ANNUAL REPORT

2021/22

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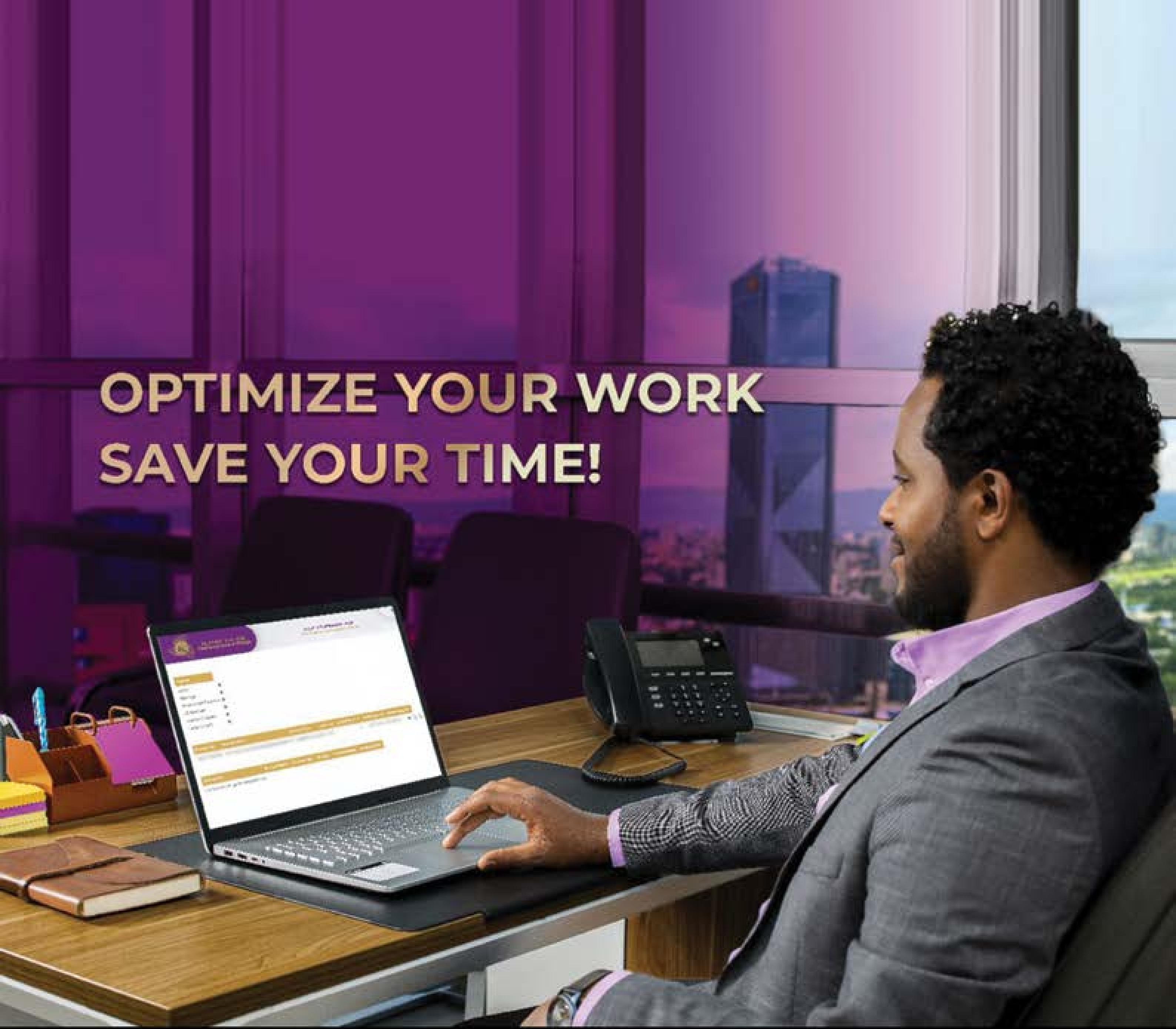
Commercial Bank of Ethiopia


OPTIMIZE YOUR WORK
SAVE YOUR TIME!

CONTENTS

PROFILE

- Has been serving Ethiopia since 1942.
- Pioneered ATM services in the nation.
- Introduced Western Union Money Transfer services to Ethiopians.
- Has been playing a catalytic role in the socio-economic development of the nation.
- Pioneered interest-free banking service in the country.
- Had 1,819 branches across the country as of 30 June 2022.
- Has strong correspondent relationships with about 44 renowned foreign banks and SWIFT bilateral key arrangements with over 750 banks.
- Achieved a strong asset position of Birr 1.2 trillion as of 30 June 2022.
- Combines a wide capital base with more than 39,801 committed permanent employees.
- Is headquartered in the tallest (4B+G+48F) East African skyscraper building.

VISION

To become a world-class commercial bank financially driving Ethiopia's future.

MISSION

We are committed to realizing stakeholders' values through enhanced financial intermediation globally, deploying highly motivated and skilled employees.

MOTTO

The Bank You Can Always Rely on!

VALUES

i) Integrity

- We are committed to the highest ideals of honor and integrity.
- We are committed to acting in an honest and trustworthy manner.
- We are committed to firmly adhering to ethical principles and standards.

ii) Service Excellence

- We are committed to maintaining the highest operating standards.
- We are committed to being a preferred brand in service quality in the minds of customers and the general public.
- We strive to build long lasting relationships with our customers.

iii) Professionalism

- We take ownership and personal responsibility for all what we do.
- We are professionals in conduct and treat customers with utmost respect.
- We are responsive to the needs and interests of our customers.
- We maintain confidentiality and respect the privacy of all customers.
- We continually develop ourselves to maintain leading-edge capabilities.
- We apply our knowledge and competence to our competitive advantage.

VALUES - (Continued)

iv) Empowerment

- We distinguish employees as valuable organizational resources.
- We promote delegation of duties and responsibilities.
- We maintain an atmosphere that inspires confidence and taking ownership.
- We take responsibility, support one another and serve customers in a courteous and respectful manner.
- We recognize our employees for their best achievements.

v) Innovative Organization

- We go above and beyond to find solutions to stakeholder problems, leveraging technology where possible.
- We anticipate and respond to internal and external changes through constant improvement and adjustment.
- We establish a culture that nurtures individual and group learning.
- We retain and disseminate tacit knowledge across the bank.

vi) Teamwork

- We respect one another and cooperate in our work.
- We recognize the importance of teamwork for our success.
- We collaborate and support one another to ensure process integration and minimize external business challenges.

vii) Respect for Diversity

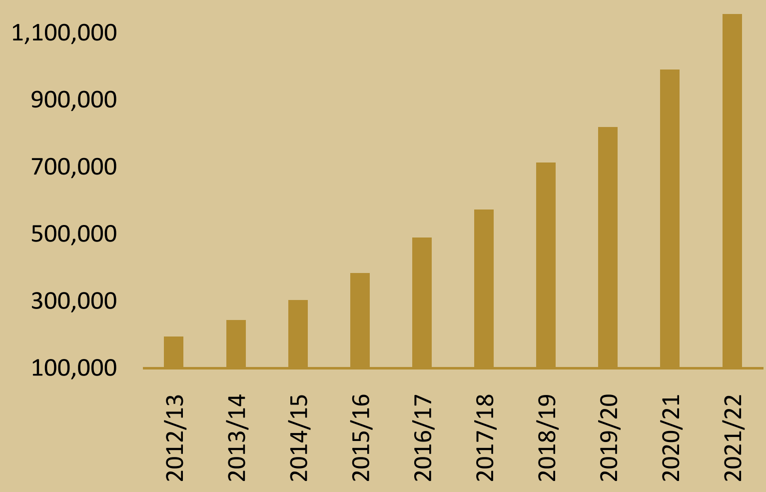
- We are responsive to cultural, ethical, religious or other values of employees and customers.
- We value diversity of ideas and viewpoints of our employees.
- We foster an environment of inclusiveness, where all people, regardless of their sex, age, belief, etc., can exercise their maximum potential.
- We are committed to addressing the needs of our customers, regardless of their sex, age, educational level, etc.
- We are committed to listening to one another and responding appropriately.

viii) Corporate Citizenship

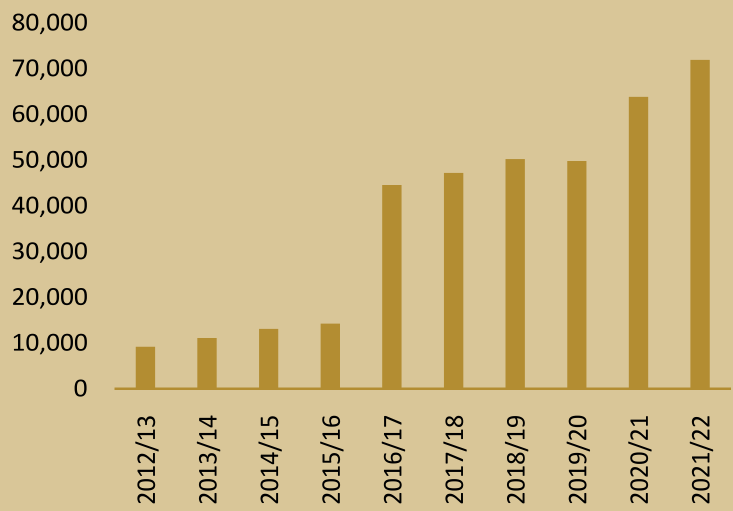
- We value the importance of our role in national development endeavors and stand up for this commitment.
- We abide by the laws of Ethiopia and other countries in which we do business.
- We care about society's welfare and the environment.
- We believe that the sustainability of our business depends on our ability to maintain and build public confidence.

PERFORMANCE HIGHLIGHTS

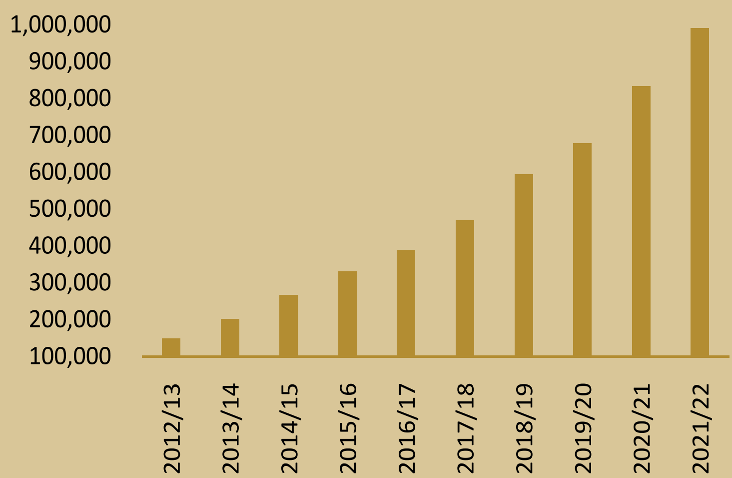
Total Asset



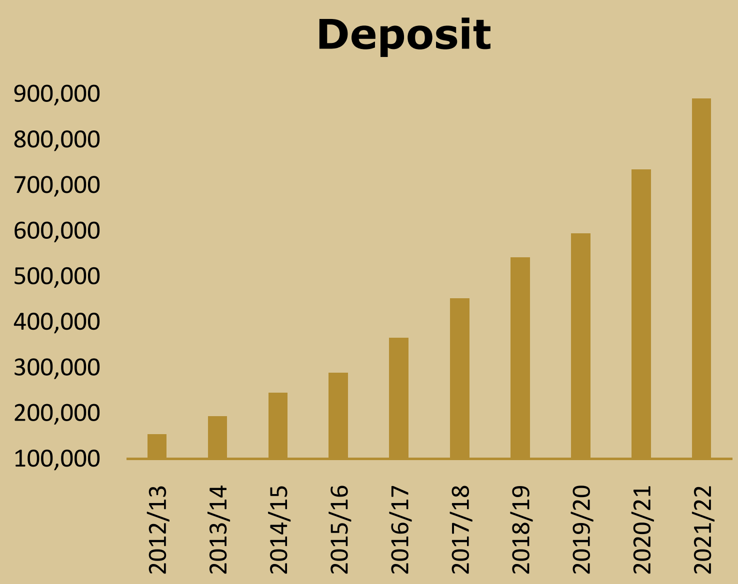
Equity

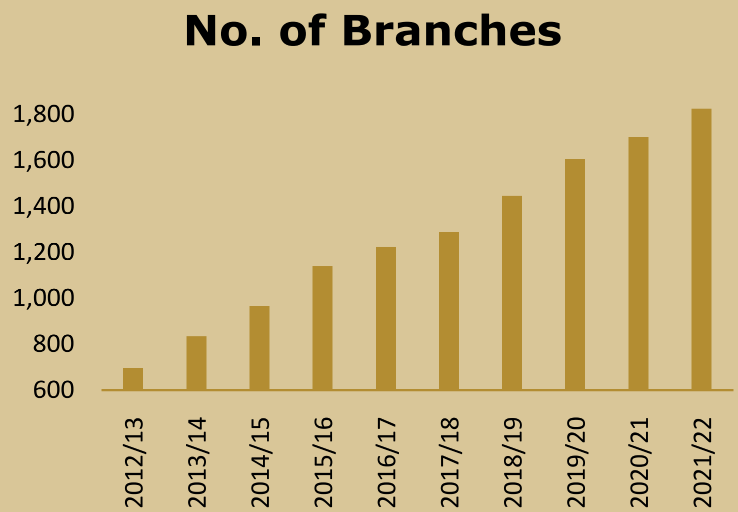


Outstanding Loans & Securities



PERFORMANCE HIGHLIGHTS - (Continued)





BOARD OF DIRECTORS

Ato Teklewold Atinafu
Chairperson

Fitsum Assefa (Ph.D)
Member

Woy. Yasmin Wohabrebbi
Member

Ato Getachew Negera
Member

Ato Addisu Haba
Member

BOARD OF DIRECTORS - (Continued)

Ato Ahmed Tusa
Member

Woy. Aynalem Nigussie
Member

Ato Wondimagegnehu Negera
Member

Woy. Tigist Hamid
Member

Eyob Tesfaye (Ph.D)
Member

CBE NOOR SHARI'AH ADVISORY COMMITTEE

Jeyilan Kedir (Ph.D)
Chairperson

Mohammed Hamidin (Ph.D)
Vice Chairperson

Nur Abdi Gudle (Associate Prof.)
Member

Mohammed Zein Nur (Ph.D)
Member

Ustaz Awel Abdulwehab
Member

EXECUTIVE MANAGEMENT

Ato Abie Sano
President

Ato Dereje Fufa
Executive V/P - Retail and Branch Banking

Ato Frew Gebreselassie
A/V/P - Risk and Compliance

Ato Mulugeta Sarko
V/P - Internal Audit

Woy. Makeda Oumer
V/P - International Banking

EXECUTIVE MANAGEMENT - (Continued)

Ato Fikireselassie Zewdu
V/P - Credit

Ato Amare Assefa
V/P - Information Systems

Woy. Sosina Alemayehu
V/P - Legal Service

Ato Nuri Hussein
V/P - Interest-free Banking

Ato Yonas Lidetu
V/P - Finance

Emebet Melese (Ph.D)
V/P - Strategy Planning
& Transformation

EXECUTIVE MANAGEMENT - (Continued)

Ato Mideksa Tolesa
V/P - Facilities Management

Ato Ephrem Mekuria
V/P - Human Resource

Ato Surra Saketa
Chief of Staff

Ato Dahlak Yigezu
V/P - Digital Banking

Ato Kidane Mengesha
V/P - Wholesale Banking

Ato Haileyesus Bekele
V/P - Customer Experience

PRESIDENT'S MESSAGE

I am very pleased to disclose to all stakeholders that 2021/22 was another successful fiscal year for our Bank, which ranks 30th in *The Banker*'s rating of top African banks.

Global developments such as expansion of e-commerce and increased tendency to use digital banking favoured our business performance. In addition, local efforts such as demonetization of Birr notes and cash holding limits enhanced the circulation of money through banks and the public's use of bank services.

In contrast, various challenges negatively affected the operation of our service channels and the economic activities of both our customers and partners.The disruption of logistics due to the COVID-19 pandemic and the inflation arising from the Russia-Ukraine war were among such global level factors. At the local level, we faced security issues in some parts of Ethiopia, a wide exchange rate gap between the official and parallel markets, high inflation and rapid currency depreciation.

During the fiscal year, Ethiopia registered a 6.4 % growth in GDP, and the banking and insurance sector contributed 3.5% of the GDP. Our stake here was paramount as we lead the banking industry, covering over half of the deposit, asset and loans and advances shares in the market. Similarly, we contributed USD 2.6 billion (more than 38% of the national foreign currency inflow) to the Ethiopian economy.

Our Bank earned a pre-tax profit of Birr 21.8 billion (41% of what the industry made) in the fiscal year, which marks another above-target achievement and a new profit record for us!

Moreover, we raised our total asset by over 16.8% to Birr 1.16 trillion. Hence we ranked 14th among the top African banks in *The Banker*'s rating and raised our total equity to Birr 71.5 billion (including undeclared dividend of Birr 11.9 billion).

As we managed to mobilize above Birr 155.0 billion deposit and collect Birr 120.6 billion from loans, we could disburse a total loan of Birr 179.2 billion and exceed our disbursement target well. Remarkably, our IFB business showed a 33.7% increase in deposit mobilization performance and a 44% growth in amount of financing.

We continued to be the most accessible Ethiopian bank by opening 124 new branches across the country. We also maintained the largest banking customer base by raising the total number of our account holding customers to 35.9 million.

We increased the number of users of our card banking, mobile banking and mobile money services to 7.7 million, 5.9 million, and 5.4 million, respectively. Besides, we raised the number of our mobile money service agents and merchants to 20,892 and 37,851. As a result, digital transactions covered a total amount of Birr 1.2 trillion and 35.4% of all transactions mediated by our Bank.

2021/22 was a fiscal year marked by considerable efforts for effecting our Bank's comprehensive transformation and reform. Notably, we developed five-year corporate and functional strategies and a financial model that would help our Bank to become more competitive and customer-centered.

Like in the previous years, our Bank fulfilled its corporate social responsibilities. We spent nearly Birr 1 billion in the fiscal year mainly on supports to other organizations and our country wide green initiatives. Our interventions have tremendously assisted in alleviating the social and economic problems of the society as the beneficiaries witness it.

Our Bank has constantly been victorious due to the strategic support of the Board of Directors, the coordinated efforts of its executives and employees, the good rapport with its partners, and most importantly, the trust of our customers. Deeply grateful for the outstanding contribution of all stakeholders, I call for your respective sustained support in making our Bank's transformation agenda, objectives and vision a reality.

Abie Sano
President

CBE SHARIÁ ADVISORY COMMITTEE (SAC) STATEMENT FOR THE FISCAL YEAR ENDED JUNE 30 2022

Pursuant to the CBE's SAC charter and its provision associated to IFB service, and in accordance with the IFRS & AAOIFI Shariá standard, the SAC presents the following report:

CBE Interest Free Banking (CBE Noor) offers a wide range of deposit, financing and various banking and services comparable to other banking services in Commercial Bank of Ethiopia, irrespective of race, religion or company.

We are very glad when we are honored to announce that the interest free banking (CBE Noor) has mobilized deposit of birr 69.6 billion and earned profit before tax of birr 1.67 Billion from IFB business during the budget year ended June 30 2022.

Thus, we hope and anticipate that CBE Noor will continue to contribute more by upholding similar Shariah compliance dedication, implementations and applications without undermining the never-ending quest of customers and by addressing banking the unbanked, serving the missing middle and accommodating all those who are far from banks due to their uncompromised belief.

As Shariah Advisory Committee of the Bank, we have given our highest dedication to ensure best quality and demonstrated commitment to Shariah compliance in the products, process, documentations, marketing and other related Sharia compliant products and services by the Bank during the fiscal year. Besides its advisory and Shariá compliance assurance services on the regular banking businesses, the Shariah Committee also supports on the development of other Shariah based products and services initiated and attend awareness creation programs to address questions may be raised by the Community at large.

We have reviewed the principles and the contracts relating to the transactions and applications introduced by CBE Noor during the year ended 30 June 2022. We have also conducted our reviews to form an opinion as to whether the Bank has complied with Shariá Rules and Principles and also with the specific Fatwas, rulings and guidelines issued by us and the Bank.

The Bank's management is responsible for ensuring that the bank conducts its business in accordance with Shariá Rules and Principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank, and to report.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated Shariá Rules and Principles.

In our opinion:

a. The contracts, transactions and dealings entered into by the Bank during the year ended 30 June 2022 that we have reviewed are in compliance with the Shari'a Rules and Principles;
b. The profits distribution and loss allocation to the investment accounts complies with the principle adopted according to the Sharia rules and principles.
c. All amounts devolved to the Bank from sources or realized from sources like penalties or by means that do not comply with the Sharia rules and principles were not incorporated in the Bank's revenues and are placed and reported separately for charity purposes.
d. The Responsibility of paying Zakat falls on Investment account holders. The Bank is not authorized to pay Zakat directly, as there is no law to that effect.

Finally, the Sharia Advisory Committee takes this opportunity to express its thanks to the Board of Directors and the Bank's management for their co-operation and their keenness in understanding and adherence to the rules of the noble Shariá principles.

Thank you!

Jeyilan Kedir (Ph.D)
SAC Chairperson

Mohammad Hamidin (Ph.D)
SAC Vice Chairperson

Nur Abdi Gudle (Associate Prof.)
SAC Member

Mohammadzen Nur (Ph.D)
SAC Member

Awel Abdulwehab /Ustaz /
SAC Member

1 HIGHLIGHTS OF GLOBAL AND DOMESTIC ECONOMIES

1.1 The Global Economy

The recovery of the global economy that started in the first half of 2021 was hampered by the resurgence of the COVID-19 Omicron variant in the fourth quarter of 2021 and the Russia-Ukraine war in the first quarter of 2022. Multiple shocks, among which is the Russia-Ukraine war, persistent inflation, tighter financial conditions, and lingering supply constraints impacted global economic activity. According to World Bank (June 2022)[1], global economic growth was estimated to fall from 5.7% in 2021 to 2.9% in 2022, which is the weakest growth since 2001 except for the years that saw the global financial crisis.

Global trade was slow owing to the lingering effects of the Coronavirus pandemic and disrupted global value chains due to the war in Ukraine. The services trade has regained its pre-pandemic level, driven by a rebound in non-tourism services. The tourism sector started to recover in 2021 from the COVID-19 impact as countries eased restrictions. International tourism continued to recover at a strong pace in the first quarter of 2022, though it remained 61% below its 2019 levels in the first quarter of 2022. [2]

Global foreign direct investment (FDI) flow grew by 64% in 2021 from the level in 2020 (during the first year of the COVID-19 pandemic). However, with the war in Ukraine, investor uncertainty and risk aversion could put significant downward pressure on global FDI in 2022 (UNCTAD, June 2022).[3]

Global unemployment is expected to remain above the pre-COVID-19 level (ILO, January 2022).[4] The global labor force participation rate in 2022 is projected to remain at 1.2% below that of 2019. On the other hand, remittance inflow to low and middle income countries increased by 10.2 % in 2021 and is estimated to moderately grow by 4.9 % in 2022 (World Bank, Nov 2022). [5]

During 2021/22, the average price of energy and non-energy items increased by 89.5% and 24.9% respectively. The strong increase in commodity prices had large implications for the Ethiopian economy and that of the CBE.

1.2 The Ethiopian Economy

The Ethiopian economy grew by 6.4% during the 2021/22 FY despite the impacts of the conflict in the northern part of the country, the COVID-19 pandemic, drought, an external price shock, and a slowdown in external finance.

Exports remained buoyant during the 2021/22 FY, in which export earnings exceeded USD 4 billion, with a 14.2% increase from the previous fiscal year. Likewise, goods imports showed a 26.6% increase. Ethiopia earned USD 2.8 billion during the FY from private transfers, which showed a slight decline from the earnings in the preceding year. The current account deficits widened during the year, while the overall balance of payments registered a deficit in contrast to the surplus in the preceding year.

Inflation continued to rise during the year under review, with general year-on-year inflation reaching 34% in June 2022. While the year-on-year food inflation reached 38.1%, the non-food inflation was 28.4%, with some possible adverse impacts on banks' mobilization of deposits from the household sector of the economy.

The financial sector became robust as eleven newly joining banks increased the competition in the banking industry. The government continued to implement its reform programs during the FY. On the other hand, the National Bank of Ethiopia issued various directives, notably on foreign currency retention, utilization, and intermediation; revising the reserve requirements of banks, and investing in Development Bank of Ethiopia bonds.

Cited Sources

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2. https://www.oxfordeconomics.com/resource/tourism-effects-of-russias-war-on-ukraine/
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4. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_834067.pdf
5. https://www.knomad.org/publication/migration-and-development-brief-37

2 HIGHLIGHTS OF CBE'S FINANCIAL STATEMENTS

2.1 Income Statement

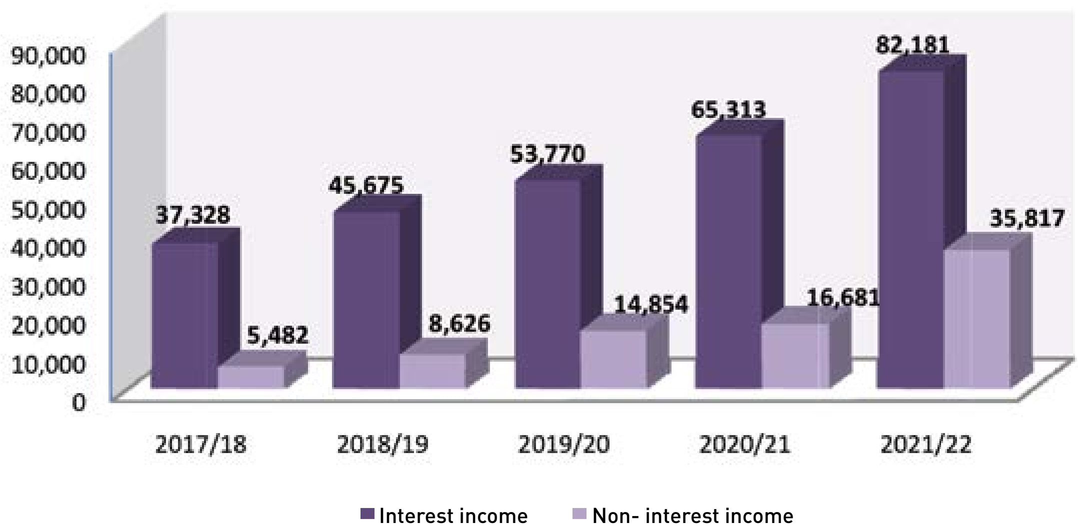
2.1.1 Income

CBE's gross income increased by 43.9% in the 2021/22 FY from the preceding fiscal year to reach Birr 118 billion. The bank's interest income grew by 25.8%, contributing the lion's share (70%) of the total income. The non-interest income grew by 114.7%, supported by enhanced international banking services, growing digital banking services, and expansion of CBE NOOR services.

Income Statement Comparison with 2020/21 FY			
Particulars	2020/21 FY (Mn. Birr)	2021/22 FY (Mn. Birr)	Growth (%)
Total income	**81,994**	**117,997**	**43.9**
Interest income	65,313	82,181	25.8
Non-interest income	16,681	35,817	114.7
Total expense	**62,717**	**96,177**	**53.4**
Interest expense	33,143	38,713	16.8
Non-interest expense	29,574	57,463	94.3
Profit before tax	**19,278**	**21,821**	**13.2**

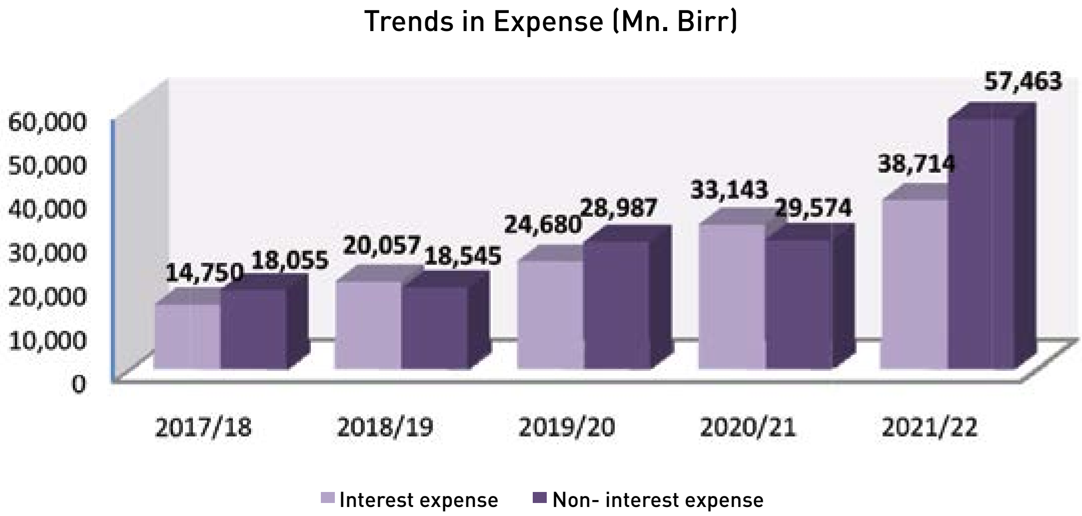
The bank's income continued to grow across the past five fiscal years, and interest income consistently made the largest contribution to the growth of total income.

