Wegagen Bank Share Company

Unaudited Interim Financial Statements for the Six Months Ended 31 December 2024

Wegagen Bank S.C

Unaudited Interim Financial Statements

For the Six Months Ended 31 December 2024

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Directors, Executive Management, Auditor and Principal Correspondent Banks

Board of Directors

Name	Title	Date Appointed
Mr. Abdishu Hussien	Chairman	April 19,2024
Mr. Woldegebriel Naizghi	Vice Chairman	April 19,2024
Mr. Gebregzabher Hadush	Member	April 19,2024
Mr. Surafel Berhe	Member	April 19,2024
Mr. Fikru Jiregna	Member	April 19,2024
Mr. Hassen Yesuf	Member	April 19,2024
Mr. Zenfu Asefaw	Member	April 19,2024
Mr. Fithanegest Gebru	Member	April 19,2024
Mr. Alemseged Assefa	Member	April 19,2024
Mr. Tesfatsion Desta	Member	April 19,2024

Executive Management

Name	Title	Date Appointed
Aklilu Wubet (PhD)	Chief Executive Officer	January 11,2022
Mr. Yehwalashet Zewdu	Deputy Chief Executive Officer - Enterprise Services	August 5, 2023
Mr. Solomon Tesfaye	Deputy Chief Executive Officer - Technologies	August 5, 2023
Mr. Kidane G/Sellassie	Deputy Chief Executive Officer - Operations	August 5, 2023
Mr. Debela Merga	Chief Risk and Compliance Officer	November 17, 2021
Mr. Negasi G/Aregawi	Chief Internal Auditor	April 11, 2022

Company Secretary

Mr. Haddush Hintsay Atsmu

Corporate Registered Address

Wegagen Bank Share Company
Ras Mekonnen Street, Infront of Addis Ababa Stadium, Swift: WEGAETAA
Tel.+251 115523800, +251 115 177500, P.O.Box 1018, www.wegagen.com
Addis Ababa, Ethiopia

Principal Correspondent Banks

Citi Bank
Commerz Bank
CAC International Bank
Mashreq Bank
Exim Bank

UniCredit Bank
African Export Import Bank
Natixis Bank
United Overseas Bank
Standard Chartered Bank

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Report of the Directors

The directors submit this financial statements for the six months ended 31 December 2024 to the members of Wegagen Bank ("Wegagen or the Bank"). This report discloses the financial performance and state of affairs of the Bank.

Incorporation and address

Wegagen Bank S.C was established on June 11, 1997. It came into being with 16 founding members who recognized the critical role that financial institutions would play to create a sustainable economic development and raised an initial capital of Birr 30 million. As at December 31,2024, the paid up capital of the Bank reached Birr 6.21 Billion. As at December 31,2024, the Bank has 14,548 shareholders and a network of 443 branches.

Principal activities

The mandate of the Bank is to provide efficient and effective full-fledged commercial banking services by utilizing qualified, honest and motivated staff and state-of-the-art technology and thereby optimize shareholders interest.

Results and dividends

The Bank's results for the interim period ended 31 December 2024 are set out on page 6. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	31 Dec 2024 Birr'000	31 Dec 2023 Birr'000
Net Interest Income	2,611,122	2,734,146
Net operating income	4,968,707	3,021,133
Profit before tax	2,475,679	1,189,992
Tax charge	(875,908)	(414,264)
Profit for the year	1,599,771	775,728
Other comprehensive income net of taxes	15,391	-
Total comprehensive income for the year	1,615,162	775,728
Earnings Per Share	28.88%	19.14%

Mr. Abdishu Hussien
Chairman, Board of Directors

Wegagen Bank S.C
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Statement of Directors' Responsibilities

In accordance with the Financial Reporting Proclamation No. 847/2014 the Accounting and Auditing Board of Ethiopia (AABE) may direct the Bank to prepare financial statements in accordance with International Financial Reporting Standards, whether their designation changes or they are replaced, from time to time.

