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TSEDEY BANK S/C

"የሁሉም ባንክ !"

"BANK FOR ALL !"

ANNUAL REPORT 2022/23

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TSEDEY BANK S/C

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"BANK FOR ALL !"

ANNUAL REPORT 2022/23

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TSEDEY BANK S/C

Vision

To become the leading, inclusive and transformative commercial bank in Ethiopia by the year 2030.

Mission

Greatly contributing to the socio-economic transformation of Ethiopia by providing modern, inclusive and efficient banking services using the best available systems and technologies, and through the hard work and commitment of its highly competent staff

Core Values

1. Professionalism
2. Integrity
3. Service Excellence
4. Sense of ownership
5. Inclusiveness

BOARD MEMBERS


Ato Gedu Andargachew
Board Chairperson


Ato Agegnehu Teshager
Vice Board Chairperson


Fenta Mandefro (PHD)
Member


Ato Shimelis Belachew
Member


Ato Tadesse Melash
Member


Ato Wendale Getahun
Member


Ato Abata Girma
Member


Ato Yilebes Addis
Member


W/ro Selamawit Alemayehu
Member

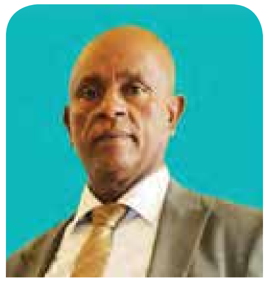

Meselu Alaminie (PHD)
Member


Ato Setitual Debalke
Member


Ato Eskindir Alemayehu
Member

EXECUTIVE MANAGEMENT


Ato Mekonnen Yelewmwesen
President


Ato Gashaw Workineh
Vice President,
Human Capital


Ato Temesgen G.Egziabher
Vice president,
Finance & Treasury


Ato Agazie Getahun
Vice President ,
Micro and Small Financing


Ato Tewabe Aysheshim
Executive Vice President


Ato Birhanu Abera
Vice President,
Credit operations


Ato Wondie Wodaje
Vice President,
International Banking


Ato Dereje Chanie
Vice President
Property & Facility


Ato Ermias Zewde
Vice President,
Information Technology


Ato Theodros Tadesse
Vice President,
Digital & Branch Banking


Ato Yohannes Mengistu
Vice President,
Corporate Strategy & Marketing


Ato Yilma Kasshun
Vice President,
Risk & Compliance Management

DIRECTOR'S

Ato Abey Arega
Director, Treasury & Fund Management Department

Ato Adugna Ashagrie
Director, Facilities Management Department

Ato Bahiru Wondmenh
Director, Human Capital Operation Department

Birara Bezie (PHD)
Director, Corporate Marketing & Communication Department

Ato Dereje H/Mariam
Director, Analytics & Database Mgt Department

Ato Destaw Mekuriaw
Director, Credit Relationship & Administration Department

Ato Engidawork Zeleke
Director, Corporate planning & change Mgt Development Department

Ato Getu Bedlu
Director, Learning & Talent Development Department

Ato Gojjam Hunegnaw
Director, Talent Acquisition & on Boarding Department

Ato Lakew Atalay
Director, Procurement & Contract Management

Ato Mamenie Endale
Director, Company Secretary

Ato Melaku Ayalew
Director, Deposit Mob & Customer Experience Department

DIRECTOR'S

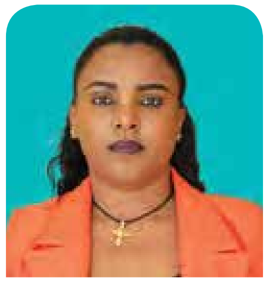
Ato Melese Angaw
Director, Partnering & Customer Relationship Department

Ato Mubarek Jemal
Director, Interest Free Banking Department

Ato Mulualem Zewudie
Director, Legal Service & Debt Recovery Department

Ato Nebyou Moges
Director, Fund Management & Remittance Department

W/ro Saba Berhie
Director, District Management & Support Department



W/ro Seblewongel Adugna
Director, Core Banking & Applications Development Department

Ato Tadele Alemu
Director, IT Infrastructure Management Department

Ato Tewodros Legesse
Director, Trade Service Department

Ato Tiguh Aragaw
Director, MSF Credit Analysis & Appraisal Department

Ato Tsegaye Tesfaye
Director, Research & Business Development Department

Ato Yirga Getenet
Director, Credit Analysis &Ap-praisal Department

Ato Yonas Worku
Director, Digital Banking

MESSAGE OF THE BOARD OF DIRECTORS' CHAIRPERSON

Ato Gedu Andargachew
Board Chairperson

On behalf of the Board of Directors of Tsedey Bank S.C. and myself, it is indeed a privilege to present the Board of Directors Report of the bank to the 3rd Regular Annual General Assembly of Shareholders for the Fiscal Year 2022/23 that ended on June 30, 2023.

The past year was a challenging time for the global economy when it experienced contraction after a brief recovery, owing to several shocks that engulfed most countries. After a strong initial rebound from the depths of the COVID-19 pandemic, the pace of recovery has somewhat moderated. Several forces are holding back the recovery. Some reflect the long-term consequences of the pandemic, the Russia-Ukraine war, and the increasing geo-economic fragmentation. Others are more cyclical, including the effects of monetary policy tightening necessary to reduce inflation, withdrawal of fiscal support amid high debt, and extreme weather events (IMF, 2023).

The Ethiopian Economy has also passed through challenging situations owing to the effects of the pandemic and continued security concerns. The war in the northern part of the country has made a devastating effect on our bank. Furthermore, in the fiscal year under consideration, another conflict arose in the Amhara Region, where the majority of bank branches are located, making a very distressing effect on our bank's business. In addition to these, high inflation, drought incidents, shortage of foreign currency and the monetary policy changes by the National Bank of Ethiopia were among the challenges fundamentally observed during the year under review.

On the contrary, there were also many opportunities that the bank acquired in transforming from a microfinance into a full-fledged bank. The issue of transformation led us to build an ultra-modern data center that is commensurate with the ever-increasing customers of the Bank. It is also an open secret that technological advancement has been and will continue to be a powerful means of customer acquisition, retaining existing customers, reducing costs, building customer loyalty and increasing shareholders' values. Thus, the Bank leaves no stones unturned in investing in banking technologies that are supposed to heighten the Bank's service provision efficiency. The bank has also developed a new banking structure that align with the Bank's change and growth strategy in FY 2022/23. The structure attracted many experienced employees including executives having banking experiences and it helped the bank to diversify its workforce skills. In order to realize our vision of being inclusive, leading and seeking change, our bank is expanding its branches in Addis Ababa, and other parts of the country besides the existing ones in the Amhara Region.

The aforementioned and other endeavours allowed the Bank to register commendable performance in the year as well since total deposits, outstanding loans and advances and total assets grew to Birr 34.2 billion, Birr 37.6 billion and Birr 56.6 billion as of June 30, 2023, respectively. The achievement in resource mobilization and allocation allowed the Bank to generate an improved total income of Birr 6.6 billion, increasing by Birr 1.5 billion over the last year. On the other hand, the Bank expended a total expense of Birr 5.4 billion in the year, which increased by Birr 1.8 billion over the preceding year's balance that was triggered mainly by the cost incurred due to expansion and transformation endeavours. In turn, the Bank generated a gross profit before tax of Birr 1.2 billion in the 2022/23 FY. The Bank has also been active in branch expansion as it operationalized 90 new branches across the country, which brought its total branches above 560 at the end of the year.

During the reporting year, the Bank's Board of Directors continued to make relentless efforts to keep the growth momentum achieved in the past and added impetus through strategic leadership and measured directions so that the bank achieve growth according to key performance indicators. The Board continues to carry out its oversight role and guidance, by coordinating efforts along with its three subcommittees and top management, with full commitment to ensure the bank could be able to operate prudently and in compliance with the regulatory requirements, the bank's policies and procedures.

As the business environment travels along an ever-changing track, as more diverse players are welcomed, new developments emerge following economic, political and societal dynamics, the Bank shall keep track of such dynamic landscape and devise winning course, accordingly. The Bank endeavours to overcome foreseeable challenges and strive to benefit from the wide opportunities that the country's growth prospect may lend while keeping an eye on possible business risks.

Despite the numerous challenges observed in the industry, the Bank has managed to keep its pace of growth in major performance indicators, which is to be upheld by tackling operational and financial hurdles towards the realization of its Vision and Mission. In this regard, Tsedey Bank S.C. shall strengthen its capital in a manner that facilitates its strategic investments and continued business growth.

I would like to assert here that the Board of Directors keenly evaluates the business ecosystem to set the Bank's journey in the right direction and meet the Bank's aspirations. It is with ample confidence I envision that by leveraging the support of all stakeholders on our side, our Bank will definitely achieve its strategic objectives in the years ahead, and deliver results to the satisfaction of all stakeholders.

Finally, on behalf of the Board of Directors and myself, I express my sincere gratitude to our esteemed customers for their confidence and trust to continue banking with Tsedey Bank. I would also like to send my gratitude to our shareholders for their continued support, to my fellow members of the Board of Directors, the Executive Management and employees of Tsedey Bank for their dedication and commitment, and the National Bank of Ethiopia for its guidance and support.

I thank you

Gedu Andargachew
Chairperson of the Board of Directors

MESSAGE OF THE PRESIDENT

Ato Mekonnen Yelewemwesen
PRESIDENT

On behalf of the Bank's Management and myself, it is a great pleasure to welcome you all to the 3rd Regular Annual General Assembly of Shareholders for FY 2022/2023.

It is worth noting that our transformation is our rebirth as a new institution with a new business model. Like an old eagle knocking out its own beak and plucking out its talons to grow a new one, Tsedey Bank's transformation from Microfinance into a full-fledged bank enables to establish different working systems that embrace the new business dynamics.

During the reporting year, therefore, numerous activities have been undertaken in our bank. The delivery of both the new and existing products and services of the Bank are supported by the state-of-the-art Tier III level Core Banking Solution (CBS) of the Bank. A series of foundational activities have been implemented to customize the existing CBS to accommodate the reporting and other service delivery requirements of the products and services introduced during the just ended fiscal year. Other enablers such as mobile banking, internet banking, and other digital banking service platforms are also enabled so as to satisfy the increasing needs of our customers.

Automating the bank's internal processes and implementing and integrating technological solutions are also the other new technological activities that were adopted in our bank. Tools such as share management system, file transfer tools specifically for RTGS, and the new website of the bank have been developed and became ready for use during the period. Specifically, in line giveing seamless customer service, the bank has finalized full implementation of RTGS and it is also strengthening the central cash management of the Bank at head office level and through enhanced resource mobilization.

The Bank's effort in increasing online branches has been successful during the operational year, and currently almost all of the total branches of the bank are online. The bank has used alternative infrastructures like VSAT, 3G, wireless VPN, in making full (100%) rollout where the standard infrastructures not in place. The transformation enables the bank to further increase its service packages. Thus, in addition to the existing microfinance products and services, Tsedey Bank has introduced different financial products and services such as deposit accounts, conventional loan facilities, guarantees, and Letters of Credit for importers, consumer lending products, and foreign currency products and services.

Regarding branch expansion, the Bank is currently opening new branches that will contribute for achieving its market expansion plan with existing and new products and services (in new and existing markets) by means of market penetration and geographic expansion. The Bank has opened 90 new branches, and of these, 39 branches (43% of the total) are opened outside the Amhara Region, mainly in Addis Ababa. The remaining 61 new branches (57% of the total) are opened in major urban areas of Amhara Region from the perspective of creating a competitive banking service.

The construction of the Headquarters complex at Addis Ababa's business hub is also the other milestone success pillar of the bank. I would like to congratulate all of you that our building is expected to be finalized in April 2024. This endeavour is supposed to build trust for our customers and stakeholders for other hilarious brand at national level. The construction project has been conducted with close supervision of the consultant, the project management office (PMO), the senior management, and the board of directors of the Bank, the finishing work reaching 92%.

For Tsedey Bank, Addis Ababa and other areas are one of the new markets ushering a pivotal history as a new player. To promote this undeniable fact and instill it in the hearts and minds of the general public, the Bank has organized groundbreaking inauguration events to launch its commencement of bank operations. The event communicated mainly, the story of successes and achievements, the 'leveraging points', moments, processes of the successes, and future commitments (roles) to stakeholders that remain behind the Bank.

In addition to these major achievements, there are so many strong sides that we had undertaken during the fiscal year. Among these, the loan portfolio quality of the Bank has showed significant improvements throughout the reporting period. The number of online branches is increasing from time to time, now reaching close to 100%. Besides branches inside Amhara Regional State, during the fiscal year, we expanded our branches to Addis Ababa and other feasible cities and towns of the country. We also hired experienced external staff with banking expertise so as have a strong footage in the new environment of banking.

As we move into the coming fiscal year, we anticipate several challenges- the continued conflict in Amhara region, political tension in the country, the anticipated new entrants into the financial service sector, continued inflation, and shortage of foreign currency. Meeting these challenges requires us to upscale our efforts and commitment to continuous improvement, increasing investments in the development of our people, technology and innovation to deliver customer centric services to our customers and make our operations more efficient. The bank will also leverage and expand its current, as well as build new, strategic partnerships with various institutions to develop collaborative and innovative banking solutions.

To achieve our vision and mission, we will focus on developing our corporate culture that is driven by a strong sense of purpose, built on customer centricity, collaboration and inclusion, and communication.

Finally, on behalf of myself and the entire team of Tsedey Bank, I would like to extend my sincere gratitude to our valued customers who have continued to stand by us and have placed great trust in our bank and services. I owe the Board of Directors my heartfelt gratitude for their unrelenting engagement, strong leadership, guidance and support. I would also say thank you to our esteemed shareholders for their unwavering support and to our employees for their resilience, dedication and utmost commitment to the vision of the bank. Last but not the least, my appreciation also goes to the National Bank of Ethiopia for their support and guidance, and all other stakeholders for their continued support and cooperation.

I thank you

Mekonnen Yelewumwossen
President

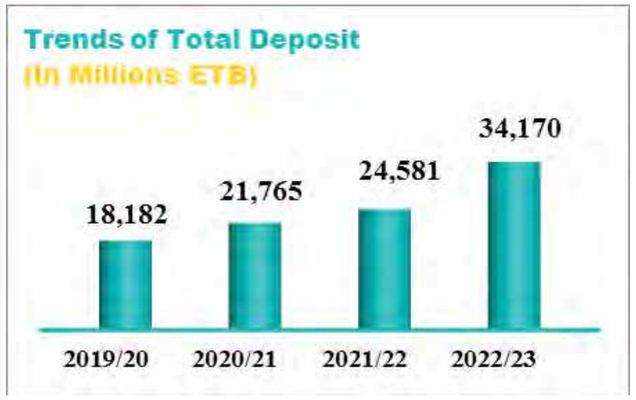
BOARD OF DIRECTORS' REPORT

The Board of Directors of Tsedey Bank is pleased to present the annual performance report and audited financial statement of the Bank for the financial year ended on June 30, 2023.

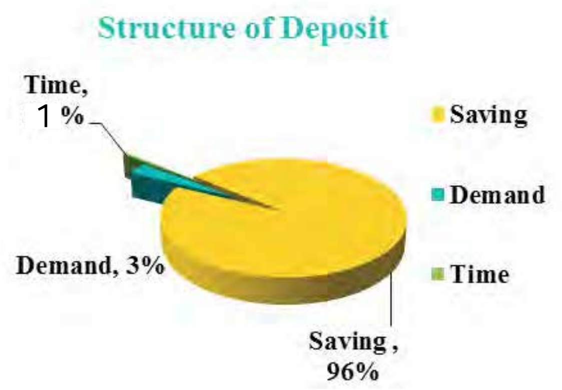
OPERATIONAL HIGHLIGHTS

DEPOSIT

Mainly supported by its diversification strategy, the effort to deepen the financial inclusiveness and the alternative products and services availed to customers, the Bank mobilized a commendable level of deposit of Birr 9.6 billion in FY 2022/23, which had increased by 39% over the amount registered a year earlier. Accordingly, the total deposit of the Bank reached Birr 34.2 billion as at June 30, 2023.