Trends in Income (Mn. Birr)



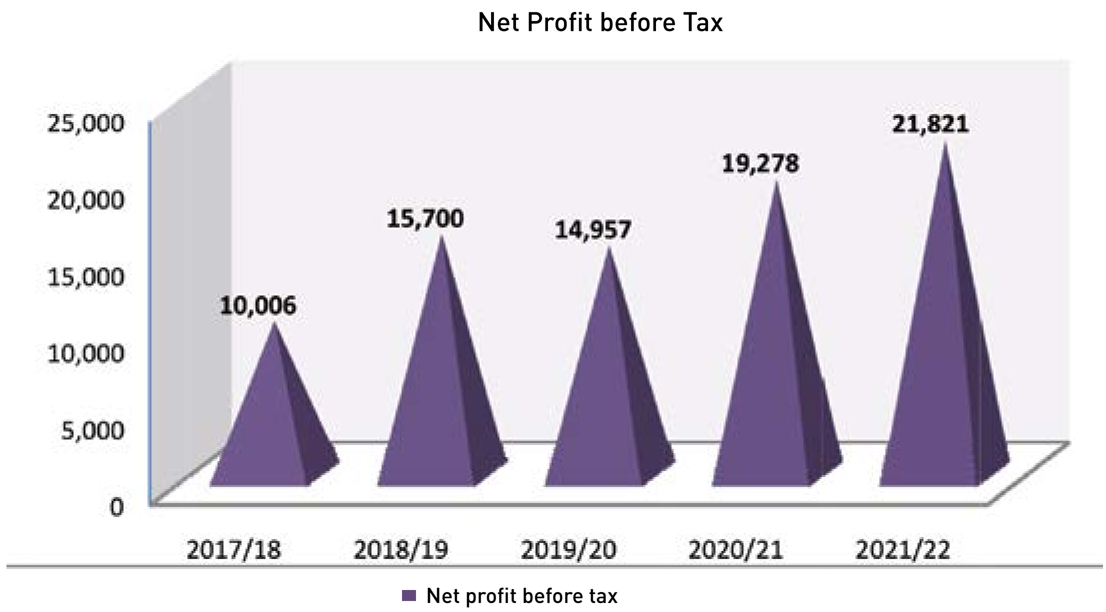
2.1.2 Expense

The total expense of the bank for 2021/22 FY became Birr 96.2 billion, growing by 53.4% from the preceding year. The interest expense grew by 16.8%, contributing a share of 40.3% to the total expense. On the other hand, the non-interest expense rose to Birr 57.5 billion, increasing by 94.3% from the preceding year.



2.1.3 Profit

CBE's net profit before tax increased by 13.2% to become Birr 21.8 billion in 2021/22 FY from Birr 19.3 billion in the previous year.



The bank's Return on Assets (ROA) stood at 2.03%, while its Return on Equity (ROE) stood at 32.35%, and its Net Interest Margin (NIM) stood at 4.58%. These suggest that CBE is on firm ground in terms of profitability measures.

Profitability Indicators Comparison with 2020/21 FY		
Particulars	**2020/21 FY (%)**	**2021/22 FY (%)**
ROA	2.13	2.03
ROE	37.20	32.35
NIM	4.09	4.58

2.2 Balance Sheet

2.2.1 Assets

The total asset of CBE reached Birr 1.16 trillion as of 30 June 2022, growing by 16.8% from the preceding year. The higher growth of debt and equity securities (26.2%) mainly contributed to the total asset growth. During the 2021/22 FY, the loan portfolio increased by 19.1% to Birr 990.7 billion. CBE NOOR financing grew by 44.2% from the preceding year, which indicates the bank's commitment to address the needs of its diverse customers.

Outstanding Loans & Advances and Securities			
Particulars	**2020/21 FY (Mn. Birr)**	**2021/22 FY (Mn. Birr)**	**Growth (%)**
Debt & equity securities	**552,453.6**	**697,033.0**	**26.2**
Loans to customers (Net of impairment losses)	**279,001.7**	**293,331.5**	**5.1**
Agriculture	13,822.6	4,764.4	(65.5)
Manufacturing	174,798.5	158,063.5	(9.6)
Domestic trade and services	19,392.0	14,640.9	(24.3)
Foreign trade	15,351.2	51,050.3	232.6
Building and construction	14,524.3	20,032.1	37.9
Mining and quarrying		22.0	
Personal and consumer loan	35,003.6	35,859.9	2.4
CBE NOOR finance	6,172.4	**8,898.5**	**44.2**
Loans to financial institutions	**207.4**	**321.4**	**55.0**
Total outstanding loans & securities	**831,662.7**	**990,685.8**	**19.1**

CBE disbursed fresh loans amounting to Birr 179.2 billion during the 2021/22 FY, showing a 67.6% growth. From the total disbursement, Birr 4.3 billion was given to CBE NOOR customers. On the other hand, the amount of loans collected during the fiscal year was Birr 120.6 billion.

2.2.2 Liabilities

The overall liabilities of CBE rose by 17% in 2021/22 FY: from Birr 927.9 billion in the 2020/21 FY to Birr 1,086.1 billion. Deposits accounted for 82% of the total liabilities, and the total deposit rose by 21.1% to Birr 890.9 billion as at 30 June 2022.

Comparison of Year-end Deposits with 2020/21 FY			
Particulars	**2020/21 FY (Mn. Birr)**	**2021/22 FY (Mn. Birr)**	**Growth(%)**
Customer deposit	**735,296**	**889,662**	**21.0**
Demand deposit	272,192	331,493	21.8
Saving deposit	402,229	476,583	18.5
Fixed time deposit	8,836	12,027	36.1
CBE NOOR deposit	52,039	69,559	33.7
Deposit due to other banks	**365**	**1,280**	**250.7**
Total deposit	**735,661**	**890,942**	**21.1**

2.2.3 Equity

CBE's equity stood at Birr 71.5 billion as of 30 June 2022, showing an increment of 32.9% from its 30 June 2021 position. The capital adequacy ratio stood at 28%.

3 HIGHLIGHTS OF NON-FINANCIAL DEVELOPMENTS

3.1 Expansion of Customer Base and Use of Digital Channels

The customer base of the bank kept expanding continuously, and 2.9 million new deposit accounts were opened during the 2021/22 FY. The number of CBE's account holders reached 35.9 million by the end of the 2021/22 FY, growing by 14.3% from the preceding year. The CBE NOOR Division recruited nearly 1 million new account holders, which constitute the total of 5 million new account holders.
Similarly, digital channel users increased in number to become 7.7 million debit card holding customers, 5.9 million mobile banking users and 5.4 million CBE Birr users.

3.2 Accessibility

In a move to increase its accessibility, CBE continued its branch opening activities throughout the 2021/22 FY. The 124 new branches opened increased the bank's branch network to 1,824 as of 30 June 2022. CBE NOOR dedicated branches reached 114, and 1,780 branches of the bank provided CBE NOOR window-based services.

To enhance service availability through digital channels, the bank recruited agents and merchants for its CBE-Birr mobile money service. As a result, it had 20,892 agents and 37,851 merchant partners as of 30 June 2022.

3.3 Human Resource Development

At the end of June 2022, the total number of permanent employees of CBE was 39,801 and that of contract employees was 30,019, making the bank the leading employer in the industry. During the 2021/22 FY, the bank organized and conducted various training programs to develop the skills and abilities of its staff members. Thus about 68,850 trainees attended technical , developmental and ethics training programs.


Hajj for All!
الحج للجميع
Wadiah Labbaik Saving Account
for Hajj and Umrah
ሲቢኢ ኑር
CBE NOOR
ለበይክ የሂሳብ ደብተር
LABBAIK ACCOUNT PASSBOOK
ሲቢኢ ኑር
CBE NOOR
የኢትዮጵያ ንግድ ባንክ
Commercial Bank of Ethiopia

ANNEX: 2021/22 AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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AUDIT SERVICES CORPORATION

COMMERCIAL BANK OF ETHIOPIA

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2022

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The Federal Democratic Republic of Ethiopia
Audit Services Corporation

INDEPENDENT AUDITOR'S REPORT TO THE SUPERVISING AUTHORITY OF COMMERCIAL BANK OF ETHIOPIA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Commercial Bank of Ethiopia (the Bank) and its consolidated subsidiaries (the Group), which comprise the consolidated and the Bank's statements of financial position as at 30 June 2022, and the consolidated and the Bank's statements of profit or loss and other comprehensive income, consolidated and Bank's statements of changes in equity and consolidated and the Bank's statements of cash flows for the year then ended, and notes to the consolidated and the Bank's financial statements, including consolidated and the Bank's summaries of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial positions of the Group and of the Bank as at 30 June 2022 and the consolidated and the Bank's financial performances and the consolidated and the Bank's 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 Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

☎ 251 115 515222 Fax 251 115 513083 E-mail:ASC@ethionet.com ✉ 5720
251 115 535012
251 115 535015
251 115 535016

Key Audit Matters

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

Group and Consolidation

The scope of our Group audit was determined by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope on the audit work at all companies operating within the Group.

Our audit work was executed at levels of materiality applicable to each individual entity which were lower than Group materiality. At the Bank level we also tested the consolidation process and carried out analytical procedures.

Loans and Advances

There are risks that loans and advances may be given without proper managerial approval; may not be accurately recorded; do not exist; may not be recorded at appropriate values; and all bad and doubtful balances may not have been provided for written off. In our response to these risks, we have assessed the reasonableness of the design of the system of internal control by enquiring of the relevant Bank personnel and reviewing the documented system developed by the Bank. We tested this system in order to confirm our understanding of it. We identified the preventive and detective controls. We checked a sample of selected transactions covering the whole year to see that all controls were exercised on all transactions. For a sample of disbursements made during the year, we checked the approval of appropriate level of management and checked that all formalities necessary before disbursement of loans and advances had been fulfilled. We test checked loan agreements and legal documents to verify the terms and conditions of loans and advances. We obtained an analysis of loans and verified that they had been classified in correct categories and we considered the value of collateral available against each loan for calculating the provision for doubtful loans and advances. Our testing did not identify major weakness in the design and operation of controls that would have required us to expand the nature or scope of our planned detailed test work. Overall, we found no major concerns in respect to the completion of formalities or the recording of loans and advances at appropriate values.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements - (Continued)

In preparing the financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' 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.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE SUPERVISING AUTHORITY OF COMMERCIAL BANK OF ETHIOPIA - (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements - (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Woizero Banchiayehu Tamirat.

Audit Services Corporation

Date 27 April 2023

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements of Commercial Bank of Ethiopia ("The Group"), comprising the consolidated statements of financial position as at 30 June 2022, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended and the notes to the financial statements , which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS).

To enable the Directors to meet those responsibilities, the Board of Directors (the "Board") and management sets standards and management implements systems of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

To the best of their knowledge and belief, based on the above, the Directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review. The Directors have reviewed the performance and financial position of the Group to the date of signing of these financial statements and its prospects based on prepared budgets, and are satisfied that the Group is a going concern and, therefore, have adopted the going concern assumption in the preparation of these consolidated financial statement.

Approval of the Annual Financial Statements

The financial statement is approved by the Board of Directors on April 27, 2023 in accordance with Bank Corporate Governance Directive No SBB/71/2019, National Bank of Ethiopia.

Signed on behalf of the Directors by:

Ato Teklewold Atinafu
Board Chairperson

Ato Abie Sano
President

COMMERCIAL BANK OF ETHIOPIA
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022 (IN ETHIOPIAN BIRR)

		For the Year Ended 30 June	
	Note	2022	2021
Interest income	7	82,180,599,187	65,312,958,995
Interest expense	7	(38,713,921,403)	(33,142,991,472)
Net interest income		**43,466,677,784**	**32,169,967,523**
Impairment losses on loans and advances		(25,735,663,935)	(2,652,662,625)
Net interest income after provisions		**17,731,013,850**	**29,517,304,898**
Gain on foreign currency transactions		3,695,683,736	(1,730,792,677)
Equity investments in associates	14	43,536,142	39,039,686
Non-interest income	8	32,077,541,394	16,642,213,423
Non-interest expense	8	(31,727,179,518)	(25,190,077,995)
Profit before tax		**21,820,595,603**	**19,277,687,334**
Income tax	25	(5,327,844,443)	(5,990,281,996)
Profit for the year		**16,492,751,161**	**13,287,405,339**
Other comprehensive income			
Items that will never be reclassified to profit or loss		**(389,905,158)**	**1,281,889,994**
Remeasurements of defined benefit liability	24	(679,867,759)	1,735,474,643
Related tax	25	203,960,328	(520,642,393)
Unrealized (loss)/gain arising from measurement at fair value	25	122,860,391	95,796,777
Related tax	25	(36,858,117)	(28,739,033)
		(389,905,158)	**1,281,889,994**
Items that are or may be reclassified to profit or loss financial assets: financial assets			
Foreign currency translation differences for foreign operations		26,508,427	(2,038,586)
		26,508,427	(2,038,586)
Other comprehensive income, net of tax		**(363,396,731)**	**1,279,851,408**
Total comprehensive income		**16,129,354,430**	**14,567,256,747**

The accompanying notes are an integral part of this consolidated financial statement.

-------------------------------- Board Chairperson

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COMMERCIAL BANK OF ETHIOPIA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022
(IN ETHIOPIAN BIRR)

	Note	30 June 2022	30 June 2021
Assets			
Cash and cash equivalents	9	126,144,427,694	117,165,815,748
Debt & equity securities	10	697,032,955,844	552,453,627,251
Loans and advances to customers, net	11	293,331,457,302	279,001,679,067
Loans to micro-finance institutions, net	12	321,434,341	207,442,852
Receivables	13	3,250,829,651	7,799,402,955
Investments in associates	14	363,720,878	277,125,422
Non-current assets held for sale	15	859,863,419	935,486,774
Investment property	16	563,187	186,977
Property, plant and equipment, net	17	14,525,634,452	13,182,461,314
Intangible assets	18	447,424,926	136,458,634
Other assets	19	10,755,196,142	12,197,667,537
Right of use asset	20	4,336,893,979	3,895,212,080
Deferred tax assets	25	6,199,098,365	4,066,481,458
Total assets		**1,157,569,500,179**	**991,319,048,071**
Liabilities			
Deposits due to other banks		1,279,768,316	364,945,567
Customers' deposits	21	889,662,377,195	735,295,983,493
Current tax liabilities	25	7,306,693,187	6,337,242,247
Provisions	22	2,656,604,962	1,528,010,488
Finance lease obligations	20	568,633,265	394,843,317
Employee benefits	23	9,584,916,621	6,459,952,329
Other liabilities	24	174,994,524,604	177,539,624,174
Total liabilities		**1,086,053,518,151**	**927,920,601,615**
Equity			
Capital	26	40,000,000,000	40,000,000,000
Legal reserve		19,411,191,215	15,263,362,142
Capital reserve		249,632,382	218,603,959
Statutory reserve		1,756,847,304	236,337,498
CBE NOOR reserve		19,412,058	6,474,853
Fair value reserve		181,005,199	217,863,316
Foreign currency translation reserve		(233,187,639)	(302,625,994)
Accumulated profit or loss		11,899,022,042	9,186,092,661
Remeasurement of defined benefit liability		(1,767,940,532)	(1,427,661,978)
Total equity		**71,515,982,029**	**63,398,446,457**
Total liabilities and equity		**1,157,569,500,179**	**991,319, 048, 071**

The accompanying notes are an integral part of this consolidated financial statement.

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Board Chairperson President

COMMERCIAL BANK OF ETHIOPIA
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022 (IN ETHIOPIAN BIRR)

	Capital	Legal Reserve	Capital Reserve	Statutory Reserve	CBE NOOR Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Accumulated Profit or Loss	Remeasurement of Defined Benefit Liability	Total Equity
Balance as of 30 June 2021	**40,000,000,000**	**15,263,362,142**	**218,603,959**	**236,337,497**	**6,474,853**	**217,863,316**	**(302,625,994)**	**(385,816,812)**	**(1,427,661,978)**	**53,826,536,984**
Opening adjustment								12,020,383,786		**12,020,383,787**
Profit for the year								16,492,751,161		**16,492,751,161**
Other compre-hensive income						(36,858,117)			(340,278,553)	**(377,136,670)**
Transfer to capital reserve			31,028,423					(31,028,423)		
Transfer to/ (from) CBE NOOR reserve					12,937,205					**12,937,205**
Transfer to/ (from) legal reserve		4,147,829,073						(4,147,829,073)		
Transfer to/ (from) statutory reserve				1,520,509,806						**1,520,509,806**
Loss on foreign exchange							69,438,355	(69,438,355)		
Dividends								(11,980,000,242)		**(11,980,000,242)**
Balance as of 30 June 2022	**40,000,000,000**	**19,411,191,215**	**249,632,382**	**1,756,847,304**	**19,412,058**	**181,005,199**	**(233,187,639)**	**11,899,022,042**	**(1,767,940,532)**	**71,515,982,029**

COMMERCIAL BANK OF ETHIOPIA

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022 (IN ETHIOPIAN BIRR) - (Continued)

	Capital	Legal Reserve	Capital Reserve	Statutory Reserve	CBE NOOR Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Accumulated Profit or Loss	Remeasurement of Defined Benefit Liability	Total Equity
Balance as of 30 June 2020	**40,000,000,000**	**12,050,767,160**	**173,439,202**	**241,925,670**	**1,706,854**	**150,805,429**	**(300,587,409)**	**146,480,466**	**(2,642,494,085)**	**49,822,043,143**
Opening adjustment								(112,574,763)		**(112,574,763)**
Profit for the year								13,287,405,339		**13,287,405,339**
Other comprehensive income						67,057,888			1,214,832,250	**1,281,890,138**
Transfer to capital reserve			45,164,757					(45,164,757)		
Transfer to/(from) CBE NOOR reserve					4,768,000					**4,768,000**
Transfer to/(from) legal reserve		3,212,594,982						(3,212,594,982)		
Transfer to/(from) statutory reserve				(5,588,172)						**(5,588,172)**
Loss on foreign exchange							(2,038,586)	2,038,586		
Dividends								(10,451,406,701)		**(10,451,406,665)**
Balance as of 30 June 2021	**40,000,000,000**	**15,263,362,142**	**218,603,959**	**236,337,497**	**6,474,853**	**217,863,316**	**(302,625,994)**	**(385,816,812)**	**(1,427,661,978)**	**53,826,536,984**

COMMERCIAL BANK OF ETHIOPIA
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022
(IN ETHIOPIAN BIRR)

	2022	2021
Cash Flows from Operating Activities		
Profit before tax	**21,820,595,603**	**19,277,687,334**
Adjustment		
Impairment of loans and advance and debt securities	25,692,687,336	2,748,459,403
Provision for unutilized OD, LC and guarantee	9,498,974	67,894,171
Reduction of allowance for placement with other banks	858,062,105	84,205,920
Provision against non-current asset held for sale	87,753,363	85,917,466
Depreciation and amortization	3,459,790,158	2,423,157,223
Income from associate recognized in profit or loss	(43,536,142)	(39,039,686)
Loss (Gain) on disposal of property, plant and equipment	(10,222,760)	(7,187,227)
Loss (Gain) on disposal of NCA heald for sale	(2,009,685)	(13,182,314)
Finance lease charge	7,808,620	25,893,250
	51,880,427,572	**24,653,805,540**
Movement in working capital		
Change in debt and equity securities	(148,707,323,909)	(108,758,997,033)
Change in loans and advances	(35,885,601,354)	(47,328,663,527)
Change in receivables	6,069,083,110	1,072,885,500
Change in other assets	1,442,471,396	(518,269,907)
Change in restricted fund	(13,263,965,888)	(5,012,027,647)
Change in customers' deposits	154,379,330,907	142,259,606,431
Change in provisions	1,119,095,500	70,157,162
Change in employee benefits	2,508,128,167	875,378,373
Change in other liabilities	(4,072,831,090)	23,692,888,815
	15,468,814,412	**31,006,763,708**
Cash generated from operations		
Income taxes paid	(6,128,368,299)	(5,955,141,745)
Net cash generated by operating activities	**9,340,446,113**	**25,051,621,963**
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(3,241,121,743)	(822,003,303)
Proceeds from disposal of property, plant and equipment	17,316,746	10,821,069
Proceeds from disposal of NCA held for sale	(10,120,323)	22,296,389
Payments for investments	(43,059,314)	(27,043,861)
Payment for intangibles	(465,108,060)	(7,862,764)
Payment right of use assets	(1,513,382,990)	(960,815,559)
Net cash used in investing activities	**(5,255,475,684)**	**(1,784,608,029)**

COMMERCIAL BANK OF ETHIOPIA
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022 (IN ETHIOPIAN BIRR) - (Continued)

Cash Flows from Financing Activities	2022	2021
Dividend paid	(9,186,092,661)	(7,771,189,064)
Finance lease obligation paid	(164,288,457)	(141,411,959)
Net cash outflow from financing activities	**(9,350,381,117)**	**(7,912,601,022)**
Increased (decrease) in cash and cash equivalents	**(5,265,410,689)**	**15,354,412,912**
Unrealized gain (losses) arising from change in foreign currency exchange rates	**923,296,103**	**27,829,366**
Cash and cash equivalents at the beginning of the year	70,135,378,760	54,753,136,482
Cash and cash equivalents at the end of the year	**65,793,264,174**	**70,135,378,760**
Cash in hand	10,644,872,258	8,719,674,795
Balance with National Bank of Ethiopia	10,332,263,712	23,448,939,211
Treasury bills	23,765,348,516	
Placement with other banks	22,330,548,003	38,331,710,321
Deposit due to other banks	(1,279,768,316)	(364,945,567)
Cash and cash equivalents	**65,793,264,174**	**70,135,378,760**

(1) REPORTING ENTITY

Commercial Bank of Ethiopia (the Bank) is a financial institution established in 1942 as State Bank of Ethiopia and later incorporated as a limited liability public enterprise pursuant to the laws of the Governement of Ethiopia on December 16, 1963 for an indefinite time period as a holding Bank.

The Bank's registered office is in Addis Ababa, Ethiopia and it has 1,831branches.

(2) BASIS OF CONSOLIDATION

The Bank has subsidiaries in Ethiopia, the Republic of Djibouti and the Republic of South Sudan. The consolidated financial statement incorporates the financial statements of the Bank and four entities controlled by the Bank- its subsidiaries (together referred to as the Group or individually as Group entities). Control is achieved where the Bank has the power to govern the financial and operation policies of an entity so as to obtain benefits from its activities.

(3) BASIS OF PREPARATION

(a) Statement of Compliance

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for the following significant items:

1. Equity instruments designated at fair value through other comprehensive income;
2. Non-current assets held for sale measured at lower of their carrying amounts and fair value less costs to sell; and
3. The liability for defined benefit obligations is recognized as the present value of the defined obligation, plus unrecognized actuarial gains less unrecognized past service cost and unrecognized actuarial losses.

(c) Use of Judgments and Estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Group'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. Revisions to estimates are recognized prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements included in the following note:
Note 4 (a) – determination of control over investees.

Management used the control model under IFRS 10, to determine whether the control indicators

(3) BASIS OF PREPARATION - (Continued)

(c) Use of Judgments and Estimates - (Continued)

set out in Note 4(a) indicate that the Bank controls a trust, an investment fund or an entity without ownership interest.

Assumptions and Estimation Uncertainties

Note 4((c) and (l)) – identification and measurement of impairment for financial instruments
Note 4(g) and note 4 (k) – useful lives of tangible and intangible assets;
Note 4(o) – measurement of defined benefits obligations: key actuarial assumptions;
Note 4(n) and note 4(u) – recognition and measurement of provisions and contingencies;
Note 4(t) – recognition of deferred taxes.
Note 4(c) vii) Fair value measurement of financial instruments

Information on assumptions and uncertainty of estimates posing a significant risk of resulting in a material adjustment is presented as follows:

d) Classification and Impairment of Financial Assets

The classification of financial assets includes the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

The impairment of financial instruments includes the assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses (ECL).

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4(c)(viii) which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 4(c)(viii).

e) Deferred Tax

The Group is subject to income tax under different jurisdictions. Estimates are made through a tax projection for determining the provision for income taxes and liabilities. When the final tax outcome is different from the amounts that were recorded, differences will impact the provision for income taxes and deferred taxes in the period in which such determination is made (see note 4(t).

(4) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in this financial statement.

(a) Details of Consolidation

i. Subsidiaries

Subsidiaries are investees controlled by the Bank. The Bank controls a subsidiary if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank reassesses whether it has control if there are changes to one or more of the elements of control. The financial statements s of subsidiaries, as described below, and are included in the financial statements s from the date on which control commences until the date when control ceases.

The Bank's subsidiaries are as follows:

Name	Principal Place of Business	30 June 2022	30 June 2021
Commercial Nominees PLC	Federal Democratic Republic of Ethiopia	100%	100%
Commercial Bank of Ethiopia-South Sudan Limited	The Republic of South Sudan	100%	100%
Commercial Bank of Ethiopia-Djibouti Limited	The Republic of Djibouti	100%	100%
Bole Printing Enterprize	Federal Democratic Republic of Ethiopia	100%	100%

ii. Associates

Associates are all entities over which the Bank has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investments are initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income (OCI) is reclassified to profit or loss as appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Bank and its associate are recognized in the Bank's financial statements only to the extent of unrelated parties' interests in the associates.

iii. Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(b) Foreign Currency

(i) Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group's entities at the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

This consolidated financial statement is presented in Ethiopian Birr ("ETB"), which is the Group's functional currency. The loans granted and liabilities contracted are in Ethiopian Birr, which is the currency that predominates in the economic environment where the Group operates. Similarly, the main cash flows for settled goods and services, taxes and other obligations are in Birr.

For entities incorporated in Ethiopia the legal currency is the Ethiopian Birr; whereas for the entities incorporated in the Republic of South Sudan the legal currency is the South Sudanese pound while Djibouti Franc is the legal currency in the Republic of Djibouti.

(ii) Foreign Operations

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated into Ethiopian Birr (ETB) at the spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Ethiopian Birr (ETB) using an average rate for the period.

Foreign currency differences are recognized in other comprehensive income (OCI), and accumulated in the foreign currency translation reserve.

(c) Financial Assets and Financial Liabilities

(i) Recognition and Initial Measurement

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

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

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(c) Financial Assets and Financial Liabilities - (Continued)

(ii) Classification and Measurement

Classification and Measurement of Financial Assets

On initial recognition, financial assets are classified into one of the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL);
- Elected at fair value through other comprehensive income (equities only); or
- Designated at FVTPL.

Financial assets include both debt and equity instruments.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

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

Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL); or
- Designated at FVTPL

Classification of debt instruments is determined based on:

(i) The business model under which the asset is held; and
(ii) The contractual cash flow characteristics of the instrument.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(c) Financial Assets and Financial Liabilities - (Continued)

(ii) Classification and Measurement - (Continued)

Business Model Assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Group's business model assessment is based on the following categories:

- Held to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held-to-collect nor held-to-collect and for sale.

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

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

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether Contractual Cash Flows Is Solely Payments of Principal and Interest

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(c) Financial Assets and Financial Liabilities - (Continued)

(ii) Classification and Measurement - (Continued)

Assessment whether Contractual Cash Flows Is Solely Payments of Principal and Interest - (Continued)

asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:
- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Group holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Debt instruments measured at amortized cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these instruments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship.

When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk are recognized in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income on an average cost basis.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(c) Financial Assets and Financial Liabilities - (Continued)

(ii) Classification and Measurement - (Continued)

Assessment whether Contractual Cash Flows Is Solely Payments of Principal and Interest - (Continued)

Debt instruments measured at FVOCI - (Continued)

Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to Interest income in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ACL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Statement of Financial Position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to Provision for credit losses in the Statement of Profit or Loss and Other Comprehensive Income. The accumulated allowance recognised in OCI is recycled to the Statement of Profit or Loss and Other Comprehensive Income upon derecognition of the debt instrument.

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

i) Are held for trading purposes;
ii) Are held as part of a portfolio managed on a fair value basis; or
iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the Statement of Financial Position, with transaction costs recognized immediately in the Statement of Profit or Loss and Other Comprehensive Income as part of Non-interest income. Realized and unrealized gains and losses are recognized as part of Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Debt instruments designated at FVTPL

Financial assets classified in this category are those that have been designated by the Group upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial assets for which a reliable estimate of fair value can be obtained.

Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets designated at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments

Equity instruments are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL); or
- Elected at fair value through other comprehensive income (FVOCI).

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(c) Financial Assets and Financial Liabilities - (Continued)

(ii) Classification and Measurement - (Continued)

Assessment whether Contractual Cash Flows Is Solely Payments of Principal and Interest - (Continued)

Equity instruments measured at FVTPL

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognized immediately in the Statement of profit or loss and other comprhensive income as part of Non-interest income. Subsequent to initial recognition the changes in fair value are recognized as part of Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments measured at FVOCI

At initial recognition, there is an irrevocable option for the Group to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments for strategic or longer-term investment purposes. This election is made on an instrument-by-instrument basis and is not available to equity instruments that are held for trading purposes.

