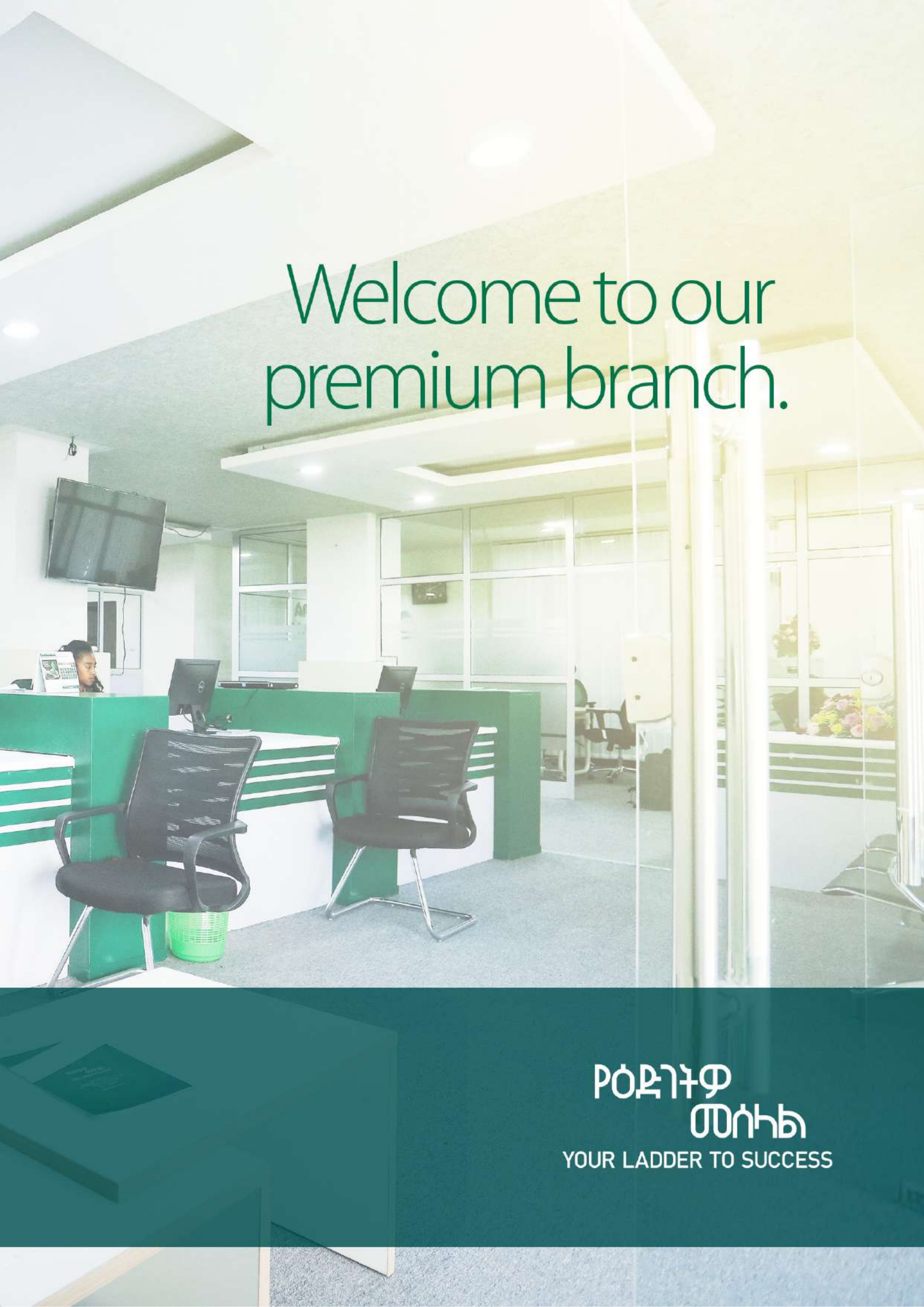
Annual Report 17/18

ደቡብ ግሎባል ባንክ
Debub Global Bank

የዕድገትዎ መሰላል
YOUR LADDER TO SUCCESS

ደቡብ ግሎባል ባንክ

Debub Global Bank


Welcome to our premium branch.
የዕድገትዎ መሰላል
YOUR LADDER TO SUCCESS


ወደላቀው
እንራመድ
በወርቃማው ዘመን የቁጠባ ሂሳብ
እስከ 9% ወለድ ያግኙ
ደቡብ ግሎባል ባንክ
Debub Global Bank
የዕድገትዎ
መሰላል
YOUR LADDER TO SUCCESS

Contents

Board of Directors

Nuredin Awol
Chairman, Board of Directors

Matewos Assale
Deputy Board Chairman

Aklilu Kassa
Board Director

Firew Bekele
Board Director

Gizaw Woldesemayat
Board Director

Habtamu Sila
Board Director

Haile Hamaro
Board Director

Melaku Bezu
Board Director

Tariku Birhanu
Board Director

Tariku Oljira
Board Director

Dr. Tegene Hawando
Board Director

Executive Management

Addisu Habba
President

Dr. Tesfaye Boru
Vice President, Operations

Atikilt Admasu
Director, Risk Management & Compliance Dep't

Belay Namaga
Manager Legal Service

Betre Balcha
Executive Assistant to the President

Dasa Gobe
Director, Human Resource and Support Services Dep't

Endalish W/Michael
Director, Business Development and Planning Dep't

Ermias Teshome
Director, Marketing and Resource Mobilization Dep't

Gezahegne Mitikie
Director, Internal Audit Dep't

Kassa Mikoro
Director, Credit Dep't

Mekdes Bekele
A/Director, International Banking Dep't

Sahlemichael Mekonnen
Director, Retail Banking Dep't

Tilahun Berhane
Director, Information Technology Dep't

Tsegaye Tesfaye
A.Manager, IFRS Project Office

Tsehaynesh Abbay
Director, Finance and Accounts Dep't

Chairperson's Statement

AS we close another financial year with commendable performance, I want to express my deepest gratitude to each and every client for allowing us to serve you, to each shareholder for your unfailing support and to our team members for your hard work and commitment.

The year, once again, has been success for the Bank; but not without its share of challenges. Looking back at the year, the domestic context has been in commotion coming from both political and economic spectrum. For most part it has been shadowed by public unrest, which created unfavorable circumstance for notable number of investors and business owners. The country has also faced its chronic foreign currency shortage in this same year. It also marked a major fiscal and monetary policy adjustment that compelled financial institutions to reconsider their respective course of action. Nonetheless, the final quarter of the year was relatively positive as changes in the political landscape and economic context started to stabilize.

For us, the challenges unleashed our commitment to prevail over the circumstance and deliver delightful experience for our customers by creating greater value that aligned with their respective need. By doing so, I am pleased to report that our Bank recorded financial success at every façade.
The noteworthy progresses we have made in raising local and foreign resources, their respective allocations and revenue growth are the testament for our viewpoint that puts customers first; and exceeds their expectations beforehand.

The year being part of the long-term journey in closing the gap between the actual and visionary state of the Bank, we have continued to be engaged in building human capital that measures up to the core values of the Bank; and also in reinforcing the technology infrastructure as we are going to deploy state-of-the-art technology in the new fiscal year. With the unreserved support of our shareholders, the Bank has passed the National Bank of Ethiopia's minimum requirement for paid-up capital and continued to strengthen this momentum in order to build a more resilient institution.

As for the banking operations, we have continued to maintain the perfect balance between robust growth and continuity. Deposit, which has showed a 50 percent growth from the prior year and rooted its major portfolio on savings, could serve as one instance.
In line with the new requirement of the regulatory organ, we have also been able to make the most out of lending as well. The double digit growth of the balance sheet, revenue and net profit are also the part of this perfect grid the Bank has created.

In going forward, we shall continue to fortify our commitment in delivering value-added experience for our customers, increase our physical and virtual accessibility by forging alliance with reliable financial technology company and charter a new market and target group we have yet to address via new products that shall be introduced.

Building the capital position of the Bank will continue to be top priority in order to remain resilient and relevant. The Bank is also committed to acquire premise for headquarter building; other than having household name by doing so, we shall also have the extra benefit of enhancing the asset, diversify the revenue while reducing rental costs.

Our shareholders can take comfort in knowing that the best is yet to come as we have set targets that would require us to stretch at every turn and we are committed to do so.

We are, therefore, excited to seize the opportunities that lie ahead and turn it to our favors. Nonetheless, we also know there will be challenges, as there always are; but commitment, passion and ingenuity are at our side. With this we march into the new fiscal year confidently.

On this occasion, I would like to express my gratitude for National Bank of Ethiopia, Financial Intelligence Center and other stakeholders for their supervision and support. Once again my heartfelt appreciation for my fellow Board of Directors, management and employees for their tireless work to realize the vision of the Bank.

Thank you

Board of Directors

Debub Global Bank S.C.

NUREDIN AWOL

CHAIRPERSON, BOARD OF DIRECTORS

The President's Message

I am delighted to report to you the Bank's operating results of 2017/18 fiscal year. In the year, the Bank achieved a net profit after tax of Birr 107 million, recording 253 percent growth from the previous year, and 337 percentage points higher than the growth rate of last year. The profit before tax, which is Birr 142 million, also reflected 252 percent growth.

Profitability being the bottom-line, it was supported by the collective effort made to get the most out of interest and non-interest income sources despite the challenges that came from both political and economic landscapes.

The rise of the total lending to Birr 1.58 billion with a growth rate of 101 percent; and the encouraging reduction of the non-performing loans to 2.91 percent, a much lower rate than the regulatory organ ceiling of 5 percent, prompted a higher return in interest income. The income from interest covers 56 percent of the total revenue, which also served as solid ground for the up-and-coming move of the Bank's profitability.

Despite the external context fraught with more challenges than opportunities, we have been able to collect a foreign currency higher than the prior year by 71 percent. This collection along with fee based income brought the remaining 49 percent of the total revenue. Our revenue and profit structure testifies that the Bank's march for sustainable growth is established on supreme foundation.

As the public continues to put its increasing confidence in us, our total deposit and number of depositors displayed a dynamic increment. With a 50 percent growth rate, the total deposit of the Bank has reached Birr 2.15 billion. It ought to be noted that these encouraging achievements are not construed as climax points; rather as a launching pad for the coming year performance and beyond.

Going forward, the Bank shall remain competitive in the market and emerge stronger than ever as the management, visionary yet pragmatic, together with our inspired team will bring competitive edge that could only be achieved through commitment and engagement such as ours. Under the direction of the Board of Directors, the management and staff together pledged for stretched and determined target to leap the Bank into a better future.

As an instrument to achieve our intents, we shall continue to provide priority for customer service, heed to enhance local and foreign resource position and widen the customer base. We shall also engage in boasting branch expansion in areas that are feasible and where we are not yet represented.

On behalf of the management and myself, I thank our shareholders for their high level of support, trust and confidence they have placed on us. My team and I are also deeply appreciative of the support and engagement extended by our customers throughout the year. We look forward to supporting your growth as you reach higher. Finally, I thank the Board for its strategic leadership steering the Bank to be future ready.

We are optimistic about the new fiscal year and beyond and keep counting on the support of our stakeholders as we take Debub Global to greater heights.

Regards

ADDISU HABBA

PRESIDENT

Directors' Report

The Board of Directors of Debub Global Bank is pleased in presenting its Annual Report to the shareholders, clients, partners and other relevant stakeholders for the financial year ended 30th June 2018. Together with audited financial statement of the Bank, the highlights of the major progresses noted in key banking operations and other priority focus areas are included.

NURTURING HUMAN CAPITAL

Debub Global, a firm believer of the notion that Happy Employees make Happy Customers, has continued to foster an environment that brings the most out of its employees. While nurturing the employees as one big family, DGB family, the approach to managing the human capital is underpinned by a strong HR Policy framework, efficient system and well governed processes to ensure sustainability in creating a long-term competitive edge in this regard.
As our success depends on our team, talent development has been the top priority of the bank. In the past year, the Bank has delivered 47 training programs covering almost 100% of our employees. Determined to upskill our people to embrace the contemporary context and remain relevant for the future, more than one third of the trainings were focused on digital banking. Debub Global has also introduced Customer Service Officer Trainee program for new recruits joining the bank at clerical entry level.

Compatible to the existing structure and customer service of the bank, the permanent staff headcount has reached 551 from 535 of the prior year. This permanent staff size is 80% of the total workforce; while employees sourced from external agencies for support jobs make up the remaining 20%, which is 141.

DGB's people, empowered through knowledge, inspired owing to an inclusive workplace and motivated as the tasks requires to stretch high, will continue to ensure the success of the bank and be the force to charter a new horizon soon.

CONNECTING WITH CUSTOMERS

At Debub Global, customer service is neither a department nor what you only get at the windows of our branches; rather it is an attitude, a way of life that starts long before our people arrive to work every day.

This is the belief that drives the Bank to stay connected with its customers and expand its market. We base our actions on creating convenience and relevance to our clients and partners via our physical and virtual presence.

Branch Network

At the end of the year, the Bank's branch network reached 40. Despite the limited number of branches, the Bank is present in major cities across the country that is vital for most businesses.

Slightly changing its course of strategy, the Bank shall open more branches in feasible locations in the new fiscal year and increase its physical accessibility and reach out to new markets.

Premium Branches

The Bank has launched premium branch offices network that would give an exclusive experience to our business customers. Our meeting rooms, with Wi-Fi that keeps the clients connected and beverage service that refreshes, are now open to serve the needs of our customers. The extraordinary arrangements and the luxurious service is the perfect way to put your best laid plan forward.

Card Banking

Partnering with all other commercial banks via EthioPay, Debub Global has been providing ATM services to our and other banks customers. Thus far we have issued more than 6,800 Global cards to our customers. Despite the limited number of ATMs the bank has, each are placed in vital city and outlying locations which entertained a total of Birr 22.2 million withdrawals during the year.

Along with others under EthSwitch direction, the bank is working diligently to bring additional features and provide our customers and the public additional choice and flexibility in this service.

Short Message Service

Our customers are up-to-date on their account activities as they have become instantly the beneficiaries of the service upon account opening. Without requiring physical presence, we have been delivering reminders, relevant information and transaction movements in real time. Today more than ever, we have made our customers more connected and secure.

E-Banking

Stepping up its effort, Debub Global is in pre-launching stage to give its tech-savvy customers the alternative of carrying out banking transactions without visiting branches. For starter, the Bank shall commercially launch agent and mobile banking in the new fiscal year; and for these due diligences are underway. As for the internet banking, the process to deploy the service shall begin half way during the new fiscal year.

BANKING OPERATIONS

2017/18 has been a year of transformation in which the bank achieved the right blend of customer intimacy with operational excellence. Having found the perfect grid, we have been providing personalized services to our corporate clients; while remaining true to our core values of serving every people from every walk of life with excellence that surpasses expectations.

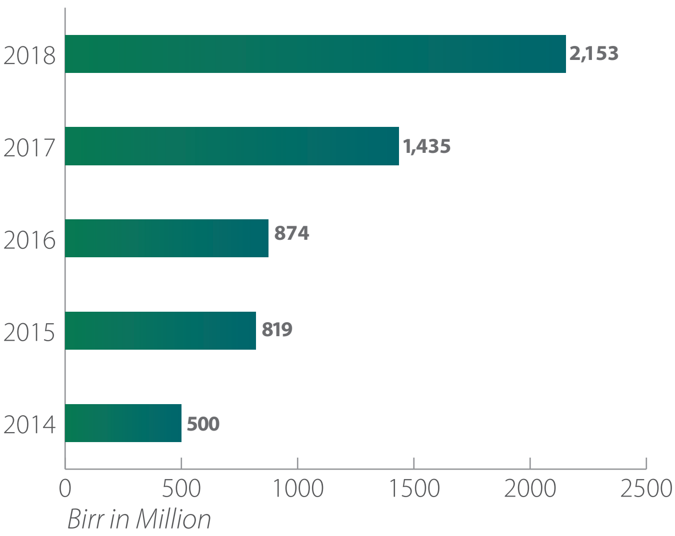
Wherefore, the Bank showed solid and steady growth in the vital banking operations of resource mobilization, allocation and management.

Deposit

Shifting from business as usual, the bank established an independent resource mobilization unit at a corporate level to bring a new level of dynamism and lead the previously separate efforts at a corporate front.
The turnout clearly displayed that the bank has taken off at the right direction with a rapid growth that would continue to leap onwards.

Up by 50 percent from the previous year, the total deposit of the bank has reached 2.15 billion. This all time high net increment is spearheaded by savings, which is 62% of the new collection. Simultaneously, the principal share of the total portfolio, 58 percent, is savings; followed by 27 percent of demand deposits.

Total Deposit Trend: 2014-18 FY



Underneath the total deposit, the customer base of the Bank continued to widen. A 48 percent growth during the year raised the total number of depositors to more than 91,100. Matching the structure of the total deposit amount, 93 percent of these customers are saving account holders.

International Banking

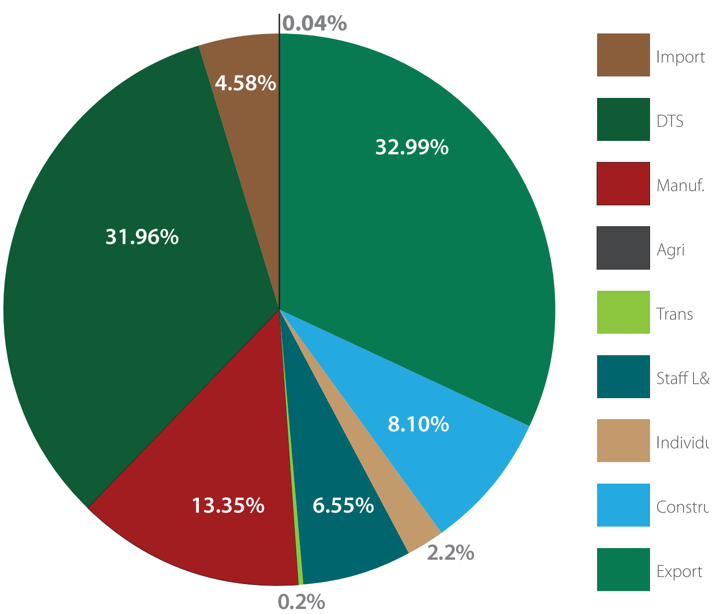
The business being the vital source of income for the bank, we have been able to secure a foreign currency inflow of 45.4 million U.S. dollar, a 71 percent growth from the preceding year performance.

Despite the external odds that shaped the context of this market, the bank sourced 84 percent of its inflow from the export sector. The partnership the Bank has with 11 correspondent banks, 62 Relationship Management Application (RMA) relations and 8 money transfer agents have been among the attributes of the fiscal year's performance.
After the end of the year, the bank was able to diversify its sources of foreign currency collection more than before; while continuing to be fully engaged in getting the most out of the export sector.

