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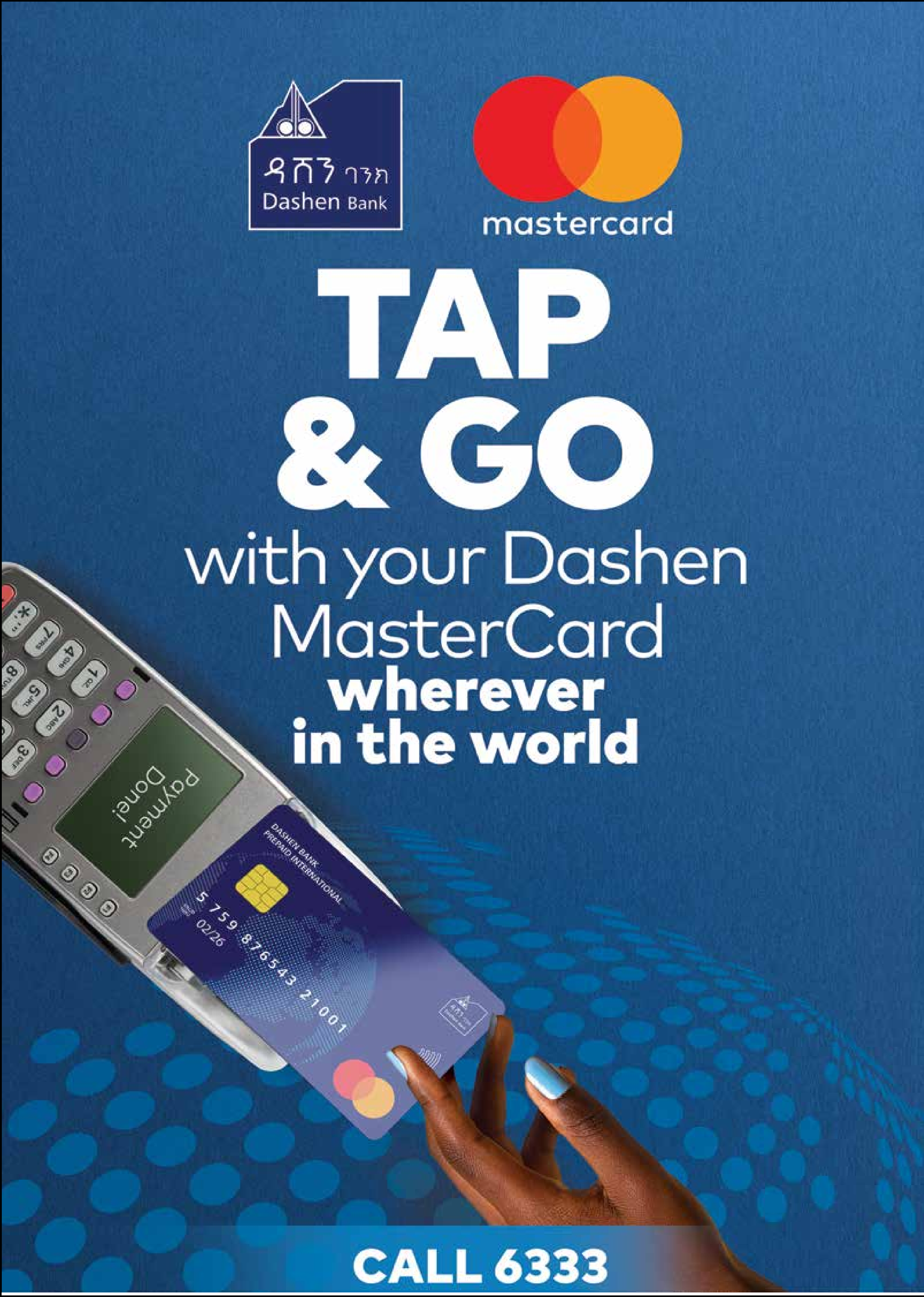
Dashen Bank

ANNUAL REPORT
2022/23

27th ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2023



ራዕይ | OUR VISION

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አንዱ ሆኖ መገኘት።

TO BE BEST-IN-CLASS BANK
IN AFRICA.

እሴቶች | OUR VALUES

- ደንበኛን ያማከለ
- ብዝሃነት
- ሙያዊ ብቃት
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- ሀቀኝነት
- ማህበራዊ ሀላፊነት

- CUSTOMER CENTRICITY
- DIVERSITY
- PROFESSIONALISM
- TEAMWORK
- INTEGRITY
- SOCIAL RESPONSIBILITY

ተልዕኮ | OUR MISSION

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TO PROVIDE EFFICIENT CUSTOMER-CENTRIC
BANKING SERVICE USING THE EXPERTISE OF INSPIRED
PROFESSIONALS AND CUTTING-EDGE TECHNOLOGY,
WHILE CREATING SUSTAINABLE VALUE FOR OUR STAKEHOLDERS.

ሁልጊዜም አንድ እርምጃ ቀዳሚ !
Always One Step Ahead !


DON'T live life WITHOUT IT
ዳሸን ባንክ በብቸኝነት የሚሰጠውን አሜሪካን ኤክስፐረስ ካርድን በመጠቀም ወደር የማይገኝላቸውን ጥቅሞች ያግኙ!
AMERICAN EXPRESS DEBIT
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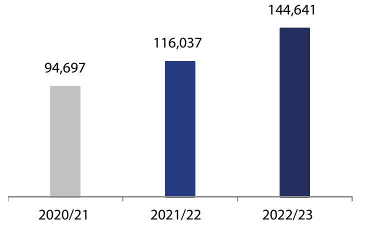
ዳሸን ባንክ Dashen Bank
ሁልጊዜም አንድ እርምጃ ቀዳሚ!
ካርዱን ለማግኘት
በ (+251) 0115 183 091(6333)ይደውሉ
ወይም ድረ ገፃችንን ይጎብኙ
www.dashenbanksc.com

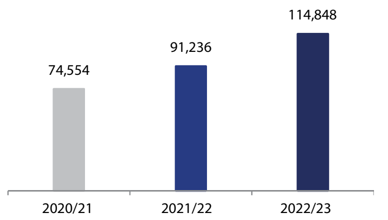
CONTENT

OUR SCORECARD

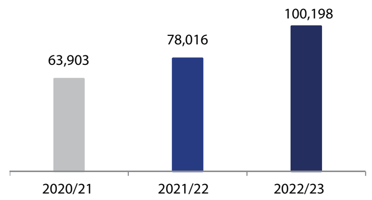
Total Assets
(In Millions Birr)



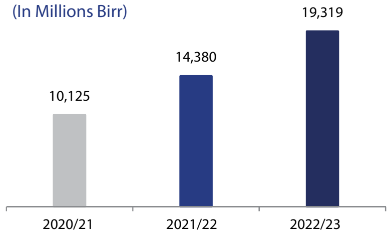
Deposits
(In Millions Birr)



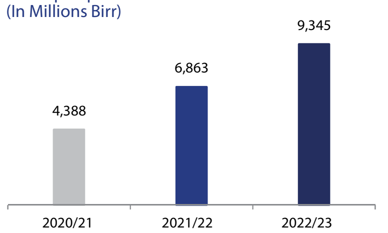
Oustanding Loans & IFB
Financing Net of Provision
(In Millions Birr)



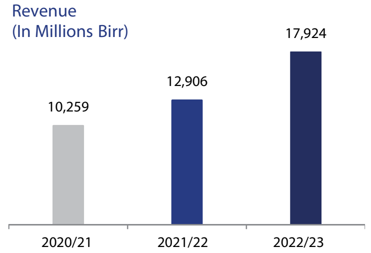
Total Capital
(In Millions Birr)



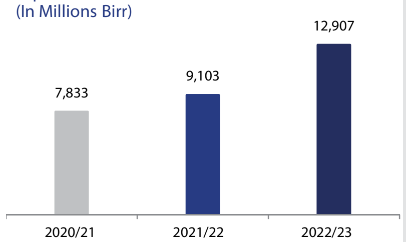
Paid-up Capital
(In Millions Birr)



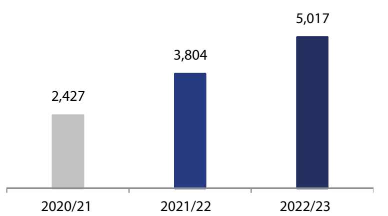
Revenue
(In Millions Birr)



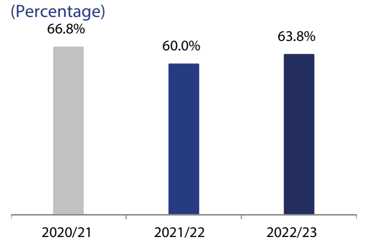
Expense
(In Millions Birr)



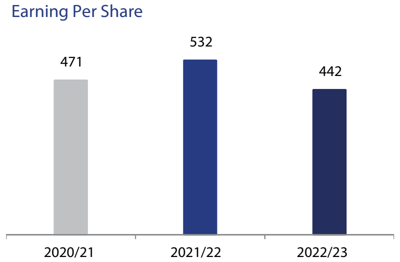
Profit Before Tax
(In Millions Birr)



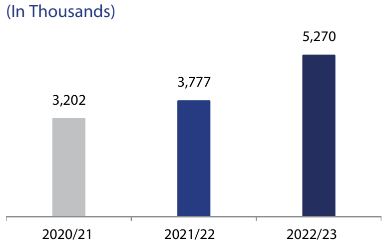
Cost-to-Income Ratio
(Percentage)



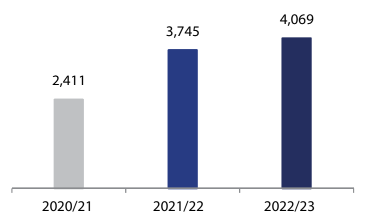
Earning Per Share



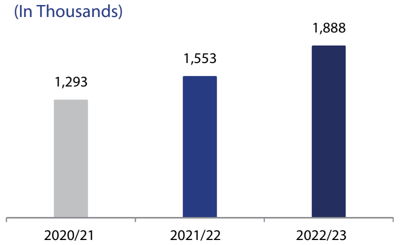
Number of Customers
(In Thousands)



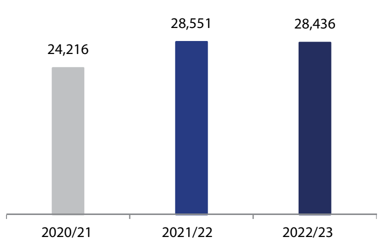
Number of Amole Subscribers
(In Thousands)



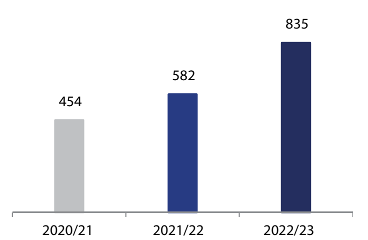
Number of Cardholders
(In Thousands)



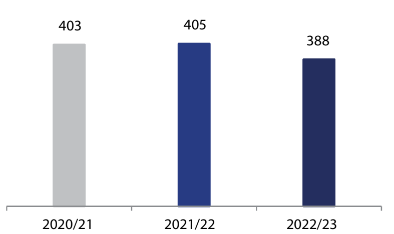
Number of Loanees



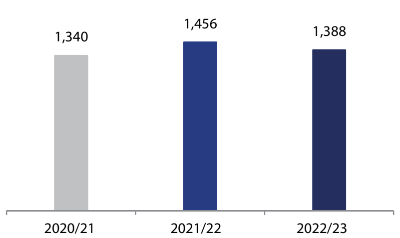
Number of Branches Including Outlets



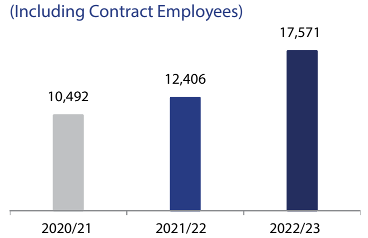
Number of ATMs



No. of POS Terminals



Number of Staff
(Including Contract Employees)



BOARD OF DIRECTORS

Dulla Mekonnen
Chairman

Abdulmutelib Beyan
Director

Abebe Teklu
Director

Getaw Yalew
Director

Haile Assegide
Director

Mekete Dagnew
Director

Negussie Demie
Director

Rahel Worede
Director

Saeed Ahmed
Director

SHARI'AH ADVISORY COMMITTEE

Sheikh Muhammed Yasin Ibrahim
Chairman

Ustaz Mahmoud Hassen Hussen
Vice Chairman

Dr. Kemal Haji Geletu Mamme
Member

Ustaz Mustaffa Hamid Yusuf
Member

Ustaz Remedan Ahmed Abdo
Member

EXECUTIVE MANAGEMENT

Asfaw Alemu
Chief Executive Officer

Alemneh Abebe
Chief Financial Officer

Asfaw H/Mariam
Chief Internal Auditor

Ayele Teshome
Chief Banking Business Officer

Eyerusalem Wagaw
Chief People Officer

Freegzi Berhane
Chief Corporate Services Officer

Getnet Dessie
Chief Enterprise Risk Mgmt. & Compliance Officer

Mesfin Bezu
Chief Interest Free Banking Officer

Mulugeta Alebachew
Chief Strategy & Innovation Officer

Tesfaye Anene
A/Chief Information Officer

Tibebu Solomon
Chief Banking Operations Officer

Yihnalem Aknaw
Chief Retail, MSME & Branch Banking Officer

Yohannes Million
Chief Digital Banking Officer

DULLA MEKONNEN,
Chairman, Board of Directors

Honourable Shareholders,
On behalf of the Board of Directors and myself, it gives me great pleasure to present the highlights of Dashen Bank's performance during the financial year 2022/23.

In the reporting year under consideration, we have observed multifaceted global and domestic occurrences that surfaced opportunities on the one hand and challenges on the other. With its multidimensional ramifications, the Russia – Ukraine war was the most critical one in disrupting the supply chain coupled with China's Zero-COVID Policy that dampened global output and trade and drove global inflation. The recent reopening of China and the easing of energy prices due to mild winter in Europe points to a near-term positive growth prospect in the largest economies and are expected to bring improvements in commodity prices and inflation.

Domestically, the reporting period has witnessed socio-political instability and macroeconomic imbalances. On top of the pressure from the global macro environment, economic growth continues to be challenged by chronic forex shortage, unabated and high inflation, unemployment, and growing budget deficit and external debt. In the meantime, the government has implemented and is pursuing various fiscal and monetary policies. Among others, the establishment of a capital market, broadening the tax base, forex liberalization, FCY retention, treasury bond purchase, etc. are worth noting.

The banking sector has also witnessed a number of directives (both new and amendment to existing ones), the entry of new banks and non-bank financial institutions into the scene further heightening competition. The directives directly and indirectly affect the banks' resource availability, operational and compliance costs, and profitability. More importantly, the reinstatement of the DBE Treasury bond requirement has a significant impact on banks' credit deployment and earnings.

Distinguished Shareholders,
As at June 30, 2023, the number of private banks reached 28 with seven new banks. Furthermore, the evolving digital ecosystem and the enabling environment have encouraged and increased the presence of non-bank players in the banking sector, which was dominated by banks for a long time. In a bid to preserve their market share and remain relevant, banks are strengthening their digital capabilities and offerings through partnerships to catch up with the evolving trend and capture the digital ecosystem opportunity.

Despite the challenging environment, I am pleased to announce that our Bank has achieved a commendable performance during the 2022/23 fiscal year.

Distinguished Shareholders,
The Bank in the year under consideration has managed to mobilize incremental deposits of Birr 23.6 billion and increased the aggregate positional balance to Birr 114.8 billion, which is a 25.9% growth compared to last year's same period. The Interest-Free Banking wing of the Bank has continued growing, contributing Birr 8.1 Billion to the aggregate deposits of the Bank after registering a growth of Birr 2.2 Billion or 36.7 %. The aggregate loans and advances balance including IFB financing of the Bank has reached Birr 100.2 Billion, registering a year-on-year growth of Birr 22.2 Billion or 28.4% compared to last year's same period. At the close of the reporting period, the Bank's network has reached a total of 835 branches, including 41 outlets. This expansion is attributed to the opening of 253 new branches and outlets, representing an impressive 43.5% year-on-year growth.

Total assets of the Bank surged to Birr 144.6 billion, registering a growth of Birr 28.6 Billion and 24.7% growth compared to last year. Owners' equity also went up to Birr 19.3 billion attaining 34.3% growth relative to last year. Half of the growth came from paid-up capital, which increased by Birr 2.5 Billion or 36.2% compared to last year. In terms of profitability, the Bank was able to earn a profit before tax of Birr 5 Billion registering a 31.9% growth over last year's same period.

Distinguished Shareholders,
With the conclusion of the 5-year strategy plan that covered from 2018/19FY to 2022/23FY, the Bank has embarked on an exciting new phase. In partnership with McKinsey & Co., the Bank has been crafting a 5-year corporate strategy that sets the course for its future growth. The strategy will be instrumental in driving innovation, enhancing customer experiences, and achieving sustainable broad-based growth in the evolving financial landscape.

Distinguished Shareholders,
Leveraging its hard earned reputation, prudent practices and sound financial position, the Bank has been exploring opportunities with international Development Finance Institutions (DFIs). The effort has borne fruit with the USD 40 million commitment by the British International Investment (BII) and the Dutch Entrepreneurial Development Bank (FMO). This is a pioneering investment by international financial institutions into Ethiopia's private banking sector after the introduction of the foreign currency intermediation directive issued by the NBE. The Bank will extend the fund to local businesses engaged in forex-generating agricultural investments.

Distinguished Shareholders,
At the conclusion of the fiscal year, our workforce comprised 17,571 employees. Out of this staff strength, permanent employees constituted 58.4%, while the remaining 41.6% were outsourced. The Bank strives to improve gender diversity in its workforce. Women comprised 30% of the permanent staff by the close of the reporting period.

During the reporting period, Dashen Bank prioritized several key IT initiatives and infrastructure maintenance, with a strong focus on ensuring system reliability and performance. The Bank achieved significant milestones in process automation and software development. A range of tailored applications catering to diverse needs, such as micro-lending, payment collection, audit management, and event management, were successfully completed.

The Bank's fruitful partnership with Ethio Telecom, a collaboration that has catalysed robust digital lending practices in the Country's financial landscape has been a particularly noteworthy accomplishment. This strategic direction is in alignment with the Bank's overarching objective of rendering accessible and affordable banking services to a broader demographic, all the while embracing cutting-edge digital solutions. The Bank has also fully implemented its DubeAle products. The product allow Dashen Bank customers with DubeAle accounts to enjoy the privilege of buying goods and services on a deferred and equal installment basis rather than paying upfront (i.e., at the time of purchase).

Dashen Bank has demonstrated a robust commitment to Corporate Social Responsibility (CSR) through a diverse range of impactful initiatives. The Bank has worked in this area to drive positive community impact and socio-economic development.

Distinguished Shareholders,
The Board of Directors and its Sub-committees, i.e., Strategy, Audit, Risk, and Human Resources, executed their oversight duties as per their Charters. Based on its bylaw, the Board conducted twelve ordinary and two extraordinary meetings and deliberated on and

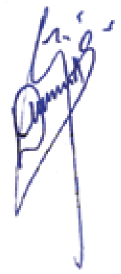
passed resolutions on various agenda items during the 2022/23 fiscal year. The Board closely oversaw and gave directions on issues based on its mandate. These included approval of various policies, annual budgets, and procurement requests above a certain amount. The Board also evaluated monthly, quarterly, and semi-annual performance progress reports and gave feedback to the management. Moreover, the Board participated and gave direction in the preparation of the Sixth Strategy Plan, which will guide the direction of the Bank in the next five years to 2027/28 fiscal year.

In the reporting period, the Board has critically reviewed and endorsed its Sub-committee's quarterly reports. It discussed and gave comments on Loan Reviews, ALCO, and Risk Reports on quarterly basis. Deliberations were made on the quarterly CAMEL ratings given by the National Bank of Ethiopia. It also conducted the full Board's, individual board members', and Sub-committees' evaluations semi-annually.

Distinguished Shareholders,

In conclusion, on behalf of the Board of Directors and myself, I would like to extend my sincere thanks to our esteemed customers for their continued confidence and loyalty in our Bank; our shareholders for their confidence and sustained commitment; the management and staff of the Bank for their diligence, dedication and outstanding sense of ownership; the National Bank of Ethiopia for their professional guidance; and all other stakeholders for their direct and indirect contribution to the success of our Bank

Yours Sincerely,



Dulla Mekonnen,
Board Chairman

Honorable Shareholders,

I am pleased and honored to present the annual performance of the Bank for the fiscal year ended 30th June 2023. The ensuing parts of the statement will cover the operating environment, the Bank's overall performance, the Bank's business and organizational development, the way forward, and finally, a vote of thanks.

The Operating Environment

The global economic outlook continues to remain fragile amidst concern over a slowdown in global economic growth due to the impact of monetary policy tightening by global central banks; continued war between Russia and Ukraine; trade tensions and continued high inflation levels despite moderation from historic highs of last financial year. In its latest World Economic Outlook (July 2023), IMF has projected global growth to fall from an estimated 3.5% percent in 2022 to 3.0 percent in both 2023 and 2024.

World trade growth is expected to decline from 5.2 percent in 2022 to 2.0 percent in 2023, before rising to 3.7 percent in 2024, well below the 2000–19 average of 4.9 percent. The decline in 2023 reflects not only the path of global demand but also shifts in its composition toward domestic services, lagged effects of US dollar appreciation, and rising trade barriers (IMF World Economic Outlook, July 2023).

On the domestic front, the Ethiopian economy grew at 6.4 percent in 2022, which is close to the two prior years' growth figures of 6.1% and 6.3% but a plunge from the previous five-year average of 9 percent. In addition to the pressure from the global macroeconomic environment, the domestic economy continued to be challenged by forex shortage, high inflation, unemployment, a growing budget deficit, and external debt. To address the critical issues challenging the macroeconomic situation of the Country, the government has been taking various monetary and fiscal policy measures including liberalization and privatization of state-owned enterprises, the establishment of the capital market, broadening the tax base, FCY retention, treasury bond purchase, etc.

ASFAW ALEMU
CEO

The economic growth of the Country is expected to remain relatively strong at 6.1 percent as the effects of multiple domestic and external shocks abate. Swift implementation of macroeconomic and structural reforms could lead to an even higher growth rate in the 2023 fiscal year and in the medium term.

The Banking industry has been operating under challenging conditions in the year under review due to the macro-economic and political situation of our country as witnessed by the slowing down of the business environment, high inflation, shortage of foreign currency, insecurity in some parts of the country that disadvantaged the operation of some of our branches and caused difficulty in mobility among others. The unusually prolonged liquidity stress had also taken a toll on the sector limiting the credit deployment endeavor of banks. The National Bank of Ethiopia has introduced various contractionary measures including the reinstatement of the DBE treasury bond and the introduction of an additional requirement of 20% T-Bond purchase.

On a positive note, the reduction of the percentage of forex earnings surrendered to NBE (on export) from the previous 70% to 50% was a favorable instance. With the opening of the industry for diverse players, several financial and non-financial institutions have joined the financial market redefining the competitive landscape.

Operating and Financial Performance

Despite the global economic challenges and domestic hurdles, which have a significant impact on our Bank's performance, the strength and resilience we have built over the years has sustained us. Our performance reflected our resilience and determination to deliver optimal value for our stakeholders.

In terms of operational performance, our channel expansion, customer attraction, resource mobilization and deployment have recorded positive growth over last year's same period. The year under consideration has witnessed a record milestone wherein the Bank's resource base and outstanding loans and advances surpassed the Birr 100 billion threshold.

A review of our financial position reveals positive performance in terms of key performance metrics.

The Bank maintained a well-diversified balance sheet with Total Assets closing at Birr 144.6 billion registering a growth of 24.7% over last year's position. The lion's share of the Assets, Loans, and Advances, and IFB financing also witnessed a growth of 28.4% over last year's same period and stood at Birr 100.2 billion. On the Liability side, the overall positional deposits balance from both the conventional and interest-free banking customers grew by 25.9% and reached Birr 114.8 billion by the end of the period under consideration. The total equity of the Bank grew by 34.3% and reached Birr 19.3 billion. The share capital that constitutes 48.4% of the total equity grew by 36.2% and stood at Birr 9.3 billion.

During the period under consideration, the Bank has generated a total revenue of Birr 17.9 billion registering a growth of 38.9% over the previous year. All sources of revenue have shown positive growth while the lion's share i.e. 75% of the revenue was earned from interest income. The Bank has incurred a total expense of Birr 12.9 billion exhibiting a 41.8% growth over last year's same period.

As a result, the Bank has registered a profit before tax of Birr 5.0 billion registering a growth of 31.9% over the previous year with an earning per share of Birr 442.

Business and Organizational Development

As the fiscal year 2023 marked the end of our five-year strategy, we have been engaged in the development of our new strategy and road map taking into account internal/external assessments, evolving market dynamics, current regulatory directions, macroeconomic developments, and future prospects.

