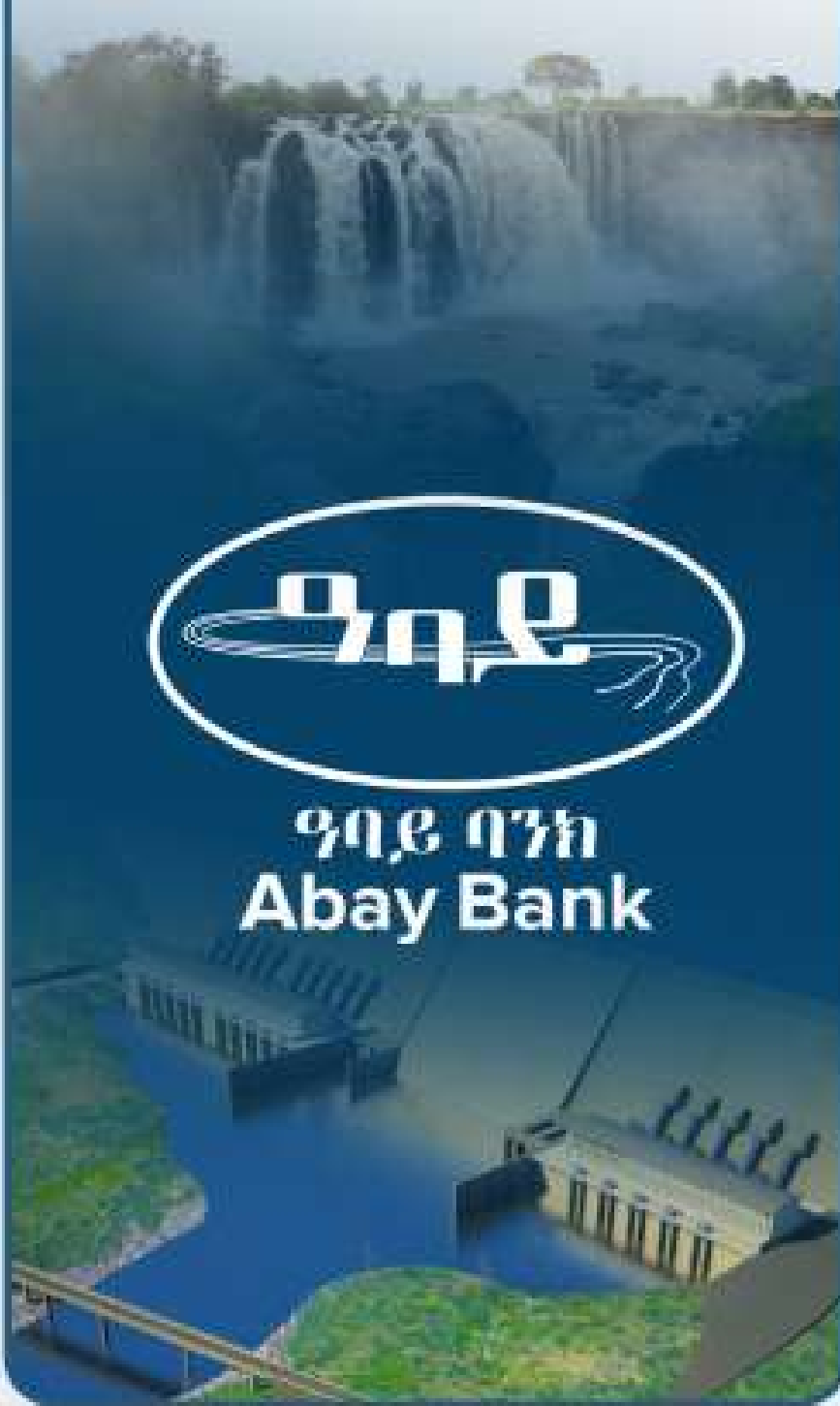




ግብይ ባንክ  
**Abay Bank**



For the year ended June 30, 2021

**ANNUAL REPORT**  
**2020/21**





**ዓባይ ባንክ**  
**Abay Bank**

**በተለክልዎት ቅጽብት  
ገንዘብዎን በቀጥታ ይቀበሉ !**

**RECEIVE YOUR  
MONEY ON TIME ...!**



**ዓባይ - ታማኝ አገልጋይ**  
**Abay - The Trustworthy Bank**

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## **VISION**

**To become a Premium Bank!**



## **MISSION**

**We are committed to satisfy the expectation of stakeholders by providing full-fledged banking services through deploying state-of-the-art technology and competent human resource.**



## **CORE VALUES**

**Abbreviated as 'CITIES', the core values of the bank are:**

-  **Customer satisfaction,**
  -  **Integrity,**
  -  **Team work,**
  -  **Innovation and scaling up,**
  -  **Employee satisfaction and**
  -  **Social responsibility.**
- 
- 
- 

## Board of Directors



**Amlaku Asres (PhD)**  
Vice Chairperson



**W/ro Ethiopia Tadesse**  
Board Chairperson



**Ato Biyazin Enkuahone**  
Board Member



**Ato Fantu Gola**  
Board Member



**Ato Mekonnen Yelewemwessen**  
Board Member



**Ato Mulat Tsega**  
Board Member



**Ato Teshager Desalegn**  
Board Member



**Ato Tilaye Bitew**  
Board Member



**Ato Tadesse Assefa**  
Board Member



## Top Management



Ato Abraham Eiju  
Chief Corporate Banking Officer



Ato Yehuala Gessesse  
Chief Executive Officer



Ato Belete Dagnew  
Chief Retail Banking Officer



Ato Belete Kene  
Chief Corporate Services Officer



Ato Wondifraw Tadesse  
Chief Strategy and Marketing Officer



Ato Elias Berhanu  
Director - Information  
Technology



Ato Adugna Abebe  
Director - Branch Operation and  
Resource Mobilization



Ato Tegene Sisay  
Director- Human Capital  
Management



Wro Taige Ayalew  
Director - International Banking

## Top Management



Ato Christian Kassa  
Director - Marketing and  
Research



Ato Daniel Legesse  
Director - Strategy and  
Innovation



Ato Dawit Ayenew  
Director - Internal Audit



Ato Desalegn Ayalew  
Director - Finance



Ato Abubeker Nezir  
Director - Interest Free Banking



Ato Endakmew Getnet  
Director - Legal Services



Ato Eyob Nigussie  
Director- Procurement &  
Property Management



Ato Tsenga Mekonen  
Director -Risk Management  
& Compliance



Ato Solomon Tefere  
Director - Credit Analysis, Workout and  
Portfolio Management



## Top Management



Ato Abebaw Abebe  
Director - Customer Relationship  
Management



Ato Eriste W/Mariam  
Director - Digital Banking



Ato Sisay Tsegaye  
Manager - Bahir Dar District



Ato Samuel Teshome  
Manager - Dessie District



Ato Markos Demeke  
Manager - South & West District



Ato Simeon Abebe  
Manager - North & East District



## Board Chairperson's Message

Dear Shareholders,



It is with great pleasure and sense of pride that I present to you Abay Bank's annual performance report for the fiscal year just ended, June 30 2021.

The global macroeconomic environment we passed through all last year had been punctuated with the three-wave impacts of the corona virus which has not only inflicted wide ranging damages across the globe but also forced us into adopting a new way of life. Enduring its sever impacts as it robbed us of our loved ones, damped business and sent families into solitude, it now ap-

pears that, with invention of and more

access to the vaccine, the world is gradually coming out of the dark casted by the horrible pandemic albeit in a divergent mode of recovery. IMF's report labeling part of the year (well into November 2020) as "a year like no other" says it all about the massive consequences it has witnessed.

Almost in a largely similar fashion, the situation in our country had not been any different. Our country got into an unavoidable war in a mission to enforce law and order in the northern parts of the country and this, coupled with the repressive impacts of COVID-19, has contributed toward a stalled economy and a general slowdown in business. The economic activity had been hit hard by the slowdown and particularly hotel and tourism, as well as transport sectors were significantly affected.

Just at the close of the fiscal year, the Banking sector has seen a new bank join the industry in the name of a full-fledged Interest Free Bank. This is known to be tip of the iceberg as there are already well over 20 others in their formation stages a few of which are finalizing their licensing requirements. It is also in this reporting period that the regulatory organ markedly rose the minimum capital requirement necessary to establish a bank. The government has also successfully undertaken the initiative to change the national currency notes with new ones in this fiscal year. The intervention had been a positive contribution and opportunity to the entire sector as money in banks increased markedly and improved security and control was possible by the government. Abay Bank decorated its tenth year anniversary with a remarkable performance. The Bank's achievements against all known industry KPIs had been impressive. Its performance in resource mobilization had seen its total deposits grow by 49% hitting as high as Birr 23.9 billion as at end of the fiscal year. The financing side had an all the more striking growth with total loans and advances expanding by 72% year-on-year. The Bank was also able to attract and keep its happy customers which grew by about 46% to reach well above 1.2 million. It has also markedly expanded its service outlet by opening 63 new branches across

the country which took the total count to 286 witnessing a 28% growth upon last year's position. What's more, Abay's gross profit for the year surged by a stunning 80% put against last year's feat and the figure, striding past the one billion mark for the first time, stood at Birr 1.15 billion.

There have been scores of impactful initiatives undertaken by the Bank during the year which meaningfully supported its continuous strive to offer improved services to its esteemed customers. Revision and implementation of a new organizational structure, upgrading of the Core-Banking system, design and implementation of a competitive pay scheme, finalization of the contract agreement for construction of the Bank's Headquarters building can be mentioned among them. These wide-ranging endeavors of the Bank had also been reinforced with a strong risk management and compliance practices which were undertaken all year through. The Bank has also been an active participant in several CSR activities lending a hand to various nationwide initiatives. Looking ahead, as we conclude the just ended fiscal year with all of us as a nation still to work toward creating a peaceful and stable Ethiopia, and fight against the rise of the 'third wave' of COVID-19 which together are poised to impact our national growth trajectory, we shall remain resilient and hopeful to come out at the top of our challenges and stay on course to yet again register commendable achievements. Despite facing headwinds of various forms, our Bank is determined to perform even better by working to reinforce its growth strategy through enhancing its organizational capability and level of execution with the help and support of all its stakeholders as well as entire Bank's community.

I would like to congratulate the Board of Directors, shareholders, the Bank's management team as well as the entire staff for the hard work and effort exerted toward this year's delightful achievement. I would also like to take this opportunity to acknowledge the positive impacts and interventions made by the National Bank of Ethiopia in navigating the industry toward a stable and safe banking environment. My sincere appreciations also goes to our customers and the entire business community who worked with us all year long and helped us serve them better.

Thank you,

Ethiopia Tadesse  
Chairperson, Board of Directors  
**Abay Bank SC**

## Chief Executive Officer's Message

Dear Shareholders



I am delighted to present to you our Bank's annual performance report as I walk you through the salient aspects and developments that have happened over the fiscal year.

Over the past fiscal year, the COVID-19 pandemic continued to be the forerunning agenda on the global stage as it caused a world-wide health and economic crisis unprecedented in scale and impact. The world output (GDP) growth had been negative at 3.1% for the fiscal year with all advanced economies as well as emerging markets and developing economies

registering a much reduced produce. Nevertheless, the year had also been regarded as one that has seen the fastest of recoveries ever over quite a long time leading to a growth projection of as high as 5.6% in 2021. The recovery driven by and largely attributable to the unequal yet steady distribution and access to the vaccine, thus, seems to have concentrated only in few advanced economies while emerging markets and developing economies are lagging way behind.

According to the World Bank Report 2021, COVID-19 had been spreading in the sub-Saharan Africa more slowly than initially expected resulting in less contraction in GDP while growth in agriculture and commodity prices were strong. In Ethiopia, the pandemic also left it late to spread gradually and inflict the death tolls putting the country among the four most affected countries in Africa (Africa-CDC). No sooner had the 2020/21 fiscal year ended than the third-wave erupted with the spread of the new delta variant which since then claimed quite many lives. The impacts of the pandemic on the economy had been severe as it crippled business and created a marked slowdown in economic activity. Unfortunately, the economy had also to suffer from the unavoidable war that our country got into in order to restore law and order in northern region since back in November 2020. Still, the Ethiopian economy managed to grow by 6.1% in the year under review withstanding stagnation in large economic sectors such as transport, and hotel and tourism. The annual headline inflation had also been in double-digits throughout the year. These unfavorable developments, however, couldn't deter a 20.9% national savings in the reporting period.

The Banking sector seems on the verge of a twofold expansion with as many new banks as those already in operation are under various formation stages to join the industry. Competitive pressures among participants in the sector as well as policy interventions by the government were instrumental toward the sector's remarkable performance in resource mobilization. The sector, thus, continued to register growth in virtually all major parameters such as value of deposits, loans and advances, capital, outlet expansion, as well as profit.

Our Bank also claimed a fair share in the overall industry growth and registered a commendable performance in the reporting period, celebrating its 10th year anniversary with record achievements.

