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Abay Bank

# ANNUAL *Report*

**2022/23**

For the year ended | June 30, 2023





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Abay Bank

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**Abay Bank**



### VISION

TO BECOME  
THE FIRST BANK OF CHOICE



### CORE VALUES

1. CUSTOMER - CENTRICITY
2. ACCOUNTABILITY
3. TEAMWORK
4. EMPLOYEE - CENTRICITY
5. INNOVATION



### MISSION

PROVIDING BEST-IN-CLASS  
BANKING SERVICES AND  
ADDING VALUE FOR STAKEHOLDERS.



## Board of Directors



**Ato Tadesse Assefa**  
Vice Chairperson



**Amlaku Asres, PhD**  
Chairperson



**Ato Biyazin Enkuahone**  
Director



**Ato Mulat Tsaga**  
Director



**W/ro Martha Ayenew**  
Director



**Ato Tibebe Alula**  
Director



**Ato Wubie Atnafu**  
Director



**Ato Demis Teshager**  
Director



**Ato Nebiyu Siyume**  
Director

## Top Management



Ato Abraham Ejigu  
Chief Credit Officer



Ato Yehuala Gessesse  
Chief Executive Officer



Ato Assefa Tefera  
Chief Retail Banking  
Officer



Ato Belete Kene  
Chief Human Capital  
Officer



Ato Wondifraw Tadesse  
Chief Strategy Officer



Ato Elias Berhanu  
Chief Information Officer



W/ro Tsige Ayalew  
Chief International Banking  
Officer



Ato Desalegn Ayalew  
Chief Corporate Service  
Officer



Ato Tsega Mekonen  
Chief Risk and Compliance  
Officer



Ato Dawit Ayenew  
Chief Internal Audit  
Officer



Ato Abubeker Nazir  
A/Deputy Chief Interest Free  
Banking Officer



Ato Sisay Tsegaye  
A/Deputy Chief Bahir Dar  
District Officer



## Top Management



**Ato Endakmew Getnet**  
Director - Legal Service



**Ato Daniel Legesse**  
Director - Strategy and  
Innovation



**Ato Samuel Teshome**  
Director - Human Capital  
Administration



**Ato Markos Demeke**  
Director - Resource Mobilization



**Ato Eyob Nigussie**  
Director-Procurement and  
Property Management



**Ato Abebaw Abebe**  
Director - Credit Analysis and  
Appraisal



**Ato Solomon Tefera**  
Director - Corporate Credit



**Ato Christian Kassa**  
Director - Marketing



**W/ro Emebet Sitotaw**  
Director - International Business



**Ato Woubshet Ayenachew**  
Director - Infrastructure  
Management



**Ato Andualem Fantu**  
Director - Application  
Management



**W/ro Tsigereda Adam**  
A/Director - International Trade

## Top Management



**Ato Andinet Nigatu**  
A/Director - Human Capital  
Development



**Ato Mulugeta Chekol**  
A/Director - Portfolio Management  
and Credit Information



**Ato Abenet Marew**  
A/Director - SME and Consumer  
Credit



**Ato Sirak Girma**  
A/Director - District Support



**Ato Workneh Yirdaw**  
Director - Finance



**Ato Fanuel Taye**  
Manager - Hawassa District



**Ato Heyeru Abdella**  
Manager - Dire Dawa District



**Ato Yonas Tesfaye**  
Manager - Dessie District



**Ato Birara Semagn**  
Manager - Gonder District



**Ato Tibebe Endale**  
Manager - South & West  
District



**Ato Simon Abebe**  
Manager - North and East  
District



**Ato Shibabaw Muche**  
Senior Manager - Bahir Dar  
District Operation and Resource  
Mobilization



**Ato Hussen Muhye**  
Senior Manager - Bahir Dar  
District Credit Operation



**Ato Tizazu Wodaje**  
Company Secretary



## Board Chairperson's Message



### Dear Shareholders,

I am pleased to present our Bank's operational performance results for the fiscal year ended on June 30, 2023.

The past year has been marked by challenging times and global economic vulnerabilities. Heightened tensions between the US and China over the Taiwan issue have persisted, while the Russia-Ukraine conflict has continued with no sign of resolution. Climate change has brought about extreme weather events such as heatwaves, floods, and earthquakes, impacting lives across continents.

Global inflation remained high due to disruptions in both demand and supply. Government monetary policies and spending to combat the economic effects of the COVID pandemic have contributed to the demand-side disruptions. Supply chains have largely recovered, but the aftershock effects of the pandemic and the Russia Ukraine conflict have impacted the supply side.

Despite these challenges, there have been positive developments, including the announcement by the WHO that an end to the pandemic is in sight. Among other noteworthy events that happened during the fiscal year, the signing of trade agreement between Brazil and China to use their own currencies for a trade exchanges can be mentioned.

Global growth has been below historical averages, with the 2022 output at 3.5%. Projections for 2023 indicate a further decline to 3%. Africa has faced similar growth challenges, with countries grappling with crises related to conflicts, commodity prices, climate shocks, and debt.

In Ethiopia, peace and stability have been restored after a two-year war in the north. Economic growth, thus, improved to 7.5% from 6.4 last year.

Despite these circumstances, our Bank has achieved remarkable results. Total deposits reached Birr 41.8 billion, growing by 29% year-on-year. The number of clients increased by 49%, with close to 2.5 million customers. We expanded our service outreach by opening 110 new branches, and our profitability reached new heights with profits before tax of Birr 2.1 billion.

We have also undertaken strategic planning for the future. Our five year strategic plan, **"Journey to Greatness,"** will guide our operations from 2023/24 to 2027/28. We have redefined our vision as **"To Become the First Bank of Choice"** and reaffirmed our mission **"Providing best-in-class banking services and adding value for stakeholders"**. A new organizational structure and a rebranding initiative have been implemented to support our strategic goals. Despite global and domestic challenges, we remain committed to our goals and are confident in our ability to overcome obstacles through professionalism and focused efforts.

I extend my gratitude to the outgoing and incoming members of the Board of Directors for their oversight and guidance. I also appreciate the hard work of our management team and employees, as well as the support of our valued customers. Special thanks to government organizations and the NBE for their efforts in ensuring a stable financial sector.

Thank You!

Amlaku Asres, PhD  
Chairperson, Board of Directors

## Chief Executive Officer's Message



### Dear Shareholders,

I am delighted to extend my greetings to you all yet again this time when we return to look back at the past year against our

Bank's operational performance results for the fiscal year ended June 30, 2023.

2022/23 had seen several challenges from the global to the domestic macro environments. Adverse developments in the global geopolitics manifested itself in several conflicts. The lingering Russia Ukraine war which burst into the global scene the previous year had become an ongoing world phenomenon. The globe and its inhabitants also had to entertain adverse natural disasters and environmental calamities as climate change continued to demonstrate its vocal presence.

The spike in global inflation had generally been easing over the year, albeit still remaining high, owing to both supply as well as demand side disruptions.

IMF reports showed that global growth had been weak as it read 3.5% for 2022 staying well below the historical average of 3.8%. The projections for 2023 keep declining from period to period and the current estimates read 3%.

Growth challenges in Africa also appear to mirror those witnessed at the global stage. Several countries remain weighed down by a series of crises, including the impacts of Russia-Ukraine conflict, soaring commodity prices and food shortages, devastating climate shocks, and debt distress. Real GDP growth in the region slowed down to 3.6% in 2022 from 4.1% in 2021. The projections for 2023 indicate a further decline to 3.1%.

Our country Ethiopia eased into the realm of peace and stability after ending the two-year war in the north courtesy of peace talks brokered by the African Union. Even though the year was one marred by several adverse circumstances, the economic growth exhibited growth of 7.5% put against 6.4% recorded the previous year. In terms of sector wise movements, the economy has undergone slight structural shift in the services sector compared to a corresponding marginal drop recorded in industry and agriculture sectors.

The banking sector has expanded with the total number of participants reaching 29 including the government owned banks. Despite wide ranging impediments in the domestic scene and beyond, the sector continued to grow across all parameters including value of deposits, capital, expansion of service outlets, and profits.

Our Bank recorded growth across all key parameters in the fiscal year. Value of deposits grew at 29% to reach Birr 41.8 billion by the close of the year. Efforts to expand customer base returned satisfactory results with the total number of clients hitting as high as 2.5 million and growing by 49% up on last year's position. We have advanced into several locations across the country and opened a total of 110 new branches, the largest number to attain ever in a year since establishment.

Efforts to push the effectiveness of the overall operational frontier through the enhancement of revenues and optimizing costs and expenses through efficient working practices paid off in surpassing new heights in profitability. Profits before tax, thus, reached Birr 2.1 billion for the year exhibiting a growth of 63% against the previous year. Practicing prudent lending as it does, the Bank was able to maintain desirable levels of asset quality well within expected ranges. Pursuing our business purpose and upholding our values, Abay has been giving back to communities near and far in various forms of assistance. Spending close to Birr 34.6 million, the Bank has lent its empowering hands to help thousands recover from draught and war torn incidents.

During the review period, our Bank has particularly been engaged in paving a winning way forward for the years ahead by crafting a 5-year strategic plan named **"Journey to Greatness."** The new corporate code, developed by in-house capacity supported by an overseas external consultant is set to run from 2023/24 to 2027/28. Following this critical exercise, the Bank was able to undertake all the vital pre-implementation tasks readying the entire stage for execution right by the onset of the fiscal year. A key bouncing board was designing a new organization structure in a manner that supports the five year strategy and allows for a leapfrog across processes. Redeployment of staff was also duly finalized followed by a kick-start to one of the Bank's key strategic initiatives rebranding Abay.



Looking ahead, we remain upbeat despite formidable headwinds from the global stage as well as the domestic scene to overcome current and foreseeable challenges by exercising due professionalism, and staying focused as well as committed towards our goals. We would exert efforts to our level best and ensure overall results live up to expectations and beyond.

