17,250	6,215,933	475,673	6,708,856	100.0%
	Percentage share	0.3%	92.7%	7.1%	100.0%	

To sum up, the Bank's Board of Management has been continuing to monitor and evaluate the situations in both Mekelle and Dessie districts , without falling off the radar screen.

41 Prior Period Restatement

The tax authority (Large Tax Payers Branch Office, Ministry of Revenues of Ethiopia) carried out an additional tax assessment for five (5) years for the period commencing on 30 June 2016 and ending on 30 June 2020 after the Bank's financial statements had been audited/published. As a consequence, the Bank was required to pay an additional whopping tax based on the tax assessment/examination made by the tax authority. Even though there are huge differences in interpreting some critical tax issues between the tax authority and the Bank [or the Bank does not agree in principle], the Bank has opted to settle the tax claims amicably.

The additional tax claims, which are material to the Group and the Bank, have been corrected by restating each of the affected financial statement line items for the prior periods. The impacts on the consolidated and separate financial statements are summarized in the tables as shown below:

a)Consolidated and separate statement of profit or loss and OCI

		Group			Bank		
		As previously reported	Adjust-ments	As restated	As previ-ously reported	Adjust-ments	As re-stated
	30 June 2020	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
	Profit before tax	1,842,453		1,842,453	1,842,068		1,842,068
	Income tax in-come/(expense)	27,673	(55,606)	(27,933)	27,675	(55,606)	(27,931)
	Profit /(loss) after tax	1,870,126	(55,606)	1,814,520	1,869,744	(55,606)	1,814,138
	Total other comprehensive income/ (loss), net of tax	30,570		30,570	30,570		30,570
	Total compre-hensive income/ (loss)	1,900,696	(55,606)	1,845,090	1,900,314	(55,606)	1,844,708

b) Consolidated and separate statement of financial position

	Group			Bank		
	As previously reported	Adjustments	As restated	As previously reported	Adjust-ments	As restated
30 June 2020	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Total assets	95,879,234		95,879,234	95,879,192		95,879,192
Liabilities						
Current tax liability	200,460	372,347	572,807	200,458	372,347	572,805
Others	88,146,143		88,146,143	88,146,109		88,146,109
Total liabilities	88,346,603	372,347	88,718,950	88,346,567	372,347	88,718,914
Equity						
Capital	7,500,000		7,500,000	7,500,000		7,500,000
Legal reserve	644,040	(13,883)	630,157	643,963	(13,901)	630,061
Accumulated loss	(3,477,397)	(358,465)	(3,835,862)	(3,477,325)	(358,445)	(3,835,770)
Other reserves	2,865,989		2,865,989	2,865,988		2,865,988
Total equity and reserves	7,532,631	(372,347)	7,160,284	7,532,626	(372,347)	7,160,279
Total liabilities and equity	95,879,234		95,879,234	95,879,192	0.00	95,879,192

	Group			Bank		
	As previously reported	Adjustments	As restated	As previ-ously reported	Adjust-ments	As restated
1 July 2019	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Total assets	83,399,347		83,399,347	83,399,581		83,399,581
Liabilities						
Current tax li-ability	106,236	410,588	516,824	106,236	410,588	516,824
Others	77,567,329		77,567,329	77,567,186		77,567,186
Total liabilities	77,673,565	410,588	78,084,153	77,673,422	410,588	78,084,010
Equity						
Capital	7,500,000		7,500,000	7,500,000		7,500,000
Legal reserve	176,527		176,527	176,527		176,527
Accumulated loss	(4,435,059)	(410,588)	(4,845,648)	(4,434,682)	(410,588)	(4,845,270)
Other reserves	2,484,315		2,484,315	2,484,314		2,484,314
Total equity and reserves	5,725,782	(410,588)	5,315,194	5,726,159	(410,588)	5,315,571
Total liabilities and equity	83,399,347		83,399,347	83,399,581		83,399,581

There is no material impact on the Group's and the Bank's total operating, investing or financing cash flows for the years ended 30 June 2021 and 30 June 2020.

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