Following the long-term relationship with the broader public and the endeavours to amass a sustainable and cheap source of funds in the year, savings deposit continues to hold the principal share of 96% of the total deposit, while demand and fixed time deposits constituted the remaining parts of 3% and 1%, respectively.

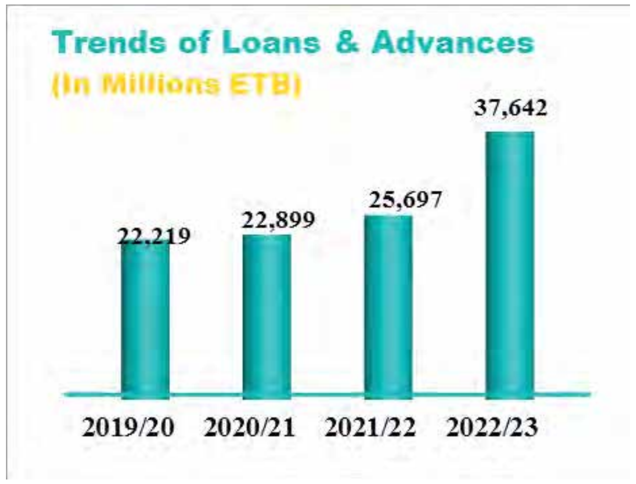


INTERNATIONAL BANKING ACTIVITIES

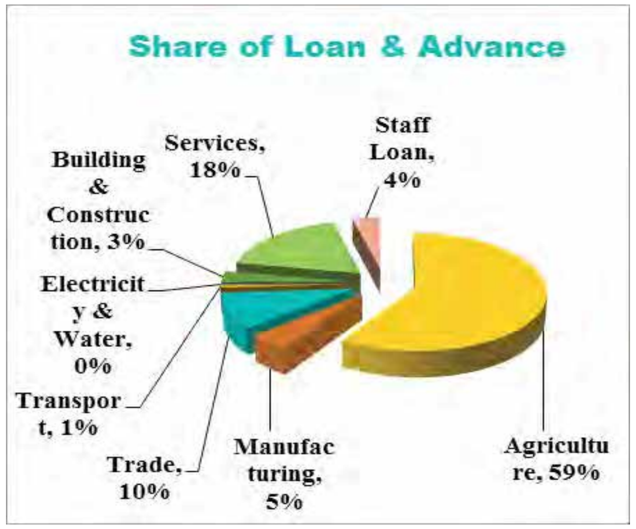
As part of its commitment to offering customers alternative services and diversifying resource mobilization means, the Bank has made significant progress in launching international banking services during the year. Following successful completion of preliminary tasks, including establishing relationships with correspondent banks such as Afraxim Bank, Aktif Yatirim Bank A.S., Bank of Berut (UK) LTD, CAC International Bank, East Africa Bank (DJ), and Exim Bank Djibuti S.A. as well as partnering with money transfer agents (Dahabshill and RIA) and establishing SWIFT connectivity, the Bank has officially commenced international banking services at the end of the year. Besides, the Bank also operationalized over 80 forex bureaus to facilitate cash exchange services. Such endeavours allowed the Bank to mobilize foreign currency at the end of the year.

LOANS AND ADVANCES

Mainly driven by its established aspiration of contributing to the economic development of the country, the Bank has been making extensive lending activities in the year, increasing its total outstanding loans and advances to Birr 37.6 billion as at June 30, 2023, which was held by more than 935 thousand borrowers of corporate, commercial, retail and small and micro customers.



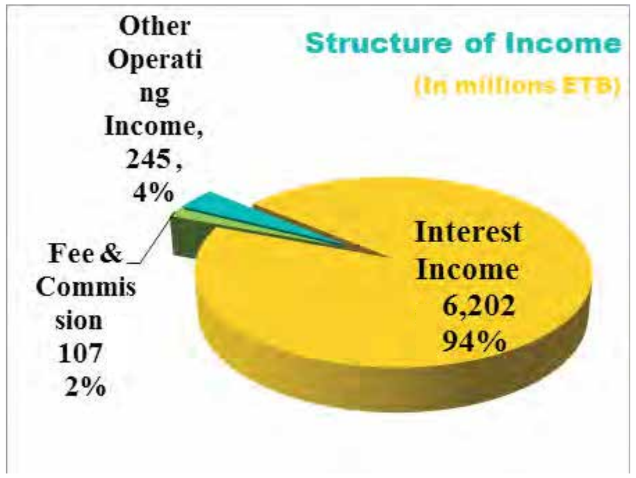
Out of the total portfolio, the lion's share was concentrated on the agricultural sector mainly to support farming and agricultural processing businesses. Along with the agricultural sector, priority has also given to domestic and trade service, manufacturing and export sector to strategically enhance deposit mobilization, generate high-interest income, establish relationships with corporate customers and generate foreign currency, respectively. With respect to the major customer group, about 90% of the total portfolio was concentrated on micro and small business/microfinance business line, mainly as a continuation of the Bank's primary focus to support the public at large and those financially marginalized segment of the community in particular.



FINANCIAL HIGHLIGHTS

TOTAL INCOME

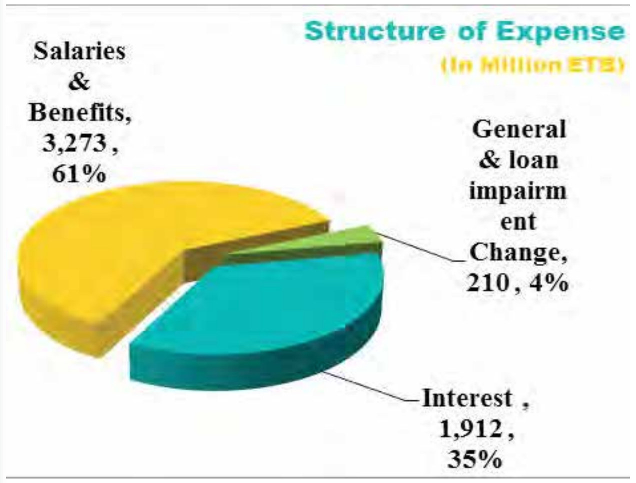
Tsedey Bank generated a total income of Birr 6.6 billion in the 2022/23 FY, increasing by Birr 1.5 billion or 30% over last year's total income of Birr five billion. Like the total income, both interest and non-interest income showed growth when compared with their respective last year balance.



Out of the total income, interest income earned from Loan portfolios and deposits in other banks took the significant part of 94%, while the remaining part of 6% was generated from non-interest income.

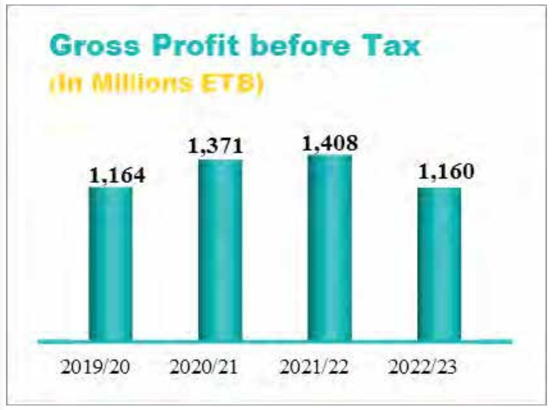
TOTAL EXPENSE

In FY 2022/23, the Bank recorded a total expense of Birr 5.4 billion, representing a significant increase of Birr 1.8 billion or 49% compared to the previous year. The expansion in the branch network, investment made for fixed assets and technologies and the increase in interest-bearing deposits, with escalated salaries and benefits, general and interest expenses, were the main reasons behind the upsurge in total expense. On account of its huge number of staff, salaries and benefits took the lion's share of total expense with a tune of 61%. The remaining portion was held by interest and general expenses, respectively, with 35% and 4%.



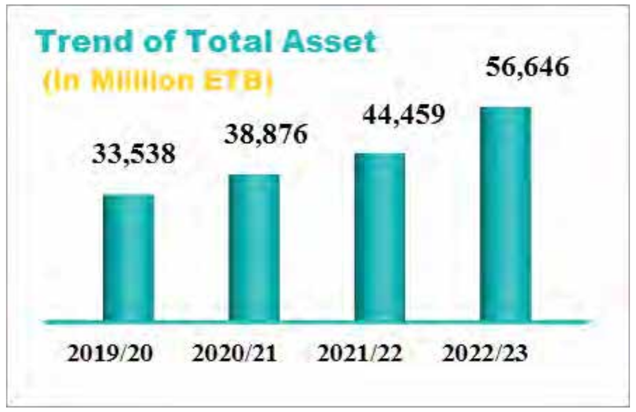
GROSS PROFIT BEFORE TAX

As a result of the above income and expense, the Bank registered a gross profit before tax of Birr 1.2 billion in FY 2022/23. However, it showed a modest reduction of Birr 248 million when compared to the preceding year's balance. The reduction of profit mainly triggered by the high cost incurred to transform the Bank and meet its expansion objective.



FINANCIAL POSITION

As a matter of fact of the Bank's endeavours for expansion and sustainable growth, all balance sheet items have undergone growth in the year. Driven particularly by its long-term effort in resource mobilization and utilization, the total asset of the Bank manifested a notable increment of Birr 12.2 billion or 27% over the preceding year's balance. In turn, total asset reached Birr 56.6 billion as of June 30, 2023. Accordingly, the total asset of the Bank largely dominated by loans and advances, holding a share of 66.4% or Birr 37.6 billion.



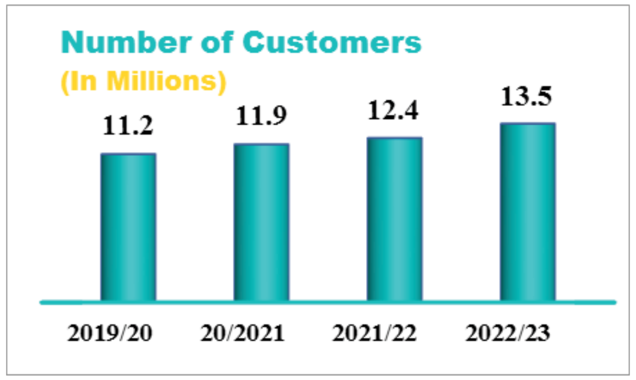
NON-FINANCIAL HIGHLIGHTS

BRANCH EXPANSION

Pursuant particularly to deepening its long-term aspiration of being the most accessible bank in the country and augmenting resource mobilization capacity, utmost focus has been given to expanding its presence across the width and breadth of the country. It operationalized 90 new branches in Addis Ababa and different outlying towns in the year, making the Bank's outreach go beyond 560 branches at the end of the year. Branches are strategically located to address most of the financial service needs of the marginalized and societies living in geographically remote locations alongside expanding its branch in major cities and commercial areas to enhance its accessibility to retail, commercial and corporate customers.

CUSTOMER ATTRACTION

As a key objective going forward to increase the number of customers, the Bank has been implementing various projects and developments over the years. Expanding the branch network, launching conventional and digital solutions to cater to diverse customer preferences, streamlining front and back-office operations, enhancing quality customer service and conducting extensive promotional and image-building activities primarily backed the customer attraction activities of the Bank in the year. These initiatives, among others, have been instrumental in fostering effective customer engagement and satisfaction, making the number of depositors exceed 13.5 million at the end of the year.



PEOPLE MANAGEMENT AND DEVELOPMENT

As a follow-up to embarking on various growth and transformation endeavours, the Bank has recruited 970 new staff in the year. Hence, the total staff size of the Bank exceeded 13 thousand at the end of the year. Of these, more than 90% of theme have been working in branches, while the remaining staff have been working in districts and different head office units. The effort to recruit manpower that possesses the right skills and qualifications was ensured through adopting competency-based staff recruitment and selection criteria, which in turn, allowed to attract staff who can adapt to the fast-changing environment and evolving needs of customers. Besides, the newly implemented revised staff payment and remuneration scheme has also been an additional lever to attract capable staff from different commercial banks.

Mindful of the significance of delivering quality services and serving the best interests of all customers for the success of the Bank, the Bank has been conducting extensive capacity development activities. The staff development programs are primarily aimed at developing capable staff and abilities that allow them to thrive and excel in a dynamic, fast-paced, and fiercely competitive environment. In FY 2022/23, the Bank conducted various types of training programs and trained about 12 thousand staff in the year.

INFORMATION TECHNOLOGIES AND DIGITAL BANKING

As the year was marked with the commencement of its initial operation as the banking businesses, various technology development initiatives, and enhancement works that could empower us to respond promptly and adapt swiftly to the evolving needs of customers have been rolling out in the year. In turn, the Bank maintained its commitment and allocated huge resources to enhance its IT and digital capabilities mainly to bolster the bank's capacity to efficiently and effectively deliver services and offer alternative products and services to its customers.

To this end, remarkable advancements were achieved in various information technology development initiatives throughout the year, encompassing a wide range of areas. These initiatives include but are not limited to continuing to customize the existing CBS to accommodate the reporting and other service delivery requirements of the products and services, put into service various service modules, such as IBD (Forex Setup and Trade Finance LC/LG Parameter Setup), Finance

(Overdraft, RTGS, Check Clearance and Inter-branch transaction), and credit modules, finalize the interconnectivity works for most outlying branches, automate back-office operations like HR Systems and undertake report customization and development works. Besides, data migration to new premises, third-party integration with Ethio Telecom and EthSwich, and commencement of main IFB module customization, and core process optimization were also the major initiatives undertaken in the year.

Moreover, the bank has also been making efforts to boost its digital ecosystem. In this regard, the bank has already operationalized 11 ATMs in different areas of Addis Ababa and has commenced the procurement process for 100 ATMs and 200 POS machines, alongside commencing the procurement process for more than one million payment cards. Recently, the bank launched and operationalized digital banking services such as USSD and App-based mobile and internet banking and digital lending services for its customers.

CONSTRUCTION PROJECTS

Over the years, the Bank has been actively engaged in building construction activities and has already operationalized several own buildings in different towns of the Amhara Region. Among these, the 37-story headquarters building of the Bank which is found under the final stage of construction can unquestionably be regarded as the epitome of the Bank's iconic presence. The construction project has been conducted with close supervision of the consultant, the project management office (PMO), the senior management, and the board of directors of the Bank. Currently, the progress of the project reached over 92%, and most of the finishing materials are on site and/or under construction phase.

All things considered, the bank has 201 G+0 branch offices and 39 buildings ranging from G+1 to G+6 in various locations throughout the Amhara Region. In addition, there are also 3 G+2-4 buildings under construction in Fenoteselam, Mehalmeda and Estaie (Mekane Eyesus). All district offices, except Addis Ababa, are hosted at our own building and nearly half of the existing branches have been operating within the bank's building. The buildings, apart from cost saving and facilitating convenient operations, have also positive effects in instilling more trust and a good image, which in effect, become additional impetus to attract depositors and retain others. With a firm belief in expanding to other locations for future success, the bank remains dedicated to pursuing efforts in acquiring land in other areas. This strategic approach reflects the bank's commitment to broadening its reach and establishing a strong presence in new markets.

TRANSFORMATION PROJECT

As a contemporary organization aspiring to triumph and become one of the key actors in the Banking industry, the Bank has been undergoing various transformation endeavors in the year. The purposes of these transformation activities were mainly set in a bid to provide customer-centric and dependable banking services, ensure operational efficiency and build its image.

In the year, several significant projects were undertaken, including fulfilling the minimum bank operation commencement requirements the opening of Issue, Payment and Settlement and Reserve accounts at NBE, implementation of banking technologies (customization and upgrading of Core Banking System and branch banking), putting in place system including comprehensive policies and procedures, and most importantly, officially commencing its banking operations with colorful inauguration.