Credit Management

Unprecedented growth in export and manufacturing loans, which together accounted 71 percent of the total increment, stimulated strong increase in the total lending by 101 percent from the prior year. Thus, the total loans and advances of the Bank have reached Birr 1.58 billion at the end of the year.
Taking the national priority in one hand and the need to diversity in different sectors to maintain a healthy resource allocation risk, the Bank is engaged in financing a wide range of sectors. Thus, Domestic Trade and Services, Export and Manufacturing sectors makes up the lion's share of the total lending portfolio.
Debub Global, attributed to its meticulous analysis, effective follow-up, ability to recognize forewarning signs, and dedication to help defaults recover, has been able to maintain its non-preforming loans at 2.91 percent, lower than the regulatory limit of 5 percent.

Total Lending Composition




የነገ ተስፋቸው
እኛንም ግድ ይለናል...
በልጆች የቁጠባ ሂሳብ
ካሁኑ ይቆጥቡላቸው
ደቡብ ግሎባል ባንክ
Debub Global Bank
የዕድገትዎ መሰላል
YOUR LADDER TO SUCCESS

DGB Goes Live at ECX

The Bank became ECX settlement Bank during the year and once again created a platform for its customers to run their transactions smoothly.

Risk Management

The Bank has long installed a risk management system that pursues a process of identification, measurement, monitoring and control of risks. Based on its strategic focus and business practices, a Risk Management Program has been crafted and approved by the NBE covering potential inherent risks including, but not limited to, credit, liquidity, foreign exchange, interest rate and operational risks. Moreover, the Bank has put in place a system to manage compliance risk, particularly the prevention of Money Laundering and Financing of Terrorism, in line with pertinent national laws.

To champion all the aforementioned initiatives, an independent Risk Management and Compliance function is already in place that directly reports to the Board of Directors. In doing so, it has been playing a crucial role towards ensuring existence of strong Board and Senior Management oversight of the Bank.

Internal Audit

The internal audit system organized at a department level conducts audit work in core operations and support functions.

It also provides an independent system assurance to the Board and Management on corporate and individual unit level.

FINANCIAL POSITION

Delivering a profit before tax of Birr 142 million, Debub Global Bank has become one of the banks that registered a commendable growth from the prior year. The combined strong growth of international banking, lending and fee based businesses yielded the 252 percent increment in this regard. Simultaneously, with a growth rate of 253 percent, the net profit after tax rose to be Birr 107 million from the previous year of Birr 30 million.

The Bank has been able to boost its paid-up capital by Birr 228.5 million from last year position, a growth rate of 65 percent; and brought it to Birr 579.8 million at the end of the year. Despite this significant jump that could have reduced rate of return, the Bank's parallel effort to raise the return paid off. The outcome of the net profit after tax in term of return on asset is 4 percent and return on equity is 20 percent, both are higher than the previous year performance of 1.8 percent and 8.7 percent, respectively.

As for the earning per share, it turned out to be 13.1 percent, higher than the Bank's last fiscal year performance.

Revenue

Composition of the total revenue reflects stable growth as the earnings from interest income account 51 percent; and 49 percent from non-interest income. Revenue from the non-interest income source is made of fee and commission income (32 percent of the total portfolio) and other operating income 17 percent.

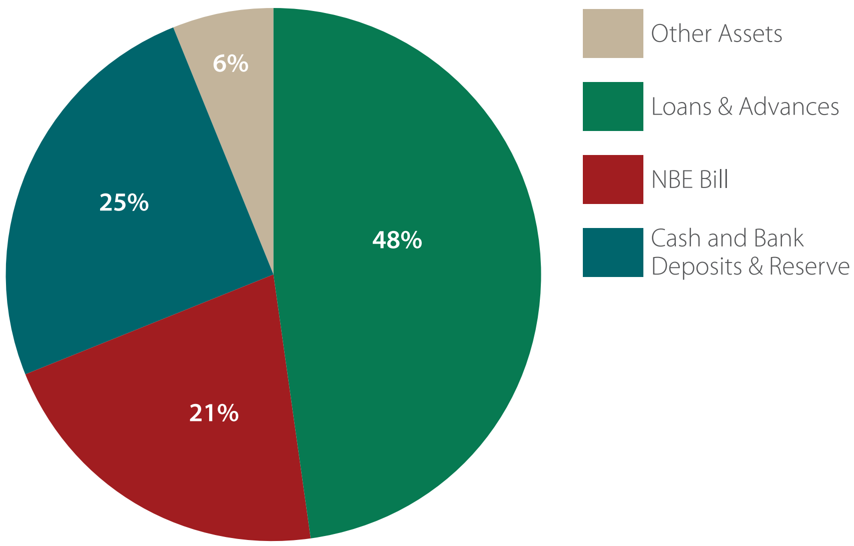
At the end of the year, the aggregate of the income sources produced total revenue of Birr 420.4 million. Vigorous utilization together with efficient allocation of resources, secured a 91 percent growth in total revenue position from the previous year.

Expense

Notably pushing down its cost to income ratio from 82 percent in June 2017 to 66 percent in June 2018, Debub Global utilized a total expense of Birr 278.5 million. The 55 percent growth of the total expense from the prior year underlines the Bank's focus to balance between growth driven investment and profitability, which consistently has been enabling the income growth to outpace the cost escalation.

In the processes of building up a platform that would help the Bank to sprint, 41 percent of the total expense was invested on General Expenses, followed by 30 percent on Salaries and Benefits; and finally 29 percent on interest expense as the 85 percent of the deposit depends on savings and demand deposits.

Total Asset Composition



Balance Sheet

The strong balance sheet of the Bank reflected the holistic growth displayed at every major indicator during the year. The total asset of Debub Global as at 30th June 2018 reached Birr 3.3 billion, a 58 percent growth. Apparently, this change is primarily the result of the growth noted in loans and advances and NBE Bill, which together brought 86 percent of the increment in total asset.

Total liabilities 53 percent growth during the year was mainly due to strong growth in deposits, which brought 80 percent of the increment of the liabilities. Thus, the total liabilities of the Bank at the end of the year reached Birr 2.6 billion; and customers' deposits made up 84 percent of the total portfolio

The growth in capital and reserve, which is 77 percent, spearheaded by paid-up capital reached Birr 682 million. The paid up capital, which is 85 percent of the total capital, showed a notable growth unlike the prior years.

CORPORATE SOCIAL RESPONSIBILITY

Our CSR strategy provides the framework for managing the different ways of connecting with society. In the reporting year, the bank has closely worked with various stakeholders in areas of education, environment, humanitarian and community activities.

Moreover, the bank has also made donations to a number of institutions in the education, health and community service sectors.

MARKETING & RESOURCE MOBILIZATION

With the intent of building and enhancing the Bank's brand equity and accelerating the corporate resource mobilization efforts, the Bank formed a new Marketing and Resource Mobilization Department. The Department, basing at the Headquarters, is mainly focused on acquiring and retaining corporate customers. It ensures that customers are being served at the highest standards of service excellence; and is also engaged in building and augmenting the DGB brand via various communication mediums. To this end, promising progress has been witnessed in its endeavors.

OUTLOOK FOR 2018-19 AND BEYOND

As the Bank continues to execute the strategies it has set, it aims to strengthen the momentum in core businesses and further leap with a dynamic pace; while creating a value proposition that our customers could align with. As we shall revitalize Debub Global Bank as a company that matches the contemporary rhythm, we will deploy innovative digital channels that would give our customers the access to manage their accounts and investments without being present at any of our offices.

As part of our streamlining process, we will continue to diversity revenue streams by increasing our physical and virtual accessibility and offering products and services that shall address new market. With this we shall position Debub Global as a bank of customers' choice.

As we have become even more customer focused, we have dedicated the future to deliver simpler financial solutions, build premium branches network, stretch to upsurge the capital position of the Bank and acquire a premise that shall be the future headquarter of the Bank. In doing so, we will able to build a more resilient bank that would continue to connect its customers to what is important for them.

We have full confidence to leap and materialize our strategic intents and outdo the expectations of the customers and continue to earn the confidence of the public. The unreserved support of our shareholders and customers shall continue to be the energy that forges our destiny to greatness.

THE BOARD OF DIRECTORS

15th DECEMBER 2018

Debub Global Bank Share Company

Annual financial statements

Correspondent Banks

Money Transfer Partners

Debub Global Bank Share Company
Annual financial statements
For the year ended 30 June 2018
Directors, professional advisers and registered office

Bank license number LBB/019/2017
Issued on April 20,2012

Directors

Nuredin Awol Yisehak	Chairman	Appointed 13 April 2018
Matewos Assale Ergardo	Vice Chairman	Appointed 13 April 2018
Haile Hamaro Hankamo	Member	Appointed 13 April 2018
Habtamu Sila Dae	Member	Appointed 13 April 2018
Tariku Oljira Negewo	Member	Appointed 13 April 2018
Firew Bekele Worana	Member	Appointed 13 April 2018
Tegene Hawando Jale	Member	Appointed 13 April 2018
Aklilu Kassa Chirsa	Member	Appointed 13 April 2018
Melaku Gezu Birche	Member	Appointed 13 April 2018
Gizaw Woldesemayat Hailemariam	Member	Appointed 13 April 2018
Tariku Birhanu Detamo	Member	Appointed 13 April 2018

Executive Management

Addisu Habba Haaleo	President	Appointed 01 Sept.2014
Tesfaye Boru Lelissa(Dr)	Vice President,Operations	Appointed 27 Mar.2017
Mekdes Bekele Lema	A/Director, International Banking Dept.	Appointed 26 Jan.2018
Kassa Mikoro Mekengo	Director, Credit Dept.	Appointed 01 Feb.2016
Sahlemichael Mekonnen Demisse	Director, Retail Banking Dept.	Appointed 19 Sept.2016
Tsehaynesh Abbay Beraki	Director, Accounts & Finance Department	Appointed 10 May 2012
Endalish W/Michael Taye	Director, Business Development & Planning Dept.	Appointed 27 Apr.2018
Dasa Gobe Gossom	Director, HR & Support Services Dept.	Appointed 19 Mar. 2012
Tilahun Berhane Abraham	Director, Information Technology Dept.	Appointed 15 May 2017
Gezahegne Mitikie Bedanie	Director, Internal Audit Dept.	Appointed 28 Aug. 2013
Ermias Teshome Birru	Director, Marketing & Resource Mobilization Dept.	Appointed 11 Dec. 2017
Belay Namaga Keraga	Manager, Legal Services	Appointed 09 May 2012
Atikilt Admasu Dessie	Director, Risk Management & Compliance Dept.	Appointed 01 Mar. 2018
Tsegaye Tesfaye Woldegiorgis	A/Manager, IFRS Transition Project Office	Appointed 27 Feb. 2018
Betre Balcha Taltamo	Executive Assistant to the President	Appointed 21 Sept. 2016

Independent auditor
TMS Plus Chartered Certified Accountants (U.K)
and Authorized Auditors (Ethiopia)
P.O Box 110690
Addis Ababa
Ethiopia

Corporate office
National Tower
Behind Ethiopia Hotel
P.O Box 100743
Stadium
Addis Ababa, Ethiopia

Company secretary
National Tower
Behind Ethiopia Hotel
P.O Box 100743
Stadium
Addis Ababa, Ethiopia

Principal bankers
National Bank Of Ethiopia
United Bank S.C.
Berhan International Bank S.C.
Eco Bank
Bank Of Africa
Cac Int.bank
Exim Bank
Bank Of Beirut
Banca Ubae
Aktif Bank
Kcb Bank Kenya Ltd

Debub Global Bank Share Company
Annual financial statements
For the year ended 30 June 2018
Report of the directors

The Board of directors submit their report together with the financial statements for the period ended 30 June 2018, to the members of Debub Global Bank Share Company ("Debub Global Bank or the Bank"). This report discloses the financial performance and state of affairs of the Bank.

INCORPORATION AND ADDRESS

Debub Global Bank Share Company was estabilished in Addis Ababa in August 2009 and registered as a share company in accordance with the Commercial Code of Ethiopia of 1960, and is domiciled in Ethiopia.

The Bank obtained its business license on 20 April 2012 incompliance with Banking Business Proclamation no. 592/2008 with subscribed capital of Birr 266.9 Million and with a paid up capital of Birr 138.9 million. Moreover, as of 30 June 2018 the paid-up capital increased to ETB 579.8 million.

PRINCIPAL ACTIVITIES

The Bank's principal activity is providing commercial Banking services.

RESULTS AND DIVIDENDS

The Bank's results for the year ended 30 June 2018 are set out on page 7. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2018 Birr'000	30 June 2017 Birr'000
Interest income	213,473	107,029
Profit before tax	141,972	40,378
Tax (charge) / credit	(35,338)	(10,205)
Profit for the year	106,634	30,173
Other comprehensive profit / (loss) net of taxes	(748)	(169)
Total comprehensive profit for the year	**105,886**	**30,004**

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 13.

NUREDIN AWOL
CHAIRMAN BOARD OF DIRECTORS
Addis Ababa, Ethiopia

Debub Global Bank Share Company
Annual financial statements
For the year ended 30 June 2018
Statement of directors' responsibilities

In accordance with the Banking Business Proclamation No. 592/2008, the National Bank of Ethiopia (NBE) may direct the Bank to prepare financial statements, whether their designation changes or they are replaced, from time to time. Also, the Financial Reporting Proclamation No. 847/2014 requires the Bank to prepare its financial statements in accordance with the International Financial Reporting Standards (IFRS).

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

a) Exhibit clearly and correctly the state of its affairs;

b) Explain its transactions and financial position; and

c) Enable the National Bank to determine whether the Bank had complied with the provisions of the Banking Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies and supported by reasonable and prudent judgments and estimates.

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

The Bank's Directors are of the opinion that the financial statements present fairly in view of the state of the financial position of the Bank and of its financial performance.

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

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

Signed on behalf of the Directors by:

NUREDIN AWOL	ADDISU HABBA
CHAIRMAN BOARD OF DIRECTORS	**PRESIDENT**
13-Nov-18	13-Nov-18

Independent auditor's report to the shareholders of Debub Global Bank Share Company

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Debub Global Bank S.C ("the Bank"), which comprise the statement of financial position as at 30 June 2018, the Statement of profit or loss and other comprehensive income, the statement of changes in equity and cash flows statements 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 (or give a true and fair view of), in all material respects, the financial position of the Bank as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the in International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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.

As described in note 15 to the financial statements, the impairment losses have been determined in accordance with IAS 39 Financial Instruments. This was considered a key audit matter as IAS 39 is a complex accounting standard which requires significant judgment to determine the impairment reserve.

Our audit procedure included

In assessing impairment reserve, we have verified the appropriateness of assumptions used to calculate impairment and its compliance with IAS 39 requirement.

Chartered Certified Accountants (UK)
TMS Plus
Authorized Auditors (ETH)

Responsibilities of Directors for the Financial Statements

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

In preparing the financial statements, Directors are 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 Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. The Directors 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.

Report on Other Legal and Regulatory Requirements

We have no comment to make on the report of your directors so far as it related to these financial statements and pursuant to Article 375 of the commercial code of Ethiopia 1960, recommended approval of the above mentioned financial statements.

Tms plus

TMS PLUS.

CHARTERED CERTIFIED ACCOUNTANTS (UK) ADDIS ABABA

AUTHORIZED AUDITORS (ETH) 14 NOVEMBER 2018

Chartered Certified Accountants (UK)
TMS Plus
Authorized Auditors (ETH)

Debub Global Bank Share Company
Annual financial statements
For the year ended 30 June 2018
Statement of profit or loss and other comprehensive income

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
Interest income	5	213,473	107,029
Interest expense	6	(80,275)	(40,276)
Net interest income		**133,198**	**66,753**
Fee and commission income	7	136,588	83,413
Fee and commission expense	7	-	-
Net fees and commission income		**136,588**	**83,413**
Other operating income	8	70,384	29,607
Total operating income		**340,170**	**179,773**
Loan impairment charge	9	(10,406)	(8,207)
Impairment losses on other assets	10	-	-
Net operating income		**329,764**	**171,566**
Personnel expenses	11	(84,497)	(64,943)
Amortisation of intangible assets	18	(3,402)	(3,122)
Depreciation and impairment of property, plant and equipment	19	(8,163)	(6,979)
Other operating expenses	12	(91,730)	(56,144)
Profit before tax		**141,972**	**40,378**
Income tax expense	13	(35,338)	(10,205)
Profit after tax		**106,634**	**30,173**
Other comprehensive income (OCI) net of income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	23	(1,069)	(242)
Deferred tax (liability)/asset on remeasurement gain or loss	13	321	73
		(748)	(169)
Total comprehensive income for the period		**105,886**	**30,004**
Basic & diluted earnings per share (Birr)	**25**	131	103

The notes on pages 22 to 98 are an integral part of these financial statements.

Debub Global Bank Share Company
Annual financial statements
For the year ended 30 June 2018
Statement of financial position

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
ASSETS				
Cash and bank balances	14	824,901	682,997	249,759
Loans and advances to customers	15	1,553,712	770,610	588,836
Investment securities:				
- Available for sale	4.2, 16	17,757	20,661	16,627
- Loans and receivables	16	686,273	427,459	292,528
Other assets	17	124,812	110,812	101,889
Intangible assets	18	11,776	15,178	12,938
Property, plant and equipment	19	41,068	37,913	38,637
Deferred tax assets	13	394	73	-
Total assets		**3,260,693**	**2,065,703**	**1,301,214**
LIABILITIES				
Deposits from customers	20	2,153,322	1,435,090	874,163
Borrowings	21	25,000	20	-
Current tax liabilities	13	21,603	1,920	8,533
Other liabilities	22	372,902	237,821	104,327
Retirement benefit obligations	23	3,772	2,103	1,300
Deferred tax liabilities	13	2,116	3,326	2,744
Total liabilities		**2,578,715**	**1,680,280**	**991,067**
EQUITY				
Share capital	24	579,756	351,223	262,000
Other equity/Treasury shares/	26	(6,068)	(5,397)	-
Other reserves	27	(917)	(169)	-
Retained earnings	28	48,002	5,220	26,310
Legal reserve	29	61,205	34,546	21,837
Total equity		**681,978**	**385,423**	**310,147**
Total equity and liabilities		**3,260,693**	**2,065,703**	**1,301,214**

The notes on pages 22 to 98 are an integral part of these financial statements.

The financial statements on pages 18 to 98 were approved and authorised for issue by the board of directors on 13 November 2018 and were signed on its behalf by:

Board of Directors
Debub Global Bank S.C.