Our branch expansion efforts in the year which resulted in opening of 63 new branches across the country and various other corporate as well as branch level initiatives helped our Bank achieve great results in mobilizing deposits which stood at Birr 23.9 billion by the end of the fiscal year, witnessing a 49% growth year-on-year. The Bank also continued to finance various economic sectors growing its outstanding loans by Birr 8.4 billion and recording a 72% expansion which put the total amount at Birr 20.1 billion by the close of the fiscal year. The performance in profits before tax which hit Birr 1.15 billion had, as a result, been an encouraging one with a record 80% year-on-year growth.

Our Bank has also been strengthening its risk management and compliance functions through raising awareness and by successfully running and deploying an advanced AML/CTF system. In terms of discharging its corporate social responsibility, our Bank has also made marked involvement in several interventions contributing well over Birr 35.5 million during the fiscal year.

While we concluded a largely fruitful fiscal year in the just ended FY 2020/21, the challenges awaiting us ahead appear quite formidable. The new fiscal year starts with a yet again another wave of corona virus infection spike aggravated by the new delta-variant. We also hope that the peace and security of our country would improve and the economy would rebound with better employment opportunities, lessen inflation and trigger savings. As we navigate through the challenges and harness all opportunities the prevailing environment could possibly offer, we would strive for better results with the help and support of our customers, shareholders, employees and all stakeholders.

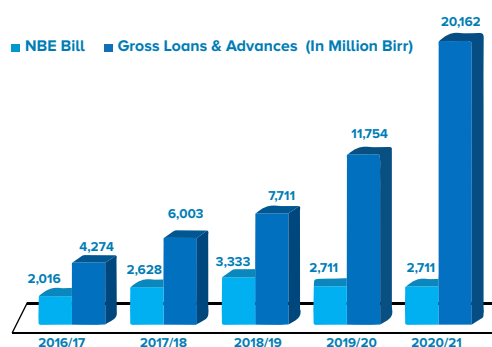
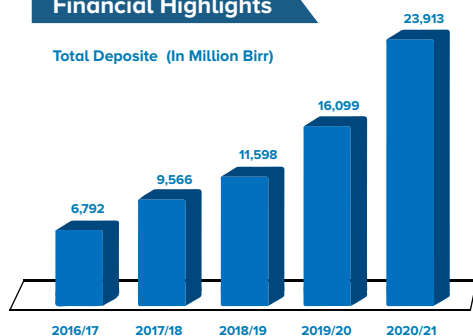
I would like to extend my appreciation and gratefulness to all employees and management staff as well as the Board of Directors for their efforts in contributing toward Abay's achievements. Needless to mention, our customers have been the strongest source of our success and we shall pay them back with unmatched service they deserve. I would also like to thank our shareholders, the National Bank of Ethiopia as well as other stakeholders for supporting us undertake our activities.

Thank you

**Yehuala Gessesse,**  
Chief Executive Officer  
**Abay Bank SC**

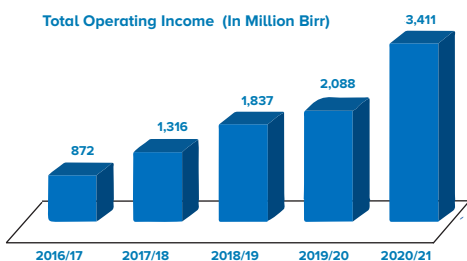
## Financial Highlights

Total Deposit (In Million Birr)

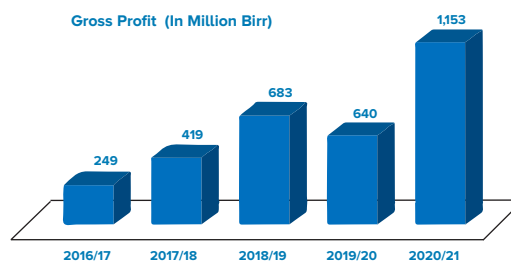


Gross Loan &amp; Advance &amp; NBE Bill

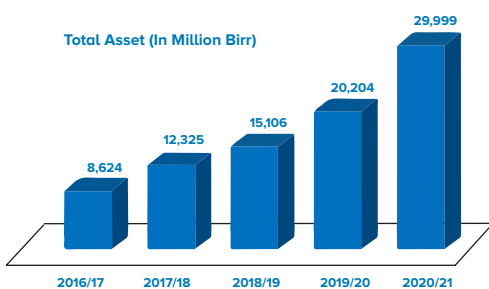
Total Operating Income (In Million Birr)



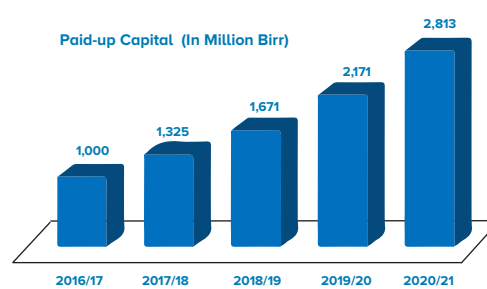
Gross Profit (In Million Birr)



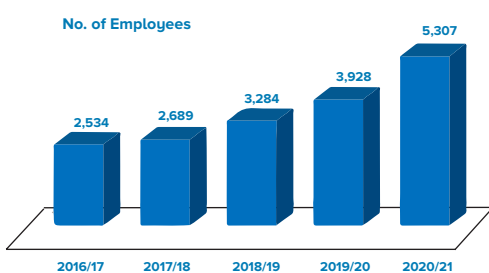
Total Asset (In Million Birr)



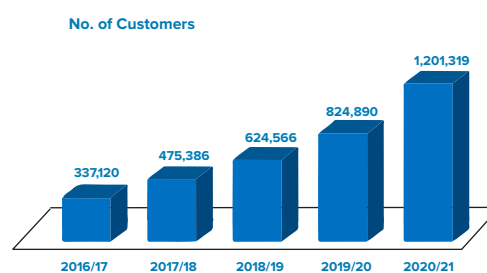
Paid-up Capital (In Million Birr)



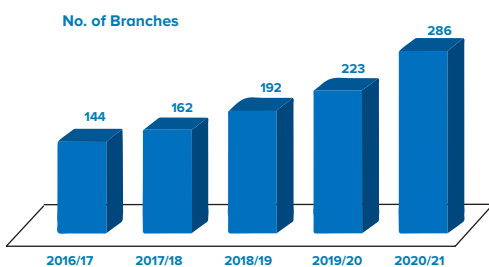
No. of Employees



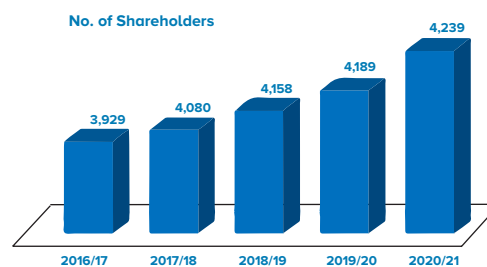
No. of Customers



No. of Branches



No. of Shareholders







**Board of Directors' Meeting**



**Top Management**



**Sharia Advisory Board**



### Fourth Round Foreign Currency Mobilization Campaign Prize Ceremony

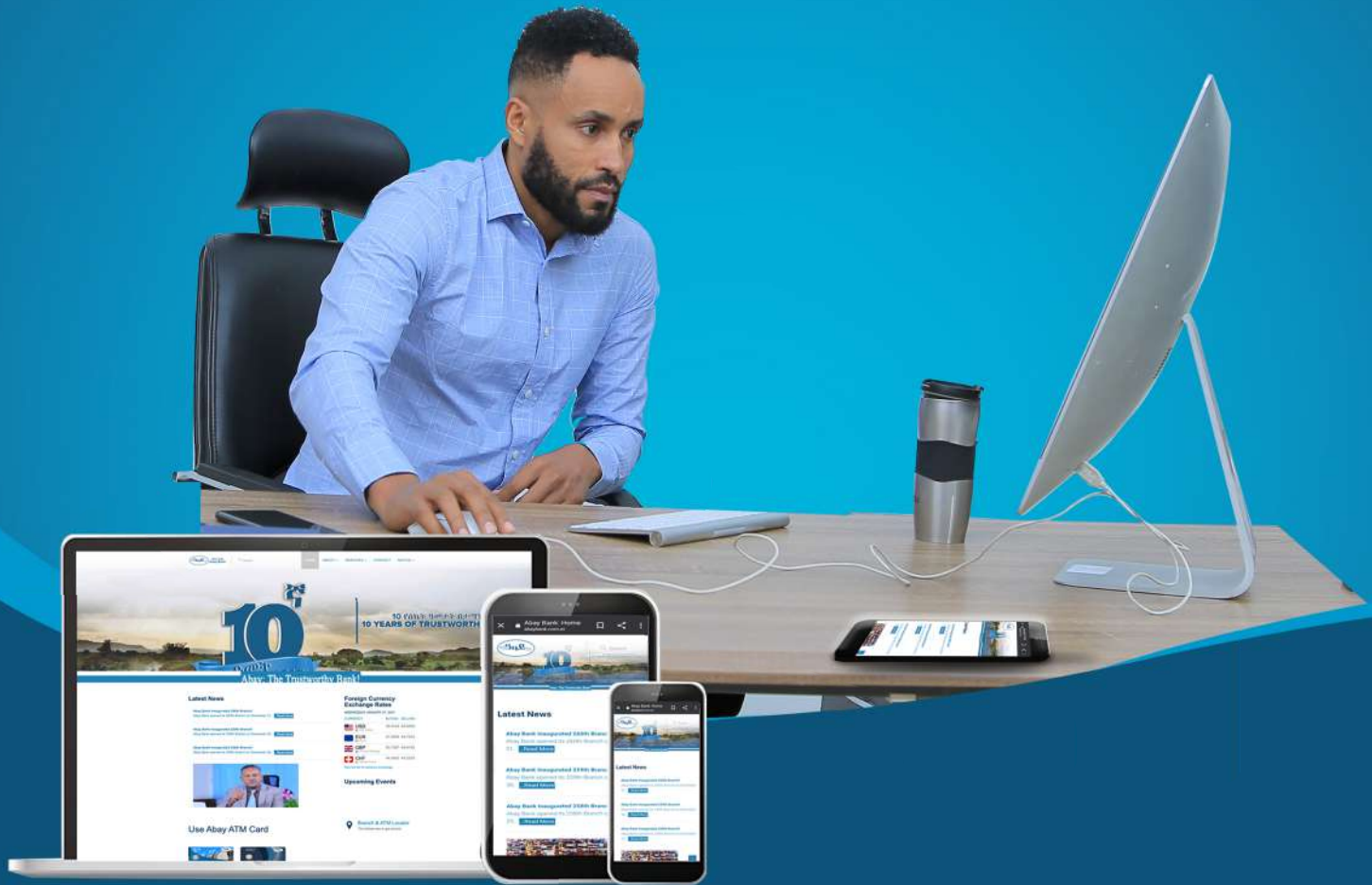






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Abay Bank

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ACCESS YOUR ACCOUNT  
WHEREVER,WHENEVER



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Abay Bank

# PART I

THE BOARD OF DIRECTORS' REPORT



በመቆጠብ ራስዎን | **SAVE AND**  
ዕውን ያድርጉ! | **ACHIEVE ...!**



ዓባይ - ታማኝ አገልጋይ  
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## PART I: THE BOARD OF DIRECTORS REPORT

It is with pleasure that the Board of Directors of Abay Bank presents the annual performance report and Audited statement of financial position for the year 2020/21. In part I of the report, we present a quick summary of comparative performances, whereas part II covers a detailed report of the Auditors.

### 1.1. Summary of Operational Performance

#### 1.1.1. Deposit Mobilization

Abay Bank has achieved remarkable results during the year 2020/21, and the deposit mobilized was one of them. During the year alone, the Bank mobilized additional deposits of Birr 7.8 billion from both conventional and IFB sources. Consequently, the aggregated deposit attained Birr 23.9 billion, registering a growth of 49% from the previous year's balance. Going up by 48% and 71% from its position of the last year, conventional deposits contributed a total of Birr 22.6 billion, whereas the deposit mobilized through Abay Saadiq, the IFB service of the Bank, reached Birr 1.3 billion.

During the review period, the deposit position of savings and demand has registered growth of 50% and 68% against their respective record of the previous year and reached Birr 18 billion and Birr 5 billion in that order. On the contrary, the position of Time deposits gained a negative momentum to decline by 16% from the last year's record and settled at a balance of Birr 891 million.

The significant surge in the number of depositors was one of the drivers of growth in deposit performance. In the year 2020/21, Abay has recruited more than 376,000 new customers of conventional and IFB services showing a growth rate of 46% and attaining a customer base of 1,201,319 in aggregate.