CORPORATE SOCIAL RESPONSIBILITY

Cognizant of its social responsibilities as a corporate citizen, Tsedey Bank S.C. continued to engage itself in enhancing the socio-economic situations of the communities. Along with striving to address the financial service needs of the marginalized and societies living in geographically remote locations, the bank showed its commitment to discharge its corporate social responsibilities through dedicating huge resources for donations and contributions to support the societies. The Bank also continues supporting academically high-achieving female students from low-income families and providing financial support to Tsedey Bank's Athletics Club.

RISK MANAGEMENT AND COMPLIANCE

The Bank maintained a strong emphasis on its risk management process, recognizing it as a crucial focus area. In alignment with all internal policies and procedures and rules and directives issued by NBE, the Bank, with a dedicated unit, has embarked on a comprehensive Risk Management Program to periodically identify, measure, monitor, control potential risks and recommend mitigation techniques for risks that could potentially impede accomplishments of credit, liquidity, foreign exchange, interest rate, and other operational objectives of the Bank. By prioritizing risk management, the Bank endeavors to safeguard its stability and ensure the protection of its stakeholders' interests.

THE WAY FORWARD

With a keen awareness of the prevailing and future challenges in broader landscape, the Bank maintains its resilience and steadfast commitment to developing strategies and approaches that mitigate the adverse impacts while seizing the opportunities that lie ahead. By proactively addressing these challenges, the Bank aims to navigate the dynamic environment effectively and ensure its continued success.

As a means to pave the way for a competitive future, our focus, dedication and resources will be geared toward effectively and efficiently addressing the needs and wants of customers. In turn, the priorities of the bank include but are not limited to providing superior customer service experience across both physical and digital touchpoints, launching new products and services while enhancing the existing ones, accelerating the use of cutting-edge technologies towards making banking operations much more effective and efficient, and augment its resource mobilization capacity to channel as much resources as possible to different segment of the society.

Yet, we are confident that the Bank is in a favourable position to adapt and effectively navigate the ever-changing operational landscape and successfully achieve its strategic objectives thanks to its business expansion model that proven by its strong diversification across rural and developed areas. Besides, with a keen awareness of and in parallel with efforts to enhance the highly-desired presence with alternative channels, the Bank will also give prior attention to enhance the performance of mobile and internet banking and launch card banking services.

On the other hand, completing the construction of its Headquarter building, continue building in other towns, and revamping the Bank's image through a rebranding works will also take Bank's prior attention in the coming period. These initiatives collectively demonstrate the Bank's commitment to modernization and enhancing its presence in the market.

Last but certainly not least, the upskilling of our human capital will be of paramount importance. We will dedicate significant efforts to enhancing their capabilities, recognizing the crucial role they play in delivering unparalleled customer service, fostering operational efficiency, and, most significantly, adapting to the ever-changing needs and expectations of our customers. Hence, the Bank will continue to allocate resources for staff capacity development and make the working environment a more compelling place to work.

PHOTO GALLERY

TSEDEY BANK AWARDS PHOTO

ANNAUAL SHAREHOLDERS GENERAL MEEETING

SOCIAL CONTRIBUTIONS BY TSEDY BANK

SOME OF GIVE AWAY MATERIALS DESIGN

PHOTO GALLERY

MOBILE BANKING INAUGURATION & PRESS RELEASE

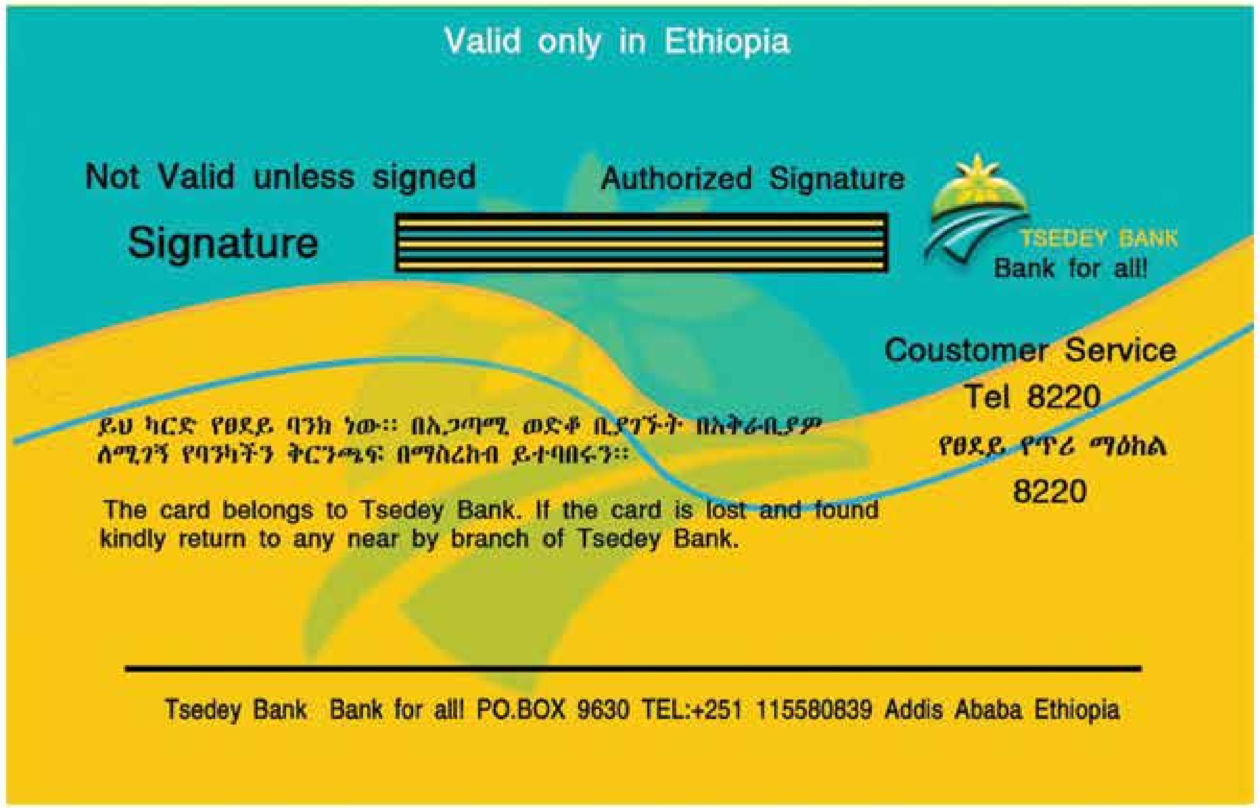
PERFORMANCE EVALUATION MEETING

MEMORY OF BANK COMMENCEMENT INAUGURATION

BRAND AMBASSADOR ANNOUNCEMENT CEREMONY

2022/23 BOARD & EXECUTIVE MANAGEMENT MEMBERS

SOME OF BRANCH EMPLOYEES



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TSEDEY BANK S/C

Auditor's Report 2022/23

COMPANY'S INFORMATION

Board of Directors	Responsi-bility	Appointment date
1. Ato Gedu Andargachew Alene	Chairperson	3 April, 2021
2. Ato Agegnehu Teshager Gessesse	Member	3 April, 2021
3. Dr. Meselu Alaminie Mulugeta	Member	3 April, 2021
4. AMHARA National Regional State (Represented by Dr. Fanta Mandefro Abate)	Member	3 April, 2021
5. Organization for Rehabilitation and Development in AMHARA (ORDA) (Represented by Ato Setual Debalkie)	Member	3 April, 2021
6. TIRET/NIGAT Endowment (Represented by Ato Abate Girma Kebede)	Member	3 April, 2021
7. Ato Eskender Alemayehu Zeleke	Member	3 April, 2021
8. GAFAT Endowment (Represented by Ato Shimeles Belachew Akale)	Member	3 April, 2021
9. AMHARA Women Association (AWA) (Represented by W/ro Selamawit Alemayehu Bekele)	Member	3 April, 2021
10. Ato Yilebes Addis Birhanu	Member	3 April, 2021
11. WALIYA Capital Goods Finance Business S.C. (Represented by Ato Wondale Getahun Amare)	Member	3 April, 2021
12. ABAY Printing & Paper Packaging Plc. (Represented by Ato Tadesse Melashu Amare)	Member	3 April, 2021

Senior Management	Responsibility	Appointment date
1. Ato Mekonnen Yelewemwessen	Chief Excutive Officer	10 November, 2001
2. Ato Gashaw Workneh	Deputy Chief Excutive Officer	27 March, 2005
3. Ato Agazie Getahun	Deputy Chief Excutive Officer	26 April, 2010
4. Ato Tewabe Ayshishem	Deputy Chief Excutive Officer	27 February, 2014
5. Ato Temesgen G/Egziabher	Deputy Chief Excutive Officer	1 March, 2016
6. Ato Birhanu Abera	Chief Credit Service Officer	1 July, 2022
7. Ato Wondie Wodaje	Chief International Banking Officer	1 November, 2022

NBE Registration No.	**: LBB/TM/026/2022**
Commercial Registration Certificate No.	: MT/AA/3/0052707/2014 Ministry of Trade & Industry Addis Ababa, Ethiopia
Tax Identification No. (TIN)	: 0077024765
Value Added Tax (VAT) Registration No.	: 19374510003
Registered Office	: Kirkos Subcity , ORDA Building Ras Mekonen Avenue Tele. +251 11 558 12 71 P O Box 9630 Addis Ababa, Ethiopia
Bankers	**: Commercial Bank of Ethiopia (CBE)** P.O.Box 255 Addis Ababa, Ethiopia
	: AWASH Bank S.C. P.O.Box 12638 Addis Ababa, Ethiopia
	: WEGAGEN Bank S.C. P.O.Box 1018 Addis Ababa, Ethiopia
	: BERHAN Bank S.C. P.O.Box 387 Code 1110 Addis Ababa, Ethiopia
	: ABAY Bank S.C P.O.Box 5787 Addis Ababa, Ethiopia
	: DASHEN Bank S.C P.O.Box Addis Ababa, Ethiopia
	: Development Bank of Ethiopia (DBE) Addis Ababa, Ethiopia
Independent auditor	**: Ermias Negussie Abebe** Certified Audit Firm (Eth.) Chartered Certified Accountants (ACCA) P.O.Box11007 Addis Ababa, Ethiopia

ANNUAL REPORT 2022/23

Currency: Birr

DIRECTORS' REPORT

The Directors are pleased in submitting the report on the financial statements of Tsedey Bank S.C. ("The Bank") for the year ended 30th June, 2023.

1. Incorporation

The Bank was incorporated in the year 2022 by transforming from the previously incorporated Micro Financing Institution under the name " AMHARA Credit and Savings Institution S.C." under the provisions of the Licensing and Supervision of Banking Business Proclamations and the Commercial Code of Ethiopia.

2. Nature of business

Tsedey Bank S.C. was incorporated in Ethiopia to undertake banking business and is operational in Ethiopia.

3. Review of financial results

The short summery of the financial results is:

	30th June, 2023	30th June, 2022
Revenues	6,202,442,039	4,734,771,703
Net profit before business income tax	1,159,679,992	1,408,214,312
Business income tax charges	(105,053,388)	(-)
Net profit for the year	1,054,626,604	1,408,214,312
Other comprehensive (loss)/income	(22,951,539)	346,345,382
Total comprehensive income	1,031,675,065	1,754,559,694

4. Events after the reporting period

The Directors are not aware of any material event which occurred after the reporting date and authorization of this report

Currency: Birr

5. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

6. Date of authorization for issue of financial statements

The financial statements have been authorized for issue by the Directors on 23 December, 2023.
No authority was given to anyone to amend the financial statements after the date of issue.

The financial statements set out on pages 35 to 94 which have been prepared on the going concern basis, were approved by the Directors on November 3, 2023, and were signed on its behalf by:

Ato Gedu Andargachew
Chairman – Board of Directors

Currency: Birr

These financial statements are prepared in accordance with Commercial Code of Ethiopia and the Financial Reporting Proclamation No.847/2014 and RegulationNo.332/2014, which requires the company to prepare financial statements based on International Financial Reporting Standards.

The company's management is responsible for the preparation and fair presentation of these financial statements in conformity with international Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The company is required to keep such records as are necessary to:

a) exhibit clearly and correctly the state of its affairs;
b) explain its transactions and financial position; and
c) enable regulatory bodies such as the Accounting and Auditing Board of Ethiopia (AABE), Ministry of Revenues and National Bank of Ethiopia (NBE) to determine whether the company had complied with the required reporting financial reporting framework and the relevant tax proclamations and regulations and directives issued for the implementation.

The company's management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards.

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

The management further accepts responsibility for the maintenance of accounting records that may be relied up on in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the management to indicate that the company will not tremor in a going concern for at least twelve months from the date of this statement.

Signed on behalf of the management by:

Ato Gedu Andargachew Chairman – Board of Directors	Ato Mekonnen Yelewemwessen President

ኤርምያስ ንጉሴ አበበ **Ermias Negussie Abebe**
የተመሰከረለት የኦዲት ድርጅት (ኢ.ትዮ.) **Certified Audit Firm (Eth.)**
Chartered Certified Accountant (ACCA)
የተረጋገጠለት እና የተፈቀደለት የሂሳብ አዋቂ

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TSEDEY BANK S.C.

We have audited the accompanying financial statements of Tsedey Bank S.C. which comprise the Statement of Financial Position as at 30th June, 2023 and the related Statement of Financial Performance and its Cash Flows for the year ended 30th June, 2023 and a summary of significant accounting policies and other explanatory notes.

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the Financial Position of Tsedey Bank S.C. as at 30th June, 2023 and of its Financial Performances, its Cash Flows and its Change in Equity for the year ended 30th June, 2023 in accordance with the International Financial Reporting Standards (IFRS).

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsiblities under those standards are further described in the Auditor's Responsibility of the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirments that are relevant to our audit of the financial statements in Ethiopia and we have fulfilled our other ethical responsibilities in accordance with these requirments and the IESBA Code. We believe that the audit evidance we have obtained is sufficient and approprite to provide a basis for our opinon.

Key Audit Matters

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

As required by IFRS 9, the Bank applies the expected credit loss (ECL) model to measure loss allowances for financial assete. Since this model involves many judgments and assumptions and in view of the significance of the amount of loans and advances to customers in the statement of financial position (as at 30 June 2023, gross loans and advances to cuatomers amounted to Br. 37.642 billion, representing 64% of the total assets of the Bank, and impairment allowance for loans and advances to customers amounted to Br. 1.15 billion), impairment of loans and advances is considered a key audit matter. Releveant disclusures are incluided in Notes 7 and 36 to the financial statements.

Responsibilities of Management and those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies of the company and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

In preparing the financial statements management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis for accounting unless management either intends to liquidate the company or to close operations, or has no realistic alternative but to do so.

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

Auditors Responsibility for the Audit of the financial Statements

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

- 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 company'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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company's audit. We remain solely responsible for our audit opinion.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

Currency: Birr

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Report on other legal and regulatory requirements

As per the requirement of the Commercial Code of Ethiopia 2021 and on the basis of our audit undertaking, we report the following:

In our opinion the financial information presented in the Directors' Report is consistent with the financial statements.

- Pursuant to Article 349, Sub-article 1 of the Commercial Bank of Ethiopia 2021 and based on our review of the Board of Directors' Report, we have noted no matter to be presented to your attention,
- Pursuant to Article 349, Sub-article 2 of the Commercial Code of Ethiopia 2021 we recommend the financial statements approval.

Ermias Negussie Abebe
Certified Audit Firm (Eth.)