In continuation with our effort to optimize business growth while providing unparalleled banking services to our valued customers, we have announced a myriad of products/services in the current fiscal year. One of the remarkable achievements in this regards, was the successful launch of digital financial services in partnership with Ethio Telecom, which has been instrumental in enhancing access to financial services. We have also launched a Buy-Now-Pay-Later product dubbed DubeAle in collaboration with EagleLion Systems Technology, which allows users to purchase goods and services on credit.

Further Strengthening our partnership and collaboration with MasterCard, the Bank has introduced an innovative multi-currency international prepaid card that offers both plastic and virtual options providing customers with the flexibility and convenience to make online purchases at any merchant website worldwide where MasterCard is accepted. In addition, the Bank has enabled the MasterCard Payment Gateway (MPGS), which will be instrumental in facilitating both domestic and international e-commerce transactions. The Ethiopian Minerals, Petroleum, and Bio-fuel Corporation has become the first to be enabled for online e-commerce transactions.

We at Dashen, remain committed to increasing our footprint and accessibility throughout Ethiopia. During 2023, we opened a record-high 253 additional branches at various locations bringing us more closer to our customers. With a customer base of 5.2 plus million, we continue to place utmost importance on understanding and addressing the evolving needs of our customers. Through our 835 branch networks, 388 ATMs, and other digital platforms we strive to deliver best-in-class banking services tailored to our customers' needs.

The unique engagement with development financiers and its fruition was an encouraging and exemplary milestone for the Bank. The Bank went through a successful and detailed due diligence process and secured an unsecured foreign loan to the tune of USD 40 million on a joint commitment from the UK's British International Investment (BII) and Dutch FMO making our Bank the first Financial Institution in Ethiopia to obtain medium-term funding from DFIs' under the Foreign Currency Intermediation Directive for Banks. The funding, apart from proving that there are able Ethiopian Institutions, will also be instrumental in boosting the Country's agricultural exports.

Moreover, it has also been a year wherein our Bank has further enhanced its partnership with regional banks namely Afrexim Bank and Trade and Development Bank (TDB), wherein the banks meaningfully supported the importation of petroleum and capacity building. The Bank also benefited from its close working relationship with the International Finance Corporation (IFC), wherein the Corporation technically supported the Bank in modernizing its Treasury Management in lieu of the upcoming dynamics in the Sector.

As an organization, we believe that our long-term success depends on the progress of our employees and communities. Our Bank continues to invest in strengthening and nurturing its talent and employee capabilities through up-skilling and re-skilling of our employees across all levels and functions. Organizational talent and capability can be harnessed through an enabling culture and environment. Accordingly, the Bank has embarked on the design and implementation of the organizational culture by giving specific focus to revamping the customer service culture.

As a responsible corporate citizen, Dashen Bank goes beyond its role in the financial sector and strives to empower and create a positive impact on the community. As part of our Corporate Social Responsibility (CSR) initiatives, in partnership with MIDROC Ethiopia, we have opened the third feeding center in Lemi Kura Sub-city and provided financial support to various noble causes. In the fiscal year 2022/23, our Bank made donations and contributions to the tune of Birr 285 million to various initiatives.

Though we are at an early stage on our ESG (Environmental, Social and Governance) journey, during the fiscal year, we have made a conscious effort to scale up our ESG capabilities. Our Bank remains cognizant of the criticality of adopting the principles of ESG into its strategy and activities and is working towards strengthening the same through developing an ESG strategy for the future.

Our Bank has garnered numerous notable accolades throughout the years. In cognizance of our Bank's efforts in adopting banking technologies in the fast-evolving digital space, we have received the prestigious recognition "Bank of the Year 2022 for Ethiopia" Award from the Banker Magazine, an affiliate of Financial Times, in this fiscal year for the 12th time.

The Way Forward

The coming fiscal year marks the beginning of our new five-year strategic plan and roadmap. As we herald the next five-year strategy (i.e. 2023/24-2027/28), we remain optimistic about our Bank's future and are devoted to delivering optimal performance and the best value to our stakeholders.

While keeping a watchful eye on uncertainties in the macroeconomic as well as task environment, we will ensure the effective execution of our strategic priorities with a renewed spirit. We at Dashen Bank appreciate the significance of environmental sustainability and corporate responsibility and are determined to incorporate Environmental, Social, and Governance (ESG) factors into our strategies and conducts.

In a bid to prepare for the upcoming developments in relation to the establishment of the capital market and entry of foreign competition, our Bank has started an internal readiness assessment.

As we chart a new future for our Bank, we aim to increase our customer base, by introducing innovative and customized value propositions, and by leveraging technology providing exceptional Banking services to our valued customers. We foresee high growth potential within emerging MSMEs and will focus on expanding our customer base in this regard by leveraging our digital capabilities.

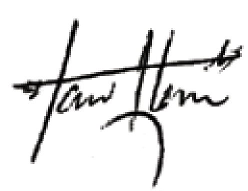
During the coming years, we will continue to reinvent ourselves by building on our strengths in line with the evolving industry landscape and customers' needs. We are highly confident about achieving growth across all of our business segments, in line with our vision to be a "Best in Class Bank in Africa". Dashen will continue its focus on asset quality and on diversifying its credit as well as deposit portfolio mix. We will also strengthen the existing and explore new partnership opportunities, ensure operational efficiency, leverage on the investments we have made in technology, and embark on various cost-saving initiatives.

As a Bank, we are audacious to translate possibilities into opportunities for sustainable business growth through the strong commitment of our talented workforce and the guidance of our strong leadership team towards providing banking solutions to our valued customers and delivering sustainable values to our shareholders.

Vote Of Thanks

On behalf of myself and the entire team of Dashen Bank, I would like to extend my sincere gratitude to the Board of Directors of our Bank for the guidance and expertise in overseeing our Bank; and our Shareholders for the unwavering confidence and support. I would also like to express my profound appreciation to the staff of the Bank at all levels whose relentless efforts and commitment have been the driving force behind the Bank's continued success. I am thankful to our cherished customers for their continued trust and patronage. Finally yet importantly, my respect and gratitude goes to the National Bank of Ethiopia for their unreserved support, guidance and responsiveness; and to all other stakeholders of the Bank, particularly Ethio Telecom for their continued cooperation and partnership.

Thank you,



Asfaw Alemu
CEO

REVIEW OF THE OPERATING ENVIRONMENT

In the fiscal year, the global economy has been facing various challenges that are anticipated to result in a slowdown of economic growth to around 2.7% according to World Economic Outlook report of International Monetary Fund. Factors such as geopolitical conflicts, rising inflation, and changes in monetary policies have collectively contributed to the current weak global economic conditions. Despite some positive indicators like improvements in the labour market and corporate profits, uncertainties persist, particularly concerning global inflation, with projections suggesting a decline but still remaining relatively high compared to pre-pandemic levels.

On the domestic side, the operating environment has been characterized by persistent challenges, including instability and conflict, high inflation, widespread drought, and depreciation in the value of Birr. Positively, there has been a resumption of relations with donor countries and financiers, marking a notable step forward in international cooperation. Several reform initiatives are actively underway, with significant progress evident in the establishment of a robust capital market, anticipated to play a pivotal role in modernizing the business landscape.

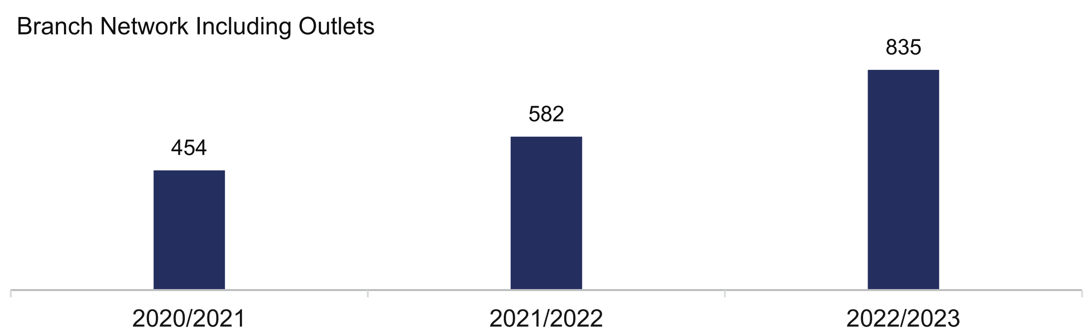
Moreover, the financial sector has exhibited substantial growth, characterized by the entry of new players and a heightened emphasis on digital innovation. Collaborative efforts with fintech companies and telecom operators have resulted in an expanded array of financial products and the widespread adoption of digital financial services, marking a noteworthy evolution in the sector.

OPERATIONAL HIGHLIGHTS

This section briefly presents the overall operational performance in channel expansion, customer base, resource mobilization, resource deployment, and digital and international banking activities for the reporting period.

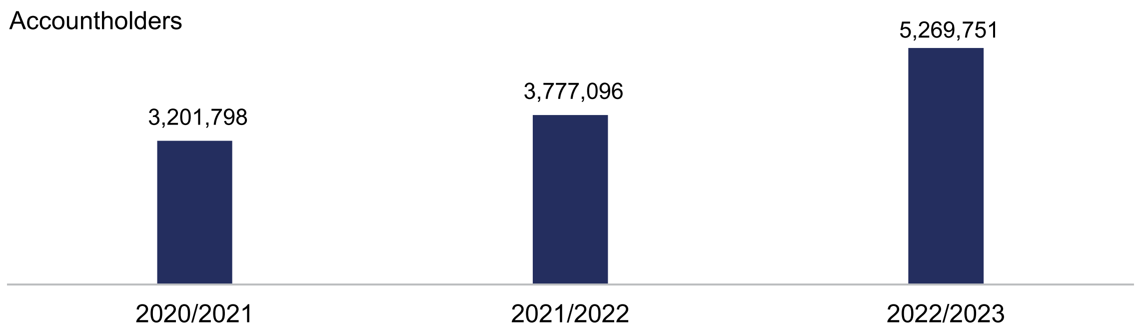
Channel Expansion

The Bank's commitment to enhancing customer accessibility, capturing markets, and gaining a competitive edge is evident in its significant expansion of the branch network. At the close of the reporting period, the Bank's network has reached a total of 835 branches, including 41 outlets. This expansion is attributed to the opening of 253 new branches and outlets, representing an impressive 43.5% year-on-year growth.



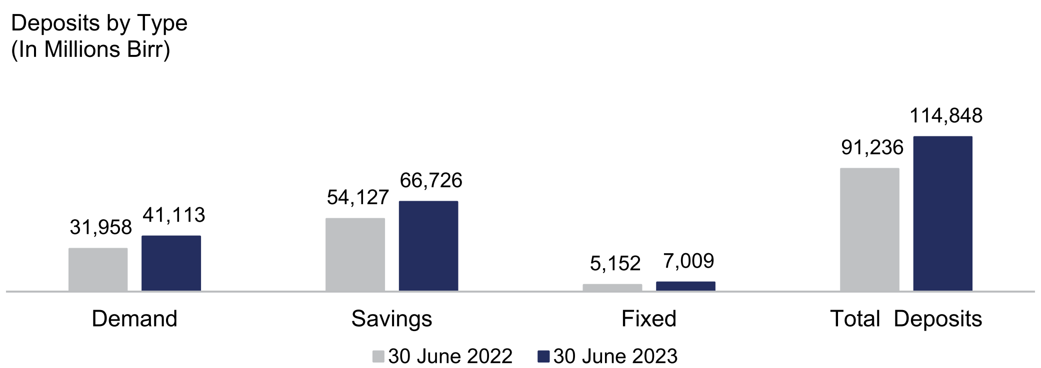
Customer Attraction

The Bank's total number of customers reached close to 5.3 million as of June 30, 2023 rising by 1.5 million and a noteworthy year-on-year surge of 39.5%. This achievement can be attributed to the Bank's aggressive branch expansion. Leveraging its extensive coverage, the Bank is now actively advancing financial inclusion across the breadth and width of the Country.



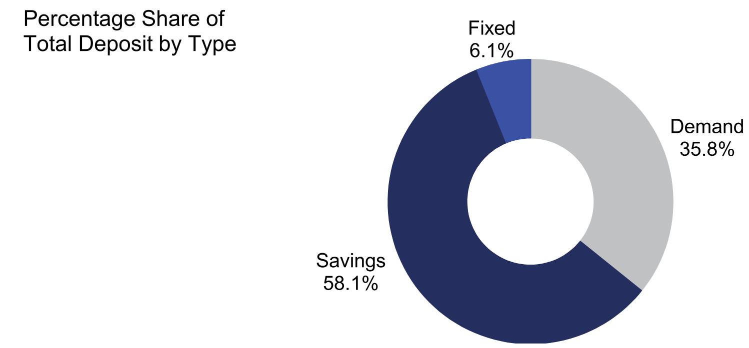
Deposit Mobilization

In the face of existing challenges, the Bank has achieved commendable progress in deposit mobilization. At the close of the fiscal year, total deposits surged to Birr 114.8 billion, after achieving a Birr 23.6 billion or 25.9% growth compared to last year. The operating conditions, characterized by a context of moderate domestic economic growth, rising living costs, strong competition, and security challenges, have posed significant obstacles to resource mobilization. Despite these challenges, the Bank has endeavored to attain the aforementioned result through extensive channel and customer base expansion, improved value propositions, customer and community engagements, and partnerships established with diverse stakeholders.



In the pursuit of maintaining a well-rounded approach between deposit stability and funding costs, the Bank's overall deposit pool consists of various components. Savings deposits make up 58.1% of the total deposit base. This crucial category, originating mainly from consumers, provides stable loanable funds.

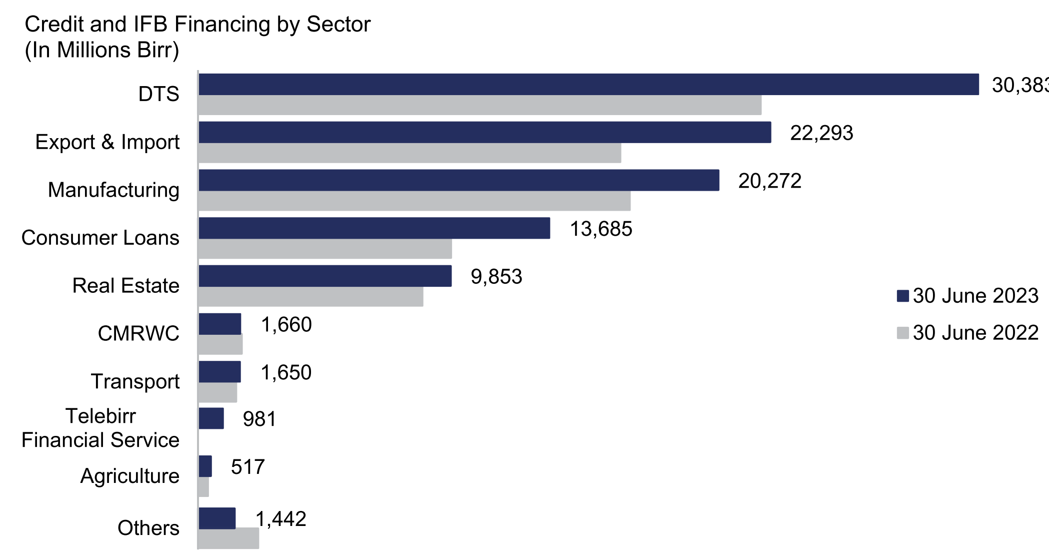
On the other hand, demand deposits, primarily originating from business entities, constitute a substantial share of 35.8% of the total deposit, signifying a modest growth in share compared to the previous year. Additionally, the Bank has optimally managed fixed-term deposits, which made up 6.1% of the total deposit. By limiting the growth of costly fixed-term deposits and directing efforts towards more stable savings deposits and cost-efficient demand deposits, the Bank has effectively balanced its deposit portfolio.



Loans and IFB Financing

Liquidity constraints, partially driven by factors such as allocating funds for acquiring Treasury and Development Bank of Ethiopia Bonds, have been affecting credit deployment efforts. Despite the constraints, the Bank managed to raise its loans and advances and IFB financing to Birr 100.2 billion, registering a year-on-year growth of Birr 22.2 billion or 28.4%. The lower-than-expected local deposits mobilization and the impact of government bond purchase requirements have impacted registered growth.

The Bank's funding portfolio is characterized by its diversity, catering to a wide range of customers and business segments. The loan and financing portfolio covers retail, small, medium, and large corporate clients operating in various economic sectors. Notably, a significant portion of the Bank's resource is channelled to Domestic Trade and Services, International Trade, as well as Manufacturing sectors.



Note

'DTS' refers to Domestic Trade and Services.

'CMRWC' represents Construction Machineries Rental and Working Capital.

'Consumer loans' include Personal, Staff Housing Loans, Emergency Staff Loans and Dube Ale Loans.

'Others' include Loans & Advances in Litigation, MasterCard Foundation Loan Facility, DBE SME Finance Project, Special Financing Scheme - Hotel and Tourism, Advance on LC and Mining.

Digital Banking

Dashen Bank has enhanced Omni-channel financial platform, named Amole, which provides seamless online and mobile banking experience. The Bank optimized the Amole Lite mobile app to offer a simpler and lighter interface, ensuring an improved user experience.

Moreover, the Bank has strengthened its digital presence by establishing integrations with renowned payment gateways, including VISA, MasterCard, FlutterWave, and Thunes. These strategic steps allow local businesses to effortlessly connect into the online marketplace, offering their products and services worldwide while easily accepting electronic payments. The mutually beneficial partnerships not only enrich opportunities for esteemed merchants in the global e-commerce landscape but also enhance the Bank's foreign currency generation capabilities.

Aligned with the commitment to digital innovation, Dashen has previously formed impactful partnerships with EagleLion and Ethio Telecom. These collaborations have paved the way for ground-breaking digital products, such as micro-lending and guarantees, crucial tools in deepening financial inclusion in the Country.

Dashen accepts international cards, including AMEX, Visa, MasterCard, and UnionPay. Notably, the Bank retains its prime position as the acquirer and issuer of American Express cards in Ethiopia. The number of POS Merchants has reached 1,842, showing a year-on-year growth of 29.4% or an increment of 419 merchants.

Catering to a wide spectrum of customers, Dashen's local card offerings leverage the Bank's strategic partnership with major players in the retail and hospitality industry to issue co-branded cards. This digital prowess has not only enriched customer convenience but has also translated into substantial financial gains, as the Bank has effectively generated USD 40.9 million from international card transactions processed through these channels.

International Banking

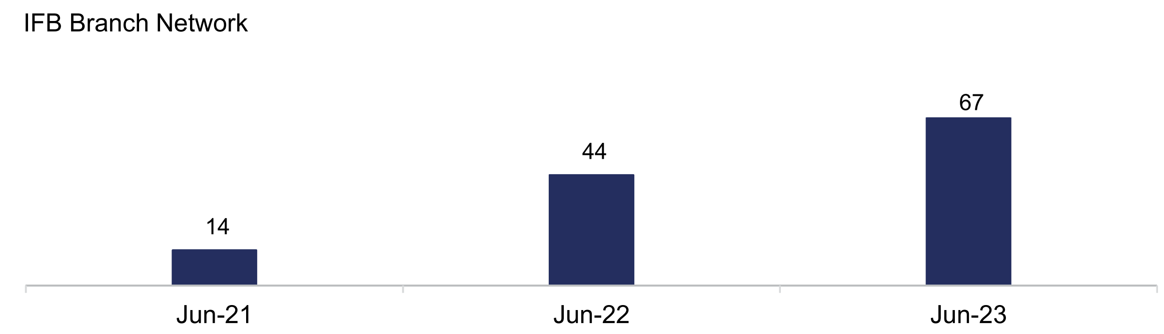
The ongoing foreign exchange shortage continues to have an impact on resource mobilization and allocation. Despite the obstacles, Dashen Bank has displayed resilience and achieved notable progress in foreign currency mobilization. In the reporting period, the Bank has effectively raised USD 1.0 billion, achieving a year-on-year growth of 43.7%.

INTEREST FREE BANKING OPERATIONAL HIGHLIGHTS

Dashen Bank is registering encouraging strides in the Interest-free Banking business. In the reporting period, the Bank became member of the global Accounting and Auditing Organization for Islamic Finance Institutions (AAOIFI). Dashen is the first bank to join AAOIFI from Ethiopia. This section discusses Interest Free Banking performance of the Bank in terms of channel expansion, customer recruitment and retention, resource mobilization and financing for the reporting period.

IFB Channel Expansion

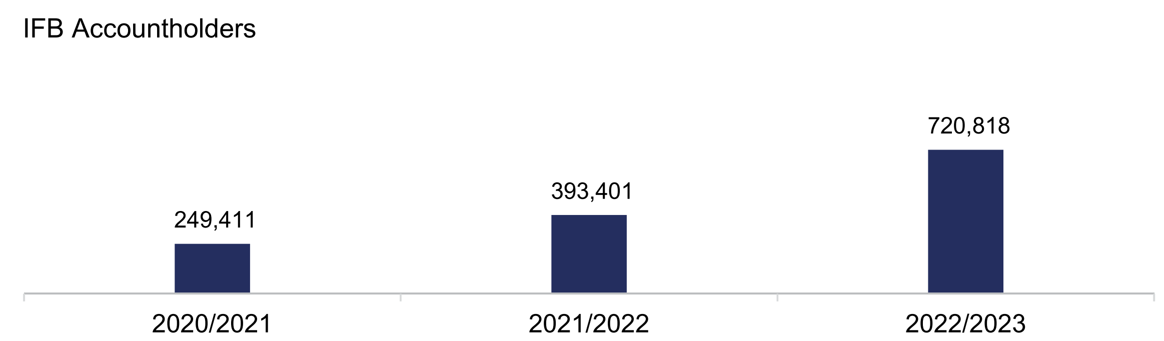
Dashen Bank recognizes the opportunity Interest Free Banking (IFB) presents, and has embarked on a journey to leverage this potential to the fullest. Aimed at withering competitive challenges from conventional and full-fledged banks by aligning with broader industry trends and evolving customer needs, the Bank has been expanding its IFB branches footprint. As a result, the full-fledged IFB branch network has reached 67 with the addition of 23 new branches. This represents a year-on-year increase of 52.3%, which is in line with the overall impressive expansion the Bank achieved during the reporting period.



IFB Customer Attraction

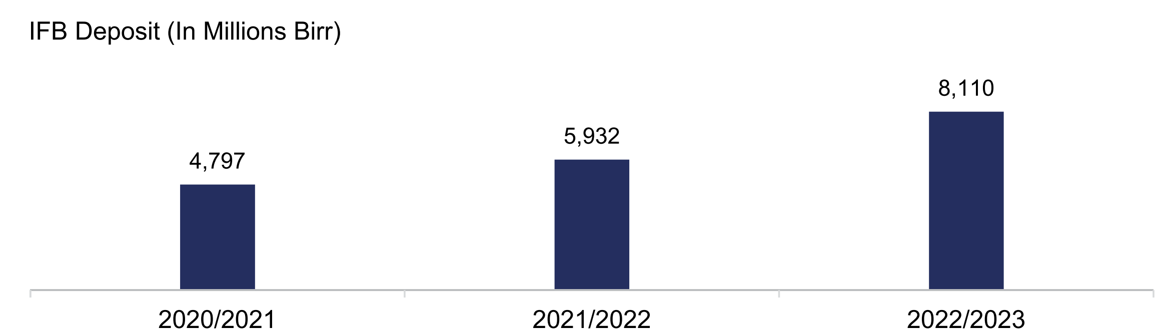
Driven by the channel expansion, the Bank achieved significant results in customer attraction. By June 30, 2023, the number of IFB accountholders surged to 720,818, up by 327,417 additional accounts, marking an 83.2% year-on-year growth.

During the reporting period, the Bank has enhanced accessibility of its services, tapping into previously unexplored markets and customer segments.