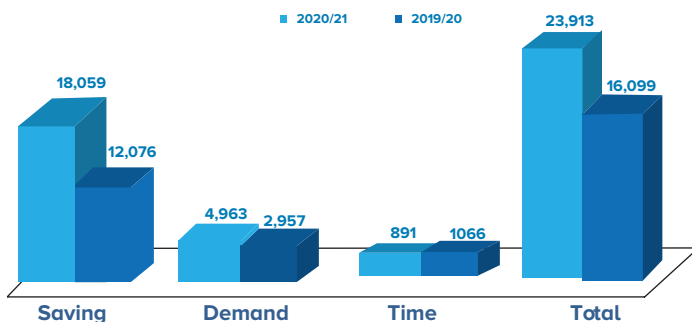


Figure 1. Deposit by Type (in Million Birr)

For the last successive years, Abay's deposit composition tends to be more stable and less costly sources of deposit. The proportion of Saving and Demand Deposits grew to 76% and 21%, whereas the share of Time Deposits declined to 3% from their records of the previous year.

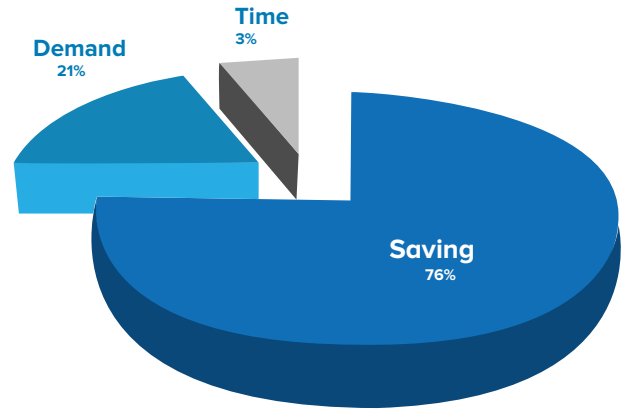


Figure 2. Share of Deposit by Type

#### 1.1.2. Loans and Advances

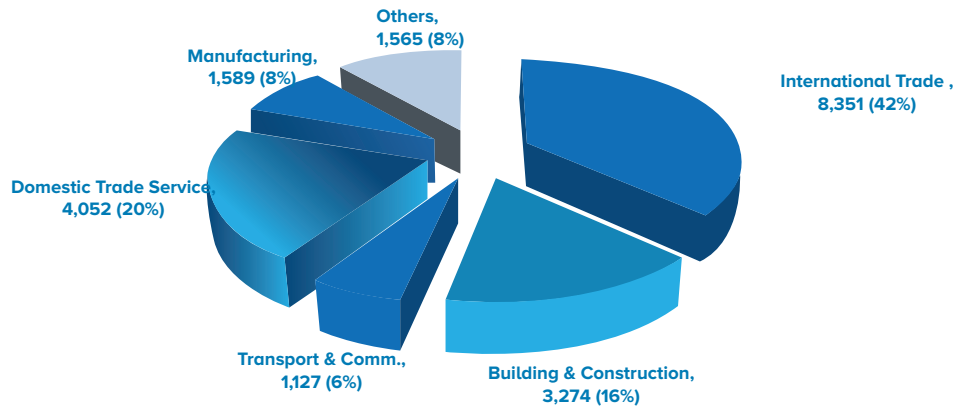
During the year 2020/21, the Bank availed Loans of Birr 19.6 billion to its conventional customer and served a financing request of its Abay Saadiq customers over Birr 538 million summing to Birr 20.1 billion for both financing services exhibiting a growth of 72% on aggregate from the record of the previous year.

The Bank has continued to support viable projects and lines of business for every economic sector of the country through its financing arm. The growth of loans of each sector shows the Bank's direction to maintain a fair portfolio of loans. Concerning the composition of Loans and Advances, the financing for international trade takes the highest proportion of 42%, followed by the Domestic Trade and Services by 20%. The loans availed to the construction and building sector accounted for 16% of the total outstanding, whereas others and manufacturing and industry sectors take 8% each. Transport and communication sector took the rest 6% share.

The Bank's prudent financing practices kept its NPL rate far below the regulatory requirements, and its book of records exhibited a good quality of assets as usual.



Figure 3: Loans and Advances by Sectors (in million Birr)



Note: Others include consumer loans, Hotel & Tourism, mines, power and Water resource, and Agriculture.



Businesses Financed by the Bank



### 1.1.3. International Banking Operations

Despite the impact of COVID-19 on international trade and remittances coupled with the lack of western-based correspondent banking relations, the Bank's foreign currency generation has registered a growth of 27% from the last year in the same period.

In an attempt to broaden sources of foreign currency earnings, the Bank continued to incentivize customers through prizes for the fourth successive year. Besides, the Bank has established relationships with additional international transfer agents and correspondent banks operating globally.

## 1.2. Financial Performances

### 1.2.1. Revenue

During the year, the Bank earned a total income of Birr 3.4 billion, which exceeds its performance of the previous year by 63%. From the total revenue during the year, interest income constituted 72%, maintaining a similar share of the previous year. Registering a slight shift from last year's record, revenue generated from commissions and services accounted for 19% of the total revenue while revenue from other income took 9%.

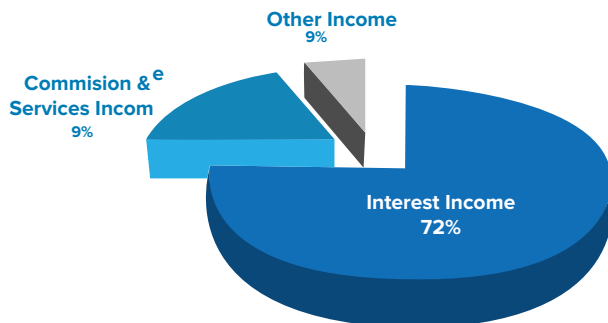


Figure 4: Income Composition

### 1.2.2. Expense

Increasing by 56% from the last year's same period, the total expense of the bank stood at Birr 2.3 billion. The growth of expenses revealed that the provision held has grown by 49% from the record of the previous year. The year-on-year rise in salary and benefits computed 54%, whereas Interest expense and general expenses increased by 42% and 82%, respectively.

With regards to expense composition, interest expense accounted for the highest share of 36%, followed by salary and benefits taking a share of 31% from the total expenditure of the year. The share of general expense stood at 28% and the provisions held and other ex-

penses took a share of 5% of the aggregate expenses.

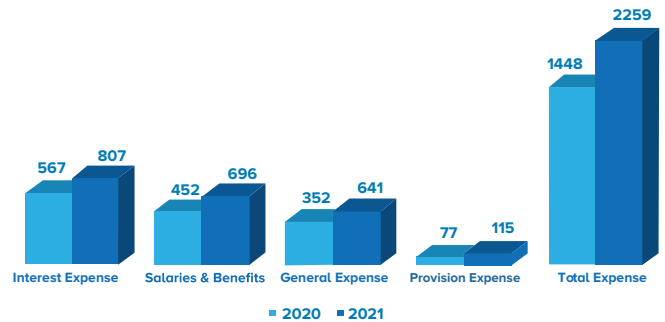


Figure 5: Performance of Major Expense category (in million Birr)

### 1.2.3. Gross Profit

During the year ended June 30, 2021, Abay's gross profit has hit a new record-high to reach Birr 1.15 billion. The performance exhibited a growth of Birr 513 million and exceeded its record of the prior year by 80%.

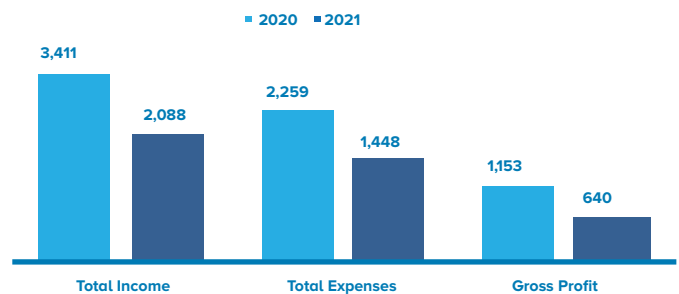


Figure 6: Performance of Major Expense category (in million Birr)

### 1.2.4. Total Asset

During the period under review, the bank's total asset has attained Birr 29.9 billion going-up by Birr 9.8 billion; and manifesting a growth of 48% from the record of the previous year. One of the drivers behind the expansion of the Bank's assets is the growth in loans and advances availed to its customers.

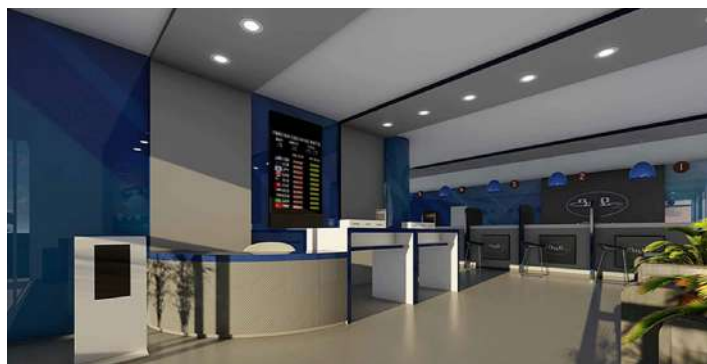
### 1.2.5. Capital

Registering a 37% growth from last year's same period balance, the total equity of the Bank attained Birr 4.2 billion. During the year, the bank's shareholders injected additional capital of Birr 642 million to raise the total paid-up capital to Bir 2.8 billion exhibiting a 30% growth from the record of the previous year.

## 1.3. Non-Financial and Administrative Issues

### 1.3.1. Branch Expansion

The Bank has kept on expanding its accessibilities to reach more customers through its branch networks. During the year, sixty-three new branches have opened their doors for service at all feasible locations of the country, and we dedicated six of them to serving customers of IFB services. Exceeding the record of the previous year by 28%, the total number of branches reached 286. Of which 251 serve customers of IFB services through dedicated windows or branches fully dedicated to the service.



Branch Inauguration Ceremony

### 1.3.2. Human Capital

During the stated period, 1,379 new employees joined the Bank, and the overall staff strength reached 5,307. From the total staff headcount, 2,757 are permanent, whereas 2,550 are outsourced employees deployed at non-core activities. The employment opportunity that the Bank created has grown by 35% against that of last year's stock.

Nurturing a pool of highly motivated, capable, and engaged employees is one of the determinants leading towards the attainment of the strategic aspirations of any organization. Given the above, Abay has placed a system to attract the best talents and incapacitate them through successive pieces of training. Consequent to that, 96% of the Bank's staff hold a first degree at minimum, and the Bank has availed developmental or technical training to its 2,156 staff during the reporting period. As a staff retention mechanism and to enhance the effectiveness of the processes, the Bank reorganized its structure and revisited the overall staff remuneration structures contributing to the staff turnover rate to remain at its lowest minimum.

### 1.3.3. Digital-Banking Technology

The Bank has apportioned significant investment on digital technologies, cyber security hardening, and capacity building to modernize its digital capabilities. During the review period, Abay has successfully migrated the core banking system, acquired from Oracle, one of the leading core banking software developers on the planet, to the latest version. The seamless migration into the new system enabled the Bank to improve system efficiency, to give digital banking services from the same core-banking system, and enhanced integration capability. The Bank managed the core-banking upgrade project in a coordinated manner, and Oracle has acknowledged the Bank for its successful project accomplishment.

On the other hand, the Bank has given top priorities for maintaining data integrity and security. As a result, we revised the policies and procedures governing data security of the Bank, acquired and implemented UTM, WAF, Security Incident and Event Management solutions, and conducted vulnerability assessments by internal resources. Moreover, the Bank has integrated its system with third-party providers or the systems of the regulatory, enhanced, or developed new systems with internal capacity.

Concerning expanding digital accessibility, the number of ATMs deployed throughout the country has increase and the Bank continued to provide Agent Banking Services through its Abay Bedeje Agents operating in every corner of the country.

During the year, the number of customers using these digital outlets has also grown tremendously. Exceeding records of the previous year by 85% and 63%, subscribers of Mobile Banking and the number of cardholders has reached 303,021 and 273,569 respectively. The number of Internet banking subscribers has grown to 5,146 as the subsequent activation rates of these services also intensified.

#### 1.3.4. Corporate Social Responsibility

As one of its core values, Abay Bank is committed to discharging its social responsibilities by contributing to broad-based economic benefits and undertaking responsible business practices. The Bank has developed a culture of providing financial support to give back to the community for its well-being in general. Given the above, we availed a total of Birr 33.5 million to support various community endeavors on a colorful event of the Bank's 10th anniversary.



Participation of Bahir Dar Great Run

#### 1.3.5. Risk Management and Compliance

Supported by proper risk management practices, tools, governances, and policies, managing risks associated with the Banking business and compliance to own or regulatory requirements are always at the center of every decision-making process of the Bank and will remain one of the top

priorities among others.

With a view of strengthening the process, the Bank has conducted risk assessments, reviewed internal policies, broadened coverage of assessments, introduced new tools of risk assessment, and availed AML/CFT and related training for the Bank's staff at all levels. Moreover, the integration of AML/CFT software is all but completed during the reporting period.