NUREDIN AWOL
CHAIRMAN BOARD OF DIRECTORS

ADDISU HABBA
PRESIDENT

Debub Global Bank Share Company
Annual financial statements
For the year ended 30 June 2018
Statement of changes in equity

	Notes	Share capital Birr'000	Other equity Birr'000	Other reserves Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Total Birr'000
As at 1 July 2016		262,000	-	-	26,310	21,837	310,147
Profit for the period	28	-	-	-	30,173	-	30,173
Dividend paid		-	-	-	(38,554)	-	(38,554)
Transfer to legal reserve		-	-	-	(12,709)	-	(12,709)
Acquisition of treasury shares	24	89,223	(5,397)	-	-	-	83,826
Other comprehensive income:							
Re-measurement gains on defined benefit plans (net of tax)	13	-	-	(169)	-	-	(169)
Transfer to legal reserve	29	-	-	-	-	12,709	12,709
Total comprehensive income for the period		**89,223**	**(5,397)**	**(169)**	**(21,090)**	**12,709**	**75,276**
As at 30 June 2017		**351,223**	**(5,397)**	**(169)**	**5,220**	**34,546**	**385,423**
As at 1 July 2017		351,223	(5,397)	(169)	5,220	34,546	385,423
Profit for the period	28	-	-	-	106,634	-	106,634
Dividend paid		-	-	-	(37,193)	-	(37,193)
Transfer to legal reserve		-	-	-	(26,659)	-	(26,659)
Acquisition of treasury shares		228,533	(671)	-	-	-	227,862
Other comprehensive income:							
Re-measurement gains on defined benefit plans (net of tax)	13	-	-	(748)	-	-	(748)
Transfer to legal reserve	29	-	-	-	-	26,659	26,659
Total comprehensive income for the period		**228,533**	**(671)**	**(748)**	**42,782**	**26,659**	**296,555**
As at 30 June 2018		**579,756**	**(6,068)**	**(917)**	**48,002**	**61,205**	**681,978**

The notes on pages 22 to 98 are an integral part of these financial statements.

Debub Global Bank Share Company
Annual financial statements
For the year ended 30 June 2018
Statement of cash flows

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	(544,201)	(32,143)
Defined benefit paid	23	(223)	(20)
Income tax paid	13	(16,865)	(16,236)
Net cash (outflow)/inflow from operating activities		**(561,289)**	**(48,399)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	16	(255,910)	(138,965)
Purchase of intangible assets	18	-	(5,362)
Purchase of property, plant and equipment	19	(11,318)	(6,255)
Proceeds from sale of property, plant and equipment	30	-	-
Dividend received		-	-
Purchase of equity shares	26	(671)	(5,397)
Net cash (outflow)/inflow from investing activities		**(267,899)**	**(155,979)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of deposits from customers	20	718,232	560,927
Proceeds from borrowings	21	24,980	20
Proceeds from issues of shares	24	228,533	89,223
Dividend paid	28	(37,193)	(38,554)
Net cash inflow from financing activities		**934,552**	**611,616**
Net increase in cash and cash equivalents		**105,364**	**407,238**
Cash and cash equivalents at the beginning of the year	14	612,997	205,759
Foreign exchange (losses)/ gains on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	**14**	**718,361**	**612,997**

The notes on pages 22 to 98 are an integral part of these financial statements.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

1 GENERAL INFORMATION

Debub Global Bank Share Company ("Debub Global Bank or the Bank") is a private commercial Bank domiciled in Ethiopia. The Bank was established in Addis Ababa in August 2009 and registered as a share company in accordance with the provisions of the Licensing and Supervision of Banking Business Proclamation no. 592/2008 and the Commercial Code of Ethiopia of 1960. The Bank registered office is at:
National Tower, Behind Ethiopia Hotel
P.O Box 100743
Stadium
Addis Ababa, Ethiopia
The Bank is principally engaged in the provision of diverse range of financial products and services to corporate, retail and SME clients.

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 period ended 30 June 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

These are the Bank's first financial statements prepared in accordance with IFRS;therefore,IFRS 1 First time adoption of International Financial Reporting Standards has been applied(Refer to note 37 for information on how the Bank adopted IFRS). For all periods up to and including the year ended 30 June 2017,the Bank previously prepared its financial statements in accordance with local generally accepted accounting principles(hereafter referred to as Previous Local GAAP). 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 in accordance with the going concern principle under the historical cost concept except for available-for-sale financial assets which is measured at fair value. All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.2.1 GOING CONCERN

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

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

2.2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New Standards, amendments, interpretations issued but not yet effective.
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2018, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

IFRS 9 - Financial Instruments
IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Based on the initial assessment carried out by the Bank, the impact of the application of the new standard is as follows:

(a) Classification and measurement
IFRS 9 require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement. The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

Having completed its initial assessment, the Bank has concluded that loans and advances to customers, treasury bills, government bonds and other financial assets that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9 and equity investments will be classified as FVOCI.

(b) Impairment of financial assets
IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Bank will establish a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

To calculate ECL, the Bank will estimates the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and the cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

In comparison to IAS 39, the Bank expects the impairment charge under IFRS 9 to be more volatile than under IAS 39 and to result in an increase in the total level of current impairment allowances.

Under IFRS 9, the Bank will group its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

• Stage 1 – Performing loans: when loans are first recognised, the Bank recognises an allowance based on 12-month expected credit losses.
• Stage 2 – Underperforming loans: when a loan shows a significant increase in credit risk, the Bank records an allowance for the lifetime expected credit loss.
• Stage 3 – Impaired loans: the Bank recognises the lifetime expected credit losses for these loans. In addition, in Stage 3 the Bank accrues interest income on the amortised cost of the loan net of allowances.

When estimating lifetime ECLs for undrawn loan commitments, the Bank will:

• Estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment and;
• Calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down.

For financial guarantee contracts, the Bank will estimate the lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

For revolving facilities such as credit cards and overdrafts, the Bank measures ECLs by determining the period over which it expects to be exposed to credit risk, taking into account the credit risk management actions that it expects to take once the credit risk has increased and that serve to mitigate losses.

The Bank will incorporate forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECLs.

The Bank will considers forward-looking information such as macroeconomic factors (e.g., unemployment, GDP growth, interest rates, etc.) and economic forecasts.

(c) Hedge accounting
IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS 9 become mandatory on 1 January 2018. The new hedging rules are, however, not expected to impact the Bank.

IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Bank is yet to assess the expected impact on this standard.

IFRS 16 - Leases

This standard was issued in January 2016 (Effective 1 January 2019) . It sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. it also substantially carries forward the lessor accounting requirements in IAS 17. The Bank is yet to assess the expected impact of this standard.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation or;

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The effective date for the amendment is 1 January 2018 and can chose to apply either retrospectively or Prospectively.

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 (Birr'000).

b) Transactions and balances

Foreign currency transactions that are denominated, or that require settlement, in a foreign currency 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 within other operating income.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the mid rate prevailing at that date. 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.

Non-monetary items that are measured at historical cost in a foreign currency are translated to Birr on the initial date of transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized through profit

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

2.4 Recognition of income and expenses

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

The Bank, earns income from interest on loans given for agriculture, construction, domestic trade and services, export term, import term, manufacturing, transportation and staff loans. Other incomes includes placements with other Banks and investments in government securities, and is recognized in the period in which it is earned.

2.4.1 INTEREST INCOME AND EXPENSE

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available– for–sale 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 EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be 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 a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income such as rental income, telephone and SWIFT are recognised as the related services are performed.
Other fees and commission expenses relates mainly to transaction and service fees are expensed as the services are received.

2.4.3 DIVIDEND INCOME

This 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. This amount is recognised in the income statement and it is further broken down into realised and unrealised potion.

The foreign denominated monetary assets and liabilities include financial assets within the cash and bank balances and foreign currencies deposits received.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

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.

2.5.1 FINANCIAL ASSETS

Initial recognition and measurement
All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Bank commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified into two categories:
• Loans and receivables
• Available-for-sale financial investments

a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest and similar income in income statement. The losses arising from impairment are recognised in income statement in loan impairment charge.

The Bank's loans and receivables comprise of loans and advances to customers, investment securities and other financial assets.

b) Available-for-sale (AFS) financial assets
AFS investments include equity securities. Equity investments classified as AFS are those which are neither classified as held–for–trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial investment. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost.

'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'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

Derecognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Bank's statement of financial position) when:
• the rights to receive cash flows from the asset have expired, or

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

• the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either

(a) the Bank has transferred substantially all the risks and rewards of the asset, or
(b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of the Bank's continuing involvement. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Impairment of financial assets
The Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter Bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost
For financial assets carried at amortised cost (such as loans and receivables), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the 'loan impairment charge'.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.
The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past–due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Bank.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Available-for-sale (AFS) financial instruments

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

Renegotiated loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

As per the Licensing & Supervision of Banking Business Directive No SBB/43/2008 of the National Bank of Ethiopia, renegotiated term loans are classified as default unless:

(a) Term loans
The equivalent of all past due interest is paid by the borrower in cash at the time of renegotiation and: in case of terms loans with monthly or quarterly installment repayments, at least three consecutive repayments are made on a consistent and timely basis; in the case of loans with semi-annual installment repayments, at least two consecutive repayments are made; and in the case of loans with annual installment repayments, at least one repayment is made.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

(b) Overdraft facilities
The equivalent of all past due interest is paid by the borrower in cash at the time of renegotiation and the account shows at a minimum a nil balance at least once, or a turnover rate of once the approved limit.

As per the directive, rescheduling, restructuring or renegotiating short or medium term loan to a borrower cannot be done more than three iterations. In the case of second iteration, the Bank, in addition to full amount of interest in arrears, is required to collect 25% and in the case of third iteration, 50% of outstanding principal balance in cash. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

Collateral valuation
The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash via Bank guarantees and real estate. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's reporting schedule.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models.

Collateral repossessed
Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be used for internal operations are initially recognised at the lower of their repossessed value or the carrying value of the original secured asset and included in the relevant assets depending on the nature and the Bank's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

2.5.2 FINANCIAL LIABILITIES

Initial recognition and measurement
The Bank recognizes deposits and debt securities on the date at which they originated. All other financial liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provision of the instrument. All financial liabilities are recognised net of directly attributable transaction costs.

The Bank's financial liabilities include accounts payables to head office, account payable special, interest payable on deposits, C.P.O's and certified cheques issued, blocked account, old drafts and payments out, MTS and TTS Payable, exchange commission payable to NBE, dividend payable and sundry payables. Interest expenditure is recognised in interest expense.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortised cost
Financial instruments issued by the Bank are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR). Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

The Bank's financial liabilities carried at amortised cost comprise account payable special, C.P.O's and certified cheques issued, blocked account, old drafts and payments out, MTS and TTS Payable, exchange commission payable to NBE, dividend payable and sundry payables.

Derecognition of financial liabilities
Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.5.3 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where The Bank has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Bank has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as Bankruptcy or the termination of a contract.

2.6 Cash and bank balances

Cash and bank balances comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less.
For the purposes of the cash flow statement, cash and cash equivalents include cash and restricted balances with National Bank of Ethiopia.

2.7 Property, plant and Equipment

Property, plant 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, plant and equipment if the recognition criteria are met. When significant parts of property, plant 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 income statement 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 their cost to their residual values over their estimated useful lives, as follows:

ASSET CLASS	DEPRECIATION RATE (YEARS)
Buildings	50
Motor vehicles	10
Furniture and fittings:	
Medium-lived	10
Long lived	20
Computer and Accessories	7
Office equipment:	
Short-lived	5
Medium-lived	10

The Bank commences depreciation when the asset is available for use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use disposal. 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 income statement when the asset is derecognised.

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

2.8 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 income statement in the period in which the expenditure is incurred .

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are 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 income statement.

Amortisation of computer software is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives which is six years or the licence duration for purchased computer software.

2.9 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. 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 or groups of 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.

The Bank bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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 income statement.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

2.10 Other assets

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

(a) Prepayment

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

(b) Other receivables

Other receivables are recognised upon the occurrence of event or transaction as they arise and cancelled when payment is received.

The Bank's other receivables are accounts receivables from head office, accounts receivables from branches, receivable from other banks, export bills purchased, sundry receivables.

2.11 Fair value measurement

The Bank measures financial instruments classified as available-for-sale at fair value 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:

• Disclosures for valuation methods, significant estimates and assumptions Notes 3 and Note 4.7.1
• Quantitative disclosures of fair value measurement hierarchy Note 4.7.2

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 measurement is unobservable.

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.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

2.12 Employee benefits

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

(a) Wages, salaries and annual leave

Wages, salaries, other allowances, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Bank. The Bank operates an accumulating leave policy; this can be encashed when the employee is leaving employment. The Bank measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of each reporting period.

(b) Defined contribution plan

The Bank operates two defined contribution plans;

i) pension scheme in line with the provisions of Ethiopian pension of private organisation employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank respectively;
ii) provident fund contribution, funding under this scheme is 7% and 11% by employees and the Bank respectively;

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

(c) Defined benefits plan

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans 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 liability recognised in the statement of financial position in respect of defined benefit pension plans 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.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognised immediately in income.

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.

(d) Profit-sharing and bonus plans

The Banks recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company'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.

2.13 Provisions

Provisions are recognised when there is 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 income statement 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.

2.14 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.

2.15 Legal reserve

The legal reserve which is a statutory reserve to which no less than 25% of the net profits after taxation shall be transferred each year until such fund is equal to the capital. When the legal reserve equals the capital of the Bank, the amount to be transferred to the legal reserve account shall be 10% of the annual net profit.

2.16 Earnings per share

The Bank presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of shares outstanding during the period.

2.17 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Bank as a lessee

Leases that do not transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which it is incurred.

Bank as a lessor

Leases where the Bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.18 Income taxation

(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.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

The current income tax charge is calculated on the basis of the tax laws enacted, Income Tax Proclamation 979/2016, or substantively enacted at the end of the reporting period in Ethiopia. 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 taxes 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.

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's financial statements requires management to make judgments, 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 includes:
- Capital management Note 4.6
- Financial risk management and policies Note 4.1
- Sensitivity analyses disclosures Note 4.5.2

3.1 Judgements

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:

(a) Operating lease commitments - Bank as lessee

The Bank has entered into commercial property leases. 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.

(b) Going concern basis

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern, except that it has to make significant effort to reach the minimum capital requirement. However, the financial statements continue to be prepared on going concern basis.

3.2 Estimates and assumptions

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.

(a) Impairment losses on loans and receivables

The Bank reviews its loan portfolios for impairment on an on-going basis. The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that has been deemed to be impaired, management has deemed that cash flow from collateral obtained would arise within 24 months where the financial asset is collaterised.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio.

In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience. The detailed methodologies, areas of estimation and judgement applied in the calculation of the Bank's impairment charge on financial assets are set out in the Financial risk management section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience. See note 3.2 for more information.

(b) 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 4.7 for further disclosures.

(c) Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on management's 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.

(d) 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.

(e) 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 management judgement is required to determine the

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

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.

(f) Defined benefit plans

The cost of the defined benefit pension plan, long service awards, gratuity scheme and post-employment medical benefits and the present value of these defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

4 FINANCIAL RISK MANAGEMENT

4.1 Introduction

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

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank's strategic planning process.

4.1.1 RISK MANAGEMENT STRUCTURE

The Board Risk Sub-Committee, a subset of the Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. It also has the responsibility to monitor the overall risk process within the Bank.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Bank has established a comprehensive risk management system in line with internationally accepted risk management principles and best practices with the necessary adoption to suit its core business activity. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions, products and services offered.

4.1.2 STRESS TESTING

The Bank has a strong commitment to stress testing performance on a regular basis in order to assess the impact of a severe economic downturn on its risk profile and financial position. These exercises complement traditional risk measures and represent an integral part of the Bank's strategy and capital planning process. The stress testing framework comprises of regular Bank wide stress testing based on internally defined benchmark and more severe macroeconomic global downturn scenarios. All material risk types are included in the stress testing exercises. These methodologies undergo regular scrutiny from internal experts as well as regulators to review whether they correctly capture the impact of a given stress test scenario.

4.1.3 RISK IDENTIFICATION AND ASSESSMENT

The Bank's risk identification and assessment process leverages on intelligence across organizational levels and utilize existing information whenever possible. Operating process are in place across the organization to capture relevant measures and indicators. The core aim of all processes is to provide adequate transparency and understanding of the existing and emergency risk issues, and to ensure a holistic cross-risk perspective. The risk inventory is updated at least once a year or at other times if needed by running a risk identification and materiality assessment process in line with Value at risk (VAR).

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

4.1.4 RISK MEASUREMENT AND REPORTING SYSTEMS

The risk data systems support regulatory reporting and external disclosures, as well as internal management reporting for credit risk, liquidity risk and market risk. The risk infrastructure incorporates the relevant legal entities and business divisions and provides the basis for reporting on risk positions, capital adequacy and limit utilization to the relevant functions on a regular basis and ad-hoc basis. Established units within Finance department and Risk Management assume responsibility for measurement, analysis and reporting of risk while promoting sufficient quality and integrity of risk-based data. The risk management systems are reviewed by Audit department following a risk-based audit approach.

4.1.5 RISK MITIGATION

In addition to determining counterparty credit quality and our risk appetite, the Bank uses various credit risk mitigation techniques to optimize credit exposure and reduce potential credit losses. The Bank regularly agrees on collateral to be received from or to be provided to customers in contracts that are subject to credit risk. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. While collateral can be an alternative source of repayment, it generally does not replace the necessity of high quality underwriting standards.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

4.2 Financial instruments by category

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

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance. The Bank's classification of its financial assets is summarised in the table below:

30 JUNE 2018	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and bank balances	14	-	824,901	824,901
Loans and advances to customers	15	-	1,553,712	1,553,712
Investment securities:			-	-
- Available for sale	4.2, 16	17,757	-	17,757
- Loans and receivables	16	-	686,273	686,273
Other assets	17	-	124,812	124,812
Total financial assets		**17,757.00**	**3,189,698**	**3,207,455**

30 JUNE 2017	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and bank balances	14	-	682,997	682,997
Loans and advances to customers	15	-	770,610	770,610
Investment securities:				-
- Available for sale	4.2, 16	20,661	-	20,661
- Loans and receivables	16	-	427,459	427,459
Other assets	17	-	110,812	110,812
Total financial assets		**20,661**	**1,991,878**	**2,012,539**

1 JULY 2016	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and bank balances	14	-	249,759	249,759
Loans and advances to customers	15	-	588,836	588,836
Investment securities:				-
- Available for sale	4.2, 16	16,627	-	16,627
- Loans and receivables	16	-	292,528	292,528
Other assets	17	-	38,501	38,501
Total financial assets		**16,627.00**	**1,169,624**	**1,186,251**

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

4.3 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer of counterpart to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other bank and investment securities.