IFB Deposit Mobilization

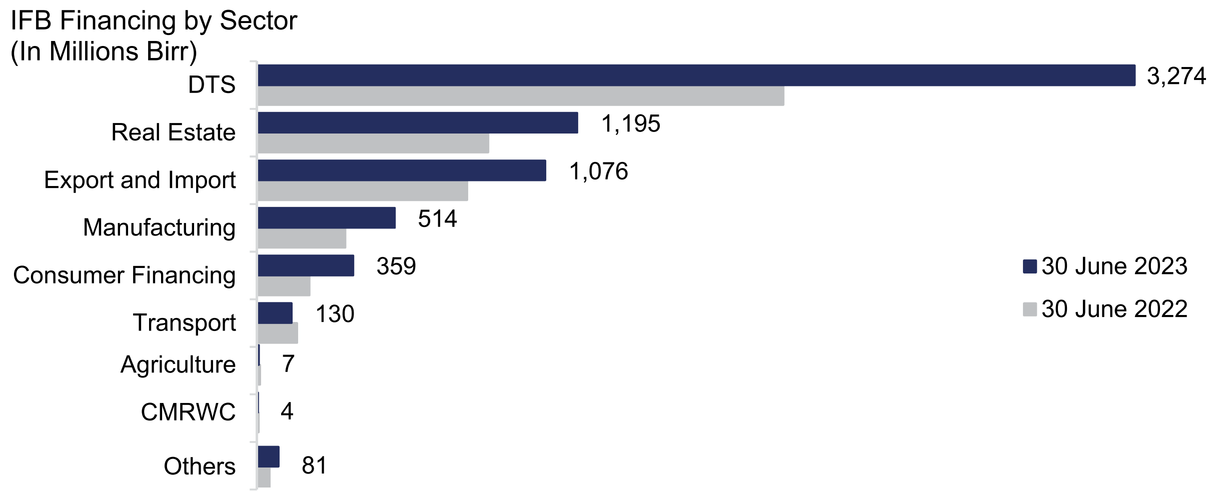
The Bank has achieved substantial progress in mobilizing resources from its Interest-Free Banking (IFB) segment. IFB deposits stood at Birr 8.1 billion at the end of June 2023, representing an encouraging year-on-year growth of Birr 2.2 billion or 36.7%.



This growth in IFB deposits is primarily attributed to the Bank's channel and customer base expansion efforts. Customer and community engagement programs, and partnerships with value chain actors have also contributed to the result achieved.

IFB Financing

The IFB financing portfolio experienced a paramount increment, totalling Birr 2.0 billion, during the reporting period. This brought the net IFB financing position to Birr 5.2 billion, showing a year-on-year growth of 63.7%. Notably, the highest sector allocation went to Domestic Trade and Services, comprising 49.3% of the IFB financing portfolio. Real Estate is the second largest sector that the Bank channelled resources to. The latter is closely followed by International Banking Services (Export and Import).



Note

'DTS' refers to Domestic Trade and Services.
'CMRWC' represents Construction Machineries Rental and Working Capital.
'Consumer Financing' include Personal and Emergency Staff Financings.
'Others' include Financing in Litigation and Mining.

FINANCIAL PERFORMANCE

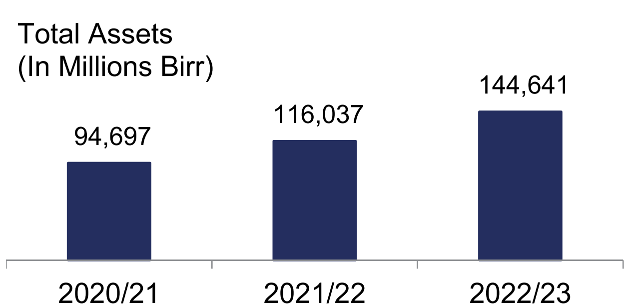
This section discusses major highlights of the consolidated financial results of the Bank for the reporting period.

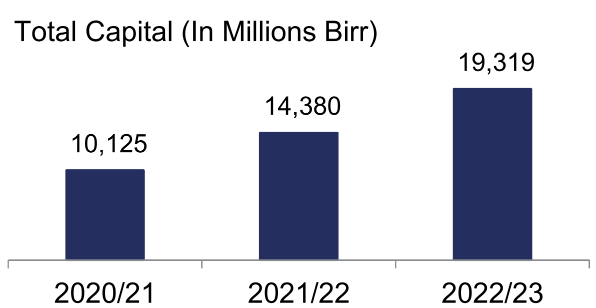
Total Assets

At the end of the reporting period, the Bank's total asset reached Birr 144.6 billion with a net increment of Birr 28.6 billion, showing a commendable growth of 24.7% compared to last year.

Total Equity

The review period has brought forth noteworthy advancements in the Bank's total equity, which has surged to Birr 19.3 billion showing a year-on-year growth of 34.3%. Half of the growth came from paid-up capital, which increased by Birr 2.5 billion or 36.2% compared to last year.

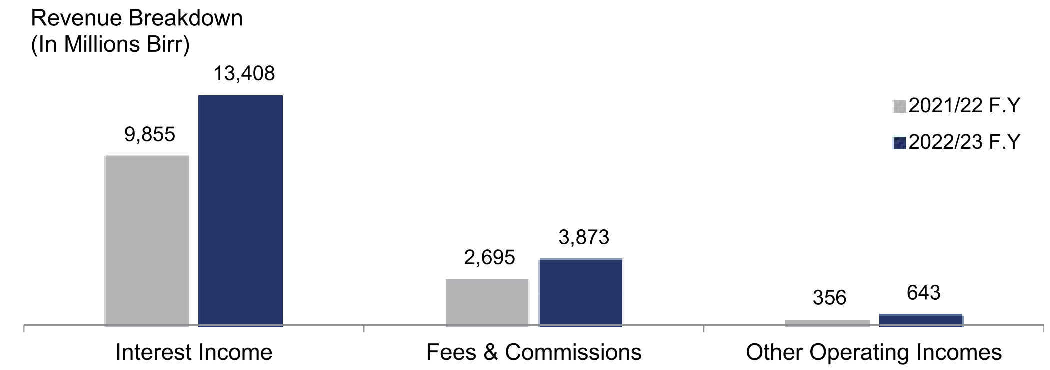




STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

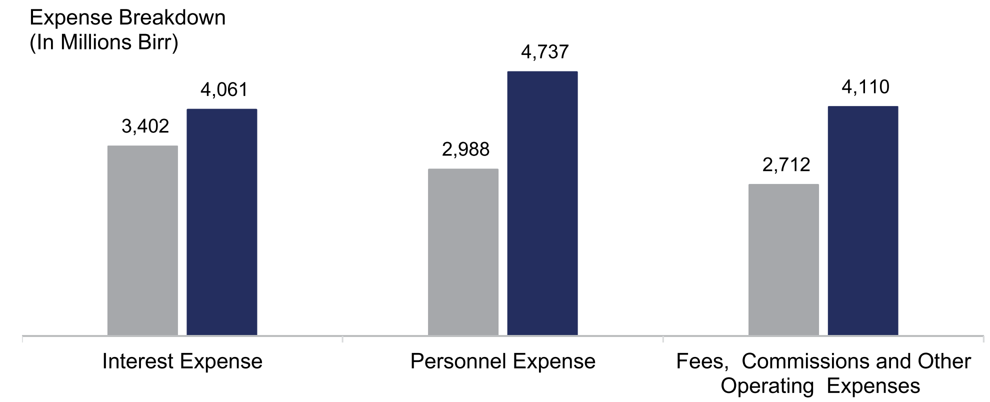
Total Income

The Bank has generated a total revenue of Birr 17.9 billion, representing a significant year-on-year growth of 38.9%. The composition of the revenue was primarily dominated by interest income, constituting 74.8%, while the remaining balance was generated from commissions and service charges on both domestic and international banking services.



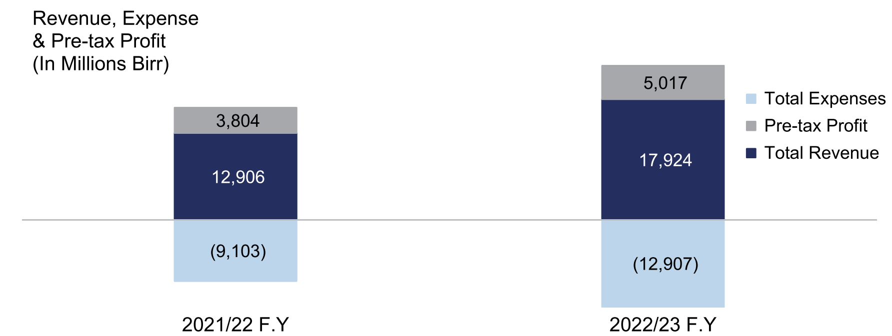
Total Expense

On the expense side, the Bank has incurred a total outlay of Birr 12.9 billion, recording a year-on-year growth of 41.8%. The primary components of the expenditures were personnel expenses, which constituted 36.7%. Interest paid on deposits made up 31.5%, while fees along with other operating expenses, contributed to 31.8% of the total expenditure.

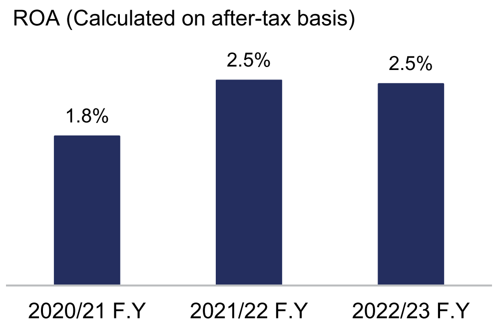


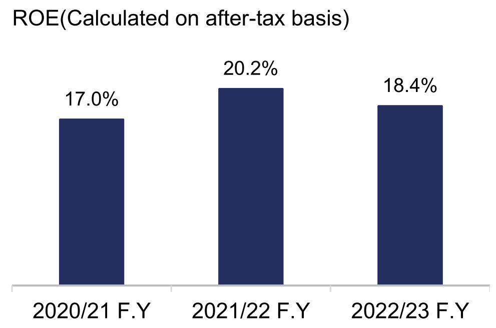
Profitability

The Bank has demonstrated remarkable financial performance, achieving a pre-tax profit of Birr 5.0 billion with an outstanding year-on-year growth of 31.9%. This achievement is grounded in its adept financial management practices, customer-centric strategies, and proactive risk mitigation efforts.



During the fiscal year, Return on Assets (ROA) of 2.5% was attained, maintaining the previous year status. In addition, the Return on Equity (ROE) of the Bank reached 18.4%, lower by 1.8% percentage points compared to last year. The lower ROE relative to the preceding year is primarily due to the substantial increase in the paid-up capital.





Proposal On Dividend Pay Out

The Bank has registered a profit growth of 31.9% in the 2022/23 FY as compared to the last fiscal year. In consideration of the registered growth and the resultant retained earnings, the Board of Directors recommends Birr 2,997,400,000 to be distributed as cash dividend.

BUSINESS AND ORGANIZATIONAL DEVELOPMENT

Strategy Formulation

With the conclusion of the 5-year strategy plan that covered from 2018/19FY to 2022/23FY, the Bank has embarked on an exciting new phase. In partnership with McKinsey & Co., the Bank has been crafting a 5-year corporate strategy that sets the course for its future growth. The strategy will be instrumental in driving innovation, enhancing customer experiences, and achieving sustainable broad-based growth in the evolving financial landscape.

Business Development and Strategic Partnership

The Bank has proactively forged collaborative engagements with various partners, encompassing Federal and regional government bodies, educational institutions, youth and women empowerment programs, business and technology incubators, charitable organizations, microfinancing institutions and other private companies. These engagements span across a broad spectrum of professions and sectors, underpinning the Bank's commitment to better serve and address customers' needs cultivating mutually beneficial business relationships.

A particularly noteworthy accomplishment has been the Bank's recent and fruitful partnership with Ethio Telecom, a collaboration that has catalysed robust digital lending practices in the Country's financial landscape. This strategic direction is in alignment with the Bank's overarching objective of rendering accessible and affordable banking services to a broader demographic, all the while embracing cutting-edge digital solutions.

Leveraging its hard earned reputation, prudent practices and sound financial position, the Bank has been exploring opportunities with international Development Finance Institutions (DFIs). The effort has borne fruit with the USD 40 million commitment by the British International Investment (BII) and the Dutch Entrepreneurial Development Bank (FMO). This is a pioneering investment by international financial institutions into Ethiopia's private banking sector after the introduction of the foreign currency intermediation directive issued by the NBE. The Bank will extend the fund to local businesses engaged in forex-generating agricultural investments.

Our People

Staff Strength and Composition

At the conclusion of the fiscal year, our workforce comprised 17,571 employees. Out of this staff strength, permanent employees constituted 58.4%, while the remaining 41.6% were outsourced. The Bank strives to improve gender diversity in its workforce. Women comprised 30% of the permanent staff by the close of the reporting period. Age distribution reflects our youthful workforce, with 81% of employees being under the age of 39.

Training and Development

Dashen Bank places significant importance on staff training and development, with 11,851 employees benefiting from comprehensive trainings provided on diverse themes. The Bank is dedicated to enhancing performance measurement, as seen through the proactive efforts to create comprehensive guidelines outlining employee measures. Continual refinement is being made on our performance management practice to better align rewards with performance and nurture a high performance culture among staff and management.

Organizational Culture

Wide ranging efforts are being made to further boost the organizational culture in the Bank with particular focus on delivery of best-in-class customer service. Foundational works are being done to foster shared values, purpose, and a collaborative spirit to serve with the end goal of remaining relevant as individuals and a team in this fast changing business landscape.

Developments in Digital and IT

During the reporting period, Dashen Bank prioritized several key IT initiatives and infrastructure maintenance, with a strong focus on ensuring system reliability and performance. The Bank achieved significant milestones in process automation and software development. A range of tailored applications catering to diverse needs, such as micro-lending, payment collection, audit management, and event management, were successfully completed.

In the cybersecurity frontier, regular vulnerability assessments, penetration testing, and cybersecurity maturity assessments were made in line with the national Cybersecurity Framework. Additionally, the Bank deployed advanced security tools like Security Orchestration, Automation, and Response (XSOAR) and Proof Point Cloud to enhance its security posture. Furthermore, the pursuit of ISO 27001:2013 implementation and comprehensive disaster recovery planning exemplified a proactive approach to regulatory compliance and risk management.
In the realm of digital channels and platforms, Dashen Bank demonstrated its commitment to innovation and customer-centricity. The successful launch of the Amole Lite mobile application and integration with partners like Safaricom showed its dedication in enhancing customer experiences and convenience.

Risk Management and Compliance

During the review period, Dashen Bank prioritized risk management and conducted comprehensive assessments across various dimensions of its operations to ensure the effective identification and mitigation of potential risks. Particular engagement was made on the debt servicing performance of key accounts entailing significant risk exposure.

In the realm of compliance risk assessment, the Bank diligently complied to Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) policies and regulations. The Bank's commitment to robust risk management was further evident in the vigilant monitoring of all risk exposures. During the reporting period, suspicious transactions were monitored and reported on a continuous basis, and AML and CFT trainings were provided to staff as part of the effort to maintain a secure and compliant banking environment.

Prudent Banking Practices

The Banking industry has been experiencing daunting challenges. One of the challenges is maintaining sound liquidity position. The Bank has endeavoured to maintain sound liquidity and honour all customer requests for cash through unrelenting efforts made in the various aspects of our operation particularly, Asset and Liability Management and Treasury Management. The professionalism and high standard of stewardship demonstrated has been a source of customer satisfaction, while cementing our reputation among customers and the wider public as a dependable private bank.

Corporate Governance

The Board of Directors and its Sub-committees, i.e., Strategy, Audit, Risk, and Human Resources, executed their oversight duties as per their Charters. Based on its bylaw, the Board conducted twelve ordinary and two extraordinary meetings and deliberated on and passed resolutions on various agenda items during the 2022/23 fiscal year. The Board closely oversaw and gave directions on issues based on its mandate. These included approval of various policies, annual budgets, and procurement requests above a certain amount. The Board also evaluated monthly, quarterly, and semi-annual performance progress reports and gave feedback to the management. Moreover, the Board participated and gave direction in the preparation of the Sixth Strategy Plan, which will guide the direction of the Bank in the next five years to 2027/28 fiscal year.

In the reporting period, the Board has critically reviewed and endorsed its Sub-committee's quarterly reports. It discussed and gave comments on Loan Reviews, ALCO, and Risk Reports on quarterly basis. Deliberations were made on the quarterly CAMEL ratings given by the National Bank of Ethiopia. It also conducted the full Board's, individual board members', and Sub-committees' evaluations semi-annually.

The Board Human Resource Affairs Sub-committee reviewed and approved the annual training plan of the Bank. It also gave direction on the competency gap assessment to be carried out by external consultants. The Sub-committee further reviewed a mentoring program guideline and provided constructive comments for its finalization and approval.

The Board Risk Management Sub-committee discussed and gave comments on loan review and risk assessment reports; and submitted its findings to the full Board. It also carried out other critical activities related to enterprise risk.

The Board Audit Sub-committee overseen the performance of the Internal Audit Office, reviewed major audit findings, and selection processes of External Auditors for the next three fiscal years. The Sub-committee hold entrance and exit discussions with External Auditors, and reviewed the rectification status of findings raised by External Auditors on the Internal Control Mechanisms (ICM) report.

The Board Strategic Management Sub-committee reviewed the implementation status of the Bank's five-year strategic plan. The implementation status review revealed that positive achievements were registered in both financial and non-financial dimensions, while performance lags existed in some other levers, such as customers and processes. The Sub-committee also endorsed and approved the proposal to formulate the Sixth Strategy Plan.

In the reporting period, Board directors were provided with capacity building trainings locally and abroad. The capacity building focused on corporate governance and strategic leadership.

Social Impact

Dashen Bank has demonstrated a robust commitment to Corporate Social Responsibility (CSR) through a diverse range of impactful initiatives. The Bank invested a substantial Birr 285.0 million to drive positive community impact and socio-economic development. Noteworthy achievements include the construction of feeding centers and educational facilities. Furthermore, the Bank's compassionate is demonstrated in the support extended to environmental protection and humanitarian relief interventions. By extending support to community organizations and local businesses, the Bank also contributed its fair share to societal welfare.

Branch Renovation

The Bank has embarked on an exciting journey of refreshing its branches. The renovation being implemented at selected branches is creating suitable customer service environment. Beyond the functional benefits, the aesthetically pleasing space is fostering a welcoming atmosphere for customers.

Along the branch renovation work, the Bank is also building Smart Banking Centres, a testament to its forward-thinking approach to banking. These centers are designed to integrate cutting-edge technology and innovative design, creating a hub of convenience and efficiency for customers. With a focus on digital solutions, these centers will provide a seamless blend of online and offline banking services, empowering our customers to manage their finances in a manner that best suits their preferences.

Recognition and Awards

In the fiscal year 2022/23, the Bank achieved remarkable recognition and acclaim across various facets of its operations. Notably, it earned the prestigious title of "Bank of the Year" from the London based The Banker Magazine, an affiliate of the Financial Times. On December 2, 2022, this esteemed award was bestowed upon the Bank for the twelfth time. The recognition was given to the Bank in due consideration of the ground-breaking partnership with Ethio Telecom for AI-enabled micro-lending products that helped inclusion of millions in the financial system. The Bank's pioneering effort to introduce the first-of-its-kind Tier III Ready Data Center in the financial industry also contributed for the recognition.

Additionally, the Bank's recognition by the Ministry of Revenue as a "Certified Authorized Economic Operator" in April 2023 reflects its compliance with customs regulations and its pivotal role as a trusted partner in facilitating international trade, thereby contributing significantly to the broader economic development of the Country. It is also worth noting that the Bank received recognition from the Prime Minister of Ethiopia for its contribution towards the Country's self-sufficiency endeavours through tax collection. Collectively, these achievements reinforce the Bank's position as one of the leading forces in the financial industry.

Going Forward

Dashen Bank's strategic focus includes implementing the new strategy plan, enhancing digital banking presence via expanding ATMs and POS network, diversifying its products, and revitalizing the organizational culture. The Bank aims to maintain asset quality through prudent financing and strong customer engagement. Additionally, the Bank seeks to strengthen partnerships with DFIs to boost foreign currency generation and support international trade.

As the financial sector evolves with the imminent introduction of capital market, the entry of non-bank players and the prospect of foreign banks joining the industry, Dashen Bank strives to remain relevant and competitive by prioritizing innovation, digitalization, and expanding product offerings to cater to evolving customer demands.

Maintaining compliance with international and national standards will be crucial in managing risks amid increased competition. Embracing capital market opportunities will diversify funding sources, contributing to the Bank's sustainable growth and profitability.

Vote of Thanks

The Board of Directors and Executive Management would like to extend a heartfelt appreciation to the Bank's valued customers, partners, shareholders, employees, the National Bank of Ethiopia, and all other stakeholders for the unwavering togetherness. We are particularly grateful to the International Finance Corporation (IFC), Afreximbank, and Trade and Development Bank (TDB). Your support has been instrumental in propelling the Bank towards its goals, inspiring it to aspire even higher in the upcoming years. Dashen is committed to further growth and continuous improvement, aiming to provide an elevated customer experience and generate lasting value for all esteemed stakeholders. As the Bank moves forward, its determination remains steadfast in exceeding expectations and fostering sustainable progress.

CORRESPONDENT BANKS & FINANCING PARTNERS

citibank
AFREXIMBANK
TDB
Standard Bank
Ecobank The Pan African Bank
standard chartered
Swedbank
COMMERZBANK
HSBC
MUFG Bank of Tokyo-Mitsubishi UFJ
Commercial Bank of Dubai
ABN·AMRO
NATIXIS BEYOND BANKING
Handelsbanken
mastercard foundation
INKOMOKO
IFC
British International Investment
FMO Entrepreneurial Development Bank
THE WORLD BANK

29th Ordinary Shareholders Meeting

27th Annual Managers' Conference


Seedlings Plantation at Entoto Hills


Amoudi Tesfa BerhanFeeding Center at Lemi Kura Sub-city in Addis Abeba


Beyeda Primary and Secondary school – Del Yibza Woreda, North Gondar


Colba Tannery Plc

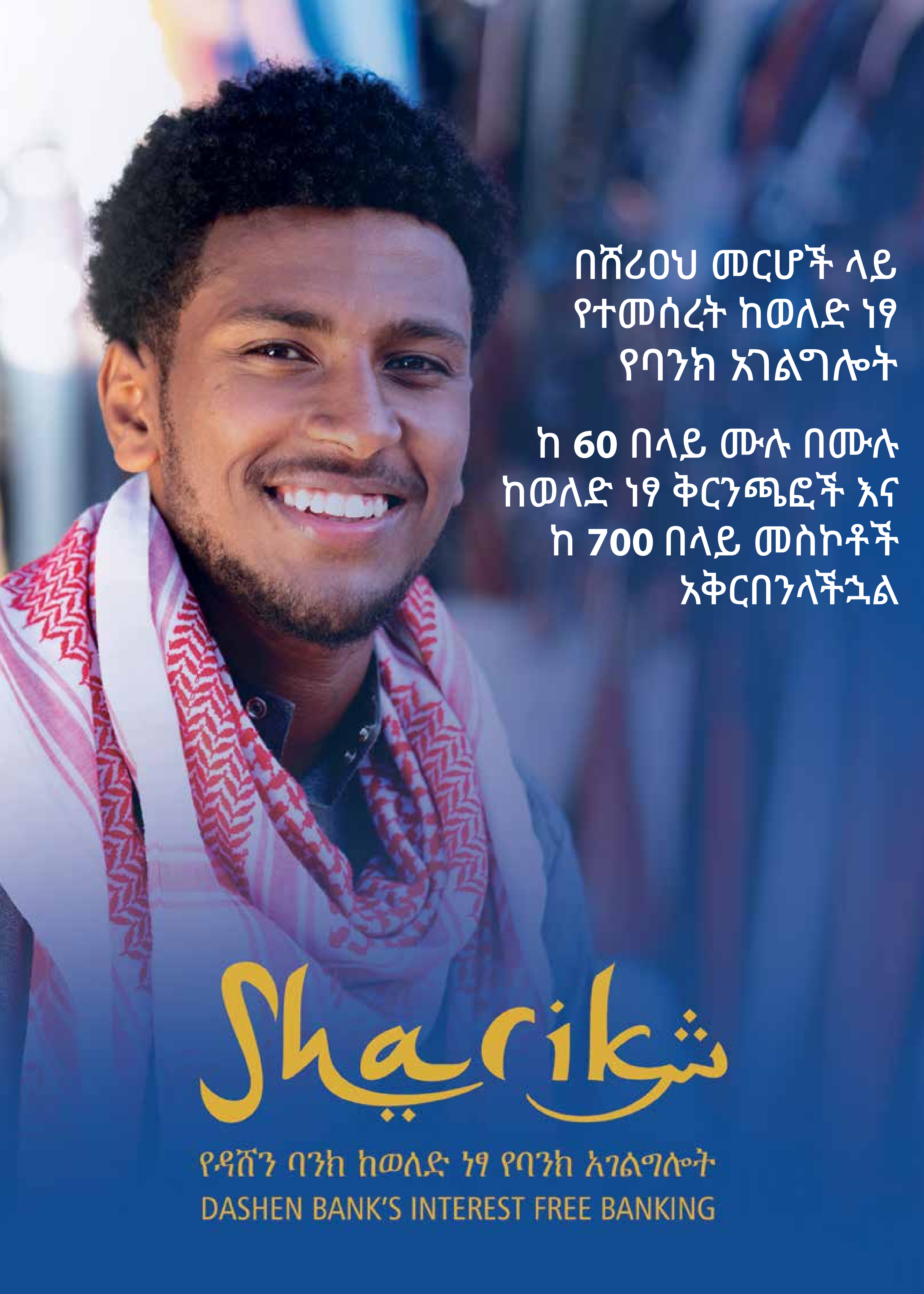
Zaf Pharmaceuticals


Abreham Abebe General Exporter


Jemal Seid Adem Import & Export


Zelalem Eshetu Coffee Exporter


Stay Easy Hotel



Dashen Bank S.C.
Report of the Shari'ah Advisory Committee
For the Financial Year Ended June 30, 2023

To the Shareholders, Customers and other Stakeholders of Dashen Bank S.C.