#### 1.3.6. Construction Projects

In an effort to broaden its asset base and ensure a convenient working environment, the Bank has embarked on the acquisition of plots of lands and preconstruction activities during the last few years. Accordingly, preconstruction activities of Head Quarters and Dessie projects have been completed and construction works will resume in the first quarter of the new fiscal year. Finalizing the preconstruction activities of Bahir Dar project and concluding the acquisition process of Gonder Quara Hotel building are among our focuses of the construction project.

#### 1.4. Going Forward

The year ahead gives us another opportunity to put the Bank on front runners on the list of industry players. The Bank endeavors to attain the directions set in its strategic plan and sustain the growth momentum registered in most parameters during the previous years. In the year just started, the elected party will form a new government and the country's stability will be maintained and the economic activity will be stimulated as a consequence.

However, we are aware of the challenges we are facing in the coming year which include the fiercer the competition will get since a considerable size of new entrants is joining the sector with specialized services or target markets. Besides, the economic condition, impacted by COVID-19 and the ongoing war in the northern part of the country.





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Abay Bank

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SHARIAH COMPLIANCE  
BANKING SERVICES

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صَادِق SADIQ

ዓባይ - ታማኝ አገልጋይ  
Abay - The Trustworthy Bank

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web: www.abaybank.com.et

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@AbayBank

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Abay Bank

# PART II

**AUDITORS' REPORT**







**Abay Bank's Future Head Quarter Building Design- Addis Ababa**



**Abay Bank's Future Building Design - Bahir Dar**



**Abay Bank's Future Building Design - Dessie**

**ABAY BANK SHARE COMPANY S.C.**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**DIRECTORS AND STATUTORY INFORMATION**

<b><u>Directors</u></b>	<b><u>Title</u></b>	<b><u>Appointment date</u></b>
Ethiopia Tadesse	Chairperson	December 26,2018
Dr. Amlaku Asres	Vice chairperson	December 26,2016
Biyazen Enkuanhone	Member	June 16,2017
Fantu Golla	Member	December 26,2016
Mekonnen Yelewumwossen	Member	March 19, 2020
Mulat Tsega	Member	December 26,2016
Tadesse Assefa	Member	March 19, 2020
Teshager Desalegn	Member	December 26,2016
Tilaye Bitew	Member	March 19, 2020

**Executive management**

Yehuala Gesesse	Chief Executive Officer	August 17,2015
Abraham Ejigu	Chief Corporate Banking Officer	May 27,2015
Belete Dagne	Chief Retail Banking Officer	October 12,2015
Belete Kene	Chief Corporate Services Officer	November 13,2020
Wondifraw Tadesse	Chief - Strategy & Marketing Officer	December 15,2020
Daniel Legesse	Director - Strategy & Innovation	December 05,2011
Elias Birhanu	Director - Information Technology	September 03,2018
Tsega Mekonen	Director - Risk Management & Compliance	December 01,2011
Dawit Ayenew	Director - Internal Audit	November 13,2020
Endakmew Getnet	Director - Legal Services	November 11,2015

**Independent auditor**

**Tafesse, Shisema and Ayalew (TMS PLUS) Certified Audit Partnership**  
**Chartered Certified Accountants (UK)**  
**Authorized Auditors (Eth)**  
**Addis Ababa**  
**Ethiopia**

**Principal Bankers**

Aktif Yatirim Bankasi A.S.  
 Bank of Africa  
 Bank of Beirut,Cyprus  
 Bank of Beirut, Great Britain  
 Bank of Beirut, Lebanon  
 Bank of Beirut, Uk Frankfurt  
 CAC International Bank Djibouti  
 East Africa Bank,Djibouti  
 EBISA Ecobank , Paris  
 EBISA Ecobank , Kenya  
 Exim Bank Djibouti S.A.  
 KCB - Kenya Commercial Bank  
 ODDO BHF Aktiengesellschaft  
 Equity Bank Kenya Ltd



**ABAY BANK SHARE COMPANY S.C.**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**REPORT OF THE DIRECTORS**

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

**Incorporation and address**

Abay Bank was incorporated in July 2010 and registered as a public share holding company in accordance with the banking business proclamation No. 592/2008. The Bank obtained its licence from the National bank of Ethiopia on July 14, 2010 and started its operation on November 4, 2010. The Bank is domiciled in Ethiopia.

**Principal activities**

The mandate of the Bank is to optimize the stockholder value through sustainable growth and profitability, provide wide range of innovative and customer focused Banking products and services, boost operational excellence by employing state-of-the-art information technology, to be the employer of choice by creating conducive working environment wherein employees achieve their career aspirations.

**Results**

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

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>Birr'000</b>	<b>Birr'000</b>
Total operating income	2,455,350	1,461,968
Profit / (loss) before tax	1,152,875	640,295
Tax (charge) / credit	(305,726)	(139,092)
Profit / (loss) for the year	847,149	501,203
Other comprehensive income / (loss) net of taxes	22,029	26,871
Total comprehensive income/ (loss) for the year	<b>869,178</b>	<b>528,074</b>
Earnings per share (Birr)	<b>333.60</b>	<b>269.66</b>

**Directors**

The directors who served during the year and up to the date of this report are set out on page 23





**ABAY BANK SHARE COMPANY S.C.**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards and in the manner required by the Commercial Code of Ethiopia of 2021 (Proclamation No-1243/2021), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank is required keep such records as are necessary to:

- a) exhibit clearly and correctly the state of its affairs;
- b) explain its transactions and financial position; and
- c) enable the regulatory body to determine whether the Bank had complied with the provisions of the Banking Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Banking Business Proclamation, Commercial code of 2021 (Proclamation No-1243/2021) and the relevant Directives issued by the National Bank of Ethiopia.

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

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

The Directors have made an assessment of the bank's ability to continue as a going concern and have no reason to believe the bank will not be a going concern for atleast the next twelve months from the date of this statement.

**Signed on behalf of the Directors by:**



Ethiopia Tadesse  
Chairperson of Board of Directors




Yehuala Gessesse  
Chief Executive Officer







**Tafesse, Shisema and Ayalew Certified Audit Partnership**  
**Chartered Certified Accountants (UK) and Authorised Auditors (Ethiopia)**



**Member Firm of HLB International**  
**THE GLOBAL ADVISORY AND ACCOUNTING NETWORK**

Tel. 251-011-8961752 / 011 6180638 Mob. 0911 229425 / 0930 034356 / 0930 034357 Fax: 251-011 662 12 70/60  
 E-mail:- tmsplus@ethionet.et / tafessef@hotmail.com P.O.Box 110690 Addis Ababa - Ethiopia

## **INDEPENDENT AUDITOR'S REPORT ON THE ACCOUNTS OF ABAY BANK SHARE COMPANY**

### **Report on the Audit of the financial statement**

#### ***Opinion***

We have audited the financial statements of Abay Bank Share Company specified on page 3-36, which comprise the statement of financial position as at 30 June 2021, the statement profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### ***Basis for Opinion***

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

#### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As described in notes 11 and 12 to the financial statements, the impairment losses have been determined in accordance with IFRS 9 Financial Instruments. This was considered a key audit matter as IFRS 9 is a complex accounting standard which requires significant judgment to determine the impairment losses.

Also as indicated on Note 37 of financial statements, the performance and advance payment guarantee issued to construction Companies casts uncertainty and the bank should adopt strict follow up and action to this matter.

#### ***Responsibilities of Directors for the Financial Statements***

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

***Report on other Legal and Regulatory requirement***

We have no comment to make on the report of your Board of Directors so far as it relates to these financial statements in accordance with the Commercial Code of Ethiopia of 2021 (Proclamation No-1243/2021), recommend approval of the financial statements.

*Taf. shi & Ay*

Tafesse, Shisema and Ayalew Certified Audit Partnership  
Chartered Certified Accountants (UK)  
Authorized Auditors (ETH)



Addis Ababa  
29 October 2021



**ABAY BANK SHARE COMPANY S.C.**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2021**

		30 June 2021	30 June 2020
	Notes	Birr'000	Birr'000
Interest income	5	2,462,334	1,507,163
Interest expense	6	(807,406)	(567,458)
<b>Net interest income</b>		<b>1,654,928</b>	<b>939,705</b>
Fee and commission income	7	658,734	432,195
Fee and commission expense	8	(17,014)	(13,651)
<b>Net Fee and commission income</b>		<b>641,720</b>	<b>418,544</b>
Net gain on foreign exchange valuation	9	124,076	67,879
Other operating income	10	34,626	35,840
		<b>158,702</b>	<b>103,719</b>
<b>Total operating income</b>		<b>2,455,350</b>	<b>1,461,968</b>
Loan impairment charge	11	(105,561)	(26,443)
Other Assets Impairment Charge	12	(8,889)	(1,511)
<b>Net operating income</b>		<b>2,340,900</b>	<b>1,434,014</b>
Personnel expenses	13	(695,407)	451,124
Depreciation & Amortization Intangible assets	22-23	(64,538)	(46,153)
Depreciation expense on right of use asset	21	(141,603)	(108,096)
Interest expense on lease liability	21	(9,189)	(3,864)
Other operating expenses	14	(277,288)	(184,482)
<b>Profit before tax</b>		<b>1,152,875</b>	<b>640,295</b>
Income tax expense	15	(305,726)	(139,092)
<b>Profit after tax</b>		<b>847,149</b>	<b>501,203</b>
<b>Other comprehensive income (OCI)</b>			
<b>Items that will not be subsequently reclassified into profit or loss:</b>			
Re-measurement gain/(loss) on Defined benefits obligatio	29	9,972	4,032
Financial assets at FVOCI (equity investments)	18	32,001	22,839
loss		-	-
		<b>41,973</b>	<b>26,871</b>
<b>Total comprehensive income for the period</b>		<b>889,122</b>	<b>528,074</b>
<b>Earnings per share (Birr 1,000)</b>	31	<b>333.60</b>	<b>269.66</b>

The note on pages 32 to 61 are an integral part of these financial Statements.







**ABAY BANK SHARE COMPANY S.C.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

		30 June 2021	30 June 2020
	Notes	Birr'000	Birr'000
<b>ASSETS</b>			
Cash and bank balance	16	4,801,551	3,992,344
Loans and advances to customers	17	19,866,631	11,613,432
Equity Investments at fair value -OCI	18	176,817	93,010
Other Financial assets	19	3,750,547	3,800,975
Other Non Financial assets	20	55,759	37,431
Right of use assets	21	416,155	292,918
Property, plant and equipment	22	551,423	276,787
Intangible Assets-Software	23	36,535	16,062
Construction in progress	24	329,413	65,085
Non current asset held for sale	25	13,758	15,683
<b>Total assets</b>		<b>29,998,589</b>	<b>20,203,730</b>
<b>LIABILITIES</b>			
Deposits from customers	26	23,913,447	16,098,917
Current tax liabilities	15	305,726	139,092
Other Financial liabilities	27	1,142,140	627,810
Lease Liabilities	21	138,860	81,755
Non financial liabilities	28	202,813	96,885
Defined benefits obligation	29	48,195	30,597
Net deferred tax liabilities	15	19,453	9,742
<b>Total liabilities</b>		<b>25,770,634</b>	<b>17,114,798</b>
<b>EQUITY</b>			
Share Capital	30	2,812,741	2,170,608
Share Premium	30	28,365	28,290
Retained Earnings	32	600,932	313,106
OCI-Defined Employee Benefit	29	1,364	(11,503)
OCI-Equity Investment	18	32,001	22,839
Legal Reserve	33	687,116	475,329
Regulatory Risk Reserve	34	65,439	90,262
		4,227,958	3,088,931
<b>Total equity and liabilities</b>		<b>29,998,589</b>	<b>20,203,730</b>

The note on pages 32 to 61 are an integral part of these financial Statements.