4.3.1 MANAGEMENT OF CREDIT RISK

The Bank has a loan review committee responsible for reviewing credit risk management policies and the Bank's compliance with regulatory directives. Credit Management Department is responsible for implementing the credit risk management policies of the Bank. Credit management department and branch units are required to implement the Bank's credit policies and procedures, with credit approval authorities' delegated from the Board. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

In the estimation of credit risk, the Bank estimate the following parameters:

(a) Probability of Default

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

(b) Loss Given Default

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

(c) Exposure at Default

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

4.3.2 IMPAIRMENT ASSESSMENT

The Bank assesses its impairment for the purpose of IFRS reporting using a two-way approach which are Individual assessment and portfolio assessment.

(a) Specific assessment

The Bank reviewed and revised existing impairment triggers for each loan asset portfolio to ensure that a trigger identifies a loss event as early as possible, which would result in the earliest possible recognition of losses within the IFRS framework. The Bank then estimated the impairment based on the shortfall between the present value of estimated future cash flows and the asset carrying amount.

(b) Collective assessment

Loans and receivables that are not specifically impaired are assessed under collective impairment. For the purpose of collective impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to contractual terms.
The Bank generally bases its analyses on historical experience. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry–specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. The impairment allowance is reviewed by credit management to ensure alignment with the Bank's overall policy.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

4.3.3 CREDIT RELATED COMMITMENTS RISKS

The Bank holds collateral against loans and receivables to customers in the form of bank guarantees and property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

4.3.4 MAXIMUM EXPOSURE TO CREDIT RISK BEFORE COLLATERAL HELD OR CREDIT ENHANCEMENTS

(a) Types of collateral or credit enhancement

The Bank does not perceive any significant credit risk on the following financial assets:

- Deposits and balances due from Banking institutions as credit risk on these are considered to be low because the counter parties are Banks with no history of default;
- Investments in Government securities and balances with National Bank of Ethiopia are deemed to be adequately secured by the Government of the Federal Democratic Republic of Ethiopia that has no history of default.

The table below shows the Bank's maximum exposure to credit risk which is represented by the net carrying amounts in the statement of financial position and the fair value of collaterals and credit enhancements held at 30 June 2018, 30 June 2017 and 30 June 2016.

30 JUNE 2018	Maximum exposure to credit risk Birr'000	Secured against real estate Birr'000	Plant and Machinery Birr'000	Motor vehicles Birr'000	Others Birr'000	Total Birr'000
Cash and bank balances	824,901					
Loans and advances to customers						
- Agriculture	668	2,473				2,473
- Construction	164,114	544,024		25,616		569,641
- Domestic trade and services	517,721	1,215,798	64,678	21,257	6,085	1,307,818
- Export	507,013	396,507		11,744	408,307	816,558
- Import	71,164	137,669		1,500	5,000	144,169
- Manufacturing	213,320	436,012	40,213			476,225
- Transportation	3,237	5,577		9,356		14,933
- Individual loans	7,465	11,539		2,800		14,339
- Staff loans and advances	96,134	79,126		8,474	12,470	100,070
	1,580,836	2,828,724.26	104,891.41	80,746.99	431,863.11	3,446,225.78
Investment securities:						
- Loans and receivables	686,273					
	686,273	-	-	-	-	-
Other assets						
- Receivable from other banks	15,431					
- Export bills purchased	16,120					
- Sundry receivables	7,202					
	38,753	-	-	-	-	-
Loan commitments	181,536					
Other commitments	1,308,853					
	4,621,152	2,828,724.26	104,891.41	80,746.99	431,863.11	3,446,225.78

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

(a) Types of collateral or credit enhancement (Contd)

30 JUNE 2017	Maximum exposure to credit risk Birr'000	Secured against real estate Birr'000	Plant and Machinery Birr'000	Motor vehicles Birr'000	Others Birr'000	Total Birr'000
Cash and bank balances	682,997	-	-	-	-	-
Loans and advances to customers						
Agriculture	1,318	1,503	-	-	-	1,503
Construction	88,514	282,040	13,436	8,050	-	303,526
Domestic trade and services	434,924	1,120,194	3,847	12,123	6,747	1,142,911
Export	127,063	173,225	602	-	8,615	182,442
Import	43,745	139,923	-	-	2,000	141,923
Manufacturing	29,155	52,998	-	-	-	52,998
Transportation	9,424	59,274	-	8,500	-	67,774
Individual loans	3,014	-	-	-	-	-
Staff loans and advances	50,171	46,392	-	6,331	-	52,723
	787,328	1,875,549	17,885	35,004	17,362	1,945,800
Investment securities:						
Loans and receivables	427,459	-	-	-	-	-
	427,459	**-**	**-**	**-**	**-**	**-**
Other assets						
Receivable from other banks	174	-	-	-	-	-
Export bills purchased	38,025	-	-	-	-	-
Sundry receivables	5,096	-	-	-	-	-
	43,295	-	-	-	-	-
Loan commitments	226,739	-	-	-	-	-
Other commitments	1,594,587					
	3,762,405	**1,875,549**	**17,885**	**35,004**	**17,362**	**1,945,800**

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

(a) Types of collateral or credit enhancement (Contd)

1 JULY 2016	Maximum exposure to credit risk Birr'000	Secured against real estate Birr'000	Plant and Machinery Birr'000	Motor vehicles Birr'000	Others Birr'000	Total Birr'000
Cash and bank balances	249,759	-	-	-	-	-
Loans and advances to customers						-
Agriculture	325	323	3,000	-	-	3,323
Construction	94,724	258,905	105,392	43,841	-	408,138
Domestic trade and services	275,467	463,000	126,613	15,375	1,621	606,609
Export	137,265	138,762	28,496	-	4,587	171,845
Import	45,321	87,190	48,443	7,122	-	142,755
Manufacturing	12,749	19,661	16,405	-	-	36,066
Transportation	18,179	11,693	51,212	15,237	-	78,142
Individual loans	0	-	-	-	-	-
Staff loans and advances	13,317	16,253	-	360	-	16,613
	597,347	995,787	379,561	81,935	6,208	1,463,491
Investment securities:						
Loans and receivables	292,528	-	-	-	-	292,528
	292,528	-	-	-	-	292,528
Other assets						
Receivable from other banks	6,851	-	-	-	-	-
Export bills purchased	24,139	-	-	-	-	-
Sundry receivables	9,510	-	-	-	-	-
	40,500	-	-	-	-	-
Loan commitments	63,593	-	-	-	-	-
Other commitments	1,202,771	-	-	-	-	-
	2,446,498	995,787	379,561	81,935	6,208	1,756,019

4.3.5 COLLATERAL HELD AND THEIR FINANCIAL EFFECT

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

The Bank may take collateral in the form of a first charge over real estate, liens and guarantees. 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.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

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

The fair value of the collaterals are 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 collaterals other than properties such as share certificates, cash, NBE bills 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.

4.3.6 LOANS AND RECEIVABLES AT AMORTISED COST

(a) Gross loans and receivables to customers per sector is analysed as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Agriculture	668	1,318	325
Construction	164,114	88,514	94,724
Domestic trade and services	517,721	434,924	275,467
Export	507,013	127,063	137,265
Import	71,164	43,745	45,321
Manufacturing	213,320	29,155	12,749
Transportation	3,237	9,424	18,179
Individual loans	7,465	3,014	-
Staff loans and advances	96,134	50,171	13,317
	1,580,836	787,328	597,347

(b) Gross loans and receivables to customers per National Bank of Ethiopia's impairment guidelines is analysed as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Pass	1,342,076	674,108	573,411
Special mention	184,798	86,182	6,976
Substandard	10,059	4,093	6,963
Doubtful	28,696	10,512	3,791
Lost	15,207	12,433	6,206
	1,580,836	787,328	597,347

The above table represents a worse case scenario of credit risk exposure of the Bank as at the reporting dates without taking account of any collateral held or other credit enhancements attached. The exposures are based on net carrying amounts as reported in the statement of financial position.

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

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

4.3.7 CREDIT QUALITY ANALYSIS

(a) Credit quality of cash and bank balances

The credit quality of cash and bank balances and short-term investments that were neither past due nor impaired at as 30 June 2018, 30 June 2017 and 30 June 2016 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. However, cash and bank balances that held in foreign banks can be assessed by reference to credit rating agency designation as shown in the table below;

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
A-	-	-	-
BBB+	-	-	-
B	-	125,781	-
BB	-	4,834	-
Not rated	824,901	552,382	249,759
	824,901	682,997	249,759

Definitions of ratings

A: High credit quality This denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB: Good credit quality This indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

BB: Speculative This indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.

B: Highly speculative This indicates that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

Not rated This indicates financial institutions or other counterparties with no available ratings and cash in hand.
A "+ "(plus) or "-" (minus) may be appended to a rating to indicate the relative position of a credit within the rating category. This is based on Fitch national long-term issuer default ratings.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

(b) Credit quality of loans and receivables

30 JUNE 2018	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Individually impaired Birr'000	Total Birr'000
Agriculture	668			668
Construction	148,117	10,347	5,651	164,114
Domestic trade and services	405,061	82,707	29,953	517,721
Export	429,419	64,168	13,426	507,013
Import	58,612	9,270	3,281	71,164
Manufacturing	199,811	13,509		213,320
Transportation	3,237			3,237
Staff loans and advances	97,152	4,796	1,651	103,599
	1,342,076	184,798	53,962	1,580,836
Gross				
Less: Impairment allowance (note 15a)	(14,286)	(3,893)	(8,945)	(27,124)
Net	1,327,790	180,905	45,017	1,553,712

30 JUNE 2017	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Individually impaired Birr'000	Total Birr'000
Agriculture	1,319	-	-	1,319
Construction	70,733	13,552	4,229	88,514
Domestic trade and services	372,469	55,171	7,284	434,924
Export	103,353	13,064	10,646	127,063
Import	38,734	2,042	2,969	43,745
Manufacturing	29,155	-	-	29,155
Transportation	8,566	858	-	9,424
Individual loans	3,014	-	-	3,014
Staff loans and advances	41,441	6,819	1,911	50,171
	668,784	91,506	27,039	787,329
Gross				
Less: Impairment allowance (note 15a)	(6,979)	(694)	(9,046)	(16,718)
Net	661,805	90,812	17,993	770,611

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

1 JULY 2016	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Individually impaired Birr'000	Total Birr'000
Agriculture	-	-	325	325
Construction	92,452	373	1,899	94,724
Domestic trade and services	260,733	7,870	6,864	275,467
Export	114,161	18,047	5,057	137,265
Import	42,528	-	2,793	45,321
Manufacturing	12,749	-	-	12,749
Transportation	18,179	-	-	18,179
Individual loans	-	-	-	-
Staff loans and advances	13,312	5	-	13,317
	554,114	26,295	16,938	597,347
Gross				
Less: Impairment allowance (note 15a)	(4,961)	(36)	(3,514)	(8,511)
Net	549,153	26,259	13,424	588,836

(i) Loans and receivables - neither past due nor impaired

The credit quality of the portfolio of loans and receivables that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Loans in this category are loans past due for less than 90 (ninety) days.. These loans are not rated.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Neither past due nor impaired	1,342,076	668,784	554,114
Collective impairment	**(14,286)**	**(6,979)**	**(4,961)**
	1,327,790	**661,805**	**549,153**

(ii) Loans and receivables - past due but not impaired

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Past due up to 30 days	-	5,324	19,320
Past due up to 30 - 60 days	184,798	86,182	6,975
Past due by 60 - 90 days	-	-	-
Past due by 90 - 180 days	-	-	-
Past due by more than 180 days	-	-	-
	184,798	91,506	26,295
Collective impairment	(3,893)	(694)	(36)
Loan and receivables (net)	180,905	90,812	26,259

Loans and receivables that have been classified as neither past due nor impaired or past due but not impaired are assessed on a collective basis.

(c) Sensitivity analysis on impairment

The loan portfolio of the Bank has been adopted for this sensitivity test. This is based on the premise that the outcome of this stress test on the Bank is reflective of the entire portfolio of loans and advances to customers. The credit factors considered for this sensitivity are highlighted below:

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

Probability of Default (PD): This represents the probability that a currently performing account will decline in credit quality. The probability of default model is designed to provide a measurement of obligor quality by estimating the likelihood default over a short term horizon (usually 12 months). A low probability of default indicates a borrower with good credit quality while a high probability of default indicates a borrower with low credit quality and a high likelihood of default.

Loss Given Default (LGD): The LGD estimates the expected loss on a default account after all recoveries have being exhausted. In estimating the LGD for the credit portfolio, recoveries made on historic loan loss data by way of loan repayment, recovery efforts and/or sale of collateral was applied.
In performing the sensitivity analysis, two scenarios were considered as detailed below.

Scenario 1
The PDs of the performing book were flexed by 20% while LGD was held constant. This is based on the assumption that obligor quality will deteriorate and this will lead to an increase in default.

Scenario 2
The LGD of the performing book was flexed by 20% respectively while the PD was held constant. This is premised on deterioration in obligor quality, increase in rate of default as well as difficulty in realizing collaterals pledged.
Outcome of the sensitivity analysis is shown below as well as the impact on profit or loss

30 JUNE 2018	Current year Birr'000	Scenario 1 Birr'000	Scenario 2 Birr'000
Agriculture	-	-	-
Construction	(920)	(562)	(561.46)
Domestic trade and services	4,493	5533.39	5,533.72
Export	5,440	7347.28	7,347.87
Import	1,161	1391.77	1,391.85
Manufacturing	-	-	-
Transportation	-	-	-
Individual loans	-	-	-
Staff loans and advances	232	331.28	331.31
	10,406	14,042	14,043

30 JUNE 2017	Current year Birr'000	Scenario 1 Birr'000	Scenario 2 Birr'000
Agriculture	-	-	-
Construction	1,169	1,404	1,403
Domestic trade and services	2,564	3,079	3,077
Export	1,642	1,834	1,970
Import	2,097	2,517	2,517
Manufacturing	-	-	-
Transportation	-	-	-
Individual loans	-	-	-
Staff loans and advances	199	243	239
	7,671	9,077	9,206

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

4.3.8 CREDIT CONCENTRATIONS

Credit concentration indicates the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. Excessive concentration arises when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Bank monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at 30 June 2018, 30 June 2017 and 30 June 2016. The Bank concentrates all its financial assets in Ethiopia.

30 JUNE 2018	Public Enterprise Birr'000	Private Birr'000	Total Birr'000
Cash and bank balances	352,378	472,523	824,901
Loans and advances to customers	310,742	1,242,970	1,553,712
Investment securities:			
- Available for sale	-	17,757	17,757
- Loans and receivables	686,273	-	686,273
Other assets	-	38,753	38,753
	1,349,393	1,772,003	3,121,396

	Public Enterprise	Private	Total
30 June 2017	Birr'000	Birr'000	Birr'000
Cash and bank balances	259,610	423,387	682,997
Loans and advances to customers	154,122	616,488	770,610
Investment securities:			
- Available for sale	-	20,661	20,661
- Loans and receivables	427,459	-	427,459
Other assets	-	43,295	43,295
	841,191	1,103,831	1,945,022

	Public Enterprise	Private	Total
1 July 2016	Birr'000	Birr'000	Birr'000
Cash and bank balances	97,180	152,579	249,759
Loans and advances to customers	117,767	471,069	588,836
Investment securities:			-
- Available for sale	-	16,627	16,627
- Loans and receivables	292,528	-	292,528
Other assets	-	40,500	40,500
	507,475	680,775	1,188,250

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

4.3.9 COMMITMENTS AND GUARANTEES

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Letters of credit	181,536	226,739	63,593
Guarantees issued	1,308,853	1,594,587	1,202,771
Total maximum exposure	1,490,389	1,821,326	1,266,364

4.4 Liquidity risk

Liquidity Risk is a risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

4.4.1 MANAGEMENT OF LIQUIDITY RISK

Compliance with the regulatory framework is monitored consistently. The Licensing & Supervision of Banking Business Directive No SBB/44/08 of the National Bank of Ethiopia provides that any licensed Bank should maintain liquid assets of not less than 25% of its total current liabilities, which is the sum of demand deposits, saving deposits and time deposits and similar liabilities with less than one-month maturity period. Weekly liquidity position showing end of week balance is required by the National Bank.

The Asset and Liability Management Committee (ALCO) is responsible for managing funding mismatches and attaining the desired level of liquidity in the manner described in the risk management policy. The Bank' liquid assets are more than 15% of the total current liabilities as required by the National Bank of Ethiopia's directives. Moreover off-balance sheet commitments are within the internal limits set by the Bank.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

4.4.2 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 future.

30 JUNE 2018	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181-365 days Birr'000	Over 1 year Birr'000
Deposits from customers	482,962	113,055	340,161	533,014	673,019
Borrowings	-	-	-	24,990	-
Other liabilities	157,275	129,826	68,230	7,970	0
Total financial liabilities	640,237	242,881	408,390	565,974	673,019
Letters of credit					
Guarantees issued					
Total commitments	-	-	-	-	-
Assets used to manage liquidity risk	916,521	94,579	89,715	199,487	1,967,538

30 JUNE 2017	0-30 days Birr'000	31-90 days Birr'000	91-180 days Birr'000	181-365 days Birr'000	Over 1 year Birr'000
Deposits from customers	370,166	101,385	309,630	391,955	261,955
Borrowings	20	-	-	-	-
Other liabilities	45,055	129,814	2,433	-	-
Total financial liabilities	415,241	231,199	312,063	391,955	261,955
Letters of credit	-	-	-	-	-
Guarantees issued	-	-	-	-	-
Total commitments	-	-	-	-	-
Assets used to manage liquidity risk	673,527	86,105	53,203	73,889	1,178,179

4.4.2 MATURITY ANALYSIS OF FINANCIAL LIABILITIES (CONTD)

1 JULY 2016	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Deposits from customers	191,042	174,372	-	230,374	275,969
Other liabilities	13,032	6,516	-	10,860	15,031
Total financial liabilities	204,074	180,888	-	241,234	291,000
Letters of credit					
Guarantees issued					
Total commitments	-		-	-	-
Assets used to manage liquidity risk	237,626	80,488	-	153,325	823,312

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

4.5 Market risk

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, and foreign exchange rates will affect the future cash flows of the Bank's financial instruments. The objectives of market risk management are to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

4.5.1 MANAGEMENT OF MARKET RISK

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 regularly by the risk management department to identify any adverse movement in the underlying variables.

(i) Interest rate risk

Interest rate risk is a risk resulting from changes in interest rates. It is the probability that the rising and falling of interest rates will adversely affect the Bank's interest margin or the value of its net worth. The Bank often revises its lending rate across segments of the credit portfolio based on the changes in the cost of funds, reserve requirements and the perceived risk in each credit portfolio segment to keep the overall profitability.