We are grateful to all our stakeholders for our achievements this year. We are particularly indebted to our committed Board of Directors, including those who concluded their terms this year, for their impactful and inspiring guidance.

I take this moment to express my appreciation to the entire management team and employees for their hard work and commitment.

Abay's entire team stands for a round of applause to all our customers as well as shareholders whom we can only repay their exceptional patronage through excellence in all we do. We duly recognize and extend our gratitude for the efforts exerted by all government organs as well as the NBE toward creating a stable and healthy financial sector.

Thank you,



Yehuala Gessesse,  
CEO

## Highlights of Major Achievements







## PARTNERSHIP WITH SAFARICOM ETHIOPIA





## **SOME OF THE PROJECTS FINANCED BY THE BANK**







## **2022/23 BUDGET YEAR HIGHER TAX PAYER AWARD**





## STRATEGY FORMULATION EXERCISE

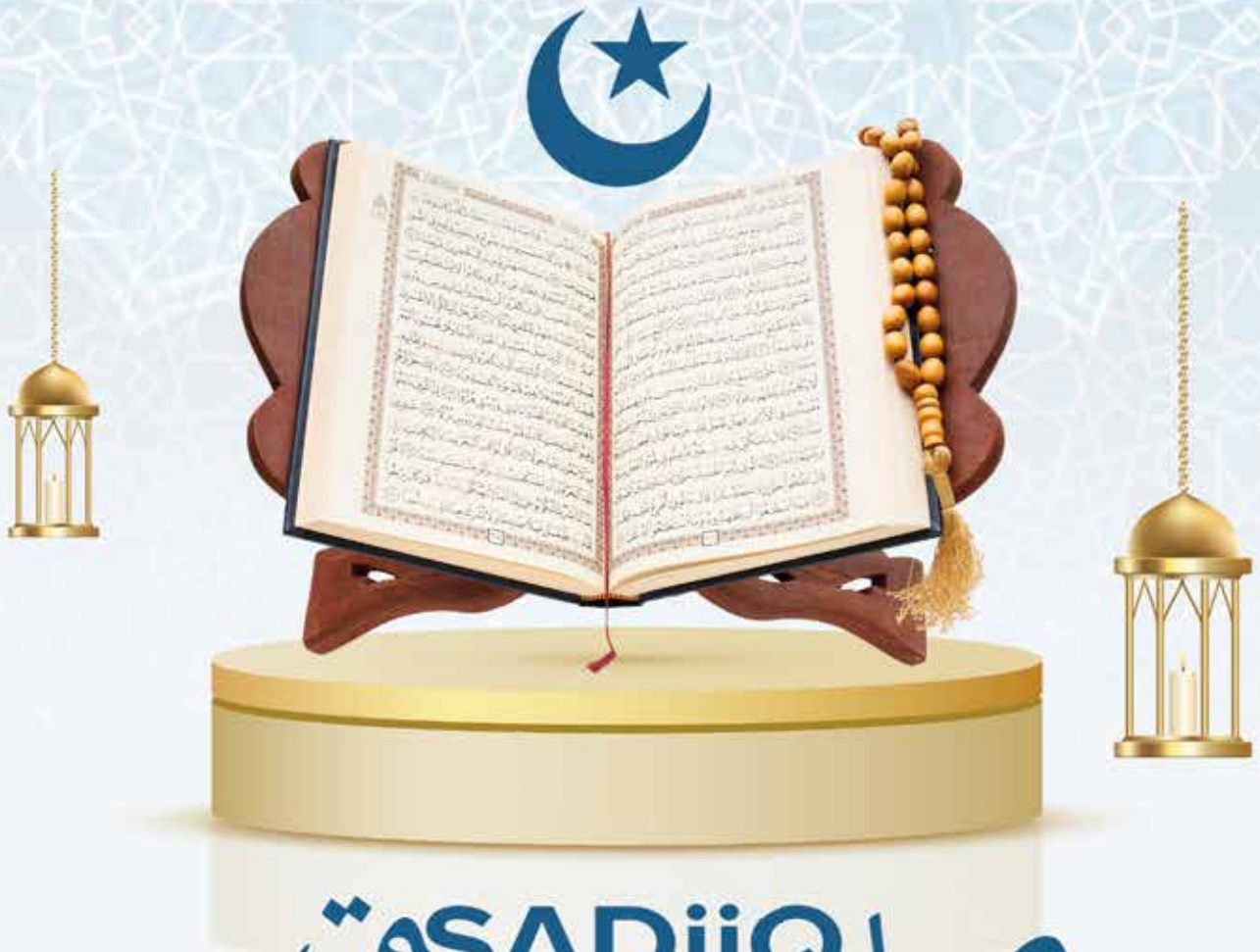




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BANKING SERVICES



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# PART I

**THE BOARD OF DIRECTORS' REPORT**

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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 2022/23. In part I of the report, we present a summary of comparative performances, whereas part II covers a detailed report of the Auditors.

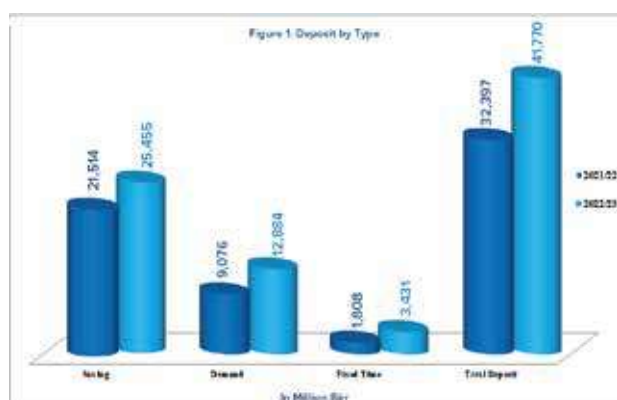
### 1.1. Summary of Operational Performance

#### 1.1.1. Deposit Mobilization

In the face of the political and macro-economic challenges exhibited during the 2022/23 fiscal year, Abay Bank has managed to attain a positional deposit of Birr 41.8 billion. The performance for the period is higher than the year it preceded by Birr 9.4 billion or 29%.

Surging by 28% and 40% from its positions of the year that proceeds, conventional and Abay Saadiq deposits accounted for a total of Birr 39.5 and 2.3 billion, respectively. During the review period, the deposit position of savings, demand and time deposits registered growth of 18%, 42% and 90% against their respective record of the previous year and reached Birr 25.5 billion, Birr 12.9 billion and Birr 3.4 billion in that order.

The deposit performance was driven to a greater extent by the substantial surge in the number of depositors. Accordingly, in the year ended June 2023, Abay has managed to recruit more than 817,573 new customers of conventional and IFB services demonstrating a growth rate of 49% and attaining a customer base of 2.5 million in aggregate.



Looking at the fund structure, Savings Deposit still leads the portfolio share of 61% followed by Demand Deposit 31% and Fixed Time Deposits 8%.

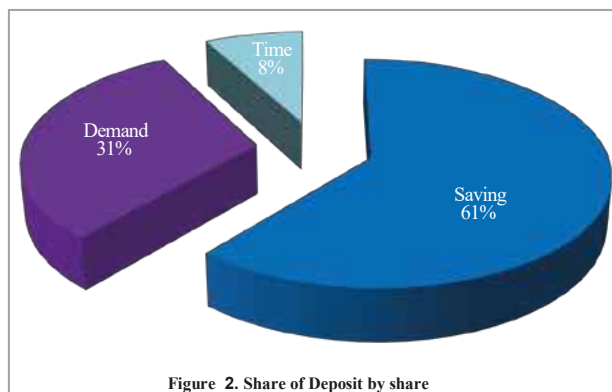


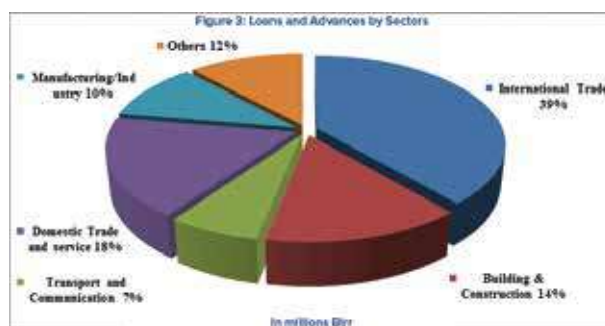
Figure 2. Share of Deposit by share

#### 1.1.2. Loans and Advances

During the FY 2022/23, the Bank has extended loans and advances to customers engaged in various business activities. Consequently, total outstanding loans and advances of the Bank have reached Birr 37 billion at the end of June 2023, above the performance registered in the preceding fiscal year by 37% growth.

The growth of loans of each sector shows the Bank's direction to maintain a fair portfolio of loans. Looking at the amount of loans and advances by economic sector, International Trade constituted 38.8% share of the total loans portfolio followed by Domestic Trade & Service 17.9%, Construction & Building sector 14.3%, Manufacturing & Industry 10.6%, Transport & Communication 6.6%. The remaining sectors together accounted for 11.8%.

Moreover, in response to the financing demand of Abay Saadiq IFB customers, the Bank has availed financial support to the tune of Birr 1.5 billion which registered annual growth of 106%.



Note: Others include Consumer Loans, Hotel & Tourism, and Agriculture.

### 1.1.3. International Banking Operations

In the face of the daunting challenges of the export sector, our Bank has managed to upsurge its foreign currency mobilized through various sources by 31%. Constituting 63%, foreign currency earnings through exports registered an annual growth of 14%. Likewise, foreign currency mobilization through SWIFT and money transfers exhibited increments against the last year's record. In contrast, the value of cash purchases and dealings declined significantly.

To broaden the sources of foreign currency earnings, the Bank continued to incentivize customers through prizes for the sixth successive year in a row. Besides, the Bank has established relationships with additional international transfer agents and correspondent banks operating globally.