The financial statements on page 32 to 61 were approved and authorized for issue by the board of directors on 29 October 2021 were signed on its behalf by:

Ethiopia Tadesse   
Chairperson of Board of Directors

Yehuala Gessesse   
Chief Executive Officer





**ABAY BANK SHARE COMPANY S.C.  
STATEMENT OF CHANGE IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2021**

	Share Capital	Share Premium	Retained Earnings	OCl-Defined Employee Benefit	Legal Reserve	Regulatory Risk Reserve	OCl-Equity Investment	Total
Notes	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
<b>As at 1 July 2019</b>	<b>1,670,608</b>	<b>28,087</b>	<b>377,565</b>	<b>(15,535)</b>	<b>350,027</b>	<b>34,627</b>	<b>12,073</b>	<b>2,457,452</b>
Issues of ordinary shares	30	500,000	203	-	-	-	-	500,203
Profit for the year	30	-	501,203	-	-	-	-	501,203
Dividend paid	32	-	(377,565)	-	-	-	-	(377,565)
Board remunerations	32	-	(1,350)	-	-	-	-	(1,350)
Re-measurement on defined benefit plan	29	-	-	4,032	-	-	-	4,032
OCl-Equity Investment	18	-	-	-	-	-	10,766	10,766
Regulatory Risk Reserve	32	-	(60,031)	-	-	55,635	-	(4,396)
Transfer to legal reserve	33	-	(125,302)	-	125,302	-	-	-
Prior period adjustment(IFRS)	-	-	(1,415)	-	-	-	-	(1,415)
<b>As at 30 June 2020</b>	<b>2,170,608</b>	<b>28,290</b>	<b>313,106</b>	<b>(11,503)</b>	<b>475,329</b>	<b>90,262</b>	<b>22,839</b>	<b>3,088,930</b>
<b>As at 1 July 2020</b>	<b>2,170,608</b>	<b>28,290</b>	<b>313,106</b>	<b>(11,503)</b>	<b>475,329</b>	<b>90,262</b>	<b>22,839</b>	<b>3,088,931</b>
Issues of ordinary shares	30	642,133	75	-	-	-	-	642,208
Profit for the year	30	-	847,149	-	-	-	-	847,149
Dividend paid	30	-	(313,106)	-	-	-	-	(313,106)
Board remunerations fee	30	-	(1,350)	-	-	-	-	(1,350)
Re-measurement on defined benefit plan	30	-	-	9,972	-	-	-	9,972
OCl-Equity Investment	30	-	(25,904)	-	-	(24,823)	9,162	9,162
Regulatory Risk Reserve	33	-	(211,787)	-	211,787	-	-	-
Transfer to legal reserve	33	-	(7,176)	167	-	-	-	(7,009)
Prior period adjustment(IFRS)	-	-	-	-	-	-	-	-
<b>As at 30 June 2021</b>	<b>2,812,741</b>	<b>28,365</b>	<b>600,932</b>	<b>1,364</b>	<b>687,116</b>	<b>65,439</b>	<b>32,001</b>	<b>4,227,958</b>

The note on pages 32 to 61 are an integral part of these financial Statements.



**ABAY BANK SHARE COMPANY S.C.**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	35	1,242,506	900,286
Income tax paid	15	(139,088)	(181,424)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>1,103,418</b>	<b>718,862</b>
<b>Cash flows from investing activities</b>			
Proceed of investment securities	19	52,160	(11,149)
Purchase of equity investment	18	(51,806)	(22,000)
Purchase of construction in progress	24	(264,328)	-
Purchase of intangible assets	23	(23,563)	(459)
Purchase of property, plant and equipment	22	(334,446)	(78,539)
Proceed from sale of property, plant and equipments	35	20	-
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(621,963)</b>	<b>(112,148)</b>
<b>Cash flows from financing activities</b>			
Dividend paid	32	(313,106)	(377,565)
Proceeds from issue of shares	30	642,208	500,203
Board remuneration fee	32	(1,350)	-
<b>Net cash (outflow)/inflow from financing activities</b>		<b>327,752</b>	<b>122,638</b>
<b>Net increase/(decrease) in Cash and bank balances</b>		<b>809,207</b>	<b>729,352</b>
Cash and Bank balances at the beginning of the year	16	3,992,344	3,262,993
Effect of exchange movement on Cash and bank balances	16	809,207	729,352
<b>Cash and bank balances at the end of the year</b>	16	<b>4,801,551</b>	<b>3,992,344</b>

The note on pages 32 to 61 are an integral part of these financial Statements.



**ABAY BANK SHARE COMPANY S.C.**  
**NOTE TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**1 General information**

Abay Bank SC or "the Bank" is a private commercial Bank domiciled in Ethiopia. The Bank was established on 14 July 2010 in accordance with the provision of the commercial code of 1960 and the banking business proclamation No. 592/2008. The Bank registered office is at:

**Zequala complex**  
**Jomo Kenyatta Avenue,**  
**Addis Ababa, Ethiopia**

The Bank is principally engaged in the provision of diverse range of commercial banking services.

**2 Summary of significant accounting policies**

The accounting policies applied in the preparation of these financial statements are set out below.

**2.1 Basis of preparation**

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

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

**2.2 Functional and presentation currency**

The financial statements are presented in Ethiopian Birr which is the functional currency of the primary economic environment in which the Bank operates. Except otherwise indicated, financial information presentation has been rounded to the nearest thousands (Birr ' 000).

**2.3 Foreign currency translation**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated in to functional currency using closing rate as at the reporting date.

**2.4 Going concern**

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





**ABAY BANK SHARE COMPANY S.C.  
NOTE TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**

**2.5 Recognition of income and expenses**

**2.5.1 Interest income and expenses**

Income is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the receipt is being made. Expense is recognized to the extent that it is probable that the economic benefits will flow to other party and the expense can be reliably measured, regardless of when the payment is being made.

For all financial instruments measured at amortized cost, Interest income and expenses are recognized in profit or loss using the effective interest rate (EIR) which is the rate that exactly discounts estimated future cash payments or receipts.

**2.5.2 Fees and commission**

Fees and commission income (commission on letters of credit, service charges, guarantees commissions, etc.) are recognized as the related services are performed. Fees and commission expenses are recognized as the related services are received.

**2.5.3 Dividend income**

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

**2.5.4 Foreign exchange revaluation gains or losses**

These are gains or 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.

**2.5.5 Income tax**

Income tax expense comprises current tax and change in deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is determined using tax rate that has been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are only offset when there is a legally enforceable right to offset current tax liabilities against current tax assets and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.





**ABAY BANK SHARE COMPANY S.C.**  
**NOTE TO THE FINANCIAL STATEMENTS**  
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**2.6 Financial assets and financial liabilities**

*i) Recognition and initial measurement*

All financial assets are recognized when the Bank becomes a party to a financial asset contract, that is, when it gains a contractual right to receive cash or other financial assets from a contracting party. Financial liabilities are recognized when the Bank enters in to a contractual obligation to deliver cash or other financial asset to a contracting party.

A financial asset or financial liability is recognized initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

*ii) Classification and subsequent measurement*

For the purpose of subsequent measurement, the Bank classifies its financial assets based on the objective of the business model in which the financial asset is held at portfolio level.

Financial assets that are held with the objective of collecting contractual cash flows on a specified date and the cash flows are solely principal and interest are classified in to Financial assets measured at amortized cost. Financial assets classified under this category are loans and advances, deposits with local and foreign banks, NBE bills and other financial receivables.

Equity investments are measured at FVOCI as they are not held for trading. Subsequent changes in their value is presented in other comprehensive income (OCI).

*iii) Impairment of financial assets*

At each reporting date, the Bank assesses whether financial assets carried at amortized cost are credit impaired. Financial assets are credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 loans and advances. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower;
- 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
- the disappearance of an active market for a security because of financial difficulties

The Bank recognizes loss allowances for expected credit losses (ECL) on the following financial instruments:

- Loans and advances
- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued

No impairment loss is recognized on equity investments.



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The Bank recognizes life time ECL for stage 3 (non performing) loans and 12-month ECL for stage 1 and 2 loans. Stage 1 loans refers to normal loans including loans that are past due up to 29 days. Stage 2 loans are past due loans between 30 to 89 days and stage 3 loans are those loans that are past due 90 days and above.

Life-time ECL is the ECL that result from all possible default events over the expected life of the financial instrument. 12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

12-month loss allowance is also recognized for financial assets that are determined to have low credit risk and on which credit risk has not increased significantly since their initial recognition.

**iv) Measurement of ECL**

ECL is calculated by multiplying probability of default (PD), loss given default (LGD) and exposure at default (EAD). ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. EAD represents the expected exposure in the event of default.

**v) Derecognition of financial assets and financial liabilities**

Financial assets are derecognized when contractual right to the cash flows from the financial asset expires or all the risks and rewards of ownership of the financial asset is transferred to another party. Financial liabilities are derecognized when contractual obligations are discharged or cancelled, or expire.

**2.7 Cash and bank balances**

Cash and bank balances comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at amortized cost using effective interest method in the statement of financial position.

**2.8 Property, plant and Equipment**

**(a) Recognition and measurement**

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.





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**(b) Subsequent costs**

Subsequent expenditure is capitalized only when it is probable that future economic benefits of the expenditure will flow to the Bank. Recurrent repairs and maintenance are expensed as incurred.

**(c) Depreciation**

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of property, plant and equipment. The annual depreciation rates in use are:

<u>Asset class</u>	<u>Estimated useful life in Years</u>
Buildings	50
Motor vehicles	10
Furniture and fittings	10 - 20
Office equipment	5 - 10
Computer and accessories	7

The residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date. Changes in the expected useful life, residual values or methods of depreciation are accounted for as changes in accounting estimates.

**(d) De-recognition**

Property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses arising on disposal of an item of property and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the item and are recognized net within 'other operating income' in profit or loss.

**2.9 Intangible assets**

Intangible assets (soft wares) acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is recognized in profit or loss in the year in which the expenditure is incurred.

The useful lives of Intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight-line basis over a period of six (6) years from the date that they are available for use.

The amortization method, useful life and the residual value are reviewed at each reporting date and adjusted if appropriate. Changes in the expected useful life, residual value or amortization method are accounted for as changes in accounting estimates.

There are no intangible assets with indefinite useful lives.



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**2.10 Non-current assets held for sale**

Reposessed non-financial collaterals acquired by the Bank in settlement of overdue loans and whose carrying amount will be recovered principally through a sale transaction rather than through use and a sale is considered highly probable are classified as non-current assets held for sale. They are measured at the lower of their carrying amount or fair value less costs to sell. Depreciation is not calculated on these assets.

**2.11 Impairment of non-financial assets**

The Bank assesses whether there is an indication that an asset may be impaired. If any indication such as decline in market value of the asset, changes in technology, physical damage, obsolescence, etc. exist, impairment loss will be recognized to ensure that non-financial assets are carried at no more than their recoverable amount.

**2.12 Other assets**

Other assets are payments made in advance for goods to be received or services to be enjoyed in future. They are initially recognized up on occurrence of event or transaction and subsequently canceled when the goods are received or amortized over the period in which the service is to be enjoyed.

**2.13 Right of use assets**

Right of use assets conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**2.14 Employee benefits**

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

**(a) Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. The Bank operates two defined contribution plans:

- i) pension scheme in line with the provisions of Ethiopian pension of private organization employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank respectively;





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ii) Provident fund contribution, funding under this scheme is 8% and 12% by employees and the Bank respectively based on the employees' salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period during which related services are rendered. The current and past service cost of the defined benefit plan is recognized in the profit or loss statement. Re-measurements of the net defined benefit liability, which compromise actuarial gains and losses are recognized immediately in other comprehensive income.

**(b) Defined benefit plan**

The liability recognized in the statement of financial position in respect of defined benefit 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 cost 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 and past service cost of the defined benefit plan is recognized in the profit or loss statement. Re-measurements of the net defined benefit liability, which compromise actuarial gains and losses are recognized immediately in other comprehensive income.

**2.15 Provisions**

The Bank recognizes provisions when it has present obligation (legal or constructive) as a result of 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. The amount of provision is determined using best estimate of the expenditure expected to settle the obligation at the reporting date.

**2.16 Contingent liabilities**

Letters of credit, guarantees and performance bonds are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date that the financial statements are approved for issue by the Directors.



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**2.17 Earnings per share**

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

**2.18 Share capital and reserve**

Ordinary shares are classified as share capital in equity. Any premium received over and above the par value of the shares is classified as share premium.

**3 Critical accounting estimates and judgments**

In preparing the Bank's financial statements, management has made estimates and judgments that affect the reported amounts of assets, liabilities, income and expenses. Uncertainty about these estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The following are key estimates and judgments that the management has used in the process of applying the bank's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

**3.1 Impairment losses on loans and advances**

The key inputs in measuring Expected Credit Loss (ECL) are Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). All these are estimates and judgments which are highly subjective.

**3.2 Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. All financial instruments are initially recognized at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Bank's financial instruments are carried at fair value. If the market for a financial instrument does not exist, a degree of judgment is required to establish fair values judgment include consideration 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.

**3.3 Defined benefit plans**

The cost of the defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty and a change in any of the assumptions will alter the carrying amount of pension obligations.





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**3.4 Property, plant and equipment**

Property plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values may vary depending on a number of factors. In reassessing asset lives and residual values, factors such as technological innovation, product life cycles, maintenance programs and future market conditions are taken into account which involves extensive subjective judgment which may have significant impact on financial statements.

**3.5 Taxes**

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant management judgment is required to determine the amount of deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax provisions in the period in which such determination is made.

**4 Financial risk management**

**4.1 Introduction**

The Bank is exposed to various types of financial risks, the most important of which are credit risk, liquidity risk and market risk. The Bank's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Bank's financial performance.

**4.1.1 Risk management structure**

The Board of Directors has the overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established various committees, which are responsible for monitoring the Bank's risk in their specified areas. The senior management has the responsibility to develop and implement risk management policies and procedures. The risk and compliance department is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank and reports to the Board regarding risk management issues. Asset Liability Committee (ALCO) is responsible for managing the Bank's financial assets and financial liabilities and the overall financial performance.