Gains and losses on these instruments including when derecognized/sold are recorded in OCI and are not subsequently reclassified to the Statement of Profit or Loss and Other Comprehensive Income. As such, there is no specific impairment requirement. Dividends received are recorded in Interest income in the Statement of Profit or Loss and Other Comprehensive Income. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the Statement of Profit or Loss and Other Comprehensive Income on sale of the security.

Reclassifications

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

Classification and Measurement of Financial Liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

(iii) Derecognition

Financial Assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(c) Financial Assets and Financial Liabilities - (Continued)

(iii) Derecognition - (Continued)

Financial Assets - (Continued)

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

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial Liabilities

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

(iv) Modifications of Financial Assets and Financial Liabilities

Financial Assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognized, then impairment of the asset was measured using the pre-modification interest rate.

Financial Liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

(v) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intents either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(c) Financial Assets and Financial Liabilities - (Continued)

(vi) Amortized Cost Measurement

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

(vii) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

There is no active market or observable prices except for foreign currency market to measure the Group's financial assets or financial liabilities at fair value. Fair value of financial assets and financial liabilities is determined at each reporting date for disclosure in the financial statement purposes only.

(viii) Impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (see Note 3(a)).

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(c) Financial Assets and Financial Liabilities - (Continued)

(viii) Impairment - (Continued)

12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover. See also Note 4(a).

Restructured Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see note 4(c)(viii)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, and then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(c) Financial Assets and Financial Liabilities - (Continued)

(viii) Impairment - (Continued)

Credit-impaired Financial Assets - (Continued)

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

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- The rating agencies' assessments of creditworthiness;
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of Allowance for ECL in the Statement of Financial Position

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

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

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(d) Cash and Cash Equivalents

Cash comprise cash on hand, placements with other banks, cash reserve with the National Bank of Ethiopia, payment and settlement account with the National Bank of Ethiopia and Cash in Transit. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(d) Cash and Cash Equivalents - (Continued)

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

(e) Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

(f) Debt Securities

Government securities and coupons and corporate bonds are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss. They are measured at amortized cost-plus accrued interest.

(g) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and cumulative impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within operating and administrative expenses in profit or loss.

(ii) Subsequent Costs

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

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation is charged on the straight –line basis at the following rates per annum.

	%
• Building	5
• Computer equipment	25
• Fixtures, fittings and equipment	20
• Motor vehicles	20

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Minor repairs and maintenance costs are expense as incurred.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(h) Leases

(i) Group Acting as a Lessee

The Group recognizes a right-of-use asset at cost and a lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease; if that rate cannot be readily determined, the Group used the lessee's incremental borrowing rate.

After the commencement date, the Group measures the right-of-use asset applying a cost model (cost less any cumulative depreciation and any cumulative impairment). In the case of the lease liability, the Group measure it by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made, and re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Group exempt to apply the requirement for short term leases and leases for which the underlying asset is of low value.

(ii) Bank Acting as a Lessor – Finance Leases

Where the Group is the lessor, the Group classifies each of its leases as either an operating lease or a finance lease.

Finance Lease

With a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized and presented within receivable.

The Group recognizes assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. After the initial measurement, the Group recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Operating Lease

A lease agreement that does not transfer substantially the entire risks and rewards incidental to the ownership of the asset to the lease is classified as an operating lease.

The Group recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Group applies another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

(i) Investment Property

Investment property is property held either to earn rental income, capital appreciation, or both, and is not intended to be sold in the normal course of business. All investment properties are recognized at cost less accumulated depreciation and cumulative impairment losses.

When the use of a property changes such that it is reclassified as property plant and equipment, its carrying value at the date of reclassification becomes its cost for subsequent accounting.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(j) Non-current Assets Held for Sale

Non-Current assets held for sale correspond to acquired assets such as real estate and moveable property foreclosed in the absence of repayment of loans due to the Group. This type of non-current available-for-sale assets are expected to be recovered mainly through sale and not through continued use.

The value of these assets is updated through an internal appraisal made within three months of the date on which the Group acquires ownership; therefore, if the appraisal value is less than carrying value, a valuation reserve is created and charged to the year's income.

Subsequently, the available-for-sale assets or group of assets are recorded at the lower of their carrying amount and the fair value less costs to sell. Impairment losses in the initial classification of available-for-sale assets and subsequent gains or losses are recognized in profit or loss.

If the sale is paid up-front and the amount recovered exceeds the carrying amount, the difference is directly recorded in the year's income. If it is a sale to be paid in installments, and the amount to be recovered exceeds the carrying amount, the difference is accounted for as deferred income, and accrued as installments are collected. If the recovered amount is less than the carrying amount, the loss is charged to income, irrespective of the sale is paid up-front or in installments.

(k) Intangible Assets

Software

Software acquired by the Group is measured at cost less accumulated amortization and any impairment losses.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is four years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted as found appropriate.

(l) Impairment of Non-financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or Cash Generating Unit CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(l) Impairment of Non-financial Assets - (Continued)

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Deposits from Banks and Customers

Deposits and borrowings are the Group's sources of debt funding. These liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(o) Employee Benefits

i. Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan at the termination of the employment relationship, other than a defined contribution plan. The Group accounts not only its legal obligation under the formal term described above, also for any constructive obligation that arises from the Group ´s customary practices. A customary practice gives rise to a constructive obligation where the Group has no realistic alternatives but to pay employee benefits.

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs are deducted. The discount rate is the yield at the reporting date on governmental bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(o) Employee Benefits - (Continued)

i. Defined Benefit Plans- (Continued)

To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Group recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income in the period in which they arise.

ii. Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided, current wages including medical expenses, being taken into consideration.

A liability is recognized for the amount expected to be paid and includes mainly wages and salaries, bonuses, leave benefits and other allowances, and incentives as a result of past services provided by the employees, and the obligation can be estimated reliably.

iii. Termination Benefits

According to Law, in case of unjustified dismissal, employers are obligated to pay to their employees compensation based on the years of service.

(p) Legal Reserve

The legal reserve is a statutory reserve required by the regulators. The Bank has to transfer annually 25% of its annual net profit as a legal reserveuntil such reserve equals its capital. When the legal reserve equals the capital of the Bank, the amount to be transferred to the legal reserve shall be 10% of the annual net profit. For Commercial Nominees PLC and Bole Printinting Enterprise PLC 5% of the net profit until the accumulated legal reserve balance amounts to 10% of the issued share capital according to commercial code of Ethiopia Article 454.

(q) Revenue and Expense Recognition

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

- The gross carrying amount of the financial assets; or
- The amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For credit-impaired financial assets, a credit adjusted effective interest rate is calculating using estimated future cash flows including incurred credit losses.

The calculation of the effective interest rate includes transactions costs, fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(q) Revenue and Expense Recognition - (Continued)

Gross Carrying Amount

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

Calculation of Interest Income and Expenses

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

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation of Interest Income and Expenses

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

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest on debt instruments measured at FVOCI calculated on an effective interest basis;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

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

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

(r) Fees and Commissions

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income relate mainly to commissions on local money transfers (LMTS), guarantee commission, outward remittance, card charges, and commission on import letter of credit– are recognized as the related services are performed.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(s) Dividend Income

Dividend income is recognized when the right to receive income is established. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

(t) Income Tax

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

Current Tax

The current income tax is the expected tax payable on the taxable income for the year and any adjustment to the tax payable in respect of previous years. The amount of current tax payable is the best estimate of tax amount expected to be paid or received that reflects the uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantially enacted at the reporting date.

Deferred Tax

Deferred tax is measured under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between such values. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to temporary differences when recovered or settled in each of the jurisdictions where the subsidiaries of the Bank operate, based on laws enacted or substantially enacted as of the reporting date.

No deferred taxes are recognized for the initial recognition of an asset or a liability in a transaction that is not a business combination and that affects neither accounting nor taxable income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority and to the same fiscal entity or on different tax entities, but the intent is to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which such can be reversed. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(u) Contingencies

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, disclosure is provided in the NOTES TO THE SEPARATE FINANCIAL STATEMENTS. Contingent revenues, earnings or assets are not recognized until realization is assured.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(v) New Standards, Amendments and Interpretations

A number of new standards, amendments to standard and interpretations are not yet effective for the period ended 30 June 2022 and have not been applied in preparing these financial statements. These are summarized as follows:

Standards / Interpretations	Effective for Annual Periods Beginning on or After
Onerous Contracts: Cost of Fulfilling a Contract (IAS 37 amendment)	1 July 2022
Annual Improvements to IFRS Standards (2018 – 2020) (IFRS 1, IFRS 9, IFRS 16 and IAS 41 amendments)	1 July 2022
Property, Plant and Equipment: Proceeds before Intended Use (IAS 16 amendment)	1 July 2022
Reference to the Conceptual Framework (IFRS 3 amendment)	1 July 2022
Insurance Contracts (IFRS 17)	1 July 2023
Insurance Contracts (IFRS 17 amendments)	1 July 2023
Classification of liabilities as current or non-current (IAS 1 amendment)	1 July 2023
Definition of Accounting Estimates (IAS 8 amendment)	1 July 2023
Disclosure Initiative: Accounting Policies (IAS 1 and IFRS Practice Statement 2 amendment)	1 July 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (IAS 12 amendment)	1 July 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (IFRS 10 and IAS 28 amendment)	Deferred indefinitely by amendments made in December 2015

IFRS 17 is not applicable to the business of the Bank and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued by the International Accounting Standards Board, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprises both:

- The incremental costs – e.g. direct labour and materials; and
- An allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(v) New Standards, Amendments and Interpretations - (Continued)

The amendments apply for annual reporting periods beginning on or after 1 July 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments will be recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives will not be restated. Earlier application is permitted. The Bank will make an assessment of the impact of this adoption.

Annual Improvements to IFRS Standards 2018-2020

IFRS 1 First-time Adoption of International Financial Reporting Standards	The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1. D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
IFRS 9 Financial Instruments	The amendment clarifies that for the purpose of performing the ''10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
IFRS 16 Leases	The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.
IAS 41 Agriculture	The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement.

The amendments are effective for annual reporting periods beginning on or after 1 July 2022 with earlier application permitted. The Bank will make an assessment of the impact of this adoption.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(v) New Standards, Amendments and Interpretations - (Continued)

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- Costs associated with producing and selling items before the item of property, plant and equipment is available for use; and
- Costs associated with making the item of property, plant and equipment available for its intended use.

Making this allocation of costs may require significant estimation and judgement.
The amendments apply for annual reporting periods beginning on or after 1 July 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

The Bank will make an assessment of the impact of this adoption.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendment has:

- Updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- Added to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- Added to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendment is effective for annual periods beginning on or after 1 July 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The Bank will make an assessment of the impact of this adoption.

IFRS 17 Insurance Contracts (and Its Related Amendments)

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(v) New Standards, Amendments and Interpretations - (Continued)

IFRS 17 Insurance Contracts (and Its Related Amendments) - (Continued)

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI.

The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The entity is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements.

The standard is effective for annual periods beginning on or after 1 July 2023. Early adoption is permitted only if the entity applied IFRS 9.

The Bank will make an assessment of the impact of this adoption.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

The amendments are to be applied retrospectively from the effective date.

The Bank will make an assessment of the impact of this adoption.

Definition of Accounting Estimates (Amendments to IAS 8)

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:
- The definition of a change in accounting estimates is replaced with a definition of accounting estimates.
- Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(v) New Standards, Amendments and Interpretations - (Continued)

Definition of Accounting Estimates (Amendments to IAS 8) – (Continued)

- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The effects of changes in inputs and/or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 July 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Bank will make an assessment of the impact of this adoption.

Disclosure Initiative: Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards Board (the Board).

The Board has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;
- Accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- The amendments clarify that if an entity discloses immaterial accounting policy information such information shall not obscure material accounting policy information.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material.

(4) SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(v) New Standards, Amendments and Interpretations - (Continued)

Disclosure Initiative: Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) - (Continued)

The amendments are effective from 1 July 2023 but may be applied earlier.

The Bank will make an assessment of the impact of this adoption.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)

The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The Bank will make an assessment of the impact of this adoption.

Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting.

Under the consolidation standard, the parent recognises the full gain on the loss of control. But under the standard on associates and JVs, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV. In either case, the loss is recognised in full if the underlying assets are impaired.

In response to this conflict and the resulting diversity in practice, on 11 September 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

A number of new standards and ammendments to satndards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted, however, the Group has not yet early adopted the new and amended standards in preparing these consolidated financial satements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Classification of Liablities as Current or Non current (Amendments to IAS 1);
- IFRS 17 Insurance contracts and ammendments to IFRS 17 Insurance Contracts;
- Lease liability in a Sale and Leaseback (Amendments to IFRS 16); and
- Definition of Accounting estimates (Amendments to IAS 8).

In addition to this, the bank will include all new or amended standards and their possible impact on the consolidated financial statements.

(5) FINANCIAL RISK REVIEW

The Group is exposed to the following financial risks from financial instruments, for which it conducts regular risk management efforts:

- Credit risk;
- Liquidity risk;
- Market risk;
- Capital management; and
- Operational risk.

This note presents information about the Bank's exposure to each of the above risks, and Company's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout separate financial statement.

Risk Management Framework

The Board of Directors of the Bank has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Loan and Risk Review Committee (LRRC) through the Loan and Risk Review Committee charter, which is responsible for providing the standards and minimum parameters to be followed in managing the bank's exposure to risk. Besides, it is also responsible for developing and monitoring effectiveness of the Bank´s risk management policies and the degree of compliance to national and international regulatory standards. The LLRC reports regularly to the Board of Directors on its activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to those limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank through its training management standards and procedures aims to develop a disciplined and constructive control environment in which all the employees understand their roles and obligations.

The Board Audit Committee of Commercial Bank of Ethiopia oversees how management monitors compliance with the Bank´s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Bank. The Bank´s Board Audit Committee is assisted in its oversight role by Internal Audit function. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Bank´s Audit Committee.

In addition, the Bank is subject to the regulations of the National Bank of Ethiopia with respect to, among others matters, comprehensive risk management, liquidity and capitalization.

(a) Credit Risk

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. See accounting policy on note 4(c) for the explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired.

(5) FINANCIAL RISK REVIEW - (Continued)
(a) Credit Risk - (Continued)

Risk Classification Amounts in ETB	12 Month ECL Stage 1	Lifetime ECL not Credit Impaired Stage 2	Lifetime ECL Credit Impaired Stage 3	Purchased Credit Impaired	Total 30 June 2022	Total 01 July 2021
Loans and advances to customers and microfinance institutions (at amortised cost)						
Stage 1	136,568,850,950	-	-	-	136,568,850,950	**268,094,455,231**
Stage 2	-	170,743,033,726	-	-	170,743,033,726	**7,196,946,502**
Stage 3	-	-	19,129,654,373	-	19,129,654,373	**14,307,613,936**
Gross carrying amount	**136,568,850,950**	**170,743,033,726**	**19,129,654,373**	**-**	**326,441,539,050**	**289,599,015,668**
Expected credit loss allowance (excluding off balance sheet)	2,133,997,383	16,881,959,574.	13,772,690,451	-	32,788,647,408	**11,210,058,356**
Carrying amount	**134,434,853,567**	**153,861,074,152**	**5,356,963,923**	**-**	**293,652,891,643**	**278,388,957,312**
Investment securities - debt instruments (at amortised cost)						
Stage 1	702,743,189,857	-	-	-	702,743,189,857	**512,396,491,064**
Stage 2	-	-	-	-	-	**-**
Stage 3	-	-	-	-	-	**-**
Gross carrying amount	**702,743,189,857**	**-**	**-**	**-**	**702,743,189,857**	**512,396,491,064**
Expected credit loss allowance	6,233,867,941				6,233,867,941	**2,105,872,627**
Carrying amount	**697,032,955,844**				**697,032,955,844**	**514,502,363,690**
Other financial assets (at amortised cost)						
Stage 1	122,176,303,129	-	-	-	122,176,303,129	**162,222,284,024**
Stage 2		-	-	-		
Stage 3		-	-	-		
Gross carrying amount	**122,176,303,129**				**122,176,303,129**	**162,222,284,024**
Expected credit loss allowance	1,429,108,796	-	-	-	1,429,108,796	
Carrying amount	**120,747,194,333**	**-**	**-**	**-**	**120,747,194,333**	**162,222,284,024**

(5) FINANCIAL RISK REVIEW - (Continued)

(a) Credit Risk - (Continued)

No	Grade	Score	Rating	Status
1	Grade 1	>= 85 %	Exceptionally low risk	Bankable
2	Grade 2	70 – 84 %	Very low risk	Bankable
3	Grade 3	60 – 69.9 %	Low risk	Bankable
4	Grade 4	50 – 59.9 %	Moderate risk	Bankable
5	Grade 5	40 – 49.9 %	Potential risk	Exceptionally bankable
6	Grade 6	30 – 39.9 %	High risk	Very exceptional bankable
7	Grade 7	25 – 29.9 %	Very high risk	Not bankable
8	Grade 8	< 25 %	Default risk	Not bankable

The term bankable indicates that the borrower's loan request is feasible and acceptable by the Bank, after passing through rigorous business and risk analysis.

CBE classifies its credit customers in order to identify those who contribute high value to its profitability and growth and thereby enhance service quality and customer satisfaction. The classification is made based on the result of the analysis of parameters that are allotted with weight such as income generated from the customer (30%), total credit exposure (20%), customer's credit risk grade (25%) and sales volume registered (20%).

Customer Classification	Score (X)	
	New Customer/70	Existing Customer/100
Business	55% ≤ X ≤ 70%	80% ≤ X ≤ 100%
Corporate	35% ≤ X<55%	60% ≤ X <100%
Commercial	X<35%	X< 60%

CBE's credit risk grading is only applicable to borrowers classified as Corporate, Business and Commercial class customers, except for new customer/newly established business. The grading parameters are mainly five that encompass sub-parameters allotted with score from 100 points.

Parameter	Weight
Financial risk/Strength of financial management system	35%
Business/Industry risk	10%
Management risk	15%
Account performance risk	25%
Customer relationship risk	15%

(5) FINANCIAL RISK REVIEW - (Continued)

(a) Credit Risk - (Continued)

Grade 1: Loan debtors are labeled as "exceptionally low risk" borrowers at the time of the risk review period where the overall score is 85% and above.

- Loans and advances fully secured by cash and cash substitute, regardless of the loan status.
- The borrower has strong repayment capacity, excellent track records in servicing debt regularly, and is not subject to criticism.

Grade 2: They are classified as "very low risk borrowers, if they meet the following criteria during the issuance of credit risk grade.

- These borrowers are not as strong as Grade 1 borrowers in terms of credit risk parameters.
- The borrower has strong repayment capacity.
- The borrower has excellent liquidity and low leverage.
- The business demonstrates consistently strong earnings and cash flows.
- The borrower has well established and strong market share.
- CBE has confidence on the management of the business.
- The loan is performing in accordance with the terms and conditions of the contract.

Grade 3: These borrowers are considered as "low risk" borrowers, being capable of meeting the following criteria.

- Not as strong as the Grade 2 in terms of credit risk parameters, but the business still demonstrates consistent earnings, cash flow and have good track record.
- The borrower has adequate liquidity, cash flow and earnings.
- The borrower has acceptable share in the market.
- The business has acceptable management capability.
- The business is performing in accordance with the terms and conditions of the contract.

Grade 4: These borrowers are rated as "moderate risk" borrowers given the fact that they demonstrate the following features when the grade is issued.

- They are not as strong as Grade 3 in terms of credit risk parameters.
- The loans and advances show sign of irregularity, or have arrears (the credit facilities have been inactive).
- The borrower needs attention due to conditions affecting the business, the industry, or the economic environment.
- The borrower has above average risk due to strained liquidity, higher than normal leverage, thin cash flow and/or inconsistent earning.
- The borrower may incur loss.

Grade 5: They are debtors with "potential risk" witnessed by the following results from the credit risk grading analysis.

- Lower than Grade 4 in terms of credit risk parameters.
- The borrower has potential weaknesses that deserve CBE's close attention. If left uncorrected, these weaknesses may result in a deterioration of the repayment prospects of the borrower.

(5) FINANCIAL RISK REVIEW - (Continued)

(a) Credit Risk - (Continued)

- The loans and advance show extended irregularities, or have the arrears (the credit facilities have been inactive).
- Severe management problem exists.
- Credit facilities should be downgraded to this grade if sustained deterioration in financial condition is noted (consecutive losses, negative net worth and excessive leverage).

Grade 6: These are "high risk" borrowers.

- Financial condition is weak and capacity or inclination to repay is in doubt.
- These weaknesses jeopardized full settlement of credit facilities.

Grade 7: "very high risk" borrowers

- Full repayment of principal and interest is unlikely and the possibility of loss is extremely high.
- However, due to especially identifiable pending factors, such as litigation, liquidation procedures and capital injection, the asset is not yet classified as loss.

Grade 8: "default risk"

- The loan has been long outstanding with no progress in obtaining repayment or on the verge of liquidation/wind up.
- Prospect of recovery is poor and legal options have been pursued or initiated.
- Proceeds expected from the liquidation or realization of security may be awaited.
- CBE's criteria for timely write-off shall be adhered to apply.

In order to classify the outstanding loans according to the risk grade of debtor, the following assumptions are used because of the fact that retail loans are not regularly graded except at the initial stage of the credit assessment.

- Loan disbursed to Business, Corporate and Commercial customers are presented according to their risk grade from the risk grading analysis.
- Emergency staff loan, staff personal loan and staff mortgage loan are assigned grade 1 because of the fact that such loans are regularly repaid from salary account of the staff without any delinquency and arrears.

All loans and that are unrated assumed to be graded as follows:
- All ungraded Pass status retail loans are assigned with grade 2.
- All ungraded Special Mention status retail loans are assigned with risk grade 3.
- All ungraded Sub-standard status retail loans are assigned with risk grade 5.
- All ungraded Doubtful status retail loans are assigned with risk grade 6.
- All ungraded Loss status retail loans are assigned with risk grade 7.
- All loans and advances under litigation decision (ALD) are assigned with risk grade 8.

The risk grade classification and the underlying assumptions are made based on the analysis of the repayment trend of retail borrowers and default history in the Bank over the past five years.

(5) FINANCIAL RISK REVIEW - (Continued)

(a) Credit Risk - (Continued)

The Bank has implemented a series of credit procedures and reports for assessing the performance of its portfolio, the requirements of provisions and, especially, for anticipating events that may affect its debtors' future condition.

The following table analyzes the Bank's loans, which are exposed to credit risk and its corresponding assessment according to the above risk classification:

30 June 2022				
Risk Grade	**Classification**	**Individually Significant Loans**	**Other Loans**	**Gross Amount**
1	Exceptionally low risk	146,527,304,327	32,531,713,987	179,059,018,314
2	Very low risk	14,698,998,046	26,202,465,516	40,901,463,562
3	Low risk	-	48,734,628,752	48,734,628,752
4	Moderate risk	-	8,175,539,324	8,175,539,324
5	Potential risk	5,285,266,546	2,921,346,901	8,206,613,448
6	High risk	-	993,469,553	993,469,553
7	Very high risk	-	646,653,770	646,653,770
8	Default risk	-	203,668,608	203,668,608
Total principal		**166,511,568,918**	**120,409,486,411**	**286,921,055,329**
Interest receivable from loans				**39,520,483,722**
Provision for loan losses				**(32,788,647,408)**
Net loan				**293,652,891,643**

30 June 2021				
Risk Grade	**Classification**	**Individually Significant Loans**	**Other Loans**	**Gross Amount**
1	Exceptionally low risk	125,720,824,135	23,040,688,706	148,761,512,841
2	Very low risk	13,860,934,692	40,769,575,370	54,630,510,063
3	Low risk	-	37,896,492,745	37,896,492,745
4	Moderate risk	11,205,846,721	4,858,532,456	16,064,379,177
5	Potential risk	-	2,035,460,247	2,035,460,247
6	High risk	-	421,309,117	421,309,117
7	Very high risk	-	900,345,188	900,345,188
8	Default risk	-	45,928,186	45,928,186
Total principal		**150,787,605,548**	**109,968,332,014**	**260,755,937,562**
Interest receivable from loans				**28,843,078,106**
Provision for loan losses				**(11,210,058,356)**
Net loan				**278,388,957,312**

(5) FINANCIAL RISK REVIEW - (Continued)

(a) Credit Risk - (Continued)

Amounts Arising from ECL

Inputs, Assumptions and Techniques Used for Estimating Impairment

See accounting policy in Note 4(c)(viii).

Significant Increase in Credit Risk

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

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

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

Credit Risk Grading

The Bank has applied the days past due approach to determine the credit risk grading for financial assets classified at amortised cost for purposes of estimating PDs.

Generating the Term Structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by economic sector.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and exchange rate.

Based on advice from the Risk Committees and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

(5) FINANCIAL RISK REVIEW - (Continued)

(a) Credit Risk - (Continued)

Determining whether Credit Risk Has Increased Significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling, the days past due excedes 30 days.

Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

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

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

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD(stage 1) and lifetime PD (stage 2).

Modified Financial Assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 4.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- Its remaining lifetime PD at the reporting date based on the modified terms; with
- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

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

(5) FINANCIAL RISK REVIEW - (Continued)

(a) Credit Risk - (Continued)

Modified Financial Assets - (Continued)

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

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

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired /in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Definition of Default

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

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

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

- Qualitative – e.g. breaches of covenant;
- Quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Incorporation of Forward-looking Information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Bank Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates three economic scenarios: a base case, which is the central scenario, base don available projections, and two less likely scenarios, one upside and one downside scenario. Both the upside and downside scenarios are derived from analysis of historical volatilities on each identified macroeconomic variable.

(5) Financial Risk Review - (Continued)

(a) Credit Risk - (Continued)

Incorporation of Forward-looking Information - (Continued)

The Bank applies, in modelling of forward-looking information, Ethiopian historical macroeconomic data and forecasts published by Business Monitor International (BMI), a reputable external data body.

The scenario probability weightings are derived from each segment's macro economic information values.

PD computed for ECL estimation is point-in-time. It captures all macroeconomic factors that will affect PD estimate in the future. Therefore, the impact of forward-looking indicators on PD has to been analyzed using Principal Component Analysis (PCA) in order to generate FLI adjusted PD.

The Cox proportional hazards model's exponent function is used to compute the FLI adjusters as a function of PCA coefficients and macroeconomic projections on a base, upside and downside basis. PCA coefficient values are used as base probability weights and split the difference equally for upside and downside scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 30 June 2022 included the following key indicators:

- Real GDP growth rate;
- Gross national expenditure (% of GDP);
- Real rate of interest (lending);
- Gross national savings;
- Gross national income;
- Exports of goods and services;
- Debts servicing;
- Import of goods and services;
- Real rate of interest (time deposit);
- Gross domestic savings; and
- Official exchange rate.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 10 to 15 years.

Measurement of ECL

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

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above. PD estimates are estimates at a certain date, which are calculated, based on statistical models, and assessed using tools tailored to the various categories of counterparties and exposures.

(5) FINANCIAL RISK REVIEW -(Continued)

(a) Credit Risk - (Continued)

Measurement of ECL - (Continued)

These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for loans and advances to banks and investment securities.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based mainly on the counterparties' collateral and also on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim; counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

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

- Instrument type;
- Credit risk gradings;
- Collateral type;
- Date of initial recognition;
- Industry; and
- Geographic location of the borrower.

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

Loss Allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 4(c)(viii).

(5) FINANCIAL RISK REVIEW - (Continued)

(a) Credit Risk - (Continued)

Loss Allowance - (Continued)

	30 June 2022				30 June 2021			
Amounts in ETB	12 Month ECL Stage 1	Lifetime ECL not Credit Impaired Stage 2	Lifetime ECL Credit Impaired Stage 3	Total	12 Month ECL Stage 1	Lifetime ECL not Credit Impaired Stage 2	Lifetime ECL Credit Impaired Stage 3	Total
Loans and advances at amortised cost								
Balance at 1 July 2021	**2,622,871,066**	**286,934,507**	**8,300,252,784**	**11,210,058,356**	**2,284,235,366**	**284,095,018**	**7,434,822,455**	**10,003,152,839**
Transfer to 12 months ECL	(488,873,683)			(488,873,683)	338,635,700			
Transfer to lifetime ECL not credit impaired		16,595,025,067		16,595,025,067		2,839,489		
Transfer to lifetime ECL credit impaired			5,472,437,667	5,472,437,667			865,430,329	
Net remeasurement of loss allowance								
Balance at 30 June 2022	**2,133,997,383**	**16,881,959,574**	**13,772,690,451**	**32,788,647,408**	**2,622,871,066**	**286,934,507**	**8,300,252,784**	**11,210,058,356**
Investment securities - debt instruments (at amortised cost)								
Balance at 1 July 2021	**2,105,872,627**			**2,105,872,627**	**660,115,518**			**660,115,518**
Transfer to 12 months ECL	4,127,995,315			4,127,995,315	1,445,757,109			**1,445,757,109**
Net remeasurement of loss allowance								
Balance at 30 June 2022	**6,233,867,941**			**6,233,867,941**	**2,105,872,627**			**2,105,872,627**
Other financial assets (at amortised cost)								
Balance at 1 July 2021	**2,001,085,282**			**2,001,085,282**	**1,763,374,794**			**1,763,374,794**
Transfer to 12-month ECL	(571,976,486)			(571,976,486)				
Transfer to lifetime ECL not credit impaired					237,710,488			**237,710,488**
Net remeasurement of loss allowance								
Balance at 30 June 2022	**1,429,108,796**			**1,429,108,796**	**2,001,085,282**			**2,001,085,282**

(5) FINANCIAL RISK REVIEW - (Continued)

(a) Credit Risk - (Continued)

Loss Allowance - (Continued)

Default but not Impaired Loans

According to the NBE's directive No. SBB/69/2018, non-performing (defaulted) loan refers to loans or advances whose credit quality has deteriorated such that full collection of principal and/or interest in accordance with the contractual terms and conditions is in question. Loans with pre-established repayment program are non-performing (impaired) when principal and/or interest is due or uncollected for 90 consecutive days or more.