As part of the roles and responsibilities of the Shari'ah advisory committee ("the committee") of Dashen Bank S.C ("the bank") stipulated under the bank's Shari'ah Governance Framework and Charter of the committee, we hereby submit its report for the financial ended June 30,2023:

The Committee dedicated its highest attention and time to oversee the bank's Interest Free Banking ("IFB") window service at IFB widows and dedicated IFB Branches. In the period under review, the committee has held successive regular and extraordinary meetings to effectively fulfill its responsibilities. It has reviewed the Bank's IFB products, financing contacts, terms and conditions, etc. used at the bank's IFB window service in order to determine that the relevant Shari'ah rules and principles are strictly applied. It has also issued *fatwas* (rulings) on all Shari'ah related matters referred to it by the bank. The committee has duly given feedbacks and directions to the Board of Directors, Management and staff of the bank on matters requiring their attention.

The committee has also regularly viewed and deliberated on various reports and financial statements submitted to it by Executive Offices, Departments and Wok Units of the bank to determine whether the overall performance of the bank's IFB window service is Shari'ah compliant and consistent with internationally accepted Islamic finance principles. The committee has accordingly given feedbacks and directions based on the reports and explanations given by the officials and experts of the Bank.

The management of the Bank is responsible for ensuring that the Bank undertakes its IFB business in a manner consistent with Islamic law or Shari'ah principles as per the relevant directives of the National Bank of Ethiopia and best industry practices worldwide. It is our responsibility to form an independent opinion as to whether the Bank has complied with the Shari'ah rules, principles and with the specific *fatwas* or Shari'ah decisions made by us. Our opinion is primarily based on the reviews of regular reports and relevant documentations, the bank's operations, audit reports and explanations given by the Management.

In our opinion:

1) The bank is exerting utmost efforts to comply with regulatory requirements as well as adopt best industry governance practices;
2) The contracts, transactions and dealings entered into by the Bank during the financial year ended June 30,2023 that we have reviewed are in compliance with the Shari'ah rules and principles.

Finally, the members of the Committee would like to appreciate the efforts and commitments of the Board of Directors, Management and Staff of the Bank towards strengthening Shari'ah compliance in the bank's IFB window service.

Addis Ababa, October 5, 2023
On Behalf of the Shari'ah Advisory Committee

Sheikh Muhammed Yasin Ibrahim
(Chairman - SAC)

Ustaz Mahmoud Hassen Hussen
(D/Chairman - SAC)

Por

Ustaz Mustaffa Hamid Yussuf
(Member - SAC)

Ustaz Remedan Ahmed Abdo
(Member - SAC)

Sheikh Seid Kiyar Mussa
(Member - SAC)

AUDITORS' REPORT

AA Bromhead Certified Audit Firm and UK Registered Auditor

CONTENTS

Company information

Principal registration number: KK/AA/3/0001272/2004
NBE registration number: LBB/002/95

Board of Directors (As of 30 June 2023)	Official Designation	Appointment Date to current positions
Dulla Mekonnen Mosissa	Chairman	Mar-2021
Abebe Teklu G/Selassie	Member	Nov-2017
Abdulmutelib Beyan Hamza	Member	Mar-2021
Haile Assegide Haile	Member	Mar-2021
Getaw Yalew Endeshaw	Member	Nov-2017
Mekete Dagnew Anteneh	Member	Mar-2021
Saeed Ahmed Hassen	Member	Nov-2017
Negussie Demie Buta	Member	Jan-2022
Rahel Werede Amdebirhan	Member	Mar-2021

Corporate Management Council Members:

Asfaw Alemu Tessema	Chief Executive Officer	May-2015
Alemneh Abebe Kabtyemer	Chief Financial Officer	Jan-2019
Asfaw Hailemariam Tadesse	Chief Internal Auditor	Apr-2022
Ayele Teshome Mulatu	Chief Banking Business Officer	Nov-2021
Eyerusalem Wagaw Dubale	Chief People Officer	Nov-2021
Freegzi Berhane Gebremariam	Chief Corporate Service Officer	Jan-2019
Getinet Dessie Berhie	Chief Enterprise Risk Management and Compliance Officer	Apr-2022
Mesfin Bezu Yimam	Chief Interest Free Banking Officer	Nov-2021
Mulugeta Alebachew Chifraw	Chief Strategy and Innovation Officer	Nov-2021
Tesfaye Anene Kotiye	Acting Chief Information Officer	Jan-2023
Tibebu Solomon Tadesse	Chief Banking Operations Officer	Oct-2021
Yihnalem Aknaw Meshesha	Chief Retail and Branch Banking Officer	Oct-2021
Yohannes Million Hussen	Chief Digital Banking Officer	Nov-2021
Lidia Samuel Abebe	Executive Assistant to the CEO	Mar-2019
Abeselom Mulugeta Ayele	Director-Compliance Management Department	Jan-2022
Abiyot Woldeyesus Teka	Director-Finance and Accounts Department	Nov-2019
Amsalu Legesse Reda	Director-Digital Channels & Platform Department	Oct-2021
Andualem Belete Fenta	Director-Treasury Management Department	Jun-2020
Getahun Tsegaye Deble	Director-Corporate Banking Department-Domestic Trade & Service Sector	Oct-2022
Walelign Bezalem Desta	Director-Talent Development Department	Nov-2021
Dejene Getahun Tessema	Director-Enterprise Program Management Department	Jul-2020
Dejene Girma Woubshet	Director-Corporate Banking Department-Government Agencies, NGO & International Trade Sector	Oct-2021
Kasaye Eshetu Degife	Director-Digital Banking Business Department	Nov-2021
Tagel Mekonenn Degefu	Director-Cyber Security Department	Jul-2020
Tamrat Tilahun Haile	Construction Project Advisor to the CEO	Aug-2022
Tamiru Girma Demssie	Director-Supply Chain Management Department	Aug-2022
Woldemariam Deresse Tsegaw	Director-Strategy Research & Corporate Performance Department	Dec-2021
Workeshet Bizuneh Desta	Director, Information System Audit Department	May-2022
Zelalem Taddesse Feyisa	Director, Facilities Management	Feb-2019
Aberra Bekele Gebreyohannes	Directcr-Legal Services Department	Oct-2016

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A.A Bromhead
Certified Audit Firm
P.O. Box 709
Addis Ababa

Company information (Continued)

Corporate Management Council Members (Continued)

	Official Designation	Appointment Date to current positions
Alemneh Adane Habtegebriel	Director-Analytics & Database Management	Oct-2021
Amdu Seman Awele	Director-Retail & SME IFB Department	Oct-2021
Tesfaye Haile	Director, Branch Banking & Customer Experience	
Biruck Hailemeskel Kassaye	Director-Agency Banking Business Department	Nov-2021
Daniel Alemu Gelaw	Director-Central Processing Department	Dec-2021
Endale Gebreselassie Tasew	Director, Marketing and Customer Experience Department	Jun-2022
Fekadu Alemu Kenea	Director-Digital Banking Operations Department	Nov-2021
Fesha Berhanu Degaffe	Director-International Banking Department	Oct-2021
Feysel Abdu Mohammed	Director-Corporate Interest Free Banking Department	Apr-2020
Geletaw Aschis Desta	Director-Corporate Banking-Manufacturing & Agricultural Sector	Oct-2021
Hewate Kefelegn Sahle	Director-Talent Management Department	Feb-2019
Kassahun Girma Demessie	Director-Risk Based Internal Audit Department	May-2022
Daniel Assefa Tedla	Director-Credit Analysis & Appraisal Department	Aug-2022
Muhammed Ahamed Shehu	Director-HR Operations & Partnership	Feb-2019
Solomon Getachew Mengistu	Director-Operational Audit Department	May-2022
Tadesse Kasahun Desta	Director-Retail & MSME Banking Business Dept.	Sep-2022
Tadiwos Lakemariam Mengesha	Director-Engineering Service Department	Feb-2019
Betelehem Worku Merach	Director-Corporate Banking Department-Institutional Banking Sector	Aug-2022
Woineshet Girma Haile	Director-Enterprise Risk Management Department	Jun-2022
Muluken Demessie Ketema	Manager, Adama District	Nov-2020
Yihenew Bizualem Azage	Manager, Bahir Dar District	Nov-2021
Addisu Ayalew Negash	Manager, Dessie District	Nov-2021
Elias Hussien Abegaz	Manager, East Addis District	July 2020
Petros Moges Wondimu	Manager, Hawassa District	Oct-2020
Tesfalem Mengiste Asnakew	Manager, Jimma District	Aug-2023
Abebe Zeleke Tewado	Manager, North Addis District	Feb-2019
Afework Gugsa Mideksa	Manager, South Addis District	Oct-2021
Meseret Yazachew Tawu	Manager, West Addis Ababa District	Aug-2022
Tadiyos Tesfaye Gebremedhin	Manager, Wolaita Sodo District	Nov-2021
Haile Kahsay Hishe	Manager, Mekelle District	April-2023
Tilahun Tenkolu Dechassa	Manager, Dire Dawa District	Nov-2022

Sharia Advisory Committee:

(Appointed from 1 December 2017)

Kemal Geletu Mamme (PhD)

Muhammed Yasin Ibrahim (Sheikh)

Mahmoud Hassen Hussen (Ustaz)

Mustaffa Hamid Yussuf (Ustaz)

Remedan Ahmed Abdo (Ustaz)

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Company information (Continued)

Corporate Registered Office

Dashen Bank S.C.
Headquarters Building
Sudan Street
Tel. +251-115-183091
dashen.bank@ethionet.et
www.dashenbanksc.com
P.O Box 12752
SWIFT Code: DASHETAA
Addis Ababa, Ethiopia

Company Secretary

Aberra Bekele Gebreyohannes
Dashen Bank S.C.
P.O Box 12752, Tel.+251-114-661380
Addis Ababa, Ethiopia

Correspondent banks

Citibank NA New York	111 Wall Street, New York, USA
Citibank NA , London	Citigroup Centre, Canary Wharf 33 Canada Square London, E14 5LB United Kingdom
Commerzbank AG Frankfurt	Kaiserstrasse 16, Frankfurt AM, Germany
Standard Chartered Bank	1095 Avenue of the Americas, New York, USA
Banque Pour Le Commerce Et L'industrie-Mer Rouge	Rue Clochette, Djibouti
Bank of Africa group	10 place Lagarde - BP 88 - Djibouti
Intesa Sanpaolo spa, (Head Office)	Via Monte di Pietà, 8,20121 Milano
Natixis(Formerly Natexis Bankque Populaire Paris)	21, Boulevard Haussmann,BP 265,Paris, 75427
The Bank of Tokyo-Mitsubishi, UFJ	2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
EBI SA (LA DEFENSE) - ECOBANK	Les Collines de l'Arche,76 Route De La Demi-Lune,Paris-La Defense, 92057
The Standard Bank of South Africa Limited	9th Floor Standard Bank Centre 5 Simmonds Street Johannesburg Gauteng 2001 South Africa
SWED Bank	Landsvägen 40, 172 63 Sundbyberg. Postal address: 105 34 Stockholm
Commercial Bank of Dubai	Al Ittihad Street ,Port Saeed, P.O.Box 2668 Dubai, Swift Code-CBDUAEAD
CAC International Bank	Immeuble Dar Al-Karam,Ruede Marseille, Djibouti city, Swift code CACDDJJD
EAST Africa Bank	Place du 27 Juin, P.O.Box 2022, Djibouti, Republic of Djibouti
Equity Bank (Kenya) Limited	Equity Center, Hospital Road, Upper Hill. P.O.Box 75104-00200 Nairobi, Kenya
EXIM Bank Djibouti SA	Batiment Ougoul, P.O.Box 4455,Avenue Mohamed Farah Dirir, Djibouti
SABA Africa Bank, Djibouti	Avenue Franchet D'Esperey, BP: 166 Djibouti

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Company information (Continued)

Principal banker in Ethiopia

National Bank of Ethiopia — Sudan Avenue. P.O.Box: 5550, Addis Ababa, Ethiopia

Actuaries

QED Actuaries and Consultants (Pty) Ltd
P.O.Box 413313, Craighall 2024
1st Floor, The Bridle, Hunts End Office Park, 38 Wierda Road West, Wierda Valley
Telephone: +27 11 038 3754, +27 60 673 2994
Website: www.qedact.com
Email: craigfalconer@qedacturial.com
Sandton, Johannesburg
South Africa

Independent auditor

A.A. Bromhead Certified Audit Firm
Jomo Kenyata Street, EECMY Building, 4th Floor
P.O. Box 709, Addis Ababa, Ethiopia

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A.A Bromhead Certified Audit Firm P.O. Box 709 Addis Ababa

Directors' report

The Directors submit their report together with the financial statements for the year ended 30 June 2023 to the shareholders of Dashen Bank Share Company ("Dashen" or the "Bank"). This report discloses the financial performance and state of affairs of the Bank.

Incorporation and address

Dashen Bank Share Company was incorporated in Ethiopia in 1995 as a privately owned financial institution and is domiciled in Ethiopia.

Principal activities

The Bank is principally engaged in the provision of a diverse range of financial products and services to corporate, retail and SME clients based in the Ethiopian market.

Share capital

The Bank has a paid up capital of ETB 9,344,559,000 (2022: ETB 6,863,215,000) divided into 9,344,559 (2022: 6,863,215) ordinary shares of par value of ETB 1,000.

Operating Results

The Bank's results for the year ended 30 June 2023 are set out on page 43. The profit for the year has been transferred to retained earnings. The summarised results are presented below:

	2023 ETB'000	2022 ETB'000
Net interest income	9,347,068	6,452,498
Profit before tax	5,016,753	3,803,785
Income tax expense	(1,455,666)	(899,223)
Profit for the year	3,561,087	2,904,562
Other comprehensive income, net of taxes	50,233	24,247
Total comprehensive income for the year	3,611,320	2,928,809
Basic EPS	442	532

Directors

The Board of Directors who held office during the year and to the date of this report are set out on page 33.

Dulla Mekonnen Mosissa
Chairman, Board of Directors
25 September 2023

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A.A Bromhead Certified Audit Firm P.O. Box 709 Addis Ababa

Statement of Directors' responsibilities

The Commercial Code of Ethiopia of 2021 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year. The Code also requires the Directors to ensure that the Bank keeps proper accounting records which disclose, with reasonable accuracy, at any time, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRSs), the requirements of the Commercial Code of Ethiopia of 2021, the Banking Business Proclamation No. 592/2008 and Banking (Amendment) Proclamation No. 1159/2019, NBE Directives and the Accounting and Auditing Board of Ethiopia's instructions of 30 October 2019, and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for these financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRSs, the requirements of the Commercial Code of Ethiopia of 2021, the Banking Business Proclamation No. 592/2008 and Banking (Amendment) Proclamation No. 1159/2019, NBE Directives, NBE Circulars and the Accounting and Auditing Board of Ethiopia's instructions of 30 October 2019. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors also accept responsibility for:

i) Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

ii) Selecting suitable accounting policies and applying them consistently; and

iii) Making accounting estimates and judgements that are reasonable in the circumstances.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least the next twelve months from the date of this statement.

Signed on behalf of the Directors by:

Dulla Mekonnen Mosissa Chairman, Board of Directors 25 September 2023	Asfaw Alemu Tessema Chief Executive Officer

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Email: - aabromhead@aa-bromhead.com

A.A Bromhead Certified Audit Firm P.O. Box 709 Addis Ababa

Independent Auditor's Report to the Shareholders of Dashen Bank Share Company

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Dashen Bank Share Company ("the Bank") set out on pages 11 to 88, which comprise the statement of financial position as at 30 June 2023, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 30 June 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

Nature of Key Audit Matters

1. Significant management's judgments, estimates and assumptions in the determination of expected credit loss (ECL).

The carrying value of financial instruments within the scope of IFRS 9 ECL may be materially misstated if judgements or estimates made by the management are not accurate.

- Significant Increase in Credit Risk (SICR) - the Bank's identification of a significant increase in credit risk (SICR) based on the National Bank of Ethiopia (NBE)'s Directive No. SBB/69/2018 as qualitative indicators for identifying a significant increase in credit risk are highly judgemental and can materially impact the ECL recognised for loans and advances. The SICR determines whether to apply the 12 months ECL or the lifetime ECL.
- The Bank has applied the NBE's definition for "Non-performing" loans and advances to determine defaults of loans and advances and has applied probability of default (PD) of 100% for loans and advances that are classified under "Sub-Standard", "Doubtful" and "Loss".
- To estimate the loss given default (LGD), assumptions and estimates are made in the determination of the value of collateral and the corresponding sales proceeds as well as the time of the sales.

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Independent Auditor's Report to the Shareholders of Dashen Bank Share Company (Continued)

Report on the Financial Statements (Continued)

Key Audit Matters (Continued)

Nature of Key Audit Matters (Continued)

- Economic base case – IFRS 9 requires the Bank to measure ECL on a forward-looking basis, incorporating future macro-economic variables (MEVs) reflecting a range of future conditions, that might differ from expectations.
- Complex model used – Complex statistical matrices are used in the determination of probability of default (PD).

The effect of these matters is that, as part of our risk assessment, we determined that the value of ECL has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

Our Response

Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the financial statements. These procedures included:

- Understanding the methodology used to determine the ECL;
- Ascertaining the completeness of data used in the determination of ECL;
- Ascertaining the correctness of the classification of financial assets to stages, stage 1 or 2 or 3;
- For a sample of loans and advances, the values of collateral used in the determination of LGD were checked with the collateral values assessed by management;
- For a sample of loans and advances, the accuracy of LGD and ECL were tested for accuracy; and
- Reviewing the adequacy of disclosures of management judgments, estimates and assumptions;

Our Results

We considered the credit impairment charge, the provision recognised and the related disclosures to be acceptable.

2. Information Technology (IT) Access management

Our audit approach relied extensively on automated controls and, therefore, on the effectiveness of controls over IT systems. Access management controls are critical to ensure that changes to applications and underlying data are made in an appropriate manner. Appropriate access and change controls contribute to mitigating the risk of potential fraud or errors as a result of changes to applications and data.

Our Response

Access rights were tested over applications, operating systems and databases relied upon for financial reporting. Specifically, the audit tested that:

- New access requests for joiners were properly reviewed and authorised;
- User access rights were removed on a timely basis when an individual left or changed role;
- Access rights to applications, operating systems and databases were periodically monitored for appropriateness;
- Highly privileged access was restricted to appropriate personnel; and
- Existence of strict procedures on password policies, security configurations, controls over changes to code, data and configuration.

Independent Auditor's Report to the Shareholders of Dashen Bank Share Company (Continued)

Report on the Financial Statements (Continued)

Key Audit Matters (Continued)

2. Information Technology (IT) Access management (Continued)

Our Results

We considered the user access management control to be acceptable.

Other Information

The Directors are responsible for the other information, which comprises the Directors' report in accordance with Article 315(6)(c) of the Commercial Code of Ethiopia of 2021. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the audit work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The management of the Bank is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Commercial Code of Ethiopia of 2021, the Banking Business Proclamation No. 592/2008 and Banking (Amendment) Proclamation No. 1159/2019, NBE's Directives and the Accounting and Auditing Board of Ethiopia's instructions of 30 October 2019, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

i) Identified and assessed 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.

Independent Auditor's Report to the Shareholders of Dashen Bank Share Company (Continued)

Report on the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

ii) Obtained an understanding of internal control relevant to the audit in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

iii) Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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

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

We communicated 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 identified during our audit.

Report on Other Legal and Regulatory Requirements

We have no comment to make on the report of your Directors so far as it relates to these financial statements and pursuant to Article 349 (1 and 2) of the Commercial Code of Ethiopia of 2021, recommend approval of them.

A.A. Bromhead

A.A. Bromhead Certified Audit Firm and
UK Registered Auditor
Auditor's of Dashen Bank Share Company

25 September 2023
Addis Ababa

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A.A Bromhead Certified Audit Firm P.O. Box 709 Addis Ababa

Statement of Profit or Loss and other Comprehnsive Income

	Notes	2023 ETB'000	2022 ETB'000
Interest income	5	13,407,751	9,854,633
Interest expense	6	(4,060,683)	(3,402,135)
Net interest income		9,347,068	6,452,498
Fees and commission income	7	3,873,151	2,695,326
Fees and commission expense	7	(206,653)	(140,822)
Net fees and commission income		3,666,498	2,554,504
Other operating income	8	643,191	356,461
(Loss) on foreign exchange		(342,900)	(681,224)
Total operating income		**13,313,857**	**8,682,239**
Loans impairment charge	9	(497,601)	(215,517)
Impairment charge on IFB financing	9	(31,359)	(17,169)
Impairment losses on other financial assets	10	(75,184)	(37,399)
Net operating income		**12,709,713**	**8,412,154**
Employee benefits expenses	11	(4,736,756)	(2,988,428)
Other operating expenses	12	(2,956,204)	(1,619,941)
Profit before income tax		**5,016,753**	**3,803,785**
Income tax expense	13(a)	(1,455,666)	(899,223)
Profit for the year		**3,561,087**	**2,904,562**
Other comprehensive income (OCI)			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement gain / (loss) on retirement benefits obligations	24(c)	403	(109,912)
Remeasurement gain on financial assets at FVTOCI	16(a)	71,365	144,551
Deferred tax (expense)	13(a)	(21,535)	(10,392)
		50,233	**24,247**
Total comprehensive income for the year		**3,611,320**	**2,928,809**
Earnings per share (EPS):			
Basic EPS	26	**442**	**532**
Diluted EPS	26	**442**	**532**

The notes on pages 48 to 120 are an integral part of these financial statements.

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A.A Bromhead Certified Audit Firm P.O. Box 709 Addis Ababa

Statement of Financial Postion

	Notes	2023 ETB'000	2022 ETB'000
ASSETS			
Cash and balances with banks	14(a)	11,957,305	10,404,444
Reserve with National Bank of Ethiopia	14(b)	8,299,585	6,499,675
Loans and advances to customers	15(a)	95,045,806	74,867,993
IFB financing	15(b)	5,152,367	3,147,590
Investment security:			
Financial assets at fair value	16(a)	422,567	292,069
Debt securities at amortised cost	16(c)	11,206,670	12,171,707
Other assets	17	4,250,560	2,774,486
Investment properties	19	730,279	747,260
Intangible assets	20	651,407	184,595
Property and equipment	21	6,836,735	4,774,838
Deferred tax assets	13(e)	87,651	172,188
Total assets		**144,640,932**	**116,036,845**
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits	22	114,848,093	91,235,884
Current income tax	13(d)	1,439,956	906,584
Other liabilities	23	8,548,363	9,117,185
Defined benefits obligation	24(a)	485,979	396,772
Total liabilities		**125,322,391**	**101,656,425**
EQUITY			
Share capital	25(a)	9,344,559	6,863,215
Retained earnings	27	2,999,509	1,270,328
Reserve for IFRS	28	893,506	900,908
Legal reserve	29	4,417,405	3,527,133
Special reserve	30	100	100
Regulatory credit risk reserve	31	1,503,113	1,824,326
Share premium	25(b)	128,300	12,593
Other reserves	32	32,049	(18,183)
Total equity		**19,318,541**	**14,380,420**
Total liabilities and equity		**144,640,932**	**116,036,845**

The financial statements on pages 43 to 120 were approved and authorised for issue by the Board of Directors on 25 September 2023 and were signed on its behalf by:

Dulla Mekonnen Mosissa
Chairman, Board of Directors

Asfaw Alemu Tessema
Chief Executive Officer

The notes on pages 48 to 120 are an integral part of these financial statements.