ALCO is responsible for managing rate sensitivity assets and liabilities and the effects of rate, volume and mix changes in order to preserve and optimize the interest return.

The Bank's investment portfolio is comprised of National Bank of Ethiopia bills and cash deposits. The table below sets out information on the exposures to fixed and non-interest instruments.

30 JUNE 2018	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and balances with banks	588,063	236,838	824,901
Loans and advances to customers	1,580,836	-	1,580,836
Investment securities	686273	17757	704,030
Other assets	31551	5203	36,754.00
Total	2,855,172	254,595	3,109,767
Liabilities			
Deposits from customers	2,153,322	-	2,153,322
Other liabilities	334,336	-	334,336
Borrowings	25,000	-	25,000
Total	2,512,658	-	2,512,658

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

(i) Interest rate risk (Contd)

30 JUNE 2017	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and balances with banks	412,161	270,836	682,997
Loans and advances to customers	787,328	-	787,328
Investment securities	427,459	20,661	448,120
Other assets	38,199	3,097	41,296
Total	**1,626,948**	**291,497**	**1,918,445**
Liabilities			
Deposits from customers	1,435,090	-	1,435,090
Other liabilities	176,181	-	176,181
Borrowings	20	-	20
Total	**1,611,291**	**-**	**1,611,291**

1 JULY 2016	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and balances with banks	109,565	140,194	249,759
Loans and advances to customers	597,347	-	597,347
Investment securities	292,528	16,627	309,155
Other assets	30,990	7,511	38,501
Total	**999,440**	**156,821**	**1,156,261**
Liabilities			
Deposits from customers	874,163	-	874,163
Other liabilities	70,829	-	70,829
Total	**944,992**	**-**	**944,992**

(ii) Foreign exchange risk

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. Foreign exchange risks are controlled by maintaining balances in major currencies whose exchange rates against the reporting currency are expected to appreciate. The National Bank controls exchange rates due to which the rates are not fluctuating significantly.

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.

The table below summarises the impact of increases/decreases of 10% on equity and profit or loss arising from the Bank's foreign denominated borrowings and cash and bank balances.

The total foreign currency denominated assets and liabilities exposed to risk as at 30 June 2018 was Birr 298.41 million (30 June 2017: Birr 319.63 million, 1 July 2016: Birr 82.02 million).

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

Foreign currency denominated balances

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Cash and bank balances	163,408	131,094	12,675
Other assets	-	38,076	24,138
Deposits from customers	105,725	139,895	35,884
Other liabilities	29,281	10,568	9,322
	298,414	319,633	82,019

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:

	Increase/ (decrease) in basis points	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
USD	10%	19,062	29,684	7,654
USD	10%	(19,062)	(29,684)	(7,654)
EUR	10%	3,257	2,277	547
EUR	10%	(3,257)	(2,277)	(547)
GBP	10%	7,523	2	1
GBP	10%	(7,523)	(2)	(1)

4.6 Capital management

The Bank’s objectives when managing capital are to comply with the capital requirements set by the National Bank of Ethiopia, safeguard its ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders, to maintain a strong capital base to support the current and future development needs of the business and to comply with the capital requirements set by the National Bank of Ethiopia (NBE).

Based on the National Bank of Ethiopia requirement, the Bank was required to raise its paid-up capital to Birr 500 million by the end of August 2017. Accordingly, the bank has fulfilled the minimum capital requirement set by NBE as shown in the statement of financial position.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

4.6.1 CAPITAL ADEQUACY RATIO

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Capital and reserves			
Share capital	579,756	351,223	262,000
Other equity	(6,068)	(5,397)	-
Retained earnings	48,002	5,220	26,310
Legal reserve	61,205	34,546	21,837
	682,895	385,592	310,147
Risk weighted assets			
Risk weighted balance for on-balance sheet items	1,749,125	955,174	758,927
Credit equivalents for off-balance Sheet Items	298,078	364,265	253,273
	2,047,203	1,319,439	1,012,200
Risk-weighted Capital Adequacy Ratio (CAR)	**33%**	**29%**	**31%**
Minimum required capital	8%	8%	8%
Excess	519,119	280,037	229,171

4.7 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, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

4.7.1 VALUATION MODELS

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input 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.
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.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

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 date 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.

4.7.2 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The following table summarises the carrying amounts of financial assets and liabilities at the reporting date. The amounts are based on the values recognised in the statement of financial position.

	30 June 2018 Carrying amount Birr'000	Fair value Birr'000	30 June 2017 Carrying amount Birr'000	Fair value Birr'000	1 July 2016 Carrying amount Birr'000	Fair value Birr'000
Financial assets						
Cash and balances with banks	824,901	824,901	682,997	682,997	249,759	249,759
Loans and advances to customers	1,553,712	1,553,712	770,610	770,610	588,836	588,836
Investment securities:	-	-				
- Available for sale	17,757	17,757	20,661	20,661	16,627	16,627
-Loans and receivables	686,273	686,273	427,459	427,459	292,528	292,528
Other assets	38,753	38,753	43,295	43,295	40,500	40,500
Total	3,121,396	3,121,396	1,945,022	1,945,022	1,188,250	1,188,250

	30 June 2018 Carrying amount Birr'000	Fair value Birr'000	30 June 2017 Carrying amount Birr'000	Fair value Birr'000	1 July 2016 Carrying amount Birr'000	Fair value Birr'000
Financial liabilities						
Deposits from customers	2,153,322	2,153,322	1,435,090	1,435,090	874,163	874,163
Borrowings	25,000	25,000	20	20	-	-
Other liabilities	334,336	334,336	176,181	176,181	70,829	70,829
Total	2,512,658	2,512,658	1,611,291	1,611,291	944,992	944,992

4.7.3 FAIR VALUE METHODS AND ASSUMPTIONS

(a) Loans and advances to customers

Loans and advances to customers are carried at amortised cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

4.7.4 VALUATION TECHNIQUE USING SIGNIFICANT UNOBSERVABLE INPUTS – LEVEL 3

The Bank has no financial asset measured at fair value on subsequent recognition.

4.7.5 TRANSFERS BETWEEN THE FAIR VALUE HIERARCHY CATEGORIES

During the three 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 becoming observable or unobservable.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

4.8 Offsetting financial assets and financial liabilities

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

5 Interest income

	30 June 2018 Birr'000	30 June 2017 Birr'000
Interest on Agriculture loans	153	154
Interest on Construction loans	26,901	11,681
Interest on Domestic trade and services	74,220	49,311
Interest on Export term loans	27,548	13,687
Interest on Import term loans	31,816	13,484
Interest on Manufacturing loans	24,328	2,766
Interest on Transportation loan	1,008	2,088
Interest on Staff loans and advances loans	6,760	2,047
Interest on Individual loans	955	680
Interest on Investment securities	17,562	10,815
Interest on fund placement	2,223	316
	213,473	107,029

Included within various line items under interest income for 30 June 2018 is a total of Birr 213,473 millions (30 June 2017: Birr 107,029 millions) relating to impaired financial assets.

6 Interest expense

	30 June 2018 Birr'000	30 June 2017 Birr'000
Interest on savings deposits	52,195	23,042
Interest on special saving deposits	1,175	776
Interest on fixed time deposits	23,470	15,142
Interest on short term borrowings	3,434	1,316
	80,275	40,276

7 Fee and commission income

	30 June 2018 Birr’000	30 June 2017 Birr’000
Commission Income on CPO and FT	396	374
Commission on letters of credit	14,618	5,280
Commission on letter of guarantees issued	52,800	51,342
Commission on other financial services	232	135
Service charges	68,542	26,282
	136,588	**83,413**

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

8 Other operating income

	30 June 2018 Birr'000	30 June 2017 Birr'000
Penalty charge income	5,973	2,467
Dividend earned on investment	657	534
Swift charge	858	166
Estimation and inspection fees	156	207
Gain on foreign exchange dealings and fluctuations	50,844	21,686
Share subscription fee	10,037	3,849
Other income	1,859	698
	70,384	29,607

9 Loan impairment charge

	30 June 2018 Birr'000	30 June 2017 Birr'000
Loans and advances - charge for the year (note 15a)	10,406	8,207
	10,406	8,207

10 Impairment losses on other assets

	30 June 2018 Birr'000	30 June 2017 Birr'000
Other assets - charge for the year (note 17)	-	-
	-	-

11 Personnel expenses

	30 June 2018 Birr'000	30 June 2017 Birr'000
Salaries and wages	53,134	39,554
Staff allowances	10,090	8,315
Pension costs – Defined contribution plan	5,670	4,231
Pension costs - Defined benefit plans	600	561
Other staff expenses	15,002	12,282
	84,497	64,943

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

12 Other operating expenses

	30 June 2018 Birr'000	30 June 2017 Birr'000
Fuel and lubricants	439	345
Audit fees	145	116
Directors fee	1,227	1,323
Repairs and maintenance	4,966	3,378
Internet, broadband and website	4,288	3,907
Stationary, printing and office supplies	3,157	2,819
Rental expenses	26,405	23,376
Donations and contributions	135	24
Entertainment	312	169
Transport and travelling expenses	1,320	1,050
Annual reception fees	1,272	1,460
Advertisement and publicity	2,471	2,661
Insurance	324	419
Representation allowance	698	646
Swift charges	266	174
Legal and professional fees	971	279
Bank charges	251	223
Share commission fee	7,480	1,564
Security expenses	2,673	2,528
Wages for non-employees	427	155
Loss on foreign exchange dealings and fluctuations	30,558	7,929
Sundry expenses	1,945	1,599
	91,730	56,144

13 Current income tax and deferred tax

13A CURRENT INCOME TAX

	30 June 2018 Birr'000	30 June 2017 Birr'000
Company income tax	36,548	9,623
Prior year (over)/ under provision	-	-
Capital gains tax	-	-
Tax on foreign deposit interest	-	-
Deferred income tax/(credit) to profit or loss	(1,210)	582
Total charge to profit or loss	35,338	10,205
Tax (credit) on other comprehensive income	(321)	(73)
Total tax in statement of comprehensive income	35,017	10,132

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

13B RECONCILIATION OF EFFECTIVE TAX TO STATUTORY TAX

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

	30 June 2018 Birr'000	30 June 2017 Birr'000
Profit before tax	141,972	40,378
Disallowable expenses		
Entertainment	312	169
Donation	38	4
Penalty	240	-
Awards	-	-
TAX Expense paid on interest income	-	-
severance pay as per IFRS actuarial valuation estimate	600	561
Provision for loans and advances as per IFRS	10,406	8,207
Depreciation and amortization for accounting purpose	11,585	10,102
Sub total	23,181	19,043
Depreciation for tax purposes	(9,191)	(11,301)
Provision for loans and advances taxed at 80%	(7,260)	(4,380)
Dividend income adjustment	(657)	(534)
Bonus payment of the previous phyical year	(6,302)	-
Estabilishment cost	(108)	-
Interest income taxed at source	(19,808)	(11,129)
Sub total	(43,326)	(27,344)
Taxable profit	121,827	32,077
Taxable profit at 30%	36,548	9,623
Income tax paid duing the year	-	-
Withholding tax paid	-	-
	36,548	9,623

13C CURRENT INCOME TAX LIABILITY

	30 June 2018 Birr'000	30 June 2017 Birr'000
Balance at the beginning of the year	1,920	8,533
Charge for the year:		
Education tax	-	-
Capital gains tax	-	-
Income tax expense	36,548	9,623
Prior year (over)/ under provision	-	-
WHT Notes utilised	-	-
Payment during the year	(16,865)	(16,236)
Balance at the end of the year	21,603	1,920

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

13D DEFERRED INCOME TAX

Deferred income tax assets/(liabilities) 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/(liabilities) of Birr 2 million, 2.8 million and 5.7 million for the Bank have not been recognised as at 30 June 2018, 30 June 2017 and 1 July 2016 respectively because it is not probable that future taxable profits will be available against which they can be utilised.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
The analysis of deferred tax assets/ (liabilities) is as follows:			
To be recovered after more than 12 months	(1,722)	(3,253)	(2,744)
To be recovered within 12 months	-	-	-
	(1,722)	(3,253)	(2,744)

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 2017 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2018 Birr'000
Property, plant and equipment	(3,326)	1,210	-	(2,116)
Provisions	-	-	-	-
Unrealised exchange gain	-	-	-	-
Tax losses charged to profit or loss	-	-	-	-
Post employment benefit obligation	73	-	321	394
Total deferred tax assets/(liabilities)	(3,253)	1,210	321	(1,722)

DEFERRED INCOME TAX ASSETS/ (LIABILITIES)	At 1 July 2016 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2017 Birr'000
Property, plant and equipment	(2,744)	(582)	-	(3,326)
Provisions	-	-	-	-
Unrealised exchange gain	-	-	-	-
Tax losses charged to profit or loss	-	-	-	-
Post employment benefit obligation	-	-	73	73
Total deferred tax assets/(liabilities)	(2,744)	(582)	73	(3,253)

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

14 Cash and bank balances

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Cash in hand	236,838	270,836	140,194
Balance held with National Bank of Ethiopia	352,378	259,610	97,180
Deposits with local banks	72,993	21,936	943
Deposits with foreign banks	162,692	130,615	11,442
	824,901	682,997	249,759

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	718,361	612,997	205,759
Non-Current	106,540	70,000	44,000
	824,901	682,997	249,759

Included in balance held with National Bank of Ethiopia(NBE) is the cash reserve requirement of the NBE. These balances are subject to regulatory restrictions and therefore are not available for day to day operations by the Bank and have been excluded for cash flow purposes.

14A CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Balance as above	824,901	682,997	249,759
Cash reserve held with the National Bank of Ethiopia	(106,540)	(70,000)	(44,000)
	718,361	612,997	205,759

15 Loans and advances to customers

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Agriculture	668	1,318	325
Construction	164,114	88,514	94,724
Domestic trade and services	517,721	434,924	275,467
Export	507,013	127,063	137,265
Import	71,164	43,745	45,321
Manufacturing	213,320	29,155	12,749
Transportation	3,237	9,424	18,179
Individual loans	7,465	3,014	-
Staff loans and advances	96,134	50,171	13,317
Gross amount	1,580,836	787,328	597,347
Less: Impairment allowance (note 15a)			
- Collective impairment	(18,179)	(7,672)	(4,997)
- Specific impairment	(8,945)	(9,046)	(3,514)
	1,553,712	770,610	588,836

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

15 Loans and advances to customers (Contd)

MATURITY ANALYSIS	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	898,430	533,037	373,687
Non-Current	655,282	237,573	215,149
	1,553,712	770,610	588,836

15A IMPAIRMENT ALLOWANCE ON LOANS AND ADVANCES TO CUSTOMERS

A reconciliation of the allowance for impairment losses for loans and advances to customers by class, is as follows:

COLLECTIVE ALLOWANCE FOR IMPAIRMENT	As at 1 July 2016 Birr'000	Charge for the year Birr'000	As at 30 June 2017 Birr'000	Charge for the year Birr'000	As at 30 June 2018 Birr'000
Agriculture	-	-	-	-	-
Construction	1,105	64	1,169	622	1,791
Domestic trade and services	1,394	1,170	2,564	2,639	5,203
Export	974	668	1,642	7,895	9,537
Import	1,524	574	2,098	(946)	1,152
Manufacturing	-	-	-	-	-
Transportation	-	-	-	496	496
Individual loans	-	199	199	(199)	-
Staff loans and advances	-	-	-	-	-
	4,997	2,675	7,672	10,508	18,179

SPECIFIC ALLOWANCE FOR IMPAIRMENT	As at 1 July 2016 Birr'000	Charge for the year Birr'000	As at 30 June 2017 Birr'000	Charge for the year Birr'000	As at 30 June 2018 Birr'000
Agriculture	-	-	-	-	-
Construction	-	2,662	2,662	(1,542)	1,120
Domestic trade and services	607	(288)	319	1,854	2,173
Export	2,907	2,481	5,388	(2,455)	2,933
Import	-	-	-	2,107	2,107
Manufacturing	-	-	-	-	-
Transportation	-	-	-	611	611
Individual loans	-	677	677	(677)	-
Staff loans and advances	-	-	-	-	-
	3,514	5,532	9,046	(102)	8,944
Total Impairment	8,511	8,207	16,718	10,406	27,123

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

16 Investment securities

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Available for sale:			
Equity Investments	17,757	20,661	16,627
Loans and receivables:	-		
Investment in National Bank of Ethiopia (NBE) bills	686,273	427,459	292,528
Gross amount	704,030	448,120	309,155

16 Investment securities

MATURITY ANALYSIS	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	211,209	172,041	93,947
Non-Current	492,821	276,079	215,207
	704,030	448,120	309,154

The Bank hold equity investments in Eth-switch of 5.55% (30 June 2017: 5.26%, 1 July 2016: 5.26 %), Lucy Insurance Share Company of 4.56 % (30 June 2017: 8.37%, 1 July 2016: 5.17 %) and AODAOE Inclusive Finance Technology S.C. 6.99 % (30 June 2017: 9.40%, 1 July 2016: 12.99%). These investments are unquoted equity securities measured at cost.

The fair value of the unquoted equity securities carried at cost cannot be reliably estimated as there are no active market for these financial instruments; they have therefore been disclosed at cost less impairment.

National Bank of Ethiopia (NBE) bills are classified as loans and receivables because management's intention is to hold these investments to maturity and they are not held for trading, managed on a fair value basis or quoted in an active market.