Overdrafts and other advances that do not have pre-established repayment program are non-performing (defaulted) when:

- The debt remains outstanding for 90 consecutive days or more beyond the scheduled payment date or maturity
- The debt exceeds the borrower's approved limit for 90 consecutive days or more.
- Interest is due and uncollected for 90 consecutive days or more.
- For overdrafts,
  - The account has been inactive for 90 consecutive days or more;
  - Deposits are insufficient to cover the interest capitalized during 90 consecutive days; or
  - The account fails to show debit balance of 5% or less from the approved limit at least once over 360 days preceding the date of loan review.

While managing credit risk, default is considered to have occurred with regard to particular obligor when either or both of the following two events have occurred.

Loans secured by cash or cash substitute guarantees and/or sources of payment that are enough to cover the carrying value are deemed default but not impaired, that means, with no losses incurred.

Restructured/Renegotiated Loans

Renegotiated loans or advances refers to loans which have been refinanced, rescheduled, rolled over, or otherwise modified at favorable terms and conditions for the borrower because of weaknesses in the borrower's financial condition or ability to repay.

Non-performing loans are restructured when the result of analysis on the obligor's financial capacity witnesses the need to modify/change the original terms and conditions of the loan contract in order to recover the outstanding loan. As per CBE's problem loans management procedure, any NPL (defaulted loan) is worked out and restructured by taking either of the following changes or combined options.

- Extension of the repayment period with the consent of the concerned parties (borrower and guarantor);
- Changing the form of the loan fully or partially (e.g. overdraft to a term loan);
- Requesting additional collateral or change of collateral;
- Cross-collateralizing multiple loans;
- Including additional covenants;
- Arranging transfer of loans from one borrower to other borrowers upon request by the borrower, based on the mutual agreement of both the borrower and the would-be buyer of the loan, when an acceptable agreement is submitted to the Bank and a new buyer of the loan is deemed to be better than the actual customer;

(5) FINANCIAL RISK REVIEW - (Continued)

(a) Credit Risk - (Continued)

Loss Allowance - (Continued)

Restructured/Renegotiated Loans - (Continued)

- Persuading owners, shareholders, and directors/managers of borrowers to enter into a personal guarantee contract with the Bank;
- The Bank does not encourage additional finance for the loan recovery cases. However, the Bank may approve additional loan for Grade 6 and 7 customers, if there are appropriate and concrete justifiable reasons; and
- An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy. Once a non-performing loan has been restructured, it doesn't remains in the same category of loan status as prior to the restructuring. However, the status (category) is turned to "substandard), without prejudice to the standard definition of substandard when:
  (a) Renegotiated term loans equivalent of all past due interest is paid by the borrower in cash at the time of renegotiation and the following payments are made by the borrower on a consistent and timely basis in accordance with the restructured terms of the loan or advance:
    - Loans with monthly or quarterly installment payments, at least 3(three) consecutive repayments;
    - Loans with semi-annual installment repayments, at least 2(two) installments;
    - Loans with annual installment repayments, at least one repayment.

  (b) Renegotiated non-performing overdraft facilities equivalent of all past due interest is paid by the borrower in cash at the time of renegotiation and the account shows at a minimum:
    - A nil balance at least once;
    - A turnover rate of once the approved limit.

Write-off Policy

The Bank determines the write-off of a loan or group of loans demonstrating non-recoverability. This determination is made after performing an analysis of the financial conditions from the date of default and the likelihood of recovering such loans.

As per the credit procedure a loan is written-off when the Bank exhausts all means to recover the outstanding loan. It is uncertain to know how long it will take to get court verdict on litigations to recover the outstanding amount of defaulted loans from other attachable properties registered in the name of the defaulters. Hence, doesn't consider time limit for write-offs. Defaulted loans are written-off immediately after exhausting all means to recover the loan.

After having fully exhausted all possible means for the recovery of loans and advances and after ascertaining that the property held as collateral does not cover the loan in full; and after having ascertained that there is no other attachable property to cover the remaining balance fully or partially, the recovery area shall compile evidence to support that the loan or part of the loan it proposes to write-off is unrecoverable.

Loan write-offs can be initiated for the following reasons:

- Absence of attachable property;
- Insolvency of the borrower;
- Declaration of bankruptcy of the borrower by a court;

(5) FINANCIAL RISK REVIEW - (Continued)

(a) Credit Risk - (Continued)

Loss Allowance - (Continued)

Write-off Policy - (Continued)

- Higher cost of recovery than the realizable value of the property;
- Defects in documentation – if the bank has no legal ground to sue the borrower because of defects in the contract;
- Court decision; and
- Statute limitation.

The table below shows the gross outstanding loans past due days of payment according with the contractual schedule of payment:

Range	Loan Status	30 June 2022	30 June 2021
From 1 to 29 days	Pass	133,620,737,403	240,694,321,826
From 30 to 89 days	Special mention	138,389,733,332	6,665,320,144
From 90 to 179 days	Sub-standard	5,053,666,400	2,456,106,157
From 180 to 360 days	Doubtful	1,874,069,407	3,151,758,045
Over 360 days	Loss	7,982,740,260	8,608,595,997
Total principal		**286,920,946,802**	**261,576,102,169**
Interest receivable		**39,520,592,249**	**28,843,078,106**
Allowance for impairment		**(32,788,647,408)**	**(11,210,058,356)**
Net loan		**293,652,891,643**	**279,209,121,919**

The following table shows the credit rating of deposits in financial institutions basis of ratings afforded by credit rating agencies:

	30 June 2021	30 June 2021
Rating		
Between AA+ and AA-	1,965,639	112,128,993
Between A+ and A-	24,892,882,072	34,239,203,824
Between BBB+ and BBB-	4,199,556,174	3,481,066,416
Other (including unrated)	3,102,647,721	8,425,871,860
Total	**32,589,742,155**	**46,390,436,381**
Provision for loss	**5,158,642**	**29,383,147**
	32,584,583,513	**46,361,053,233**
Domestic bank account balances		
Soverign Counterparty (NBE)	58,353,915,331	61,186,190,830
Between A+ and A-	217,438,356	234,024,738
Between BBB+ and BBB-	58,571,353,688	62,449,733,649
Other (including unrated)	1,012,907,801	130,621,191
Total	**57,558,445,886**	**62,319,112,458**

The credit rating of these financial institutions, in which CBE has maintained Nostro account balance, is basically obtained from the world bankers' almanac as rated by Moody, Fitch, and Standards & Poor. The equivalent rating is used to aggregate the overall rating by these agencies.

(5) FINANCIAL RISK REVIEW - (Continued)

(a) Credit Risk - (Continued)

Collateral

CBE has guarantee on loans granted, mainly Government bond and written government undertaking by the Ministry of Finance, Motor Vehicles, Buildings and other class of collaterals.

Fair value estimates are based on the value of guarantees at the time loans commitments are originated. The Bank has technical employees (appraisers) for a constant monitoring of these collaterals in order to update such fair values if it is necessary. In addition, the fair value of collateral is updated when a loan is individually assessed as impaired or by any change in conditions that the debtor request in advance and in the case of project financing, according to the progress of work.

While estimating the value of the collateral held, CBE may opt to use the cost sales comparison or income valuation approach as appropriate. Every collateralized property is insured by appropriate insurance company and they have 100% insurance policy coverage against perils related the property.

According to credit procedure of CBE, collateralized building and other real properties are revalued every five year. However, a revaluation of collateral may be undertaken at any time if either of the following conditions materializes.

- If a sudden price decline of the property held as collateral is ascertained or suspected.
- When a report is received evidencing that the property held as collateral has sustained damages or master plan changes that affects the value of the collateral.
- When noticeable construction is added to the collateral held.
- When the Bank decides to foreclose the collateral.

The table below shows the value of collateral held by CBE as a security for loans granted as at 30 June 2022 and 30 June 2021.

Fair Value of Collaterals and Guarantees		
	30 June 2022	**30 June 2021**
Blocked account	283,983,362	250,063,600
Building	91,352,362,717	93,318,449,878
Bank guarantee	11,670,883	39,021,035
Business mortgage	177,713,947,178	190,694,173,655
Ministry of Finance	323,437,503,625	274,699,889,158
Documentary credit	3,000,000	3,000,000
Government bond	139,563,800	44,416,437,180
Lease right	215,933,518	547,128,002
Machinery	14,085,394,238	33,084,761,679
Others	940,980,674	637,275,063
Personal guarantee	5,874,068,588	18,611,373,571
Vehicle	3,078,088,134	5,669,522,973
Corporate guarantee	3,808,242,561	1,108,742,561
Oil seed	1,100,000,000	-
Merchandise	435,049,789	-
Coffee plantation	153,977,772	-
Total collateral value	**622,633,766,839**	**663,079,838,354**
Total outstanding loan	**293,652,891,643**	**279,209,121,919**
Collateral coverage ratio	**212%**	**237%**

(5) FINANCIAL RISK REVIEW - (Continued)

(a) Credit Risk - (Continued)

Collateral - (Continued)

As can be seen from the above table, the value of collateral held by CBE as a security for loan granted are measured when the loans are initially granted. The overall collateral coverage ratio to the outstanding principal loan is estimated about 212%,(2021: 237%).

In conducting the credit analysis of loan case, collateral coverage ratio is considered apart from loan granted on clean basis. The borrower can pledge one collateral for many loans or different collaterals for single loan or different types of collateral for different loans.

Concentration of Credit Risk

The table intends to briefly indicate the loan portfolio Vs security covered by different class of collaterals at the reporting date. While factoring the collateral for loan provision coverage it is adjusted to the computuation of EAD.

Some of the collateral classes are very liquid and equivalent to cash such as blocked account balance and government bond. The collateral data indicates the balance of collateral securities held by CBE for loans and advances disbursed up to 30 June 2021.

The Bank analyzes credit risk concentration by sector and geographic location. The analysis of credit risk concentration as of the reporting date of the financial statement is described as follows:

i. Concentration by Sector

Sector	30 June 2022	30 June 2021
Agriculture	45,355,438,366	14,506,888,019
Manufacturing	191,384,029,915	178,174,347,126
Domestic trade and services	18,144,383,818	21,476,473,761
International trade	13,008,313,641	18,687,885,706
Building and construction	26,221,507,793	15,851,002,051
Consumer loan	32,006,414,780	35,245,001,556
Financial institutions	321,450,738	207,453,058,115
Murabaha finance	-	6,270,129,000
Total outstanding	**326,441,539,051**	**290,419,180,276**
Allowance for expected credit loss	**(32,788,647,408)**	**(11,210,058,356)**
Net loan	**293,652,891,643**	**279,209,121,919**

The loan portfolio is diversified in all economic sectors. However, the lion's share of the outstanding loan is concentrated in the prime economic sectors such as manufacturing, agriculture and international trade sectors because of the Bank's policy. Murabaha finance Birr 9,322,882,252 classified with respective sectors for the year end 30 June 2022.

ii. Concentration by Product Line

The loan portfolio is also diversified product wise. The main loan product lines of CBE consist term loan, overdraft, advances and merchandise. The largest portfolio of credit product is constituted by term loans that consists different sub-products according to the purpose of the loan granted for.

(5) FINANCIAL RISK REVIEW - (Continued)

(a) Credit Risk - (Continued)

Concentration of Credit Risk - (Continued)

ii. Concentration by Product Line - (Continued)

Product Type	Outstanding Loan Balances	
	30 June 2022	30 June 2021
Term loan	253,639,638,214	263,856,265,487
Overdraft	8,044,457,661	6,439,276,857
Advance loan	12,333,324,183	13,853,508,932
CBE NOOR	9,322,882,252	6,270,129,000
Total outstanding	**326,441,539,051**	**290,419,180,276**
Allowance for expected credit loss	**(32,788,647,408)**	**(11,210,058,356)**
Net loan	**293,652,891,643**	**279,209,121,919**

(iii) Loan Concentration by Jurisdiction

Jurisdiction	30 June 2022	30 June 2021
Ethiopia	**293,634,583,713**	**279,142,560,145**
South Sudan	**18,307,930**	**69,561,774**

From the group, Commercial Bank of Ethiopia and Commercial Bank of Ethiopia-South Sudan Limited are the only entities engaged in lending activity and the remaining associates and subsidiaries have no any loan portfolio in their book of records. The outstanding loan portfolio by jurisdiction is stated in the underneath table.

(iv) Loan Commitment by Product Line

	30 June 2022	30 June 2021
Concentration by Commitment Type		
Term loan and bond commitment	32,256,425,592	41,916,558,858
Letter of credit	222,683,990,950	99,519,557,460
Letter of guarantee	15,769,954,194	82,415,218,119
Total	**270,710,370,735**	**223,851,334,438**
Provision for loan loss	(160,681,635)	(122,103,206)
	270,549,689,100	**223,729,231,232**

Financial guarantees are contracts that require the CBE to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Term loan and bond commitments are promises to disburse the remaining portion of an approved loan/bond under pre-specified terms and conditions.

Letter of credit commitment is also pertaining to advances made to import and export business of the borrowers where the Bank is committed to meet their obligation when they fail.

(5) FINANCIAL RISK REVIEW - (Continued)

(b) Liquidity Risk

Liquidity risk is the risk that the Group either does not have sufficient resources available to meet all its obligations and commitments as and when they fall due, or can only access these financial resources at excessive cost. The Group's approach to managing liquidity risk 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 Group's reputation and security.

The Group manages liquidity risk both a short-term and medium-term basis. In short-term, the focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and wholesale funding where required. In the medium-term, the focus is on ensuring the statement of financial position remains structurally sound.

The Asset and Liability Management Committee (ALCO) and the Risk Management Committee regularly monitor the liquidity position by analyzing the maturity structure of assets and liabilities, the stability of deposits by customer type and the compliance to minimum standards set forth by the regulations and corporate policies.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Net liquid assets are cash and cash equivalents and negotiable financial instruments that mature in less than 186 days from the date of issue.

The Group also monitors on a regular basis the advances to deposits ratio. This is defined as the ratio of total loans and advances to customers relative to total customer deposits. A low advance to deposit ratio demonstrates that customer deposits are in excess of customer loans due to the emphasis placed on generating a high level of stable funding from customers.

	30 June 2022	30 June 2021
Loans and advances to customers	293,652,891,643	279,209,121,919
Deposits from customers	890,942,145,511	735,818,635,666
Loans and advances to deposits ratio	**32.96%**	**37.94%**

(5) FINANCIAL RISK REVIEW- (Continued)

(b) Liquidity Risk - (Continued)

The table below summarizes the Group's liquidity risk as at 30 June 2022 and 30 June 2021, categorized into relevant maturity groupings based on the earlier of the remaining contractual maturities.

Amounts in Million Birr

Total Financial Assets and Financial Liabilities

30 June 2022	Up to 1 Month	1-3 Months	3 Months up to 1 Year	1-3 Years	Over 3 Years	Non-maturity Items	Total
I. Assets							
On balance sheet							
Cash and balances with NBE	61,227	753	390	5	63,769		**126,144**
Loans and advances to banks	2	16	101	157	45		**321**
Loans and advances to customers	16,381	22,098	46,006	54,155	128,258	26,433	**293,331**
Receivables						3,250	**3,250**
Investment in associates and subsidiaries						364	**364**
Equity securities and debt securities	9,609	44,778	135,573	255,569	250,980	524	**697,033**
A. Total Assets	**87,219**	**67,645**	**182,070**	**309,886**	**443,052**	**30,571**	**1,120,443**
II. Liabilities							
On balance sheet							
Deposits due to other banks	175				1,105		**1,280**
Customers' deposits	59,070	7,531	3,898	47	819,116		**889,662**
Borrowing from NBE				129,992			**129,992**
Current tax liability		7,306					**7,306**
Other liabilities	1,325	35,522			8,156		**45,003**
B. Total liabilities	**60,570**	**50,359**	**3,898**	**130,039**	**828,377**		**1,073,243**
C. Net liquidity gap (A-B) as at 30 June 2022	**26,649**	**17,286**	**178,172**	**179,847**	**(385,325)**	**30,571**	**47,200**
Cumulative gap as at 30 June 2022	**26,649**	**43,935**	**222,107**	**401,954**	**16,629**	**47,200**	**94,400**

(5) FINANCIAL RISK REVIEW - (Continued)

(b) Liquidity Risk - (Continued)

Amounts in Million Birr

Total Financial Assets and Financial Liabilities

30 June 2021	Up to 1 Month	1-3 Months	3 Months up to 1 Year	1-3 Years	Over 3 Years	Non-maturity Items	Total
I. Assets							
On balance sheet							
Cash and balances with NBE	72,718	193	195	1	35,952	8,107	**117,166**
Loans and advances to banks	2	10	108	77	10	-	**207**
Loans and advances to customers	11,932	32,143	28,562	53,324	153,041	-	**279,002**
Receivables				6,870		929	**7,799**
Investment in associates						277	**277**
Equity securities and debt securities	16,420	52,779	109,396	134,175	239,291	394	**552,454**
A. Total financial assets	**101,072**	**85,125**	**138,260**	**194,446**	**428,294**	**9,707**	**956,905**
II. Liabilities							
On balance sheet							
Deposits due to other banks	107				680		**787**
Customers' deposits	49,488	3,867	3,892	18	678,030	-	**735,296**
Borrowing from NBE	-	7,443	12,005	17,087	77,276	-	**113,811**
Current tax liability		6,337					**6,337**
Other liabilities	1,028	48,140			14,396		**63,564**
B. Total financial libilities	**50,622**	**65,788**	**15,897**	**17,105**	**770,383**	**-**	**919,795**
C. Net liquidity gap (A-B) as at 30 June 2021	**50,450**	**19,338**	**122,364**	**177,341**	**(342,089)**	**9,707**	**37,110**
Cumulative gap as at 30 June 2021	**50,450**	**69,787**	**192,151**	**369,492**	**27,403**	**37,110**	**74,220**

(5) FINANCIAL RISK REVIEW - (Continued)

(b) Liquidity Risk - (Continued)

It is assumed that the fair value of the liquid assets is equivalent to the carrying amount since no discounting is involved to realize these assets into cash.

Customer deposits up to three months represent current, savings and call deposit account balances, which past experience has shown to be stable and of a long-term nature.

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates, and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits and other liabilities. This enhances flexibility, limits dependence on any source of funds and generally lowers the cost of funds. The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall Group strategy.

(c) Market Risk

The Group recognizes market risk as the risk of loss arising from changes in market prices and rates. The Group's exposure to market risk arises principally from customer-driven transactions and recognizes that the value of on and off-balance sheet positions of the Group are adversely affected by the movement in the market prices or rates such as interest rate, exchange rate, equity prices and commodity price that may result in loss for the Group. The objective of the Group's market risk policies and processes is to obtain the best balance between risk and return whilst meeting customers' requirements.

The Group's exposure to potential market risk arises mainly due to the open interest rate and exchange rate positions. All these elements are exposed to general and specific market movements and may result in the reduction of the value of a financial asset. The Asset and Liability Management Committee (ALCO) authorize the established limits and monitor results.

(a) Interest Rate Risk

The interest rate risk is the exposure of the financial position of the Group to any losses arising from adverse movements in interest rates.

The Group monitors the sensitivity of changes in interest rates, and determines the balance structure, different item terms and investment strategies.

The table below summarizes the exposure to interest rate risks. Included in the table below are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

(5) FINANCIAL RISK REVIEW - (Continued)

(c) Market Risk – (Continued)
(a) Interest Rate Risk - (Continued)

Exposure to Interest Rate Risk
(Amounts In Millions Birr)

30 June 2022	Upto 1 Month	1-3 Months	3-Months upto 1 Year	1-3 Years	Over 3 Years	Non -interest Sensitive Items	Total
I. Assets							
A. Interest rate sensitive assets							
Cash & balances with NBE							
Loans and advances to banks	2	16	100	157	45		**321**
Loans and advances to customers	16,383	22,098	46,006	54,155	128,258	26,433	**293,331**
Debt securities	9,609	44,778	135,573	255,569	250,456	524	**696,509**
Total rate sensitive assets	**25,994**	**66,892**	**181,679**	**309,881**	**378,759**	**26,957**	**991,161**
II. Liabilities							
B. Rate sensitive liabilities							
Deposits due to other banks	175			1,105			**1,280**
Customers' deposits	59,070	7,531	3,898	47	819,116		**889,662**
Borrwings from NBE							
Total rate sensitive liabilities	**59,245**	**7,531**	**3,898**	**1,152**	**819,116**		**890,942**
C. Rate sensitive gap	**(33,251)**	**59,361**	**177,781**	**308,729**	**(440,357)**	**26,957**	**99,219**
Cumulative rate sensitive gap	**(33,251)**	**26,110**	**203,891**	**512,620**	**72,263**	**99,219**	**198,438**
Adjusted interest rate change	**0.14**	**0.25**	**1.5**	**1**	**1**		
Relative gap ratio (RSG to total asset)	**-38%**	**88%**	**98%**	**100%**	**-98%**		**9%**
Total asset	**87,219**	**67,645**	**182,070**	**309,886**	**443,052**	**30,571**	**1,120,443**

(5) FINANCIAL RISK REVIEW - (Continued)

(c) Market Risk - (Continued)

(a) Interest Rate Risk - (Continued)

Exposure to Interest Rate Risk
(Amounts In Millions Birr)

30 June 2021	Effective Interest Rate	Up to 1 Month	1-3 Months	3 Months up to 1 Year	1-3 Years	Over 3 Years	Non -interest Sensitive Items	Total
I. Assets								
A. Interest rate sensitive assets								
Cash & balances with NBE							117,166	**117,166**
Placements with other banks						-		**-**
Loans and advances to banks		2	10	108	77	10	-	**207**
Loans and advances to customers		11,932	32,143	28,562	53,324	153,041	-	**279,002**
Debt securities		16,420	52,779	109,396	134,175	239,291	-	**552,060**
Total rate sensitive assets		**28,354**	**84,932**	**138,066**	**187,575**	**392,342**	**-**	**831,269**
II. Liabilities								
B. Rate sensitive liabilities								
Deposits due to other banks		107				680		**787**
Customers' deposits		49,488	3,867	3,892	18	678,030	-	**735,296**
Borrwings from NBE		-	7,443	12,005	17,087	77,276		**113,811**
Total rate sensitive liabilities		**49,595**	**3,867**	**3,892**	**18**	**678,711**	**-**	**736,083**
C. Rate sensitive gap		**(21,241)**	**81,065**	**134,174**	**187,557**	**(286,369)**	**-**	**95,186**
Cumulative rate sensitive gap		**(21,241)**	**59,824**	**193,998**	**381,555**	**95,186**	**95,186**	**190,372**
Adjusted interest rate change		**0.14**	**0.25**	**1.5**	**1**	**1**		
Relative gap ratio (RSG to total asset)		**-21%**	**95%**	**101%**	**96%**	**-67%**		**10%**
Total asset		**101,072**	**85,125**	**132,780**	**194,446**	**428,687**		**942,111**

(5) FINANCIAL RISK REVIEW - (Continued)

(c) Market Risk - (Continued)

(b) Exchange Rate Risk

Exchange rate risk is the risk a financial instrument's value fluctuates as a result of changes in the exchange rates of foreign currencies and other financial variables. Foreign exchange rate risks arise from financial instruments denominated in currencies other than the Bank's functional currency.

The Group's foreign currency denominated assets and liability accounts may result in translational gain/loss depending on the net open position and direction of the exchange rate movement. To control the risk, the net position in each foreign currency is managed on a daily basis.

The various foreign currencies to which the Group is exposed to are summarized below:

Currency Type	30 June 2021	30 June 2022
	Amount in Thousands of Foreign Currency	Amount in Thousands of Foreign Currency
1. On B/S FCY assets		
AED	1,131	1,592
CAD	1,896	293
CHF	2,080	769
DJF	53,376	46,223
DKK	844	902
EUR	42,682	5,765
GBP	5,587	803
INR	59,221	60,687
JPY	77,575	5,851
KES		11,510
KWD	17	34
AUD	20	100
SAR	2,107	3,044
SEK	5,104	16,778
USD	994,916	636,945
NOK	5,727	1,481
XAF	66	-
2. On B/S FCY liabilities		
DJF	398	398
EUR	57,462	65,514
GBP	3,105	2,487
USD	869,257	918,737
JPY	80,440	760

(5) FINANCIAL RISK REVIEW - (Continued)

(c) Market Risk - (Continued)

Sensitivity Analysis

As can be witnessed in the exchange rate movement during the year, the tendency of further depreciation of Birr is probable. Hence, we have considered two senarios of Birr devaluation by 15%. In order to see the impact on the financial performance of CBE, the sensitivity is applied to the open position in USD, GBP and other currencies.

S.No.	Descriptions	Multiplying Factor	Actual Position (in Millions of ETB)	Stressed by 15% Birr Devaluation (in Millions of ETB)	Change (in Millions of ETB)
1	**Overall open position**		**(260,438)**	**(299,191)**	**(38,753)**
1.1	Net short open position – USD		(239,606)	(275,547)	(35,941)
1.2	Net short open position – EUR		(18,747)	(21,559)	(2,812)
1.3	Net short open position - other currencies		(2,085)	(2,085)	-
2	**Total, capital**		**60,098**	**60,098**	**-**
2.1	Capital charge (8%)	0.08*1	20,835	23,935	3,100
2.2	Forex risk capital charge to total capital ratio	2.1/2	347	398	(51)
3	**Overall open position to capital ratio**		**(433)**	**(498)**	**(65)**
4	**Profit before tax projection**				**27,614**
5	**Total, gain/loss due to depreciation of Birr against USD**				**(7,445)**
5.1	Gain/Loss from FCY denominated on balance sheet				(2,198)
5.2	Gain/Loss from FCY denominated off balance sheet (20%)				(5,247)
6	**Total, gain/loss due to depreciation of Birr against EUR**				**(1,170)**
6.1	Gain/Loss from FCY denominated on balance sheet				(759)
6.2	Gain/Loss from FCY denominated off balance sheet (20%)				(411)
7	**Total, gain/loss due to depreciation of Birr against USD and EUR (5+6)**				**(8,615)**
8	**Post-shock profit/loss**				**18,999**
9	**Impacton capital**				**-**
10	**Post-shock capital**				**-**

(d) Operational Risk Management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Group seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

Operational risks arise from all of the Group's operations and are faced by all business units. As such, the Group seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, control and report such risks.

(5) FINANCIAL RISK REVIEW - (Continued)

(d) Operational Risk Management - (Continued)

The scope of operational risk assessment of any process shall be determined based on various factors among them:

- The level of perceived risks;
- Previous operational risk assessment risks;
- Business criticality of the activities, process or product under consideration;
- The presence of overarching regulatory requirement; and
- Management's need for further examination of ongoing operations (such as lines of business, product, service and processes individually or in combinations).

Every risk assessment unit shall perform a risk assessment on its respective processes/units, at least on an annual basis. The Risk and Compliance Management process may request for more frequent risk assessment, if the need arises, primarily based on the perceived level of risk of the respective risk assessment unit/process.

(e) Capital Management

The Group manages its capital based on Basel guidelines as well as local regulation requirements. The Commercial Code of Ethiopia through article 80 (capital and reserves) defines capital as the original value of the elements put at disposal of the undertaking by the owner or partners by way of contribution in kind or in cash. It further stipulates that all profits preserved for the undertaking and not forming part of capital shall constitute a reserve.

The statutory regulator, the National Bank of Ethiopia, has issued directive number SBB/4/95 that dictates every bank transfer on an annual basis, 25% of its annual net profit to its legal reserve account until such account equals its capital. When the legal reserve account equals the Bank's capital, the amount to be transferred to the legal reserve account shall be 10% of the annual net profit.

The Bank's capital is therefore managed in accordance with NBE directives and proclamation on banking business and those of subsidiaries capital is managed in accordance with the commercial code and other related laws.

In addition to regulatory requirements, CBE conducts objective analysis on the adequacy of its capitalization on a regular basis. Based on the result of rigorous analysis made on capital management and adequacy, CBE injects additional capital after proposing the required amount of additional capital to the Ministry of Finance and upon approval by the house of peoples' representatives of the Federal Democratic Republic of Ethiopia.

The National Bank of Ethiopia requires a bank to maintain at all times:

- Primary or Tier 1 capital: state capital/paid-up capital, declared reserves and accumulated profit or loss.
- Secondary or Tier 2 capital: includes qualified equity instruments. However, CBE does not have any tier-2 capital account in its statement of financial position.