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No. 26
DASHEN BANK

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Statement of Changes in Equity

	Notes	Share capital ETB'000	Share premium ETB'000	Retained earnings ETB'000	Legal reserve ETB'000	Reserve for IFRS ETB'000	Regulatory credit risk reserve ETB'000	Other reserve ETB'000	Special reserve ETB'000	Total ETB'000
As at 1 July 2021		**4,387,996**	**-**	**1,161,185**	**2,800,992**	**922,013**	**895,233**	**(42,430)**	**100**	**10,125,089**
Profit for the year	27	-	-	2,904,562	-	-	-	-	-	2,904,562
Other comprehensive income:				-	-	-	-	-	-	-
Remeasurement (loss) on retirement benefits obligations	32	-	-	-	-	-	-	(76,938)	-	(76,938)
Change in fair value of financial assets at fair value through OCI	32	-	-	-	-	-	-	101,185	-	101,185
		4,387,996	-	4,065,747	2,800,992	922,013	895,233	(18,183)	100	13,053,898
Transaction with owners in their capacity as owners and transfers within equity:										
Transfer to legal reserve	29	-	-	(726,141)	726,141	-	-	-	-	-
Transfer to capital	27	660,086	-	(660,086)	-	-	-	-	-	-
Shares issued		1,815,133	12,593	-	-	-	-	-	-	1,827,726
Transfer to regulatory credit risk reserve	31	-	-	(929,093)	-	-	929,093	-	-	-
Dividends paid	27	-	-	(499,066)	-	-	-	-	-	(499,066)
Transfer from reserve for IFRS	28	-	-	21,105	-	(21,105)	-	-	-	-
Directors' remuneration	27	-	-	(2,138)	-	-	-	-	-	(2,138)
		2,475,219	12,593	(2,795,419)	726,141	(21,105)	929,093	-	-	1,326,522
As at 30 June 2022		**6,863,215**	**12,593**	**1,270,328**	**3,527,133**	**900,908**	**1,824,326**	**(18,183)**	**100**	**14,380,420**

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Dashen Bank Share Company
Report and Financial Statements
For the year ended 30 June 2023
Statement of Changes in Equity (Continued)

	Notes	Share capital ETB'000	Share premium ETB'000	Retained earnings ETB'000	Legal reserve ETB'000	Reserve for IFRS ETB'000	Regulatory credit risk reserve ETB'000	Other reserve ETB'000	Special reserve ETB'000	Total ETB'000
As at 1 July 2022		**6,863,215**	**12,593**	**1,270,328**	**3,527,133**	**900,908**	**1,824,326**	**(18,183)**	**100**	**14,380,320**
Profit for the year	27	-	-	3,561,087	-	-	-	-	-	3,561,087
Other comprehensive income:										
Remeasurement gain on retirement benefits obligations	32	-	-	-	-	-	-	282	-	282
Change in fair value of financial assets at fair value through OCI	32	-	-	-	-	-	-	49,950	-	49,950
		6,863,215	12,593	4,831,415	3,527,133	900,908	1,824,326	32,049	100	17,991,739
Transaction with owners in their capacity as owners and transfers within equity:										
Transfer to legal reserve	29	-	-	(890,272)	890,272	-	-	-	-	-
Transfer to share capital	27	695,626	-	(695,626)	-	-	-	-	-	-
Shares issued for cash		1,785,718	115,707	-	-	-	-	-	-	1,901,425
Transfer from regulatory credit risk reserve	31	-	-	321,213	-	-	(321,213)	-	-	-
Dividends paid	27	-	-	(572,669)	-	-	-	-	-	(572,669)
Transfer from reserve for IFRS	28	-	-	7,402	-	(7,402)	-	-	-	-
Directors' remuneration	27	-	-	(1,954)	-	-	-	-	-	(1,954)
		2,481,344	115,707	(1,831,906)	890,272	(7,402)	(321,213)	-	-	1,326,802
As at 30 June 2023		**9,344,559**	**128,300**	**2,999,509**	**4,417,405**	**893,506**	**1,503,113**	**32,049**	**100**	**19,318,541**

The notes on pages 48 to 120 are an integral part of these financial statements.

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DASHEN BANK
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Dashen Bank Share Company
Report and Financial Statements
For the year ended 30 June 2023
Statement of Cash Flows

	Notes	2023 ETB'000	2022 ETB'000
Cash flows from operating activities			
Cash generated from operations	33	3,356,161	2,646,160
Income tax paid	13(d)	(908,881)	(625,662)
Defined benefits paid	24(a)	(35,657)	(16,070)
Directors' remuneration paid	27	(1,954)	(2,138)
Net cash generated from operating activities		**2,409,669**	**2,002,290**
Cash flows from investing activities			
Net collection of bills, bonds and time deposits	16(c)	965,037	506,358
Purchase of shares	16(a)	(59,133)	(35,380)
Purchase of intangible assets	20	(637,045)	(55,268)
Purchase of property and equipment	21(a)	(1,627,044)	(415,457)
Purchase of investment properties	19	-	(627)
Payment for right-of-use assets	21(b),37(a)	(837,504)	(323,344)
Proceeds from sale of property and equipment	33	10,125	11,327
Net cash (used in) investing activities		**(2,185,564)**	**(312,391)**
Cash flows from financing activities			
Dividends paid	27	(572,669)	(499,066)
Proceeds from issued shares		1,901,425	1,827,726
Net cash generated from financing activities		**1,328,756**	**1,328,660**
Net increase in cash and cash equivalents		**1,552,861**	**3,018,559**
Cash and cash equivalents at 1 July		10,404,444	7,385,885
Cash and balances with banks at 30 June	14(a)	**11,957,305**	**10,404,444**

The notes on pages 48 to 120 are an integral part of these financial statements.

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Notes to the financial statements

1 General

Dashen Bank Share Company ("Dashen" or the "Bank") is a private Commercial Bank domiciled in Ethiopia. The Bank was established on 20 September 1995 in accordance with the Commercial Code of Ethiopia of 1960 and the Licensing and Supervision of Banking Business Proclamation No. 84/1994. The Bank's registered office is:

Dashen Bank Share Company Headquarters Building
Sudan Street
Addis Ababa
Ethiopia

The Bank is principally engaged in the provision of a diverse range of financial products and services to corporate, retail and SME clients based in the Ethiopian market.

2 Summary of significant accounting policies

2.1 Introduction to 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.

2.2 Basis of preparation

The financial statements for the year ended 30 June 2023 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). Additional information required by the national regulations is included where appropriate.

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

The financial statements have been prepared on the going concern basis under the historical cost concept. All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (ETB' 000).

The preparation of financial statements in conformity with IFRSs 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 change. 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.

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The management has no doubt that the Bank will remain in existence for the next 12 months.

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Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.2.2 Changes in accounting policies and disclosures

a. New Standards, amendments, interpretations issued, effective and adopted during the year

New Standards or amendments	Effective for annual periods beginning on or after
Amendments to IAS 8 - Definition of Accounting Estimates	1-Jan-23
Amendments of IAS 1 and IFRS Practice statement 2 - Disclosure of Accounting Policies	1-Jan-23
Amendments to IAS 12 - Deferred Tax related to Assets to Assets and Liabilities arising from a single transaction 1 January 2023	1-Jan-23

b. New standards, amendments and interpretations issued but not effected for the reporting period

New Standards or amendments	Effective for annual periods beginning on or after
Amendments to IFRS 16 - Lease liability in a sale and lease back	1-Jan-24
Amendments to IAS 1 - Classification of liabilities as current or Non - current (including amendments to IAS 1 - Classification of laibilities as current as current or non-deferral if effective date issued in July 2020)	1-Jan-24
Amendments to IAS 1 - Non - Current liabilities with Covenants	1-Jan-24

Management is of the view that the adoption of these standards, amendments and interpretations will not have a significant effect on its financial statements when they become effective.

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Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.3 Foreign currency translation

a) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The functional currency and presentation currency of the Bank is the Ethiopian Birr (ETB).

b) *Transactions and balances*

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

Changes in the fair value of monetary securities denominated in foreign currency classified as amortised cost are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measured at fair value, such as equities classified as FVTOCI, are included in other comprehensive income.

2.4 Recognition and measurement of income and expenses

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of taxes or duty.

Revenue is recognised at an amount that reflects the consideration to which the Bank expects to be entitled for performing its services for a customer. Income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Bank recognises income when it has fulfilled its obligation and the right to receive the related sum as assured.

Revenue comprises the fair value of considerations received or receivable in the ordinary course of the Bank's activities. Income is recognised when it is probable that the economic benefits associated with a transaction will flow to the Bank and the amount of income, and associated costs incurred or to be incurred can be measured reliably.

The Bank earns income from interest on loans given to domestic trade and services, import, export, transport, real estate, building and construction, manufacturing, agriculture and personal loans, commission and service charges.

The Bank recognises income from Interest Free Banking (IFB) services at the fair value of considerations received or receivable.

Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.4 Recognition of income and expenses (Continued)

2.4.1 Interest and similar income and expense

For all government bills and bonds and interest bearing financial assets measured at amortised 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 (for example, prepayment options) and includes any fees or incremental costs that are 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 government bills and bonds 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 similar other assets have been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.4.2 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on government bills and bonds are included in the measurement of the effective interest rate. Other fees and commission income (for example commission on purchase orders, Cash Payment Orders (CPOs), letters of guarantees etc) are recognised as the related services are performed.

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

2.4.3 Dividend income

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

2.4.4 Foreign exchange revaluation gains or losses

These are gains and losses arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. The monetary assets and liabilities include financial assets within the external reserves, foreign currencies deposits received and held on behalf of third parties.

2.5 Financial instruments - initial recognition and subsequent measurement

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

a) Initial recognition and measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.5 Financial instruments - initial recognition and subsequent measurement (Continued)

a) Initial recognition and measurement (Continued)

'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Other operating income'.

If fair value is evidenced by a quoted price in an active market for an identical asset or liability based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e., day 1 profit or loss). In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e., day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the Bank recognises the price difference as gain or loss only to the extent that arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

b) Classification and subsequent measurement

(i) Financial assets

On initial recognition, a financial asset is classified either as measured at either amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

The Bank measures a financial asset at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

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

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

On initial recognition, an equity investment that is held for trading is classified at FVTPL. However, for an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All other financial assets that do not meet the classification criteria at amortised cost or FVOCI above, are classified as measured at FVTPL.

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

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Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.5 Financial instruments - initial recognition and subsequent measurement (Continued)

b) Classification and subsequent measurement (Continued)

(i) Financial assets (continued)

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Bank's management;

  the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

Assessment of whether contractual cash flows are solely payments of principal and interest

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

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

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Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

b) Financial instruments - initial recognition and subsequent measurement (Continued)

(ii) Financial liabilities

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

A financial guarantee is an undertaking/commitment that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantees issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL are subsequently measured at the higher of: the amount of the obligation under the guarantee, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

c) *Impairment*

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

The Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.
- Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

12-month ECL is the portion of ECL that results from default events on a financial instrument that is possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL is the ECL that results from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.5 Financial instruments - initial recognition and subsequent measurement (Continued)

c) Impairment (continued)

(i) Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- for financial assets that are not credit-impaired at the reporting date (stage 1 and 2): as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- for financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;
- for undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- for financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

(ii) Restructured financial assets

Where the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then the Bank assesses whether the financial asset should be derecognised and ECL are measured as follows:

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

(iii) Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost, debt financial assets carried at FVOCI, and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets').

Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.5 Financial instruments - initial recognition and subsequent measurement (Continued)

(iii) Classification of financial assets and financial liabilities (Continued)

c) ***Impairment (Continued)***

(iii) Credit-impaired financial assets (Continued)

A financial asset is considered 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

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

(iv) 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:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for loan commitments and financial guarantee contracts: generally, as a provision;
- 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
- for debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, any loss allowance is disclosed and is recognised in the fair value reserve (other reserve).

(v) Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering the amount in its entirety or a portion thereof. This is generally the case when the 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.

Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.5 Financial instruments - initial recognition and subsequent measurement (Continued)

(iii) Classification of financial assets and financial liabilities (Continued)

c) ***Impairment (Continued)***

(vi) Non-integral financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately.

Where the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset would be treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

Where the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses.

d) Derecognition

(i) Financial assets

Financial asset are derecognised when:

- The contractual right to the cash flows from the financial asset expires, or
- The rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- The 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 derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI are recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI are not recognised in profit or loss on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

(ii) Financial liabilities

Financial liabilities are derecognised when the contractual obligations are discharged or cancelled, or expire.

e) Modifications of financial assets and financial liabilities

(i) Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.5 Financial instruments - initial recognition and subsequent measurement (Continued)

e) Modifications of financial assets and financial liabilities (Continued)

(i) Financial assets (Continued)

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it would first consider whether a portion of the asset should be written off before the modification takes place.

Where the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank would first recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognise the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and fees received as part of the modification to adjust the gross carrying amount of the modified financial asset is amortised over the remaining term of the modified financial asset.

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

(ii) Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

Where the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

f) Offsetting

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

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

Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.5 Financial instruments - initial recognition and subsequent measurement (Continued)

g) Designation at fair value through profit or loss

(i) Financial assets

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

(ii) Financial liabilities

The Bank designates certain financial liabilities as at FVTPL in either of the following circumstances:
- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2.6 Net interest income

a) *Effective interest rate and amortised cost*

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

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

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

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

b) *Amortised cost gross carrying amount*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 July 2018).

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

c) *Calculation of interest income and expense*

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

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

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

Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.6 Net interest income (Continued)

d) ***Presentation***

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

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on debt instruments measured at FVOCI calculated on an effective interest basis;

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

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

2.7 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

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

2.8 Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in profit or loss as incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation is calculated using the straight-line method to allocate costs less residual values over the estimated useful lives of property and equipment as follows:

Asset class	Depreciation rate (years)
Buildings	50 years
Elevator	15 years
Motor vehicles	10 years
Computers and related items	7 years
Medium-Life furniture and fittings	10 years
Long-Life furniture and fittings	20 years
Short-Life equipment	5 years
Long-Life equipment	10 years

The Bank commences depreciation when the asset is available for use. Freehold land is not depreciated.

Construction in progress is not depreciated as the assets are not yet available for use.

Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.8 Property and equipment (Continued)

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented as a separate line item in the profit or loss.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

	Useful life
Intangibles	6 years
Intangibles-Contract based	contract period

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

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

Investment properties are derecognised when they are disposed. Gains or losses arising from disposal of investment property are determined as the difference of the net disposal proceeds and the carrying amount of the asset and recognised in profit or loss statement.

Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.11 Impairment of non-financial assets

The Bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

2.12 Other assets

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

(a) Prepayments

Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially capitalised in the reporting period in which the payment is made and subsequently amortised over the period in which the service is to be enjoyed.

(b) Other receivables

Other receivables are recognised on the occurrence of transactions and are de-recognised on

(c) Inventory

Materials and supplies are measured at the lower of cost or net realisable value. The Bank applies the weighted average cost method to determine the cost of materials and supplies. Materials and supplies are charged to profit or loss when consumed.

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A.A Bromhead Certified Audit Firm P.O. Box 709 Addis Ababa

Dashen Bank Share Company
Report and Financial Statements
For the year ended 30 June 2023

Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.13 Fair value measurement

The Bank measures financial instruments, such as investment in financial instruments classified as FVTOCI and investments in financial instruments classified as FVTPL at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarised in the following notes:

- Significant estimates and assumptions, disclosures for valuation methods (Note 3 and Note 4.6.1).
- Quantitative disclosures of fair value measurement hierarchy (Note 4.6.2).
- Financial instruments (including those carried at amortised cost).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to / by the Bank.

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Bank's management determines the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets.

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

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Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.14 Employee benefits

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

(a) Defined contribution plan

The Bank operates two defined contribution plans;

i) A pension scheme in line with the provisions of the Ethiopian Pension of Private Organisation Employees Proclamation No. 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank, respectively. In addition, 4% of salary is held as provident fund in the name of each employee.

ii) A provident fund contribution, funding under this scheme is 7% and 15% by employees and the Bank, respectively;

Both schemes are based on the employees' salaries. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

(b) Profit-sharing and bonus plans

The Bank recognises 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 recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Defined benefit obligations

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

This qualifies as a defined benefit plan. Typically defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

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A.A Bromhead Certified Audit Firm P.O. Box 709 Addis Ababa

Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.15 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as other operating expenses.

2.16 Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Leases

Lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. This definition is more focused on who controls the right-of-use asset.

(a) Bank as a lessee

The Bank implemented a single accounting model, requiring lessees to recognise assets and liabilities for all leases excluding exceptions listed in the standard. The Bank elected to apply exemptions for short term leases in relation to leases of residential buildings.

Based on the accounting policy applied, the Bank recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified asset for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:
– the amount of the initial measurement of the lease liability,
– any lease payments made at or before the commencement date, less any lease incentives,
– any initial direct costs incurred by the lessee,
– an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the estimated useful lives (lease term). The Bank depreciates the right-of-use asset from the commencement date to the end of the useful life of the right-of-use asset.

A lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:
– fixed payments, less any lease incentives receivable;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease;

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A.A Bromhead Certified Audit Firm P.O. Box 709 Addis Ababa

Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.17 Leases (Continued)

(a) Bank as a lessee (Continued)

A lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:
– fixed payments, less any lease incentives receivable;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease;

Variable lease payments not included in the initial measurement of the lease liability are recognised directly in the profit or loss.

Lease payments are discounted using the Bank's incremental borrowing rate of 7%. The lease term determined by the Bank comprises:

– non-cancellable period of lease contracts,
– periods covered by an option to extend the lease if the Bank is reasonably certain to exercise that option,
– periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date the Bank measures the lease liability by:

– increasing the carrying amount to reflect interest on the lease liability,
– reducing the carrying amount to reflect lease payments made, and
– re-measuring the carrying amount to reflect any reassessment or lease modifications.

(b) Bank as a lessor

The Bank makes assessment of leases on the commencement date of leases and classifies them as either operating or finance leases. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Examples of situations where the risks and rewards of ownership are considered as having been transferred to the lessee are as follows:

− the lease transfers ownership of the asset to the lessee by the end of the lease term,
− the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised,
− the lease term is for at least 3/4 of the economic life of the asset even if title is not transferred,
− at the inception of the lease the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset; or
− the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

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A.A Bromhead Certified Audit Firm P.O. Box 709 Addis Ababa

Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.18 Income tax

(a) Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Joint arrangements

Under IFRS 11 Joint Arrangements: investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Dashen Bank has a joint operation.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Bank undertakes its activities under joint operations, the Bank as a joint operator, recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

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Notes to the financial statements (Continued)

2 Summary of significant accounting policies (Continued)

2.19 Joint arrangements (Continued)

The Bank accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Bank transacts with a joint operation in which the Bank is a joint operator (such as a sale or contribution of assets), the Bank is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Bank's financial statements only to the extent of other parties' interests in the joint operation.

When the Bank transacts with a joint operation in which the Bank is a joint operator (such as a purchase of assets), the Bank does not recognise its share of the gains and losses until it resells those assets to a third party.

Details of the joint operation are set out in note 18.

2.20 Comparatives

Where necessary, comparative information has been adjusted to conform with changes with current year's presentation.

3 Significant accounting judgements, estimates and assumptions

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

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

• Capital management Note 4.5
• Financial risk management Note 4
• Sensitivity analyses disclosures Notes 4.4.2 (ii)

3.1 Judgements, Estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Notes to the financial statements (Continued)

3 Significant accounting judgements, estimates and assumptions (Continued)

3.1 Judgements, Estimates and assumptions (Continued)

Impairment losses on loans and advances

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, changes in individual customer's circumstances, structural changes within industries that alter competitive positions and other external factors such as legal and regulatory requirements.

Impairment is measured for all accounts that are identified as non-performing. All relevant considerations that have a bearing on the expected future cash flows are taken into account which include but are not limited to future business prospects for the customer, realisable values of securities, the Bank's position relative to other claimants and the existence of any court injunctions placed by the borrower. Subjective judgments are made in this process of cash flow determination both in value and timing and may vary from one person to another and team to team. Judgments may also change with time as new information becomes available.

The Bank reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recognised in profit or loss. In particular, judgment by the Directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.6 for further disclosures.

Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on the management judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

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.

Notes to the financial statements (Continued)

3 Significant accounting judgements, estimates and assumptions (Continued)

3.1 Judgements, Estimates and assumptions (Continued)

IFRS 16 leases

The application of IFRS 16 requires the Bank to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.
The lease term determined by the Bank generally comprises the non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Bank is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Bank is reasonably certain not to exercise that option.

The Bank will continue to monitor these assumptions in the future as a result of a review of the industry practice and the evolution of the accounting interpretations in relation to estimation of the lease terms.

The present value of the lease payment is determined using the discount rate representing the rate of nominal interest rate the Bank pays to depositors of savings accounts. The expenses relating to leases for which the Bank applied the practical expedient described in IFRS 16 (leases with the contract term of less than 12 months) are recognised in profit or loss.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant Directors judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

4 Financial risk management

4.1 Introduction

Management recognises that the banking industry experiences significant and rapid changes, including increased competition from other non-bank financial services providers. The industry is also subject to liquidity requirement changes, reserve requirement changes, interest rate changes, changes in banking laws and regulations and foreign currency rate changes. Therefore, the management recognises that a comprehensive credit, liquidity, operational and market risk policy is essential to effectively manage the Bank's risks and to meet regulatory requirements. The Bank earnestly strives to apply best practices in identifying, evaluating, and cost-effective controlling of risks to ensure that any residual risks are at an acceptable level. Whilst it is not possible to eliminate risk absolutely, the Bank actively promotes and applies best practices at all levels and to all of its activities, including its business relationship with external partners. With this framework, the Bank ensures that:

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.1 Introduction (Continued)

a) The Bank's risk exposure is within the limits established by the Board of Directors (BoD)
b) Risk taking decisions are in line with the business strategy and objectives set by the BoD
c) The expected payoffs compensate the risks taken
d) Risk taking decisions are explicit and clear
e) Availability of sufficient capital for the prevailing risk exposure

In line with this, the Bank considers risk management as an integral part of its day-to-day core business activities.

4.1.1 Risk management structure

Philosophy

The Bank duly strives for the realisation of the following:

- Create awareness and embed risk management into the culture of the Bank through regular risk awareness activities, training, open communication lines among units, continuous interaction with senior management, and employing other feasible means
- Manage risks in accordance with best practices
- Be responsive to changing social, political, environmental and legislative requirements, whilst effectively managing the related risks and exploiting opportunities
- Prevent loss, interruptions, injury, damage and failure with a view to reducing unwarranted costs
- Make every employee to be a 'risk manager'
- Specific risk owners are responsible to manage the type of risks associated with their respective functions
- Make the Risk Management and Compliance Department independent from the risk taking functions in order to ensure the check and balance system and enable the department to oversee the level of risk taken independent of the risk taking activities.

Risk management committees

The Bank has the following management sub-committees with respect to different risk classifications:

- Credit Risk Management Committee
- Asset Liability Management Committee / (ALCO)
- Operation Risk Management Committee

Each committee has established its own terms of reference which specifies the activities and responsibilities of the respective committees. The roles in relation to risk management of each committee are indicated in the risk management procedures.

4.1.2 Risk measurement and reporting systems

Internal control and risk management

An effective internal control and risk management is the foundation of safe and sound banking. When risk management is properly designed and consistently enforced, it helps management to maximise profit, safeguard the Bank's resources, produce reliable financial reports, increase employee satisfaction, and comply with laws and regulations. It also reduces the possibility of significant errors and irregularities, as well as assist in their timely detection when they do occur.

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.1 Introduction (Continued)

4.1.2 Risk measurement and reporting systems (Continued)

Risk impact assessment matrix

The following risk impact level and consequences are used by the Bank in determining the risk exposures.

Risk impact level	Consequences	Remark
Very Low	Insignificant	Very minimal or minor impact on strong financial position, customer, satisfaction, efficient business process, and employee satisfaction. May be with very short term effect and can be very easily and quickly fixed.
Low	Minor	Minimal impact on strong financial position, customer, satisfaction, efficient business process, and employee satisfaction. May be with short term effect and can be easily fixed.
Moderate	Moderate	Minor impact on strong financial position, customer satisfaction, efficient business process and employee satisfaction. May be with more than short term effect that can be expensive to recover.
High	Major	Significant impact on strong financial position, customer satisfaction, efficient business process, and employee satisfaction. May be very difficult and possibly takes medium term to recover.
Very High	Extreme	Critical impact on strong financial position, customer satisfaction, efficient, business process and employee satisfaction. May be very difficult and possibly takes more than medium term time span to recover

Risk tolerance

The key risk management objective is to ensure that the bank maintains an appropriate balance between risk and reward. To achieve this overall strategic objective, risk appetite and tolerance limits are set considering the risk capacity that the Bank can assume given its available financial resources. The Management of the Bank desires to manage risks at a level that permits the Bank to grow and achieve its strategic business objectives, while conducting business in a safe and sound manner, complying with all applicable regulations, and provide a return to shareholder that meets or exceeds their expectations. The Board of Directors sets risk tolerance levels annually through several means. The overall risk environment of the Bank is considered annually in conjunction with the strategic planning process of Board of Directors and the Management. In this regard, the strategic plan includes a Risk Appetite Statement, specific level of risk tolerance within key business units, such as credit/lending, interest rate and liquidity, are set through the review, and if necessary, amendment of the Bank's business programs related to those areas. Specific risk tolerance limits and guidelines are included, as appropriate, in the risk procedures and risk management program.

4.1.3 Risk assessment

An effective internal control program cannot be structured without having effective risk assessment process. Risk management is defined as the ability of the Bank to identify measure, monitor, assess and control risks. The Bank, through the Board, the management and risk function assess the changing circumstances and address risks that might arise from changing business or economic condition, a decline in the effectiveness of internal controls, the initiation of new business activities or the offering of new products and services. The risk assessment begins with an evaluation on inherent risk.