## 1.2. Financial Performances

### 1.2.1. Revenue

The Bank has generated a total income of Birr 7.1 billion during the period under review. The achievement has depicted a growth of 61% in comparison to the income generated in the preceding year. The revenue from interest income is the dominant source comprising 78% of the aggregate income, whereas the revenue from non-interest income sources contributed 22%.

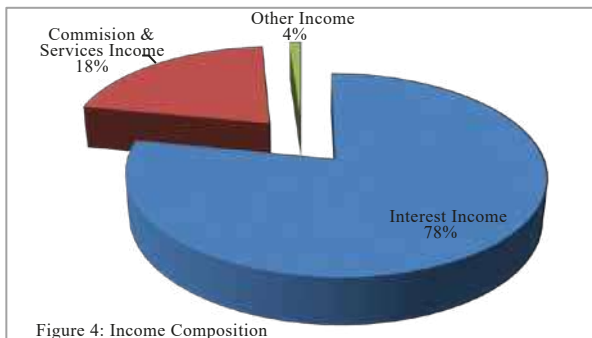


Figure 4: Income Composition

### 1.2.2. Expense

The Bank incurred a total operating expense of Birr 4.9 billion during 2022/23, increased by 59% against last year's same period record. Of the total expenses, the spending on non-interest sources consumed 68%, and interest payments for depositors took the remaining 32%.

Among non-interest expenses, the spending on salary and benefits accounted for over half of the non-interest causes, 58.3%, followed by a general expenses share of 22.4%. Impairment on loans and other assets, depreciation and amortization, fees and commission expenses, and interest expense on lease liability took the remaining 19.3%.

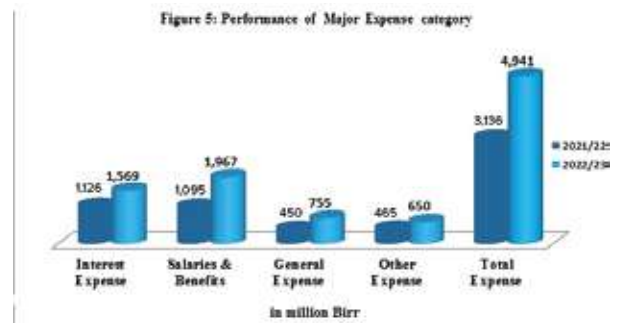


Figure 5: Performance of Major Expense category

### 1.2.3. Gross Profit

At the end of June 30, 2023, the Bank registered a record Profit before Tax of Birr 2.1 billion. The performance was higher by 63% or Birr 823 million from the last year's record.



Figure 6: Operating performance

### 1.2.4. Total Asset

Driven by the significant growth in resource mobilization, financing, and other assets, the Bank's total assets have jumped to Birr 55 billion by displaying an annual growth of 35%.

### 1.2.5. Capital

The total capital of the Bank, composed of paid-up capital, regulatory risk reserve, retained earnings, and legal and special reserve, increased by 31% and stood at Birr 7.7 billion at the end of June 2023. Paid-up Capital of the Bank reached Birr 4.7 billion at the end of June 2023. It went up from last year's balance by 19%, geared by the effort to strengthen its capital base to be competitive enough and to fulfill the supervisory requirement ahead of time.

### 1.3. Non-Financial Developments

#### 1.3.1. Branch Expansion

During the year, Abay has expanded its branch accessibility by opening 110 additional branches, bringing the total number of branches in its network to 483. This significant stride in branch expansion aims to incorporate inclusiveness into new markets and lines of business. As a result, the number of branches providing Interest-Free Banking (IFB) services through dedicated windows and stand-alone IFB branches has increased to 395, of which 20 are open to serve customers of Abay Saadiq Interest-Free Banking services alone.



#### 1.3.2. Human Capital

The fast growth of the operation has led to the acquisition of qualified and competent talents. As a result, the bank has created a job opportunity for 1,636 new employees during the year alone. Registering annual growth of 23%, the total stock of permanent and outsourced employees has reached 8,626. The staff composition of the Bank, in parallel with academic achievements, reveals that 98% of the employees are qualified professionals holding a minimum of first degree.

In terms of the workforce, the number of employees administered by local employment agencies is 4,328, while the number of permanent employees stood at 4,298.

Aiming at nurturing the capacity and skills of its employees, the Bank has designed continuous competency development programs. Consequent to that, 5,256 employees have benefited from the technical and developmental training availed covering a variety of contents specific to the targets identified during the gap assessment.

The Bank has developed a new strategic plan for the coming five years. In line with the strategic directions, a new organizational structure has been redesigned and implemented. Besides, the subsequent tasks of job design and employee compensation packages are on the implementation.

The organizational redesign is to formulate a compatible structure that will elevate the Bank's efficiency, accelerate operational growth, and boost the engagement of its employees.

#### 1.3.3. Digital Banking Technology

Nowadays, the strength of the capabilities of digital banking technologies is becoming one of the key drivers of competitiveness in the Banking business. The trend in global banking practices reveals that the leading owners of digital technologies are also the leaders in the growing market shares. Hence, it is vital to equip banks with these digital capabilities, the competence to lead in the development and execution of digital banking products while protecting customers and the Bank's worth, the data, in highly integrated security perimeters.

Given the above, Abay has continued to inject additional investment to strengthen its digital capabilities. In due course, a series of patch updates undertaken on the Bank's OBDX system and upgrading the Payment Switch System are among the success stories. Besides, the enhancement of the mobile banking system is in progress, whereas the Bank acquired additional servers for various modules and systems. Monitoring the health of IT applications and systems and strengthening cyber security were among the priorities of the Bank's IT strategies.

On the other hand, recruiting customers for digital services has gone hand-in-hand with expanding digital accessibility and enhanced IT capabilities. Consequently, the number of subscribers to mobile banking services doubled during the year.



As a result, the number of subscribers to mobile banking services went above 1.28 million, and the number of subscribers for Card and Internet Banking services aggregated to 685,000. When compared to the position of last year's same period, the number of active users of these digital services offered by the Bank has doubled to go above 1.1 million.

### 1.3.4. Corporate Social Responsibility

Beyond the breadth of its branch network, Abay continued to contribute to the well-being of the society it is working with. The Bank has a strong belief and culture in supporting the vital values of the community in offering equal opportunities for every stakeholder in economic and relief engagements, undertaking its business activities responsibly, and providing financial support to the affected segments of society in discharging its social responsibility.

During the year, the Bank has supported various social engagements, developmental activities, and relief efforts in the country. As a manifestation of its affinity to the community, Abay has availed financial support of Birr 34.6 million in the year just ended.



### 1.3.5. Risk Management and Compliance

The Banking business we are operating in is highly susceptible to financial and non-financial risks where the regulatory attention is high. On the other hand, managing risks is one of the core functions of the Banking business. Given this, Abay has developed a sincere risk management culture where regular risk and compliance assessments are considered among routine practices of the Bank in gauging the statuses of liquidity, credit and operational risks, cyber security, non financial risks, and environmental factors.

Moreover, to strengthen the effectiveness of the risk management framework, the Bank carried out continuous reviews on the internal control systems, policies and procedures, and the coverage of risk assessments. As a result, the Bank institutionalized new risk assessment tools and revised fraud management, governance, and KYC policies.

### 1.3.6. Construction Projects

With all the challenges constraining the construction sector and the national environment in general, construction projects of the Bank have progressed moderately. As of the reporting period, the construction of the superstructure resumed for the headquarters and Dessie mixed-use buildings. Construction of the substructures of the Bahir Dar and Tikur Abay mixed-use buildings construction projects are all underway. Given all the uncertainties, we hope to complete the construction of superstructures for the Head Quarters and Dessie buildings during the current year.

## 1.4. Going Forward

The year ahead is the beginning of reaffirming our journey to greatness while executing our newly developed strategic plan with a high emphasis on educating the essence of the strategic plan to the whole stakeholders and with the commitment to allocate resources to implement the strategic initiatives of prime concern.

In line with the newly formulated strategy, the bank will exert extra effort to develop the competence of its employees and enhance the capability of its digital banking services. Given the volatile and uncertain business climate that would significantly affect the bank's profitability, we will gear more effort toward strengthening the Abay Saadiq business line to withstand the impacts of unfavorable environmental changes.

Moreover, the bank will strive to advance the growth trends registered in the previous periods by further elevating the momentum. Accordingly, the aggressiveness in resource mobilization, capital growth, expanding accessibility, customer base, and intense follow-up on the execution of construction projects will be our key focuses. To that end, Abay leverages its strength and accumulated institutional experience to achieve its strategic objectives.



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ራዕዮን እውን ያድርጉ

**SAVE AND ACHIEVE!**



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## HEADQUARTERS BUILDING PROJECT CURRENT STATUS





## BAHIR DAR MIXIED USE BUILDING PROJECT



## DESSIE MIXIED USE BUILDING PROJECT

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# **PART 2**

## **AUDITORS' REPORT**

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**Abay : The Trustworthy Bank !**



**ABAY BANK SHARE COMPANY**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**Directors and Statutory Information**

Directors	Title	Appointment date
Dr. Amlaku Asres	Chair person	December 28 , 2018
Ato Tadesse Assefa	Vice Chair person	March 19, 2020
Ato Biyazen Enkuanhone	Member	June 16, 2017
Ato Demes Teshager Abeje	Member	April 4, 2023
W/ro Marta Ayenew Dagnachew	Member	April 4, 2023
Ato Mulat Tsega	Member	December 26, 2016
Ato Nebiyu Siyum	Member	April 4, 2023
Ato Tibebe Alula Getahun	Member	April 4, 2023
Ato Wubie Atnaifu	Member	April 4, 2023

**Executive management**

Ato Yehuala Gessese	Chief Executive Officer	August 17, 2015
Ato Abraham Ejigu	Chief Credit Officer	May 27, 2015
Ato Belete Kene	Chief Human Capital Officer	November 13, 2020
Ato Assefa Tefera	Chief Retail Banking Officer	January 04, 2023
Ato Wondifraw Tadesse	Chief Strategy Officer	December 15, 2020
Ato Elias Birhanu	Chief Information Officer	August 25, 2023
Ato Dawit Ayenew	Chief Internal Audit	November 13, 2020
Ato Tsega Mekonen	Chief Risk & Compliance Officer	December 01, 2011
Ato Desalegn Ayalew	Chief Corporate Services Officer	August 25, 2023
W/ro Tsige Ayalew	Chief International Banking Officer	August 25, 2023
Ato Daniel Legesse	Director - Strategy & Innovation	December 05, 2011
Ato Endakmew Getnet	Director - Legal Services	November 11, 2015

**Independent auditor**

Tafesse, Shisema and Ayalew Certified Audit Partnership (TMS PLUS)  
Chartered Certified Accountants (UK)  
Authorised 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  
Africa Export Import Bank (AFRI EXIM)  
NCBA Bank Kenya Plc





**ABAY BANK SHARE COMPANY**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

## Report of Directors

The directors submit their report together with the financial statements for the year ended 30 June 2023, 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 2023 has been transferred to retained earnings.  
The summarised results are presented below.