17 Other assets

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Financial assets			
Receivable from other banks	15,431	174	6,851
Export bills purchased	16,120	38,025	24,139
Sundry receivables	**7,202**	**5,096**	**9,510**
Gross amount	38,753	43,295	40,500
Less: Specific impairment allowance (note 17a)	(1,999)	(1,999)	(1,999)
	36,754	41,296	38,501
Non-financial assets			
Prepaid staff expense	7	6,516	1,908
Prepayments	73,772	59,378	59,538
Inventory	4,477	3,509	1,900
Assets waiting for resale	9,802	113	42
Gross amount	88,058	69,516	63,388
Gross amount	**124,812**	**110,812**	**101,889**

MATURITY ANALYSIS	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	46,556	41,409	38,543
Non-Current	78,256	69,403	63,346
	124,812	110,812	101,889

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

17A IMPAIRMENT ALLOWANCE ON OTHER ASSETS

A reconciliation of the allowance for impairment losses for other assets is as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Balance at the beginning of the year	(1,999)	(1,999)	(1,999)
(Reversal)/charge for the year (note 10)			-
Balance at the end of the year	(1,999)	(1,999)	(1,999)

17B INVENTORY

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Cheque book	531	224	125
Other supplies	1,444	1,332	498
Stationary	2,502	1,953	1,277
	4,477	3,509	1,900

18 Intangible Assets

	Purchased software Birr'000	Developed software Birr'000	Software under development Birr'000	Total Birr'000
Cost:				
As at 1 July 2016	15,051			15,051
Acquisitions	5,362			5,362
Internal development				-
Transfer from property, plant and equipment				-
As at 30 June 2017	20,413	-	-	20,413
As at 1 July 2017	20,413	-	-	20,413
Acquisitions	-			-
Internal development				-
Transfer from property, plant and equipment				-
As at 30 June 2018	20,413	-	-	20,413
Accumulated amortisation and impairment losses				
As at 1 July 2016	2,113			2,113
Amortisation for the year	3,122			3,122
Impairment losses				-
As at 30 June 2017	5,235	-	-	5,235
As at 1 July 2017	5,235	-	-	5,235
Amortisation for the year	3,402			3,402
Impairment losses				-
As at 30 June 2018	8,637	-	-	8,637
Net book value				
As at 1 July 2016	12,938	-	-	12,938
As at 30 June 2017	15,178	-	-	15,178
As at 30 June 2018	11,776	-	-	11,776

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

The Bank considers its softwares (Fex Cube core banking solution, Cheque Point, and Kaspersky anti-virus) as part of intangible assets. The Bank did not have capitalised borrowing costs related to the internal development of software and software under development during the reporting years (30 June 2018, 30 June 2017 and 1 July 2016)

19 Property, plant and equipment

	Office and other equipment Birr'000	Motor vehicles Birr'000	Furniture and fittings Birr'000	Computer and accessories Birr'000	Total Birr'000
Cost:					
As at 1 July 2016	8,067	20,765	9,682	15,999	54,513
Additions	3,277	695	1,419	864	6,255
Reclassifications	-		-		-
Disposals	(67)		(39)	(38)	(144)
As at 30 June 2017	11,277	21,460	11,062	16,825	60,624
As at 1 July 2017	11,277	21,460	11,062	16,825	60,624
Additions	4,150	2,997	2,864	1,307	11,318
Disposals	(496)	(113)	(408)	(154)	(1,171)
Reclassification	-	-	-	-	-
As at 30 June 2018	14,931	24,344	13,518	17,978	70,771
Accumulated depreciation					
As at 1 July 2016	3,605	5,572	2,257	4,442	15,876
Charge for the year	1,823	1,989	916	2,251	6,979
Disposals	(67)	-	(39)	(38)	(144)
As at 30 June 2017	5,361	7,561	3,134	6,655	22,711
As at 1 July 2017	5,361	7,561	3,134	6,655	22,711
Charge for the year	2,586	2,104	1,004	2,469	8,163
Disposals	(496)	(113)	(408)	(154)	(1,171)
As at 30 June 2018	7,451	9,552	3,730	8,970	29,703
Net book value					
As at 1 July 2016	4,462	15,193	7,425	11,557	38,637
As at 30 June 2017	5,916	13,899	7,928	10,170	37,913
As at 30 June 2018	**7,480**	**14,792**	**9,788**	**9,008**	**41,068**

20 Deposits from customers

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Demand deposits	584,141	528,110	333,390
Savings deposits	1,170,852	764,808	428,198
Special savings deposits	76,283	43,402	26,927
Fixed time deposits	322,047	98,770	85,648
	2,153,322	1,435,090	874,163

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

21 Borrowings

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Short term borrowings	25,000	20	
	25,000	20	

21A RECONCILIATION OF BANK BORROWINGS

A reconciliation of the changes in borrowings is as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000
Balance at the beginning of the year	20	-
Proceeds from borrowings	28,434	1,336
Repayment of borrowings	(3,454)	(1,316)
Accretion of interest		
Balance at the end of the year	25,000	20

22 Other liabilities

Financial liabilities

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Account payable special	189,614	56	7,047
C.P.O's and certified cheques issued	17,328	16,354	21,333
Blocked account	2,183	129	357
Margin on letters of credit	105,725	146,442	38,377
Old drafts and payments out	1,218	1,704	533
MTS And TTS Payable	3,655	2,397	1,754
Exchange commission payable To NBE	3,878	3,421	1,328
Audit fee	145	116	100
Board of Directors fee	-	-	-
Dividend payable	10,590	5,562	1,697
	334,336	176,181	72,526

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

22 Other liabilities (Contd)

NON-FINANCIAL LIABILITIES

Defined contribution liabilities	740	690	319
Accrual for leave liability	5,281	5,210	3,432
Provision for bonus payment	8,134	6,302	2,259
Stamp duty charges	34	440	95
Other tax payable	1,719	1,385	731
Deferred revenue	22,581	47,519	24,905
Withholding tax and Valued added tax payables	79	94	60
	38,568	61,640	31,801
Gross amount	**372,902**	**237,821**	**104,327**

MATURITY ANALYSIS	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	361,648	228,169	98,800
Non-Current	11,254	9,652	5,527
	372,902	237,821	104,327

23 Retirement benefit obligations

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Defined benefits liabilities:			
– Employee benefit plan (note 23a)	3,772	2,103	1,300
Liability in the statement of financial position	**3,772**	**2,103**	**1,300**
Income statement charge included in personnel expenses:			
– Employee benefit plan (note 23a)	823	581	1,300
Total defined benefit expenses	**823**	**581**	**1,300**
Remeasurements for:			
– Employee benefit plan (note 23a)	-748	-169	-
	(748)	**(169)**	**-**

23A RETIREMENT BENEFIT OBLIGATIONS

The income statement charge included within personnel expenses includes current service cost, interest cost, past service costs on the defined benefit schemes.

MATURITY ANALYSIS	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	-	-	-
Non-Current	3,772	2,103	1,300
	3,772	2,103	1,300

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

The employee benefit plan is made up of two (2) unfunded schemes which are severance benefits that are paid on voluntary withdrawal and retiremnet gratuity paid on retirement. These plans have been aggregated in determining the retirement benefit obligation as the inherent risks applicable to these plans have been assessed not to be materially different.

The key financial assumptions are the discount rate and the rate of salary increases. The provision for gratuity was based on an independent actuarial valuation performed by QED Actuaries & Consultants (Pty) Ltd using the projected unit credit method.

The Bank does not maintain any assets for the schemes but ensures that it has sufficient funds for the obligations as they crystallise.

(i) Severance gratuity benefit
The severance benefits are based on the statutory severance benefit as set out in Labour Proclamation No. 377/2003, as amended by the Labour (Amendment) Proclamation No. 494/2006. Employees are only entitled to the benefits under this scheme provided they have no entitlement to pension or provident fund benefits at retirement date.

The benefit applicable is thirty times the average daily wages of their last week of service for the first year of service, with past-years pro-rata, plus ten times the average daily wages of their last week of service for each completed year of service after the first to a maximum of one years' wages payable to the member.

(ii) Retirement gratuity scheme
Under this scheme, employees who reach the retirement age are paid a fixed amount of Birr 10,000.
The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and other comprehensive income and in the statement of financial position for the respective plans:

		30 June 2018	30 June 2017	1 July 2016
		Birr'000	Birr'000	Birr'000
A	Liability recognised in the financial position	3,772	2,103	1,300

		30 June 2018 Birr'000	30 June 2017 Birr'000
B	Amount recognised in the profit or loss		
	Current service cost	472	347
	Interest cost	351	234
		823	581

23A RETIREMENT BENEFIT OBLIGATIONS

C Amount recognised in other comprehensive income:

Remeasurement (gains)/losses arising from changes in demographic assumptions	(865)	273
Remeasurement (gains)/losses arising from changes in the financial assumptions	(204)	(515)
	(1,069)	(242)
Deferred tax (liability)/asset on remeasurement gain or loss	321	73
	(748)	(169)

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

D Changes in the present value of the defined benefit obligation

	30 June 2018 Birr'000	30 June 2017 Birr'000
At the beginning of the year	2,103	1,300
Current service cost	472	347
Interest cost	351	234
Remeasurement (gains)/losses arising from changes in demographic assumptions	(865)	273
Remeasurement (gains)/losses arising from changes in the financial assumptions	-204	-515
Benefits paid	(223)	(20)
At the end of the year	1,634	1,619

E The principal assumptions used in determining defined benefit obligations

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Discount rate (p.a)	12.46%	14.25%	14.3%
Long term salary increases (p.a)	12.00%	9.70%	11.6%

(i) Discount rate
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 Bank therefore opted to use a discount rate of 12.46% for 30 June 2018, 30 June 2017: 14.25% and 30 June 2016 : 14.30% which the Commercial Bank of Ethiopia adopted.
(ii) Inflation rate
The inflation rate was used to determine a reasonable estimate of expected long-term future salary increases, which tend to be related to long-term future inflation.

Inflation in Ethiopia has been volatile over 5 years leading up to the valuation dates, ranging from 7% to 24% p.a. The information contained in the Staff Report for the 2017 Article IV Consultation prepared by the International Monetary Fund for Ethiopia suggests that long-term inflation in Ethiopia is expected to converge towards a target of 8% over the long term. As a result, an inflation rate of 10%, 7.7% and 9.6% p.a as at 30 June 2018,30 June 2017 and 30 June 2016 was used based on actual average annual inflation for each year per the Central Statistics Agency ("CSA") reports.

(iii) 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. The total average actual salary increases for employees active at the previous valuation date and the current valuation date were 11.6%.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

(iv) Mortality rate

The mortality rates published in the Demographic and Health Survey ("DHS") 2016 report compiled by the CSA was applied to 5 year age bands between the ages of 15 and 49. For ages over 47, mortality rate was assumed to be in line with the SA85/90 ultimate standard South African mortality tables published by the Actuarial Society of South Africa ("ASSA"), since the rates in these tables are similar to the DHS female mortality rate at age 47.

	Males	Females
20	0.003	0.002
25	0.003	0.002
30	0.004	0.003
35	0.004	0.003
40	0.005	0.003
45	0.005	0.004
50	0.006	0.006
55	0.010	0.010
60	0.015	0.015

(v) Withdrawals from service

Generic resignation rates that assume that fewer employees resign as they get older has been applied. The resignation rates decrease by 0.5% for each age from 15% at age 20 (and below) to 0% at age 50. No specific allowance for retrenchments were made in the valuation assumptions as the Bank is not aware or specifically planning on such action in the near future.

(vi) Duration of the plan

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the retirement benefit obligation at the end of the reporting period is 8 years for 30 June 2018 , 30 June 2017: 7 years and 1 July 2016: 8 years.

F Quantitative sensitivity analysis for significant assumption

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

IMPACT ON DEFINED BENEFIT OBLIGATION

		30 June 2018		30 June 2017	
	Change in assumption	Impact of an increase Birr'000	Impact of a decrease Birr'000	Impact of an increase Birr'000	Impact of a decrease Birr'000
Discount rate	0.5%	(124)	128	(69)	72

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.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

The following payments are expected contributions to be made in for the next five (5) years out of the defined benefit plan obligation:

	30 June 2018 Birr'000	30 June 2017 Birr'000
Within the next 12 months (next annual reporting period)		142
Year ending 30 June 2019	287	272
Year ending 30 June 2020	442	425
Year ending 30 June 2021	598	549
Year ending 30 June 2022	835	748
Year ending 30 June 2023	1,053	-
	3,215	2,136

G Risk exposure

Through its post-employment benefit schemes, the Bank is exposed to a number of risks. The most significant of which are detailed below:

(i) Liquidity risk

The defined liabilities are unfunded and as a result, there is a risk of the Bank not having the required cash flow to fund future defined benefit obligations as they fall due.

(ii) Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

24 Share capital

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Authorised:			
Ordinary shares of Birr 1,000 each	1,000,000	1,000,000	1,000,000
Issued and fully paid:			
Ordinary shares of Birr 1,000 each	579,756	351,223	262,000

The authorised share capital of the Bank is Birr 1 Billion comprising 1,000,000 ordinary shares at par value of Birr 1,000 each. The total subscribed shares at the balance sheet date is Birr 698,337,000 (June 2017: Birr 442,874,000; June 2016: Birr 339,146,000) out of which Birr 579,755,858 (June 2017: Birr 351,223,197 ; June 2016: Birr 262,000,123) is fully paid.


GROW
WITH ONE
OF THE
FASTEST
GROWING
BANKS.
ደቡብ ግሎባል ባንክ
Debub Global Bank
የዕድገትዎ
መሰላል
YOUR LADDER TO SUCCESS

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

25 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.

	30 June 2018 Birr'000	30 June 2017 Birr'000
Profit attributable to shareholders	106,634	30,173
Less: A- Income adjustment of 2017 budget year taxed and distributed as dividend ap per GAAP but brough forward due to IFRS requirement		
Guarantee Income	(22,237)	
LC Income	(10,891)	
B- Bonus payment of the privious phyical year, payment made on the budget year ended 30 June 2018	(6,302)	
Adjusted Profit attributable to shareholders	67,204	
Weighted average number of ordinary shares in issue	515	292
Basic & diluted earnings per share (Birr)	131	103

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 2017:nil, 1 July 2016: nil), hence the basic and diluted loss per share have the same value.

26 Other equity/Treasury shares/

	30 June 2018 Birr'000	30 June 2017 Birr'000
At the beginning of the year	5,397	-
Acquisition of shares by the Bank	671	5,397
Resale of shares		
At the end of the year	6,068	5,397

Treasury shares are shares in Debub Global Bank that are held by foreign nationals of Ethiopian origin for which the National Bank of Ethiopia issued guideline No. FIS/01/2016 for the relinquishment of those shares. No gain or loss is recognised in equity for the sale or purchase of these shares.

27 Other reserves

	30 June 2018 Birr'000	30 June 2017 Birr'000
At the beginning of the year	169	-
Re-measurement gains on defined benefit plans (net of tax) - (Note 23)	748	169
At the end of the year	917	169

28 Retained earnings

	30 June 2018 Birr'000	30 June 2017 Birr'000
At the beginning of the year	5,220	26,310
Dividend paid	(37,193)	(38,554)
Transfer to legal reserve	(26,659)	(12,709)
Profit/ (loss) for the year	106,634	30,173
At the end of the year	48,002	5,220

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

29 Legal reserve

	30 June 2018 Birr'000	30 June 2017 Birr'000
At the beginning of the year	34,546	21,837
Transfer from profit or loss	26,659	12,709
At the end of the year	61,205	34,546

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.

30 Cash generated from operating activities

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
Profit before tax		141,972	40,378
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	19	8,163	6,979
Amortisation of intangible assets	18	3,402	3,122
Gain/(Loss) on disposal of property, plant and equipment	19	-	-
Impairment on loans and receivables	9	10,406	8,207
Reversal of impairment on other assets	17	-	-
Retirement benefit obligations	23	823	581
Changes in working capital:			
-Decrease/ (Increase) in loans and advances	15	(793,508)	(189,981)
-Decrease/ (Increase) in restricted deposits	14	(36,540)	(26,000)
-Decrease/ (Increase) in other assets	17	(14,000)	(8,923)
-Increase/ (Decrease) in other liabilities	22	135,081	133,494
		(544,201)	(32,143)

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

	30 June 2018 Birr'000	30 June 2017 Birr'000
Proceeds on disposal	-	-
Net book value of property, plant and equipment disposed (Note 19)	-	-
Gain/(loss) on sale of property, plant and equipment	-	-

31 Related party transactions

The Licensing & Supervision of Banking Business Directive No SBB/53/2012 of the National Bank of Ethiopia defined a related party as a shareholder, a director, a chief executive officer, or a senior officer of a commercial Bank and/or their spouse or relation in the first degree of consanguinity or affinity; and a partnership, a common enterprise, a private limited company, a share company, a joint venture, a corporation, or any other business in which officers of the Bank and/or their spouse or relation in the first degree of consanguinity or affinity of the officers of the Bank has business interest as shareholder, director, chief executive officer, senior officer, owner or partner . The directive stipulates that the identification of related parties shall be the responsibility of the Bank.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

31A TRANSACTIONS WITH RELATED PARTIES

The balance with related parties complies with the limitations on loans and advances stipulated in the directive. The aggregate sum of loans or advances extended to one related party at any one time should not exceed 15% of the total capital of the Bank. The breakdown of the outstanding loan balance to related parties as at 30 June 2018 is as follows:

	Total Approved loan Birr'000	Outstanding loan Birr'000	Estimated Collateral value Birr'000
30 June 2018	85,610	73,160	98,550
30 June 2017	15,000	20,066	12,197
1 July 2016	15,000	20,066	14,605

31B 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 for is shown. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2018.

According to Licensing & Supervision of Banking Business Directive No SBB/49/2011 of the National Bank of Ethiopia, annual board compensation shall not exceed Birr 50,000 and monthly allowance shall not exceed Birr 2,000. This directive is replaced by Directive No SBB/63/2016 according to which the annual compensation is increased to Birr 100,000 and monthly allowance is increased to a maximum of Birr 4,000 effective June 1, 2016.

Annual Board remuneration is determined and approved at the Annual General meeting of the shareholders of the Bank. The Bank records the remuneration only in the year in which it is decided and approved for payment by the General Meeting, rather than accruing it every year. During the year the Bank paid remuneration of Birr 50,000 to each director on account of year 2015; and a monthly allowance of Birr 2,000 to each director throughout the year. The total amount paid is as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Directors' remuneration:			
Monthly Allowances	427	384	242
Board of directors remuneration	800	939	460
	1,227	1,323	702

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

32 Directors and employees

i) The average number of persons (excluding directors) employed by the Bank during the year was as follows:

	30 June 2018 Number	30 June 2017 Number	1 July 2016 Number
Managerial	57	56	50
Clerical	257	246	209
Non-Clerical	237	231	219
	551	**533**	**478**

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

33 Contingent liabilities

33A CLAIMS AND LITIGATION

As per the lawyer's letter Ref. No GDB/LS/0019/18 dated November 09, 2018; the Bank is a party to ten pending civil suits instituted by the Bank. The maximum exposure of the Bank to these legal cases as at 30 June 2018 is Birr10.9 million (The probabilities of most cases outcome are favorable to the Bank) (30 June 2017: Birr 4 million, 1 July 2016: there were no claims/ litigation exposure). No provision has been made in the financial statements as the Directors believe that it is not probable that the economic benefits would flow out of the Bank in respect of these legal actions.

33B GUARANTEES AND LETTERS OF CREDIT

In the ordinary course of business, the Bank conducts business involving guarantees and acceptances, and performance bonds. These facilities are offset by corresponding obligations of third parties. At the year end, the contingencies were as follows

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Letters of guarantee and performance bonds	1,308,853	1,594,587	1,202,771
Letters of credit	181,536	226,739	63,593
	1,490,389	1,821,326	1,266,364

The table above discloses the nominal principal amounts of guarantees and other contingent liabilities. It also reflects the Bank's maximum exposure under a large number of individual guarantee undertakings. Nominal principal amounts represent the amounts at risk, should contracts be fully drawn upon and clients default.