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**4.1.2 Risk measurement and reporting systems**

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

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept. 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**

The Bank uses various mitigating techniques to reduce its risk to the level acceptable. It uses Board approved risk tolerance limit as a risk limit control. This risk tolerance limit is composed of risk limit by sector, by credit product, by maturity, by geography and risk grade. The Bank also apply the limits imposed by National Bank of Ethiopia such as single borrower limit, related party limit, off balance sheet exposure limit, liquidity requirement, capital adequacy, etc.

In addition, the Bank has established an appropriate risk management environment, sound credit, liquidity and capital management policies and strategies.

**4.2 Credit risk**

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank's main income generating activity is lending to customers and therefore credit risk is the principal risk. Exposure to credit risk is managed through periodic analysis of the ability of borrowers and potential borrowers to determine their capacity to meet principal and interest thereon, and restructuring such limits as appropriate. Exposure to credit risk is also mitigated, in part, by obtaining collateral, commercial and personal guarantees.

**4.2.1 Management of credit risk**

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

**4.2.2 Credit quality**

An analysis of the Bank's credit risk exposure per class of financial assets without taking into account the effects of any collateral or other credit enhancements is provided on the following table:





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**Loans and advances to customers**

			30 June 2021 Birr'000	30 June 2020 Birr'000
	Stage 1	Stage 2	Stage 3	Total
Stage 1	18,929,360			18,929,360
Stage 2		831,726		831,726
Stage 3			401,314	401,314
<b>Total gross exposure</b>	<b>18,929,360</b>	<b>831,726</b>	<b>401,314</b>	<b>20,162,400</b>
Loss	(189,377)	(9,271)	(97,120)	(295,769)
<b>Net carrying amount</b>	<b>18,739,983</b>	<b>822,455</b>	<b>304,194</b>	<b>19,866,631</b>

**Off balance sheet items**

			30 June 2021 Birr'000	30 June 2020 Birr'000
	Stage 1	Stage 2	Stage 3	Total
Stage 1	2,696,041			2,696,041
Stage 2		16,291		16,291
Stage 3			-	-
<b>Total gross exposure</b>	<b>2,696,041</b>	<b>16,291</b>		<b>2,712,332</b>
Loss allowance	(20,511)	(448)	-	(20,959)
<b>Net carrying amount</b>	<b>2,675,530</b>	<b>15,843</b>	<b>-</b>	<b>2,691,373</b>

The off balance sheet items include Loan commitments of Revolving credit facilities and Overdraft facilities (Unutilized Amounts) and Financial Guarantee.

**4.2.3 Credit concentrations by sector**

The Bank monitors credit risk by sectorial distribution against its own risk concentration limit. An analysis of concentrations of credit risk at 30 June 2021 is give below.

**Sectors**

	30 June 2021 Birr'000	30 June 2020 Birr'000
Agriculture	124,166	98,932
Construction and Building	3,274,453	2,163,031
Consumer Loan	1,004,282	718,726
Domestic Trade Services	4,052,193	2,498,759
Export and Import	8,555,173	4,318,267
Hotel and Tourism	436,466	304,254
Manufacturing and Industry	1,588,643	966,922
Transport and Communication	1,127,024	684,853
<b>Total gross exposure</b>	<b>20,162,399</b>	<b>11,753,745</b>
- Less impairment	(295,769)	(140,313)
<b>Net</b>	<b>19,866,631</b>	<b>11,613,432</b>



**4.2.4 Collateral on loans and advances**

The Bank holds collateral against loans and advances to customers in the form of building, machinery, truck and other registered securities over assets and guarantees. The value collaterals in respect of loans and receivables are given below:



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**Collateral Concentration by sector**

Sector	Building	Machinery	Truck	Others	30 June 2021	30 June 2020
					Birr'000	Birr'000
					Total Collaterals	Total Collaterals
Agriculture	161,024	-	27,627	13,578	202,228	155,535
Construction and Building	5,537,480	635,447	1,482,967	1,094,905	8,750,799	6,517,659
Consumer Loan	1,268,545	-	100,096	26,342	1,394,983	884,452
Domestic Trade Services	10,354,944	2,820	667,458	143,067	11,168,288	6,323,140
Export and Import	9,073,020	6,193	1,456,733	1,968,377	12,504,323	5,515,869
Hotel and Tourism	1,363,256	-	28,889	-	1,392,146	747,369
Manufacturing and Industry	2,207,244	145,550	194,134	407,932	2,954,859	1,260,256
Transport and Communicat	569,109	10,140	2,491,381	77,687	3,148,316	2,162,622
<b>Total</b>	<b>30,534,622</b>	<b>800,149</b>	<b>6,449,284</b>	<b>3,731,888</b>	<b>41,515,942</b>	<b>23,566,902</b>
Less: Impairment					(295,769)	(140,313)
<b>Net</b>					<b>41,220,174</b>	<b>23,426,589</b>

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

**Loans and advances to customers**

	Stage 1	Stage 2	Stage 3	30 June 2021	30 June 2020
				Birr'000	Birr'000
				Total	Total
<b>Balance at 1 July, 2020</b>	78,647	5,828	55,838	140,313	111,759
<b>Transfer to 12 months ECL</b>	2,752	(818)	(1,934)	-	202
Transfer to Lifetime ECL not credit impaired	(1,187)	1,393	(206)	-	-
Transfer to Lifetime ECL credit impaired	(915)	(201)	1,117	-	-
Net remeasurement of Loss allowance	1,239	741	53,137	55,117	1,292
Net financial assets originated or purchased	160,656	5,740	5,278	171,674	63,632
Financial assets derecognised	(51,814)	(3,412)	(16,110)	(71,336)	(36,573)
<b>Balance at 30 June 2020</b>	<b>189,377</b>	<b>9,271</b>	<b>97,120</b>	<b>295,769</b>	<b>140,312</b>

**Loan commitments and financial guarantee contracts**

<b>Off balance sheet exposures in total</b>	<b>2,712,331</b>	<b>1,988,884</b>
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**4.3 Liquidity risk**

Liquidity risk is the risk that the Bank, though solvent either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due or can secure them only at excessive costs.

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



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The daily liquidity position of the Bank is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions to ensure that sufficient liquidity is maintained. The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to net current liabilities. Details of the reported Bank's ratio of net liquid assets to net current liabilities at the reporting date and during the reporting year were as follows:

**Ratio of net liquid assets to deposits**

	30 June 2021 Birr'000	30 June 2020 Birr'000
At Close of the year	20.1%	25.1%
Average for the year	23.4%	25.3%
Maximum for the year	29.4%	29.2%
Minimum for the year	19.5%	20.6%

The table below summarizes the Bank's liquidity risk as at 30 June 2021, categorized into relevant maturity groupings based on Contractual maturity date.

	Below 1 year	1-3 years	Over 3 years	Non Maturing	30 June 2021 Birr'000	30 June 2020 Birr'000
30 June 2021	Birr'000	Birr'000	Birr'000	Birr'000	TOTAL	TOTAL
<b>Financial Assets</b>						
Cash and bank balances	4,801,551	-	-	-	4,801,551	3,992,344
Loans & advances to customer	7,368,423	4,437,976	8,060,231	-	19,866,631	11,613,432
Equity investments	-	-	-	176,817	176,817	93,010
Other Financial Assets	1,017,203	58,799	2,659,970	-	3,735,972	3,800,975
<b>Total Financial Assets (a)</b>	<b>13,187,178</b>	<b>4,496,775</b>	<b>10,720,201</b>	<b>176,817</b>	<b>28,580,971</b>	<b>19,499,761</b>
<b>Financial Liabilities</b>						
Deposits from customers	3,928,137	4,996,330	14,988,980	-	23,913,447	16,098,917
Deposits from other banks	-	-	-	-	-	-
Other financial liabilities	1,142,140	-	-	-	1,142,140	754,694
<b>Total financial liabilities (b)</b>	<b>5,070,277</b>	<b>4,996,330</b>	<b>14,988,980</b>	<b>-</b>	<b>25,055,587</b>	<b>16,853,611</b>
<b>NET Mismatch (a - b)</b>	<b>8,116,901</b>	<b>(499,555)</b>	<b>(4,268,779)</b>	<b>176,817</b>	<b>3,525,384</b>	<b>2,646,150</b>
<b>Cumulative Mismatch</b>	<b>8,116,901</b>	<b>7,617,346</b>	<b>3,348,567</b>	<b>3,525,384</b>	<b>7,050,768</b>	<b>5,292,300</b>

The cash flows presented in the table above are the undiscounted amounts to be settled in the future. The analysis shows that the Bank will not be exposed to liquidity risk in the future.

**Staff Loans measured at fair valuation**

	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>Stages</b>	<b>Total</b>	<b>Total</b>
Stage 1	196,758	167,198.57
Stage 2	5,709	905.81
Stage 3	2,829	286.06
<b>Grand Total</b>	<b>205,296</b>	<b>168,390</b>





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**4.4 Market risk**

Market risk is the risk of loss 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.

**(i) Foreign exchange risk**

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in foreign exchange rates. The Bank is exposed to exchange rate risks to the extent of balances and transactions denominated in currencies other than Ethiopian Birr. Management has set limits to manage the Bank's foreign exchange risk against its functional currency.

The total foreign currency denominated assets exposed to risk at 30 June 2021 was Birr 1.24 billion.

The table below summarizes the foreign currency exposure as at 30 June 2021 and 30 June 2020

**Foreign currency denominated balances**

	30 June 2021	30 June 2020
	Birr'000	Birr'000
<b>Cash and bank balances</b>		
USD	1,107,888	437,573
GBP	132,078	67,163
EUR	4,879	3,118
AED	26	-
<b>Total</b>	<b>1,244,871</b>	<b>507,854</b>

**(ii) Sensitivity analysis for foreign exchange risk**

Sensitivity analysis of foreign exchange risk measures the impact of currency rate fluctuation on profitability of the Bank with all other variables held constant. The following table summarizes the sensitivity profit due to increase or decrease in foreign currency rate by 10% on foreign currency denominated monetary assets:

Assets	30 June 2021			30 June 2020		
	Birr'000			Birr'000		
	Carrying Amount	10% Appreciation	10% Depreciation	Carrying Amount	10% Appreciation	10% Depreciation
USD	1,107,888	110,789	(110,789)	437,573	43,757	(43,757)
GBP	132,078	13,208	(13,208)	67,163	6,716	(6,716)
Euro	4,879	488	(488)	3,118	312	(312)
AED	26	3	(3)	-	-	-
<b>Total</b>	<b>1,244,871</b>	<b>124,484</b>	<b>(124,484)</b>	<b>507,854</b>	<b>50,785</b>	<b>(50,785)</b>

At 30 June 2021 if the Birr had weakened/strengthened by 10% against the major trading currencies, with all other variables held constant, profit before tax would have been lower/higher 124.48 million Birr.



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**(iii) Interest rate risk**

Interest rate is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. Interest margin may decrease as a result of such changes but may increase losses in the event that unexpected movement arises.

The Bank closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of financial assets and liabilities carried on the statement of financial position.

**Sensitivity analysis for interest rate risk**

Sensitivity analysis of interest rate risk measures the impact of interest rate fluctuation on profitability of the Bank with all other variables held constant. The following table summarizes the sensitivity profit due to increase or decrease in interest rate by 10% on interest bearing financial assets and liabilities. The sensitivity is measured based on the assumption that there is parallel shift in the yield curve.

Interest rate risk	30 June 2021		
	Carrying Amount	10% Increase	10% Decrease
<b>Interest Bearing assets</b>			
NBE Bills	2,711,426	271,143	(271,143)
Loans and Advance to Customers at amortized cost	20,162,399	2,016,240	(2,016,240)
Fixed Time deposit	708,158	70,816	(70,816)
<b>Total Interest Bearing assets</b>	<b>23,581,983</b>	<b>2,358,198</b>	<b>(2,358,198)</b>
<b>Interest Bearing liabilities</b>			
Deposits from banks	-	-	-
Deposits from customers	23,022,140	2,302,214	(2,302,214)
Fixed Time deposit	891,307	89,131	(89,131)
<b>Total Interest Bearing Liabilities</b>	<b>23,913,447</b>	<b>2,391,345</b>	<b>(2,391,345)</b>
<b>Net interest income increase/decrease</b>	<b>(331,464)</b>	<b>(33,146)</b>	<b>33,146</b>

If interest rate had increased/decreased by 10% against interest bearing assets and liabilities, 'with all other variables held constant, profit before tax would have been lower/higher by 33.15 million Birr respectively.