	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>Birr'000</b>	<b>Birr'000</b>
Total operating income	5,378,215	3,188,497
Profit / (loss) before tax	2,124,416	1,300,913
Tax (charge) / credit	(572,945)	(367,648)
Profit / (loss) for the year	1,551,471	933,265
Other comprehensive income / (loss) net of taxes	152,150	111,601
Total comprehensive income/ (loss) for the year	<b>1,703,621</b>	<b>1,044,866</b>
Earnings per share (Birr 1,000)	<b>360.03</b>	<b>295.08</b>

## Directors

The directors who served during the year and up to the date of this report are set out on page 25.



**ABAY BANK SHARE COMPANY**  
**Statement of Directors' Responsibilities**  
**FOR THE YEAR ENDED 30 JUNE 2023**

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 to keep such records as are necessary to:

- exhibit clearly and correctly the state of its affairs;
- explain its transactions and financial position; and
- 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 nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Signed on behalf of the Directors by:

Dr Amlaku Asres  
 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 30-57, which comprise the statement of financial position as at 30 June 2023, 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 2023, 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.

IFRS 13 requires entities to measure fair value using observable inputs whenever possible, and unobservable inputs only when observable inputs are not available. In the case of the Bank's investment in other entities, the Bank has determined that there are no observable inputs available to measure fair value. Therefore, the Bank has used a valuation model that incorporates unobservable inputs, such as the discount rate and future cash flows.

The use of unobservable inputs in the valuation model poses a risk of material misstatement, as the Bank's judgment in determining these inputs could be biased or inaccurate. We have identified this as a key audit matter because of the following factors:

- The Bank's investment in other entities is significant, is material to the financial statements.
- The valuation of the investment is complex and requires the use of a number of unobservable inputs.





To address this key audit matter, we have performed the following audit procedures:

- We assessed the Bank's valuation methodology and evaluated the reasonableness of the key assumptions used in the valuation model.
- We compared the Bank's valuation results to those of independent market participants.

Based on our audit procedures, we believe that the Bank's valuation of its investment in other entities is reasonable and in accordance with IFRS 13. However, we recommend that the Bank consider the following actions to mitigate the risk of material misstatement in the future:

- Consider using a valuation methodology that incorporates more observable inputs.
- Regularly monitor the performance of the investment and update the valuation model as needed.

Also as indicated on Note 38 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. In addition, we have no objection on the amount of dividend proposed by the directors and hence in accordance with article 349(3) of the commercial code of Ethiopia of 2021 recommended approval of the proposed dividend distribution.

*Ty. shi & Ay*

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

Addis Ababa  
07 October 2023



**ABAY BANK SHARE COMPANY**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Interest income	5	5,547,522	3,543,341
Interest expense	6	(1,569,189)	(1,126,413)
<b>Net interest income</b>		<b>3,978,333</b>	<b>2,416,928</b>
Fee and commission income	7	1,241,979	640,140
Fee and commission expense	8	(54,407)	(17,650)
<b>Net Fee and commission income</b>		<b>1,187,572</b>	<b>622,490</b>
Net gain on foreign exchange valuation	9	154,927	112,972
Other operating income	10	57,383	36,107
		<b>212,310</b>	<b>149,079</b>
<b>Total operating income</b>		<b>5,378,215</b>	<b>3,188,497</b>
Loan impairment charge	11	(207,867)	(92,175)
Other Assets Impairment Charge	12	(11,444)	(6,978)
<b>Net operating income</b>		<b>5,158,904</b>	<b>3,089,344</b>
Personnel expenses	13	(1,966,996)	(1,094,626)
Depreciation & Amortization of PPE & Intangible assets	23-24	(121,535)	(87,281)
Depreciation expense on right of use asset	21	(180,979)	(133,241)
Interest Expense on lease liability	22	(10,241)	(23,281)
Other operating expenses	14	(754,737)	(450,002)
<b>Profit before tax</b>		<b>2,124,416</b>	<b>1,300,913</b>
Income tax expense	15	(572,945)	(367,648)
<b>Profit After Tax</b>		<b>1,551,471</b>	<b>933,265</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 obligations	30	(36,051)	(4,085)
Financial assets at FVOCI (equity investments)	18	199,016	116,911
Deferred tax (liability)/asset on re-measurement gain or loss	15	(10,815)	(1,226)
		152,150	111,601
<b>Total comprehensive income for the period</b>		<b>1,703,621</b>	<b>1,044,866</b>
<b>Earnings per share (Birr 1,000)</b>	32	<b>360.03</b>	<b>295.08</b>

The notes on pages 34 to 58 are an integral part of these financial statements.



**ABAY BANK SHARE COMPANY  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 30 JUNE 2023**

	<b>Notes</b>	<b>30 June 2023 Birr'000</b>	<b>30 June 2022 Birr'000</b>
<b>ASSETS</b>			
Cash and bank balance	16	8,247,918	7,920,786
Loans and advances to customers	17	36,474,351	26,594,569
Equity investments at fair value -OCI	18	505,679	298,728
Other financial assets	19	5,667,844	3,182,409
Other non Financial assets	20	705,778	941,906
Right of use assets	21	927,495	639,439
Property, plant and equipment	23	1,141,539	575,235
Intangible Assets-Software	24	19,582	27,032
Construction in progress	25	1,359,729	501,634
Non current asset held for sale	26	7,351	13,758
Net deferred tax (asset) liabilities	15	850	-
<b>Total assets</b>		<b>55,058,113</b>	<b>40,695,496</b>
<b>LIABILITIES</b>			
Deposits from customers	27	41,769,515	32,397,350
Current income tax liability	15	572,945	367,648
Other Financial liabilities	28	4,364,775	1,571,928
Lease Liabilities	22	507,520	391,992
Non financial liabilities	29	53,257	44,154
Defined benefits obligation	30	119,001	65,219
Net deferred tax (asset) liabilities	15	-	610
<b>Total liabilities</b>		<b>47,387,013</b>	<b>34,838,901</b>
<b>EQUITY</b>			
Share Capital	31	4,733,303	3,971,031
Share Premium	31	35,388	35,208
Retained Earnings	33	1,041,760	658,748
OCI-Defined Employee Benefit	30	(61,611)	(25,560)
OCI-Equity Investment	18	370,768	171,751
Legal Reserve	34	1,308,302	920,434
Regulatory Risk Reserve	35	243,190	124,983
<b>Total equity and liabilities</b>		<b>55,058,113</b>	<b>40,695,496</b>

The notes on pages 34 to 58 are an integral part of these financial statements.

The financial statements on page 34 to 58 were approved and authorized for issue by the board of directors on September 22 2023 were signed on its behalf by:

Dr Amlaku Asres  
Chairperson of Board of Directors

Yehuala Gessesse  
Chief Executive Officer





**ABAY BANK SHARE COMPANY**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2023**

Notes	Share Capital Birr'000	Share Premium Birr'000	Retained Earnings Birr'000	OCI-Defined Employee Benefit		Legal Reserve Birr'000	Regulatory Risk Reserve Birr'000	OCI-Equity Investment Birr'000	TOTAL Birr'000
				Birr'000	Birr'000				
<b>As at 1 July 2021</b>	<b>2,812,741</b>	<b>28,365</b>	<b>600,916</b>	<b>1,364</b>	<b>687,116</b>	<b>65,438</b>	<b>32,001</b>	<b>4,227,941</b>	
Issues of ordinary shares	1,158,290	6,843	-	-	-	-	-	1,165,133	
Profit for the year	-	-	933,265	-	-	-	-	933,265	
Dividend paid	-	-	(548,685)	-	-	-	-	(548,685)	
Board remunerations fee	-	-	(1,350)	-	-	-	-	(1,350)	
Re-measurement on defined benefit plan	-	-	-	(4,085)	-	-	-	(4,085)	
OCI-Equity Investment	-	-	-	-	-	-	116,911	116,912	
Regulatory Risk Reserve	-	-	(59,545)	-	-	59,545	-	-	
Deferred tax liabilities	-	-	18,843	-	-	-	-	18,843	
Transfer to legal reserve	-	-	(233,318)	-	233,318	-	-	-	
Prior period adjustment	-	-	(51,378)	(22,839)	-	-	-	(74,217)	
<b>As at 30 June 2022</b>	<b>3,971,031</b>	<b>35,208</b>	<b>658,748</b>	<b>(25,560)</b>	<b>920,434</b>	<b>124,983</b>	<b>171,751</b>	<b>5,856,595</b>	
<b>As at 1 July 2022</b>	<b>3,971,031</b>	<b>35,208</b>	<b>658,748</b>	<b>(25,560)</b>	<b>920,434</b>	<b>124,983</b>	<b>171,751</b>	<b>5,856,594</b>	
Issues of ordinary shares	762,272	180	-	-	-	-	-	762,452	
Profit for the year	-	-	1,551,471	-	-	-	-	1,551,471	
Dividend paid	-	-	(658,748)	-	-	-	-	(658,748)	
Board remunerations fee	-	-	(1,350)	-	-	-	-	(1,350)	
Re-measurement on defined benefit plan	-	-	-	(36,051)	-	-	-	(36,051)	
OCI-Equity Investment	-	-	-	-	-	-	199,016	199,016	
Regulatory Risk Reserve	-	-	(118,207)	-	-	118,207	-	-	
Deferred tax liabilities	-	-	1,459	-	-	-	-	1,459	
Transfer to legal reserve	-	-	(387,868)	-	387,868	-	-	-	
Prior period adjustment	-	-	(3,745)	-	-	-	-	(3,745)	
<b>As at 30 June 2023</b>	<b>4,733,303</b>	<b>35,388</b>	<b>1,041,760</b>	<b>(61,611)</b>	<b>1,308,302</b>	<b>243,190</b>	<b>370,767</b>	<b>7,671,100</b>	

The notes on pages 34 to 58 are an integral part of these financial statements.