The Bank and its individually regulated subsidiaries have met with all of the external capital requirements to which they are subject. As of 30 June 2022, and 30 June 2021 respectively, the Bank's regulatory capital position was as follows:

(5) FINANCIAL RISK REVIEW - (Continued)

(e) Capital Management - (Continued)

	30 June 2022	30 June 2021
Capital - level 1		
State capital	40,000,000,000.00	40,000,000,000
Legal reserves	19,411,191,215	15,263,362,142
Capital reserve	249,632,382	218,603,959
CBE NOOR reserve	19,412,058	6,474,853
Accumulated profit or loss.	11,899,022,042	9,186,092,661
Statutory reserve	1,756,847,304	236,337,498
Total	**73,336,105,000**	**64,910,871,113**
Capital - level 2		
Fair value reserve	181,005,199	217,863,316
Foreign currency translation reserve	(233,187,639)	(302,625,994)
Remeasurement of defined benefit BS	(1,767,940,532)	(1,427,661,978)
Subordinated liabilities	-	-
Debt securities issued	-	-
Total	**-1,820,122,972**	**-1,512,424,656**
Total regulatory capital	**71,515,982,029**	**63,398,446,457**
Total assets and weighted contingencies	**257,089,417,439**	**224,507,430,383**
Total regulatory capital / risk weighted assets	**27.82%**	**28.24%**

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Accounting Classifications

Fair value of a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximizes the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The following sets out the Group's basis of establishing fair values of financial instruments:

Investment securities with observable market prices including equity securities are fair valued using that information. Investment securities that do not have observable market data are fair valued using discounted cash flow method or quoted market prices for securities with similar yield characteristics.

During the current year, there was sufficient information available to measure the fair value of financial instruments based on observable market inputs. In the previous year, the available-for-sale equity instruments were measured at cost because the fair value was not considered to be reliably measurable.

Loans and advances to customers and loans to micro-finance institutions are net of allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value hence their fair values approximate their carrying amounts.

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. Estimated fair value if fixed interest-bearing deposits without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with similar maturities and interest rates, hence their fair value approximates their carrying amounts.

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS - (Continued)

(a) Accounting Classifications - (Continued)

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

					Fair Value			
	Amortized Cost	FVOCI	FVTPL	Total Carrying Amounts	Level 1	Level 2	Level 3	Fair Value
30 June 2022	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial instruments								
Financial assets								
Cash and balances with NBE	59,698,974,406			59,698,974,406				
Treasure bill	115,697,699,247			115,697,699,247				
Placement with other banks	33,053,298,956			33,053,298,956				
Loans and advances to customers	293,331,457,302			293,331,457,302				
Loans to micro-finance institutions	321,434,341			321,434,341				
Debt securities	697,032,955,844			697,032,955,844				
Equity securities		523,633,929		523,633,929		523,633,929		523,633,929
Receivables	3,250,829,651			3,250,829,651				
Investment in subsidiaries	3,294,937,506			3,294,937,506				
Investment in associates		363,720,878		363,720,878		363,720,878		363,720,878
Total financial assets	**1,205,681,587,253**	**887,354,807**		**1,206,568,942,060**		**887,354,807**		**887,354,807**
Financial liabilities								
Deposits due to other banks	1,279,768,316			1,279,768,316				
Customers' deposits	889,662,377,195			889,662,377,195				
Current tax liability	7,306,693,187			7,306,693,187				
Other liabilities	174,994,524,604			174,994,524,604				
Total financial liabilities	**1,073,243,363,302**			**1,073,243,363,302**				

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS - (Continued)

(a) Accounting Classifications - (Continued)

					Fair Value			
	Amortized Cost	FVOCI	FVTPL	Total Carrying Amounts	Level 1	Level 2	Level 3	Fair Value
30 June 2021	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial instruments								
Financial assets								
Cash and balances with NBE	62,215,708,910			62,215,708,910				
Placement with other banks	46,390,436,381			46,390,436,381				
Loans and advances to customers	279,001,679,067			279,001,679,067				
Loans to micro-finance institutions	207,442,852			207,442,852				
Debt securities	552,060,074,517			552,060,074,517				
Equity securities		393,552,734		393,552,734		393,552,734		393,552,734
Receivables	7,799,402,955			7,799,402,955				-
Investment in associates	62,215,708,910	277,125,422		277,125,422		277,125,422		277,125,422
Total financial assets	**947,674,744,682**	**670,678,156**		**948,345,422,838**		**670,678,156**		**670,678,156**
Financial liabilities								
Deposits due to other banks	364,945,567			364,945,567				
Customers' deposits	735,295,983,493			735,295,983,493				
Current tax liability	6,337,242,247			6,337,242,247				
Other liabilities	113,976,088,486			113,976,088,486				
Total financial liabilities	**855,974,259,793**			**855,974,259,793**				

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS - (Continued)

(b) Valuation Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of available-for-sale financial assets by valuation technique:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation using significant non-market observable inputs
Types of financial assets:	Actively traded government and other agency securities Listed derivative instruments Listed equities	Corporate and other government bonds and loans Over-the-counter (OTC) derivatives Over-the-counter (OTC) derivatives	Corporate bonds in illiquid markets Highly structured OTC derivatives with unobservable parameters
Types of financial liabilities:	Listed derivative instruments	Over-the-counter (OTC) derivatives	Highly structured OTC derivatives with unobservable parameters

(7) INTEREST INCOME AND EXPENSE

Interest income and expense are analyzed as follows:

Interest income	**30 June 2022**	**30 June 2021**
Loans and advances to customers	31,504,567,823	27,526,794,173
Debt securities	50,676,031,364	37,786,164,823
Total interest income	**82,180,599,187**	**65,312,958,995**

Interest expense	**30 June 2022**	**30 June 2021**
Depositary obligations	38,713,921,403	33,142,991,472
Total interest expense	**38,713,921,403**	**33,142,991,472**

(8) NON-INTEREST INCOME AND EXPENSES

Non-interest income	**30 June 2022**	**30 June 2021**
Commissions	21,351,970,042	9,549,637,357
Bank services and transaction fees	8,771,045,367	5,569,017,879
Discount earned on securities	476,076,747	466,742,158
Other income	1,478,449,237	1,056,816,029
Total non-interest income	**32,077,541,394**	**16,642,213,423**

Non-interest expense	**30 June 2022**	**30 June 2021**
Salaries and employee benefits	21,263,769,941	17,377,204,297
Outsourcing service expense	307,173,475	200,144,299
License fees	518,005,889	592,332,539
Depreciation and amortization	1,825,556,601	1,214,955,228
Deprecation right of use asset	1,454,262,015	1,211,159,890
Advertising and publicity	402,552,647	364,139,133
Repairs and maintenance	509,771,752	377,092,964
Electronic data process	521,871,940	447,456,994
Stationery and office supplies	319,199,614	286,907,657
Donation and contribution expense	411,819,950	659,178,495
Discount loss	476,077,001	466,742,158
Other expenses	3,717,118,697	1,992,764,343
Total non-interest expenses	**31,727,179,518**	**25,190,077,995**

(9) CASH AND CASH EQUIVALENTS

	30 June 2022	30 June 2021
Cash on hand	10,644,872,258	8,719,674,795
Cash reserve with National Bank of Ethiopia	48,021,651,619	37,737,251,619
Cash reserve with Central Bank of South Sudan	386,691,478	268,170,371
Cash reserve with Central Bank of Djibouti	958,367,597	761,347,710
Treasury bill-cash class	23,765,348,516	-
Placements with other banks	33,053,298,956	46,390,436,381
Payment and settlement accounts:		
with National Bank of Ethiopia	10,332,263,712	23,448,939,211
	127,162,494,137	**117,325,820,086**
Allowance for impairement losses	**(1,018,066,443)**	**(160,004,338)**
	126,144,427,694	**117,165,815,748**

The cash reserves is non-interest earning and is based on the value of deposits as adjusted for National Bank of Ethiopia requirements. At 30 June 2022 and 30 June 2021, the cash reserve requirement was 5%, for the two dates of the eligible deposits. Out of the total placement with other banks ETB 10,722,750,953 as at 30 June 2022 and ETB 8,058,726,059 as at 30 June 2021 represent the debt service reserve account in relation to the master loan agreement made at EXIM Bank of China on behalf of State Owned Enterprises. These funds are not available to finance the Group's day-to-day operations.

(10) DEBT AND EQUITY SECURITIES

		30 June 2022	30 June 2021
Debt and equity securities	ETB	**697,032,955,844**	**552,453,627,251**

i. Debt Securities

As part of its investments securities, the Group maintained a portfolio of investments mainly in coupon bonds, corporate bonds, equity instruments and treasury bills. This account is comprised as follows:

		30 June 2022	30 June 2021
Debt securities	ETB	702,743,189,857	554,165,947,144
Allowance for impairment losses		(6,233,867,941)	(2,105,872,627)
		696,509,321,915	**552,060,074,517**

		30 June 2022	30 June 2021
Coupon bonds	ETB	57,317,564,093	54,836,008,617
Corporate bonds		528,228,250,711	433,756,574,179
DBE bonds		985,097,260	
Government securities		24,279,927,062	23,806,908,267
Treasury bills-investment class		91,932,350,731	41,766,456,080
		702,743,189,857	**554,165,947,144**

(10) DEBT AND EQUITY SECURITIES - (Continued)

(i) Debt Securities - (Continued)

The interest receivable related to these investment securities is broken down as follows:

Interest receivable	30 June 2022	30 June 2021
Coupon bonds	3,201,314,452	2,236,225,271
Corporate bonds	79,762,060,750	41,484,621,802
Government securities	-	92
DBE bonds	10,097,260	
Total	**82,973,472,462**	**43,720,847,164**

ii. Equity Securities

	30 June 2022	30 June 2021
Ethswitch Share Company	164,170,000	137,703,276
African Export Import Bank	350,210,000	248,202,194
S.W.I.F.T. SCRL	9,253,929	7,647,264
	523,633,929	**393,552,734**

The change in the carrying amount of equity securities comprises:

	30 June 2022	30 June 2021
Ethswitch Share Company		
At 1 July at cost	137,703,276	77,625,000
Additions	-	12,323,000
Changes in fair value	26,466,724	47,755,276
	164,170,000	**137,703,276**

African Export Import Bank	30 June 2022	30 June 2021
At 1 July at cost	248,202,194	198,063,030
Additions	7,220,805	4,574,957
Changes in fair value	94,787,002	45,564,207
	350,210,000	**248,202,194**

S.W.I.F.T. SCRL	30 June 2022	30 June 2021
At 1 July at cost	7,647,264	5,169,970
Changes in fair value	1,606,665	2,477,294
	9,253,929	**7,647,264**

(11) LOANS AND ADVANCES TO CUSTOMERS

Below is the composition of loans and advances to customers divided by category as well as its provision for impairment as of the reporting dates:

	30 June 2022	30 June 2022	30 June 2022
	Gross Amount	Allowance for Expected Credit Losses	Book Value
Agriculture			
Term loan	6,498,117,149	(1,744,183,812)	4,753,933,337
Overdraft	13,081,969	(2,659,658)	10,422,311
	6,511,199,118	**(1,746,843,470)**	**4,764,355,648**
Manufacturing			
Term loan	173,510,675,116	(19,099,112,799)	154,411,562,317
Overdraft	4,113,980,138	(462,075,726)	3,651,904,412
	177,624,655,254	**(19,561,188,525)**	**158,063,466,729**
Domestic & trade services			
Term loan	16,917,261,187	(3,382,850,080)	13,534,411,107
Overdraft	1,206,964,292	(100,516,951)	1,106,447,340
	18,124,225,479	**(3,483,367,031)**	**14,640,858,447**
International trade			
Term loan	39,669,331,263	(3,463,382,887)	36,205,948,376
Overdraft	14,922,365,639	(78,021,928)	14,844,343,712
	54,591,696,902	**(3,541,404,815)**	**51,050,292,088**
Building and construction			
Term loan	23,736,761,948	(3,851,989,647)	19,884,772,301
Overdraft	291,205,794	(143,847,415)	147,358,379
	24,027,967,741	**(3,995,837,062)**	**20,032,130,680**
Mining and quarring			
Term loan	21,984,400		21,984,400
	21,984,400		**21,984,400**
Consumer loan			
Term loan	29,695,024,938	(129,499,918)	29,565,525,020
	29,695,024,938	**(129,499,918)**	**29,565,525,020**
Loan & advance for employee			
Term loan	6,294,327,549		6,294,327,549
	6,294,327,549		**6,294,327,549**
CBE NOOR finance			
Murabaha finance	9,229,006,932	(330,490,190)	8,898,516,742
	9,229,006,932	**(330,490,190)**	**8,898,516,742**
Total	**326,120,088,313**	**(32,788,631,011)**	**293,331,457,302**

(11) LOANS AND ADVANCES TO CUSTOMERS - (Continued)

	30 June 2021	30 June 2021	30 June 2021
	Gross Amount	Allowance for Expected Credit Losses	Book Value
Agriculture			
Term loan	14,492,262,551	(682,648,291)	13,809,614,260
Overdraft	14,625,468	(1,624,487)	13,000,981
	14,506,888,019	**(684,272,778)**	**13,822,615,241**
Manufacturing			
Term loan	174,969,683,772	(3,111,477,103)	171,858,206,669
Overdraft	3,204,663,353	(264,352,942)	2,940,310,411
	178,174,347,126	**(3,375,830,045)**	**174,798,517,080**
Domestic & trade services			
Term loan	20,528,259,021	(2,104,755,685)	18,423,503,336
Overdraft	948,214,740	(42,686,724)	905,528,016
	21,476,473,761	**(2,147,442,409)**	**19,329,031,352**
International trade			
Term loan	2,859,463,697		2,859,463,697
Overdraft	1,974,913,078		1,974,913,078
Advance loan	13,853,508,932	(3,336,667,905)	10,516,841,027
	18,687,885,706	**(3,336,667,905)**	**15,351,217,802**
Building and construction			
Term loan	15,554,141,832	(1,295,709,243)	14,258,432,589
Overdraft	296,860,218	(31,016,994)	265,843,224
	15,851,002,051	**(1,326,726,236)**	**14,524,275,814**
Consumer loan			
Term loan	35,245,001,556	(241,383,567)	35,003,617,989
	35,245,001,556	**(241,383,567)**	**35,003,617,989**
CBE NOOR finance			
Murabaha finance	6,270,129,000	(97,725,212)	6,172,403,788
	6,270,129,000	**(97,725,212)**	**6,172,403,788**
Total	**290,211,727,218**	**(11,210,048,151)**	**279,001,679,067**

(11) LOANS AND ADVANCES TO CUSTOMERS - (Continued)

Allowance for expected credit losses is as shown below:

	Allowance for expected credit losses
At 30 June 2020	**10,002,935,746**
Impairment recognized during the year	1,207,112,405
At 30 June 2021	**11,210,048,151**
Impairment recognized during the year	21,578,599,257
At 30 June 2022	**32,788,647,408**

(12) LOANS TO MICRO-FINANCE INSTITUTIONS

(a) Classification

Below is the composition of loans to micro-finance institution divided by category as well as its provision for impairment as of the reporting dates:

		30 June 2022	30 June 2021
	ETB		
Term loans		321,450,738	207,453,058
Less: allowance for expected credit losses		(16,397)	(10,205)
		321,434,341	**207,442,852**

(b) Impairment Losses on Loans and Advances

		2021/22	2020/21
At 1 July	ETB	10,205	217,093
Amounts recognized (reduced) during the year		6,192	(206,888)
As at 30 June		**16,397**	**10,205**

(13) RECEIVABLES

		30 June 2022	30 June 2021
Government receivables	ETB	1,230,978,839	1,230,978,839
Foreign receivables		350,297,437	412,460,612
Other receivables		2,080,595,728	2,610,904,742
Other advances		-	5,386,139,706
Staff loans – prepayments		1,996,809,246	1,975,174,015
		5,658,681,250	**11,615,657,914**
Less: allowance for doubtful debts		(1,996,809,246)	(1,975,174,015)
Less: staff loan contra account		(411,042,353)	(1,841,080,944)
		3,250,829,651	**7,799,402,955**

(13) RECEIVABLES - (Continued)

Allowance for Doubtful Debts

	2022/21
Balance as at 30 June 2020	**(1,839,173,212)**
Doubtful debts written off during the year	3,680,441
Reduction (addition) during the year	(5,588,172)
Balance as at 30 June 2021	**1,841,080,944**
Doubtful debts written off during the year	
Reduction (addition) during the year	1,430,038,591
Balance as at 30 June 2022	**(411,042,353)**

(14) INVESTMENT IN ASSOCIATES

Investments in associates as of 30 June 2022 and 2021 are as follows:

Ethiopia Re-insurance Company

	30 June 2022	30 June 2021
Opening balance	277,125,422	211,041,876
Group's share of total comprehensive income	43,536,142	39,039,686
Additional investment during the year	43,059,314	27,043,861
Group's investment in associate as at 30 June	**363,720,878**	**277,125,422**

	30 June 2022	30 June 2021
Percentage ownership interest	20%	20%
Revenue (100%)	960,571,705	784,335,044
Total comprehensive income (100%)	217,680,710	195,198,428
Group's share of total comprehensive income (20.00%)	**43,536,142**	**39,039,686**

(15) NON CURRENT ASSETS HELD FOR SALE

		2021/22		
Costs		**Building**	**Movable Property**	**Total**
At 1 July 2021	ETB	781,736,109	242,306,536	**1,024,042,645**
Acquisition		6,900,001	8,402,230	**15,302,231**
Transfer to property, plant and equipment		(244,213)	-	**(244,213)**
Reclassification				
Sale/Disposal		(2,928,011)	-	**(2,928,011)**
Total		**785,463,886**	**250,708,767**	**1,036,172,653**
Less provisions:				
Impairment loss on acquired assets		(284,497)	(88,271,373)	**(88,555,870)**
Movement for the year		260,398	(88,013,761)	**(87,753,363)**
Closing balance		**(24,099)**	**(176,285,134)**	**(176,309,233)**
Non-current assets held for sale as at 30 June 2022		**785,439,787**	**74,423,633**	**859,863,419**

(15) NON CURRENT ASSETS HELD FOR SALE - (Continued)

		2020/21		
Costs		**Building**	**Movable Property**	**Total**
At 1 July 2020	ETB	786,143,831	247,012,889	**1,033,156,720**
Acquisition		181,035	-	**181,035**
Transfer to property, plant and equipment		(425,236)	-	**(425,236)**
Sale/Disposal		(4,163,522)	(4,706,352)	**(8,869,874)**
Total		**781,736,109**	**242,306,536**	**1,024,042,645**
Less provisions:				
Impairment loss on acquired assets		(286,556)	(2,351,849)	**(2,638,405)**
Movement for the year		2,059	(85,919,524)	**(85,917,466)**
Closing balance		**(284,497)**	**(88,271,373)**	**(88,555,870)**
Non-current assets held for sale as at 30 June 2021		**781,451,611**	**154,935,163**	**935,486,774**

Some assets are kept under this category for more than a year. The delay for the sale is caused by a circumstance beyond the Bank's control and the Bank is still committed to sell these assets. Assets in this group are presented for auction at least once a year.

(16) INVESTMENT PROPERTY

Investment property comprises office buildings that are leased to third parties under operating leases. The leases of investment properties contain initial non-cancellable lease terms of between one and five years. Some leases provide the lessees options to extend at the end of the term. Subsequent renewals are negotiated with the lessees.

For all investment property, the rental income is fixed under the contracts.

	2022	2021
Balance as at 1 July	186,977	186,977
Reclassification	376,209	-
Balance as at 30 June	**563,187**	**186,977**

The above items of investment property are depreciated on a straight-line basis at the rate of 5% per annum.

(17) PROPERTY, PLANT AND EQUIPMENT

	Balance at 1 July 2021	Additions	Disposals	Reclassifications	Translation Difference	Balance at 30 June 2022
Cost						
Building	3,939,272,881	21,450	-	345,039,531	(29,721,784)	4,254,612,077
Computer and software	2,966,804,759	695,416,471	(321,394)	6,529,861	(675,818)	3,667,753,879
Fixtures, fittings and equipment	4,668,579,791	635,022,792	(261,771,897)	343,535,742	(2,998,720)	5,382,367,708
Motor vehicles	2,272,685,910	190,565,882	(10,806,486)	(597,423)	(57,056)	2,451,790,828
Work in progress	6,263,477,952	1,753,548,525	-	(698,192,273)	-	7,318,834,204
	20,110,821,292	**3,274,575,121**	**(272,899,778**	**(3,684,562)**	**(33,453,377)**	**23,075,358,695**
Depreciation						
Building	(651,854,022	(135,852,659)	-	10,706,230	14,611,814	(762,388,637)
Computer and software	(2,301,196,692)	(383,948,508)	317,892	(2,672,604)	8,199,690	(2,679,300,221)
Fixtures, fittings and equipment	(3,044,989,700)	(1,028,880,239)	258,462,908	(7,269,197)	4,350,267	(3,818,325,962)
Motor vehicles	(937,181,025)	(361,618,100)	6,585,802	22,604,488	(20,100,588)	(1,289,709,423)
	(6,935,221,439)	**(1,910,299,506)**	**265,366,602**	**23,368,916**	**7,061,183**	**(8,549,724,243)**
Net carrying amount	**13,175,599,853**	**1,364,275,615**	**(7,533,176)**	**19,684,355**	**(26,392,195)**	**14,525,634,452**

(17) PROPERTY, PLANT AND EQUIPMENT - (Continued)

	Balance at 1 July 2020	Additions	Disposals	Reclassifications	Translation Difference	Balance at 30 June 2021
Cost						
Building	2,712,720,547	9,229,701	-	1,206,272,419	7	3,928,222,675
Computer and software	2,552,517,544	423,412,112	(1,097,904)	(3,366,098)	265,430	2,971,731,084
Fixtures, fittings and equipment	4,285,491,928	394,888,437	(4,379,080)	3,366,098	576,053	4,679,943,435
Motor vehicles	1,871,328,796	404,871,503	(4,592,977)	-	727,873	2,272,335,195
Work in progress	7,881,718,183	(411,967,813)	-	(1,206,272,419)	-	6,263,477,952
	19,303,776,999	**820,433,940**	**(10,069,961)**		**1,569,362**	**20,115,710,340**
Depreciation						
Building	(497,311,392)	(126,822,648)	-	-	6	(650,528,743)
Computer and software	(2,059,658,563)	(264,775,445)	119,567	(3,332,437)	(238,001)	(2,301,182,697)
Fixtures, fittings and equipment	(2,405,977,651)	(644,560,373)	2,871,820	3,332,437	(427,985)	(3,044,846,054)
Motor vehicles	(843,072,019)	(96,345,155)	3,444,732	-	(495,919)	(936,691,532)
	(5,806,019,625)	**(1,132,503,621)**	**6,436,120**	**-**	**(1,161,899)**	**(6,933,249,026)**
Net carrying amount	**13,497,757,374**	**(317,323,336)**	**(3,633,842)**	**-**	**407,463**	**13,182,461,314**

There were no capitalized borrowing costs related to the acquisition of property, plant and equipment during the year (2021: Nil).

(18) INTANGIBLE ASSETS

2022		Software
Cost	**ETB**	
Balance at 1 July 2021		588,615,612
Additions		465,108,060
Balance at 30 June 2022		**1,053,723,672**
Amortization and impairment		
Balance at 1 July 2021		452,156,977
Additions		154,141,769
Balance at 30 June 2022		**606,298,746**
Net carrying value		**447,424,926**

2021		Software
Cost	**ETB**	
Balance at 1 July 2020		580,752,847
Additions		7,862,764
Balance at 30 June 2021		**588,615,612**
Amortization and impairment		
Balance at 1 July 2020		(361,573,653)
Additions		(90,583,324)
Balance at 30 June 2021		**(452,156,977)**
Net carrying value		**136,458,635**

Intangible assets relate to software that includes banking and other related softwares.

The amortization expense recognized within non-interest expense for the year ended 30 June 2022 was ETB 154,141,769 (2021: ETB 90,583,324).

(19) OTHER ASSETS

		30 June 2022	30 June 2021
Purchase in progress	ETB	2,206,960,617	551,547,043
Stationary and other supplies		610,794,938	376,226,289
IT expansion project		1,502,271,683	970,288,417
Prepaid		5,678,968,041	6,848,331,281
Others		756,200,862	3,451,274,510
		10,755,196,142	**12,197,667,537**

(20) RIGHT OF USE ASSETS AND FINANCE LEASE OBLIGATIONS

The Group leases a number of assets including land and buildings. Information about leases for which the Group is a lessee is presented below:

(A) Right-of-Use Assets

2021/22	Land	Building	Total
Cost			
Balance at 01 July 2021	101,923,616	6,785,762,742	6,887,686,358
Adjustment	-	(63,023,287)	(63,023,287)
Additions	-	1,906,676,062	1,906,676,062
Balance at 30 June 2022	**101,923,616**	**8,629,415,517**	**8,731,339,132**
Depreciation			
Balance at 01 July 2021	12,970,552	2,979,503,726	2,992,474,278
Adjustment	-	(55,419,509)	(55,419,509)
Additions	2,070,987.31	1,455,319,398	1,457,390,385
Balance at 30 June 2022	**15,041,539.34**	**4,379,403,615**	**4,394,445,154**
Net carrying value	**86,882,076**	**4,250,011,902**	**4,336,893,979**

2020/21	Land	Building	Total
Cost			
Balance at 01 July 2020	93,821,189	7,339,904,861	7,433,726,050
Adjustment	(260,748)	25,363,476	25,102,728
Additions	8,363,175	1,188,017,558	1,196,380,733
Balance at 30 June 2021	**101,923,616**	**8,553,285,894**	**8,655,209,510**
Depreciation			
Balance at 01 July 2020	(10,502,155)	(3,493,496,371)	(3,503,998,526)
Adjustment	(119,650)	(24,726,046)	(24,845,696)
Additions	(2,348,747)	(1,228,804,460)	(1,231,153,207)
Balance at 30 June 2021	**(12,970,552)**	**(4,747,026,878)**	**(4,759,997,430)**
Net carrying value	**88,953,064**	**3,806,259,016**	**3,895,212,080**

(20) RIGHT OF USE ASSETS AND FINANCE LEASE OBLIGATIONS – (Continued)

(B) Finance Lease Obligation

	Land	Building	Total
Cost			
Balance at 1 July 2021	(17,424,220)	341,592,054	324,167,834
Adjustment	20,230,414	31,254,369	51,484,783
Addition	-	278,785,002	278,785,002
Payment	(21,166,348)	(143,122,110)	(164,288,459)
Balance at 30 June 2022	**(18,360,154)**	**508,509,314**	**490,149,160**
Interest expense			
Balance at 1 July 2021	24,244,533	46,430,953	70,675,485
Adjustment	-	(13,720,903)	(13,720,903)
Additions	589,519	20,940,003	21,529,523
Balance at 30 June 2022	**24,834,052**	**53,650,053**	**78,484,105**
Net carrying value	**6,473,898**	**562,159,367**	**568,633,263**
Cost			
Balance at 1 July 2020	4,024,394	198,905,406	202,929,800
Adjustment	1,515,996	(5,259,242)	(3,743,246)
Addition	2,962,095	261,449,053	264,411,148
Payment	(25,926,704)	(113,503,164)	(139,429,868)
Balance at 30 June 2021	**(17,424,220)**	**341,592,054**	**324,167,834**
Interest expense			
Balance at 1 July 2020	12,753,074	32,029,161	44,782,235
Adjustment	235,447	2,247,300	2,482,747
Additions	11,256,012	12,154,492	23,410,503
Balance at 30 June 2021	**24,244,533**	**46,430,953**	**70,675,485**
Net carrying value	**6,820,313**	**388,023,006**	**394,843,317**

The Group recognizes a lease liability at the present value of the lease payments that are not paid at that date. The Group uses an incremental borrowing rate that is based on the weighted average cost of deposits across the years. The rates used to compute the present values of buildings lease liabilities as at 30 June 2022 was 4.88% (**2021**: 4.13%). The rates used to compute the land lease liabilities as at 30 June 2022 was 9.0% (**2021**: 9.0%).

The Group leases buildings for its office space and branches. The building leases typically run for a period of between 2 and 10 years with majority of the contracts running for a period of 5 and 6 years. Some leases include an option to renew the lease for an additional period at the end of the contract term. The renewal term and lease rentals cannot be reliably estimated before the end of a contract.
The Group leases land for construction of its own office buildings. The land leases typically run for a period of between 40 years and 99 years with majority of the contracts running for a period of 50 and 60 years. These leases include an option to renew the lease.

(21) CUSTOMERS' DEPOSITS

Customers´ deposits as of the reporting dates are as follows:

	30 June 2022	30 June 2021
Payable on demand		
Local and central government	100,621,747,883	93,243,166,480
Private sector and retail customers	114,386,903,654	97,547,005,613
Public enterprises and agencies	116,484,669,753	81,401,958,139
	331,493,321,291	**272,192,130,231**
Savings deposits		
Private sector and retail customers	460,471,910,820	381,172,820,000
Local and central government	226,083,204	
Public enterprises and agencies	15,885,492,219	21,055,928,877
	476,583,486,243	**402,228,748,876**
Term deposits		
Public enterprises and agencies	3,083,356,662	3,569,973,166
Private sector and retail customers	2,781,658,727	2,098,692,714
Local and central government	6,000,000,000	3,000,000,000
Accrued interest on deposits	161,749,709	167,327,801
	12,026,765,097	**8,835,993,681**
Blocked accounts	-	-
CBE NOOR	69,558,804,564	52,039,110,704
All sectors	**889,662,377,195**	**735,295,983,493**

Payable on demand accounts represents deposits that are non-interest bearing. The weighted average effective interest rate on Savings deposits as at 30 June 2022 was 7% (**2021**: 7%). The weighted average effective interest rate on Term deposits as at 30 June 2021 was 7.2% (**2021**: 7.2%). Blocked accounts represent blocked current accounts and blocked savings accounts whose average effective interest rates as at 30 June 2022 were 0% and 7% respectively (**2021**: 0% and 7% respectively). CBE NOOR represents deposits that are non-interest bearing.