Addis Ababa, Ethiopia
25 December, 2023

STATEMENT OF FINANCIAL POSITION
AT AND FOR THE YEAR ENDED 30TH JUNE, 2023

Currency: Birr

	Notes	30/06/2023	30/06/2022
ASSETS			
Cash and cash equivalents	5	12,649,968,117	13,461,778,795
Other assets and pre-payments	6	2,505,486,828	1,785,151,470
Loans and advances to customers - net	7	36,490,603,190	25,697,057,588
Property, plant and equipment	8	2,862,448,820	2,079,204,697
Intangible assets - net	9	505,169	678,302
Right of use asset	10	454,799,473	61,102,721
Financial assets at amortized cost	11	243,674,000	30,000,000
Financial assets at fair value through OCI	11	1,353,607,595	1,344,829,536
Deferred tax assets	12	84,609,393	-
TOTAL ASSETS		56,645,702,585	44,459,803,109
LIABILITIES			
Deposit from customers	13	34,169,831,843	24,581,383,795
Borrowing	14	783,075,790	1,052,514,584
Employee benefits obligations	15	330,102,147	154,100,018
Lease obligations	16	147,421,372	11,738,724
Other liabilities	17	8,662,114,829	7,351,157,496
Deferred tax liabileties	18	233,301,033	-
TOTAL LIABILITIES		44,325,847,014	33,150,894,617
EQUITY			
Share capital	19	9,828,048,000	7,749,050,000
Donated equity		191,964,104	190,663,077
Legal reserve	20	947,620,936	871,853,844
Capital reserve	21	5,298,177	-
General reserve		4,222	4,222
Reserve for change in equity investement	22	388,289,608	411,241,147
Retained earnings	23	958,630,524	2,086,096,202
TOTAL EQUITY		12,319,855,571	11,308,908,492
TOTAL LIABILITIES AND EQUITY		56,645,702,585	44,459,803,109

The accompanying notes as set out on pages from 39 to 94 are an integral part of these financial statements.
The financial statements on pages 35 to 94 were approved and authorized for issue by the board of directors on 23 December 2023 and were signed on its behalf by:

Ato Gedu Andargachew
Chairman - Board of Directors

Ato Mekonnen Yelewemwessen
President

TSEDEY BANK S.C.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AT AND FOR THE YEAR ENDED 30TH JUNE, 2023

Currency: Birr

	Notes	30/06/2023	30/06/2022
Interest income	25	6,202,442,039	4,734,771,703
Interest expense	26	(1,911,778,369)	(1,713,427,495)
Net interest income before impairment		4,290,663,670	3,021,344,208
Less: loan impairment recovery/(charges)	7.2	590,180,294	(131,125,807)
Net interest income		4,880,843,964	2,890,218,401
Fees and commission income	27	107,340,879	109,318,766
Net fees and commission income		107,340,879	109,318,766
Other operating income	28	245,183,113	192,027,752
Net operating income		5,233,367,956	3,191,564,919
Expenses			
Salaries and other employee benefits	29	3,273,412,877	1,560,367,751
General and administrative	30	681,651,570	163,758,427
Depreciation on property, plant and equipment	31	35,832,111	26,039,929
Amortization of intangible asset	32	103,839,527	3,884,200
Impairment on other assets	6.4	(21,048,121)	29,300,300
		(4,073,687,964)	(1,783,350,607)
Net profit before business income tax		1,159,679,992	1,408,214,312
Business income tax expenses	17.4	(105,053,388)	-
Profit for the year after business income tax	22	1,054,626,604	1,408,214,312
Other comprehensive income			
Change in equity investment at FVOCI	11.2	(22,951,539)	346,345,382
Total comprehensive income for the year		1,031,675,065	1,754,559,694

The accompanying notes as set out on pages from 39 to 94 are an integral part of these financial statements.
The financial statements on pages 35 to 94 were approved and authorized for issue by the board of directors on 23 December. 2023 and were signed on its behalf by:

Ato Gedu Andargachew
Chairman - Board of Directors

Ato Mekonnen Yelewemwessen
President

Ermias Negussie Abebe
Certified Audit Firm (Eth.) – Chartered Certified Accountant (ACCA)

TSEDEY BANK S.C.

STATEMENT OF CASH FLOWS
AT AND FOR THE YEAR ENDED 30TH JUNE, 2023

	Notes	30/06/2023	30/06/2022
Net profit before business income tax		1,159,679,992	1,408,214,312
Adjustments for non-cash items:			
Impairment on other assets	6	(21,048,121)	29,300,300
Loan impairment charges	7.2	(590,180,294)	131,125,808
Depreciation of property, plant & equipment	8	26,033,240	25,327,698
Depreciation re-classification	8	9,798,871	712,231
Amortization - intangible assets	9	173,133	417,292
Amortization - right to use of assets	10	103,666,394	3,466,908
Adjustment on right to use o	10	1,173,616	
Fair value adjustment on equity investment	11	22,951,539	346,345,382
Adjustment on Legal Reseve	20	(23,035,762)	-
Adjustment in respect of prior year	22	(1,426,524)	59,514,298
		687,786,084	2,004,424,229
Changes in working capital			
Decrease/(increase) in loans and advances		(10,203,365,309)	(2,928,939,566)
Decrease/(increase) in other assets & pre-payment		(699,287,237)	(251,214,469)
Increase/(Decrease) in customer deposits		9,588,448,048	2,816,881,065
Increase in lease obligations		156,305,232	760,697
Increase/(Decrease) in employee benefits		176,002,129	25,451,655
Increase/Decrease) in other liabilities		1,310,957,333	1,215,571,084
Net change in working capital		329,060,196	878,510,466
Net cash (outflow)/inflow from operating activities		1,016,846,280	2,882,934,695
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(663,454,767)	(239,490,480)
Re-classification of property, plant & equipment	8	(155,621,466)	(50,921,469)
Acquisition of right to use	10	(498,536,763)	(36,966,342)
Acquisition of investment securities	11	(222,452,059)	(410,010,382)
Net cash (outflow)/inflow from investing activities		(1,540,065,055)	(737,388,673)
Cash flows from financing activities			
Proceeds from borrowing		5,662,962	254,540,732
Increase in donated capital		1,301,027	-
Settlement of borrowing		(274,933,310)	(534,262,139)
Settlement of lease obligations	16	(20,622,585)	(9,576,665)
Net cash (outflow)/inflow from financing activities		(288,591,906)	(289,298,072)
Net increase/(decrease) in cash and cash equivalents		(811,810,681)	1,856,247,950
Cash and cash equivalents at the beginning of the year	5	13,461,778,798	11,605,530,842
Cash and cash equivalents at the end of the year	5	12,649,968,117	13,461,778,798

The accompanying notes as set out on pages from 39 to 94 are an integral part of these financial statements.
The financial statements on pages 35 to 94 were approved and authorized for issue by the board of directors on 23 December. 2023 and were signed on its behalf by:

Ato Gedu Andargachew
Chairman - Board of Directors

Ato Mekonnen Yelewemwessen
President

Ermias Negussie Abebe
Certified Audit Firm (Eth.) – Chartered Certified Accountant (ACCA)

TSEDEY BANK S.C.

STATEMENT OF CHANGE IN EQUITY
AT AND FOR THE YEAR ENDED 30TH JUNE, 2023

Currency: Birr

	Share capital	Donated equity	Legal reserve	Capital reserve	General reserve	Reserve on value of equity investment	Retained earning	Total
Balance as at 1st July, 2021	7,749,050,000	190,663,077	519,800,266	-	4,222	-	1,035,316,932	9,494,834,497
Change in equity for the year - 2022								
Adjustment to transfer change in equity investment	-	-	-	-	-	64,895,765	(64,895,765)	-
Profit for the year	-	-	-	-	-		1,408,214,312	1,408,214,312
Net change in equity investment at FVOCI	-	-	-	-	-	346,345,382.00	-	346,345,382
Transfer to legal reserve	-	-	352,053,578	-	-	-	(352,053,578)	-
Prior period adjustment	-	-	-	-	-	-	59,514,303	59,514,303
Balance as of 30 June, 2022	7,749,050,000	190,663,077	871,853,844	-	4,222	411,241,147	2,086,096,204	11,308,908,494
Balance as at 1st July, 2022	7,749,050,000	190,663,077	871,853,844	-	4,222	411,241,147	2,086,096,204	11,308,908,494
Change in equity for the year - 2023								
Adjustment to transfer change in equity investment	-	-	-	-	-	(22,951,539)	-	(22,951,539)
Profit for the year	-	-	-	-	-	-	1,054,626,604	1,054,626,604
Increase in capital	2,078,998,000	-	-	5,298,177	-	-	(2,084,296,177)	-
Increase in donated capital		1,301,027		-		-		1,301,027
Transfer to legal reserve	-	-	52,731,330	-	-	-	(52,731,330)	-
Reserve for IFRS adjustment	-	-	-	-	-	-	(43,638,252)	(43,638,252)
Prior period adjustment	-	-	23,035,762	-	-	-	(1,426,524)	21,609,238
Balance as of 30 June, 2023	9,828,048,000	191,964,104	947,620,936	5,298,177	4,222	388,289,608	958,630,525	12,319,855,572

The accompanying notes as set out on pages from 39 to 94 are an integral part of these financial statements.
The financial statements on pages 35 to 94 were approved and authorized for issue by the board of directors on 23 December. 2023 and were signed on its behalf by:

Ato Gedu Andargachew
Chairman - Board of Directors

Ato Mekonnen Yelewemwessen
President

Currency: Birr

1. General information

Tsedey Bank Share Company (S.C.) is transformed from AMHARA Credit and Savings Institution S.C. (ACSI). ACSI was initially established and licensed to undertake microfinance business in April 1997.
The company conducts its business under the Law on banking and Microfinanc business activity regulated by the National Bank of Ethiopia ("NBE"). The address of its registered office is as follows:

Tsedeye Bank S.C.
Kirkos Subcity, ORDA Building
Ras Mekonen Avenue
Tele. +251 11 558 12 71
P O Box 9630
Addis Ababa, Ethiopia

The Bank's principal business activity is deposit mobilization and credit service to Corporate, Retail and SME clients.

2. Basis of preparation

2.1 Statement of compliance

The company prepared a full set of financial statements for the year ended June 30, 2023 in accordance with International Financial Reporting Standards (IFRSs) and International Accounting Standards and Interpretations (collectively IFRSs).

2.2 Basis of measurement

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below. Modified valuation applied for certain financial instrument classifications that shall be measured at fair value.

2.3 Functional and presentation currency

The financial statements are presented in Ethiopian Birr "Birr"

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standard (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank's financial statements; therefore, present the financial position and results fairly. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Going concern

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

4. Summary of Significant Accounting Policies

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

4.1 Key sources of estimation uncertainty

4.1.1 Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

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

Determining the criteria for significant increase in credit risk;

- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings for a forward-looking scenario for each type of product/ market and associated ECL;
- Establishing groups of similar assets for the purposes of measuring ECL; and
- Determining LGDs of individually assessed loan accounts.

4.1.2 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

All financial instruments are initially recognized at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Bank's financial instruments are carried at fair value. The fair values of quoted financial instruments in active markets are based on current prices with no subjective judgments. If the market for a financial instrument does not exist or is not active including for unlisted securities, the Bank establishes fair value by using valuation techniques.

These include the use of recent arm's-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data.

The fair value for the majority of the Bank's financial instruments is based on observable market prices or derived from observable market parameters. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4.1.3 Impairment testing

The Bank reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determines the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

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4.1.4 Useful lives of property, plant and equipment

Management assesses the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on Bank replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount, are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

4.1.5 Defined benefit plans (severance pay)

The cost of the defined benefit pension plan (severance pay) and the present value of these defined benefit obligations are determined using the management best estimate based on previous periods employee attrition rate. The attrition rate is determined by considering the employees resignation and death rates as calculated by the management of the company.

4.1.6 Impairment of non-financial assets

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

4.1.7 Impairment of trade receivables and contract assets

The credit risk of customers is regularly assessed with a focus on the customer's ability and willingness to pay, reflected by the bank's estimation of the expected credit loss allowance on trade receivables and contract assets. the bank estimates expected credit loss by assessing the loss that will be incurred given customer default based on past payment experience and adjusted by the cash flow expected from collateral or credit risk mitigation received where these are considered to be integral to the asset, and by assessing the probability of default taking into account information specific to the customer as well as pertaining to the country and economic environment in which the customer operates.

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NOTES FORMING PART OF THE ACCOUNTS
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Currency: Birr

Impairment is assessed on an individual basis for trade receivables and contract assets meeting pre-determined criteria, including customers in financial difficulties, and contracts with risk mitigation arrangements or significant financing arrangements etc. Apart from receivables and contract assets that have been assessed and provided for individually, allowances are estimated using provision matrices by management with reference to the customers' credit risk ratings and aging analysis of the remaining trade receivable and contract asset balances.

4.1.8 Net realizable value of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. They could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market condition. Management will reassess the estimations at the end of each reporting period.

4.1.9 Recognition of income and expenses

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

The bank, earns income from interest on loans given for Agricultural, consumption, International Banking Services and other small individual financings. Charges and fees collected from various services rendered to clients like registration fee, loan application acceptance charges and others.

To determine the satisfaction of performance obligations the bank applies the following judgments:

- Where revenue is recognized over time, the bank primarily uses the output method to measure progress; in limited business units, the input method is adopted when the bank is unable to reasonably measure the outcome of a performance obligation. Judgments applied when using the output method include assessing progress and milestones achieved and determining if that represents the value of goods and/ or services delivered to the customer to date. Judgments applied when using the input method include determining if consumption of the resources relative to the total expected amount faithfully depicts the transfer of control of goods and/or services promised to the customer.

- Where revenue is recognized at a point in time, the bank assesses the transfer of control by reference to the contractual terms and the circumstance of the arrangements including a consideration of past business practice. These include having a legal right to payment, title has passed, the customer has the risks and rewards of ownership, or the customer is using the asset to generate value for themselves. To determine the transaction price and the amounts allocated to performance obligations the bank applies the following estimation:

- Variable consideration is estimated using the most likely amount or expected value based on the nature of the specific consideration and the analysis of relevant contract terms, taking into consideration historical, current and expected information.

- Obligations for returns and refunds are judged based on estimates made from historical information associated with similar products and anticipated rates of claims for the products.

- • The collectability of a consideration is estimated at contract inception, based on the bank's assessment on the customer's ability and intention to pay when due. The above estimation is inherent in revenue recognition and revenue may materially change if management's estimation were to change or to be found inaccurate.

4.1.9.1 Interest income and expense
For all financial instruments measured at amortized cost and interest bearing financial assets measured at amortized cost interest income or expense is recorded using the Effective Interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are material in amount and directly attributable to the instrument and are an integral part of the Effective Interest Rate (EIR), but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and Interest and similar expense for financial liabilities. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4.1.9.2 Fees and commission income and expense
Fees and commission income and expenses that are material in amount are integral to the effective interest rate on a financial asset or liabilities are included in the measurement of the effective interest rate. Other fees and commission income (letter of credit fees, letter of guarantee issued fees, etc) are recognized as the related services are performed. Fees and commissions are generally recognized on an accrual basis when the service has been provided. When a loan commitment is not expected to result in the draw-down of a loan, loan related fees are recognized on a straight-line basis over the commitment period.

Fees and commission expenses relate mainly to transaction and service fees are expensed as the services are received. Commission and fees arising from negotiating or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of bonds, shares or other securities are recognized on completion of the underlying transaction. Service fees are recognized based on the applicable service contracts, usually on a time- apportion rate basis. Performance-linked fees or fee components are recognized when the performance criteria are fulfilled.

4.1.9.3 Dividend income
This is recognized when the Bank's right to receive the payment is established, which is generally when the investee shareholders approve and declare the dividend. Dividends are recorded in equity in the period in which they are declared. Any dividend declared after the end of the reporting period and before the financial statements is authorized for issue, are disclosed in the subsequent events note.

4.1.9.4 Depreciation and amortization
Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets with finite useful life are amortized on a straight-line basis over the estimated useful lives. Both the period and method of depreciation and amortization are reviewed annually. The depreciation and amortization expense for future periods is adjusted if there are significant changes, such as operational efficiency or changes in technologies, from previous estimates.