**ABAY BANK SHARE COMPANY**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	36	4,207,523	2,196,388
Income tax paid	15	(367,648)	(305,743)
Prior period adjustment	33	(3,745)	(52,230)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>3,836,130</b>	<b>1,838,414</b>
<b>Cash flows from investing activities</b>			
Proceed of investment securities	19 a	(2,063,927)	942,653
Purchase of equity investment	18	(7,934)	(5,000)
Purchase of construction in progress	25	(858,095)	(172,221)
Purchase of intangible assets	24	-	-
Purchase of property, plant and equipment	23	(681,873)	(101,751)
Proceed from sale of property, plant and equipments	36	476	2,042
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(3,611,353)</b>	<b>665,723</b>
<b>Cash flows from financing activities</b>			
Dividend paid	33	(658,748)	(548,685)
Proceeds from issue of shares	31	762,452	1,165,133
Board remuneration fee	33	(1,350)	(1,350)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>102,354</b>	<b>615,098</b>
<b>Net increase/(decrease) in Cash and bank balances</b>		<b>327,132</b>	<b>3,119,235</b>
Cash and bank balance at the beginning of the year	16	7,920,786	4,801,551
Net cash increase/(decrease) during the year	16	327,132	3,119,235
<b>Cash and bank balances at the end of the year</b>	16	<b>8,247,918</b>	<b>7,920,786</b>

The notes on pages 34 to 58 are an integral part of these financial statements.



**ABAY BANK SHARE COMPANY**  
**NOTE TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**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**

**i) Statement of compliance**

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.

**ii) Basis of measurement**

The financial statement have been prepared on the historical cost basis except:

- Financial asset at FVTOCI are measured at fair value
- Prepaid staff benefits are measured at fair value and
- The liability for defined benefit obligation is measured at present value using discount method

**iii) 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).

**iv) 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.

**v) Use of estimates and judgements**

In preparing the financial statements management has made judgments, estimates and assumptions that affect the application of the bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

**2.2 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.

**2.3 Recognition of income and expenses**

**2.3.1 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.





**ABAY BANK SHARE COMPANY**  
**NOTE TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**2.3.2 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.

**2.3.3 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.

**2.3.4 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.

**2.3.5 Income tax**

**i) Current income tax**

Current income tax expense is recognized in profit or loss except to the extent that it related to items recognized directly in equity or other comprehensive income. Current income 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.

**ii) Deferred tax**

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.

**2.4 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. The acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added or deducted from the fair value of the financial assets or financial liabilities respectively.

**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 and subsequently 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).

All financial liabilities are subsequently measured at amortized cost.

**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



**ABAY BANK SHARE COMPANY**  
**NOTE TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

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.

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**

The bank measures ECL on collective basis for portfolio of loans that share similar economic risk characteristics.

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. ECL for exposure in stage 2 and stage 3 are calculated by multiplying lifetime PD by LGD and by 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) Write off**

Loans and debt securities are written off when the bank has no reasonable expectations of recovering the financial asset (either partially or in full). This is the case when the bank determines that the borrower doesn't have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The bank may apply enforcement activities to financial assets written off. Recoveries resulting from previously written off will result in impairment gains which will be presented in net impairment loss on financial assets in the statement of profit or loss.

**vi) 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.

**vii) Offsetting**

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

Income and expenses are presented on a net basis only when permitted under IFRS standards or for gain and losses arising from a group of similar transactions such as in the bank's trading activities

**2.5 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 carried at amortized cost in the statement of financial position.

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

**2.6 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.



**ABAY BANK SHARE COMPANY  
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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:

Asset class	Estimated useful life (In years)	Residual value (In %)
Buildings	50	5
Motor vehicles	10	1
Furniture and fittings	10 - 20	1
Office equipment	5 - 10	1
Computer and accessories	7	1

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.

**2.7 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.

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

Repossessed 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.

**2.9 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.





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**2.10 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.

**2.11 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. Right of use assets are recognized at the commencement of the lease contract and is measured at cost less accumulated depreciation and accumulated impairment. Rights of use assets are depreciated over the useful life of the lease term on a straight line basis. Right of use assets are derecognized at the expiration of a lease contract.

**2.12 Prepaid employee benefit**

The bank provides loans to its employee at below market rate of interest. Under IFRS such loans are recognized at their fair value on the inception date. The fair value of employee loans below market rate are determined as the present value of future cash flow receipts (installment payments) using the prevailing market rate of interest as a discounting factor. The market rate is determined by reference to what the staff members would have been charged to access a similar loan facility from other banks. The market rate is determined by the Ethiopian Bankers Association. The difference between the fair value and the contractual value of employee loans are recognized as prepaid employee benefit and amortized throughout the life the loan.

**2.13 Employee benefits**

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

**a) Defined contribution plan**

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.

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;

**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.

**2.14 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.

**2.15 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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**2.16 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.

**2.17 Dividends**

Dividends are recognized as a liability in the period in which they are declared, that is when the shareholders of the bank approve dividend distribution to the bank's shareholders.

**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 Significant accounting estimates and judgments**

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**

When measuring ECL the bank uses reasonable and supportable forward looking information which is based on assumptions for the future movement of different economic drivers and how this drivers will affect each other. The key inputs in measuring Expected Credit Loss (ECL) are Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). See note 2.4 (iv). 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. The fair value of quoted financial instruments in active markets are based on current prices with no subjective judgements. There are no financial instruments currently measured at fair value except equity investment and prepaid employee benefit. 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 present value of the defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making various 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 defined benefit obligations.

**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.



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**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. 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.

**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.





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**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:

**Loans and advances to customers**

			30 June 2023 Birr'000	30 June 2022 Birr'000
	Stage 1	Stage 2	Stage 3	Total
Stage 1	33,341,813			33,341,813
Stage 2		2,166,915		2,166,915
Stage 3			1,542,915	1,542,915
<b>Total gross exposure</b>	<b>33,341,813</b>	<b>2,166,915</b>	<b>1,542,915</b>	<b>37,051,643</b>
Loss allowance	(182,842)	(19,431)	(375,019)	(577,292)
<b>Net carrying amount</b>	<b>33,158,971</b>	<b>2,147,484</b>	<b>1,167,896</b>	<b>26,594,569</b>

**Off balance sheet items**

			30 June 2023 Birr'000	30 June 2022 Birr'000
	Stage 1	Stage 2	Stage 3	Total
Stage 1	5,429,674			5,429,674
Stage 2		26,212	-	26,212
Stage 3			-	-
<b>Total gross exposure</b>	<b>5,429,674</b>	<b>26,212</b>		<b>5,455,886</b>
Loss allowance	(17,620)	(464)	-	(18,084)
<b>Net carrying amount</b>	<b>5,412,053</b>	<b>25,748</b>	<b>-</b>	<b>5,437,801</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 focuses on the diversification of its lending portfolio by setting sectoral limits to ensure that its is not negatively impacted by a large exposure default.

The Bank monitors credit risk by sectorial distribution against its own risk concentration limit. An analysis of concentrations of credit risk at 30 June 2023 is given below.

**Sectors**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Agriculture	296,339	255,064
Construction and Building	5,311,732	4,007,260
Consumer Loan	3,237,753	1,284,817
Domestic Trade Services	6,642,514	4,696,828
Export and Import	14,365,691	12,028,032
Hotel and Tourism	823,713	550,020
Manufacturing and Industry	3,916,539	2,106,260
Transport and Communication	2,457,362	2,054,232
<b>Total gross exposure</b>	<b>37,051,643</b>	<b>26,982,512</b>
- Less impairment	(577,292)	(387,944)
<b>Net</b>	<b>36,474,351</b>	<b>26,594,569</b>



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**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 of collaterals in respect of loans and receivables are given below:

**Collateral Concentration by sector**

Sector	Building	Machinery	Truck	Others	30 June 2023	30 June 2022
					Birr'000	Birr'000
					Total Collaterals	Total Collaterals
Agriculture	316,373	-	207,299	-	523,672	446,088
Construction and Building	8,416,246	221,101	2,636,137	874,324	12,147,808	9,610,071
Consumer Loan	4,537,320	-	792,122	2,900	5,332,342	2,235,703
Domestic Trade Services	12,884,214	-	1,141,791	553,584	14,579,589	11,776,305
Export and Import	14,126,503	35,000	1,370,078	2,197,218	17,728,800	13,835,225
Hotel and Tourism	1,816,785	-	9,400	37,954	1,864,139	1,503,575
Manufacturing and Industry	4,393,638	30,234	395,071	868,997	5,687,940	4,185,609
Transport and Communication	879,972	-	4,476,697	26,891	5,383,560	4,626,351
<b>Total</b>	<b>47,371,050</b>	<b>286,335</b>	<b>11,028,596</b>	<b>4,561,868</b>	<b>63,247,849</b>	<b>48,218,927</b>
Less: Impairment					(577,292)	(387,944)
<b>Net</b>					<b>62,670,558</b>	<b>47,830,983</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.