Letters of guarantee are issued by the Bank, on behalf of customers, to guarantee payment or performance by customers to third parties. The Bank will only be required to meet these obligations in the event of default by the customers. The Bank holds collateral, letters of undertaking or other security in respect of the guarantee issued. As a significant portion of guarantees is expected to expire without being drawn upon, the total of these nominal principal amounts is not representative of future liquidity requirements.

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

34 Commitments

34A LOAN COMMITMENTS:

The Bank has approved but not disbursed loan commitments of Birr 44.1 million for 30 June 2018 (30 June 2017: nil, 1 July 2016: nil).

34B OTHER COMMITMENTS:

The Bank has not have other commitments as at 30 June 2018 (30 June 2017: nil, 1 July 2016: nil).

35 Operating lease commitments - Bank as lessee

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

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
No later than 1 year	1,035	-	817
Later than 1 year and no later than 2 years	20,739	51,705	40,200
Later than 2 years but not later than 5 years	28,786	-	6,504
Later than 5 years but not later than 10 years	8,082	-	-
Total	58,642	51,705	47,521

36 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Bank as at 30 June 2018 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

37 First-time adoption of IFRS for the Bank

These financial statements, for the period ended 30 June 2018, are the first the Bank has prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).
For periods up to and including the year ended 30 June 2017, the Bank prepared its financial statements in accordance with its accounting framework. Accordingly, the Bank has prepared financial statements which comply with IFRS applicable for periods ending on or after 30 June 2018, together with the comparative period data as at and for the year ended 30 June 2017, as described in the summary of significant accounting policies.
In preparing these financial statements, the Bank's opening statement of financial position was prepared as at 1 July 2016, the Bank's date of transition to IFRS. This note explains the principal adjustments made by the Bank in restating its financial statements prepared under the previous framework, including the statement of financial position as at 1 July 2016 and the financial statements as at and for the year ended 30 June 2017.

In preparing its opening IFRS statement of financial position, the Bank has adjusted amounts reported previously in financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) of Ethiopia and the Commercial code of 1960. An explanation of how the transition from GAAP to IFRS has affected the Bank's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The most significant IFRS impact for the Bank resulted from the implementation of IAS 39 Financial Instruments: Recognition and Measurement which requires the bank to classify its financial instruments into available for sale, fair value through profit and loss, loans and receivables and held to maturity. Also the impairment of financial assets only in cases where there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset (referred to as an "incurred loss" model).

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

In preparing these financial statements in accordance with IFRS 1, the Bank has applied the mandatory exceptions from full retrospective application of IFRS. The optional exemptions from full retrospective application selected by the Bank are summarised below.

Exemptions applied
IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. Following from the principles underpinning IFRS 1, the Bank has applied the following exemptions:

(a) Deemed cost for property, plant and equipment and intangible assets
Selecting this option will require DGB to apply IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets, retrospectively to all Property, plant and equipment and intangible assets that existed at 1 July 2016. At the minimum, the Bank is expected to review underlying records to ensure that all items of cost under IFRS are included; ensure depreciation or amortisation is calculated when the assets are ready for use (available for use) and not when they are put use; review residual values, useful lives and depreciation or amortisation methods as at the date when those assets were purchased and annually thereafter and adjusting for any impact of change.

(b) Leases
The Bank is required to determine whether an arrangement contains a lease based on the facts and circumstances existing on 1 July 2016. Any contracts that exist would result in a classification based on the facts and circumstances that exist at transition date.
(c) Designation of Previously Recognised Financial Instruments
Applying this exemption means that the Bank is permitted to designate a financial asset as available-for-sale at the date of transition to IFRS. The Bank has designated unquoted equity instruments held at 1 July 2016 as available-for-sale investments.

(d) Fair value measurement of financial instruments at initial recognition
The Banks may apply the requirements to recognise day 1 gain or loss prospectively to transactions entered into on or after the date of transition to IFRS. This will result in no gain or loss being recognised on the initial recognition of a financial asset or financial liability held prior to 1 July 2016.

Exceptions applied
(a) Estimates
Estimates made in accordance with IFRSs at the date of transition to IFRSs should be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error or where application of previous framework did not require estimation such as post-employment benefits.

(b) De-recognition of financial assets and financial liabilities
This exception exempts a first time adopter from full retrospective application of the de-recognition rules in IAS 39, 'Financial instruments: Recognition and measurement', for all financial assets and liabilities derecognised before 1 January 2004 or transition date. Therefore, financial assets and liabilities derecognised before 1 July 2016 are not re-recognised under IFRS.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

37A RECONCILIATION OF STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS as at 30 June 2017 Birr'000
Interest income	A	105,318	-	1,711	107,029
Interest expense		(40,276)	-	-	(40,276)
Net interest income		65,042	-	1,711	66,753
Fee and commission income	B	75,662	7,751	-	83,413
Fee and commission expense		-	-	-	-
Net fees and commission income		75,662	7,751	-	83,413
Service Charges	C	30,365	(30,365)	-	-
Gain (Loss) on Foreign Currency	C	21,686	(21,686)	-	-
Other operating income	C	7,921	21,686	-	29,607
Total operating income		200,676	(22,614)	1,711	179,773
Loan impairment charge	D	(5,476)	-	(2,731)	(8,207)
Impairment losses on other assets		-	-	-	-
Net operating income		195,200	(22,614)	(1,020)	171,566
Personnel expenses	E	(60,193)	-	(4,750)	(64,943)
Amortisation of intangible assets	F	(4,163)	(649)	1,689	(3,122)
Depreciation and impairment of property, plant and equipment	G	(7,931)	649	304	(6,979)
Directors' fee	H	(384)	384	-	-
Audit fee	H	(116)	116	-	-
Loss On Foreign Currency and Other Charges	H	(7,929)	7,929	-	-
Directors Share on Profit	H	(938)	938		-
Other operating expenses	H	(46,777)	(9,367)	-	(56,144)
Profit before income tax		66,769	(22,614)	(3,777)	40,378
Income tax expense	I	(16,865)	-	6,661	(10,205)
Profit after income tax		**49,904**	**(22,614)**	**2,884**	**30,173**
Other comprehensive income (OCI) net on income tax					
Items that will not be subsequently reclassified into profit or loss:					
Remeasurement gain/(loss) on retirement benefits obligations	J	-	-	(242)	(242)
Deferred tax (liability)/asset on remeasurement gain or loss	J	-	-	73	73
		-	-	(169)	(169)
Total comprehensive income for the period		**49,904**	**(22,614)**	**2,715**	**30,004**

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

37B RECONCILIATION OF EQUITY AS AT 30 JUNE 2017

	Notes	GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS as at 30 June 2017 Birr'000
ASSETS					
Cash on hand	K	612,997	(612,997)	-	-
Deposit with other Banks	K	-	-	-	-
National Bank of Ethiopia-Other accounts	K	-	-	-	-
Reserve with National Bank of Ethiopia	K	70,000	(70,000)	-	-
Cash and balances with banks	K	612,997	70,000		682,997
Loans and advances to customers	L	780,769	(6,840)	(3,317)	770,610
Investment securities:		-			-
- Available for sale	M	-	20,661	-	20,661
- Loans and receivables	M	-	427,397	62	427,459
National Bank of Ethiopia - Bills	M	420,988	(420,988)	-	-
Investment in equity shares	M	20,661	(20,661)	-	-
Other assets	N	115,732	(5,065)	146	110,812
Intangible assets	O	12,488	-	2,690	15,178
Property, plant and equipment	P	29,162	(370)	9,121	37,913
Establishment costs	W	108	-	(108)	-
Deferred tax assets	V	-	-	73	73
Total assets		**2,062,905**	**(618,863)**	**8,667**	**2,065,703**
LIABILITIES					
Deposits from customers	Q	1,431,530	3,561	-	1,435,090
Margins held on letters of credit	Q	146,443	(146,443)	-	-
Borrowings		-	20	-	20
Current tax liabilities		16,865	-	(14,946)	1,918
Other liabilities	S	45,105	142,862	49,854	237,821
Retirement benefit obligations	T	-	-	2,103	2,103
Deferred tax liabilities		-	-	3,326	3,326
Total liabilities		**1,639,943**	**-**	**40,337**	**1,680,280**
EQUITY					
Share capital		351,223	-	-	351,223
Other equity/Treasury shares/	U	-	(5,397)	-	(5,397)
Other reserves	J	-	-	(169)	(169)
Retained earnings	W	37,191	-	(31,971)	5,220
Legal reserve	X	34,547	-	-	34,546
		422,961	**(5,397)**	**(32,140)**	**385,423**
Total equity and liabilities		**2,062,904**	**(5,397)**	**8,197**	**2,065,703**

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

37C RECONCILIATION OF EQUITY AS AT 1 JULY 2016

	Notes	GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS as at 1 July 2016 Birr'000
ASSETS					
Cash on hand	K	140,194	(140,194)	-	-
Deposit with other Banks	K	12,385	(12,385)	-	-
National Bank of Ethiopia-Other accounts	K	53,180	(53,180)	-	-
Reserve with National Bank of Ethiopia	K	44,000	(44,000)	-	-
Cash and balances with banks	K	-	249,759	-	249,759
Loans and advances to customers	L	591,287	(2,084)	(367)	588,836
Investment securities:					-
- Available for sale	M	-	16,627	-	16,627
- Loans and receivables	M	-	292,468	59	292,528
National Bank of Ethiopia - Bills	M	288,225	(288,225)	-	-
Investment in equity shares	M	16,627	(16,627)	-	-
Trade and other receivables	N	102,255	(102,255)		-
Other assets	N	1,925	100,113	(150)	101,889
Intangible assets	O	11,288	-	1,650	12,938
Property, plant and equipment	P	29,838	(17)	8,817	38,637
Establishment costs	W	758	-	(758)	-
Deferred tax assets		-	-	-	-
Total assets		**1,291,962**	**-**	**9,251**	**1,301,214**
LIABILITIES					
Deposits from customers	Q	871,760	2,403	-	874,163
Margins held on letters of credit	Q	38,377	(38,377)	-	-
Current tax liabilities		16,236	-	(7,703)	8,533
Other liabilities	S	43,440	35,974	24,913	104,327
Retirement benefit obligations	T	-	-	1,300	1,300
Deferred tax liabilities		-		2,744	2,744
Total liabilities		**969,813**	**-**	**21,254**	**991,067**
EQUITY					
Share capital		262,000	-	-	262,000
Retained earnings	W	38,312	-	(12,003)	26,310
Legal reserve	X	21,837	-	-	21,837
		322,149	**-**	**(12,003)**	**310,147**
Total equity and liabilities		**1,291,962**	**-**	**9,251**	**1,301,214**

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

37D NOTES TO THE RECONCILIATION OF EQUITY AS AT 1 JULY 2016 AND 30 JUNE 2017 AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017.

A	INTEREST INCOME	30 June 2017 Birr'000
	Interest income under previous GAAP	105,318
	Remeasurement	
(i)	Interest income in memorandum account (see Note S(iv))	4,178
(ii)	Interest income on impaired loans (see Note L(iv))	(2,564)
(iii)	Interest income on staff loans (see Note L(iii))	157
(iv)	Interest income on NBE bills (see Note M(iv))	2
(v)	Amortisation of transaction costs (see Note L(v))	(62)
		1,711
	Interest income per IFRS	107,029

B	FEE AND COMMISSION INCOME	30 June 2017 Birr'000
	Fee and commission income under previous GAAP	75,662
	Reclassification	
(i)	Reclassification of service charges to fee and commission income	30,365
(ii)	Amortisation of commission of letter of guarantee issued	(22,614)
		7,751
	Fee and commission per IFRS	83,413

Notes on reclassification

(i) Under previous GAAP, service charges was recognised separately on the face of the statement of financial position. These amounts have been reclassified to fee and commission income.

C	Other operating income	30 June 2017 Birr'000
	Other operating income under previous GAAP	7,921
	Reclassification	
(i)	Reclassification of gain (loss) on foreign currency to fee and commission income	21,686
	Other operating income per IFRS	29,607

Notes on reclassification

(i) Under previous GAAP, gain (loss) on foreign currency was recognised separately on the face of the statement of financial position. These amounts have been reclassified to other operating income.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

D	LOAN IMPAIRMENT CHARGE	30 June 2017 Birr'000
	Loan impairment charge under previous GAAP	(5,476)
	Remeasurement	
(i)	Additional impairment allowance on loans and advances to customers (see Note L(ii))	(2,731)
	Loan impairment charge under per IFRS	(8,207)

E	PERSONNEL EXPENSES	30 June 2017 Birr'000
	Personnel expenses under previous GAAP	(60,193)
	Remeasurement	
(i)	Provision for bonus payments (see Note S(v))	(4,042)
(ii)	Recognition of defined benefit obligations (see Note T(i))	(562)
(iii)	Amortisation of cumulative prepaid employee benefit (see Note N(iv))	(146)
		(4,750)
	Personnel expenses per IFRS	(64,943)

F	AMORTISATION OF INTANGIBLE ASSETS	30 June 2017 Birr'000
	Amortisation of intangible assets under previous GAAP	4,163
	Reclassification	
(i)	Reclassification of amortisation of intangible assets from depreciation and impairment of property, plant and equipment	649
		649
	Remeasurement	
(ii)	Decrease in accumulated amortisation for computer software (see Note O(i))	(1,040)
(iii)	Write-of of establishment costs	(649)
		(1,689)
	Amortisation of intangible assets per IFRS	3,122

G	DEPRECIATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT	30 June 2017 Birr'000
	Depreciation and impairment of property, plant and equipment under previous GAAP	7,931
	Reclassification	
(i)	Reclassification of amortisation of intangible assets from depreciation and impairment of property, plant and equipment (see Note F(i))	(649)
		(649)
	Remeasurement	
(ii)	Decrease in accumulated depreciation for property, plant and equipment (see Note P(i))	(304)
		(304)
	Depreciation and impairment of property, plant and equipment per IFRS	6,979

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

H	OTHER OPERATING EXPENSES	30 June 2017 Birr'000
	Other operating expenses under previous GAAP	(46,777)
	Reclassification	
(i)	Reclassification of loss On Foreign Currency and Other Charges	(7,929)
(ii)	Reclassification of Directors' fee	(384)
(iii)	Reclassification of Audit fee	(116)
(iv)	Reclassification of Directors share of profit	(938)
		(9,367)
	Other operating expenses per IFRS	(56,144)

Notes on reclassification

(iv) Under previous GAAP, Directors share of profit was treated as transactions with owners. This means that the related expense was recognised after profit after tax (similar to other comprehensive income). Under IFRS, the related expense has been reclassified to other operating expenses.

I	INCOME TAX EXPENSE	30 June 2017 Birr'000
	Income tax expense under previous GAAP	16,865
	Remeasurement	
(i)	Decrease in income tax expense for the year	(7,243)
(ii)	Decrease in deferred tax expense for the year	582
(iii)	Prior year overprovision	-
		(6,661)
	Income tax expense per IFRS	10,204

J	REMEASUREMENT GAIN/(LOSS) ON RETIREMENT BENEFITS OBLIGATIONS	30 June 2017 Birr'000
	Remeasurement gain/(loss) on retirement benefits obligations under previous GAAP	-
	Remeasurement	
(i)	Increase in remeasurement gain/(loss) on retirement benefits obligations for the year	(242)
	Remeasurement gain/(loss) on retirement benefits obligations per IFRS	(242)

Notes on remeasurement

(i) Under previous GAAP, the Bank's retirement benefit obligations were not recognised in the financial statements. On transition to IFRS, the defined benefit obligations have been determined by actuarial techniques using the projected unit credit method. The gain or loss arising from the remeasurements of the actuarial assumptions have been recognised in other comprehensive income.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

K	CASH AND BANK BALANCES	30 June 2017 Birr'000	1 July 2016 Birr'000
	Cash and bank balances under previous GAAP	612,997	205,759
	Reclassification		
(i)	Cash on hand	-	-
(ii)	Deposit with other Banks	-	-
(iii)	National Bank of Ethiopia-Other accounts	-	-
(iv)	Reserve with National Bank of Ethiopia	70,000	44,000
		70,000	44,000
	Cash and bank balances per IFRS	682,997	249,759

Notes on reclassification

(i) Under previous GAAP, cash on hand was recognised separately on the face of the statement of financial position. These amounts have been reclassified to cash and bank balances.

(ii) Under previous GAAP, Deposit with other Banks was recognised separately on the face of the statement of financial position. These amounts have been reclassified to cash and bank balances.

(iii) Under previous GAAP, National Bank of Ethiopia-Other accounts was recognised separately on the face of the statement of financial position. These amounts have been reclassified to cash and bank balances.

(iv) Under previous GAAP, Reserve with National Bank of Ethiopia was recognised separately on the face of the statement of financial position. These amounts have been reclassified to cash and bank balances.

L	LOANS AND ADVANCES TO CUSTOMERS	30 June 2017 Birr'000	1 July 2016 Birr'000
	Loans and receivables under previous GAAP	780,769	591,287
	Reclassification		
(i)	Recognition of staff loans at fair value - Prepaid staff expense	(6,840)	(2,084)
		(6,840)	(2,084)
	Remeasurement		
(ii)	Additional impairment allowance on loans and advances to customers	(3,212)	(481)
(iii)	Interest income on staff loans and advances using EIR	384	227
(iv)	Recognition of interest income on individually impaired loans	(313)	-
(v)	Amortisation of transaction costs	(176)	(113)
		(3,317)	(367)
	Loans and advances to customers per IFRS	770,612	588,836

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

Notes on reclassification

(i) Under previous framework, staff loans and advances were issued at below market interest rates ranging from 0% to 7.25%. Under IFRS, such loans must be recognised at fair value by discounting all future cash flows at the market rate of interest for similar loan facilities. The difference between the disbursed amounts and the fair value of the loan was capitalised as prepaid employee expenses and recognised as part of other assets.

Notes on remeasurement

(ii) Under the previous framework, loans and advances to customers were subjected to impairment provision based on the aging of such balances. The impairment loss was determined by applying a percentage provision to the different age buckets in which the outstanding amounts have been segmented. The rates and age buckets were determined based on the National Bank of Ethiopia Supervision of Banking Business directive Number SBB/43/2008. Under IFRS, the Bank is required to assess whether an objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. For financial assets where no evidence of impairment existed, these assets were collectively assessed for impairment. Specific impairment was calculated on individually significant loans for which an objective evidence of impairment existed.

The difference between the principles applied in calculating impairment allowance under IFRS and the NBE guidelines resulted in different impairment loss amounts. The difference between the impairment recognised using the NBE guidelines and IFRS impairment provision was recognised as an adjustment to retained earnings.

(iii) The interest on staff loans and advances was calculated using the nominal rates under the previous framework. Under IFRS, the interest income should be recognised at the effective interest rate. The increase in interest income recognised as a result of the effective interest rate was recognised in retained earnings.