(22) PROVISIONS

	Bonuses	Cash Prize Award	Legal	Unutilized O/D, LC and Guarantee	Total
Balances at 30 June 2020	**1,073,320,212**	**116,563,214**	**145,866,695**	**54,209,036**	**1,389,959,157**
Increases (decrease) recorded in income	525,035,191	116,563,214	80,950,417	5,380,191	727,929,013
Balances at 30 June 2021	**1,149,668,131**	**122,891,273**	**133,347,878**	**122,103,206**	**1,528,010,488**
Increases (decrease) recorded in income	2,048,712,154	211,987,449	95,139,565	9,498,974	2,365,338,141
Provisions used during the year	(1,141,551,353)	(122,891,273)	(1,380,500)	29,079,460	(1,236,743,667)
Balances at 30 June 2022	**2,056,828,931**	**211,987,449**	**227,106,942**	**160,681,640**	**2,656,604,962**

Bonus represent short-term benefits arising from past services provided by employees and are expected to pad within the next 12 months.

Legal provisions represent various claims that are pending outcome at the courts. These amounts are estimates of the likely legal claims that may not be ruled in the Group's favor.

(23) EMPLOYEE BENEFITS

i. Movements in the Present Value of Defined Benefit Obligations (DBO)

	30 June 2022	30 June 2021
DBO at 01 July	6,466,778,602	6,614,840,691
Current service costs	924,534,198	2,169,259,631
Interest cost	865,663,728	853,181,858
Past service cost for seniority recognition	-	(463,658)
Past service due to plan amendment	-	6,196
Payments for the year	(438,216,073)	(1,640,656,280)
Expense charged to income	7,818,760,455	7,996,168,438
Actuarial gains (losses) recognized in other comprehensive income	1,766,156,166	(1,536,216,109)
DBO at 30 June	**9,584,916,621**	**6,459,952,329**

This defined benefit plan expose the Group to actuarial risks, such as longevity risk, currency risk, interest risk and market risk.

ii. Actuarial Losses Recognized in Other Comprehensive Income

	30 June 2022	30 June 2021
Cumulative amount at 1 July	(1,424,093,211)	(2,642,274,988)
Recognized during the year	1,766,156,166	1,527,979.553
Deferred income taxes	3,190,249,377	(309,797,776)
Actuarial losses, net of taxes at 30 June	**(6,380,498,754)**	**(1,424,093,211)**

iii. Actuarial Assumptions

The principal actuarial assumptions at the reporting date are detailed below:

	30 June 2022	30 June 2021
Discount rate	12.30-13.10%	2.95-13.10%
Salary increase rate	4.95-15.75%	4.95-16.00%
Gold increase rate	15.00-16.00%	15.00%
Long term inflation rate	2.00-13.00%	2.00-12.50%

The assumed discount rates are derived from rates available on government bonds for which the timing and amounts of payments match the timing and the amounts of our projected pension payments.

(23) EMPLOYEE BENEFITS - (Continued)

iv. Sensitivity Analysis

Reasonably possible changes at the reporting date, in any of the actuarial assumptions and assuming that all the other variables remain constant, would have affected the defined benefit obligations as of 30 June 2022 by the amounts shown below:

	2022		2021	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% variance)	(1,076,643,355)	1,346,427,614	(530,315,648)	625,639,441
Salary increase rate (1.00% variance)	995,999,131	(830,393,372)	803,110,874	669,643,909

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

(24) OTHER LIABILITIES

Other liabilities as of the reporting dates are as follows:

		30 June 2022	30 June 2021
National Bank of Ethiopia	ETB	129,991,557,352	113,976,088,486
Margin accounts and deposits for guarantees		26,961,045,118	48,747,975,994
Certified payment order´s and fund transfers		3,290,292,326	2,941,427,681
Payable to other banks		4,717,656,889	4,205,763,273
Blocked amounts		600,615,470	601,090,752
Other taxes		744,468,612	514,388,499
Unearned income		1,605,870,711	1,478,181,530
Pension contributions		120,336,751	102,508,248
Miscellaneous		6,962,681,374	4,972,199,710
Total		**174,994,524,603**	**177,539,624,173**

Unearned income relates to Bank Guarantee commissions while National Bank of Ethiopia relates to a certificate of deposit.

Dividends

Future dividends payable: 75% of CBE's profit is prorated to dividends to the government and booked as anaccumulated profit/loss in the Bank's books. The Group retains the dividend in their books till such a point when payment is made to the government.

- During 2021, 75% of net profit not yet distributed was ETB 9,571,909,473.
- During 2022, 75% of net profit not yet distributed was ETB 12,378,732,197.

(25) INCOME TAXES

The Group is subject to income taxes in Ethiopia, the Republic of South Sudan and the Republic of Djibouti.

In Ethiopia the rate of business income tax applicable to a business is 30%. In accordance to the tax proclamation, the tax payer is allowed a number of deductible expenditures in determining the taxable revenue for a tax year.

In the Republic of South Sudan, a business profit tax shall be charged on the taxable profit of a tax payer at the rate of 10% for small businesses, 15% for medium-size businesses and 20% for large businesses. CBE- South Sudan is charged a business profit tax on its taxable profit at a rate of 20%. In the Republic of Djibouti, a business profit tax shall be charged on the taxable profit of a tax payer at the rate of 25%

(a) Reconciliation of Effective Tax Rate:

	30 June 2022	30 June 2021
Profit before tax	21,820,595,603	19,277,687,334
Blended statutory tax rate	30%	30%
"Expected" tax expense	6,546,178,681	5,783,306,200
Non-deductible expenses	9,649,805,496	2,625,850,755
Allowed expenses	(6,601,670,121)	(850,028,882)
Tax-exempt income	(2,418,677,840)	(1,350,613,702)
Tax effect of consolidation	131,056,971	128,727,876
Income tax payable	**7,306,693,187**	**6,337,242,247**

For the year ended 30 June 2022, the Group had an effective income tax rate of 33.49% (39. 31% in 2021).

(b) Income Tax Expense

	30 June 2022	30 June 2021
Income tax	5,152,878,985	5,803,062,740
Subsidiaries income tax expense	174,965,458	187,219,256
Income tax	**5,327,844,443**	**5,990,281,996**

(c) Income Tax Recognized Directly in Other Comprehensive Income

	30 June 2022			30 June 2021		
	Income Tax	Before Taxes	Net of Taxes	Income Tax	Before Taxes	Net of Taxes
Remeasurement of defined benefit liability	122,860,391	(679,867,759)	(557,007,368)	956,378,995	(3,187,929,98)	(2,231,550,998)
financial assets – fair valuation	(36,858,117)	(203,960,328)	(240,818,445)	(10,877,674)	36,258,914	25,381,240

(25) INCOME TAXES - (Continued)

(d) Recognized Deferred Tax Assets

At 30 June 2022 and 2021, the tax effects of temporary differences that give rise to significant portions of the deferred income tax assets are loans & advances, receivables, PPE, intangible, non-current assets held for sale, provisions and employees' benefit.

Balance as of June 2021	**4,066,481,458**
Recognized in profit & loss	3,061,008,037
Recognized in other comprehensive income	(928,391,130)
Balance as of June 2022	**6,199,098,365**
Balance as of June 2020	**4,054,933,886**
Recognized in profit & loss	560,928,998
Recognized in other comprehensive income	(549,381,426)
Balance as of June 2021	**4,066,481,458**

(26) EQUITY

(a) Capital

Commercial Bank of Ethiopia is owned by the government of the Federal Democratic Republic of Ethiopia, there are no shares. As of 30 June 2022, the Bank's capital was ETB 40,000,000,000 (2021: ETB 40,000,000,000).

(b) Legal Reserve Account

For CBE, the legal reserve in accordance with the Directive No. SBB/4/95 issued by the National Bank of Ethiopia, every bank shall transfer annually 25% of its annual net profit as a legal reserve until such account equals its capital. For Commercial Nominees PLC, 5% of the net profit until the accumulated legal reserve balance amounts to 10% of the issued share capital accordingto commercial code of Ethiopia Article 454.

(c) Statutory Reserve

This account represents the excess amount in allowance for uncollectable suspense accounts as per the National Bank of Ethiopia's requirement compared to the IFRS requirement.

(d) CBE NOOR Reserve

The CBE NOOR Reserve relates to the Mudarabah contract. The CBE NOOR reserve is a sum of profit equalization reserve (PER) and investment risk reserve (IRR). The Profit equalization reserve (PER) is the amount appropriated by the Group out of the Mudarabah income before allocating the mudarib share in order to maintain a certain level of return on investment for the investment account holder. On the other hand, the investment risk reserve (IRR) is the amount appropriated by the Group out of the income of investment account holder (IAH), after allocating the mudarib share, in order to cater against future losses for the investment account holder.

(e) Accumulated Profit/Loss

Accumulated profit/loss is that the Group has earned to dateand accumulated profit is 75% of net profit not yet distributed the government.

(26) EQUITY - (Continued)

(f) Fair Value Reserve, Remeasurement of Defined Benefit Liabilities and Foreign Currency Translation Reserve

Represents the accumulated amount, net of deferred income taxes, arising from changes in actuarial assumptions used in the calculation of labor obligations, the effect of the change in foreign currency translation reserve and the change in fair value of equity investments.

(27) COMMITMENTS AND CONTINGENT LIABILITIES

In the ordinary course of business, the Bank conducts business involving guaranteesand letter of credit. These facilities are offset by corresponding obligations of third parties. At the year end the contingencies were as follows:

Commitments

	30 June 2022	30 June 2021
Loans committed but not disbursed at year end	21,996,731,823	34,570,078,496
Bond commitment	7,058,069,387	5,656,664,151
Construction commitment	6,522,928,800	6,522,928,801
	35,577,730,011	**48,165,338,671**

Contingent Liabilities

	30 June 2022	30 June 2021
Letter of credit	222,683,990,950	60,788,389,331
Guarantees	15,769,954,194	15,049,887,018
	238,453,945,143	**75,838,276,349**

Nature of Contingent Liabilities

Letters of credit commit the Bank to make payment to third parties, on production of documents which are subsequently reimbursed by customers.

Guarantees are generally written by a bank to support the performance by a customer to third parties. The Group will only be required to meet these obligations in the event of the customer's default.

(28) RELATED PARTIES

(a) Remuneration of Key Management Personnel

Key management members received the following remuneration during the years ended 30 June 2022 and 2021:

	30 June 2022	30 June 2021
Short-term benefits	36,038,190	38,984,256
Post-employment benefits	1,872,405	2,597,113
	37,910,594	**41,581,369**

Compensation of the Group's key management personnel includes salaries, housing allowance, fuel allowance representation amounts and bonuses. These amounts are also included in non-interest expenses within salaries and wages.

(28) RELATED PARTIES - (Continued)

(b) Transactions with Key Management Personnel

Key management members entered into the following transactions:

	30 June 2022	30 June 2021
Loans granted	31,575,391	32,288,475

The loans issued to process council members granted are secured against the property being acquired by the borrower. At the end of each reporting period the Group performs an impairment assessment on the outstanding balances and provides an allowance for impairment losses at the reporting date. No impairment losses have been recorded against loan balances with key management personnel as at 30 June 2022 (2021:Nil).

(c) Related Party Transactions

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. These transactions include loans, deposits and foreign currency transactions. The volumes of the related party transactions, outstanding balances at the end of the year and the related expenses and incomes for the year are as follows:

	30 June 2022	30 June 2021
a. Expense		
Interest expense paid to associates	3,847,689	2,966,356
b. Balances due to group companies		
Associate entity	197,824,133	61,181,357

COMMERCIAL BANK OF ETHIOPIA
SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022 (IN ETHIOPIAN BIRR)

	Note	30 June 2022	30 June 2021
Interest income	31	82,176,634,602	65,303,760,532
Interest expense	31	(38,767,207,980)	(33,169,247,015)
Net interest income		**43,409,426,622**	**32,134,513,517**
Impairment losses on financial instruments		(25,735,663,935)	(2,652,662,625)
Net interest income after provisions		**17,673,762,687**	**29,481,850,891**
Gain/loss on foreign currency transactions		3,673,887,723	(1,738,904,876)
Gain (loss) on equity inv in subsidiaries and associates	38	464,631,752	427,058,427
Non-interest income	32	31,377,943,532	16,029,803,827
Non-interest expense	32	(31,532,370,446)	(25,114,165,072)
Profit before tax		**21,657,855,249**	**19,085,643,197**
Income tax	49	(5,152,878,985)	(5,803,062,740)
Profit for the year		**16,504,976,263**	**13,282,580,457**
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit liability	47	(660,880,966)	1,739,455,065
Related tax		198,264,290	(521,836,520)
Unrealized (loss)/gain arising from measurement at fair value		122,860,391	95,796,777
Related tax - available for sale		(36,858,117)	(28,739,033)
		(376,614,403)	**1,313,415,323**
Items that are or may be reclassified subsequently to profit or loss:			
Other comprehensive income (loss), net of tax		**(376,614,403)**	**1,284,676,289**
Total comprehensive income		**16,128,361,861**	**14,567,256,747**

The accompanying notes are an integral part of this separate financial statement.

COMMERCIAL BANK OF ETHIOPIA
SEPARATE STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2022
(IN ETHIOPIAN BIRR)

	Note	30 June 2022	30 June 2021
Assets			
Cash and cash equivalent	33	123,503,948,275	115,923,043,884
Debt & equity securities	34	697,028,955,844	552,450,627,251
Loans and advances to customers, net	35	293,313,149,372	278,935,117,293
Loans to micro-finance institutions, net	36	321,434,341	207,442,852
Receivables	37	3,019,621,686	7,540,849,963
Investments in subsidiaries and associates	38	3,294,937,507	2,787,246,440
Investment property	40	563,187	186,977
Property, plant and equipment, net	41	14,197,216,383	12,831,978,223
Intangible assets, net	42	445,421,351	133,940,998
Non-current assets held for sale	39	859,863,419	935,486,774
Other assets	43	9,639,920,186	11,187,399,649
Right of use asset	44	4,326,069,928	3,881,294,275
Deferred tax asset	49	6,210,419,292	4,075,077,996
Total assets		**1,156,161,520,770**	**990,889,692,576**
Liabilities			
Deposits due to other banks		1,288,187,277	787,232,980
Customers' deposits	45	889,441,972,100	735,031,402,686
Current tax liabilities	49	7,126,814,110	6,150,901,130
Provisions	46	2,648,488,185	1,519,893,711
Finance lease obligations	44	564,177,265	391,926,035
Employee benefits	47	9,527,921,468	6,420,887,753
Other liabilities	48	173,659,958,030	176,773,345,342
Total liabilities		**1,084,257,518,434**	**936,647,499,110**
Equity			
Capital	50	40,000,000,000	40,000,000,000
Legal reserve		19,325,469,026	15,199,224,960
Statutory reserve		1,756,847,304	236,337,498
CBE NOOR reserve		19,412,058	6,474,853
Remeasurement of defined benefit liability		(1,757,463,448)	(1,417,707,163)
Accumulated profit or loss		12,378,732,197	9,571,909,473
Fair value reserve		181,005,199	217,863,316
Total equity		**71,904,002,336**	**63,814,102,938**
Total liabilities and equity		**1,156,161,520,770**	**990,889,692,576**

The accompanying notes are an integral part of this separate financial statement.

COMMERCIAL BANK OF ETHIOPIA
SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022
(IN ETHIOPIAN BIRR)

	Capital	Legal Reserve	Statutory Reserve	CBE NOOR Reserve	Accumulated Profit or Loss	Remeasurement of Defined Benefit Liability	Fair value Reserve	Total Equity
Balance as of 30 June 2020	**40,000,000,000**	**12,008,588,470**	**241,925,669**	**1,706,853**	**-**	**(2,635,325,707)**	**150,805,429**	**49,767,700,714**
Opening adjustment						493,645,535.60		**493,645,680**
Total comprehensive income								
Profit for the year					13,282,580,457	723,973,010	95,796,777	**14,102,350,244**
Other comprehensive income							(28,738,889)	**(28,739,033)**
Transfer to/(from) CBE NOOR reserve				4,768,000			-	**4,768,000**
Transfer to/(from) statutory reserve			(5,588,172)				-	**(5,588,172)**
Transfer to/(from) legal reserve		3,190,636,491			(3,320,645,114)		-	**(130,008,623)**
Dividends					(390,025,870)		-	**(390,025,870)**
Balance as of 30 June 2021	**40,000,000,000**	**15,199,224,961**	**236,337,498**	**6,474,853**	**9,571,909,473**	**(1,417,707,163)**	**217,863,317**	**63,814,102,939**
Opening adjustment					2,806,822,725			**2,806,822,725**
Total comprehensive income								
Profit for the year					16,504,976,263	(339,756,286)		**16,165,219,977**
Other comprehensive income							(36,858,117)	**(36,858,117)**
Transfer to/(from) CBE NOOR reserve				12,937,205				**12,937,205**
Transfer to/(from) statutory reserve			1,520,509,806					**1,520,509,806**
Transfer to/(from) legal reserve		4,126,244,066			(4,126,244,066)			
Dividends					(12,378,732,197)			**(12,378,732,197)**
Balance as of 30 June 2022	**40,000,000,000**	**19,325,469,027**	**1,756,847,303**	**19,412,058**	**12,378,732,197**	**(1,757,463,449)**	**181,005,199**	**71,904,002,336**

COMMERCIAL BANK OF ETHIOPIA
SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022
(IN ETHIOPIAN BIRR)

	30 June 2022	30 June 2021
Cash Flows from Operating Activities		
Profit for the year	**21,657,855,249**	**19,085,643,197**
Adjustment		
Impairment of loans and advance and debt securities	25,692,687,336	2,748,459,403
Provision for unutilized OD,LC and guarantee	9,498,974	67,894,171
Reduction (allowance) for placement with other banks	858,062,105	84,205,920
Provision against non current asset held for sale	87,753,363	85,917,466
Depreciation and amortization	3,979,766,896	2,440,013,348
Income from subsidiary and associate recognized in profit or loss	(464,631,752)	(427,058,427)
Loss (gain) on disposal of property, plant and equipment	(10,222,760)	(7,187,227)
Loss (gain) on disposal of NCA held for sale	(2,009,685)	(13,182,314)
Finance lease charge	7,480,244	24,888,977
	51,816,239,969	**24,089,594,514**
Movement in working capital		
Change in debt and equity security	(148,706,323,909)	(108,756,997,033)
Change in loans and advances	(35,933,855,198)	(47,331,525,908)
Change in receivables	6,041,738,082	1,145,284,082
Change in noncurrent asset held for sale	-	-
Change in other assets	1,547,479,463	(532,441,329)
Change in restricted cash	(12,948,424,893)	(4,759,126,059)
Change in customers' deposits	154,423,506,618	142,052,229,650
Change in provisions	1,119,095,500	70,157,162
Change in employee benefits	2,446,152,749	870,277,501
Change in other liabilities	(3,113,387,312)	23,557,747,988
Cash generated from operations	**16,692,221,069**	**30,405,200,569**
Income taxes paid	(6,150,901,130)	(5,858,512,120)
Net cash generated by operating activities	**10,541,319,938**	**24,546,688,450**

COMMERCIAL BANK OF ETHIOPIA
SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022
(IN ETHIOPIAN BIRR) - (Continued)

	30 June 2022	30 June 2021
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(3,242,779,377)	(769,530,520)
Proceeds from disposal of property, plant and equipment	16,472,937	10,821,069
Proceeds from disposal of NCA held for sale	(10,120,323)	22,296,389
Payments for Investments	(43,059,314)	(27,043,861)
Payment for intangibles	(465,622,122)	(6,077,267)
Payment right of use assets	(2,072,832,540)	(952,785,689)
Net cash used in investing activities	**(5,817,940,740)**	**(1,722,319,879)**
Cash Flows from Financing Activities		
Cash included in assets acquired		
Dividend paid	(9,571,909,473)	(7,771,189,171)
Finance lease obligation paid	(161,882,422)	(136,487,052)
Net cash outflow from financing activities	**(9,733,791,894)**	**(7,907,676,223)**
Increased (decrease) in cash and cash equivalents	**(5,010,412,696)**	**14,916,692,348**
Cash and cash equivalents at the beginning of the year	69,499,837,563	54,583,145,216
Cash and cash equivalents at the end of the year	**64,489,424,867**	**69,499,837,563**
Cash and cash equivalents comprise:		
Cash in hand	9,813,008,715	8,404,003,854
Balance with National Bank of Ethiopia	10,332,263,712	23,448,939,211
Placement with other banks	21,866,991,202	38,434,127,479
Treasury bills-cash equivalent	23,765,348,515	-
Deposit due to other banks	(1,288,187,277)	(787,232,980)
Cash and cash equivalents	**64,489,424,867**	**69,499,837,563**

(29) FINANCIAL RISK REVIEW

The Bank is exposed to the following financial risks from financial instruments, for which it conducts regular risk management efforts:

- Credit risk;
- Liquidity risk;
- Market risk;
- Capital management; and
- Operational risk.

This note presents information about the Bank's exposure to each of the above risks, and the Bank's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout separate financial statement.

Risk Management Framework

The Board of Directors of the Bank has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Loan and Risk Review Committee (LRRC) through the Loan and Risk Review Committee charter, which is responsible for providing the standards and minimum parameters to be followed in managing the bank's exposure to risk. Besides, it is also responsible for developing and monitoring effectiveness of the Bank´s risk management policies and the degree of compliance to national and international regulatory standards. The LLRC reports regularly to the Board of Directors on its activities.

The Bank´s risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to those limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank´s activities. The Bank through its training management standards and procedures aims to develop a disciplined and constructive control environment in which all the employees understand their roles and obligations.

The Bank's Board Audit Committee oversees how management monitors compliance with the Bank´s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Bank. The Bank´s Board Audit Committee is assisted in its oversight role by Internal Audit function. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Bank´s Audit Committee.

In addition, the Bank is subject to the regulations of the National Bank of Ethiopia with respect to, among others matters, comprehensive risk management, liquidity and capitalization.

(a) Credit Risk

Refer page number (50-67)

(29) FINANCIAL RISK REVIEW - (Continued)

(b) Liquidity Risk

Liquidity risk is the risk that theBank either does not have sufficient resources available to meet all its obligations and commitments as and when they fall due, or can only access these financial resources at excessive cost. The Bank's approach to managing liquidity risk 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 and security.

The Bank manages liquidity risk both a short-term and medium-term basis. In short-term, the focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and wholesale funding where required. In the medium-term, the focus is on ensuring the statement of financial position remains structurally sound.

The Asset and Liability Management Committee (ALCO) and the Risk Management Committee regularly monitor the liquidity position by analyzing the maturity structure of assets and liabilities, the stability of deposits by customer type and the compliance to minimum standards set forth by the regulations and corporate policies.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Net liquid assets are cash and cash equivalents and negotiable financial instruments that mature in less than 186 days from the date of issue.

The Bank also monitors on a regular basis the advances to deposits ratio. This is defined as the ratio of total loans and advances to customers relative to total customer deposits. A low advance to deposit ratio demonstrates that customer deposits are in excess of customer loans due to the emphasis placed on generating a high level of stable funding from customers.

	30 June 2022	30 June 2021
Loans and advances	293,634,583,713	279,142,560,145
Deposits from customers	890,730,159,377	735,818,635,666
Advances to deposits ratio	**32.97%**	**37.94%**

(29) FINANCIAL RISK REVIEW - (Continued)

(b) Liquidity Risk- (Continued)

The table below summarizes the Bank's liquidity risk as at 30 June 2022 and 30 June 2021, categorized into relevant maturity groupings based on the earlier of the remaining contractual maturities.

Amounts in Million Birr

Total Financial Assets and Financial Liabilities

30 June 2022	Upto 1 Month	1-3 Months	3 Months up to 1 Year	1-3 Years	Over 3 Years	Non-maturity Items	Total
I. Assets							
On balance sheet							
Cash and balances with NBE	58,588	753	390	5	63,769		**123,504**
Loans and advances to banks	2	16	101	157	45		**321**
Loans and advances to customers	16,381	22,098	46,006	54,155	128,258	26,415	**293,313**
Receivables						3,020	**3,020**
Investment in associates and subsidiaries						3,295	**3,295**
Equity securities and debt securities	9,609	44,778	135,045	255,569	251,504	524	**697,029**
A. Total assets	**84,581**	**67,646**	**181,541**	**309,886**	**443,576**	**33,253**	**1,120,483**
II. Liabilities							
On balance sheet							
Deposits due to other banks	175				1,113		**1,288**
Customers' deposits	59,070	7,531	3,898	47	818,895		**889,441**
Borrowing from NBE				129,992			**129,992**
Current tax liability		7,126					**7,126**
Other liabilities	1,325	41,045			8,156		**50,526**
B. Total libilities	**60,570**	**55,702**	**3,898**	**130,038**	**828,164**		**1,078,373**
C. Net liquidity gap (A-B) as at 30 June 2022	**24,011**	**11,943**	**177,643**	**179,847**	**(384,588)**	**33,253**	**42,110**
Cumulative gap as at 30 June 2022	**24,011**	**35,953**	**213,597**	**393,444**	**8,856**	**42,110**	**84,220**

(29) FINANCIAL RISK REVIEW - (Continued)

(b) Liquidity Risk - (Continued)

Amounts in Million Birr

Total Financial Assets and Financial Liabilities

30 June 2021	Up to 1 Month	1-3 Months	3 Months up to 1 Year	1-3 Years	Over 3 Years	Non-maturity Items	Total
I. Assets							
On balance sheet							
Cash and balances with NBE	72,718	193	195	1	34,709	8,107	**115,923**
Loans and advances to banks	2	10	108	77	10	-	**207**
Loans and advances to customers	11,932	32,143	28,562	53,324	152,975	-	**278,935**
Receivables				6,612		929	**7,541**
Investment in associates and subsidiaries						2,787	**2,787**
Equity securities and debt securities	16,420	52,779	109,396	134,175	239,288	394	**552,451**
A. Total assets	**101,072**	**85,125**	**138,260**	**194,188**	**426,981**	**12,217**	**957,844**
II. Liabilities							
On balance sheet							
Deposits due to other banks	107				680		**787**
Customers' deposits	49,488	3,867	3,892	18	677,766	-	**735,031**
Borrowing from NBE	-	7,443	12,005	17,087	77,276	-	**113,811**
Current tax liability		6,151					**6,151**
Other liabilities	1,028	47,374			14,396		**62,797**
B. Total libilities	**50,622**	**64,835**	**15,897**	**17,105**	**770,118**	**-**	**918,578**
C. Net liquidity gap (A-B) as at 30 June 2021	**50,450**	**20,290**	**122,364**	**177,082**	**(343,137)**	**12,217**	**39,266**
Cumulative gap as at 30 June 2021	**50,450**	**70,740**	**193,104**	**370,186**	**27,049**	**39,266**	**78,533**

(29) FINANCIAL RISK REVIEW - (Continued)

(b) Liquidity Risk - (Continued)

It is assumed that the fair value of the liquid assets is equivalent to the carrying amount since no discounting is involved to realize these assets into cash.

Customer deposits up to three months represent current, savings and call deposit account balances, which past experience has shown to be stable and of a long-term nature.

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates, and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits and other liabilities. This enhances flexibility, limits dependence on any source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall Bank strategy.

(c) Market Risk

The Bank recognizes market risk as the risk of loss arising from changes in market prices and rates. The Bank's exposure to market risk arises principally from customer-driven transactions and recognizes that the value of on and off-balance sheet positions of the bank are adversely affected by the movement in the market prices or rates such as interest rate, exchange rate, equity prices and commodity price that may result in loss for the bank. The objective of the Bank's market risk policies and processes is to obtain the best balance between risk and return whilst meeting customers' requirements.

The Bank's exposure to potential market risk arises mainly due to the open interest rate and exchange rate positions. All these elements are exposed to general and specific market movements and may result in the reduction of the value of a financial asset. The Asset and Liability Management Committee (ALCO) authorize the established limits and monitor results.

(a) Interest Rate Risk

The interest rate risk is the exposure of the financial position of the Bank to any losses arising from adverse movements in interest rates.

The Bank monitors the sensitivity of changes in interest rates, and determines the balance structure, different item terms and investment strategies.