The Directors are responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standard and in the manner required by the Accounting and Auditing Board of Ethiopia, 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 keep such records 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 Directors accepts responsibility for the annual financial statement, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Banking Business Proclamation, Commercial code of 2013 E.C and the relevant Directives issued by the National Bank of Ethiopia.

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

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

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

The interim financial statements on pages 6 to 9 were approved by the board of directors and management on January 31, 2025 and signed on their behalf by:

Mr. Abdishu Hussien
Chairman, Board of Directors

Aklilu Wubet (PhD)
Chief Executive Officer

Wegagen Bank S.C
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Statement of Profit or Loss and Other Comprehensive Income

	Notes	For the Six Months Ended 31 December 2024 Birr'000	For the Six Months Ended 31 December 2023 Birr'000	Year to 30 June 2024 (Audited) Birr'000
Interest income	5	4,017,769	3,799,088	7,179,283
Interest expense	6	(1,406,648)	(1,064,942)	(2,378,457)
Net interest income		**2,611,122**	**2,734,146**	**4,800,825**
Net fees and commission income	7	1,697,592	1,139,448	2,146,327
Net Trading Income		4,308,714	3,873,595	6,947,152
Other operating income	8	1,385,295	196,682	436,736
Loan impairment charge	9	(684,674)	(639,502)	(269,292)
Impairment losses on other assets	10	(40,629)	(409,641)	(410,823)
Net operating income		**4,968,707**	**3,021,133**	**6,703,773**
Salaries and benefits	11	(1,738,174)	(1,286,846)	(3,204,716)
Amortization of intangible assets	19	(22,160)	(14,825)	(34,061)
Depreciation of property, plant and equipment	20	(101,756)	(78,946)	(176,525)
Depreciation of right-of-use asset	20a	(152,698)	(124,546)	(352,663)
Other operating expenses	12	(477,640)	(325,057)	(710,061)
Audit Fees		-	-	(906)
Directors' related expenses	30b	(600)	(920)	(3,994)
Total Operating Expenses		**(2,493,027)**	**(1,831,141)**	**(4,482,925)**
Profit before tax		**2,475,679**	**1,189,992**	**2,220,847**
Income tax expense	13a	(875,908)	(414,264)	(617,646)
Profit after tax		**1,599,771**	**775,728**	**1,603,201**
Other Comprehensive Income (OCI) net of income tax				
Remeasurement loss on retirement benefits	24b	-	-	9,080
Fair value gain of Equity Investments	28c	15,391	-	67,649
Total Other comprehensive Income (net of tax)		**15,391**	**-**	**76,729**
Total comprehensive income for the period		**1,615,162**	**775,728**	**1,679,929**
Basic & diluted earnings Per Share	**26**	**28.88%**	**19.14%**	**36.89%**

The accompanying notes are an integral part of these financial statements. The interim financial statements were approved and authorized for issue by the directors and management on January 31, 2025 and signed on their behalf by:

Mr. Abdishu Hussien,
Chairman, Board of Directors

Aklilu Wubet (PhD)
Chief Executive Officer

Wegagen Bank S.C

Unaudited Interim Financial Statements

For the Six Months Ended 31 December 2024

Statement of Financial Position as at December 31, 2024

	Notes	As at 31 December 2024	As at 31 December 2023	As at 30 June 2024 (Audited)
ASSETS		Birr'000	Birr'000	Birr'000
Cash and bank balances	14	14,355,782	9,192,411	13,123,499
Loans and advances to customers	15a	47,137,400	40,468,349	43,300,410
Investment securities:				
- Equity Investments at FVOCI	16a	613,268	383,045	540,695
- Debt Securities at Amortized Cost	16b	6,713,457	3,493,850	4,613,155
Other assets	17	3,527,648	1,512,108	1,742,250
Investment property	18	2,556	577	2,585
Intangible assets	19	218,515	33,993	48,068
Property, Plant and Equipment	20	1,701,563	1,630,502	1,687,442
Right-of-Use Asset	20a	900,138	732,885	675,445
Total assets		**75,170,327**	**57,447,722**	**65,733,550**
LIABILITIES				
Deposit from customers	21	55,010,283	43,574,294	48,417,951
Deposit from financial institutions	22	3,143,323	2,921,355	3,706,774
Current tax liabilities	13c	893,153	414,264	641,203
Other liabilities	23	4,983,281	2,597,595	3,368,216
Employee benefit obligations	24	308,898	241,629	288,457
Deferred tax liabilities	13d	92,619	94,520	103,498
Total liabilities		**64,431,557**	**49,843,656**	**56,526,098**
EQUITY				
Share capital	25	6,213,504	4,373,284	5,058,890
Share premium	25	83,241	61,338	74,917
Retained earnings	27	1,133,922	581,796	1,246,781
Legal reserve	28a	2,591,565	1,984,753	2,191,622
Regulatory Risk Reserve	28b	573,787	552,263	507,882
Other Reserve	28c	142,751	50,631	127,360
Total equity		**10,738,771**	**7,604,065**	**9,207,451**
Total equity and liabilities		**75,170,327**	**57,447,722**	**65,733,550**

The accompanying notes are an integral part of these financial statements. The interim financial statements were approved and authorized for issue by the directors and management on January 31, 2025 and signed on their behalf by:

Mr. Abdishu Hussien
Chairman, Board of Directors

Aklilu Wubet (PhD)
Chief Executive Officer

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Statement of Changes in Owners Equity

	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Regulatory Risk Reserve Birr'000	Other Reserve Birr'000	Total Birr'000
As at 1 July 2023	3,982,139	57,736	472,937	1,790,822	552,262	50,631	6,906,527
Dividend declared			(472,937)				(472,937)
New shares issued	1,076,751	17,181					1,093,932
Fair value gain of Equity investments (net of tax)						67,649	67,649
Profit for the year			1,603,201				1,603,201
Remeasurement of Defined Benefit plans (net of tax)						9,080	9,080
Transfer to legal reserve			(400,800)	400,800			-
Transfer from Regulatory Risk Reserve			44,380		(44,380)		-
As at 30 June 2024	**5,058,890**	**74,917**	**1,246,781**	**2,191,622**	**507,882**	**127,360**	**9,207,451**
Dividend declared			(1,246,781)				(1,246,781)
New shares issued	1,154,614	8,324					1,162,938
Fair value gain of Equity investments (net of tax)						15,391	15,391
Profit for the year			1,599,771				1,599,771
Transfer to legal reserve			(399,943)	399,943			-
Transfer to Regulatory Risk Reserve			(65,906)		65,906		-
As at 31 December 2024	**6,213,504**	**83,241**	**1,133,922**	**2,591,565**	**573,787**	**142,751**	**10,738,771**

The accompanying notes are an integral part of these financial statements. The Interim financial statements were approved by the directors and management on January 31, 2025 and signed on their behalf by:

Mr. Abdishu Hussien,
Chairman, Board of Directors

Aklilu Wubet (PhD)
Chief Executive Officer

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Statement of Cash flow

	Notes	For Six Months Ended 31 December 2024 Birr'000	For Six Months Ended 31 December 2023 Birr'000	Year to 30 June 2024 (Audited) Birr'000
Cash flows from operating activities				
Cash generated from operations	29	4,706,093	2,595,073	7,197,323
Income tax paid	13c	(641,432)	(355,126)	(355,126)
Net cash (outflow)/inflow from operating activities		4,064,661	2,239,947	6,842,197
Cash flows from investing activities				
Renovation of Investment Properties	16	-	-	(131,536)
Purchase of intangible assets	19	(192,606)	-	(33,311)
Purchase of property, plant and equipment	20	(116,140)	(227,924)	(340,608)
Payment for asset use right acquisitions	20a	(339,486)	(368,625)	(357,782)
Proceeds from matured debt securities	16b	(2,100,302)	(1,432,061)	(2,551,365)
Proceeds from sale of PPEs		-	-	12,745
Net cash (outflow)/inflow from investing activities		**(2,748,534)**	**(2,028,610)**	**(3,401,857)**
Cash flows from financing activities				
Share premium collected	25	8,324	3,602	17,181
New shares issued	25	1,154,614	391,145	1,076,751
Dividend paid	27	(1,246,781)	(472,937)	(472,937)
Net cash (outflow)/inflow from financing activities		**(83,843)**	**(78,190)**	**620,995**
Net increase/(decrease) in Cash and bank balances		1,232,283	133,148	4,061,334
Cash and bank balances at the beg. of the year	**14**	**13,123,499**	**9,059,264**	**9,059,264**
Effect of exchange rate movement on Cash and bank balances				2,901
Cash and bank balances at the end of the year		**14,355,782**	**9,192,411**	**13,123,499**

The accompanying notes are an integral part of these financial statements. The interim financial statements were approved by the directors and management on January 31, 2025 and signed on their behalf by:

Mr. Abdishu Hussien
Chairman, Board of Directors

Aklilu Wubet (PhD)
Chief Executive Officer

Wegagen Bank S.C
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1. General information

Wegagen Bank S.C. (Wegagen Bank or the Bank) is a private commercial Bank that was established in June 1997 in accordance with the provisions of the Commercial code of Ethiopia of 1960 (which was latter replaced by Commercial code of Ethiopia of 1243/2021) and the Licensing and Supervision of Banking Business Proclamation No. 84/1994 (as amended by 592/2008). As at December 31, 2024, the paid up capital of the Bank reached Birr 6.21 billion contributed by 14,548 shareholders.

The Bank's registered office is at Kirkos sub city, Wereda 10, in front of National Stadium, in Addis Ababa, Ethiopia. Besides, it operates in all the twelve regions and two city administrations of Ethiopia by opening 443 branches.

The Bank is principally engaged in the provision of diverse range of financial services ranging from accepting deposits from the public and lending to a wide range of sectors that mainly includes manufacturing, import, export, construction, domestic trade and transport areas.

It also performs trade services activities to facilitate the import and export process of the Country. Moreover, it facilitates local and international remittance activities through various partners. Last but not least, the Bank reaches its customers through various electronic banking channels like ATM, internet banking, mobile banking and agency banking platforms.

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 interim period ended December 31, 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

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The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, assumptions and management judgment in applying the Bank's accounting policies. Changes in estmates and assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying estimates and 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 as the management have no doubt that the Bank would remain in existence after 12 months.

2.2.2 Changes in accounting policies and disclosures

The Bank has consistently applied the accounting policies to all periods presented in these financial statements. The below are amendments to standards that are effective for annual periods beginning after 1 January 2025, and have not been applied in preparing these financial statements.

Standard	Description	Effective date	Impact
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Applicable to annual reporting periods beginning on or after 1 January 2025	The Bank opted to apply the amendments when due.

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Standard	Description	Effective date	Impact
IFRS 19 Subsidiaries without Public Accountability: Disclosures	This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries.A subsidiary is eligible if:it does not have public accountability; and it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.	The ammendment is effective from annual reporting periods beginning on or after 1 January 2027	The Bank opted to apply the amendments when due.
IFRS 18 Presentation and Disclosure in Financial Statements	This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:the structure of the statement of profit or loss;required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); andenhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.	Effective for annual reporting periods beginning on or after 1 January 2027.	The bank shall apply the amendment when due. The amendments are expected to have an impact on the bank's financial statements.

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Standard	Description	Effective date	Impact
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).	Effective for annual reporting periods beginning on or after 1 January 2026.	The Bank opted to apply the amendments when due.