(iv) Under previous GAAP, interest income on individually impaired loans was calculated on the gross carrying amount of the loan i.e. the outstanding principal amount using the contractual interest rate. On transition to IFRS, interest income was calculated based on the net carrying value after adjusting for impairment using the original effective interest rate(EIR). The difference between the interest income recognised under IFRS and interest in suspense on individually impaired loans was recognised as an adjustment to retained earnings.

(v) Under previous GAAP, transaction costs were recognised immediately in interest income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Under IFRS, fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, with the change in fair value being recognised in profit or loss. In those cases, the fees are recognised as revenue or expense when the instrument is initially recognised. Therefore, previously recognised recognised transaction costs were amortised on a straight-line basis in line with the repayment period of the loans with the corresponding adjustment recognised in retained earnings.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

M	INVESTMENT SECURITIES	30 June 2017 Birr'000	1 July 2016 Birr'000
	Investment securities under previous GAAP	-	-
	Reclassification		
(i)	Equity investments reclassified to investment securities - Available for sale	20,661	16,627
		20,661	16,627
(ii)	National Bank of Ethiopia - Bills reclassified to investment securities - Loans and receivables	420,988	288,225
(iii)	Accrued interest on National Bank of Ethiopia (NBE) bills reclassified from trade and other receivables.	6,409	4,243
		427,397	292,468
		448,058	309,095
	Remeasurement		
(iv)	Recognition of accrued interest on treasury bills using EIR	62	59
		62	59
	Investment securities per IFRS	448,120	309,154

Notes on reclassification

(i) Under the previous framework, equity investments was disclosed as a separate line on the face of the financial statement as Investment in equity shares. Under IFRS, these unquoted equity securities were reclassified to investment securities as available for sale financial assets.

(ii) Under the previous framework, Investment in National Bank of Ethiopia (NBE) bills were disclosed as a separate line item on the face of the statement of financial position as National Bank of Ethiopia - Bills. On transition to IFRS, these bills were reclassified to investment securities as loans and receivables financial assets.

(iii) Under previous GAAP, accrued interest on National Bank of Ethiopia (NBE) bills were recognised separately in trade and other receivables. These amounts have been reclassified to the related loans and receivables class.

Notes on remeasurement

(iv) Under the previous framework, National Bank of Ethiopia (NBE) bills were recognised at nominal amount at inception. Under IFRS, National Bank of Ethiopia (NBE) bills are accounted for at fair value on initial recognition and subsequently measured at amortised cost using the effective interest rate method. The adjustment on treasury bills relates to the recognition of accrued interest income on these bills using the effective interest method.


SOMETIMES,
WHERE YOU ARE
IS MORE IMPORTANT
THAN HOW HARD
YOU TRY.
Own one of the
fastest growing banks.
ደቡብ ግሎባል ባንክ
Debub Global Bank
የዕድገትዎ
መሰላል
YOUR LADDER TO SUCCESS

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

N	**OTHER ASSETS**	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
	Other assets under previous GAAP	115,732	1,925
	Reclassification		
(i)	Reclassification from trade and other receivables	-	102,255
(ii)	Prepaid employee expense from loans and advances to customers (see note (i))	6,664	2,084
(iii)	Accrued interest on National Bank of Ethiopia (NBE) bills reclassified Investment securities (see note M(iii))	(6,409)	(4,243)
(iv)	Reclassification of treasury shares (see note U(i))	(5,397)	-
(v)	Reclassification of generator in stock from Property, plant and equipment	370	17
(vi)	Reclassification of miscellaneous, cost sharing payable, interest receivables on overdraft and blocked savings account to other payables	(293)	-
		(5,065)	100,113
	Remeasurement		
(iv)	Amortisation of cumulative prepaid employee benefit	146	(150)
		146	(150)
	Other assets per IFRS	110,813	101,888

Notes on reclassification
(i) Under the previous framework, trade and other receivables consisted of prepayments, uncleared effects (local and foreign), rent for branches under establishment, sundry receivables and interest receivables. Under IFRS, these receivables were reclassified to other assets.

Notes on remeasurement
(iv) The prepaid employee expense that relate to prior periods i.e. periods before 1 July 2016 has been amortised and recognised as an adjustment in retained earnings for those periods.

O	**INTANGIBLE ASSETS**	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
	Intangible assets under previous GAAP	12,488	11,288
	Remeasurement		
(i)	Decrease in accumulated amortisation for computer software	2,690	1,650
		2,690	1,650
	Intangible assets per IFRS	15,178	12,938

Notes on remeasurement
(i) Under the previous framework, intangible assets were amortised over four (4) years. Under IFRS, the amortisation rate for intangible assets was revised to 8 years. This led to a reduction in the amortisation charge for past and current periods. The corresponding decrease has been recognised as an adjustment to retained earnings.

Debub Global Bank Share Company
Notes to the financial statements
For the year ended 30 June 2018

P	PROPERTY, PLANT AND EQUIPMENT	30 June 2017 Birr'000	1 July 2016 Birr'000
	Property, plant and equipment under previous GAAP	29,162	29,837
	Reclassification		
(i)	Reclassification of generator in stock to other assets	(370)	(17)
		(370)	(17)
	Remeasurement		
(ii)	Reversal of excess accumulated depreciation	9,121	8,817
		9,121	8,817
	Property, plant and equipment per IFRS	37,913	38,637

Notes on remeasurement

(i) Under previous framework, the Bank recognised accumulated depreciation of office and other equipment, motor vehicles, furniture and fittings and computer and accessories using 20%, 20%, 20% and 25% respectively. Residual values was also not considered in calculated the depreciation charge on these assets. Under IFRS, the useful lives and residual values of items office and other equipment, motor vehicles, furniture and fittings and computer and accessories were revised to 10%, 10%, 10% and 14.7% respectively for useful lives and 1%, 5%,1% and 1% for residual values to better reflect the consumption pattern of those assets. This led to a decrease in the accumulated depreciation of these assets with a corresponding increase in retained earnings.

Q	DEPOSITS FROM CUSTOMERS	30 June 2017 Birr'000	1 July 2016 Birr'000
	Deposits from customers under previous GAAP	1,431,530	871,760
	Reclassification		
(i)	Reclassification of accrued charges on deposits from customers from other liabilities	3,561	2,403
		3,561	2,403
	Deposits from customers per IFRS	**1,435,091**	**874,163**

Notes on reclassification

(i) Under the previous GAAP, accrued interest on deposits from customers was recognised separately as part of other liabilities. Under IFRS, accrued charge should included in the carrying amount of the financial liability giving rise to it. Therefore, these charges were reclassified to be included in the carrying amount of the deposits from customers.

R	BORROWINGS	30 June 2017 Birr'000	1 July 2016 Birr'000
	Borrowings as per previous GAAP	-	-
	Reclassification		
(i)	Reclassification of short term borrowings from other liabilities	20	-
	Other liabilities per IFRS	20	-

Notes on reclassification

(i) Under previous GAAP, short term borrowing was included as part of other liabilities. Under IFRS, financial liabilities (excluding trade and other payables and provision) is a minimum line item in the statement of financial position. On transition to IFRS, short term borrowings has therefore been reclassified from other liabilities to borrowings.

S	OTHER LIABILITIES	30 June 2017 Birr'000	1 July 2016 Birr'000
	Other liabilities as per previous GAAP	45,105	43,440
	Reclassification		
(i)	Reclassification of accrued charges on deposits from customers from other liabilities (see Q(i))	(3,561)	(2,403)
(ii)	Reclassification from margin held on letters of credit	146,443	38,377
(iii)	Reclassification of borrowings	(20)	-
(iv)	Reclasification of miscellaneous, cost sharing payable, interest receivables on overdraft and blocked savings account to other payables	-	-
		142,862	35,974
	Remeasurement		
(iv)	Interest on loans and receivables to retained earnings	(4,179)	(2,251)
(v)	Provision for bonus payments	6,301	2,259
(vi)	Amortisation of Commission on letter of credit and guarantee issued	47,732	24,905
		49,854	24,913
	Other liabilities per IFRS	237,821	104,327

Notes on remeasurement

(iv) Under previous GAAP, interest on non-performing loans was placed on non-accrual basis and maintained in contra interest receivables account as part of other liabilities, in the form of suspended interest until cash or its equivalent is received. Under IFRS, interest income on significant non-performing loans should continue to be recognised as part of the loan amount and not deferred in a memorandum account. Therefore, all suspended interest was reclassified from the contra interest receivable account to be included in the carrying amount of the financial assets giving rise to it.

(v) Under previous GAAP, bonus payments to employees were recognised in the period in which the payments were made. Under IFRS, liabilities arising from constructive and legal obligations are recognised in the period in which such obligations arise. A constructive obligation is an obligation that has been created by an entity through past practices and published policies which have created a valid third party expectation. The Bank has a constructive obligation to pay out bonuses due to the past practices of paying the bonus amounts, thus establishing a valid third party expectation. Therefore, a provision has been recognised as part of other liabilities with the corresponding amount recognised in retained earnings.

T	RETIREMENT BENEFIT OBLIGATION	30 June 2017 Birr'000	1 July 2016 Birr'000
	Retirement benefit obligation as per previous GAAP	-	-
	Remeasurement		
(i)	Recognition of defined benefit obligation	2,103	1,300
	Retirement benefit obligation per IFRS	2,103	1,300

Notes on remeasurement

(i) Under previous GAAP, the Bank's retirement benefit obligations were not recognised in the financial statements. On transition to IFRS, the defined benefit obligations have been determined by actuarial techniques using the projected unit credit method.

U	OTHER EQUITY	30 June 2017 Birr'000	1 July 2016 Birr'000
	Other equity as per previous GAAP	-	-
	Reclassification		
(i)	Recognition of treasury shares	5,397	-
	Other equity per IFRS	**5,397**	**-**

Notes on reclassification

In October 2016, the National Bank of Ethiopia issued a guideline No. FIS/01/2016 on the manner of relinquishing shareholdings of Foreign nationals of Ethiopian origin in a Bank. Banks are required to open a temporary asset account titled 'shares for resale' as a corresponding account when cash or an appropriate account is credited when these shares are relinquished by the affected shareholders.

Under IFRS, if an entity reacquires its own equity instruments, those instruments ('treasury shares') should be deducted from equity. No gain or loss should be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Consideration paid or received shall be recognised directly in equity. Therefore, the balance held as shares for resale in other assets has been reclassified to other equity.

V	DEFERRED TAX ASSETS	30 June 2017 Birr'000	1 July 2016 Birr'000
	Deferred tax asset as per previous GAAP	-	-
	Remeasurement		
(i)	Recognition of deferred tax assets on remeasurement loss on retirement benefits obligations	73	-
	Deferred tax asset per IFRS	73	-

Notes on remeasurement

(i) Under IFRS, temporary differences arise from the remeasurement of retirement benefit obligation. These temporary difference has led to the recognition of deferred tax assets in the financial statements.

W	RETAINED EARNINGS	30 June 2017 Birr'000	1 July 2016 Birr'000
	Retained earnings as per previous GAAP	37,191	38,312
	Remeasurement		
(i)	Recognition of additional impairment allowance on loans and advances to customers (see note L(ii))	(3,221)	(481)
(ii)	Recognition of interest income on staff loans and advances using EIR (see note L(iii))	384	227
(iii)	Recognition of interest income on individually impaired loans (see note L(iv))	(313)	-
(iv)	Amortisation of transaction costs (see note L(v))	(176)	(113)
(v)	Recognition of accrued interest on treasury bills using EIR (see note M(iv))	62	59
(vi)	Amortisation of cumulative prepaid employee benefit (see note N(iv))	(146)	(150)
(vii)	Reversal of excess accumulated amortisation (see note O(i))	2,690	1,650
(viii)	Reversal of excess accumulated depreciation (see note P(i))	9,121	8,817
(ix)	Interest on loans and receivables to retained earnings (see note S(iv))	4,179	2,251
(x)	Recognition of defined benefit obligation (see note T(i))	(2,103)	(1,300)
(xi)	Derecognition of establishment cost	(108)	(758)
(xii)	Apportionment from retained earnings as per NBE guidelines to legal reserve	-	-
(xiii)	Provision for bonus payments (see note S(v))	(6,301)	(2,259)
(xiv)	Amortisation of Commission on letter of guarantee issued (see note S(vi))	(47,732)	(24,905)
(xv)	Recognition of deferred tax (see note Y(i) & V(i))	(3,253)	(2,744)
(xvi)	Prior year overprovision (see Note I(iii))	14,946	7,703
		(31,971)	(12,003)
	Retained earnings per IFRS	5,220	26,309

Notes on remeasurement

(vii) Under previous GAAP, the Bank had capitalised preoperational expenses as establishment cost and amortised these costs over a period of five (5) years. Under the IFRS conceptual framework, preoperational expenses do not meet the definition of an asset. Therefore, on transition to IFRS, establishment cost were derecognised and the corresponding adjustment was recognised in retained earnings.

(viii) 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. In calculating IFRS adjustments, certain balances have been restated and adjusted in line with the requirements of IFRS. The cumulative adjustments to these balances have been considered and used in the calculation of the legal reserve under IFRS.

(xiv) Under previous GAAP, commission on letter of guarantee issued was recognised in the fully in the period the commission was received. Under IFRS, the commission should be amortised over the guarantee period. As a result, the portion of the commission that relates to future periods was recognised seperately in deferred revenue with the corresponding adjustment in retained earnings or profit or loss as the case may be.

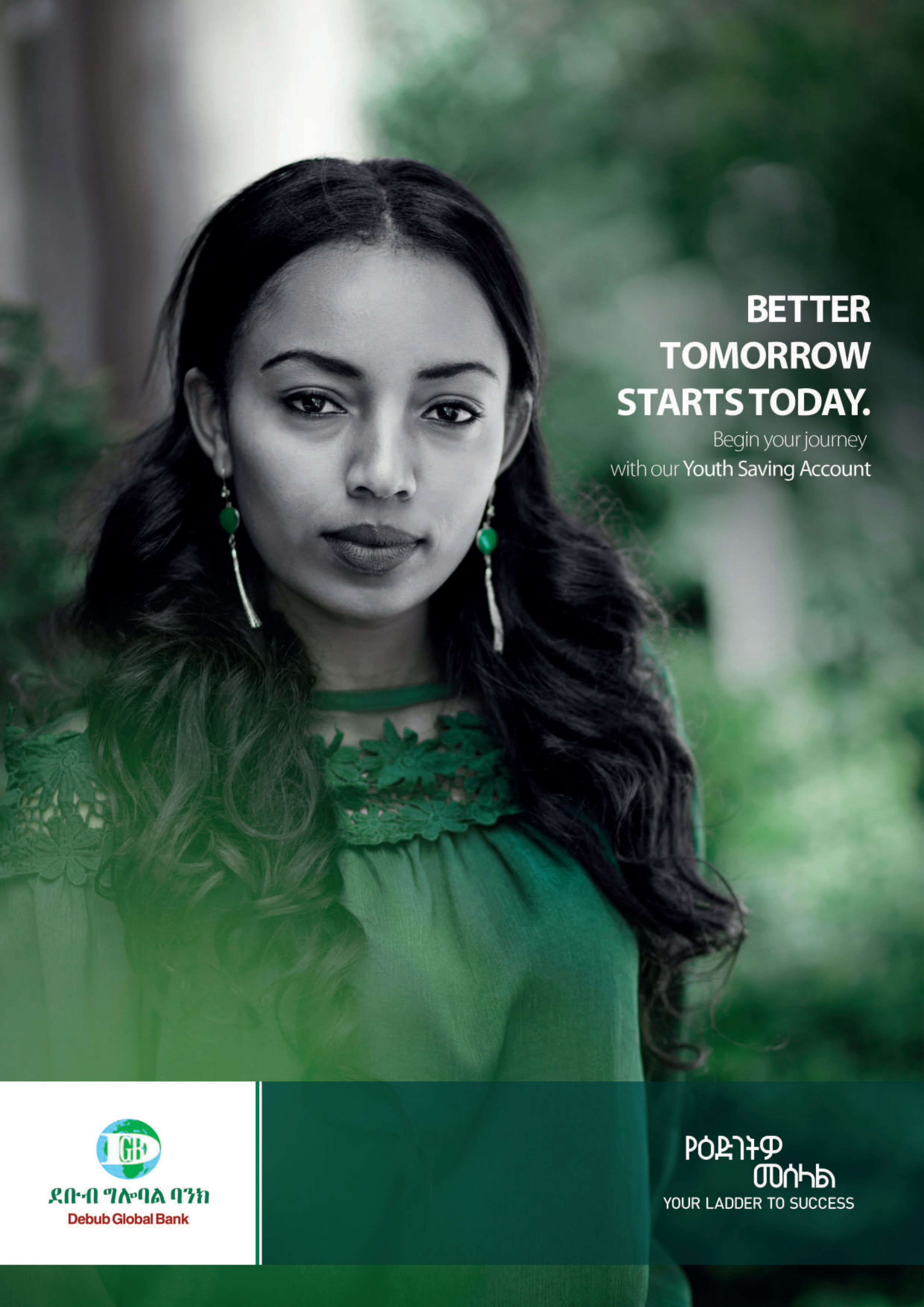
X	LEGAL RESERVE	Birr'000	Birr'000
	Legal reserve per previous GAAP	34,546	21,837
	Remeasurement		
(i)	Apportionment from retained earnings as per NBE guidelines to legal reserve (see note I(ix))	-	-
		-	-
	Legal reserve per IFRS		
		34,546	21,837

Y	DEFERRED TAX LIABILITIES	30 June 2017 Birr'000	1 July 2016 Birr'000
	Deferred tax liabilities per previous GAAP	-	-
	Remeasurement		
(i)	Recognition of deferred tax	3,326	2,744
		3,326	2744
	Deferred tax liabilities per IFRS		
		3,326	2,744

Z	CURRENT TAX LIABILITIES	30 June 2017 Birr'000	1 July 2016 Birr'000
	Current tax liabilities per previous GAAP	16,865	16,236
	Remeasurement		
(i)	Prior year overprovision (see Note I(iii))	(14,946)	(7,703)
		(14,946)	(7,703)
	Current tax liabilities per IFRS		
		1,919	8,533

Addis Ababa Branches

Regional Branches


BETTER
TOMORROW
STARTS TODAY.
Begin your journey
with our Youth Saving Account
ደቡብ ግሎባል ባንክ
Debub Global Bank
የዕድገትዎ
መሰላል
YOUR LADDER TO SUCCESS

Debub Global Bank s.c
Headquarters: Behind Ethiopia Hotel, National Tower
Tel +251 115 581 194 | +251 115 581 245 **Fax** +251 115 581 225
Email info@debubglobalbank.com

Swift Code **DEGAETAA**

debubglobalbank.com