4.2 Financial instruments – Recognition and de-recognition

4.2.1 Financial assets
All regular way purchases or sales of financial assets are recognized and de-recognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

4.2.1.1 Classification
On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or Fair Value through Profit or Loss (FVTPL). A financial asset is measured at amortized 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 SPPI
  A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortized cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortized cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

On initial recognition of an equity investment that is not held for trading, the bank may 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 bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

On initial recognition of an equity investment that is not held for trading, the bank may 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 bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

4.2.1.2 Reclassifications

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

4.2.1.3 De-recognition

The bank 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 bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognized) 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. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the bank is recognized as a separate asset or liability.

The bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In certain transactions, the bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the de-recognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee Is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

4.2.2 Financial Liabilities

4.2.1 Classification

The bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL

Financial liabilities:

- Amortized cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note on Financial instruments and risk management presents the financial instruments held by the Bank based on their specific classifications.

4.2.2 De-recognition

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

4.3 Financial instruments – Impairment Policy

4.3.1 Measurement of impairment

Impairment losses on assets measured at amortized cost were calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses on available-for-sale assets were calculated as the difference between the carrying amount and the fair value

The bank recognizes 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 recognized on equity investments.

The bank 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.
- Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Bank's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination.

4.3.2 Measurement of ECL

ECL is 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 bank 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 bank if the commitment is drawn down and the cash flows that the bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the bank expects to recover.

4.3.3 Credit-impaired financial assets

At each reporting date, the bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). 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 bank on terms that the bank would not consider otherwise;
- it is becoming probable that the borrower will enter Bank bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to 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 credit-impaired even when the regulatory definition of default is different.

4.3.4 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 amortized 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 bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognized 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 recognized in the fair value reserve.

4.3.5 Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

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

4.3.6 Reversal of impairment

- For assets measured at amortized cost: If an event occurring after the impairment was recognized caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

- For available-for-sale debt security: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognized through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security was always recognized in OCI.

4.3.7 Offsetting financial instruments

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

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4.4 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other tuitions, demand deposits with third party merchants, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the bank's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

4.5 Property, plant and equipment

4.5.1 Cost

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets including for self-constructed assets, the cost of materials, direct labor, the initial estimate, where appropriate, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Construction in progress is transferred to other property, plant and equipment when it is ready for its intended use.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

4.5.2 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment and investment property, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Asset class	Useful life (years)
Building	50
Motor Vehicle	10
Furniture and Fittings	10 - 20
Office equipment	5 - 20
Computer equipment and accessories	10

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4.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in income statement in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is presented as a separate line item in the income statement. Amortization is provided on the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives. As follows:

Asset cla s	Useful life (years)
Software	6

4.7 Investment Property

Property that is held for long-term rental yields or for capital appreciation or both, are classified as investment properties. Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the bank and the cost can be reliably measured. This is usually when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The bank has opted to subsequently carry investment property at cost and disclose fair value. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Bank uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the reporting date by professional values that hold

recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

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

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

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Investment properties are derecognized when they have been disposed. Where The Bank disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of changes in net assets available for benefit.

4.8 Other assets

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

4.8.1 Pre-payments

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

4.8.2 Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received. The Bank's other receivables are receivables from debtors.

4.9 Measurement and recognition of leases as a lessee

At lease commencement date, the company recognizes right-of-use asset and a lease liability on the statement of Financial Position. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date. The right-of-use asset is subsequently depreciated on a straight-line basis over the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

The lease liability is measured at the present value of lease payments discounted using the interest rate implication the lease if that rate is readily available or the company's incremental borrowing rate. The lease liability is measured at amortized cost using effective interest rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss if the right-of-use asset is already reduced to zero.

The company has elected not to recognize right of use assets and lease liabilities for short term leases less than twelve months or low value an asset which is in accordance with the standard. On the statement of financial position, right-of-use assets and lease liabilities are separately presented.

Leases that do not transfer substantially all the risks and rewards of ownership to the bank are operating lease.

Payments made under the operating leases are charged to profit or loss in equal installments over the accounting periods covering the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

4.10 Employee benefits

Salaries, profit-sharing and bonus payments, paid annual leave and contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.
The expected cost of profit sharing and bonus payments is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

The Bank operates two defined contribution plans;

i) Pension scheme in line with the provisions of Ethiopia pension of private organizations employee's proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank respectively;
ii) Provident fund contribution, funding under this scheme is 7% and 14% by employees and the Bank respectively.

Based on the employees' salary, employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period to which they relate.

Defined benefit plan For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognized immediately to the extent that the benefits are already vested, and are otherwise amortized on a straight line basis over the average period until the amended benefits become vested. To the extent that, at the beginning of the financial year, any cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognized in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognized. Actuarial gains and losses are recognized in the year in which they arise, in other comprehensive income. Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the Bank is demonstrably committed to curtailment or settlement. When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognized as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In profit or loss, the expense relating to a defined benefit plan is presented as the net of the amount recognized for a reimbursement.

The amount recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs, and reduces by the fair value of plan assets Any asset is limited to unrecognized actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan

Termination benefits

Termination benefits are payable to executive directors when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Bank recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The Bank operates two defined contribution plans;

Profit-sharing and bonus plans

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

4.11 Share capital

Share capital is the total of the bank´s shares that are held by shareholders. Ordinary shares are classified as share capital in equity. Any premium received over and above the par value of the shares is classified as share premium.

4.12 Government Grant

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset. When the bank receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to income statement over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments.

4.13 Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that non-financial assets, including property, plant and equipment, long-term leasehold prepayments, intangible assets and other long-term assets may be impaired.

4.14 Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the bank has a legal or where it is not probable that an outflow of economic benefits will be required, or the amount cannot be reliably estimated, disclosure is made of the contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Provisions are recognized for liabilities of uncertain timing or amount when the bank has a legal or constructive obligation arising because of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be reliably estimated, disclosure is made of the contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.15 Legal reserve

In accordance with the Commercial Code of Ethiopia, 2021, Article 528, at least 5% provision for legal reserve shall be made from the current year's net profit until it reaches twenty percent (20%) of the registered capital.

In accordance to Directive No. SBB/4/95 issued by the National Bank of Ethiopia (NBE), every bank shall transfer annually 25% of its annual profit to legal reserve until the transferred balance equals the capital of the bank. Then after, only 10% of the net profit shall be transferred to legal reserve account.

4.16 New standards, amendments and interpretations

4.16.1 New Standards and Interpretations adopted in the current year

4.16.1.1 Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7

The amendment sets out additional disclosure requirements related to interest rate benchmark reform. The effective date of the Bank is for years beginning on or after January 1, 2021.

The Bank has adopted the amendment for the first time in the 2022 financial statements. The impact of the amendment is not material.

4.16.1.2 Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9

When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply paragraph B5.4.5 as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows.

Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the Bank is for years beginning on or after January 1, 2021. The Bank has adopted the amendment for the first time in the 2022 financial statements. The impact of the amendment is not material.

4.16.1.3 Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16

If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by re-measuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

The effective date of the Bank is for years beginning on or after January 1, 2021.The Bank has adopted the amendment for the first time in the 2022 financial statements. The impact of the amendment is not material.

4.16.2 Standards and Interpretations early adopted

The Bank has not early adopted any new or revised standards and interpretations.

4.16.3 Standards and interpretations not yet effective

The Bank has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Bank's accounting periods beginning on or after July 1, 2022 or later periods

4.16.3.1 Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognized on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences. The effective date of the amendment is for years beginning on or after January 1, 2023. The impact of this amendment is currently being assessed.

4.16.3.2 Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after January 1, 2023. It will not have an impact.

4.16.3.3 Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty. The effective date of the amendment is for years beginning on or after January 1, 2023. It will not have an impact.

4.16.3.4 Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after January 1, 2023. It will not have an impact.

4.16.3.5 Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for de-recognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the Bank is for years beginning on or after January 1, 2022. It has no impact.

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

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

The effective date of the Bank is for years beginning on or after January 1, 2022. It is unlikely that the amendment will have a material impact on the Bank's financial statements.

4.16.4 New standards

New accounting standards and amendments	Effective date
Non-current liabilities with covenants – Amendment to IAS 1 and Classification of Liabilities as Current and Non-current - Amendment to IAS 1	1 January, 2024
Lease Liability in a Sale and Leaseback Amendments to IFRS 16	1 January, 2024
Suppliers Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January, 2024
IFRS S1 General Requirement for Disclosure of Sustainability related Financial Information	The implementation and effective dates are subject to local regulation
IFRS S2 Climate Related Disclosure	The implementation and effective dates are subject to local regulation
Lack of Exchangeability – Amendments to IAS 21	1 January, 2025
Sale or Contribution of Assets between and Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	Available for optional adoption/effective date deferred indefinitely

Currency: Birr

5. Cash and cash equivalents

These are

	30/06/2023	30/06/2022
On hand	701,727,011	281,871,132
At bank	11,948,241,106	13,179,907,662
	12,649,968,117	13,461,778,795

6. Other assets and pre-payments

6.1 These are:

	30/06/2023	30/06/2022
Inventory (Note 6.3)	115,175,852	24,391,244
Inter-branch accounts	(210,280)	941,831
Construction advance	538,453,399	332,289,964
Acquired property (Note 6.6)	32,391,988	31,351,631
Staff receivable	55,267,390	65,006,182
Receivable from individuals	29,744,312	66,994,373
Receivable from organizations	588,283,188	416,724,392
Bond Commission DBE	1,033,815	1,664,278
Pre-payments	18,262,680	13,205,817
Interest	241,554,348	142,182,012
Staff loan (Note 6.5)	817,066,390	664,713,677
Other assets	3,267,625	2,874,990
Other receivables	90,104,847	68,767,929
	2,530,395,557	1,831,108,320
Less: allowance for impairment loss (Note 6.4)	(24,908,729)	(45,956,850)
(Note 6.2)	2,505,486,828	1,785,151,470

Currency: Birr

6.2 Breakdown of current and non-current portions can be presented

	30/06/2023	30/06/2022
Current portion	2,083,312,297	1,484,353,447
Non-current portion	422,174,530	300,798,023
(Note 6.1)	2,505,486,828	1,785,151,470

6.3 Inventory

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

	30/06/2023	30/06/2022
Supplies & stationary	106,449,690	19,245,853
Spares & oth r related items	5,612,177	5,145,390
Ch que booki n stock	2,823,237	-
CPO in stock	290,748	- -
(Note 6.1)	115,175,852	24,391,244

6.4 The movement for impairment loss on other assets and per-payments is as follow:

	30/06/2023	30/06/2022
Opening balance	45,956,850	16,656,550
Add: current year's provision	(21,048,121)	29,300,300
Ending balance (Note 6.1)	24,908,729	45,956,850

6.5 The bank gives loans to its staff members at below market rates of interest. Under IFRS-9, such loans must be recognized at their fair value on the inception date. The fair value is determined on inception date as the present value of all the future cash receipts (installments) from the staff members using the prevailing market rate of interest as the discounting factor. The market rate was determined by reference to what the staff members would have been charged to access a similar loan facility from the same financial market. To this end, to recognize the pre-paid employee benefit on inception date of the loan, the Bank has considered the nature of the loan. The pre-paid employee benefit would be capitalized as an asset and amortized throughout the life of the loan based on the conceptual framework definition of an asset.

6.6 Acquired property represents financial and non-financial assets possessed by the Bank in settlement of overdue loans. The bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be used for internal operations are initially recognized at the lower of then repossessed value or the carrying value of the original secured assets and included in the relevant assets depending on the nature and the Banks' intention in respect of recovery of these assets.

Currency: Birr

7 Loans to customers

7.1 The make-up of the loan to customers by type of loan is as follows:

	30/06/2023	30/06/2022
Gross loans to customers		
Agriculture	19,621,257,535	16,197,227,922
Manufacturing	2,682,249,913	1,310,442,851
Trade	5,743,603,402	2,767,338,005
Transport	444,134,414	217,027,759
Electricity & Water	48,673,368	53,907,875
Building & Construction	1,065,096,772	854,582,107
Services	6,551,274,582	4,992,605,431
Staff loan	1,485,803,346	1,045,596,072
Gross loans to customers	37,642,093,332	27,438,728,023
Less : allowance for impairment losses (Note 7.2)	(1,151,490,142)	(1,741,670,435)
Net loans to customers (Note 7.3)	36,490,603,190	25,697,057,588

7.2 The movement in the loan impairment allowance account is as follows:

	30/06/2023	30/06/2022
Opening balance	1,741,670,435	1,610,544,628
Add:(impairment recovered)/additional provision	(590,180,294)	131,125,808
Ending balance (Notes 7.1 & 7.5)	1,151,490,142	1,741,670,435

7.3 The credit quality of the loan to customers is as follows:

	30/06/2023	30/06/2022
Original loan to customers according to the agreement:		
Current and overdue less than 90	36,055,657,253	25,009,899,233
Overdue from 90 to 180 days	154,327,131	656,857,411
Overdue from180 to 365 days	289,304,595	530,601,391
Overdue above 365 days	1,142,804,353	1,241,369,987
	37,642,093,332	27,438,728,023
Less: allowance for impairment losses (Note 7.2)	(1,151,490,142)	(1,741,670,435)
(Note 7.1)	36,490,603,190	25,697,057,588

Currency: Birr

7.4 The loan to customers are collateralized by and with the value as detailed below:

	30/06/2023	30/06/2022
Building	17,880,380,033	6,666,174,733
Veh cle	137,784,156	95,576,305
Compulsory deposit	2,021,937,341	1,751,698,740
Reg onal Government Guarantee	4,227,392,893	2,956,725,210
	24,267,494,423	11,470,174,988

7.5 The reconciliations of loans to customers according to the agreement and effective interest rate is as follows:

	30/06/2023	30/06/2022
Orig nated loans to customers according o th ag eement	36,381,961,667	26,599,805,593
Add: accrued interest according o th ag eement	1,260,131,665	838,922,430
Gross loans to customers according o th ag eement	37,642,093,332	27,438,728,023
Less: allowance for impairment losses (Note 7.2)	(1,151,490,142)	(1,741,670,435)
Net loans to customers (Notes 7.3 & 7.6)	36,490,603,190	25,697,057,588

7.6 The breakdown of the loan to customers by current and non-current portion according to the aging analysis is as follows:

	30/06/2023	30/06/2022
Current portion (Note 36.5)	5,730,671,489	5,595,466,886
Non-current portion (Note 36.5)	30,759,931,701	20,101,590,702
Total loan and advances (Note 7.5)	36,490,603,190	25,697,057,588

7.7 The break-down of the Micro and Small Financing (MSF) and Medium and Large loan portion is presented in the following detail. This is

	30/06/2023	30/06/2022
Micro and small financing	34,328,876,667	27,438,728,023
Medium and large financing	3,313,216,665	-
Gross loan to customer according o th ag eement	37,642,093,332	27,438,728,023
Gross loan to customer	37,642,093,332	27,438,728,023
Less: allowance for impairment loss	(1,151,490,142)	(1,741,670,435)
Net loan to customer (Note 7.6)	36,490,603,190	25,697,057,588