**4.2.5 Loss allowance movement**

The following table summarizes the movement of the loss allowance during the year.

	Stage 1	Stage 2	Stage 3	30 June 2023	30 June 2022
				Birr'000	Birr'000
				Total	Total
<b>Balance at 1 July, 2022</b>	209,924	11,609	166,411	387,944	295,769
Transfer to 12 months ECL	4,907	(1,168)	(3,739)	-	-
Transfer to Lifetime ECL not credit impaired	(10,134)	10,640	(505)	-	-
Transfer to Lifetime ECL credit impaired	(4,325)	(470)	4,796	-	-
Net remeasurement of Loss allowance	(11,342)	(620)	239,852	227,890	86,162
Net financial assets originated or purchased	117,470	8,242	3,687	129,399	160,717
Financial assets derecognised	(123,657)	(8,801)	(35,483)	(167,941)	(154,704)
<b>Balance at 30 June 2023</b>	<b>182,842</b>	<b>19,431</b>	<b>375,019</b>	<b>577,292</b>	<b>387,944</b>

**4.2.6 Guarantees and commitments**

The maximum exposure to credit risk related to guarantees and letter of credit is the maximum amount the bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk related to loan commitment is the full amount of the commitment. The table below shows the bank's maximum credit risk exposure for guarantees and commitments.

The below table shows the bank's maximum credit risk exposure guarantee, letter of credit and loan commitment.

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Guarantees issued and outstanding	10,563,800	697,159
Letters of credit net-off margin held	1,279,276	447,375
Loan commitments	1,933,098	2,233,461
	<b>13,776,174</b>	<b>3,377,995</b>

**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.

**4.3.1 Management of liquidity risk**

Liquidity risk arises because of the possibility that the bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cashflows under both normal and stress circumstances.

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 measures used by the bank for managing liquidity risk are the ratio of net liquid assets to net current liabilities and maturity analysis. 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:



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**Ratio of net liquid assets to net current liabilities**

	30 June 2023	30 June 2022
At Close of the year	20.52%	23.80%
Average for the year	20.77%	21.71%
Maximum for the year	26.30%	24.30%
Minimum for the year	18.01%	19.00%

**4.3.2 Maturity analysis of financial asset and liabilities**

The table below summarizes the Bank's liquidity risk as at 30 June 2023, categorized into relevant maturity groupings based on contractual maturity date.

	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year	30 June 2023 Total	30 June 2022 Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
<b>30 June 2023</b>							
<b>Financial Assets</b>							
Cash and bank balances	5,430,750	158,930.00	202,670	292,280	2,163,288	8,247,918	7,920,786
Loans & advances to customers	967,400	2,986,050	4,306,200	5,910,570	22,304,131	36,474,351	26,594,569
Equity investments	-	-	-	-	505,679	505,679	298,728
Other financial Assets	1,054,530	1,529,410	1,314,590	100,000	1,669,314	5,667,844	3,182,409
<b>Total Financial Assets (a)</b>	<b>7,452,680</b>	<b>4,674,390</b>	<b>5,823,460</b>	<b>6,302,850</b>	<b>26,642,412</b>	<b>50,895,792</b>	<b>37,996,492</b>
<b>Financial Liabilities</b>							
Deposits from customers	1,392,425	1,611,717	2,923,490	4,091,690	30,666,090	40,685,412	32,397,350
Deposits from other banks	271,586	712,463	-	100,000	-	1,084,049	-
Other financial liabilities	644,974	185,240	3,134,231	35,550	364,780	4,364,775	1,571,928
<b>Total financial liabilities (b)</b>	<b>2,308,985</b>	<b>2,509,420</b>	<b>6,057,721</b>	<b>4,227,240</b>	<b>31,030,870</b>	<b>46,134,236</b>	<b>33,969,278</b>
<b>NET Mismatch (a - b)</b>	<b>5,143,695</b>	<b>2,164,970</b>	<b>(234,261)</b>	<b>2,075,610</b>	<b>(4,388,458)</b>	<b>4,761,556</b>	<b>4,027,214</b>
<b>Cumulative Mismatch</b>	<b>5,143,695</b>	<b>7,308,665</b>	<b>7,074,404</b>	<b>9,150,014</b>	<b>4,761,556</b>	<b>9,523,112</b>	<b>8,054,428</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. The maturity analysis is based on NBE requirements.

**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.





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The table below summarizes the foreign currency exposure as at 30 June 2022 and 30 June 2023

30 June 2023	USD Birr'000	GBP Birr'000	EUR Birr'000	AED Birr'000	ZAR Birr'000	Total Birr'000
<b>Financial Assets:</b>						
Cash and bank balance	1,027,540	1,226	181,995	8,110	5,922	1,224,793
Other assets	-	-	-	-	-	-
<b>Total</b>	<b>1,027,540</b>	<b>1,226</b>	<b>181,995</b>	<b>8,110</b>	<b>5,922</b>	<b>1,224,793</b>
<b>Financial Liabilities:</b>						
Deposit from customer	371,151	84	19,685	-	-	390,920
Other liabilities	-	-	-	-	-	-
<b>Total</b>	<b>371,151</b>	<b>84</b>	<b>19,685</b>	<b>-</b>	<b>-</b>	<b>390,920</b>
<b>Net exposure</b>	<b>656,389</b>	<b>1,142</b>	<b>162,309</b>	<b>8,110</b>	<b>5,922</b>	<b>833,873</b>

30 June 2022	USD Birr'000	GBP Birr'000	EUR Birr'000	AED Birr'000	ZAR Birr'000	Total Birr'000
<b>Financial Assets:</b>						
Cash and bank balance	1,062,986	21,239	5,086	2,153	-	1,091,464
Other assets	-	-	-	-	-	-
<b>Total</b>	<b>1,062,986</b>	<b>21,239</b>	<b>5,086</b>	<b>2,153</b>	<b>-</b>	<b>1,091,464</b>
<b>Financial Liabilities:</b>						
Deposit from customer	535,606	19,213	38	-	-	554,857
Other liabilities	-	-	-	-	-	-
<b>Total</b>	<b>535,606</b>	<b>19,213</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>554,857</b>
<b>Net exposure</b>	<b>527,380</b>	<b>2,026</b>	<b>5,047</b>	<b>2,153</b>	<b>-</b>	<b>536,606</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 of profit due to increase or decrease in foreign currency rate by 10% on foreign currency denominated monetary assets and liability accounts:

Description	At 30 June 2023			At 30 June 2022		
	Carrying Amount Birr'000	10% Depreciation Birr'000	10% Appreciation Birr'000	Carrying Amount Birr'000	10% Depreciation Birr'000	10% Appreciation Birr'000
<b>Assets</b>						
USD	1,027,540	(102,754)	102,754	1,062,986	(106,299)	106,299
GBP	1,226	(123)	123	21,239	(2,124)	2,124
EUR	181,995	(18,199)	18,199	5,086	(509)	509
AED	8,110	(811)	811	2,153	(215)	215
ZAR	5,922	(592)	592	-	-	-
	<b>1,224,793</b>	<b>(122,479)</b>	<b>122,479</b>	<b>1,091,464</b>	<b>(109,146)</b>	<b>109,146</b>
<b>Liabilities</b>						
USD	535,606	53,561	(53,561)	554,857	55,486	(55,486)
GBP	19,213	1,921	(1,921)	-	-	-
EUR	38	4	(4)	-	-	-
AED	-	-	-	-	-	-
ZAR	-	-	-	-	-	-
	<b>554,857</b>	<b>55,486</b>	<b>(55,486)</b>	<b>554,857</b>	<b>55,486</b>	<b>(55,486)</b>
Total (Decrease)/increase effect on gross profit	<b>1,779,650</b>	<b>(66,994)</b>	<b>66,994</b>	<b>1,646,321</b>	<b>(53,661)</b>	<b>53,661</b>

At 30 June 2023 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 66.99 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 of 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**

**Interest Bearing assets**

Loans and Advance to Customers at amortized cost

Fixed Time deposit

**Total Interest Bearing assets**

**Interest Bearing liabilities**

Deposits from customers

Fixed Time deposit

**Total Interest Bearing Liabilities**

**Net interest income increase/decrease**

<b>30 June 2023</b>		
<b>Birr'000</b>		
Carrying Amount	10% Increase	10% Decrease
37,051,643	3,705,164	(3,705,164)
1,662,267	166,227	(166,227)
<b>38,713,910</b>	<b>3,871,391</b>	<b>(3,871,391)</b>
38,338,600	3,833,860	(3,833,860)
3,430,916	343,092	(343,092)
<b>41,769,516</b>	<b>4,176,952</b>	<b>(4,176,952)</b>
<b>(3,055,606)</b>	<b>(305,561)</b>	<b>305,561</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 305.56 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.