**4.5 Capital management**

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



**ABAY BANK SHARE COMPANY S.C.**  
**NOTE TO THE FINANCIAL STATEMENTS**  
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**Capital adequacy ratio**

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

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>Capital</b>		
Share capital	2,812,741	2,170,608
Share premium	28,365	28,290
Legal reserve	687,116	475,329
<b>Total regulatory capital</b>	<b>3,528,222</b>	<b>2,674,227</b>
<b>Total risk weighted assets</b>	<b>28,180,688</b>	<b>16,367,424</b>
Risk-weighted Capital Adequacy Ratio (CAR)	<b>12.52%</b>	<b>16.34%</b>
Minimum required capital	<b>8%</b>	<b>8%</b>
Determination of the excess (short-fall) on capital	<b>1,273,767</b>	<b>1,365,043</b>

**5 Interest income**

	30 June 2021 Birr'000	30 June 2020 Birr'000
Loans and advances to customers	2,262,264	1,358,782
Treasury Bills	21,710	265
NBE bills	102,816	117,525
Deposits	1,098	54
Time deposit	74,446	30,537
	<b>2,462,334</b>	<b>1,507,163</b>



**6 Interest expense**

	30 June 2021 Birr'000	30 June 2020 Birr'000
Deposits from customers	778,008	497,833
Deposits from cooperatives and other Banks	26,726	67,493
Deposits from public agencies	2,672	2,132
	<b>807,406</b>	<b>567,458</b>





**ABAY BANK SHARE COMPANY S.C.  
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**7 Fee and commission income**

Commission income Local  
Commission income Foreign  
Service charges Local  
Service charges Foreign  
Processing fees

30 June 2021 Birr'000	30 June 2020 Birr'000
186,555	141,600
165,004	91,026
5,936	5,479
285,250	185,813
15,989	8,277
<b>658,734</b>	<b>432,195</b>

**8 Fee and commission expense**

Other operating expenses  
Subscription & Publication  
Telephone expenses  
Fund transfer fees and expenses

30 June 2021 Birr'000	30 June 2020 Birr'000
5,951	3,883
42	246
3,283	3,666
7,738	5,856
<b>17,014</b>	<b>13,651</b>

**9 Net gain on foreign exchange valuation**

Gain on Foreign Exchange Valuation  
Loss on Foreign Exchange Valuation

30 June 2021 Birr'000	30 June 2020 Birr'000
255,760	113,241
(131,684)	(45,362)
<b>124,076</b>	<b>67,879</b>

**10 Other operating income**

Rental income  
Gain on disposal of properties  
Penalty Charge Income  
Dividend earned  
Other income

30 June 2021 Birr'000	30 June 2020 Birr'000
1,210	-
356	2,946
517	5,732
2,680	2,344
29,863	24,818
<b>34,626</b>	<b>35,840</b>

**11 Loan impairment charge**

Loan impairment charge

30 June 2021 Birr'000	30 June 2020 Birr'000
105,561	26,443
<b>105,561</b>	<b>26,443</b>



**ABAY BANK SHARE COMPANY S.C.**  
**NOTE TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**12 Impairment losses on other assets/liabilities**

Impairment losses on other assets	
Impairment losses on Court Case	
Impairment losses on LCS	
Impairment losses on Gurantees	
Impairment losses on Treasury Bill	
Impairment losses on Cash & bank Balance	

30 June 2021	30 June 2020
Birr'000	Birr'000
2,743	1,538
5,949	-
15	12
157	(40)
(5)	30
30	(29)
<b>8,889</b>	<b>1,511</b>

**13 Personnel expenses**

Staff Salaries	
Staff allowances	
Pension costs – Defined Employee Benefit	
Defined Employee Benefit	
Other staff expenses	

30 June 2021	30 June 2020
Birr'000	Birr'000
397,795	263,148
110,665	79,322
43,866	29,006
9,241	3,319
133,840	76,329
<b>695,407</b>	<b>451,124</b>

**14 Other operating expenses**

Accommodation	
Advertisement & publicity	
Amortisation Leasehold Land	
Donations	
Audit fees	
Consultancy fee	
Directors' related expenses	
Entertainment	
Event organization expense	
Fuel and lubricants	
Insurance	
IT support	
Loss on Desposal of Assets	
Office supplies	
Other operating expense	
Perdiem administration	
Rental expenses	
Repairs and maintenance	
Security, Messengers & Janitors expenses	
Staff loan - Amortisation	
Sundries	
Telephone expenses	
Transport and fuel	
Utilities	
Wages for non-permanent employees.	

30 June 2021	30 June 2020
Birr'000	Birr'000
717	1,183
22,682	31,300
200	573
28,500	3,050
323	272
2,337	3,600
1,080	900
254	173
135	57
4,284	2,928
8,859	7,073
48,575	27,031
40	660
30,499	20,004
1,142	2,150
3,881	3,304
-	-
6,190	5,430
77,242	57,405
14,869	-
2,830	821
8,136	6,047
10,652	7,708
2,783	2,040
1,078	773
<b>277,288</b>	<b>184,482</b>



**ABAY BANK SHARE COMPANY S.C.  
NOTE TO THE FINANCIAL STATEMENTS  
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**15 Company income and deferred tax**

**Reconciliation of effective tax to statutory tax**

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>IFRS accounting profit</b>	<b>1,152,875</b>	<b>640,295</b>
<i>Add : Disallowed expenses</i>		
Entertainment	254	173
Donation: which is not donated to the federal/regional government	-	50
Penalty	40	470
Award/Gifts	212	177
Sport Expense	52	-
Current service cost, past service cost and interest	7,626	3,319
Impairment on other assets	197	1,463
Legal Provision	5,949	-
IFRS depreciation and Amortization expense	64,538	46,153
Provision for Loans and Advances as per IFRS	105,561	26,443
Interest expense on Lease liability	9,189	2,302
Amortization discounted lease expense	5,132	-
Prepaid staff expense	14,869	-
Accrued-Leave expenses	11,414	-
Loss on Disposal of Asset (As per IFRS)	26	-
Other receivable Provision expense	2,743	-
<b>Sub total</b>	<b>227,802</b>	<b>80,550</b>
<i>Less: tax exempted income</i>		
Depreciation for Tax purpose	71,133	34,484
80% of NBE provision on loans	78,025	61,819
80% of Other receivable asset provision	10,046	9,786
Interest income taxed at source- local deposit	74,446	30,537
Interest income taxed at source- NBE bill	102,816	117,525
Interest income taxed at source- Treasury Bill	21,710	265
Interest income taxed at source- Foreign	810	54
Dividend income taxed at source	2,680	2,344
Pre-establishment cost	-	400
<b>Sub total</b>	<b>361,667</b>	<b>257,213</b>
Taxable profit	1,019,009	463,631
<b>Current tax @30%</b>	<b>305,703</b>	<b>139,089</b>
<i>Add: 5% of interest on foreign deposit</i>	41	3
<i>Less: Withholding Receivable</i>	(18)	(2)
	<b>305,726</b>	<b>139,090</b>





**ABAY BANK SHARE COMPANY S.C.**  
**NOTE TO THE FINANCIAL STATEMENTS**  
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**Current income tax liability**

Balance at the beginning of the year  
 Prior year over /under paid  
 Income tax expense  
 Payment during the year

30 June 2021	30 June 2020
Birr'000	Birr'000
139,090	181,424
305,726	139,090
(139,088)	(181,424)
<b>305,726</b>	<b>139,090</b>

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

**Deferred income tax assets/(liabilities):**

Property, plant and equipment  
 Post employment benefit obligation  
**Total deferred tax assets/(liabilities)**

Credit/ (charge) to		30 June 2021	30 June 2020
P/L	Equity	Birr'000	Birr'000
Birr'000	Birr'000		
(0)		33,911	33,911
	(0)	(14,458)	(14,458)
(0)	(0)	19,452	19,453

**Deferred income tax assets/(liabilities):**

Property, plant and equipment  
 Post employment benefit obligation  
**Total deferred tax assets/(liabilities)**

Credit/ (charge)	Credit/	30 June 2020	30 June 2018
Birr'000	Birr'000	Birr'000	Birr'000
14,990	-	33,911	18,921
-	(5,279)	(14,458)	(9,179)
14,990	(5,279)	19,453	9,742

**Deferred tax liability**

Fixed asset - carrying amount (IFRS)  
 Fixed assets - tax base  
 Fixed assets - temporary difference  
 Deferred tax liability @30%  
 Severance pay - carrying amount  
 Severance pay - tax base  
 Severance pay temporary difference  
 Deferred tax @30%

**Deferred tax liability**

30 June 2021	30 June 2020
Birr'000	Birr'000
587,958	292,847
474,923	229,777
<b>113,035</b>	<b>63,070</b>
33,911	18,921
48,195	30,597
-	-
48,195	30,597
14,458	9,179
<b>19,453</b>	<b>9,742</b>

**16 Cash and bank balance**

Cash on hand  
 Cash held on NBE  
 Deposits with local banks  
 Deposits with foreign banks  
 Less: Bank balance impairment

30 June 2021	30 June 2020
Birr'000	Birr'000
1,819,184	1,625,089
1,859,527	1,905,601
2	2
1,122,987	461,770
(149)	(118)
<b>4,801,551</b>	<b>3,992,344</b>
4,801,551	3,992,344
<b>4,801,551</b>	<b>3,992,344</b>

**Maturity analysis**

Current



**ABAY BANK SHARE COMPANY S.C.**  
**NOTE TO THE FINANCIAL STATEMENTS**  
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		30 June 2021	30 June 2020			
		Birr'000	Birr'000			
17	Loans and advances to customers					
	Agriculture	124,166	98,932			
	Construction and Building	3,274,453	2,163,031			
	Consumer Loan	1,004,282	718,726			
	Domestic Trade Services	4,052,193	2,498,759			
	Export and Import	8,555,173	4,318,267			
	Hotel and Tourism	436,466	304,254			
	Manufacturing and Industry	1,588,643	966,922			
	Transport and Communication	1,127,024	684,853			
	<b>Total gross exposure</b>	20,162,399	11,753,745			
	- Less impairment	(295,769)	(140,313)			
		<b>19,866,631</b>	<b>11,613,432</b>			
	<b>Maturity analysis</b>					
	Current	13,529,738	5,276,539			
	Non Current	6,336,892	6,336,892			
		<b>19,866,631</b>	<b>11,613,432</b>			
18	Equity Investments					
		30 June 2021	30 June 2020			
		Birr'000	Birr'000			
	<b>Equity investments</b>					
		At cost	At fair value	OCI	At fair value	
	Abay Insurance S.C	15,000	21,301	1,274	21,301	20,027
	Abay Industries S.C	50,000	50,000	-	50,000	42,069
	Addis-Africa Int. Conv. & Exh. Center	1,000	613	9	613	604
	Dessie Hidassie Building .C	100	100	-	100	100
	Ethiswitch S.C	40,877	89,803	30,718	89,803	-
	ACSI Bank S.C	15,000	15,000	-	15,000	30,210
	Carrying Amount	121,977			176,817	93,010
	Fair value as at 30 June 2021		176,817			
	Unrealized Gain/Loss to OCI			32,001		
	<b>30 June 2021</b>	121,977	176,817	32,001	176,817	93,010
	<b>Net Fair value as at 30 June 2020</b>					22,839
	Equity investment at cost- June 30, 2020	70,171				70,171
	Equity investment during the period	51,806				

The fair value of the unquoted equity securities carried at cost has been reliably estimated for the three equity Investments as at 30 June 2021. However, the fair value of Abay Industry S.C, Dessie Hidassie Building S.C and ACSI Bank S.C estimated at cost because they are not operating.



**ABAY BANK SHARE COMPANY S.C.**  
**NOTE TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**19 Other Financial assets**

Time deposit	
Treasury bill	
Government Bond	
National Bank of Ethiopia bill	
Less Impairment on NBE and Treasury Bills	

30 June 2021	30 June 2020
Birr'000	Birr'000
708,158	666,249
-	99,695
5,287	-
2,711,426	2,711,092
3,424,871	3,477,036
(136)	(141)
<b>3,424,735</b>	<b>3,476,895</b>

Receivable from money transfer agents	
Staff Recivable	
Other receivables	
Shares held for resale	

30 June 2021	30 June 2020
Birr'000	Birr'000
97,801	102,790
2,366	2,042
225,280	225,980
100	100
325,547	330,912
264	(6,832)
<b>325,811</b>	<b>324,080</b>

Less: impairment allowance

**Total Other Financial Assets**

<b>3,750,547</b>	<b>3,800,975</b>
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**Maturity analysis**

Current	
Non Current	

30 June 2021	30 June 2020
Birr'000	Birr'000
601,048	1,540,338
3,149,499	2,260,637
<b>3,750,547</b>	<b>3,800,975</b>

**20 Other Non-financial assets**

Prepayments	
Inventory in stock	

30 June 2021	30 June 2020
Birr'000	Birr'000
29,546	12,892
26,213	24,539
<b>55,759</b>	<b>37,431</b>

**Total other Non Financial Assets**





**ABAY BANK SHARE COMPANY S.C.**  
**NOTE TO THE FINANCIAL STATEMENTS**  
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**21 Right of Use of Asset**

The statement of financial position shows separate line item for the right of use asset which comprises the following: Weighted Average Cost of Capital of the bank was used to discount lease liability. The rate applied for this computation was 6%.