Currency: Birr

8 Property, Plant and Equipment

These are

Cost	Building	Computers	Motor Vehicles	Equipment	Furniture	Construction in progress	Total
As at 1st July, 2021	541,783,108	75,593,006	116,341,824	63,585,969	16,677,742	1,169,549,762	1,983,531,412
Add: additions	134,644,222	7,113,953	11,325,854	10,281,298	2,961,515	73,163,638	239,490,480
reclassification	-	12,591,238	(770,540)	27,392,007	11,708,765	-	50,921,469
As at 30th June, 2022	676,427,330	95,298,196	126,897,139	101,259,274	31,348,021	1,242,713,400	2,273,943,361
As at 1st July, 2022	676,427,330	95,298,196	126,897,139	101,259,274	31,348,021	1,242,713,400	2,273,943,361
Add: additions	28,299,697	106,279,467	126,045,491	5,118,249	28,430,917	369,280,947	663,454,767
reclassification	-	37,921,449	14,297,280	18,110,129	85,292,608	-	155,621,466
As at 30th June, 2023	704,727,028	239,499,112	267,239,909	124,487,651	145,071,547	1,611,994,347	3,093,019,594
Depreciation							
As at 1st July, 2021	51,630,499	30,049,906	57,400,462	21,586,773	8,031,095	-	168,698,735
Add: current year's provision	13,146,897	2,470,363	5,217,568	2,396,934	2,095,936	-	25,327,698
reclassification	-	566,704	25,395	58,170	61,964	-	712,231
As at 30th June, 2022	(64,777,396)	(33,086,973)	(62,643,425)	(24,041,876)	(10,188,994)	-	(194,738,664)
As at 1st July, 2022	64,777,396	33,086,973	62,643,424	24,041,876	10,188,994	-	194,738,664
Add: current year's provision	10,716,445	12,475,370	(7,291,916)	7,395,368	2,737,973	-	26,033,240
reclassification	-	2,409,039	1,268,724	874,173	5,246,935	-	9,798,871
As at 30th June, 2023	(75,493,841)	(47,971,382)	(56,620,232)	(32,311,417)	(18,173,902)	-	(230,570,775)
Net book values							
As at 30 June, 2023	**629,233,186**	**191,527,730**	**210,619,677**	**92,176,234**	**126,897,644**	**1,611,994,347**	**2,862,448,820**
As at 30 June, 2022	**611,649,934**	**62,211,224**	**64,253,714**	**77,217,397**	**21,159,029**	1,242,713,400	**2,079,204,697**

Currency: Birr

9 Intangible assets

9.1 This is of:

	30/06/2023	30/06/2022
Cost		
Opening balance	3,549,162	3,549,162
Add: current year's addition	- -	-
Ending balance	3,549,162	3,549,162
Amortization		
Opening balance	2,870,860	2,453,568
Add: current year's provision (Note 28)	173,133	417,292
Ending balance	(3,043,993)	(2,870,860)
Net book values	505,169	678,302

9.2 Tsedey Bank (the then AMHARA Credit and Savings Bank S.C.) entered into a license agreement with Craft Silicon Ltd. Who owns the intellectual property rights of the Bankers Realm Core Banking System "BRCBS" on 15th May, 2015 for a acquiring a license for its use. As per the conditions of the agreement AMHARA Credit and Savings Bank (License) will have a non-exclusive and non-assignable license to use the software in object code for the minimum duration of ten (10) years. In addition, the licensee acknowledges that any and all of the intellectual property right used, or embodied in, or in connection with, the software are and will remain the sole property of Craft Silicon Ltd. unless the license entered into Maintenance Agreement, it will not be provided with any support upgrade. On entering a Maintenance Agreement the licensor will provide upgrades as indicated in the agreement with a separate service fees. The license fee involved for the service shall be USD 120,000.00. In addition extra branch license of USD 5,000.00 shall be charged as and when the number of branches exceeds the maximum number of 700 branches as agreed between the two parties for the implementation.

9.3 Tsedey Bank (the then AMHARA Credit and Savings Bank S.C.), the licensee, entered into Annual Maintenance Agreement with Craft Silicon Ltd. (the licensor) on 23rd February, 2015. Based on the conditions, in the agreement the licensee desired to ensure. That the software solution remains in satisfactory and efficient conditions and the licensor agreed to provide maintenance and support services. On provision of the annual maintenance the licensor shall charge 10% of the license value of Br-CBS. All tax liabilities the may entail from this agreement shall be covered by the licensee.

9.4 Tsedey Bank (the then AMHARA Credit and Savings Bank S.C.) signed addendum with Craft Silicon Ltd. On 23rd April, 2020 on the desirous of amending the agreement signed on 23rd February, 2015 regarding the use of Bankers REALEM CBS Software Upgrading License agreement. As per the addendum the parties agreed to incorporate Net Core Islamic Banking Application into the Bankers REALEM for a total cost of USD 30,000.00 net of taxes. This addendum incorporates all the term and conditions of the Bankers REALEM (BR) agreement and constitutes and integral and inseparable part of the BR agreement.

Currency: Birr

10 Right to use

10.1 The make-up of the account is as follows

	30/06/2023	30/06/2022
Cost		
Opening balance	75,167,701	38,201,359
Add: addition during the year	498.536,763	36,966,342
Ending balance	573,704,464	75,167,701
Amortization		
Opening balance	14,064,980	10,598,072
Add: current year's provision (Note 31)	103,666,394	3,466,908
adjustment in respect of prior year	1,173,616	- -
Ending balance	(118,904,990)	(14,064,980)
Net book value	454,799,473	61,102,721

10.2 Tsedey Bank (the then AMHARA Credit and Savings Bank S.C.) entered an agreement on 27th February, 2015 for a right to use 4,024 $M^2$of land on a lease basis with Addis Ababa City Administration – Land Banking and Transfer Office for a total service value of Br. 13,203,186.64 for a total lease period of 60 years. A 20% advance amounting to Br. 2,640,637.37 was paid upon signing the agreement and the balance Br. 10,562,549.32 shall be paid on or before 26th February, 2046 (20 years) with an installment amount of Br. 352,084.98 and interest at the rate of 9.5% per annum.

Currency: Birr

11 Investment securities

11.1 Investment securities as at 30 June 2023 and 30 June 2022 comprises the following:

	30/06/2023	30/06/2022
Government Saving Bond (Note 11.2)	30,000,000	30,000,000
Treasury Bill – NBE (Note 11.2)	213,674,000	- -
	243,674,000	30,000,000
Investments (Note 11.2)	1,353,607,595	1,344,829,536
	1,597,281,595	1,374,829,536

11.2 A breakdown of the investment securities is as follows:

The primary valuation technique adopted by the Bank in undertaking the valuation of the investee companies is the market approach. This is because the financial information available on the investee companies consists of historical audited financial statements.

	30 June 2023	
	Investment amount	Investment amount
NBE Treasury Bill	213,674,000	213,674,000
Government Saving Bond	30,000,000	30,000,000
(Note 11.1)	**243,674,000**	**243,674,000**

	30 June 2023			
	Percentage of holdings	Investment Amount	Net change in equity	Balance of FVOCI
ABAY Bank S.C.	5.02%	238,381,458	140,342,978	378,724,436
ABAY Industry S.C.	7.5%	471,316,775	(35,274,159)	436,042,616
ABAY Insurance S.C.	7.2%	35,133,727	6,646,647	41,780,374
AMHARA Bank S.C.	0.2%	9,734,058	(826,512)	8,907,546
Ethiopian Inclusive Finance Training & Research Institute (EIFTRI)	0.4%	494,425	(94,425)	400,000
WALIYA Capital Goods Finance Business S.C.	45.5%	329,531,908	(83,393,936)	246,137,972
ET – Switch	2.2%	82,660,917	(53,825,155)	28,855,762
AODAOE Inclusive Finance technology S.C.	3%	1,122,416	3,473,023	4,595,439
		1,168,395,683	(22,951,539)	1,145,444,144
TANA Pulp and Paper S.C.		10,000,000	-	10,000,000
BAHIR DAR Agro Processing Industry S.C.		194,113,451	-	194,113,451

Currency: Birr

AMHARA Garment Plc.		1,000,000	-	1,000,000
DESSIE Manufacturing of Wood Products Plc.		1,000,000	-	1,000,000
NURO BEZEDIE Management Consultancy Activities Plc.		1,000,000	-	1,000,000
MEDARESHA Economy and Business Consultancy Plc.		1,000,000	-	1,000,000
TANA Endowment		50,000	-	50,000
		208,163,451	-	208,163,451
(Note 11.1)		1,376,559,134	(22,951,539)	1,353,607,595

	30 June 2022			
		Investment amount		Investment amount
Government Saving Bond		30,000,000		30,000,000
(Note 11.1)		**30,000,000**		**30,000,000**
	30 June 2022			
	Percentage of holdings	Investment Amount	Net change in equity	Balance of FVOCI
ABAY Bank S.C.	3.67%	210,897,719	560,314	211,458,033
ABAY Industry S.C.	8.30%	325,000,000	146,316,775	471,316,775
ABAY Insurance S.C.	5.54%	21,408,662	9,176,112	30,584,774
AMHARA Bank S.C.	0.21%	10,000,000	(265,942)	9,734,058
Ethiopian Inclusive Finance Training & Research Institute (EIFTRI)	0.72%	400,000	94,425	494,425
WALIYA Capital Goods Finance Business S.C.	49.67%	201,052,906	128,479,002	329,531,908
ET – Switch	3.31%	20,439,000	61,984,696	82,423,696
AODAOE Inclusive Finance technology S.C.	7.45%	1,122,416	-	1,122,416
		790,320,703	346,345,382	1,136,666,085
TANA Pulp and Paper S.C.		10,000,000	-	10,000,000
BAHIR DAR Agro Processing Industry S.C.		194,113,451	-	194,113,451
AMHARA Garment Plc.		1,000,000	-	1,000,000
DESSIE Manufacturing of Wood Products Plc.		1,000,000	-	1,000,000
NURO BEZEDIE Management Consultancy Activities Plc.		1,000,000	-	1,000,000
MEDARESHA Economy and Business Consultancy Plc.		1,000,000	-	1,000,000
TANA Endowment		50,000	-	50,000
		208,163,451	-	208,163,451
(Note 11.1)		998,484,154	346,345,382	1,344,829,536

Currency: Birr

12 Deferred tax assets

12.1 The make – up of the account is as follows:

	30/06/2023	30/06/2022
Tax base liabilities	-	-
Book value liability (Note 12.2)	282,031,310	129,400,115
Temporary difference	282,031,310	129,400,115
Deferred tax asset on temporary difference as at 30% (Note 12.3)	84,609,393	38,820,035

12.2 The detail of the liability at their book value is as follows:

	30/06/2023	30/06/2022
Severance pay (Note 15.1)	39,977,030	15,417,263
Annual leave (Note 15.1)	242,054,280	113,982,852
(Note 12.1)	282,031,310	129,400,115

12.3 The movement of deferred tax assets is arrived at as follows:

Opening balance (Note 12.1)		38,820,034.50
Add: charged during the year (Note 17.4)		45,789,358.50
Ending balance (Note 12.1)		84,609,393.00

13 Deposits from customers

13.1 These are

	30/06/2023	30/06/2022
Voluntary saving	30,417,629,343	22,104,602,123
Compulsory saving	2,323,923,969	1,821,525,697
Demand deposits	1,094,418,904	173,494,073
Time deposits	227,188,735	420,452,170
Provident fund	102,937,159	56,895,693
Accrued interest on customer deposit	3,733,734	4,414,039
(Note 13.2)	34,169,831,843	24,581,383,795

13.2 Breakdown of borrowings by current and non-current portions can be presented as follows:

	30/06/2023	30/06/2022
Current portion	14,850,372,371	10,199,939,514
Non-current portion	19,319,459,472	14,381,444,280
(Note 13.1)	34,169,831,843	24,581,383,795

14 Borrowings

14.1 These are

	30/06/2023	30/06/2022
Borrowing	783,075,790	1,052,514,584
(Notes 14.2 & 14.3)	783,075,790	1,052,514,584

14.2 Breakdown of borrowings by current and non-current portions can be presented

	30/06/2023	30/06/2022
Current portion	451,370,327	451,370,327
Non-current portion	331,705,463	601,144,257
(Notes 14.1 & 14.3)	783,075,790	1,052,514,584

14.3 The detail of the borrowings for the purposes project is as follows:

Loan account	30/06/2023	30/06/2022
Development Banlof Eth opia (Note 14.4)	33,395,082	31,978,707
Development Banlof Eth opia I FAD (Note 14.5)	404,293,150	521,279,066
Development Banlof Eth opia I DA (Note 14.6)	30,532,153	56,553,591
Development Banlof Eth opia W EDP (Note 14.7)	242,915,996	303,207,578
Development Banlof Eth opia S ME (Note 14.8)	52,594,045	124,228,419
Interest payable on borrowing	19,345,364	15,267,223
(Notes 14.1 & 14.2)	783,075,790	1,052,514,584

14.4 Tsedey Bank (the then AMHARA Credit and Savings Bank S.C.) entered into a bank loan agreement with Development Bank of Ethiopia for a short-term working capital loan proceeds of Br. 300,000,000.00 on Hamele 27, 2012 (E.C). The loan is released to overcome the shortage of working capital caused by COVID 19. The loan shall be repaid within one year including the grace period in two equal installment amounts until 31st July, 2021 with an interest at the rate of 7% per annum. (Note 14.2)

14.5 Development Bank of Ethiopia/ IFAD

Tsedey Bank (the then AMHARA Credit and Savings Bank S.C.) has entered into a lead subsidiary agreement with the then Ministry of Finance and Economic Development of the Federal Democratic Republic of Ethiopia as the lead program agency for the implementation of the credit fund. The bank entered loan agreements to receive a loan-able fund from the International Fund for Agriculture Development (IFAD) to finance the customer's credit demand. The loan agreements have five-year tenor payable in semi-annual installments with an interest rate of 8% per annum. (Note 14.3)

14.6 Development Bank of Ethiopia/IDA

Development Bank of Ethiopia (DBE) entered into a lead subsidiary agreement with the Ethiopian Government designated by the then Ministry of Finance and Economic Development on 14th September, 2012 to act as a Lead Program Agency for the implementation of Market Development for Renewable Energy and Energy Efficient Product component with the government through a program loan agreement signed on 12th June, 2012 borrowed from the International Development Association (IDA).

Tsedey Bank (the then AMHARA Credit and Savings Bank S.C.) entered into loan agreements amounting to Br. 48,171,500 payable in 8 years commencing 31 January 2017, Birr 50 Million loan agreement payable in 5 years and Birr 26,250,000 loan agreement payable in 5 years commencing 31 January 2018 and 31 July 2019. (Note 14.3)

14.7 Development Bank of Ethiopia/WEDP

Under the financing agreement signed on 4th and 9the of August, 2016 with the government of the Italian Republic, the Ethiopian Government obtained a loan with a principal amount of EURO 15 Million. Whereas, Development Bank of Ethiopia (DBE) entered into a Subsidiary Finance Agreement with the Government of Ethiopia designated by the then Ministry of Finance and Economic Cooperation signed on the 16th December, 2016 to act as implementing agency for component 1(a) of the Women Entrepreneurship Development Project (WEDP) meant for the establishment and operation of credit facility providing access to finance for working capital for qualifying growth-oriented micro and small enterprises owned or partly owned by female entrepreneurs.

On the basis of the Subsidiary Financing Agreement as stated above, Tsedey Bank (the then AMHARA Credit and Savings Bank S.C.) entered into a loan agreement with Development Bank of Ethiopia (DBE) to participate in the Women Entrepreneurship Credit Facility (WECF) under WEDP by signing four round agreements to finance its loan-able fund requirement which the detail of the financial commitments is as follows:

Currency: Birr

Original Loan amount	Outstanding balance	Date of first installment	Date of last installment	Current annual interest rate (%)
125,644,828.00	-	31 January, 2019	31 July, 2022	8%
125,802,498.00	37,740,753.00	01 May, 2020	01 May, 2025	8%
93,925,108.00	75,200,091.00	31 July, 2020	31 January, 2024	8%
130,615,824.00	129,975,152.00	31 July, 2022	30 April, 2025	8%
475,988,258.00	242,915,996.00	(Note 14.3)		

14.8 Development Bank of Ethiopia /SMECFA

Development Bank of Ethiopia (DBE) entered to a lead subsidiary agreement with Ethiopian Government designed by the then ministry of Finance and Economic Development Cooperation on the 12st day of July, 2016 to act as implementing agency for the implementation of increasing accesses to finance for eligible small and Medium Enterprise in Ethiopia.