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.1 Introduction (Continued)

4.1.3 Risk assessment (Continued)

Risks in the below four categories described are evaluated throughout the Bank including sub-risk in each categories.

i. Credit risk assessment
ii. Liquidity risk assessment
iii. Market risk assessment and
iv. Operational risk assessment

These risks are rated as very high, high, moderate, low and very low. Among factors considered in this assessment of risk are the inherent level of such risk in the specified risk, the trend of risk in that activity (e.g., increasing, decreasing, or stable), the adequacy of risk measurement and monitoring processes and tools, and the quality of risk management practices and controls in place to control such risks. The risk assessment is conducted by concerned risk work units. The assessment identifies the most significant, or key controls and includes an opinion about the effectiveness of the design of control in mitigating the related risk. As per the NBE risk management guideline, the Bank conducts the following under listed risk assessment in detail every quarter and briefly every month, submits, and reviews this assessment with the Board Risk Management Committee of the Bank. The results of the inherent risk assessment are also provided to other concerned organs.

4.2 Credit risk

Credit risk is the risk of loss arising from the failure of a borrower, issuer, or counterparty to meet their financial obligations to the Bank. The Bank manages this risk by applying a strict set of criteria in credit granting. It ensures the lending activities are based on strong underwriting standard, KYC (Know Your Customer) principles, confining its dealings to institutions and individuals of high creditworthiness and ensuring exposures to counterparties are appropriately secured. The Bank has high risk appetite for credit risk by taking into account expected returns, the external environment, and developments in the composition of the Bank's balance sheet.

The main credit risk identification methods used by the Bank are financial statements analysis risk identification method, stress testing risk identification method and audit approach risk identification method. In rare cases, the Bank applies incident investigation risk identification method to identify the level of credit risk exposure.

In measuring credit risk of loans and advances to various counterparties/borrowers, the Bank considers the character and capacity of the obligor to pay 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 obligation value of collateral and other ways out. The Bank's credit exposure comprises corporate segment, micro, retail, small and medium enterprise segment which are developed to reflect the needs of its customers. The Bank's policy is to lend principally on the basis of its customers' repayment capacity through quantities and qualitative evaluation. However, the Bank ensures that its loans and advances are backed by collateral to mitigate the credit risk in case of default.

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.2 Credit risk (Continued)

4.2.1 Credit quality analysis

The table below sets out information about the credit quality of financial assets and debt instruments measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

The loss allowance for loans and advances to customers also includes the loss allowances for loan commitments and financial guarantee contracts.

	Stage 1 ETB'000	Stage 2 ETB'000	Stage 3 ETB'000	2023 Total ETB'000	2022 Total ETB'000
Loans and advances to customers at amortised cost					
Stage 1 – Pass	87,975,070	-	-	87,975,070	68,135,265
Stage 2 – Special mention	-	3,249,344	-	3,249,344	3,450,200
Stage 3 - Non performing	-	-	4,870,619	4,870,619	3,834,135
Total gross exposure	**87,975,070**	**3,249,344**	**4,870,619**	**96,095,033**	**75,419,600**
Loss allowance	(308,710)	(23,728)	(716,790)	(1,049,228)	(551,607)
Net carrying amount	**87,666,360**	**3,225,616**	**4,153,829**	**95,045,805**	**74,867,993**

	Stage 1 ETB'000	Stage 2 ETB'000	Stage 3 ETB'000	2023 Total ETB'000	2022 Total ETB'000
IFB financing					
Stage 1 – Pass	4,727,822	-	-	4,727,822	3,011,351
Stage 2 – Special mention	-	380,737	-	380,737	84,979
Stage 3 - Non performing	-	-	95,282	95,282	71,377
Total gross exposure	**4,727,822**	**380,737**	**95,282**	**5,203,841**	**3,167,707**
Loss allowance	(16,853)	(18,072)	(16,552)	(51,477)	(20,117)
Net carrying amount	**4,710,969**	**362,665**	**78,730**	**5,152,364**	**3,147,590**

	2023 ETB'000		
Other financial assets (debt instruments)	**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash, bank balances and reserve with NBE	12,021,561	(64,256)	11,957,305
Investment securities (debt instruments)	11,207,279	(609)	11,206,670
Other receivables and financial assets	2,394,083	(24,432)	2,369,651
	25,622,923	**(89,297)**	**25,533,626**

	2022 ETB'000		
Other financial assets (debt instruments)	**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash, bank balances and reserve with NBE	20,261,072	(656)	20,260,416
Investment securities (debt instruments)	11,217,533	(666)	11,216,867
Other receivables and financial assets	3,297,493	(57,894)	3,239,599
	34,776,098	**(59,215)**	**34,716,883**

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.2 Credit risk (Continued)

4.2.2 Credit quality analysis (Continued)

Credit quality analysis disclosures for off-balance sheet facilities are as follows:

Classification	12 months ECL ETB'000	Lifetime ECL credit not impaired ETB'000	Lifetime ECL credit impaired ETB'000	2023 Total ETB'000
Pass	2,460,029			2,460,029
Special mention	-	-	-	-
Non-performing	-	-	-	-
Total exposure	2,460,029	-	-	2,460,029
Loss allowance	(489)	-	-	(489)
Carrying amount	**2,459,540**	-	-	**2,459,540**

Classification	12 months ECL ETB'000	Lifetime ECL credit not impaired ETB'000	Lifetime ECL credit impaired ETB'000	2022 Total ETB'000
Pass	13,964,764	-	-	13,964,764
Special mention	-	-	-	-
Non-performing	-	-	-	-
Total exposure	13,964,764	-	-	13,964,764
Loss allowance	(846)	-	-	(846)
Carrying amount	**13,963,918**	-	-	**13,963,918**

4.2.2 Collateral held

The Bank holds collateral against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of financial asset	Note	2023 ETB'000	2022 ETB'000	Principal type of collateral held
Loans and advances to customers and IFB financing	15	191,833,297	181,634,240	Cash and cash substitutes, share certificates, bank guarantees, Buildings, vehicles and machineries, negotiable bills of payment and deposits.

I Loans and advances to corporate customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans and advances to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For credit-impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

Notes to the financial statements (Continued)
4 Financial risk management (Continued)
4.2 Credit risk (Continued)
4.2.2 Collateral held (Continued)

I Loans and advances to corporate customers (Continued)

At 30 June 2023, the gross carrying amount of credit-impaired loans and advances to corporate customers amounted to ETB 1,066.06 million (2022: ETB 1,544 million) and the value of identifiable collateral held against those loans and advances amounted to ETB 2,290 million (2022: ETB 4,196 million).

II Investment securities designated at FVTPL

At 30 June 2023, the Bank had no exposure to credit risk on the investment securities designated at FVTPL.

4.2.3 Amounts arising from ECL

I 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.

II Credit risk grades

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

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

a. Term loan exposures

- Information obtained during periodic reviews of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance
- Data from NBE, press articles
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
- Internally collected data on customer behaviour – e.g. utilisation of credit card facilities
- Affordability metrics

Notes to the financial statements (Continued)
4 Financial risk management (Continued)
4.2 Credit risk (Continued)

4.2.3 Amounts arising from ECL (Continued)

II Credit risk grades (Continued)

b. Overdraft exposures

- Payment record - this includes overdue status as well as a range of variables about payment ratios
- Utilisation of the granted limit
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions

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 analysed by type of product and borrower as well as by credit risk grading. The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

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.

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

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

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.2 Credit risk (Continued)

4.2.3 Amounts arising from ECL (Continued)

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 realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank.
- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- 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.

To sum up, the definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

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.

For each segment, the Bank formulates three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside and one downside. For each sector, the base case is aligned with the macroeconomic model's information value output, a measure of the predictive power of the model, as well as base macroeconomic projections for identified macroeconomic variables for each sector. The upside and downside scenarios are based on a combination of a percentage error factor of each sector model as well as simulated optimistic and pessimistic macroeconomic projections based on a measure of historical macroeconomic volatilities.

External information considered includes economic data and forecasts published by Fitch Solutions formerly known as Business Monitor International, an external and independent market intelligence and research institution. This is in addition to industry level, semi-annual NPL trends across statistically comparable sectors.

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses.

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.2 Credit risk (Continued)

4.2.3 Amounts arising from ECL (Continued)

VI Incorporation of forward-looking information (Continued)

The key drivers for credit risk for each of the Bank's economic sectors is summarised below:

Sector (Product)	Macro economic factors		
Cluster 1 Agriculture, personal loans and staff loans	Goods exports, USD	-	
Cluster 2 Domestic trade and services	-	-	-
Cluster 3 Building and construction and manufacturing and production	Goods imports, USD	Nominal GDP, USD	Real GDP per capita, USD (2010 prices)
Cluster 4 Export and import	Goods imports, USD	-	-

The economic scenarios used as at 30 June 2023 include the following key indicators for Ethiopia:

Macro-Economic Variable	2023	2024	2025
Goods exports, USD bn	4,137	4,393	4,740
Goods import, USD bn	15,798	16,433	17,419
Nominal GDP, USD bn	115,100	130,089	144,653
Real GDP per capita, USD bn (2010 prices)	567	589	614
Goods imports, USD bn	15,798	16,433	17,419

Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analysing semi-annual historical data over the past 5 years.

As at 30 June 2023	Optimistic	Base	Downturn
Cluster 1	9%	91%	0%
Cluster 2	0%	100%	0%
Cluster 3	48%	52%	0%
Cluster 4	9%	91%	0%

Notes to the financial statements (Continued)
4 Financial risk management (Continued)
4.2 Credit risk (Continued)
4.2.3 Amounts arising from ECL (Continued)

VII Modified financial assets

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

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of: its remaining lifetime PD at the reporting date based on the modified terms; with the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

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

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

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

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

VIII 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.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures.

Dashen Bank Share Company
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Notes to the financial statements (Continued)
4 Financial risk management (Continued)
4.2 Credit risk (Continued)
4.2.3 Amounts arising from ECL (Continued)
VIII Measurement of ECL (Continued)

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

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

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

The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for overdrafts that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

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

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

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

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Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.2 Credit risk (Continued)

4.2.3 Amounts arising from ECL (Continued)

IX Loss allowance

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

Loans and advances to customers and IFB financing at amortised cost (on balance sheet exposures)

	2023 ETB'000			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 July 2022	124,620	20,678	426,426	571,724
Transfer to stage 1 (12 months ECL)	3,298	(2,071)	(1,226)	1
Transfer to stage 2 (Lifetime ECL not credit impaired)	(12,204)	12,788	(584)	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(189,685)	(17,990)	207,674	(1)
Net re-measurement of loss allowance	259,598	9,058	126,261	394,917
New financial assets originated or purchased	168,915	27,279	7,981	204,175
Financial assets derecognised	(28,988)	(7,932)	(33,192)	(70,112)
Balance as at 30 June 2023	**325,554**	**41,810**	**733,340**	**1,100,704**
Loans and advances to customers				1,049,228
IFB financing				51,476
				1,100,704

Loans and advances to customers and IFB financing at amortised cost (on balance sheet exposures)

	2022 ETB'000			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 July 2021	92,244	12,066	240,755	345,065
Transfer to stage 1 (12 months ECL)	2,387	(1,705)	(682)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	(10,989)	11,149	(160)	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(253,167)	(22,482)	275,649	-
Net re-measurement of loss allowance	241,550	15,083	(94,848)	161,785
New financial assets originated or purchased	65,032	8,487	42,664	116,183
Financial assets derecognised	(12,437)	(1,920)	(36,952)	(51,309)
Balance as at 30 June 2022	**124,620**	**20,678**	**426,426**	**571,724**
Loans and advances to customers				551,607
IFB financing				20,117
				571,724

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.2 Credit risk (Continued)

4.2.3 Amounts arising from ECL (Continued)

IX Loss allowance (Continued)

	2023 ETB'000			
	Cash and bank balances	**Investment securities (debt instruments)**	**Other receivables and financial assets**	**Total**
Balance as at 1 July 2022	656	666	12,862	14,184
Net remeasurement of loss allowance	64,015	(57)	11,570	75,528
New financial assets originated or purchased	-	-	-	-
Financial assets derecognised	-	-	-	-
Balance as at 30 June 2023	**64,671**	**609**	**24,432**	**89,712**

	2022 ETB'000			
	Cash and bank balances	**Investment securities (debt instruments)**	**Other receivables and financial assets**	**Total**
Balance as at 1 July 2021	359	904	8,245	9,508
Net remeasurement of loss allowance	297	(238)	4,617	4,676
New financial assets originated or purchased	-	-	-	-
Financial assets derecognised	-	-	-	-
Balance as at 30 June 2022	**656**	**666**	**12,862**	**14,184**

Notes to the financial statements (Continued)
4 Financial risk management (Continued)
4.2 Credit risk (Continued)
4.2.3 Amounts arising from ECL (Continued)

IX Loss allowance (Continued)

The following table provides a reconciliation between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and the 'impairment losses on financial instruments' line item in the statement of profit or loss and other comprehensive income.

	2023 ETB'000			
	Loans and advances to customers and IFB financing	Investment securities (debt instruments)	Other financial assets & off balance sheet exposures	Total charge/ (credit)
Net remeasurement of loss allowance	394,918	(846)	3	394,075
New financial assets originated or purchased	204,144	489	-	204,633
Financial assets derecognised	(70,112)	-	-	(70,112)
Amounts directly written off during the year	-	-	-	-
	528,950	(357)	3	528,596

	2022 ETB'000			
	Loans and advances to customers at amortised cost	Investment securities (debt instruments)	Other financial assets	Total charge/ (credit)
Net remeasurement of loss allowance	161,792	-	5,470	167,262
New financial assets originated or purchased	116,177	-	-	116,177
Financial assets derecognised	(51,310)	-	-	(51,310)
Amounts directly written off during the year	6,027	-	32,168	38,195
	232,686	-	37,638	270,324

4.2.4 Concentrations of credit risk

Gross loans and advances to customers and IFB financing per sector are analysed as follows:

Notes to the financial statements (Continued)
4 Financial risk management (Continued)
4.2 Credit risk (Continued)
4.2.4 Concentrations of credit risk (Continued)

a) Loans and advances	2023 ETB'000	2022 ETB'000
Domestic trade and services	27,108,794	19,951,305
Manufacturing	19,757,874	16,486,510
Export	17,616,784	12,745,644
Real estate	8,657,936	7,886,634
Transport	1,519,824	1,352,573
Construction, machinery and working capital	1,655,999	1,710,952
Import	3,600,454	2,925,996
Personal	8,789,145	6,213,855
Staff housing loans	3,774,630	2,835,801
Loans and advances under litigation	575,621	615,024
Agriculture	509,871	387,865
Emergency staff loans	723,434	616,364
Advances on letters of credit	493,469	736,842
Mining	-	250,753
Special financing scheme-hotel and tourism	20,255	62,729
Mastercard Foundation loan facility	220,702	289,089
DBE SME finance project	50,592	351,664
Loans against AEC business consulting PLC	207	-
Telebirr financial services	981,059	-
Dube Ale	38,384	-
	96,095,034	75,419,600

b) IFB financing		
Domestic trade and services	3,273,968	1,963,570
Manufacturing	513,957	329,818
Real estate	1,194,883	863,206
Transport	129,703	149,986
Construction, machinery and working capital	3,891	6,646
Import	393,944	717,953
Export	681,582	65,888
Personal	324,908	174,905
Emergency staff loan	34,500	21,229
Agriculture	7,265	11,445
Mining	80,690	44,189
Litigation	-	3,006
Defrred profit murabaha	(1,435,448)	(1,184,134)
	5,203,843	3,167,707

4.2.5 Collateral held and its financial effect

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. Staff loans other than staff housing loans are secured to the extent of the employees' continued employment in the Bank.

The Bank holds collateral against loans and receivables to customers in the form of bank guarantees, cash, residential, commercial and industrial property, such as vehicles, plant and machinery. The Bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on creditworthiness, the Bank aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.

For impaired loans, the Bank obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.2 Credit risk (Continued)

4.2.5 Collateral held and its financial effect (Continued)

The fair value of the collateral is based on the last revaluations carried out by the Bank's in-house engineers. The valuation technique adopted for properties is in line with the Bank's valuation manual and the revalued amount is similar to fair values of properties with similar size and location.

The fair value of collateral other than as share certificates, cash, treasury bills, treasury bonds, etc. as disclosed at the carrying amount as management is of the opinion that the cost of the process of establishing the fair value of the collateral exceeds benefits accruable from the exercise.

4.2.6 Credit related commitments risks

The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf and enters into commitments to extend lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

4.2.7 Statement of prudential adjustments

During the year ended 30 June 2023, the Bank transferred ETB 321 million from credit risk reserve to retained earnings (2022: [ETB 929 million]). This amount represented the difference between the provision for credit and other known losses as determined under the NBE Directives, NBE Circulars and the impairment reserve in compliance with IFRS 9.

The Bank complied with the requirements of the NBE Circular No. BSD/22/2023 and FIS/BSD/1794/2022 with respect to loans, advances and IFB financing of the Tigray Region.

	2023 ETB'000	2022 ETB'000
Suspended interest	979,846	769,729
Total impairment based on IFRSs	(1,125,116)	(584,586)
Total impairment based on NBE Directives	1,648,382	1,639,183
	1,503,113	**1,824,326**

4.2.8 Nature of security in respect of loans and advances

The Bank holds collateral against loans and advances to customers in the form of bank guarantees, cash, residential, commercial and industrial property; vehicles, plant and machinery.

4.3 Liquidity risk

Liquidity risk is the risk that the Bank cannot meet its maturing obligations when they become due at reasonable cost and in a timely manner. It arises from funding of long-term assets by short-term liabilities. Liquidity risk management is mainly determined by asset liability management committee which bears the overall responsibility for liquidity risk. The main objective of the Bank’s liquidity risk management framework is to maintain sufficient liquidity in order to ensure that the Bank meets its maturing obligations timely. Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Bank’s reputation.

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.3 Liquidity risk (Continued)

4.3.1 Maturity analysis of financial liabilities

The table below analyses the Bank’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in the future.

	Days				
2023	**0 - 30 ETB'000**	**31 - 90 ETB'000**	**91 - 180 ETB'000**	**181 - 365 ETB'000**	**Over 1 year ETB'000**
Deposits from customers	1,328,000	2,475,000	1,841,000	2,143,000	107,061,093
Other financial liabilities	5,279,243	1,217,936	190,168	319,717	368,780
	6,607,243	**3,692,936**	**2,031,168**	**2,462,717**	**107,429,873**
2022	**0 - 30 ETB'000**	**31 - 90 ETB'000**	**91 - 180 ETB'000**	**181 - 365 ETB'000**	**Over 1 year ETB'000**
Deposits from customers	748,074	2,154,651	1,109,222	1,456,543	85,767,394
Other liabilities	6,027,510	1,370,611	214,007	359,795	341,247
	6,750,502	**3,525,262**	**1,323,229**	**1,816,338**	**86,133,723**

4.3.2 Financial assets pledged as collateral

Financial assets are pledged as collateral as part of securities for borrowings under terms that are usual and customary for such activities.

The total financial assets recognised in the statement of financial position that have been pledged as collateral for liabilities at 30 June 2023 are disclosed in the table below.

	Pledged as collateral ETB'000
Cash and balances with banks	10,919
Investment securities	5,839,196
	5,850,115

Assets pledged as collateral are not available for the Bank's operation.

4.4 Market risk

Market risk is the risk of loss resulting from changes in the value of assets and liabilities (including off-balance sheet assets and liabilities) due to fluctuations in risk factors such as interest rates, foreign exchange rates and stock prices and the risk of loss resulting from changes in earnings generated from assets and liabilities. Since, the Bank does not engage in trading activity as there is no active markets in Ethiopia, the market risk exposure of the Bank is limited to Interest rate and Foreign exchange rate risks.

4.4.1 Objective of market risk management

The main objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is monitored by the Enterprise Risk and Compliance Management Department regularly to identify any adverse movement in the underlying variables.

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.4 Market risk (Continued)

4.4.2 Management of market risk

Market risk is monitored by the Risk Management and Compliance Department regularly, to identify any adverse movement in the underlying variables.

(i) Interest rate risk

The risk of loss resulting from changes in interest rates. As a result of a mismatch of interest rates on its assets and liabilities and/or timing differences in the maturity thereof, the Bank may suffer a loss or a decline in profit due to changes in interest rates.

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

30-Jun-23	Interest Bearing ETB'000	Non-interest bearing ETB'000	Total ETB'000
Assets			
Cash and balances with banks	1,776,048	10,181,257	11,957,305
Reserve with National Bank of Ethiopia	-	8,299,585	8,299,585
Loans and advances to customers	95,045,806	-	95,045,806
IFB financing	-	5,152,367	5,152,367
Debt securities at amortised cost	11,206,670	-	11,206,670
	108,028,524	23,633,209	131,661,733
Liabilities			
Deposits from customers	106,738,369	8,109,724	114,848,093
Other liabilities	95,989	7,279,855	7,375,844
	106,834,358	15,389,579	122,223,937

30-Jun-22	Interest Bearing ETB'000	Non-interest bearing ETB'000	Total ETB'000
Assets			
Cash and balances with banks	5,298,069	5,106,706	10,404,775
Reserve with National Bank of Ethiopia	-	6,500,000	6,500,000
Loans and advances to customers	74,867,993	-	74,867,993
IFB financing	-	4,331,724	4,331,724
Debt securities at amortised cost	12,171,707	-	12,171,707
	92,337,769	15,938,430	108,276,199
Liabilities			
Deposits from customers	85,304,256	5,931,628	91,235,884
Other liabilities	74,853	8,238,317	8,313,170
	85,379,109	14,169,945	99,549,054

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Bank is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The Bank's foreign currency bank accounts act as a natural hedge for these transactions. Management has set up a policy to manage the Bank's foreign exchange risk against its functional currency.

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Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.4 Market risk (continued)

4.4.2 Management of market risk (continued)

(ii) Foreign exchange risk

Foreign currency denominated balances	2023 ETB'000	2022 ETB'000
Cash and balances with banks	5,795,476	3,113,051
Liability	(9,720,614)	(11,958,723)
	(3,925,138)	(8,845,672)

Sensitivity analysis for foreign exchange risk

The sensitivity analysis for currency rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date.

The sensitivity of the Bank's earnings to fluctuations in exchange rates is reflected by varying the exchange rates at 10% as shown below:

2023 ETB'000	Currency Carrying	10 % Depreciation	10 % Appreciation
Assets			
USD	5,627,580	(562,758)	562,758
GBP	18,798	(1,880)	1,880
Euro	68,899	(6,890)	6,890
Others	80,199	(8,020)	8,020
	5,795,476	(579,548)	579,548
Liabilities			
USD	9,321,704	932,170	(932,170)
GBP	37,320	3,732	(3,732)
Euro	359,898	35,990	(35,990)
Others	1,692	169	(169)
	9,720,614	972,061	(972,061)
Total increase/(decrease)	3,925,138	392,514	(392,514)
Tax charge at 30%	-	117,754	(117,754)
Effect on net profit	3,925,138	(274,760)	274,760

2022 ETB'000	Currency Carrying	10 % Depreciation	10 % Appreciation
Assets			
USD	2,882,050	(288,205)	288,205
GBP	37,006	(3,701)	3,701
Euro	115,405	(11,541)	11,541
Others	78,590	(7,859)	7,859
	3,113,051	(311,305)	311,305
Liabilities			
USD	11,474,777	1,147,478	(1,147,478)
GBP	34,645	3,465	(3,465)
Euro	449,301	44,930	(44,930)
	11,958,723	1,195,872	(1,195,872)
Total increase/(decrease)	8,845,672	884,567	(884,567)
Tax charge at 30%	-	265,370	(265,370)
Effect on net profit	8,845,672	(619,197)	619,197

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Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.5 Capital management

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

4.5.1 Capital adequacy ratio

According to the Licensing & Supervision of Banking Business Directive No SBB/78/2021 of the National Bank of Ethiopia, the Bank has to maintain capital to risk weighted assets ratio of 8% at all times, the risk weighted assets being calculated as per the provisions of Directive No SBB/9/95 issued on 18 August 1995.

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

Capital includes paid-up capital, retained earnings, legal reserve and other reserves approved by the NBE.