**Capital adequacy ratio**

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

**Capital**

Share capital

Share premium

Legal reserve

**Total regulatory capital**

**Total risk weighted assets**

Primary Capital Adequacy Ratio (CAR)

Minimum required capital ratio

Excess /short-fall

<b>30 June 2023</b>	<b>30 June 2022</b>
<b>Birr'000</b>	<b>Birr'000</b>
4,733,303	3,971,031
35,388	35,208
1,308,302	920,434
6,076,993	4,926,673
49,246,297	36,629,539
<b>12.34%</b>	<b>13.45%</b>
<b>8.00%</b>	<b>8.00%</b>
<b>4.34%</b>	<b>5.45%</b>

**5 Interest income**

Loans and advances to customers

Treasury Bills

NBE bills

Treasury Bond

Government Bonds

Time deposits

<b>30 June 2023</b>	<b>30 June 2022</b>
<b>Birr'000</b>	<b>Birr'000</b>
5,265,006	3,361,327
122,485	123,911
-	29,748
34,640	-
28,267	2,307
97,124	26,048
<b>5,547,522</b>	<b>3,543,341</b>



**ABAY BANK SHARE COMPANY  
NOTE TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**6 Interest expense**

Deposits from customers  
Deposits from cooperatives and other Banks  
Deposits from public agencies

30 June 2023	30 June 2022
Birr'000	Birr'000
1,412,513	1,090,025
152,685	35,212
3,991	1,176
<b>1,569,189</b>	<b>1,126,413</b>

**7 Fee and commission income**

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

30 June 2023	30 June 2022
Birr'000	Birr'000
273,596	210,707
363,970	135,078
27,134	12,626
548,216	270,860
29,063	10,869
<b>1,241,979</b>	<b>640,140</b>

**8 Fee and commission expense**

Legal Fees  
Municipality Fees  
Membership fee  
License Fees  
Correspondent Charges  
Motor Vehicles Inspection & Circulation Fees  
Bank Charges & Commissions  
Ethswitch Remote-on us expense  
Swift charge  
Agent commission expense

30 June 2023	30 June 2022
Birr'000	Birr'000
130	40
4,241	1,834
551	268
445	372
1,846	2,347
252	778
36,028	4,605
9,449	5,936
1,465	1,469
-	-
<b>54,407</b>	<b>17,650</b>

**9 Net gain on foreign exchange valuation**

Gain on Foreign Exchange Valuation  
Loss on Foreign Exchange Valuation

30 June 2023	30 June 2022
Birr'000	Birr'000
218,300	216,946
(63,373)	(103,974)
<b>154,927</b>	<b>112,972</b>

**10 Other operating income**

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

30 June 2023	30 June 2022
Birr'000	Birr'000
6,029	562
390	1,618
14,195	226
15,216	7,445
21,553	26,256
<b>57,383</b>	<b>36,107</b>

**11 Loan impairment charge**

Loan impairment charge

30 June 2023	30 June 2022
Birr'000	Birr'000
207,867	92,175
<b>207,867</b>	<b>92,175</b>

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

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

30 June 2023	30 June 2022
Birr'000	Birr'000
11,335	6,841
-	-
103	(11)
6	148
<b>11,444</b>	<b>6,978</b>





**ABAY BANK SHARE COMPANY**  
**NOTE TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**13 Personnel expenses**

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

30 June 2023	30 June 2022
Birr'000	Birr'000
1,004,896	582,460
485,815	229,626
110,778	64,235
26,648	15,747
338,859	202,558
<b>1,966,996</b>	<b>1,094,626</b>

**14 Other operating expenses**

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 expenses  
Perdiem administration  
Repairs and maintenance  
Security, Messengers & Janitors expenses  
General assembly  
Meeting accommodation  
Fund transfer fees and expenses  
Staff loan - Amortisation  
Sundries  
Telephone expenses  
Provision Expense on LCS  
Provision Expense on Financial Guarantee  
Provision expense on Court Case  
Provision expense on OD & Revolving Facilities  
Sponsorship expense  
Transport and fuel  
Utilities  
Wages for non-permanent employees.

30 June 2023	30 June 2022
Birr'000	Birr'000
53,305	20,108
2,661	2,687
34,555	10,110
423	423
5,751	2,416
1,580	1,130
901	274
114	539
19,159	8,045
15,921	11,933
102,104	65,675
1,398	590
106,288	53,173
99,776	75,558
9,796	7,006
20,282	10,641
198,406	119,787
1,985	660
6,299	2,193
8,795	5,953
9,309	12,068
2,126	2,427
27,798	19,187
67	(27)
535	10
1,104	-
(8,068)	-
8,990	2,330
14,843	9,557
5,751	3,552
2,785	1,997
<b>754,737</b>	<b>450,002</b>



ABAY BANK SHARE COMPANY  
NOTE TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023

15 Company income and deferred tax liability

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 2023 Birr'000	30 June 2022 Birr'000
<b>IFRS accounting profit</b>	<b>2,124,416</b>	<b>1,300,913</b>
<i>Add : Disallowed expenses</i>		
Entertainment	901	274
Donation: which is not donated to the federal/regional government	-	-
Penalty	330	1,499
Award/Gifts	2,890	235
Sport Expense	366	480
Current service cost, past service cost and interest	26,648	15,747
Impairment on other assets	110	136
Legal Provision	1,104	-
IFRS depreciation and Amortization expense	121,535	87,281
Impairment on Loans and Advances as per IFRS	207,867	92,175
Interest expense on Lease liability	10,241	23,281
Depreciation Expense - ROUA	180,979	18,283
Depreciation Expense - ROUA_ leasehold land	2,641	3,111
Prepaid staff expense	9,309	12,068
Additional interest income recognized on employee benefit	114,434	58,670
Accrued-Leave expenses	46,241	43,589
Loss on Disposal of Asset (As per IFRS)	1,398	590
Provision expense of LCs & Guarantee	602	16
Other receivable impairment expense	11,335	6,842
<b>Sub total</b>	<b>738,931</b>	<b>364,279</b>
<i>Less: tax exempted income and allowed expenses</i>		
Depreciation for tax purpose	171,523	106,930
80% of NBE provision on loans	172,299	127,675
80% of Other receivable asset provision	97,851	11,209
Interest income taxed at source- local deposit	97,124	26,048
Interest income taxed at source- NBE bill	-	29,748
Interest income taxed at source- Treasury Bill	122,485	123,911
Interest income taxed at source- Foreign	-	-
Interest Earned on Treasury Bonds	34,640	-
Interest income taxed at source- Government Bond	28,267	2,307
Dividend income taxed at source	15,216	7,445
Gain on Disposal of property, plant and equipments (As per IFRS)	390	1,618
Defind employee benefit paid as per tax base	8,917	2,808
Accrued-Leave expenses as per tax base	8,211	-
Quara Building Rent Income	6,029	-
Provision expense on OD & Revolving Facilities	8,068	-
Office rent amortization expense as per tax base	188,540	-
<b>Sub total</b>	<b>959,559</b>	<b>439,698</b>
<b>Taxable profit</b>	<b>1,903,788</b>	<b>1,225,494</b>
<b>Current tax @30%</b>	<b>571,136</b>	<b>367,648</b>
Add: Rental income tax (6,029*.3)	1,809	-
<b>Income tax expense recognized in profit or loss</b>	<b>572,945</b>	<b>367,648</b>



**ABAY BANK SHARE COMPANY**  
**NOTE TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**Current income tax liability**

Balance at the beginning of the year  
Prior year over /under paid  
Payment during the year  
Current year profit tax  
Current year rent income tax

30 June 2023	30 June 2022
Birr'000	Birr'000
367,648	305,743
14,849	52,230
(382,497)	(357,973)
571,136	367,648
1,809	-
<b>572,945</b>	<b>367,648</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 net deferred tax (assets)/liabilities**

1 July , 2022	Credit/ (charge) to		30 June 2023
Birr'000	P/L	OCI	Birr'000
Birr'000	Birr'000	Birr'000	Birr'000
20,176	14,675	-	34,851
(19,565)	(5,319)	(10,815)	(35,700)
<b>610</b>	<b>9,356</b>	<b>(10,815)</b>	<b>(849)</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 2023	30 June 2022
Birr'000	Birr'000
2,201,800	1,988,265
4,862,253	4,880,508
2	2
1,184,166	1,052,308
(303)	(297)
<b>8,247,918</b>	<b>7,920,786</b>

**Maturity analysis**

Current  
Non Current

8,247,918	7,920,786
<b>8,247,918</b>	<b>7,920,786</b>

**17 Loans and advances to customers**

Agriculture  
Construction and Building  
Consumer Loan  
Domestic Trade Services  
Export and Import  
Hotel and Tourism  
Manufacturing and Industry  
Transport and Communication  
**Total gross exposure**  
- Less impairment

30 June 2023	30 June 2022
Birr'000	Birr'000
296,339	255,064
5,311,732	4,007,260
3,237,753	1,284,817
6,642,514	4,696,828
14,365,691	12,028,032
823,713	550,020
3,916,539	2,106,260
2,457,362	2,054,232
37,051,643	26,982,512
(577,292)	(387,944)
<b>36,474,351</b>	<b>26,594,569</b>

**Maturity analysis**

Current  
Non Current

10,200,891	9,932,070
26,273,460	16,662,499
<b>36,474,351</b>	<b>26,594,569</b>





ABAY BANK SHARE COMPANY  
NOTE TO THE FINANCIAL STATEMENTS  
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18 Equity Investments

Equity investments

Abay Insurance S.C
Abay Industries S.C
Addis-Africa Int. Conv. & Exh. Center
Dessie Hidassie Building .C
Ethiswitch S.C
ACSI Bank S.C

FV as at '30 June 2022	Investment during the year	FV - OCI of the period	FV as at '30 June 2023
Birr'000	Birr'000	Birr'000	Birr'000
31,282	5,000	16,844	53,127
76,553	-	112,331	188,884
943	-	(595)	348
100	-	-	100
171,750	2,934	74,320	249,003
18,101	-	(3,884)	14,217
<b>298,728</b>	<b>7,934</b>	<b>199,016</b>	<b>505,679</b>

OCI Equity investment

At the beginning of the year
Equity investment for the period
At the end of the year

30 June 2023	30 June 2022
Birr'000	Birr'000
171,752	54,840
199,016	116,912
<b>370,768</b>	<b>171,752</b>

The fair value of equity investments are estimated by independent consultant, price waterhouse Coopers (PWC). Pwc used fairvalue of comparative companies and adjusted for specific factors as a basis for fair valuation. It applied level II inputs in determining fair value of bank's equity investments.