The table below summarizes the exposure to interest rate risks. Included in the table below are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

(29) FINANCIAL RISK REVIEW - (Continued)

(c) Market Risk - (Continued)

(a) Interest Rate Risk - (Continued)

Exposure to Interest Rate Risk
(Amounts in Millions Birr)

30 June 2022	Up to 1 Month	1-3 Months	3 Month up to 1 Year	1-3 Years	Over 3 Years	Non -interest Sensitive Items	Total
I. Assets							
A. Interest rate sensitive assets							
Cash & balances with NBE							
Loans and advances to banks	2	16	100	157	45		**321**
Loans and advances to customers	16,383	22,098	46,006	54,155	128,456	26,415	**293,313**
Debt and equity securities	9,609	44,778	135,045	255,569	250,980	524	**696,505**
Total rate sensitive assets	**25,994**	**66,892**	**181,151**	**309,881**	**379,481**	**26,939**	**990,338**
II. Liabilities							
B. Rate sensitive liabilities							
Deposits due to other banks	175			1,113			**1,288**
Customers' deposits	59,070	7,531	3,898	47	818,895		**889,441**
Borrowings from NBE							
Total rate sensitive liabilities	**59,245**	**7,531**	**3,898**	**1,160**	**818,895**		**890,729**
C. Rate sensitive gap	**(33,251)**	**59,361**	**177,253**	**308,721**	**(439,414)**	**26,939**	**99,609**
Cumulative rate sensitive gap	(33,251)	26,110	203,363	512,084	72,670	99,609	**199,218**
Adjusted interest rate change	0.14	0.25	1.5	1	1		
Relative gap ratio (RSG to total asset)	(39%)	39%	112%	165%	16%		**18%**
Total asset	**84,581**	**67,646**	**181,541**	**309,886**	**443,576**	**33,253**	**1,120,483**

(29) FINANCIAL RISK REVIEW - (Continued)

(c) Market Risk - (Continued)

(a) Interest Rate Risk - (Continued)

Exposure to Interest Rate Risk
Amounts in Millions Birr

30 June 2021	Up to 1 Month	1-3 Months	3 Months up to 1 Year	1-3 Years	Over 3 Years	Non -interest Sensitive Items	Total
I. Assets							
A. Interest rate sensitive assets							
Cash & balances with NBE						115,923	**115,923**
Loans and advances to banks	2	10	108	77	10	-	**207**
Loans and advances to customers	11,932	32,143	28,562	53,324	152,975	-	**278,935**
Debt securities	16,420	52,779	109,396	134,175	239,288	-	**552,057**
Total rate sensitive assets	**28,354**	**84,932**	**138,066**	**187,575**	**392,272**	**115,923**	**831,200**
II. Liabilities							
B. Rate sensitive liabilities							
Deposits due to other banks	107				680		**787**
Customers' deposits	49,488	3,867	3,892	18	677,766		**735,031**
Borrwings from NBE		7,443	12,005	17,087	77,276		**113,811**
Total rate sensitive liabilities	**49,595**	**3,867**	**3,892**	**18**	**678,446**	**-**	**735,819**
C. Rate sensitive gap	**(21,241)**	**81,065**	**134,174**	**187,557**	**(286,174)**		**95,381**
Cumulative rate sensitive gap	(21,241)	59,824	193,998	381,555	95,381	95,381	**190,762**
Adjusted interest rate change	0.14	0.25	1.5	1	1		
Relative gap ratio (RSG to total asset)	-21%	95%	101%	97%	-67%		**10%**
Total asset	**101,072.24**	**85,125.46**	**132,779.71**	**194,187.50**	**427,375.04**	**95,381**	**940,539.94**

(29) FINANCIAL RISK REVIEW - (Continued)

(c) Market Risk – (Continued)

(b) Exchange Rate Risk

Exchange rate risk is the risk a financial instrument's value fluctuates as a result of changes in the exchange rates of foreign currencies and other financial variables. Foreign exchange rate risks arise from financial instruments denominated in currencies other than the Bank's functional currency.

The Bank's foreign currency denominated assets and liability accounts may result in translational gain/loss depending on the net open position and direction of the exchange rate movement. To control the risk, the net position in each foreign currency is managed on a daily basis.

The various foreign currencies to which the Bank is exposed to are summarized below:

Currency Type	30 June 2021	30 June 2022
	Amount in Thousands of Foreign Currency	Amount in Thousands of Foreign Currency
1. On B/S FCY assets		
AED	1,131	1,592
CAD	1,896	293
CHF	2,080	769
DJF	53,376	46,223
DKK	844	902
EUR	42,682	5,765
GBP	5,587	803
INR	59,221	60,687
JPY	77,575	5,851
KES		11,510
KWD	17	34
AUD	20	100
SAR	2,107	3,044
SEK	5,104	16,778
USD	994,916	636,945
NOK	5,727	1,481
XAF	66	-
2. On B/S FCY liabilities		
DJF	398	398
EUR	57,462	65,514
GBP	3,105	2,487
USD	869,257	918,737
JPY	80,440	760

(29) FINANCIAL RISK REVIEW - (Continued)

(c) Market Risk – (Continued)

Sensitivity Analysis

As can be witnessed in the exchange rate movement during the year, the tendency of further depreciation of Birr is expected. Hence, we have considered two senarios of Birr devaluation by 15% and 20%. In order to see the impact on the financial performance of CBE, the sensitivity is applied to the open position in USD, GBP and other currencies.

S.No.	Descriptions	Multiplying Factor	Actual Position (in Millions of ETB)	Stressed by 15% Birr Devaluation (in Millions of ETB)	Change (in Millions of ETB)
1	**Overall open position**		**(260,438)**	**(299,191)**	**(38,753)**
1.1	Net short open position - USD		(239,606)	(275,547)	(35,941)
1.2	Net short open position - EUR		(18,747)	(21,559)	(2,812)
1.3	Net short open position - other currencies		(2,085)	(2,085)	-
2	**Total capital**		**60,098**	**60,098**	**-**
2.1	Capital charge (8%)	0.08*1	20,835	23,935	3,100
2.2	Forex risk capital charge to total capital ratio	2.1/2	347	398	(51)
3	**Overall open position to capital ratio**		**(433)**	**(498)**	**(65)**
4	**Profit before tax projection**				**27,614**
5	**Total gain/loss due to depreciation of Birr against USD**				**(7,445)**
5.1	Gain/loss from FCY denominated on balance sheet				(2,198)
5.2	Gain/loss from FCY denominated off balance sheet (20%)				(5,247)
6	**Total gain/loss due to depreciation of Birr against EUR**				**(1,170)**
6.1	Gain/loss from FCY denominated on balance sheet				(759)
6.2	Gain/loss from FCY denominated off balance sheet (20%)				(411)
7	**Total gain/loss due to depreciation of Birr against USD and EUR (5+6)**				**(8,615)**
8	**Post- shock profit/loss**				**18,999**
9	**Impact on capital**				**-**
10	**Post-shock capital**				**-**

(29) FINANCIAL RISK REVIEW - (Continued)

(c) Market Risk – (Continued)

Sensitivity Analysis - (Continued)

S.No.	Descriptions	Multiplying Factor	Actual Position	Stressed by 15% Birr Devaluation	Change
1	**Overall Open Position**		**(260,438)**	**(312,108)**	**(51,671)**
1.1	Net short open position - USD		(239,606)	(287,527)	(47,921)
1.2	Net short open position - EUR		(18,747)	(22,496)	(3,749)
1.3	Net short open position - other currencies		(2,085)	(2,085)	-
2	**Total capital**		**60,098**	**60,098**	**60,098**
2.1	Capital charge (8%)	0.08*1	20,835	24,969	4,134
2.2	Forex risk capital charge to total capital ratio	2.1/2	347	415	(69
3	**Overall open position to capital ratio**		**(433)**	**(519)**	**(86)**
4	**Profit before tax projection**				**27,614**
5	**Total gain/loss due to depreciation of Birr against USD and EUR (6+7)**				**(9,927)**
5.1	Total Gain/loss due to depreciation of Birr against USD				(2,931)
5.2	Gain/loss from FCY denominated on balance sheet				(6,996)
6	**Gain/loss from FCY denominated off balance sheet (20%)**				**(1,560)**
6.1	Total gain/loss due to depreciation of Birr against EUR				(1,012)
6.2	Gain/loss from FCY denominated on balance sheet				(548)
7	**Gain/loss from FCY denominated off balance sheet (20%)**				**(11,487)**
8	**Post shock profit/loss**				**16,127**
9	**Impact on capital**				**-**
10	**Post-shock capital**				**-**

(d) Operational Risk Management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

Operational risks arise from all of the Bank's operations and are faced by all business units. As such, the Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, control and report such risks.

The scope of operational risk assessment of any process shall be determined based on various factors among them:

- The level of perceived risks;
- Previous operational risk assessment risks;
- Business criticality of the activities, process or product under consideration;
- The presence of overarching regulatory requirement; and

(29) FINANCIAL RISK REVIEW - (Continued)

(d) Operational Risk Management - (Continued)

- Management's need for further examination of ongoing operations (such as lines of business, product, service and processes individually or in combinations).

Every risk assessment unit shall perform a risk assessment on its respective processes/units, at least on an annual basis. The Risk and Compliance Management process may request for more frequent risk assessment, if the need arises, primarily based on the perceived level of risk of the respective risk assessment unit/process.

(e) Capital Management

The National Bank of Ethiopia, has issued directive number SBB/4/95 that dictates every bank transfer on an annual basis, 25% of its annual net profit to its legal reserve account until such account equals its capital. When the legal reserve account equals the Bank's capital, the amount to be transferred to the legal reserve account shall be 10% of the annual net profit.

The Bank's capital is therefore managed in accordance with NBE directives and proclamation on banking business and those of subsidiaries capital is managed in accordance with the commercial code and other related laws.

In addition to regulatory requirements, CBE conducts objective analysis on the adequacy of its capitalization on a regular basis. Based on the result of rigorous analysis made on capital management and adequacy, CBE injects additional capital after proposing the required amountof additional capital to the Ministry of Financeand upon approval by the house of peoples' representatives of the Federal Democratic Republic of Ethiopia.

The National Bank of Ethiopia requires a bank to maintain at all times:

- Primary or Tier 1 capital: state capital/paid-up capital, declared reserves and Accumulated Profit or loss; and
- Secondary or Tier 2 capital: Includes qualified equity instruments. However, CBE does not have any tier-2 capital account in its statement of financial position.

The Bank and its individually regulated subsidiaries have met with all of the external capital requirements to which they are subject. As of 30 June 2022, and 30 June 2021 respectively, the Bank's regulatory capital position was as follows:

	30 June 2021	30 June 2021
Capital - level 1		
State capital	40,000,000,000	40,000,000,000
Legal reserves	19,325,469,026	15,199,224,960
CBE NOOR reserve	19,412,058	6,474,853
Accumulated Profit or loss	12,378,732,197	9,571,909,473
Statutory reserve	1,756,847,304	236,337,498
Total	**73,480,460,585**	**65,013,946,784**
Capital- level 2		
Fair value reserve	181,005,199	217,863,316
Re-measurement of Defined benefit liability	(1,757,463,448)	(1,417,707,163)
Total	**(1,576,458,249)**	**(1,199,843,846)**
Total regulatory capital	**71,904,002,336**	**63,814,102,938**
Total assets and weighted contingencies	**257,089, 417,439**	**224,507, 430,383**
Total regulatory capital / risk weighted assets	**27.97%**	**28.42%**

(30) FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Accounting Classifications

Fair value of a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximizes the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The following sets out the Bank's basis of establishing fair values of financial instruments:

Investment securities with observable market prices including equity securities are fair valued using that information. Investment securities that do not have observable market data are fair valued using discounted cash flow method or quoted market prices for securities with similar yield characteristics.

During the current year, there was sufficient information available to measure the fair value of financial instruments based on observable market inputs. In the previous year, the available-for-sale equity instruments were measured at cost because the fair value was not considered to be reliably measurable.

Loans and advances to customers and Loans to micro-finance institutions are net of allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value hence their fair values approximate their carrying amounts.

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. Estimated fair value if fixed interest-bearing deposits without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with similar maturities and interest rates, hence their fair value approximates their carrying amounts.

(30) FAIR VALUE OF FINANCIAL INSTRUMENTS - (Continued)

(a) Accounting Classifications - (Continued)

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

					Fair Value			
	Amortized Cost	FVOCI	FVTPL	Total Carrying Amounts	Level 1	Level 2	Level 3	Fair Value
30 June 2022	**ETB**	**ETB**	**ETB**	**ETB**	**ETB**	**ETB**	**ETB**	**ETB**
Financial instruments								
Financial assets								
Cash and balances with NBE	58,353,915,331			58,353,915,331				
Treasure bill	115,697,699,247			115,697,699,247				
Placement with other banks	32,589,742,155			32,589,742,155				
Loans and advances to customers	293,313,149,372			293,313,149,372				
Loans to micro-finance institutions	321,434,341			321,434,341				
Debt securities	696,505,321,915			696,505,321,915				
Equity securities		523,633,929		523,633,929		523,633,929		523,633,929
Receivables	3,019,621,686			3,019,621,686				
Investment in subsidiaries	2,931,216,628			2,931,216,628				
Investment in associates		320,184,736		320,184,736		320,184,736		320,184,736
Total financial assets	**1,202,732,100,675**	**843,818,665**		**1,203,575,919,340**		**843,818,665**		**843,818,665**
Financial liabilities								
Deposits due to other banks	1,288,187,277			1,288,187,277				
Customers' deposits	889,441,972,100			889,441,972,100				
Current tax liability	7,126,814,110			7,126,814,110				
Other liabilities	129,991,557,352			129,991,557,352				
Total financial liabilities	**1,027,848,530,839**			**1,027,848,530,839**				

(30) FAIR VALUE OF FINANCIAL INSTRUMENTS - (Continued)

(a) Accounting Classifications - (Continued)

					Fair Value			
	Amortized Cost	**FVOCI**	**FVTPL**	**Total Carrying Amounts**	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
30 June 2021	**ETB**	**ETB**	**ETB**	**ETB**	**ETB**	**ETB**	**ETB**	**ETB**
Financial instruments								
Financial assets								
Cash and balances with NBE	61,186,190,830			61,186,190,830				-
Placement with other banks	46,492,853,539			46,492,853,539				-
Loans and advances to customers	278,935,117,293			278,935,117,293				-
Loans to micro-finance institutions	207,442,852			207,442,852				-
Debt securities	552,057,074,517			552,057,074,517				-
Equity securities		393,552,734		393,552,734		393,552,734		393,552,734
Receivables	7,540,849,963			7,540,849,963				-
Investment in subsidiaries	2,510,121,017			2,510,121,017				-
Investment in associates		277,125,422		277,125,422		277,125,422		277,125,422
Total financial assets	**948,929,650,011**	**670,678,156**		**949,600,328,167**		**670,678,156**		**670,678,156**
Financial liabilities								
Deposits due to other banks	787,232,980			787,232,980				
Customers' deposits	735,031,402,686			735,031,402,686				
Current tax liability	6,150,901,130			6,150,901,130				
Other liabilities	113,976,088,486			113,976,088,486				
Total financial liabilities	**855,945,625,283**			**855,945,625,283**				

(30) FAIR VALUE OF FINANCIAL INSTRUMENTS - (Continued)

(b) Valuation Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of available-for-sale financial assets by valuation technique:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation using significant non-market observable inputs
Types of financial assets:	Actively traded government and other agency securities Listed derivative instruments Listed equities	Corporate and other government bonds and loans Over-the-counter (OTC) derivatives	Corporate bonds in illiquid markets Highly structured OTC derivatives with unobservable parameters
Types of financial liabilities:	Listed derivative instruments	Over-the-counter (OTC) derivatives	Highly structured OTC derivatives with unobservable parameters

(31) INTEREST INCOME AND EXPENSE

Interest income and expense are analyzed as follows:

Interest Income	30 June 2022	30 June 2021
Loans and advances to customers	31,500,603,239	27,519,841,991
Debt securities & bank balances	50,676,031,364	37,783,918,541
Total interest income	**82,176,634,602**	**65,303,760,532**

Interest Expense	30 June 2022	30 June 2021
Depositary obligations	38,767,207,980	33,169,247,015
Total interest expense	**38,767,207,980**	**33,169,247,015**

(32) NON-INTEREST INCOME AND EXPENSES

Non-interest Income	30 June 2022	30 June 2021
Commissions	23,267,291,322	11,307,712,837
Bank services and transaction fees	6,245,571,468	3,238,511,326
Discount earned on securities	476,076,747	466,742,158
Other income	1,389,003,994	1,016,837,507
Total non-interest income	**31,377,943,532**	**16,029,803,827**

Non-interest Expense	30 June 2022	30 June 2021
Salaries and employee benefits	19,238,350,020	15,733,060,398
Outsourcing service expense	2,252,817,029	1,966,861,405
License fee	518,005,889	592,332,539
Depreciation and amortization	1,766,161,115	1,187,889,524
Deprecation right of use asset	1,454,262,015	1,211,159,890
Advertising and publicity	398,153,855	359,711,483
Repairs and maintenance	504,434,520	371,623,007
Electronic data process	520,334,923	445,283,347
Stationery and office supplies	370,866,867	314,671,758
Discount loss	476,077,001	466,742,158
Donation and contribution expenses	411,708,954	659,061,695
Other expenses	3,621,198,257	1,805,767,867
Total non-interest expenses	**31,532,370,446**	**25,114,165,072**

(33) CASH AND CASH EQUIVALENTS

		30 June 2022	30 June 2021
Cash on hand	ETB	9,813,008,715	8,404,003,854
Cash reserve with National Bank of Ethiopia		48,021,651,619	37,737,251,619
Treasury bills		23,765,348,516	
Placements with other banks		32,589,742,155	46,492,853,539
Payment and settlement accounts:			
with National Bank of Ethiopia		10,332,263,712	23,448,939,211
		124,522,014,718	**116,083,048,222**
Allowance for impairement losses		(1,018,066,443)	(160,004,338)
		123,503,948,275	**115,923,043,884**

The cash reserves is non-interest earning and is based on the value of deposits as adjusted for National Bank of Ethiopia requirements. At 30 June 2022 and 30 June 2021, the cash reserve requirement was 5%, for the two dates of the eligible deposits.Out of the total placement with other Banks ETB 10,722,750,953 as at 30 June 2022 and ETB 8,058,726,059 as at 30 June 2021 represent the debt service reserve account in relation to the master loan agreement made at EXIM Bank of China on behalf of State-Owned Enterprises. These funds are not available to finance the Bank's day-to-day operations

(34) DEBT AND EQUITY SECURITIES

		30 June 2022	30 June 2021
Debt securities	ETB	696,505,321,915	552,057,074,517
Equity securities		523,633,929	393,552,733
Debt and equity securities		**697,028,955,844**	**552,450,627,251**

i. Debt Securities

This account is comprised as follows:

		30 June 2022	30 June 2021
Held to maturity	ETB	702,739,189,85	554,162,947,144
Allowance for impairment losses		(6,233,867,941)	(2,105,872,627)
		696,505,321,915	**552,057,074,517**

		30 June 2022	30 June 2021
Coupon bonds	ETB	57,313,564,093	54,836,008,617
Corporate bonds		528,228,250,711	433,756,574,179
DBE bonds		985,097,260	
Government securities		24,279,927,062	23,803,908,267
Treasury bills		91,932,350,731	41,766,456,080
		702,739,189,857	**554,162,947,144**

(34) DEBT AND EQUITY SECURITIES - (Continued)

i. Debt Securities – (Continued)

The interest receivable related to these investment securities is broken down as follows:

Interest receivable	30 June 2022	30 June 2021
Coupon bonds	3,201,314,452	2,236,225,271
Corporate bonds	79,762,060,750	41,484,621,802
Government securities	-	92
DBE bonds	10,097,260	-
Total	**82,973,472,462**	**43,720,847,164**

ii. Equity Securities

	30 June 2022	30 June 2021
Ethswitch Share Company	164,170,000	137,703,276
African Export Import Bank	350,210,000	248,202,194
S.W.I.F.T. SCRL	9,253,929	7,647,264
	523,633,929	**393,552,734**

The change in the carrying amount of equity securities comprises:

	30 June 2022	30 June 2021
Ethswitch Share Company		
At 1 July at cost	137,703,276	77,625,000
Additions	-	12,323,000
Changes in fair value	26,466,724	47,755,276
	164,170,000	**137,703,276**

African Export Import Bank	30 June 2022	30 June 2021
At 1 July at cost	248,202,194	198,063,030
Additions	7,220,805	4,574,957
Changes in fair value	94,787,002	45,564,207
	350,210,000	**248,202,194**

S.W.I.F.T. SCRL	30 June 2022	30 June 2021
At 1 July at cost	7,647,264	5,169,970
Additions		
Changes in fair value	1,606,665	2,477,294
	9,253,929	**7,647,264**

(35) LOANS AND ADVANCES TO CUSTOMERS

(a) Classification

Below is the composition of loans and advances to customers divided by category as well as its provision for impairment as of the reporting dates:

	30 June 2022		
Loans and Advances	**Gross Amount**	**Allowance for Expected Credit Losses**	**Book Value**
Agriculture			
Term loan	6,498,117,149	(1,744,183,812)	4,753,933,337
Overdraft	13,081,969	(2,659,658)	10,422,311
	6,511,199,118	**(1,746,843,470)**	**4,764,355,648**
Manufacturing			
Term loan	173,510,675,116	(19,099,112,799)	154,411,562,317
Overdraft	4,113,980,138	(462,075,726)	3,651,904,412
	177,624,655,254	**(19,561,188,525)**	**158,063,466,729**
Domestic & trade services			
Term loan	16,898,953,257	(3,382,850,080)	13,516,103,177
Overdraft	1,206,964,292	(100,516,951)	1,106,447,341
	18,105,917,549	**(3,483,367,031)**	**14,622,550,518**
International trade			
Term loan	39,669,331,263	(3,463,382,887)	36,205,948,376
Overdraft	2,138,543,287		2,138,543,287
Advance loan	12,783,822,353	(78,021,928)	12,705,800,425
	54,591,696,902	**(3,541,404,815)**	**51,050,292,088**
Building and construction			
Term loan	23,736,761,948	(3,851,989,647)	19,884,772,301
Overdraft	291,205,794	(143,847,415)	147,358,379
	24,027,967,741	**(3,995,837,062)**	**20,032,130,680**
Mining and quarring			
Term Loan	21,984,400		21,984,400
Overdraft			-
	21,984,400		**21,984,400**
Consumer loan			
Term loan	29,695,024,938	(129,499,918)	29,565,525,020
	29,695,024,938	**(129,499,918)**	**29,565,525,020**
Loan & advance for employee			
Term loan	6,294,327,549		6,294,327,549
	6,294,327,549		**6,294,327,549**
CBE NOOR financing	9,229,006,932	(330,490,190)	8,898,516,742
	9,229,006,932	**(330,490,190)**	**8,898,516,742**
Total	**326,101,780,383**	**(32,788,631,011)**	**293,313,149,372**

(35) LOANS AND ADVANCES TO CUSTOMERS - (Continued)

(a) Classification - (Continued)

		30 June 2021	
Loans and Advances	**Gross Amount**	**Allowance for Expected Credit Losses**	**Book Value**
Agriculture			
Term loan	14,492,262,551	(682,648,291)	13,809,614,260
Overdraft	14,625,468	(1,624,487)	13,000,981
	14,506,888,019	**(684,272,778)**	**13,822,615,241**
Manufacturing			
Term loan	174,969,683,772	(3,111,477,103)	171,858,206,669
Overdraft	3,204,663,353	(264,352,942)	2,940,310,411
	178,174,347,126	**(3,375,830,045)**	**174,798,517,080**
Domestic & trade services			
Term loan	20,461,697,246	(2,104,755,685)	18,356,941,561
Overdraft	948,214,740	(42,686,724)	905,528,016
Interest receivable			
	21,409,911,986	**(2,147,442,409)**	**19,262,469,577**
International trade			
Term loan	2,859,463,697		2,859,463,697
Overdraft	1,974,913,078		1,974,913,078
Advance loan	13,853,508,932	(3,336,667,905)	10,516,841,027
	18,687,885,706	**(3,336,667,905)**	**15,351,217,802**
Building and construction			
Term loan	15,554,141,832	(1,295,709,243)	14,258,432,589
Overdraft	296,860,218	(31,016,994)	265,843,224
	15,851,002,051	**(1,326,726,236)**	**14,524,275,814**
Consumer loan			
Term loan	35,245,001,556	(241,383,567)	35,003,617,989
	35,245,001,556	**(241,383,567)**	**35,003,617,989**
CBE NOOR financing			
Murabaha finance	6,270,129,000	(97,725,212)	6,172,403,788
	6,270,129,000	**(97,725,212)**	**6,172,403,788**
Total	**290,145,165,444**	**(11,210,048,151)**	**278,935,117,292**

(35) LOANS AND ADVANCES TO CUSTOMERS - (Continued)

(b) Allowance for Expected Credit Losses

Allowance for expected credit losses is as shown below:

	Allowance for Expected Credit Losses
At 30 June 2020	**10,002,935,746**
Impairment recognized during the year	1,207,112,405
At 30 June 2021	**11,210,048,151**
Impairment recognized during the year	21,578,599,257
At 30 June 2022	**32,788,647,408**

(36) LOANS TO MICRO-FINANCE INSTITUTIONS

(a) Classification

Below is the composition of loans to micro-finance institution divided by category as well as its provision for impairment as of the reporting dates:

		30 June 2022	30 June 2021
	ETB		
Terms loans		321,450,738	207,453,058
Less: allowance for expected credit losses		(16,397)	(10,205)
		321,434,341	**207,442,852**

(b) Impairment Losses on Loans and Advances

		2021/22	2020/21
At 1 July	ETB	10,205	217,093
Amounts recognized (reduced) during the year		6,192	(206,888)
As at 30 June		**16,397**	**10,205**

(37) RECEIVABLES

		30 June 2022	30 June 2021
Government receivables	ETB	1,230,978,839	1,230,978,839
Foreign receivables		350,297,437	412,460,612
Other receivables		1,849,387,763	2,352,351,749
Other advances		-	5,386,139,706
Staff loans –prepayments		1,975,174,015	1,975,174,015
		5,405,838,054	**11,357,104,922**
Less: staff loan contra account		(1,975,174,015)	(1,975,174,015)
Allowance for expected credit losses		(411,042,353)	(1,841,080,944)
		3,019,621,686	**7,540,849,963**

Allowance for expected credit losses

	30 June 2022	30 June 2021
Balance as at 1 July	(1,841,080,944)	(1,839,173,212)
Additional impairment during the year	1,430,038,591	(5,588,172)
Doubtful debts written off during the year	-	3,680,441
Reduction (addition) during the year	-	-
Balance as at 30 June	**(411,042,353)**	**(1,841,080,944)**

(38) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates as of 30 June 2022 and 2021 are as follows:

Subsidiaries		30 June 2022	30 June 2021
Commercial Nominees PLC (100% participation)	ETB	2,577,159,392	2,182,854,277
Commercial Bank of Ethiopia(CBE) South Sudan Limited (100% ownership)		292,668,234	259,284,622
Commercial Bank of Ethiopia (CBE) Djibouti Limited (100% ownership)		61,389,002	67,982,118
		2,931,216,628	**2,510,121,017**
Associates			
Ethiopian Reinsurance S.C		363,720,878	277,125,422
Total investment in associates		**363,720,878**	**277,125,422**
Total investment in subsidiaries and associates		**3,294,937,506**	**2,787,246,440**

(38) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES – (Continued)

(a) Commercial Nominees PLC and Bole Printing Enterprise

	30 June 2022	30 June 2021
Percentage ownership interest	100%	100%
Revenue (100%)	2,753,984,489	2,412,685,230
Total comprehensive income (100%)	394,305,115	419,684,173
CBE's share of total comprehensive income (100%)	**394,305,115**	**419,684,173**

(b) Commercial Bank of Ethiopia (CBE) South Sudan Limited

	30 June 2022	30 June 2021
Percentage ownership interest	100%	100%
Revenue (100%)	43,504,508	33,668,711
Total comprehensive income (100%)	33,383,612	(10,300,699)
CBE's share of total comprehensive income (100%)	**33,383,612**	**(10,300,699)**

(c) Commercial Bank of Ethiopia (CBE) - Djibouti Limited

	30 June 2022	30 June 2021
Percentage ownership interest	100%	100%
Revenue (100%)	36,910,391	9,820,817
Total comprehensive income (100%)	(6,593,116)	(21,364,733)
CBE's share of total comprehensive income (100%)	**(6,593,116)**	**(21,364,733)**

Investments in associates as of 30 June 2022 and 2021 are as follows:

(d) Ethiopian Re-insurance Share Company

	30 June 2022	30 June 2021
Percentage ownership interest	20.00%	20.00%
Revenue (100%)	960,571,705	784,335,044
Total comprehensive income (100%)	217,680,710	195,198,428
CBE's share of total comprehensive income (20%)	**43,536,142**	**39,039,686**

(39) NON-CURRENT ASSETS HELD FOR SALE

		2021/22		
Costs		**Building**	**Movable Property**	**Total**
At 1 July 2021	**ETB**	**781,736,109**	**242,306,536**	**1,024,042,645**
Acquisition		6,900,001	8,402,230	15,302,231
Transfer to property, plant and equipment		(244,213)		(244,213)
Sale/disposal		(2,928,011)		(2,928,011)
Total		**785,463,886**	**250,708,767**	**1,036,172,653**
Less provisions				
Impairment loss on acquired assets		(284,497)	(88,271,373)	(88,555,870)
Movement for the year		260,398	(88,013,761)	(87,753,363)
Closing balance		**(24,099)**	**(176,285,134)**	**(176,309,233)**
Non-current assets held for sale as at 30 June 2022		**785,439,787**	**74,423,633**	**859,863,419**

		2020/21		
Costs		**Building**	**Movable Property**	**Total**
At 1 July 2020	**ETB**	**786,143,831**	**247,012,889**	**1,033,156,720**
Acquisition		181,035	-	181,035
Transfer to property, plant and equipment		(425,236)	-	(425,236)
Sale/disposal		(4,163,522)	(4,706,352)	(8,869,874)
Total		**781,736,109**	**242,306,536**	**1,024,042,645**
Less provisions				
Impairment loss on acquired assets		(286,556)	(2,351,849)	(2,638,405)
Movement for the year		2,059	(85,919,524)	(85,917,466)
Closing balance		**(284,497)**	**(88,271,373)**	**(88,555,870)**
Non-current assets held for sale as at 30 June 2021		**781,451,611**	**154,035,163**	**935,486,775**

Some assets are kept under this category for more than a year. The delay for the sale is caused by a circumstance beyond the Bank's control and the Bank is still committed to sell these assets. Assets in this group are presented for auction at least once a year.