	2023 ETB'000	2022 ETB'000
Capital		
Share capital	9,344,559	6,863,215
Share Premium	128,300	12,593
Retained earnings	2,999,509	1,270,328
Reserve for IFRS	893,506	900,908
Legal reserve	4,417,405	3,527,133
Special reserve	100	100
Regulatory Credit Risk Reserve	1,503,113	1,824,326
Other reserves	32,049	(18,183)
	19,318,541	14,380,420
Risk weighted assets		
Risk weighted balance for on-balance sheet items	106,271,280	83,175,180
Credit equivalents for off-balance sheet items	24,652,170	23,423,520
Total risk weighted assets	106,598,700	106,598,700
Risk-weighted Capital Adequacy Ratio with primary capital	13%	10%
Risk-weighted Capital Adequacy Ratio with total capital	15%	12%
Minimum required capital	8%	8%

4.6 Fair value of financial assets and liabilities

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

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

4.6.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

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

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.6 Fair value of financial assets and liabilities (Continued)

4.6.1 Valuation models (Continued)

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

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

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

4.6.2 Financial instruments measured at fair value - Fair value hierarchy

The following table summarises the carrying amounts of financial assets and liabilities at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

30-Jun-23	Carrying amount ETB'000	Level 1 ETB'000	Level 2 ETB'000	Level 3 ETB'000	Total ETB'000
Financial assets					
Cash and balances with banks	-	-	-	-	-
Loans and receivables	-	-	-	-	-
Financial assets at fair value through OCI	422,567		422,567		422,567
Financial assets at amortised cost	-	-	-	-	-
Total	**422,567**	**-**	**422,567**	**-**	**422,567**

Financial liabilities	Carrying amount ETB'000	Level 1 ETB'000	Level 2 ETB'000	Level 3 ETB'000	Total ETB'000
Deposits from customers	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total	-	-	-	-	-

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

4.6 Fair value of financial assets and liabilities (Continued)

4.6.2 Financial instruments measured at fair value - Fair value hierarchy (Continued)

30-Jun-22	Carrying amount ETB'000	Level 1 ETB'000	Level 2 ETB'000	Level 3 ETB'000	Total ETB'000
Financial assets					
Cash and balances with banks	-	-	-	-	-
Loans and receivables	-	-	-	-	-
Financial assets at fair value through OCI	292,069	-	292,069	-	292,069
Financial assets at amortised cost	-	-	-	-	-
Total	**292,069**	**-**	**292,069**	**-**	**292,069**
Financial liabilities					
Deposits from customers	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total	-	-	-	-	-

4.6.3 Valuation technique using significant unobservable inputs – Level 3

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

4.6.4 Transfers between the fair value hierarchy categories

During the reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process.

4.7 Offsetting financial assets and financial liabilities

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

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Notes to the financial statements (Continued)

		2023 ETB'000	2022 ETB'000
5	**Interest income**		
	Interest on loans and advances	12,087,748	8,904,674
	Interest income from NBE bills, treasury bills and government bonds	1,183,766	788,472
	Interest income from foreign deposits	4,197	33
	Interest income from local deposits	132,040	161,454
		13,407,751	9,854,633

Included within various line items under interest income for the year ended 30 June 2023 is a total of ETB 210 million (30 June 2022: ETB 440 million) relating to impaired financial assets.

		2023 ETB'000	2022 ETB'000
6	**Interest expense**		
	Interest on savings deposits	3,263,827	2,805,573
	Interest on demand deposits	11,655	11,061
	Interest on time deposits	750,248	538,674
	Finance charge on lease liability	23,659	19,237
	Interest on borrowings	11,294	27,590
		4,060,683	3,402,135
7	**Net fees and commission income**		
	Fees and commission income		
	Service charges	1,667,211	1,001,876
	Commission on CPOs and FTs	59,092	139,769
	Commission on letters of credit	756,498	443,464
	Transaction fees	1,045,299	793,602
	Commission on guarantees issued	342,628	316,615
	Credit related commissions	2,423	-
		3,873,151	2,695,326
	Fees and commission expense	(206,653)	(140,822)
	Net fees and commission income	3,666,498	2,554,504
8	**Other operating income**		
	Sundry income	79,678	33,250
	Rental income	97,632	92,939
	Investment income	25,307	15,777
	Income from IFB financing	440,574	214,495
		643,191	356,461
9	**Loans & IFB financing impairment charge**		
	Loans impairment charge (note 17c)	(497,601)	(215,517)
	Impairment charge on IFB financing (note 17c)	(31,359)	(17,169)
		(528,960)	(232,686)

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Notes to the financial statements (Continued)

		2023 ETB'000	2022 ETB'000
10	**Impairment losses on other financial assets**		
	Receivables - charge for the year (note 17c)	(11,570)	(36,784)
	Cash and bank balances - charge for the year (note 17c)	(64,015)	(297)
	Investment securities (debt instruments) - charge for the year (note 17c)	57	238
	LCs and financial guarantee contracts - charge for the year (note 17c)	345	(556)
		(75,183)	(37,399)
11	**Employee benefits expenses**		
	Salaries and wages	2,869,940	1,997,352
	Staff allowances	960,692	335,881
	Other staff expenses	378,521	322,238
	Pension costs – Defined contribution plan	383,913	263,196
	Retirement benefits expense - defined benefit plan	125,417	56,506
	Life and GPA insurance	18,273	13,255
		4,736,756	2,988,428
12	**Other operating expenses**		
	Rental expense	8,736	23,394
	Depreciation property and equipment	331,852	253,198
	Advertisement and promotions	333,004	119,857
	Donations and contributions	284,965	42,858
	Repairs and maintenance	100,057	45,442
	Printing and stationery	80,010	32,115
	Amortisation of intangible assets	170,233	82,127
	Sundry expenses	99,171	50,220
	Depreciation of investment property	16,981	17,489
	Representation allowances	48,444	33,668
	Transportation	54,621	21,210
	Utilities	56,801	35,953
	Insurance	16,074	17,248
	Per diems	42,923	12,424
	Entertainment	60,000	20,443
	Office expenses	10,379	4,961
	Outsourced service fees	423,533	226,721
	Hardware and software service fees	259,765	221,071
	Directors' related expenses	2,064	1,778
	Audit fees	2,213	2,034
	License and registration fees	1,794	947
	Legal and professional fees	8,191	11,268
	Postage and stamps	65	26
	Loss on disposal of fixed assets	1,504	2,786
	Penalty charges	(38)	(2)
	Gifts	5,669	498
	Depreciation of right-of-use-asset	532,570	318,814
	Impairment loss on non financial assets	4,623	21,393
		2,956,204	1,619,941

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A.A Bromhead Certified Audit Firm P.O. Box 709 Addis Ababa

Notes to the financial statements (Continued)

		2023 ETB'000	2022 ETB'000
13	**Company income and deferred tax**		
13(a)	**Income tax expense**		
	Current income tax (note 13b)	1,392,664	966,182
	Deferred tax expense / (income) - profit or loss	63,002	(66,959)
	Total charge to profit or loss	1,455,666	899,223
	Deferred tax expense - OCI	21,535	10,392
	Total tax in statement of comprehensive income	1,477,201	909,615

13(b) Taxation charge

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

	2023 ETB'000	2022 ETB'000
Profit before tax	5,016,753	3,803,785
Non-deductible expenses		
Depreciation and amortisation per IFRS	519,066	352,814
Impairment charge on loans & advances as per IFRS	497,601	215,517
Impairment of IFB financing	31,359	17,169
Impairment charge on receivables and other exposures	75,184	37,399
Impairment of non-financial assets	4,623	21,393
Severance expense	125,267	56,506
Entertainment	60,000	19,832
Family medical expense	-	699
Others	2,388	-
Penalty and gift	5,631	496
Donations	167	2,113
Unrealised foreign exchange loss	33,595	207,052
Provision for accrued leave expense	101,180	80,748
Amortisation of prepaid staff benefits expense net of additional interest income recognised on discounted staff loans at market rate	(1,917)	64,611
Interest computed on staff loans at market rate	169,297	135,235
Interest charge on lease liability	23,659	19,237
Depreciation expense of right-of-use-asset	532,570	318,814
Less:		
Interest income from NBE bills, treasury bills and government bonds	(1,183,766)	(788,472)
Depreciation as per tax law	(565,416)	(408,747)
Provision for loss on loans and advances, IFB financing and receivables as per tax law	(7,359)	(581,505)
Rent expense and land operating lease amortisation expense	(584,193)	(361,283)
Dividend income taxed at source	(25,307)	(15,777)
Interest income on local deposits (taxed at source)	(132,040)	(161,454)
Severance and farewell benefits paid	(35,657)	(16,070)
Interest on foreign deposits (to be taxed at 10%)	(4,197)	(33)
Leave payments made during the year	(13,102)	(5,002)
Gain on disposal of property and equipment	(4,574)	(4,613)
Taxable income	4,640,812	3,010,464
Current tax expense (30%)	1,392,244	903,139
Current tax expense - income on foreign deposits (10%)	420	3
Tax payment made upon tax audit	-	63,040
Total current tax expense	1,392,664	966,182

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A.A Bromhead Certified Audit Firm P.O. Box 709 Addis Ababa

Notes to the financial statements (Continued)

13 Company income and deferred tax (Continued)

13(c) Reconciliation of effective tax to statutory tax

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

	2023 ETB'000	2022 ETB'000
Profit before tax	5,016,753	3,803,785
Profit tax at the applicable rate of 30%	1,505,026	1,141,136
Tax effect of income taxed at source	(402,334)	(289,712)
Tax effect of disallowed expenses	289,552	114,755
Tax effect of income on foreign deposits (10%)	420	3
Tax expense	1,392,664	966,182

13(d) Current income tax liability

Balance at the beginning of the year	906,584	560,667
Charge for the year (note 13b)	1,392,664	966,182
Withholding tax paid	(2,297)	(1,955)
Payment during the year	(906,584)	(623,707)
Income tax payable on share premium	49,589	5,397
Balance at the end of the year	1,439,956	906,584

13(e) Deferred tax assets

The analysis of deferred tax assets is as follows:

To be recovered after more than 12 months	87,651	172,188
To be recovered within 12 months	-	-
	87,651	172,188

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

Deferred income tax assets/(liabilities):	At 1 July 2022 ETB'000	Credit/ (charge) to P/L ETB'000	Credit/ (charge) to equity or ETB'000	Credit/ (charge) to equity or OCI ETB'000	At 30 June 2023 ETB'000
Property and equipment	(50,339)	(61,780)	-	-	(112,119)
Post employment benefits obligation	66,114	26,883	-	-	92,997
Unrealised fair value (gain) / loss on equity instruments	(45,125)		(21,415)	-	(66,540)
Actuarial loss	52,917		(120)	-	52,797
Unrealised foreign exchange loss	62,116	(52,038)	-	-	10,078
Right-of-use-asset and lease liability	26,274	(2,490)	-	-	23,784
Provision for accrued leave	60,231	26,423	-	-	86,654
Total deferred tax assets/(liabilities)	172,188	(63,002)	(21,535)	-	87,651

Notes to the financial statements (Continued)

13 Company income and deferred tax (Continued)

13(e) Deferred tax assets / (liabilities) (Continued)

Deferred income tax assets/(liabilities):	At 1 July 2021 ETB'000	Credit/ (charge) to P/L ETB'000	Credit/ (charge) to equity or ETB'000	Credit/ (charge) to equity or OCI ETB'000	At 30 June 2022 ETB'000
Property and equipment	(52,218)	1,879	-	-	(50,339)
Post employment benefits					-
obligation	53,983	12,131	-	-	66,114
Unrealised fair value (gain) / loss on equity instruments	(1,760)	-	(43,365)	-	(45,125)
Actuarial loss	19,944	-	32,973	-	52,917
Unrealised foreign exchange loss	24,973	37,143	-	-	62,116
Right-of-use-asset and lease					-
liability	33,243	(6,969)	-	-	26,274
Provision for accrued leave	37,456	22,775	-	-	60,231
Total deferred tax assets/(liabilities)	115,621	66,959	(10,392)	-	172,188

14 Cash balances with banks and reserve with National Bank of Ethiopia

14(a) Cash and balances with banks

	2023 ETB'000	2022 ETB'000
Cash in hand	3,982,509	2,654,434
Balance held with National Bank of Ethiopia	1,696,444	2,452,272
Deposits with local banks maturing in three months	51	51
Deposits with foreign banks	4,761,326	3,035,955
Treasury Bills maturing in three months	1,581,231	2,262,063
	12,021,561	10,404,775
Impairment allowance-bank balances	(64,256)	(331)
	11,957,305	10,404,444

Impairment allowance-bank balances ETB 64.13 million is the missing cash from the Mekele District's branches.

14(b) Reserve with National Bank of Ethiopia

Reserve with National Bank of Ethiopia	8,300,000	6,500,000
Impairment allowance - reserve with National Bank of Ethiopia	(415)	(325)
	8,299,585	6,499,675

The reserve account balance maintained with the National Bank of Ethiopia is restricted for current use.

Notes to the financial statements (Continued)

15 Loans and advances and IFB financing

15(a) Loans and advances to customers

	2023 ETB'000	2022 ETB'000
Domestic trade and services	27,108,794	19,951,305
Manufacturing	19,757,874	16,486,510
Export	17,616,784	12,745,644
Real estate	8,657,936	7,886,634
Transport	1,519,824	1,352,573
Construction, machinery and working capital	1,655,999	1,710,952
Import	3,600,454	2,925,996
Personal	8,789,145	6,213,855
Staff housing loans	3,774,630	2,835,801
Loans and advances under litigation	575,621	615,024
Agriculture	509,871	387,865
Emergency staff loans	723,434	616,364
Advances on letters of credit	493,469	736,842
Mining	-	250,753
Special financing scheme-hotel and tourism	20,255	62,729
Mastercard Foundation loan facility	220,702	289,089
Loans against AEC business consulting PLC	207	-
Dube Ale	38,384	-
Telebirr financial services	981,059	-
DBE SME Finance project	50,592	351,664
Gross amount	96,095,034	75,419,600
Less:		
Impairment loss allowance (note 4.2.3)	(1,049,228)	(551,607)
	95,045,806	74,867,993
Maturity analysis		
Current	27,961,768	18,079,589
Non-current	67,084,038	56,788,404
	95,045,806	74,867,993

Notes to the financial statements (Continued)

15 Loans and advances and IFB financing (Continued)

15(b) IFB financing

	2023 ETB'000	2022 ETB'000
Domestic trade and services	3,273,968	1,963,570
Manufacturing	513,957	329,818
Real estate	1,194,883	863,206
Transport	129,703	149,986
Construction, machinery and working capital	3,891	6,646
Import	393,944	717,953
Export	681,582	65,888
Personal	324,908	174,905
Emergency staff loan	34,500	21,229
Agriculture	7,265	11,445
Mining	80,690	44,189
Litigation	-	3,006
Defrred profit murabaha	(1,435,448)	(1,184,134)
Gross amount	5,203,843	3,167,707
Less:		
Impairment loss allowance (note 4.2.3)	(51,476)	(20,117)
	5,152,367	3,147,590
Maturity analysis		
Current	1,780,032	1,044,952
Non-current	3,372,335	2,102,638
	5,152,367	3,147,590

The Bank complied with the requirements of the NBE Circular No. BSD/22/2023 and FIS/BSD/1794/2022 with respect to loans, advances and IFB financing of the Tigray Region.

16 Investment security

16(a) Financial assets at fair value through OCI

	2023 ETB'000	2022 ETB'000
Balance at the beginning of the year	292,069	112,138
Changes in the fair value of financial assets at FVTOCI	71,365	144,551
Additional investments made during the year	59,133	35,380
Balance at the end of the year	422,567	292,069

16(b) The Bank holds equity investments in Ethswitch S.C of 5.59% (2022: 6.63%%), Nyala Insurance S.C of 5% (2022: 5%), Ethiopian Reinsurance S.C of 2.01% (2022: 3.61%) and Society of Worldwide Interbank Financial Telecommunication (SWIFT) S.C of 0.005% (2022: 0.005%), Addis Africa International Conventional Center of 3.22% (2022: 1.14%) and Capital Financial Excellence Center (CaFEC) S.C. of 3.24% (2022: nill). These investments are unquoted equity securities measured at cost except for SWIFT, which has been measured at fair value.

Notes to the financial statements (Continued)

16 Investment security (Continued)

16(c) Debt securities at amortised cost	**2023 ETB'000**	**2022 ETB'000**
Fixed term deposits with local banks	717,123	1,128,715
Treasury Bills	6,812,420	10,427,355
Ethiopian Government bonds	3,677,736	616,303
Gross amount	11,207,279	12,172,373
Less:		
Impairment allowance-Bills & Bonds	(609)	(666)
	11,206,670	12,171,707
Maturity analysis		
Current	7,529,543	11,556,070
Non-current	3,677,127	615,637
	11,206,670	12,171,707

17 Other assets

17(a) Other financial assets

Clearing account balances	1,676,350	868,981
Other receivables	500,011	163,102
Trust fund with Ethio Telecom	171,522	-
Sharia complaint DBE-bond	46,200	15,710
	2,394,083	1,047,793
Impairment allowance for receivables	(24,432)	(12,862)
	2,369,651	1,034,931

17(b) Non-financial assets

Staff advances	2,733	2,211
Prepayments	999,009	1,089,656
Prepaid staff benefits	657,735	494,148
Acquired properties	81,956	49,389
Inventory	138,804	103,479
Other non-financial assets	672	672
	1,880,909	1,739,555
Gross amount	4,250,560	2,774,486
Maturity analysis		
Current	3,372,065	2,127,470
Non-current	878,495	647,016
	4,250,560	2,774,486

Notes to the financial statements (Continued)

17(c) Movement of impairment loss allowance

	As at 1 July 2022 ETB'000	**Adjustment ETB'000**	**Charge / (reversal) for year ETB'000**	**As at 30 June 2023 ETB'000**
Loans and advances	551,607	20	497,601	1,049,228
IFB financing	20,117	-	31,359	51,476
LC and guarantees	846	-	(345)	501
Debt securities at amortised cost	666	-	(57)	609
Receivables	12,862	-	11,570	24,432
Bank balances	656	-	64,015	64,671
Total	**586,754**	**20**	**604,143**	**1,190,917**

18 Joint operations

The Bank has a 40% interest in a joint arrangement in the Tana Department Store Building in Addis Ababa which was set up as a partnership together with MIDROC Ethiopia PLC to earn rental income. Dashen Bank manages and administers the affairs of the building.

The joint operation agreement in relation to the Tana Building partnership require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is, therefore, classified as a joint operation and the Bank recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described in note 2.20.

Name of operation	**% of ownership interest**		**2023 ETB'000**	**2022 ETB'000**
Tana Building Administration	40%			
		Total assets	214,613	193,879
		Total liabilities	8,625	8,144
		Total income	24,390	20,822
		Total expenses	3,098	3,438

Notes to the financial statements (Continued)

19 Investment properties

	2023 ETB'000	2022 ETB'000
Cost:		
At the beginning of the year	849,043	848,416
Acquisitions	-	627
At the end of the year	849,043	849,043
Accumulated depreciation:		
At the beginning of the year	101,783	84,294
Charge for the year	16,981	17,489
At the end of the year	118,764	101,783
Net book values	730,279	747,260

19(a) Amounts recognised in profit or loss for investment properties and other properties classified under PE

	2023	2022
Rental income from investment and other properties classified under PE	97,632	92,939
Depreciation of investment properties	16,981	17,489

19(b) Fair value measurement of the Bank's Investment properties

Investment properties include those held for rental purposes and those in which the Bank occupies an insignificant portion. These properties are held to earn rentals and for capital appreciation. There are currently no restrictions on the realisability of these properties.

Investment properties are initially measured at fair value as deemed cost and subsequently measured at depreciated cost (less any accumulated impairment losses). Depreciation is calculated using the straight-line method to allocate costs less residual values over the estimated useful lives of 50 years. The fair value of investment properties has been disclosed as required.

The fair value of the Bank's investment property as at 30 June 2023 is ETB 2.1 billion (2022: ETB 1.64 billion). The fair value of the Bank's investment property has been arrived at by in-house engineers, qualified estate surveyors and valuers. These valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the replacement cost concept which approximates the estimated amount for which a property should exchange on the date of valuation between knowledgeable willing parties in an arm's length transaction after proper marketing, prudently and without compulsion. This implies a market comparable approach that reflects the recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

19(c) Fair value hierarchy

Details of the Bank's Investment properties and information about the fair value hierarchy at 30 June 2023 and 30 June 2022 are as follows:

	Level 1 ETB'000	Level 2 ETB'000	Level 3 ETB'000
2023			
Investment properties	-	-	2,100,254
2022			
Investment properties	-	-	1,637,004

19(d) Investment properties include ETB 27m freehold land with indefinite economic life that is not depreciated.

Notes to the financial statements (Continued)

20 Intangible assets

	License ETB'000	Software ETB'000	Total ETB'000
Cost:			
As at 1 July 2021	44,653	390,894	435,547
Acquisitions	4,318	50,950	55,268
Write off	(44,653)	(52,677)	(97,330)
Reclasification	136,817	(136,817)	-
As at 30 June 2022	141,135	252,350	393,485
As at 1 July 2022	141,135	252,350	393,485
Additions	139,084	497,961	637,045
Reclasification	44,653	52,677	97,330
As at 30 June 2023	324,872	802,988	1,127,860
Accumulated amortisation and impairment losses			
As at 1 July 2021	(44,653)	(179,440)	(224,093)
Amortisation for the year	(936)	(81,191)	(82,127)
Write off	44,653	52,677	97,330
Reclasification	(83,430)	83,430	-
As at 30 June 2022	(84,366)	(124,524)	(208,890)
As at 1 July 2022	(84,366)	(124,524)	(208,890)
Amortisation for the year	(123,712)	(46,521)	(170,233)
Reclasification	(44,653)	(52,677)	(97,330)
As at 30 June 2023	(252,731)	(223,722)	(476,453)
Net book values			
As at 30 June 2022	**56,769**	**127,826**	**184,595**
As at 30 June 2023	**72,141**	**579,266**	**651,407**

21 Property and equipment (PE)

	2023 ETB'000	2022 ETB'000
Property and equipment (21a)	4,552,653	3,271,395
Right-of-use-assets (21b)	2,284,082	1,503,443
	6,836,735	**4,774,838**

	Buildings ETB'000	Motor vehicles ETB'000	Office and other equipment ETB'000	Furniture and fittings ETB'000	Computer equipment ETB'000	Construction in progress ETB'000	Total ETB'000
Cost:							
As at 1 July 2021	2,269,274	405,360	332,566	309,598	854,586	31,569	4,202,953
Additions	-	4,547	111,391	118,099	138,847	42,573	415,457
Reclassifications	-	-	(4,496)	(142)	(3,891)	-	(8,529)
Disposals	(2,773)	(5,956)	(2,409)	(959)	(11,892)	-	(23,989)
As at 30 June 2022	2,266,501	403,951	437,052	426,596	977,650	74,142	4,585,892
As at 1 July 2022	2,266,501	403,951	437,052	426,596	977,650	74,142	4,585,892
Additions	42,014	214,440	272,750	632,793	431,462	33,585	1,627,044
Reclassifications	-	-	-	-	-	(6,019)	(6,019)
Disposals	-	(5,171)	(48)	(11,280)	(37)	-	(16,536)
As at 30 June 2023	2,308,515	613,220	709,754	1,048,109	1,409,075	101,708	6,190,381
Accumulated depreciation and impairment losses:							
As at 1 July 2021	(144,487)	(164,568)	(188,774)	(129,693)	(454,958)	-	(1,082,480)
Charge for the year	(44,744)	(33,999)	(45,210)	(28,218)	(101,027)	-	(253,198)
Impairment loss	-	-	(1,824)	(964)	(2,869)	-	(5,657)
Reclassifications	-	-	3,926	62	2,326	-	6,314
Disposals	299	5,358	2,380	872	11,615	-	20,524
As at 30 June 2022	(188,932)	(193,209)	(229,502)	(157,941)	(544,913)	-	(1,314,497)
As at 1 July 2022	(188,932)	(193,209)	(229,502)	(157,941)	(544,913)	-	(1,314,497)
Charge for the year	(45,279)	(39,663)	(62,163)	(46,830)	(137,917)	-	(331,852)
Impairment loss	-	-	(930)	(1,988)	(1,705)	-	(4,623)
Disposals	-	3,663	47	9,502	32	-	13,244
As at 30 June 2023	(234,211)	(229,209)	(292,548)	(197,257)	(684,503)	-	(1,637,728)
Net book values							
As at 30 June 2022	**2,077,569**	**210,742**	**207,550**	**268,655**	**432,737**	**74,142**	**3,271,395**
As at 30 June 2023	**2,074,304**	**384,011**	**417,206**	**850,852**	**724,572**	**101,708**	**4,552,653**

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Notes to the financial statements (Continued)

21 Property and equipment (PE) (continued)

21(a) Property and equipment (PE) (continued)

21.1 Construction in progress represents directly attributable costs related to construction of buildings at Ras Mekonnen Bridge, Shewaber, Adama, Jimma, Lideta and Dessie.

21.2 Upon impairment review, the net book values of property and equipment does not exceed its recoverable amounts as at the end of the reporting period. Thus, the management is of the opinion that allowance for impairment is not required.