19 Other Financial assets

a) Investment Securities

Time deposit
Treasury bill
Treasury bond
Government Bond
National Bank of Ethiopia bill

Less Impairment on NBE and Treasury Bills

30 June 2023	30 June 2022
Birr'000	Birr'000
1,662,267	101,718
1,214,605	2,177,107
1,141,920	-
527,354	203,394
-	-
4,546,146	2,482,219
(227)	(124)
<b>4,545,919</b>	<b>2,482,095</b>

b) Other receivables

Receivable from money transfer agents
Staff receiveable
Other receivables
Less: impairment allowance

Total Other Financial Assets

Maturity analysis

Current
Non Current

30 June 2023	30 June 2022
Birr'000	Birr'000
200,437	119,790
1,384	1,605
937,296	584,846
(17,192)	(5,927)
<b>1,121,925</b>	<b>700,314</b>
<b>5,667,844</b>	<b>3,182,409</b>

30 June 2023	30 June 2022
Birr'000	Birr'000
601,915	2,273,096
5,065,929	909,313
<b>5,667,844</b>	<b>3,182,409</b>



ABAY BANK SHARE COMPANY  
NOTE TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023

20 Other Non-financial assets

Prepayments  
Inventory in stock  
Prepaid employee benefit  
Other receivable  
**Total other Non Financial Assets**

30 June 2023 Birr'000	30 June 2022 Birr'000
265,797	205,067
267,860	300,047
170,933	436,181
1,188	611
<b>705,778</b>	<b>941,906</b>

Prepaid employee benefit measured at fair valuation

Stages  
Stage 1  
Stage 2  
Stage 3  
**Grand Total**

30 June 2023 Total Birr'000	30 June 2022 Total Birr'000
557,681	397,369
2,392	8,372
8,686	11,130
<b>568,759</b>	<b>416,871</b>

21 Right of Use 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%.

**Right-of-use assets balance – As at July 1, 2022**

Add: ROUA addition  
Add: Lease liability addition  
Add(Less): Depreciation expense on right of use asset  
Prior Period adjustment  
**Total**

30 June 2023 Birr'000	30 June 2022 Birr'000
639,439	416,155
321,585	248,942
176,649	107,583
(180,979)	(133,241)
(29,199)	-
<b>927,495</b>	<b>639,439</b>

Office Rent  
Land  
**Total Right of use asset**

30 June 2023 Birr'000	30 June 2022 Birr'000
800,392	510,284
127,103	129,155
<b>927,495</b>	<b>639,439</b>

22 Lease liabilities

The statement of financial position shows separate line item for the lease liability 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%.

**Lease liabilities balance – As at July 1, 2022**

Add: Lease liability addition of the year  
Add: Current year interest expense on lease liability  
**Total**

30 June 2023 Birr'000	30 June 2022 Birr'000
391,992	138,860
105,287	229,852
10,241	23,281
<b>507,521</b>	<b>391,992</b>



ABAY BANK SHARE COMPANY  
NOTE TO THE FINANCIAL STATEMENTS  
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23 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 2022	91,175	189,248	148,310	148,110	290,584	867,427
Additions	74,813	210,584	98,145	205,944	92,387	681,873
Disposals	-	(994)	(147)	(1,052)	(2,485)	(4,679)
Reclassification	-	-	-	-	-	-
Prior Year Adjustment	-	-	-	-	-	-
	<b>165,988</b>	<b>398,838</b>	<b>246,308</b>	<b>353,002</b>	<b>380,485</b>	<b>1,544,620</b>
<b>Accumulated depreciation:</b>						
As at 1 July 2022	2,052	67,141	39,411	62,633	120,955	292,192
Charge for the year	2,363	24,897	16,042	28,590	42,193	114,086
Disposals	-	(941)	(94)	(747)	(1,414)	(3,196)
Prior Year Adjustment	-	-	-	-	-	-
	<b>4,415</b>	<b>91,097</b>	<b>55,359</b>	<b>90,477</b>	<b>161,734</b>	<b>403,082</b>
<b>Net book value:</b>						
30 June 2022	89,123	122,106	108,899	85,477	169,629	575,235
30 June 2023	161,573	307,741	190,949	262,525	218,751	1,141,539

24 Intangible Assets

Description	30 June 2023 Birr'000	30 June 2022 Birr'000
<b>Cost:</b>		
As at 1 July 2022	78,833	78,833
Additions	-	-
Prior Period Adjustment	-	-
Reclassification	-	-
30 June 2023	78,833	78,833
<b>Accumulated amortization</b>		
As at 1 July 2022	51,801	42,298
Charge for the year	7,450	9,504
Disposals	-	-
Prior Period Adjustment	-	(1)
30 June 2023	59,251	51,801
<b>Net book value:</b>		
30 June 2022	27,032	36,535
30 June 2023	19,582	27,032



ABAY BANK SHARE COMPANY  
NOTE TO THE FINANCIAL STATEMENTS  
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25 Construction in progress

As at 1 July 2022  
Additions for the year

30 June 2023 Birr'000	30 June 2022 Birr'000
501,634	329,413
858,095	172,221
<b>1,359,729</b>	<b>501,634</b>

26 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 2023 Birr'000	30 June 2022 Birr'000
13,758	13,758
(6,407)	-
<b>7,351</b>	<b>13,758</b>

27 Deposits from customers

Demand deposits  
Savings deposits  
Fixed Time deposit

Maturity analysis

Current  
Non Current

30 June 2023 Birr'000	30 June 2022 Birr'000
12,883,713	9,075,677
25,454,887	21,513,729
3,430,916	1,807,944
<b>41,769,516</b>	<b>32,397,350</b>
41,769,516	32,397,350
-	-
<b>41,769,516</b>	<b>32,397,350</b>

28 Other Financial liabilities

Audit fee payables  
Borrowing from DBE  
Borrowing from NBE  
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 Guarantee  
Impairment on L/C  
Provision - on Overdraft Facility  
Provision - on Revolving Facility  
Long Outstanding payables  
Margin Held Accounts  
Refund payable  
Shareholders payables  
Staff leave payables  
Cash indemnity allowance  
Sundry payables

30 June 2023 Birr'000	30 June 2022 Birr'000
423	423
208,166	180,411
-	-
169,477	174,894
351,074	265,721
150,000	51,693
5,605	1,795
1,350	1,350
33,008	35,163
17,367	14,666
45,134	67,766
845	310
89	22
2,906	-
14,244	-
64,564	43,200
3,117,081	400,028
37	96
808	804
124,896	86,854
24,270	14,194
33,431	232,538
<b>4,364,775</b>	<b>1,571,928</b>





**ABAY BANK SHARE COMPANY  
NOTE TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**29 Non-financial liabilities**

Stamp duty payable  
Tax payables  
Pension payable  
Provisions  
Other payables

**Total other financial and non financial liabilities**

30 June 2023 Birr'000	30 June 2022 Birr'000
2,365	475
31,674	22,861
9,720	10,320
1,104	-
8,394	10,498
<b>53,257</b>	<b>44,154</b>
<b>4,418,032</b>	<b>1,616,082</b>

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

**Maturity analysis**

Current  
Non Current

30 June 2023 Birr'000	30 June 2022 Birr'000
4,364,775	1,571,928
53,257	44,154
<b>4,418,032</b>	<b>1,616,082</b>

**30 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:

Defined benefits obligation

**Total defined employee benefit obligation**

30 June 2023 Birr'000	30 June 2022 Birr'000
119,001	65,219
<b>119,001</b>	<b>65,219</b>

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

**Amount recognized in the profit or loss**

Current service cost  
Interest cost  
Past service cost

**Total expense recognized**

30 June 2023 Birr'000	30 June 2022 Birr'000
9,560	7,448
17,088	8,299
-	-
<b>26,648</b>	<b>15,747</b>



**ABAY BANK SHARE COMPANY**  
**NOTE TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**Amount recognized in other comprehensive income:**

The movements recognized under other comprehensive income (OCI) for the year ended 30 June 2023 are

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	25,560	21,475
Actuarial (Gains)/Losses on economic assumptions	8,870	(4,739)
Actuarial (Gains)/Losses on experience	27,181	8,824
Expense/(Income) recognized in OCI during the year	36,051	4,085
At the end of the year	<b>61,611</b>	<b>25,560</b>

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	65,219	48,195
Current service cost	9,560	7,448
Interest cost	17,088	8,299
Remeasurement (gains)/losses	36,051	4,085
Benefits paid	(8,917)	(2,808)
Past service cost	-	-
Prior Period Adjustment	-	-
At the end of the year	<b>119,001</b>	<b>65,219</b>

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

**Assumptions**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Discount Rate	20.8%	24.3%
Inflation Rate	15.1%	17.3%
Salary increase Rate	15.1%	17.3%
<b>Net pre-retirement Rate</b>	<b>4.95%</b>	<b>5.97%</b>

**31 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 2023 Birr'000	30 June 2022 Birr'000
	5,000,000	5,000,000
	4,733,303	3,971,031
	35,388	35,208
	<b>4,768,691</b>	<b>4,006,239</b>



**ABAY BANK SHARE COMPANY  
NOTE TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**32 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 2023 Birr'000	30 June 2022 Birr'000
Profit after tax	1,551,471	933,265
Weighted average number of ordinary shares in issue	4,309	3,163
Basic earnings per share (Birr)	<b>360.03</b>	<b>295.08</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.

**33 Retained earnings**

At the beginning of the year  
Dividend paid

**Carried forward**

Profit/ (Loss) for the year  
Board remuneration fee  
Legal reserve  
Regulatory risk reserve  
Deferred tax liabilities  
Prior period adjustment

**At the end of the year**

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	658,748	600,916
Dividend paid	(658,748)	(548,685)
Carried forward		
Profit/ (Loss) for the year	1,551,471	933,265
Board remuneration fee	(1,350)	(1,350)
Legal reserve	(387,868)	(233,318)
Regulatory risk reserve	(118,207)	(59,545)
Deferred tax liabilities	1,459	18,843
Prior period adjustment	(3,745)	(51,378)
<b>At the end of the year</b>	<b>1,041,760</b>	<b>658,748</b>

**34 Legal reserve**

At the beginning of the year  
Legal reserve transferred during the period  
At the end of the year

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	920,434	687,116
Legal reserve transferred during the period	387,868	233,318
<b>At the end of the year</b>	<b>1,308,301</b>	<b>920,434</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.