The Bank entered into two loan agreements with a total value Br. 26,970,150 payable in four (4) years starting from 31st January, 2019. In addition, the Bank entered into another two loan agreements with a total value of Br. 24,382,114 payable in four (4) years starting from July, 2019. (Note 14.3)

15 Employee benefits obligation

15. 1 These are

	30/06/2023	30/06/2022
Cash indemnity	18,276,783	9,763,701
Severance pay (Note 15.2)	39,977,030	15,417,263
Annual leave (Note 15.4)	242,054,280	113,982,852
Pension fund	29,794,054	14,936,202
	330,102,147	154,100,018

15.2 The make-up of accrued severance account is as follows:

	30/06/2023	30/06/2022
Opening balance	15,417,263	8,525,912
Add: provision made during the year (Note 29.1)	34,122,439	10,840,265
	49,539,702	19,366,177
Less: payment made during the year	(9,562,672)	(3,948,914)
Ending balance (Notes 15.1 & 15.3)	39,977,030	15,417,263

Currency: Birr

15.3 Severance payment is computed in line with the Requirement of IAS-19 the need to accrue severance payment liability and the pertinent law of the land. The severance payment is computed by considering the service year of the employee, entitlement for severance payment when it will leave the company in the future, the cumulative service year, the current salary of each employee along with future severance payment estimate. Moreover, attrition rate is also considered for the estimation of severance payment amount to be paid/settled in the next fiscal year.

The management believes that the computation of severance liability is based on the best estimate by considering the previous period's attrition rate and salary of each employee as its benefits outweighed by far from the cost of actuarial valuation. (Note 15.2)

15.4 The make-up of the annual leave payable account is as follows:

	30/06/2023	30/06/2022
Opening balance	113,982,852	98,956,029
Add: additional provision made during the year (Note 29.1)	130,451,409	16,483,820
	244,434,261	115,439,849
Less: payment made during the year	(2,379,981)	(1,456,997)
Ending balance (Notes 15.1 & 15.5)	242,054,280	113,982,852

15.5 Annual leave provisions are computed in accordance to the pronouncements of the repealed Labour Proclamations 377/2003, 466/2005 494/206 and 632/2009 until the period the mentioned laws are repealed and with the new Labour Proclamation No. 1156/2019 after considering the attrition rate used in the determination of the current's provision by taking the average if the trend in the previous years as indicated below. This is: (Note 15.4)

Year	Attrition rate
2020	6.60
2021	5.10
2022	6.50
Average for the current year	6.05

16. Lease obligation

	30/06/2023	30/06/2022
Opening balance	11,738,724	20,554,695
Add: addition during the year	137,868,444	-
financing costs – interest	18,436,788	760,697
	168,043,956	21,315,389
Less: payment made during the year	(20,622,585)	(9,576,665)
Ending balance	147,421,372	11,738,724

Currency: Birr

17. Other liabilities

17.1 These are:

	30/06/2023		30/06/2022
Revolving und	2,677,069,076		2,677,069,926
Payable to org nizations	3,688,240,422		3,183,855,564
Insurance	391,977,778		307,940,539
M-Birr	27,075,972		82,231,850
Bond	103,178,584		106,591,360
Ag icultural input - CBE	1,175,946,440		607,855,935
Tax tion (Note 17.2)	31,714,012		14,196,530
Tax on interest (Note 17.3)	15,915,500		20,918,924
Unions	91,657,468		27,054,713
Retention	69,697,345		62,965,075
Payable to individuals	20,290,337		22,731,475
Stamp duty ch rg s	54,481,403		-
Sundry	314,870,492		237,745,605
	8,662,114,829		7,351,157,496

17.2 Taxation
This is on account of:

	30/06/2023		30/06/2022
Personnel income	28,563,408		12,432,937
Withl ding	3,150,603		1,763,593
(Note 17.1)	31,714,012		14,196,530

17.3 Tax on interest

Tax on interest represents amount withheld from saving depositors at the rate of 5% of the gross amount of interest paid to the customer. The tax will be collected in the period saving interest is accrued and paid to the customer. (Note 17.1)

17.4 The make-up of the business income tax changed for the year is arrived at as follows:

Income tax provision for the current year		-
Add: deferred tax asset (credit) (Note 18.2)		(150,842,747)
Less: deferred tax liabilities (Note 12.3)		45,789,359
Ending balance		(105,053,388)

Currency: Birr

17.5 The current year's business income tax provision is arrived at as follows:

Net profit profile business income tax		1,168,700,928
Less: income from bank deposits	926,429,494	
interest earned from treasury bond	2,807,968	
interest earned from DBE bond	1,754,795	
(Note 25)	930,992,257	
dividend (Note 27)	33,285,290	
loan impairment recovered (Note 7.2)	590,180,294	
		(1,554,457,840)
		(385,756,912)
Add: disallowed expenses for tax purposes		
entertainment (Note 30)	8,969,843	
penalty (Note 30)	333,594	
interest expense on lease liability (Note 16)	18,436,788	
depreciation for IFRS application purpose (Note 31)	35,832,111	
maintenance expense – buildings	95,135,516	
accrued severance (Notes 15.2 & 29)	34,122,439	
accrued leave (Notes 15.4 & 29)	130,451,409	
amortization of intangible assets (Note 9.1)	173,133	
amortization on right of use asset (Note 10.1)	103,666,394	
impairment recovered on other assets(Note 6.3)	(21,048,121)	
		406,073,106
		20,316,194
Less: depreciation and amortization as per income tax law	109,546,802	
provision for loan & advance tax purpose	562,611,403	
severance expenses (Note 15.2)	9,562,672	
annual leave expenses (Note 15.4)	2,379,981	
		(684,100,858)
Net (loss) of the year for business income tax purposes		(663,784,664)

18. Deferred tax liability

18.1 Deferred tax liability is arrived at as follows:

	30/06/2023		30/06/2022
Tax bases of the assets 30th June	(928,089,003)		(623,411,365)
Book value of the asset 30th June without the value of construction in progress	1,705,759,114		898,272,320
Temporary difference	777,670,111		274,860,955
Deferred tax liability at 30% (Note 18.2)	233,301,033		82,458,286

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Currency: Birr

18.2 The movement in the deferred tax liability is a s follows:

Opening balance (Note 18.1)		82,458,286
Add: charge during the year (Note 17.4)		150,842,747
Ending balance (Note 18.1)		233,301,033

19 Share capital

Authorized and paid-up

19.1 This is

	30/06/2023		30/06/2022
Issued and fully paid:			
9,828,048 ordinary shares each having a par value of Br. 1,000.00 (Note 19.4)	9,828,048,000		
7,749,050 ordinary shares each having a par value of Br. 1,000.00			7,749,050,000

19.2 AMHARA Credit and Saving Institution S.C. (ACSI) was first established with a subscribed and paid-up capital of Br. 2,000,000.00 dividend into 2,000 ordinary shares having a par value of Br. 1,000.00. As per the minutes of the shareholders meeting held on 11th July, 2018, the capital of the company is increased by Br. 998,000,000 by transferring accumulated net profit from retained earnings account to Br. 1,000,000,000 divided into 1,000,000 shares each having a par value of Br. 1,000.00.

19.3 As per the decision of the shareholders on extra ordinary meeting held on 17th June, 2022, the capital of the company is increased by Br. 2,084,296,177.00 to Br. 9,833,346,177.00 by transferring the balance from the retained earnings and by accepting new shareholders. The minute of the shareholders meeting is approved and registered with the Federal Documents Authentication and Registration Agency on 3rd November, 2023. (Note 19.4)

19.4 On distribution of the capital increase Br. 2,084,296,177.00 to each of the shareholders, amounts below the denomination of Br. 1,000.00, par value of each share, were transferred to Capital Reserve account awaiting the payment of the balance to be registered as capital. The total amount of transferred to Capital Reserve on account of the stated fact amounts to Br. 5,298,177.00. (Notes 19.3 & 19.5)

19.5 The movement in the share capital account is as follows:

Opening balance		7,749,050,000.00
Add: transferred from retained earnings (Note 22)	2,084,296,177.00	
Less: transferred to capital reserve (Notes 19.4 & 20)	(5,298,177.00)	
		2,078,998,000.00
Ending balance (Note 19.1)		9,828,048,000.00

Currency: Birr

20 Capital reserve – Br. 5,298,177

The balance represents the aggregate amount of the distributed balance below par value of individual share, Br. 1,000.00, approved for transfer from retained earnings to capital in the shareholders meeting due for payment by respective shareholder. (Notes 19.4 & 19.5)

21 Legal reserve

The make-up of the account is as follows:

	30/06/2023	30/06/2022
Opening balance	871,853,844	519,800,266
Add: adjustment in respect of prior year	23,035,762	-
current year's provision transferred from retained earnings (Note 22)	52,731,330	352,053,578
Ending balance	947,620,936	871,853,844

22 Reserve for change in equity investment

The make-up of the accounts is as follows:

Adjustment to transfer change in values for the three years period from 2019 to 2023	411,241,147
Less: net change in equity investment at FVOCI for the year (Note 11.2)	(22,951,539)
Ending balance	388,289,608

23 Retained earnings

The make-up of the accounts is as follows:

	30/06/2023	30/06/2022
Opening balance	2,086,096,204	1,035,316,930
Add: net profit for the year	1,054,626,604	1,408,214,312
adjustment in respect of prior year	(1,426,524)	59,514,303
	3,139,296,284	2,503,045,545
Less: legal reserve (Note 20)	(52,731,330)	352,053,578
transferred to capital & capital reserve (Notes 19.3 & 19.5)	(2,084,296,177)	-
adjustment on transfer of change in equity investment for the years 2019 to 2023	-	64,895,765
IFRS adjustments	(43,638,253)	- -
	(2,180,665,760)	(416,949,343)
Ending balance	958,630,524	2,086,096,202

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24 Earnings per share (EPS)

Earnings per share for the year are computed by dividing the operating profit before legal reserves by the average number of shares outstanding during the year.

	30/06/2023	30/06/2022
Net profit before legal reserve for the year	1,054,626,604	1,408,214,312
Weighted average no. of shares	7,749,050	7,749,050
Earnings per share (EPS))	136.10	181.72

25 Interest income

These are from:

	30/06/2023	30/06/2022
Loans	5,000,874,675	3,781,384,548
Bank deposit, treasury & DBE bonds (Note 17.5)	930,992,256	757,533,044
Staff loan	270,575,108	195,854,111
	6,202,442,039	4,734,771,703

26 Interest expense is arising from:

	30/06/2023	30/06/2022
Deposits	1,628,809,086	1,351,902,563
Bank loan	273,948,347	361,524,932
Lease liabilities	9,020,936	- -
	1,911,778,369	1,713,427,495

27 Fees and commission

These are from:

	30/06/2023	30/06/2022
Service charges – loan	40,592,356	31,537,292
Dividend (Note 17.5)	33,285,290	26,981,811
Commission	33,463,234	50,799,663
	107,340,879	109,318,766

28 Other operating income

These are from:

	30/06/2023	30/06/2022
Donation	-	15,500
Insurance premium	106,077,577	109,736,281
Gain on exchange rate difference	1,852,215	2,450,033
Service charge - other financial services	6,045,012	12,669,903
Commission income other financial services	57,984,585	-
Penalty	4,621,534	6,497,933
Gain on disposal of asset	522,841	456,078
Foreign exchange rate revaluation income	106,869	-
Other non - operational income	63,995,543	58,352,245
Loan loss recovered	3,976,938	1,849,778
	245,183,113	192,027,752

29 Salaries and other employee benefits

29.1 These are

	30/06/2023	30/06/2022
Salaries	1,969,999,805	1,043,242,316
Pension - defined contribution plan	259,381,164	134,472,126
Other staff allowance	198,178,453	33,399,865
Cash indemnity allowance	22,070,860	9,438,146
Insurance – employees	3,370,889	1,076,573
Annual leave (Note 15.4)	130,451,409	16,483,820
Interest on staff loan	175,819,533	86,410,490
Uniform & clothing	3,772,224	5,317,735
Severance pay (Note 15.2)	34,122,439	10,840,265
Medical	18,256,178	9,990,760
Training	33,760,691	1,697,046
Top-up allowance	818,908	59,578,620
Bonus	178,164,870	37,414,040
Acting allowance	2,445,258	738,815
Housing allowance	43,559,841	476,850
Commission	166,566,463	62,170,025
Service charges	3,194,268	269,730
Tax on employee benefits (Note 29.2)	1,883,960	27,003,324
Municipality charges	3,451,403	-
Board remuneration	2,871,989	-
Other staff allowances	21,272,272	20,347,207
	3,273,412,877	1,560,367,751

Ermias Negussie Abebe
Certified Audit Firm (Eth.) – Chartered Certified Accountant (ACCA)

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29.2 The balance of tax on employee benefits amounting to Br. 1,883,960 represents the amount of income tax covered and paid by the company on payment of employee benefits as per the decision of the Board of Directors made on Sene 18, 2012 (E.C) to enact such payments starting from 1st July, 2022 to September 30, 2022. (Note 29.1)

30 General and administrative expenses

These are:

	30/06/2023	30/06/2022
Wages	15,533,962	3,104,636
Rent	137,424,196	12,639,791
Perdiem & travel	141,097,206	30,040,474
Stationary & printing	93,545,306	33,242,507
Communications	25,927,872	9,153,322
Marketing & promotion	46,862,254	31,024,938
Insurance	2,860,691	1,722,766
Fuel & lubricants	53,739,439	13,347,106
Entertainment (Note 17.5)	8,969,843	468,479
Repairs & maintenances	120,657,907	9,002,409
Annual maintenance - Core banking software	1,608,318	1,619,716
Donation	8,542,907	267,414
Cleaning & supplies	579,435	297,705
Professional fees	3,038,424	2,622,057
Utilities	6,490,547	1,580,387
Membership fees	230,807	-
License fees	7,982,394	152,257
Legal fees	2,070,599	4,786,200
Penalty (Note 17.5)	333,594	-
Foreign exchange rate revaluation expense	(553,862)	-
Loss on disposal of asset	2,897,245	4,252,640
Miscellaneous	1,812,485	4,433,623
	681,651,570	163,758,427

31 Depreciation on property, plant and equipment

These are:

	30/06/2023	30/06/2022
Depreciation expense (Note 8)	35,832,111	26,039,929
	35,832,111	26,039,929

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32 Amortization of intangible assets & right to use

These are:

	30/06/2023	30/06/2022
Amortization (Notes 9.1 & 10.1)	103,839,527	3,884,200
	103,839,527	3,884,200

33 Commitments and Contingencies

33.1 Litigation

In the ordinary course of business organizations are usually subject to legal actions and complaints. Following the Bank's customers' failure to meet loan repayment obligations the Bank is involved in legal disputes against such customers the highest possible outcome from such legal disputes is the amount of loans receivable from such customers (including accrued interest and other charges)

33.2 Operating Lease Commitments

The Bank leases offices under cancellable operating lease. The leases typically run for a period of 5 years, with an option to renew the lease after that date operating lease commitments as at 30 June 2023 and 30 June 2022 and are payable as follows:

	30/06/2023	30/06/2022
Up to 1 year	90,185	10,723,843
1 year to 3 years	96,387,363	-
3 year to 5 years	343,759,739	-
Over 5 years	- -	-
Total pre-paid rent	440,237,287	10,723,843

33.3 Guarantee

In ordinary course of the banking business, the Bank conducts business involving guaranties. The facilities are affected by corresponding obligations of the third parties, The contingency at the date of the year end is as follows:

Type of instrument	Guarantee amount in Birr
Letter of guarantee	335,000,000.00

34 Transactions with related parties

34.1 Related parties or transactions with related parties as defined by IAS "Related party:

a) Parties that directly or indirectly through one or more intermediaries: control or are controlled by or are under common control with the company this includes parents subsidiaries and fellow subsidiaries; have an interest in the Bank that gives then significant influence over the Bank; and that have joint control over the company;
b) Members of key management personnel of the company or its parent;
c) Close members of the family of any individuals referred to in a or b;
d) Parties that are entities controlled jointly controlled or significantly influenced by or for which significant voting power in such entity resides with directly or indirectly any individual referred to in c or b;

In considering each possible related party relationship attention is directed to the substance of the relationship and not merely the legal form Details of transactions between The Organization and other related parties are disclosed below:

34.2 Related party balances and transactions as and for the year ended 30th June, 2023

	Board Directors	Key managementpersonnel
Borrowing	-	5,840,231
Customers deposit	-	-
Transport allowance	-	186,200
Salaries and other employee benefits	3,240,000	16,677,532
	3,240,000	22,703,963

34.3 Related party balances and transactions as and for the year ended 30th June, 2022

	Board Directors	Key management personnel
Borrowing	-	5,067,626
Customers deposit	-	-
Transport allowance & perdirm	381,500	-
Salaries and other benefits	-	3,003,492
	381,500	8,071,118

34.4 Entities that have significant influence over the company

	30/06/2023		30/06/2022
AMHARA National Regional State (ANRS)	7,100,753,000		5,424,330,000
	7,100,753,000		5,424,330,000

34.5 Due to the proportion of the capital contribution made by AMHARA National Regional State (ANRS), the shareholder has a significant influence over the company as listed below:

	30/06/2023		30/06/2022
AMHARA National Regional State (ANRS)	72.25%		70%

35. Financial risk management

35.1 Introduction

As a financial bank the Bank is exposed to risks that arise from its use of financial instruments This note describes the Bank's objectives policies and processes for managing those risks and the methods used to measure them Further quantitative information in respect of these risks is presented throughout these financial statements Financial assets and financial liabilities that are liquid or have a short term maturity it is assumed that the carrying amounts approximate to their fair value.

'Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk, market risk and various operating risks.

35.2 Risk management structure

Risk management is one component of all core processes of the Bank. In its day-today activities the bank is exposed to various types of financial risks, the most important of which are credit risk, liquidity risk, interest rate risk and operational risk.

The Bank's risk management and control is based on the following key principles:

- The Board of Directors approves the risk management policies of the Bank and ensures their implementation.
- The management is responsible for implementing the policies in a manner that limits risks associated with each risk exposure.
- Appropriate and effective internal control exists to safeguard assets and to ensure compliance with relevant laws, regulations and bank's policies.
- The risk management and monitoring is supported by a management information system that supplies timely and consolidated reports on the financial conditions, operating performance and risk exposure of the Bank. Independent Risk Management and Compliance function is established to review compliance with the approved risk management policies and various risk related committees are established which are responsible for the implementation of the risk management policies.

The management has overall responsibility for the determination of the Bank's risk management objectives and policies and whilst retaining ultimate responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Banks finance function.

The overall objective of the management is to set polices that seek to reduce risks as far as possible without unduly affecting the Bank's competitiveness and flexibility Further details regarding these policies are set out below Through its operations the Bank is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

35.3 Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected regions. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

35.4 Risk mitigation

Risk controls and mitigates, identified and approved for the Bank, are documented for existing and new processes and systems. The Bank uses risk tolerance limit as a risk limit control. This risk tolerance limit composed of risk limit by economic sector, by credit product and by maturity. There also limitations imposed by the regulatory organ which all Microfinance Banks should comply.

As part of the credit risk mitigation which is the main identified financial risk of the Bank, an appropriate risk environment, credit policies and procedures are established. In addition, there is portfolio management, appropriate credit administration and monitoring and loan review function.
The other credit risk mitigation measures are obtaining sufficient collateral securities and guarantees for certain loan products as the second way out in case of default.

35.5 Financial instruments by category

The Bank's financial assets are classified into the following measurement categories: available-for-sale and loans and receivables and the financial liabilities are classified into other liabilities at amortized cost.

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

30 June, 2023				
	Notes	**FVOCI**	**Amortized Cost**	**Total**
Cash and cash equivalents	5	-	12,649,968,117	12,649,968,117
Loans and advances to customers (Net)	6	-	36,490,603,190	36,490,603,190
Other assets and pre-payments	9	-	2,505,486,828	2,505,486,828
Investment in security	11	-	-	-
Financial assets at fair value through OCI (2018 AFS)	11	1,353,607,595	- -	1,353,607,595
Total Financial asset		1,353,607,595	51,646,058,134	52,999,665,729
30 June, 2022				
	Notes	**FVOCI**	**Amortized Cost**	**Total**
Cash and cash equivalents	5	-	13,461,778,795	13,461,778,795
Loans and advances to customers (Net)	7	-	25,697,057,588	25,697,057,588
Other assets and pre-payments	9	-	1,785,151,470	1,785,151,470
Investment in security				
Financial assets at fair value through OCI (2018 AFS)	11(a)	1,344,829,536	-	1,344,829,536
Total Financial asset		1,344,829,536	40,943,987,852	42,288,817,388

35.6 Credit risk

Credit risk is the probability that a counterparty of the Bank will not meet its obligations in accordance with agreed terms and conditions which may lead to financial loss. The Bank is exposed to credit risk due to activities such as loans and advances and loan commitments arising from lending activities.

35.7 Management of credit risk

'In measuring credit risk of loans and receivables to various counterparties, the Bank considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out. The Bank's policy is to lend principally on the basis of the customer's repayment capacity through various evaluation. However, as much as possible the Bank ensures that the loans are backed by collateral to reflect the risk of the obligors and the nature of the facility.

Currency: Birr

In the estimation of credit risk, the bank estimated the following parameters

a. Probability of Default

This is the probability that an obligor or counterparty will default over a given period, usually one year. This can be calculated on portfolio by portfolio basis or collectively depending on availability of historical data.

b. Loss Given Default

Loss Given Default is defined as the portion of the loan determined to be irrecoverable at the time of loan default (1 – recovery rate). Our methods for estimating LGD includes both quantitative and qualitative factors.

c. Exposure at Default

This represents the amount that is outstanding at the point of default. Its estimation includes the drawn amount and expected utilization of the undrawn commitment at default.

Maximum exposure to credit risk before collateral held or credit enhancements

The Bank's maximum exposure to credit risk at 30th June, 2022 and 30th June, 2021 is represented by the net carrying amounts in the statement of financial position.

	30/06/2023	30/06/2022
Cash and cash equivalents	12,649,968,117	13,461,778,795
Loans and advances to customers (Net)	36,490,603,190	25,697,057,588
Other assets and pre-payments	2,505,486,828	1,785,151,470
Investment in securities:		
Financial assets at amortized cost	243,674,000	30,000,000
Financial assets at fair value through OCI	1,353,607,595	1,344,829,536
Total Financial asset	53,243,339,729	42,318,817,388

Credit risk exposures relating to off balance sheets are as follows:

Local guarantee commitment	335,000,000	-
Total maximum exposure	53,578,339,729	42,318,817,388

35.8 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Credit risk exposure	Stage 112 Month ECL	Stage 2Life time ECL	Stage 3 Life time ECL	Total	30 June, 2022
Stage 1 – Pass	35,870,705,882			35,870,705,882	25,004,341,548
Stage 2 – special mention		184,951,371		184,951,371	453,436,334
Stage 3 - Non performing	-	-	1,586,436,079	1,586,436,079	1,980,950,141
Gross amount exposed	35,870,705,882	184,951,371	1,586,436,079	37,642,093,332	27,438,728,023
Less: loss allowance	(770,326,226)	(1,428,243)	(379,735,672)	(1,151,490,142)	(1,741,670,435)
Net carrying amount	35,100,379,656	183,523,128	1,206,700,407	36,490,603,190	25,697,057,588

Currency: Birr

35.9 Amounts arising from ECL

i) inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 4

ii) Significant increase in credit risk

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

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

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).
- the Bank uses three criteria for determining whether there has been a significant increase in credit risk:
- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due,

iii) 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 analyzed by type of product and borrower. The Bank employs statistical models to analyses 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.

iv) Determining whether credit risk has increased significantly

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

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

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

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognizing lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit- impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage1) and lifetime PD (Stage 2).

v) 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 realizing security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank. it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

- qualitative: e.g. breaches of covenant
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.
- Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

vi) Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. External information which includes economic data and forecasts, an external and independent macroeconomic date body will be considered in the forward looking information assessment, This is in addition to industry-level, semiannual NPL trends across statically comparable sectors.

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.

vii) 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).

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

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

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

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

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For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

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

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

- instrument type;
- credit risk grading;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

viii) Loss allowance
Statement of Prudential adjustments
Provisions under prudential guidelines are determined using the time based provisioning prescribed by the National Bank of Ethiopia (NBE) Directives. This is at variance with the forward looking model required by IFRS-9. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.
The Proclamation 'Financial Reporting Proclamation No.847/2014 stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.

However, the Bank would be required to comply with the following:
(a) Provisions for loans recognized in the income statement should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with the provisions determined under the NBE Directives and the expected impact/changes in other reserves should be treated as follows:

• Prudential provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve (retained earnings) account to a "regulatory risk reserve"

Prudential provisions are less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve (retained earnings) account.

TSEDEY BANK S.C.
NOTES FORMING PART OF THE ACCOUNTS
AT AND FOR THE YEAR ENDED 30TH JUNE, 2023
Currency: Birr

(b) The non-distributable reserve should be classified under Tier 1 as part of the core capital

	30/06/2023	30/06/2022
Total impairment based on IFRS (Note 7.2)	1,151,490,142	1,741,670,435
Total impairment based on NBE Directives	1,165,331,287	1,298,323,910
Variation in impairment based on IFRS to statutory requirement	(13,841,145)	443,346,525

Credit Concentration
The Bank monitors concentrations of credit risk by economic sector. An analysis of concentrations of credit risk at 30th June, 2022 and 30th June, 2021

	30/06/2023		30/06/2022	
Agriculture	19,621,257,535	52.10%	16,197,227,922	59.0%
Manufacturing	2,682,249,913	7.13%	1,310,442,851	4.8%
Trade	5,743,603,402	15.26%	2,767,338,005	10.1%
Transport	444,134,414	1.18%	217,027,759	0.8%
Electricity & Water	48,673,368	0.13%	53,907,875	0.2%
Building & Contraction	1,065,096,772	2.83%	854,582,107	3.1%
Services	6,551,274,582	17.40%	4,992,605,431	18.2%
Staff loan	1,485,803,346	3.95%	1,045,596,072	3.8%
(Note 7.1)	37,642,093,332	100.00%	27,438,728,023	100.00%

Nature of security in respect of loans and advances to customers

30/06/2023	Building	Vehicles	Cash	Regional Government guarantee	Total
Agriculture	-	-	3,292,347,004	1,952,813,422	5,245,160,426
Manufacturing	3,221,612,514	-	225,817,456	-	3,447,429,970
Trade	5,420,403,504	-	496,682,441	-	5,917,085,945
Transport	-	137,784,156	43,874,389	-	181,658,545
Electricity and Water	-	-	74,738,201	69,123,919	143,862,120
Construction	1,342,474,431	-	93,933,401	-	1,436,407,832
Service	7,895,889,585	-	-	-	7,895,889,585
(Note 7.4)	17,880,380,033	137,784,156	4,227,392,893	2,021,937,341	24,267,494,423

Currency: Birr

30/06/2022	Building	Vehicle	Cash	Regional Government guarantee	Total
Agriculture	105,398,725	-	2,610,171,321	1,791,475,495	4,507,045,541
Manufacturing	3,358,869,314	-	66,524,212	-	3,425,393,526
Trade	965,550,162	-	196,362,178	-	1,161,912,340
Transport	31,836,000	95,876,305	20,808,647	-	148,520,952
Electricity and Water	12,886,000	-	3,761,853	-	16,647,853
Construction	1,421,567,458	-	59,096,998	-	1,480,664,456
Service	770,067,075	-	-	-	770,067,075
(Note 7.4)	6,666,174,734	95,876,305	2,956,725,209	1,791,475,495	11,510,251,743

35.10 Market Risk

Market risk is the risk that the fair value of a financial instrument will decrease because of changes in market factors. Market risk arises from the bank's use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates interest rate risk. The Bank is not ordinarily engage in trading activities as there are no active markets in Ethiopia.

Ermias Negussie Abebe
Certified Audit Firm (Eth.) – Chartered Certified Accountant (ACCA) 36.11 Interest Rate Risk

Interest rate risk arises from potential changes in market interest rates that can adversely affect the fair values of the financial assets and liabilities of the Bank. This risk can arise from maturity mismatches of assets and liabilities as well as from the reprising characteristics of such assets and liabilities.

The table below summarizes the Bank's exposure to interest rate risks the table presents the aggregated amounts of the Bank's interest bearing financial assets and interest bearing financial liabilities at carrying amounts as at 30th June, 2022 and 30thJune, 2021.

	Interest variable	30/06/2023	30/06/2022
Asset			
Cash and balances with banks	Fixed	12,649,968,117	13,461,778,795
Loans and advances to customers	Fixed	36,490,603,190	25,697,057,588
Investment securities	Fixed	1,353,607,595	1,344,829,536
Total interest bearing financial assets		50,494,178,902	40,503,665,919
Liabilities			
Deposits from customers	Fixed	34,169,831,843	24,581,383,795
Borrowings	Fixed	783,075,788	1,052,514,584
Total interest bearing financial liabilities		(34,952,907,631)	(25,633,898,379)

Currency: Birr

Net interest sensitivity gap		15,541,271,271	14,869,767,540

The information about maturities of interest bearing financial assets and interest bearing financial liabilities is given in liquidity risk quantitative disclosures.

The Bank's all interest bearing assets and liabilities are at fixed interest rates therefore market interest rate fluctuations do not affect the bank's income or expenses.

36.12 Liquidity Risk

Liquidity risk refers to the availability of sufficient funds to meet loan repayments and other financial commitments associated with financial instruments as they actually fall due.

In order to manage liquidity risk the Bank performs regular monitoring of future expected cash flows which is a part of assets liabilities management process An analysis of the liquidity and interest rate risks is presented in the following tables The presentation below is based upon the information provided by key management personnel of the Bank

Liquidity of Financial assets and liabilities as at June 30, 2023 can be presented in the following table:

36 Events after the reporting period

Until the date of authorization of these financial statements for issuance no major events have occurred that would have effect on the amounts and/or disclosure made in these financial statements.

TSEDEY BANK S.C.

NOTES FORMING PART OF THE ACCOUNTS
AT AND FOR THE YEAR ENDED 30TH JUNE, 2023

TSEDEY BANK S.C.
Liquidity Gap Analysis
At and for the year ended 30th June, 2023
Annex - 1

Currency: Birr

Financial assets:	Note	Up to 3 months	3to 6 months	6to 12 months	Over 1 year	Total
Cash and cash equivalents	5	12,649,968,117	-	-	-	12,649,968,117
Loans to customers	7	1,865,333,570	2,810,894,366	1,054,443,554	30,759,931,701	36,490,603,190
Total financial assets as at30th June, 2023		14,515,301,686	2,810,894,366	1,054,443,554	30,759,931,701	49,140,571,307
Financial liabilities:						
Customers deposit	12	1,930,548,408	2,524,563,303	10,395,260,660	19,319,459,473	34,169,831,843
Borrowings	13	225,685,164	-	225,685,164	331,705,461	783,075,788
Total interest bearing financial liabilities		2,156,233,572	2,524,563,303	10,620,945,823	19,651,164,933	34,952,907,631
Employee benefits obligation & other liabilities	14 & 16	47,629,512	-	-	8,614,485,317	8,662,114,829
Total financial liabilities as at30th June, 2023		(2,203,863,084)	(2,524,563,303)	(10,620,945,823)	(28,265,650,250)	(43,615,022,460)
Liquidity gap as at30th June, 2023		**12,311,438,602**	**286,331,062**	**(9,566,502,269)**	**2,494,281,451**	**5,525,548,847**
Liquidity gap as at 30th June, 2022		**13,698,375,390**	**1,013,287,017**	**(6,324,958,336)**	**(2,184,576,354)**	**6,202,127,717**

Ermias Negussie Abebe
Certified Audit Firm (Eth.) – Chartered Certified Accountant (ACCA)

TSEDEY BANK HEAD OFFICE BUILDING UNDER CONSTRUCTION

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Tsedey Bank
ቀን/Date 22/03/2016
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Bank for all!

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TSEDEY BANK
NBC
cbs

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