21.3 Property and equipment include ETB 33m freehold land with indefinite economic life that is not depreciated.

21(b) Right-of-use assets

	Office rent ETB'000	Rent for ATM spaces ETB'000	Leasehold land ETB'000	Total ETB'000
Balance at 1 July 2021	993,989	8,558	48,676	1,051,223
Additions	347,847	705	-	348,552
Adjustments	419,568	2,914	-	422,482
Depreciation (charge for the year)	(313,821)	(3,821)	(1,172)	(318,814)
Balance at 30 June 2022	**1,447,583**	**8,356**	**47,504**	**1,503,443**
Balance at 1 July 2022	1,447,583	8,356	47,504	1,503,443
Additions	884,180	439	-	884,619
Adjustments	424,768	3,818	-	428,586
Depreciation (charge for the year)	(527,733)	(3,661)	(1,172)	(532,566)
Balance at 30 June 2023	**2,228,798**	**8,952**	**46,332**	**2,284,082**

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Notes to the financial statements (Continued)

22 Customer deposits

	2023 ETB'000	2022 ETB'000
22(a) Deposits from conventional customers		
Demand deposits	38,904,029	30,169,300
Savings deposits	60,824,894	49,983,423
Time deposits	7,009,446	5,151,533
	106,738,369	85,304,256
22(b) Deposits from interest free banking customers		
Qard deposits	2,209,043	1,788,401
Wadia savings deposits	5,897,347	4,141,348
Mudaraba savings	3,334	1,879
	8,109,724	5,931,628
Total Deposits	114,848,093	91,235,884
Maturity analysis		
Current	7,787,000	5,468,490
Non-current	107,061,093	85,767,394
	114,848,093	91,235,884

23 Other liabilities

	2023 ETB'000	2022 ETB'000
Financial liabilities		
Accruals	6,647	4,261
Borrowing-local	95,989	74,853
Banking instruments payables	2,676,794	5,321,732
Customers payables	768,590	458,598
Margins held on letters of credit	2,907,265	1,669,096
Hamish Jidia held accounts	61,786	81,768
Staff payables	489,491	360,769
Impairment allowance for LCs & guarantees	502	846
Lease liabilities	368,780	341,247
	7,375,844	8,313,170
Non-financial liabilities		
Deferred income	177,320	153,888
Defined contribution liabilities	44,752	15,253
Sundry payables	715,931	502,931
Stamp duty payable	14,052	9,164
Withholding tax and value added tax payables	28,725	25,994
Other tax payable	111,507	56,076
Provision	80,232	40,709
	1,172,519	804,015
Gross amount	8,548,363	9,117,185
Maturity analysis		
Current	8,179,583	8,775,938
Non-current	368,780	341,247
	8,548,363	9,117,185

Notes to the financial statements (Continued)

24 Defined benefits obligation

Severance, retirement and gratuity benefits

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

The Bank also pays employees who retire with 15 years or more of service a reward gratitude of two (2) months salary calculated on the basis of the last salary of the employee.

24(a) Liability recognised in the financial position

	2023 ETB'000	2022 ETB'000
Defined benefits obligation	485,979	396,772

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

	2023	2022
At the beginning of the year	396,772	246,424
Current service cost (note 24b)	30,722	19,161
Interest cost (note 24b)	94,545	37,345
Remeasurement (gain) / losses (note 24c)	(403)	109,912
Benefits paid	(35,657)	(16,070)
At the end of the year	485,979	396,772

24(b) Amount recognised in the profit or loss

	2023	2022
Gross service cost	30,722	19,161
Interest cost	94,545	37,345
	125,267	56,506

24(c) Amount recognised in other comprehensive income:

	2023	2022
Actuarial losses/(gains) on economic assumptions	2,239	(7,927)
Actuarial (gains)/losses on experience	(2,642)	117,839
	(403)	109,912

24(d) The significant actuarial assumptions were as follows:

i) *Financial assumption long term average*

	2023	2022
Discount rate per annum	20.50%	23.10%
Inflation rate	15.08%	17.30%
Long term salary increases	17.08%	19.30%

Notes to the financial statements (Continued)

24 Defined benefits obligation

24(d) The significant actuarial assumptions were as follows: (Continued)

i) *Financial assumption long term average (Continued)*

Discount rate

IAS19 requires that the discount rate be set based on the yields of appropriate term high quality corporate bonds. If no deep market in such bonds is available, accounting standards require that the yield on government bonds of appropriate term be applied in the setting of this assumption.

In Ethiopia, there is neither a deep market in corporate nor Government bonds. Furthermore, the market for treasury bills in Ethiopia is inefficient and does not appear to be market-determined. IAS19 does not provide guidance for setting the discount rate in a country with limited Government bonds or instruments.

The Ethiopian Banking Association (EBA) has therefore advised on the use a discount rate of 20.50 % as at 30 June 2023 (30 June 2022: 23.10%).

Long term salary increases

Future salary increases are usually linked with a long-term future inflation assumption, plus a margin in respect of merit or promotional increases. Long term salary increases of 2% higher than the assumed long-term inflation rate on average, have been applied.

ii) *Mortality in service*

In determining an appropriate mortality table to use for the valuations, the Bank considered the mortality rates published in the Demographic and Health Survey ("DHS") 2016 report compiled by the Central Statistic Authority (CSA).

Age	2023 Male Mortality rate	2023 Female Mortality rate	2022 Male Mortality rate	2022 Female Mortality rate
20	0.306%	0.223%	0.306%	0.223%
25	0.303%	0.228%	0.303%	0.228%
30	0.355%	0.314%	0.355%	0.314%
35	0.405%	0.279%	0.405%	0.279%
40	0.515%	0.319%	0.515%	0.319%
45	0.450%	0.428%	0.450%	0.428%
50	0.628%	0.628%	0.628%	0.628%
55	0.979%	0.979%	0.979%	0.979%
60	1.536%	1.536%	1.536%	1.536%

iii) *Withdrawal from service*

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 1% at the youngest ages and 2% at age 50 and above.

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

		Impact on defined benefit obligation			
		2023		2022	
	Change in assumption	Impact of an increase ETB'000	Impact of a Decrease ETB'000	Impact of an increase ETB'000	Impact of a decrease ETB'000
Discount rate	1.0%	(20,830)	23,813	(16,785)	17,673

Notes to the financial statements (Continued)

24(d) The significant actuarial assumptions were as follows: (Continued)

iii) *Withdrawal from service (Continued)*

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The duration of the liabilities, on which the assumptions have been set, was calculated to be 6 years in the current valuation assumptions and data (2022: 6 years).

		2023 ETB'000	2022 ETB'000
25	**Share capital and share premium**		
25(a)	**Share capital**		
	Authorised	12,000,000	12,000,000
	Paid-up	9,344,559	6,863,215

The par value of each share is ETB 1,000.

The holders of ordinary shares are entitled to receive dividends when declared and are entitled to one vote per share at the general meetings of the Bank.

		2023 ETB'000	2022 ETB'000
25(b)	**Share premium**	128,300	12,593

26 Earnings per share

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

	2023 ETB'000	2022 ETB'000
Profit attributable to shareholders	3,561,087	2,904,562
Weighted average number of ordinary shares in issue	8,060	5,458
Basic and diluted earnings per share	442	532

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2022: nil), hence the basic and diluted earnings per share have the same value.

		2023 ETB'000	2022 ETB'000
27	**Retained earnings**		
	At the beginning of the year	1,270,328	1,161,185
	Profit for the year	3,561,087	2,904,562
	Directors' remuneration	(1,954)	(2,138)
	Transfer to legal reserve (note 29)	(890,272)	(726,141)
	Dividends paid	(572,669)	(499,066)
	Transfer from / (to) regulatory risk reserve (note 31)	321,213	(929,093)
	Transfer from reserve to IFRS (note 28)	7,402	21,105
	Transfer to share capital	(695,626)	(660,086)
	At the end of the year	2,999,509	1,270,328

Notes to the financial statements (Continued)

28 Reserve for IFRS

	2023 ETB'000	2022 ETB'000
At the beginning of the year	900,908	922,013
Transfer to retained earnings	(7,402)	(21,105)
At the end of the year	893,506	900,908

28(a) The Accounting and Auditing Board of Ethiopia (AABE) by its letter of 30 October 2019 (19 Tikemt 2012) prohibited the distribution to shareholders by way of cash dividends and/or capital increase of the amounts that arise from remeasurement adjustments from first time adoption of IFRSs and adoption of new standards maintained in retained earnings and under any other account(s) until a directive is issued in this regard.

29 Legal reserve

	2023 ETB'000	2022 ETB'000
At the beginning of the year	3,527,133	2,800,992
Transfer from profit or loss	890,272	726,141
At the end of the year	4,417,405	3,527,133

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

Notes to the financial statements (Continued)

30 Special reserve

	2023 ETB'000	2022 ETB'000
At the beginning of the year	100	100
At the end of the year	100	100

The Bank has opted to maintain a special reserve in compliance with Proclamation No. 592/2008, Art. 21(7).

31 Regulatory credit risk reserve

	2023 ETB'000	2022 ETB'000
At the beginning of the year	1,824,326	895,233
Transfer from retained earnings	(321,213)	929,093
At the end of the year	1,503,113	1,824,326

The regulatory risk reserve is a non-distributable reserve required by the regulations of the National Bank of Ethiopia (NBE) to be kept for impairment losses on loans and receivables in excess of the IFRS charge as derived using an expected credit loss model.

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

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

32 Other reserves

	2023 ETB'000	2022 ETB'000
At the beginning of the year	(18,183)	(42,430)
Remeasurement gain / (loss) on retirement benefits obligations, net of tax	282	(76,938)
Changes in the fair value of financial assets at FVTOCI	49,950	101,185
At the end of the year	32,049	(18,183)
Other reserves are made up as follows:-		
Fair value reserve	155,241	105,291
Defined benefits obligations reserve	(123,192)	(123,474)
	32,049	(18,183)

The fair value reserve represents the surplus or losses arising on valuation of financial assets at FVTOCI and is non-distributable.

The defined benefit obligations reserve represents the remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions. They are recognised in the period in which they occur directly in other comprehensive income.

Notes to the financial statements (Continued)

		2023	2022
33	**Cash generated from operating activities**	ETB'000	ETB'000
	Profit before tax	5,016,753	3,803,785
	Adjustments for non-cash items:		
	Depreciation of investment properties	16,981	17,489
	Depreciation of property and equipment	331,852	253,198
	Amortisation of intangible assets	170,233	82,127
	Depreciation expense on right-of-use assets	532,566	318,814
	Impairment of property and equipment	4,623	5,657
	Adjustments on right-of-use assets	(428,586)	(422,482)
	Dividend Income		
	Adjustments on property and equipment	6,019	2,215
	Gain on disposal of property and equipment	(6,833)	(7,862)
	Impairment charge on loans and advances	497,601	215,517
	Impairment charge on IFB financing	31,359	17,169
	Impairment charge on receivables and other exposures	75,184	37,240
	Defined benefit obligation expense	125,267	56,506
	Changes in operating assets and liabilities:		
	Changes in loans and advances	(20,675,414)	(13,433,338)
	Changes in IFB financing	(2,036,136)	(2,095,785)
	Change in other assets	(1,551,258)	(1,109,201)
	Changes in reserve with NBE	(1,799,910)	(2,770,000)
	Changes in customer deposits	23,612,209	16,682,378
	Changes in income tax on share premium	49,589	5,397
	Changes in other liabilities	(615,938)	987,336
	Cash generated from operating activities	3,356,161	2,646,160

In the statement of cash flows, profit on sale of property and equipment (PE) comprise:

	2023	2022
Proceeds on disposal	10,125	11,327
Net book values of property and equipment disposed	(3,292)	(3,465)
Gain on sale of property and equipment	6,833	7,862

Dashen Bank Share Company
Report and Financial Statements
For the year ended 30 June 2023

Notes to the financial statements (Continued)

34 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both.

In the normal course of business, a number of banking transactions are entered into with related parties including staff, Board of Directors, their associates and companies associated with Directors. These include loans, deposits and foreign currency transactions. Loans and advances to customers include loans and advances to Board Directors and to companies associated with Directors.

Contingent liabilities include guarantees and letters of credit for companies associated with Directors.

A number of transactions were entered into with related parties at arm's length in the normal course of business. These are disclosed below:

34(a) Directors and employees

i) The average number of staff employed by the Bank during the year was as follows:

	2023 Number	2022 Number
Executive management	13	13
Senior and middle management	1,125	824
Line management	1,275	853
Professional	6,871	4,553
Clerical	405	284
Non-clerical	580	650
	10,269	7,177

ii) The table below shows the number of employees' emoluments in the year and were within the bands stated.

Salary / month band	2023 ETB'000	2022 ETB'000
0 - 9,999	407	570
10,000 - 30,000	7,392	4,997
30,001 - 50,000	2,133	1,393
50,001 - 100,000	314	204
Above 100,000	23	13
	10,269	7,177

34(b) Loans and advances

Loans to Board of directors and executive management	2023 ETB'000	2022 ETB'000
Board of Directors		
Abebe Teklu G/Selassie	910	1,351
Dulla Mekonnen	2,168	2,317
Abdulmutalib Biyan	-	3,433
Total	3,078	7,101

Notes to the financial statements (Continued)

34 Related party transactions (Continued)

34(b) Loans and advances (Continued)

Executive Management	**2023 ETB'000**	**2022 ETB'000**
Chief Executive Officer	1,200	-
Other Executive Officers (In total)	96,751	60,304
Total	97,951	60,304

34(c) Customer deposits

Directors and key management personnel

At the beginning of the year	8,319	2,440
Net movement during the year	23,510	5,879
At the end of the year	31,830	8,319

The above outstanding balances arose from the ordinary course of business and are substantially on the same terms, including interest rates as for comparable transactions with third-party counterparties.

34(d) Key management compensation

Key management has been determined to be the members of the Board of Directors and the executive management of the Bank. The compensation paid or payable to key management excluding annual Directors' remuneration (note 27) is shown below.

	2023 ETB'000	**2022 ETB'000**
Board of Directors fee		
Abdulmutalib Biyan Hamza	185	185
Abebe Teklu G/selassie	185	185
Dulla Mekonnen Mosissa	185	185
Getaw Yalew Endashaw	185	185
Haile Assegide Haile	185	185
Mekete Dagnew Anteneh	185	185
Neway Beyene Mulatu	-	84
Negussie Demie Buta	185	87
Rahel Werede Amdebirhan	185	185
Saeed Ahmed Hassen	185	185
Total	1,662	1,648

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Notes to the financial statements (Continued)

34 Related party transactions (Continued)

34(d) Key management compensation (Continued)

	2023 ETB'000	**2022 ETB'000**
Salary, other short-term and Post-employment benefits		
Chief Executive Officer	7,638	6,378
Other Executive Officers (In total)	43,876	28,767
Total	51,514	35,145

Compensation of the Bank's key management personnel includes salaries and contributions to the post-employment defined benefits plans.

35 Contingent liabilities

35(a) Claims and litigation

The Bank is a party to a number of legal actions brought by different entities and individuals arising from its normal business operations. The maximum exposure of the Bank arising from these legal cases as at 30 June 2023 was ETB 760.9 million (2022: ETB 37.3 million). The major case involving ETB 705 million is held in the Republic of China in which the Bank is summoned as a third party respondent in order to submit its defence against the plaintiff's claim for the cessation of payment to the defendant as per an advance payment guarantee issued by the Bank. The directors believe that it is not probable that economic benefits would flow out of the Bank in respect to these legal cases.

35(b) Guarantees and letters of credit

The Bank conducts business involving performance bonds and guarantees. These instruments are given as security to support the performance of customers to third parties. As the Bank will only be required to meet these obligations in the event of the customers' default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

The table below summarises the fair value amount of contingent liabilities for the account of customers:

	2023 ETB'000	**2022 ETB'000**
Loan commitments	2,355,263	2,379,413
Unutilised overdraft facilities	2,847,244	1,387,005
Guarantees	38,418,686	38,433,881
Letters of credit	13,653,949	12,414,502
Total	57,275,142	54,614,801

36 Operating lease commitments - the Bank as lessee

The Bank leases various properties under non-cancellable operating lease agreements. The lease terms are between two and five years, and the majority of these lease agreements are renewable at end of the each lease period at market rate.

The Bank has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

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Notes to the financial statements (Continued)

37 Lease liability and commitments

a) Lease liabilities in (ETB '000)

	As at 1 July 2022	Additions	Adjustment	Paid during the year	Interest charge for the year	As at 30 June 2023
Office rent	(326,639)	(46,979)	36,051	6,264	(22,615)	(353,918)
ATM	(5,805)	(136)	(1,438)	1,012	(418)	(6,785)
Leasehold land	(8,803)	-	12	1,333	(613)	(8,071)
Total	(341,247)	(47,115)	34,625	8,609	(23,646)	(368,774)

	As at 1 July 2021	Additions	Adjustment	Paid during the year	Interest charge for the year	As at 30 June 2022
Office rent	(309,967)	(25,007)	6,622	19,891	(18,178)	(326,639)
ATM	(4,942)	(201)	(1,484)	1,232	(410)	(5,805)
Leasehold land	(9,512)	-	26	1,333	(650)	(8,803)
Total	(324,421)	(25,208)	5,164	22,456	(19,238)	(341,247)

b) Lease commitments in (ETB'000)

	1 July 2023 up to 30 June 2024	1 July 2024 up to 30 June	1 July 2025 up to 30 June 2026	1 July 2026 up to 30 June 2027	1 July 2027 up to 30 June 2028	Above
ATM	3,244	1,523	553	203	-	-
Leasehold land	1,285	1,280	1,236	1,236	1,236	5,191
Office rent	118,974	73,903	56,770	7,075	-	1,972
Total	123,503	76,706	58,559	8,514	1,236	7,163

38 Operating lease commitments - the Bank as lessor

Rental income earned during the year was ETB million 97.6 million (2022: ETB 92.6 million). At the end of the reporting year, the Bank had contracted with tenants for the following future lease receivables:

	2023 ETB'000	2022 ETB'000
No later than 1 year	57,825	51,000
Later than 1 year and no later than 5 years	143,790	111,682
Later than 5 years	1,803	1,200
Total	203,418	163,882

39 Events after reporting period

39(a) The Bank has assessed the impact of the conflict in the northern Ethiopia on its assets and its obligations and have accounted for all known losses in these financial statements.

39(b) There were no significant post balance sheet events which could have a material effect on the state of affairs of the Bank as at 30 June 2023 and its profit for the year then ended, which have not been adequately provided for or disclosed. (2022: none)

Notes to the financial statements (Continued)

40 Notes on Interest Free Banking(IFB) Service

Dashen Bank's interest free banking (IFB) became operational on 5 March 2018. The Bank has established a separate book of accounts for IFB as per the requirements of the National Bank of Ethiopia Directive No. SBB/72/2019. As at the end of the reporting period, the financial performance and position of the Interest Free Banking operations of the Bank do not fulfil the quantitative threshold of 10% in line with IFRS 8 - Operating Segments. However, the management believes that voluntary disclosure is necessary to provide useful information to users of the financial statements particularly the regulatory authority in the way presented as follows:

Segment Reporting
Statement of Profit or Loss
For the year ended 30 June 2023

	Interest Free banking ETB'000	Conventional Banking ETB'000	Total ETB'000
Interest income	-	13,407,751	13,407,751
Interest expense	-	(4,060,683)	(4,060,683)
Net interest and IFB Financing income	**-**	**9,347,068**	**9,347,068**
Fee and commission income	78,254	3,794,897	3,873,151
Fee and commission expense	(36,567)	(170,086)	(206,653)
Net fee and commission income	**41,687**	**3,624,811**	**3,666,498**
Financing and advances	440,574	-	440,574
Other operating income	2,313	200,304	202,617
(Loss) on foreign exchange	(75)	(342,825)	(342,900)
Total operating income	**484,498**	**12,829,359**	**13,313,857**
Loan & IFB financing impairment (charge)	(31,359)	(497,601)	(528,960)
Impairment losses on other exposures	(74)	(75,110)	(75,184)
Net operating income	**453,065**	**12,256,648**	**12,709,713**
Employee benefits expense	(219,271)	(4,517,485)	(4,736,756)
Other operating expenses	(77,934)	(2,878,270)	(2,956,204)
Profit before tax	**155,860**	**4,860,893**	**5,016,753**

Notes to the financial statements (Continued)

40 Notes on Interest Free Banking (IFB) Service (Continued)

Segment Reporting
Statement of Financial Position
As at 30 June 2023

	Interest Free Banking ETB'000	Conventional Banking ETB'000	Total ETB'000
ASSETS			
Cash and balances with banks	897,245	11,060,060	11,957,305
Reserve with National Bank of Ethiopia		8,299,585	8,299,585
Loans and advances to customers	-	95,045,806	95,045,806
IFB Financing	5,152,367	-	5,152,367
Financial assets at fair value through OCI	-	422,567	422,567
Debt instruments at amortised cost	-	11,206,670	11,206,670
Other assets	2,239,413	2,011,147	4,250,560
Investment properties	-	730,279	730,279
Intangible assets	-	651,407	651,407
Property and equipment	93,945	6,742,790	6,836,735
Deferred tax assets	-	87,651	87,651
Total Assets	**8,382,970**	**136,257,962**	**144,640,932**
LIABILITIES			
Customer deposits	8,109,724	106,738,369	114,848,093
Current income tax	46,758	1,393,198	1,439,956
Other liabilities	117,386	8,430,977	8,548,363
Defined benefits obligation	-	485,979	485,979
Total Liabilities	**8,273,868**	**117,048,523**	**125,322,391**
EQUITY			
Share capital	-	9,344,559	9,344,559
Retained earnings	109,102	2,890,407	2,999,509
Reserve for IFRS	-	893,506	893,506
Legal reserve	-	4,417,405	4,417,405
Special reserve	-	100	100
Regulatory risk reserve	-	1,503,113	1,503,113
Share premium	-	128,300	128,300
Other reserves	-	32,049	32,049
Total equity	109,102	**19,209,439**	**19,318,541**
Total Equity and Liabilities	**8,382,970**	**136,257,962**	**144,640,932**

Notes to the financial statements (Continued)

40 Notes on Interest Free Banking (IFB) Service (Continued)

Segment Reporting
Statement of Profit or Loss
For the year ended 30 June 2022

	Interest Free banking ETB'000	Conventional Banking ETB'000	Total ETB'000
Interest income	-	9,854,633	9,854,633
Interest expense	-	(3,402,135)	(3,402,135)
Net interest income	**-**	**6,452,498**	**6,452,498**
Fee and commission income	42,079	2,653,247	2,695,326
Fee and commission expense	(57,345)	(83,477)	(140,822)
Net fee and commission income	**(15,266)**	**2,569,770**	**2,554,504**
Financing and advances	213,542	-	213,542
Other operating income	459	142,460	142,919
(Loss) on foreign exchange	(7,347)	(673,877)	(681,224)
Total operating income	**191,388**	**8,490,851**	**8,682,239**
Loan impairment charge	(17,169)	(215,517)	(232,686)
Impairment losses on other assets	-	(37,399)	(37,399)
Net operating income	**174,219**	**8,237,935**	**8,412,154**
Employee benefits expense	(117,224)	(2,871,204)	(2,988,428)
Other operating expenses	-	(1,619,941)	(1,619,941)
Profit before tax	**56,994**	**3,746,790**	**3,803,785**

Notes to the financial statements (Continued)

40 Notes on Interest Free Banking (IFB) Service (Continued)

Segment Reporting
Statement of Financial Position
As at 30 June 2022

	Interest Free Banking ETB'000	Conventional Banking ETB'000	Total ETB'000
ASSETS			
Cash and balances with banks	590,853	9,813,591	10,404,444
Reserve with National Bank of Ethiopia	-	6,499,675	6,499,675
Loans and advances to customers	-	74,867,993	74,867,993
IFB Financing	3,147,590	-	3,147,590
Financial assets at fair value through OCI	-	292,069	292,069
Debt instruments at amortised cost		12,171,707	12,171,707
Other assets	2,303,177	471,309	2,774,486
Investment properties	-	747,260	747,260
Intangible assets	-	184,595	184,595
Property and equipment	44,030	4,730,808	4,774,838
Deferred tax assets	-	172,188	172,188
Total Assets	**6,085,650**	**109,951,195**	**116,036,845**
LIABILITIES			
Customer deposits	5,931,628	85,304,256	91,235,884
Current income tax	-	906,584	906,584
Other liabilities	97,028	9,020,157	9,117,185
Defined benefits obligation	-	396,772	396,772
Total Liabilities	**6,028,656**	**95,627,769**	**101,656,425**
EQUITY			
Share capital	-	6,863,215	6,863,215
Retained earnings	56,994	1,213,334	1,270,328
Reserve for IFRS	-	900,908	900,908
Legal reserve	-	3,527,133	3,527,133
Special reserve	-	100	100
Regulatory risk reserve	-	1,824,326	1,824,326
Share premium		12,593	12,593
Other reserves	-	(18,183)	(18,183)
Total equity	**56,994**	**14,323,426**	**14,380,420**
Total Equity and Liabilities	**6,085,650**	**109,951,195**	**116,036,845**

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