	30 June 2021 Birr'000	30 June 2020 Birr'000
Right-of-use assets – July 1, 2020	266,973	188,936
Add: Addition of the year	27,539	-
Add: Lease Liability	47,916	76,476
Add(Less): amortization	(5,132)	1,562
<b>Total</b>	<b>337,296</b>	<b>266,973</b>
	30 June 2021 Birr'000	30 June 2020 Birr'000
Lease Liabilities -Office rent	81,755	-
Add: Lease Liability	47,916	76,476
Add: Interest Expense on discounting	9,189	5,279
<b>Total</b>	<b>138,860</b>	<b>81,755</b>
	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>Depreciation Expense-Right of Use Asset</b>		
Current Year Charge	141,603	108,096
<b>Total</b>	<b>141,603</b>	<b>108,096</b>
	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>Amortize expense-Right of Use of Asset</b>		
Add(Less): Amortization	5,132	(1,562)
<b>Total</b>	<b>5,132</b>	<b>(1,562)</b>
	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>Interest expense-Right of Use of Asset</b>		
Interest expense on right use of asset previous years	5,279	1,415
Interest expense on right use of asset current year	136,324	3,864
<b>Total</b>	<b>141,603</b>	<b>5,279</b>
	30 June 2021 Birr'000	30 June 2020 Birr'000
Office Rent	380,080	266,973
Land	36,075	25,945
<b>Total Right of use asset</b>	<b>416,155</b>	<b>292,918</b>



ABAY BANK SHARE COMPANY S.C.  
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22 Property, plant and equipment

Description	Buildings Birr'000	Motor Vehicles Birr'000	Furniture & Fittings Birr'000	Office Equipment Birr'000	Computer & Accessories Birr'000	Total Birr'000
<b>Cost:</b>						
As at 1 July 2020	3,425	115,968	79,870	106,149	141,250	446,663
Additions	87,750	60,368	29,096	30,737	126,495	334,446
Disposals	-	-	(164)	-	-	(164)
Reclassification	-	(16)	(707)	(1,445)	(6,033)	(8,201)
	91,175	176,320	108,094	135,441	261,713	772,743
<b>Accumulated depreciation:</b>						
As at 1 July 2020	181	37,718	24,734	39,902	67,342	169,876
Charge for the year	138	12,792	7,642	12,295	24,884	57,750
Disposals	-	-	(105)	-	-	(105)
Prior Year Adjustment	-	471	(2,515)	(641)	(3,517)	(6,202)
	319	50,981	29,755	51,555	88,709	221,320
<b>Net book value:</b>						
30-Jun-20	3,244	78,250	55,136	66,248	73,908	276,787
30 June 2021	90,856	125,338	78,339	83,886	173,004	551,423

23 Intangible Assets

Description	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>Cost:</b>		
30 June 2020	47,074	46,615
Additions	23,564	459
Prior Period Adjustment	-	-
Reclassification	8,195	-
30 June 2021	78,833	47,074
<b>Accumulated amortization</b>		
30 June 2020	31,012	26,102
Charge for the year	6,787	4,910
Disposals	-	-
Prior Period Adjustment	4,499	-
30 June 2021	42,298	31,012
<b>Net book value:</b>		
30 June 2020	16,062	20,513
30 June 2021	36,535	16,062



**ABAY BANK SHARE COMPANY S.C.**  
**NOTE TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**24 Construction in progress**

As at 1 July 2019  
 Additions for the year

30 June 2021 Birr'000	30 June 2020 Birr'000
65,085	63,470
264,328	1,615
<b>329,413</b>	<b>65,085</b>

**25 Non current asset held for sale**

**Cost**

Opening  
 Additions/deduction  
 Balance at the end of the year

The Bank's policy is to pursue realization of the collateral in a timely manner.

30 June 2021 Birr'000	30 June 2020 Birr'000
15,683	4,452
(1,925)	11,231
<b>13,758</b>	<b>15,683</b>

**26 Deposits from customers**

Demand deposits  
 Savings deposits  
 Time deposits

30 June 2021 Birr'000	30 June 2020 Birr'000
4,962,749	2,957,093
18,059,391	12,075,751
891,307	1,066,073
<b>23,913,447</b>	<b>16,098,917</b>

**Maturity analysis**

Current  
 Non Current

30 June 2021 Birr'000	30 June 2020 Birr'000
23,913,447	16,098,917
-	-
<b>23,913,447</b>	<b>16,098,917</b>

**27 Other Financial liabilities**

Audit fee payables  
 Cash payment order payable  
 Customers payables  
 Provision for bonus  
 Deferred guarantee income  
 Directors share of profit payable  
 Dividend payables  
 Exchange commission payable  
 Foreign transfers payables  
 Impairment Financial Gurantee  
 Impairment on L/C  
 Margin Held Accounts  
 Refund payable  
 Shareholders payables  
 Staff leave payables

30 June 2021 Birr'000	30 June 2020 Birr'000
323	272
148,074	77,289
59,377	23,999
65,563	30,000
11,064	10,424
1,350	1,350
30,002	23,548
35,777	22,379
118,585	83,892
300	144
49	33
627,457	351,675
116	36
838	918
43,265	31,851
<b>1,142,140</b>	<b>627,810</b>





**ABAY BANK SHARE COMPANY S.C.**  
**NOTE TO THE FINANCIAL STATEMENTS**  
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	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>28 Non-financial liabilities</b>		
Stamp duty payable	2,205	1,180
Withholding tax and valued added tax payables	5,988	1,114
Other tax payable	11,226	5,762
Sundry payables	183,394	88,829
	202,813	96,885
<b>Total financial and non financial liabilities</b>	<b>1,344,953</b>	<b>724,695</b>

\*Sundry payables includes blocked accounts payables, court cases payables, telephone payable and other miscellaneous.

	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>Maturity analysis</b>		
Current	1,142,140	627,810
Non Current	202,813	126,885
	<b>1,344,953</b>	<b>754,695</b>

**29 Defined Employee Benefit Obligation**

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

Liabilities recognized in the statement of financial position is as follows:

	30 June 2021 Birr'000	30 June 2020 Birr'000
Defined benefits obligation	48,195	30,597
<b>Total defined employee benefit obligation</b>	<b>48,195</b>	<b>30,597</b>

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>Amount recognized in the profit or loss</b>		
Current service cost	4,024	4,397
Interest cost	5,069	4,353
Past service cost	-	(5,431)
<b>Total expense recognized</b>	<b>9,093</b>	<b>3,319</b>



**ABAY BANK SHARE COMPANY S.C.  
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**Amount recognized in other comprehensive income:**

The movements recognized under other comprehensive income (OCI) for the year ended 30 June 2021 are

	30 June 2021 Birr'000	30 June 2020 Birr'000
At the beginning of the year	(11,503)	15,535
Actuarial (Gains)/Losses on economic assumptions	(1,626)	(11,173)
Actuarial (Gains)/Losses on experience	11,598	7,141
Prior period adjustment	167	-
Expense/(Income) recognized in OCI	(9,972)	(4,032)
	<b>1,364</b>	<b>11,503</b>

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
At the beginning of the year	30,597	33,631
Current service cost	4,024	4,397
Interest cost	5,069	4,353
Remeasurement (gains)/losses	9,972	(4,032)
Benefits paid	(1,730)	(7,752)
Past service cost	-	-
Prior Period Adjustment	263	-
the year	<b>48,195</b>	<b>30,597</b>

The key financial assumptions applied in the valuation, compared to those applied in the previous valuation are summarized as follows:

**Assumptions**

	30 June 2021 Birr'000	30 June 2020 Birr'000
Discount Rate	15.30%	14.90%
Inflation Rate	10.00%	10.00%
Salary increase Rate	10.00%	10.00%
Net pre-retirement Rate	<b>4.82%</b>	<b>4.45%</b>

**30 Share capital**

**Authorized:**

Ordinary shares of Birr 1000 each

**Issued and fully paid:**

Ordinary shares of Birr 1000 each

Share premium

The Bank shares are owned by individuals and companies.

	30 June 2021 Birr'000	30 June 2020 Birr'000
	5,000,000	2,500,000
	2,812,741	2,170,608
	28,365	28,290
	<b>2,841,106</b>	<b>2,198,898</b>



**ABAY BANK SHARE COMPANY S.C.**  
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**31 Earnings per share**

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
Profit after tax	847,149	501,203
Weighted average number of ordinary shares in issue	2,539,426	1,858,680
Basic earnings per share (Birr)	<b>333.60</b>	<b>269.66</b>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date.

**32 Retained earnings**

	30 June 2021 Birr'000	30 June 2020 Birr'000
At the beginning of the year	313,106	377,566
Dividend paid	(313,106)	(377,566)
<b>Carried forward</b>		
Profit/ (Loss) for the year	847,149	501,203
Board remuneration	(1,350)	(1,350)
Legal reserve	(211,787)	(125,302)
Regulatory risk reserve	(16,193)	(55,633)
Deferred tax liabilities	(9,711)	(4,396)
Prior period adjustment	(7,176)	(1,415)
At the end of the year	<b>600,932</b>	<b>313,106</b>

**33 Legal reserve**

	30 June 2021 Birr'000	30 June 2020 Birr'000
At the beginning of the year	475,329	350,027
Transfer from profit or loss	211,787	125,302
At the end of the year	<b>687,116</b>	<b>475,329</b>



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.





ABAY BANK SHARE COMPANY S.C.  
NOTE TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021

34 Regulatory risk reserve

**On loans**

Loan impairment under IFRS 9

NBE directive requirement

**Regulatory risk reserve**

**On Other assets**

Other Assets impairment under IFRS 9

NBE directive requirement

**Regulatory risk reserve**

**Suspended interest**

Suspended interest Computed as per NBE directive requirement

**Regulatory risk reserve**

**Regulatory risk reserve Ending balance**

30 June 2021 Birr'000	30 June 2020 Birr'000
295,769	140,313
(287,738)	(191,144)
<b>8,030</b>	<b>(50,831)</b>
9,551	6,832
(58,796)	(46,263)
<b>(49,246)</b>	<b>(39,431)</b>
(24,223)	-
<b>(24,223)</b>	<b>-</b>
<b>65,439</b>	<b>90,262</b>

The Regulatory risk reserve is a non-distributable reserve required by the regulation of National Bank of Ethiopia to be kept for impairment losses on loans and other receivables in excess of IFRS 9 charges.

When the loan loss impairment determined using the NBE guidelines is higher than loss impairment determined under IFRS 9 model, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the bank.

Where the loss impairment determined using the NBE guidelines is less than the loan loss impairment determined using under IFRS 9 model, the difference is transferred from regulatory risk reserve to the retained earnings to the extent of non-distributable reserve previously recognized

35 Cash generated from operating activities

Profit before tax

**Adjustments for non-cash items:**

Depreciation of property, plant and equipment

Amortization of intangible assets

Amortization on Right of use of asset and liabilities

Gain/(Loss) on disposal of property, plant and equipment

Impairment on loans and receivables

Interest accrued on NBE bills

Employee benefit obligations

Proceed from sale of non current asset held for sale

**Changes in working capital:**

-Decrease/ (Increase) in loans and advances

-Decrease/ (Increase) in other financial asset

-Increase/ (Decrease) in deposits from customers

-Increase/ (Decrease) in other liabilities

**Notes**

30 June 2021 Birr'000	30 June 2020 Birr'000
1,152,875	640,295
57,750	41,243
6,787	4,910
-	1,562
40	2,946
105,561	27,954
-	(51,417)
(9,972)	(3,319)
1,925	-
(8,408,655)	(4,042,258)
(143,297)	(223,904)
7,814,530	4,500,534
664,961	3,355
<b>1,242,506</b>	<b>900,286</b>



**ABAY BANK SHARE COMPANY S.C.**  
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In the statement of cash flows, profit on sale of property, plant and equipment (PPE) comprise:

	30 June 2021 Birr'000	30 June 2020 Birr'000
Cost of Property, plant and equipments sold	164	4,692
Accumulated depreciation of property, plant and equipment sold	(105)	
Gain/(loss) on sale of property, plant and equipment	(40)	(1,746)
Proceed of property, plant and equipment sold	20	2,946

**36 Key management compensation**

Key management has been determined to be the Executive Management Committee of the Bank. The compensation paid or payable to key management for is shown.

There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2021.

	30 June 2021 Birr'000	30 June 2020 Birr'000
Annual Salary & Benefit	12,685	8,306
	12,685	8,306

Compensation of the Bank's key management personnel includes salaries, allowances and bonus.

**37 Contingent liabilities**

**Claims and litigation**

**Guarantees and letters of credit**

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
Guarantees	5,479,638	3,698,960
Letters of credit	1,539,753	975,587
	7,019,391	4,674,547

Some of the guarantees and advances cast significant uncertainty which may adversely affect the Bank financial situation unless current situation in the country is resolved.

**38 Commitments**

The Bank has no capital commitments as at 30 June 2021.

**39 Events after reporting period**

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the bank as at 30 June 2021 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.





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Abay Bank

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