(40) INVESTMENT PROPERTY

Investment Property comprises office buildings that are leased to third parties under operating leases. The leases of investment properties contain initial non-cancellable lease terms of between one and five years. Some leases provide the lessees options to extend at the end of the term. Subsequent renewals are negotiated with the lessees.

For all investment property, the rental income is fixed under the contracts.

	2022	2021
Balance as at 1 July	186,977	186,977
Reclassification	376,209	-
Balance as at 30 June	**563,187**	**186,977**

The above items of investment property are depreciated on a straight line basis at the rate of 5% per annum.

(41) PROPERTY, PLANT AND EQUIPMENT

	Balance at 01 July 2021	Additions	Disposal	Transfer/ Reclassifications	Balance at 30 June 2022
Cost ETB					
Building	3,594,706,030	21,450		345,039,531	3,939,767,010
Computer and software	2,945,275,188	692,894,739	(72,989)	6,018,353	3,644,115,291
Fixtures, fittings and equipment	4,576,938,692	629,886,675	(261,406,494)	343,459,415	5,288,878,288
Motor vehicles	2,193,965,981	170,102,962	(10,576,486)		2,353,492,457
Work in progress	6,263,477,952	1,753,548,525		(698,192,273)	7,318,834,204
	19,574,363,843	**3,246,454,351**	**(272,055,969)**	**(3,674,974)**	**22,545,087,251**
Depreciation					
Building	(571,176,269)	(122,413,579)			(693,589,849)
Computer and software	(2,291,331,014)	(381,016,835)	72,259	5,963,264	(2,666,312,327)
Fixtures, fittings and equipment	(2,980,673,687)	(1,014,343,372)	258,587,977	(5,963,264)	(3,742,392,345)
Motor vehicles	(899,580,858)	(353,141,046)	7,145,556		(1,245,576,348)
	(6,742,761,828)	**(1,870,914,832)**	**265,805,792**		**(8,347,870,868)**
Net carrying amount	**12,831,602,015**	**1,375,539,519**	**(6,250,177)**	**(3,674,974)**	**14,197,216,383**

(41) PROPERTY, PLANT AND EQUIPMENT - (Continued)

	Balance at 01 July 2020	Additions	Disposal	Transfer/ Reclassifications	Balance at 30 June 2021
Cost ETB					
Building	2,385,649,658	3,160,161		1,206,272,419	3,595,082,238
Computer and software	2,535,683,446	414,055,744	(1,097,904)	(3,366,098)	2,945,275,188
Fixtures, fittings and equipment	4,205,679,516	372,272,158	(4,379,080)	3,366,098	4,576,938,692
Motor vehicles	1,806,548,689	392,010,270	(4,592,977)	-	2,193,965,981
Work in progress	7,881,718,183	(411,967,813)	-	(1,206,272,419)	6,263,477,952
	18,815,279,492	**769,530,520**	**(10,069,961)**	**-**	**19,574,740,051**
Depreciation					
Building	(455,988,222)	(115,188,047)		-	(571,176,269)
Computer and software	(2,025,657,767)	(262,460,377)	119,567	(3,332,437)	(2,291,331,014)
Fixtures, fittings and equipment	(2,356,746,422)	(630,131,521)	2,871,820	3,332,437	(2,980,673,687)
Motor vehicles	(810,718,913)	(92,306,677)	3,444,732	-	(899,580,858)
	(5,649,111,324)	**(1,100,086,621)**	**6,436,120**	**-**	**(6,742,761,828)**
Net carrying amount	**13,166,168,168**	**(330,556,101)**	**(3,633,842)**	**-**	**12,831,978,223**

Property, plant, and equipment worth birr 5, 476,808,546.17 were fully depreciated during the year but continue to provide economic benefit to the bank.

The bank has freehold land amounting total areas of 691,108.23 Meter square. Freehold land is not depreciated and the recognition of freehold land occurs at the date when control passes to the bank.

There were no capitalized borrowing costs related to the acquisition of property, plant and equipment during the year (2021: Nil).Capital work in progress relates to construction of the CBE head office and branch optimization that was ongoing during the year.

(42) INTANGIBLE ASSETS

2022		Software
Cost	**ETB**	
Balance at 1 July 2021		585,914,940
Additions		465,622,122
Balance at 30 June 2022		**1,051,537,063**
Amortization and impairment		
Balance at 1 July 2021		451,973,942
Additions		154,141,769
Balance at 30 June 2022		**606,115,711**
Net carrying value		**445,421,352**

2021		Software
Cost	**ETB**	
Balance at 1 July 2020		579,837,673
Additions		6,077,267
Balance at 30 June 2021		**585,914,940**
Amortization and impairment		
Balance at 1 July 2020		361,390,618
Additions		90,583,324
Balance at 30 June 2021		**451,973,942**
Net carrying value		**133,940,998**

Intangible assets relate to software that includes banking and other related softwares.

The amortization expense recognized within non-interest expense for the year ended 30 June **2022** was ETB 154,141,769 (**2021**: ETB 90,583,324).

(43) OTHER ASSETS

		30 June 2022	30 June 2021
Purchase in progress	ETB	2,206,960,617	551,547,043
Stationery and other supplies		487,455,916	286,344,818
IT expansion project		1,502,271,683	970,288,417
Prepaid		4,767,121,298	5,991,941,746
Others		676,110,672	3,387,277,626
		9,639,920,186	**11,187,399,649**

(44) RIGHT OF USE ASSETS AND FINANCE LEASE OBLIGATIONS

The Bank leases a number of assets including land and buildings. Information about leases for which the Bank is a lessee is presented below:

(a) Right-of-Use Assets

2021/22	Land	Building	Total
Cost			
Balance at 01 July 2021	97,970,491	7,959,683,704	8,057,654,194
Adjustment		498,696,439	498,696,439
Additions		1,900,789,509	1,900,789,509
Balance at 30 June 2022	**97,970,491**	**10,359,169,651**	**10,457,140,142**
Depreciation			
Balance at 01 July 2021	12,751,066	4,163,608,853	4,176,359,919
Adjustment		506,300,217	506,300,217
Additions	1,991,981	1,446,418,097	1,448,410,078
Balance at 30 June 2022	**14,743,047**	**6,116,327,167**	**6,131,070,214**
Net carrying value	**83,227,443**	**4,242,842,485**	**4,326,069,928**

2020/21	Land	Building	Total
Cost			
Balance at 01 July 2020	89,868,063	7,317,666,461	7,407,534,525
Adjustment	(260,748)	25,363,476	25,102,728
Additions	8,363,175	1,178,373,493	1,186,736,668
Balance at 30 June 2021	**97,970,491**	**8,521,403,430**	**8,619,373,920**
Depreciation			
Balance at 01 July 2020	10,385,086	3,478,351,157	3,488,736,243
Adjustment	96,240	24,726,046	24,822,286
Additions	2,269,741	1,222,251,376	1,224,521,116
Balance at 30 June 2021	**12,751,066**	**4,725,328,579**	**4,738,079,646**
Net carrying value	**85,219,424**	**3,796,074,850**	**3,881,294,275**

(44) RIGHT OF USE ASSETS AND FINANCE LEASE OBLIGATIONS – (Continued)

(b) Finance Lease Obligation

	Land	Building	Total
Cost			
Balance at 1 July 2021	(19,038,415)	341,620,676	322,582,261
Adjustment	20,036,068	30,388,588	50,424,657
Addition		276,228,751	276,228,751
Payment	(20,546,743)	(141,335,679)	(161,882,422)
Balance at 30 June 2022	**(19,549,089)**	**506,902,336**	**487,353,247**
Interest expense			
Balance at 1 July 2021	23,673,151	45,670,623	69,343,774
Adjustment		(13,720,903)	(13,720,903)
Additions	387,083	20,814,063	21,201,146
Balance at 30 June 2022	**24,060,234**	**52,763,784**	**76,824,018**
Net carrying value	**4,511,145**	**559,666,120**	**564,177,265**

	Land	Building	Total
Cost			
Balance at 1 July 2020	4,024,394	195,991,212	200,015,606
Adjustment	(98,199)	(5,259,242)	(5,357,441)
Addition	2,962,095	261,449,053	264,411,148
Payment	(25,926,704)	(110,560,347)	(136,487,052)
Balance at 30 June 2021	**(19,038,415)**	**341,620,676**	**322,582,261**
Interest expense			
Balance at 1 July 2020	12,753,074	31,701,723	44,454,797
Adjustment	(132,447)	2,247,299	2,114,852
Additions	11,052,524	11,721,601	22,774,125
Balance at 30 June 2021	**23,673,151**	**45,670,623**	**69,343,774**
Net carrying value	**4,634,736**	**387,291,299**	**391,926,035**

The Bank recognizes a lease liability at the present value of the lease payments that are not paid at that date. The Bank uses an incremental borrowing rate that is based on the weighted average cost of deposits across the years. The rates used to compute the present values of buildings lease liabilities as at 30 June 2022 was 4.88%. The rates used to compute the land lease liabilities as at 30 June 2022 was 9.00%.

The Bank leases buildings for its office space and branches. The building leases typically run for a period of between 2 and 10 years with majority of the contracts running for a period of 5 and 6 years. Some leases include an option to renew the lease for an additional period at the end of the contract term. The renewal term and lease rentals cannot be reliably estimated before the end of a contract.

(44) RIGHT OF USE ASSETS AND FINANCE LEASE OBLIGATIONS - (Continued)

The Bank leases land for construction of its own office buildings. The land leases typically run for a period of between 40 years and 99 years with majority of the contracts running for a period of 50 and 60 years. These leases include an option to renew the lease.

(45) CUSTOMERS' DEPOSITS

Customers´ deposits as of the reporting dates are as follows:

Payable on demand	**30 June 2022**	**30 June 2021**
Local and central government	100,621,747,883	93,243,166,480
Private sector and retail customers	112,798,617,662	96,522,181,533
Public enterprises and agencies	116,904,607,153	81,876,819,732
	330,324,972,699	**271,642,167,745**
Savings deposits		
Private sector and retail customers	460,145,774,279	381,000,227,163
Local and central government	226,083,204	-
Public enterprises and agencies	17,159,572,256	21,513,903,393
	477,531,429,739	**402,514,130,556**
Term deposits		
Public enterprises and agencies	3,083,356,662	3,569,973,166
Private sector and retail customers	2,781,658,727	2,098,692,714
Local and central government	6,000,000,000	3,000,000,000
Accrued interest on deposits	161,749,709	167,327,801
	12,026,765,097	**8,835,993,681**
Blocked accounts	**-**	**-**
CBE NOOR	**69,558,804,564**	**52,039,110,704**
All sectors	**889,441,972,100**	**735,031,402,686**

Payable on demand accounts represents deposits that are non-interest bearing. The weighted average effective interest rate on Savings deposits as at 30 June 2022 was 7% (**2021**: 7%). The weighted average effective interest rate on Term deposits as at 30 June 2022 was 7.2% (**2021**: 7.2%).

Blocked accounts represent blocked current accounts and blocked savings accounts whose average effective interest rates as at 30 June 2022 were 0% and 7% respectively (**2021**: 0% and 7% respectively). CBE NOOR represents deposits that are non-interest bearing.

(46) PROVISIONS

	Bonuses	Cash Prize Award	Legal	Unutilized O/D,LC and Guarantee	Total
Balances at 30 June 2020	**1,065,203,434**	**116,563,214**	**145,866,694**	**54,209,035**	**1,381,842,378**
Increases (decrease) recorded in income	1,141,551,353	122,891,273	(10,002,174)	67,894,171	1,322,334,624
Provision used during the year	(1,065,203,434)	(116,563,214)	(2,516,643)	-	(1,184,283,291)
Balances at 30 June 2021	**1,141,551,353**	**122,891,273**	**133,347,878**	**122,103,206**	**1,519,893,711**
Increases (decrease) recorded in income	2,048,712,154	211,987,449	95,139,565	9,498,974	2,365,338,141
Provision used during the year	(1,141,551,353)	(122,891,273)	(1,380,500)	29,079,460	(1,236,743,667)
Balances at 30 June 2022	**2,048,712,154**	**211,987,449**	**227,106,942**	**160,681,640**	**2,648,488,185**

Bonus represent short-term benefits arising from past services provided by employees and are expected to pad within the next 12 months.

Legal provisions represent various claims that are pending outcome at the courts. These amounts are estimates of the likely legal claims that may not be ruled in the Bank's favor.

(47) EMPLOYEE BENEFITS

i. Movements in the Present Value of Defined Benefit Obligations (DBO)

	2021/22	2020/21
DBO at 01 July	6,420,887,753	6,584,857,409
Current service costs	916,289,576	2,163,551,100
Interest cost	860,398,958	849,446,579
Actuarial losses (gains) recognized in profit & loss	1,103,497,445	(503,992,501)
Payments for the year	(434,033,230)	(1,638,727,677)
Actuarial losses (gains) recognized in other comprehensive income	660,880,966	(1,034,247,157)
DBO at 30 June	**9,527,921,468**	**6,420,887,753**

This defined benefit plan expose the Bank to actuarial risks, such as longevity risk, currency risk, interest risk and market risk.

ii. Actuarial Losses Recognized in Other Comprehensive Income

	2021/22	2020/21
Cumulative amount at 1 July	**1,417,707,162**	**(2,635,325,708)**
Recognized during the year	1,764,378,411	1,527,892,693
Deferred income taxes	(346,671,249)	(310,274,147)
Actuarial gains, net of taxes at 30 June	**2,835,414,324**	**1,417,707,162**

(47) EMPLOYEE BENEFITS - (Continued)

iii. Actuarial Assumptions

The principal actuarial assumptions at the reporting date are detailed below:

	30 June 2022	30 June 2021
Discount rate	13.40%	12.90%
Salary increase rate	16.00%	15.00%
Gold increase rate	16.00%	16.00%
Long term medical inflation rate	13.00%	13.00%
Long term inflation rate	12.30%	10.50%

The assumed discount rates are derived from rates available on government bonds for which the timing and amounts of payments match the timing and the amounts of our projected pension payments.

iv. Sensitivity Analysis

Reasonably possible changes at the reporting date, in any of the actuarial assumptions and assuming that all the other variables remain constant, would have affected the defined benefit obligations as of 30 June 2022 by the amounts shown below:

	2022		2021	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% variance)	(1,076,643,355)	1,346,427,614	(529,423,655)	624,662,413
Salary increase rate (1.00% variance)	995,999,131	(830,393,372)	801,237,145	(668,045,722)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

(48) OTHER LIABILITIES

Other liabilities as of the reporting dates are as follows:

Other Liabilities		30 June 2022	30 June 2021
National Bank of Ethiopia	ETB	129,991,557,352	113,976,088,486
Margin accounts and deposits for guarantees		26,961,045,118	48,747,975,994
Payable to other banks		4,717,656,889	4,205,763,273
CPO's, telegraphic transfers and money transfers		3,290,292,326	2,941,427,681
Blocked accounts		600,615,470	1,027,574,609
Other taxes		744,468,612	513,652,449
Unearned income		1,605,870,711	1,478,181,530
Pension contributions		120,336,751	102,508,248
Miscellaneous		5,628,114,800	4,206,656,929
Total		**173,659,958,030**	**176,773,345,342**

Unearned income relates to bank guarantee commissions while National Bank of Ethiopia relates to a certificate of deposit.

(49) INCOME TAXES

In Ethiopia the rate of business income tax applicable to a business is 30%. In accordance to the tax proclamation, the tax payer is allowed a number of deductible expenditures in determining the taxable revenue for a tax year.

a) Reconciliation of Effective Tax Rate

	30 June 2022	30 June 2021
Profit before tax	21,657,855,249	19,085,643,197
Blended statutory tax rate*	30%	30%
"Expected" tax expense	6,497,356,575	5,725,692,959
Non-deductible expenses	9,649,805,496	2,625,850,755
Allowed expenses	(6,601,670,121)	(850,028,882)
Tax-exempt income	(2,418,677,840)	(1,350,613,702)
Income tax payable	**7,126,814,110**	**6,150,901,130**

For the year ended 30 June 2022 the Bank had an effective income tax rate of 32.15% (2021:32.23%).

b) Income Tax Expense

	30 June 2022	30 June 2021
Current tax payable	7,126,814,110	6,150,901,130
Deferred tax expense	(2,135,341,297)	202,737,162
Related Tax –OCI	161,406,173	(550,575,553)
	5,152,878,985	**5,803,062,740**

c) Income Tax Recognized Directly in Other Comprehensive Income

	30 June 2022			30 June 2021		
	Income Tax	Before Taxes	Net of Taxes	Income Tax	Before Taxes	Net of Taxes
Remeasurement of defined benefit liability	198,264,290	(660,880,966)	(462,616,676)	(521,836,520)	1,739,455,065	1,217,618,546
Unrealized (loss) gain arising from measurement at fair value	(36,858,117)	122,860,391	86,002,274	(28,739,033)	95,796,777	67,057,744

d) Recognized Deferred Tax Assets and Liabilities

At 30 June 2022 and 2021, the tax effects of temporary differences that give rise to significant portions of the deferred income tax assets are Loans & Advances, Receivables, PPE, Intangible & Other Assets, Provisions and Employees' Benefit.

(49) INCOME TAXES - (Continued)

Balance as of June 2021	4,075,077,995
Recognized in Profit & Loss	1,973,935,124
Recognized in Other Comprehensive Income	161,406,173
Balance as of June 2022	**6,210,419,292**

Balance as of June 2020	
Recognized in Profit & Loss	559,398,735
Recognized in Other Comprehensive Income	(550,575,553)
Balance as of June 2021	**4,075,077,995**

(50) EQUITY

a) Capital

The Bank is owned by the government of the Federal Democratic Republic of Ethiopia, there are no shares. As of 30 June 2022, the Bank's capital was ETB 40,000,000,000 (2021: ETB 40,000,000,000).

b) Legal Reserve Account

The Legal reserve in accordance with the Directive No SBB/4/95 issued by the National Bank of Ethiopia, every bank shall transfer annually 25% of its annual net profit as a legal reserve until such account equals its capital.

c) Statutory Reserve

This account represents the excess amount in allowance for uncollectable suspense accounts as per the National Bank of Ethiopia's requirement compared to the IFRS requirement.

d) CBE NOOR Reserve

The CBE NOOR Reserve relates to the Mudarabah contract. The CBE NOOR reserve is a sum of profit equalization reserve (PER) and investment risk reserve (IRR). The Profit equalization reserve (PER) is the amount appropriated by the Bank out of the Mudarabah income before allocating the mudarib share in order to maintain a certain level of return on investment for the Investment Account Holder. On the other hand, the Investment risk reserve (IRR) is the amount appropriated by the Bank out of the income of Investment account holder (IAH), after allocating the mudarib share, in order to cater against future losses for the Investment Account Holder.

e) Accumulated Profit/Loss

The profits or losses that the bank has earned to date, accumulated profit is 75% of net profitnot yet paid to the goverment.

f) Fair Value Reserve, Remeasurement of Defined Benefit Liabilities and Foreign Currency Translation Reserve

Represents the accumulated amount, net of deferred income taxes arising from changes in actuarial assumptions used in the calculation of labor obligations, the effect of the change in foreign currency translation reserve and the change in fair value of equity investments.

(51) COMMITMENTS AND CONTINGENT LIABILITIES

In the ordinary course of business, the Bank conducts business involving guarantees and letter of credit. These facilities are offset by corresponding obligations of third parties. At the year end the contingencies were as follows:

Commitments

	30 June 2022	30 June 2021
Loans committed but not disbursed at year end	21,996,731,823	34,570,078,496
Bond commitment	7,058,069,387	5,656,664,151
Construction commitment	6,522,928,800	6,522,928,801
	35,577,730,011	**48,165,338,671**

Contingent Liabilities

	30 June 2022	30 June 2021
Letter of credit	222,683,990,950	60,788,389,331
Guarantees	15,769,954,194	15,049,887,018
	238,453,945,143	**75,838,276,349**

Nature of Contingent Liabilities

Letters of credit commit the Bank to make payment to third parties, on production of documents which are subsequently reimbursed by customers.
Guarantees are generally written by a bank to support the performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

(52) RELATED PARTIES

a) Remuneration of Key Management Personnel

Key management members received the following remuneration during the year ended 30 June 2022 and 2021:

		30 June 2022	30 June 2021
Short-term benefits	ETB	36,038,190	38,984,256
Post-employment benefits		1,872,405	2,597,113
		37,910,594	**41,581,369**

Compensation of the Bank's key management personnel includes salaries, housing allowance, fuel allowance, representation amounts and bonuses. These amounts are also included in non-interest expenses within salaries and wages.

b) Transactions with Key Management Personnel

Key management members entered into the following transactions:

		30 June 2022	30 June 2021
Loans granted	ETB	31,575,391	32,288,475

(52 RELATED PARTIES - (Continued)

The loans to Excutive Management members are at a lower rate compared to the prevailing market rates and bear annual interest of 7%.

The loans issued to Excutive Management members granted are secured against the property being acquired by the borrower. Normal impairment losses have been recorded against balances outstanding during the period with key management personnel and specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the reporting date.

(53) CBE NOOR

CBE NOOR
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD COVERING 01 JULY 2021 UP TO 30 JUNE 2022

	30 June 2022 1	30 June 2021 2
Revenue		
Income from CBE NOOR financing	3,672,882,839	2,530,606,651
Profit share from transfer pricing	3,071,376,886	2,133,974,873
Markup on Murabaha financing	601,505,953	396,631,777
Commission and charges	26,305,439	17,810,289
Other income	53,421,718	2,850,482
Total revenue	**3,752,609,997**	**2,551,267,422**
Expense		
Profit paid to CBE NOOR deposit	50,155,785	11,238,565
Net loss (gain) on foreign exchange	179,568	339,176
Employees salaries & benefits	1,238,237,540	903,840,674
General expenses	806,944,789	588,022,343
Impairment on financial assets	-	43,662,938
Total expense	**2,095,517,681**	**1,547,103,696**
Profit (loss) before Taxation	**1,657,092,315**	**1,004,163,726**

(53) CBE NOOR - (Continued)

CBE NOOR
STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (IN ETHIOPIAN BIRR)

	Note	30 June 2022	30 June 2021
Assets			
Cash and cash equivalent	1	10,490,562,026	7,836,243,918
CBE NOOR financing, net	2	7,666,748,145	4,659,435,503
Receivables	3	51,331,960,963	36,878,955,747
Other assets		1,811,686,346	3,707,795,329
Total assets		**71,300,957,479**	**53,082,430,497**
Liabilities			
Conventional deposits		795,562	288,204
CBE NOOR deposits	4	69,558,563,412	52,039,110,704
Other liabilities		65,182,894	32,393,010
Total liabilities		**69,624,541,868**	**52,071,791,918**
Equity			
Profit equalization reserve (PER)	5	18,773,492	6,301,869
Investment risk reserve (IRR)	6	549,804	172,984
Profit/loss summary		1,657,092,315	1,004,163,726
Total capital		**1,676,415,611**	**1,010,638,579**
Total liabilities and equity		**71,300,957,479**	**53,082,430,497**

(1) Cash and Cash Equivalents

	30 June 2022	30 June 2021
Cash on hand	814,875,618	801,387,440
Payment & settlement account NBE	2,719,840,406	4,432,900,942
Statutory reserve account	6,955,846,001	2,601,955,535
Cash and cash equivalents	**10,490,562,026**	**7,836,243,918**

(2) CBE NOOR Financing

	30 June 2022	30 June 2021
Murabaha – corporate	8,726,099,895	6,270,016,100
Qard Al Hassen financing	596,782,357	-
Gross financing	**9,322,882,252**	**6,270,016,100**
Less: CBE NOOR unearned income	(1,506,571,849)	(1,412,202,607)
Allowance for impairment losses	(149,562,258)	(198,377,990)
Net financing	**7,666,748,145**	**4,659,435,503**

(53) CBE NOOR - (Continued)

As lending money with charging interest is prohibited in Islam and Islamic banks use trade contracts, the item 'loans' has been presented as 'financing' in the statement of financial position.

Murabah financing (Deferred sales) refers to a sale and purchase of an asset where the acquisition cost and the mark-up are disclosed to the purchaser. Usually, the sale price is payable by the purchaser on deferred terms. An asset to be traded in a Murabahah contract shall be one that is recognized by the Shari'ah as valuable, identifiable and deliverable and that the asset is already in existence and owned by the seller.

Qard Al Hassen: a loan is provided for exporter similar with pre-shipment finance, a principal amount which is lent and to be repaid in the future at the same amount without any increment obliged on it. As per approved by SAC (Sharia Advisory Committee) to encourage the exporter.

Unearned CBE NOOR income: is recognized through the proportional allocation of profit to the future financial periods until the maturity date of the contract, regardless whether the payment is settled or not.

(3) Receivables

	30 June 2022	30 June 2021
Receivable from treasury department	51,255,822,180	36,839,088,965
Foreign receivable	562,041	789,954
Employees salary advance	65,917,742	35,148,393
Other receivable	9,659,000	3,928,435
	51,331,960,963	**36,878,955,747**

Receivable from Treasury Department: fund kept at treasury department for the purpose of purchase of foreign currency and other trade service activities so that IFB earn profit and commissions emanated from foreign currency holdings based on Share of fund availed for that activity. Income from such activity is reported as Profit share from transfer pricing.

(4) CBE NOOR Deposit

	30 June 2022	30 June 2021
Wadiah	62,202,792,412	48,350,795,704
Amanah	6,415,355,000	3,352,551,000
Mudarabah	940,416,000	335,764,000
	69,558,563,412	**52,039,110,704**

(53) CBE NOOR - (Continued)

Waddia: a form of contract whereby the Bank acts as safe keeper and trustee of depositor's funds. The Bank guarantees to return the entire deposit, or any part of it, on the depositor's demand.

Amanah: customers agree to provide funds in form of deposit to the Bank with the promise by the later to pay on demand any amounts outstanding in the Amanah account in full as and when required by the depositor.

Mudarabah saving and fixed time deposit account: an investment account allows customers, depending on their risk appetite, to make placement in investment accounts that potentially offer higher rates of return but are not principal guaranteed.

(5) Profit Equalization Reserve (PER)

Balance at 1 July 2021	**6,301,869**
Additional PER for the period	12,471,622
Balance at 30 June 2022	**18,773,492**

Profit equalization reserve: is a reserve periodically deducted and held by the bank from net income of the pool (NIP) for smoothening profit payouts of mudarabah investment deposit customers when it is below market rate/customer expectations.

(6) Investment Risk Reserve (IRR)

Balance at 1 July 2021	**172,984**
Additional IRR during the Period	376,820
Balance at 30 June 2022	**549,804**

Investment risk reserve: is a reserve periodically deducted and held from mudarabah investment depositor's share to offset losses from possible write-offs and investment losses.

(54) EVENTS OCCURRING DURING THE REPORTING PERIOD

There was political instability in the Northern part of Ethiopia that has occurred during the reporting period. From the total collateral value held as a security for loans provided a collateral amount of Birr 2,486,239,304 were found in Tigray region. Since there is no communication, the bank is not able to get information about current business status of customers who have taken loans from the bank. Allowance for expected credit losses have been made based on the status of the loans on the reporting date.

(54) EVENTS OCCURRING DURING THE REPORTING PERIOD - (Continued)

Out of the total asset, cash in local and foreign currency amounted to Birr 281,364,717, Stock amounted to Birr 1,007,210 and Property, Plant and Equipment with the net book value of Birr 195,025,962 were found in branches at Tigray region. Allowance for impairement losses for cash balances has not been made in the financial statements.

(55) EVENTS AFTER THE REPORTING PERIOD

There are no material facts or circumstances that have occurred between the accounting date and the date of this financial statement that require disclosure in or adjustment to the financial statement.

(56) DATE OF AUTHORIZATION

These financial statements are authorized for issue by the Board of Directors of the Bank on April 27, 2023.

CONTENTS OF THE ANNEX

WE ACCEPT

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USE YOUR CARDS

- ✓ To make payments
- ✓ To withdraw cash from ATMs and our branches

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Commercial Bank of Ethiopia

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