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Wegagen Bank S.C
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Standard	Description	Effective date	Impact
IFRS 19 Subsidiaries without Public Accountability: Disclosures	This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries.A subsidiary is eligible if:it does not have public accountability; and it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.	The ammendment is effective from annual reporting periods beginning on or after 1 January 2027	The Bank opted to apply the amendments when due.
IFRS 18 Presentation and Disclosure in Financial Statements	This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:the structure of the statement of profit or loss;required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); andenhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.	Effective for annual reporting periods beginning on or after 1 January 2027.	The bank shall apply the amendment when due. The amendments are expected to have an impact on the bank's financial statements.

Standard	Description	Effective date	Impact
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).	Effective for annual reporting periods beginning on or after 1 January 2026.	The Bank opted to apply the amendments when due.

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).

b. Transactions and Balances

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

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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 and commission and sevice charges from the various services it provides to customers. The Bank's main expenses includes the interest it paid to deposits from customers, the impairment allowance for loans and the operating expenses it incurs to run the day to day operations of the Bank.

2.4.1 Net Interest Income

2.4.1.1. Policy applicable

a. Effective interest rate and amortized cost

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

b. Amortized cost and gross carrying amount

"The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

c. Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

d. Presentation

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

· interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;

· interest on debt instruments measured at FVTPL calculated on an effective interest basis;

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

2.4.2 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 (for example commission on drafts, cash payment order (CPO), letter of credit (LC), letter of guarantee, etc) are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expenses relates mainly to transaction and service fees and they are expensed as the services are received.

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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 of the investee company approve and declare the dividend.

2.4.4 Foreign exchange revaluation gains or losses

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

2.4.5 Other income and expense

Other expenses are recognized when they are incurred by the Bank and other revenues recognized when they are earned which usually occurs simulatneously with cash collection.

2.5 Financial instruments

a. Recognition and initial measurement

The Bank shall initially recognize loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) shall be recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability shall be measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

b. Classification and subsequent measurement

Financial assets- On initial recognition, a financial asset shall be classified either as measured at either amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

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

• the asset is held within a business model whose objective is to hold it to collect contractual cash flows; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

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

• the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

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

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

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

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

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

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

• How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
• The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized. Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis shall be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Financial assets shall not be reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

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

For the purposes of this assessment, 'principal' shall be defined as the fair value of the financial asset on initial recognition. 'Interest' shall be defined as the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:
• contingent events that would change the amount and timing of cash flows;
• leverage features;
• prepayment and extension terms;
• terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
• features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Financial liabilities

The Bank shall classify its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

A financial guarantee is an undertaking/commitment that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.
Financial guarantees issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of: the amount of the obligation under the guarantee, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

c. Impairment

At each reporting date, the Bank shall assess whether there is objective evidence that financial assets (except equity investments), other than those carried at FVTPL, are impaired. The Bank shall recognize loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss shall be recognized on equity investments.
The Bank shall measure loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:
- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables shall always be measured at an amount equal to lifetime ECL.
12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments'.
Life-time ECL is the ECL that result from all possible default events over the expected life of the financial instrument.
Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments that are credit impaired and for which a lifetime ECL is recognized are referred to as 'Stage 3 financial instruments'.

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i. Measurement of ECL- it is probability-weighted estimate of credit losses & shall be measured as follows:

• for financial assets that are not credit-impaired at the reporting date (stage 1 and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);

• for financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;

• for undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and

• for financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

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

• If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

The key inputs into the measurement of ECL are the term structure of probability of default (PD), loss given default (LGD); and exposure at default (EAD).

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

Probability of Default (PD)- It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations. The methodology of estimating PDs .

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

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

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

• the Bank uses three criteria for determining whether there has been a significant increase in credit risk:

— quantitative test based on movement in PD;
— qualitative indicators; and
— a backstop of 30 days past due,

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

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

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a. Term loan exposures

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

b. Overdraft exposures

— Payment record – this includes overdue status as well as a range of variables about payment ratios
— Utilisation of the granted limit
— Requests for and granting of forbearance
— Existing and forecast changes in business, financial and economic conditions
The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. However, for overdrafts that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

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

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

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

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently.

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

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

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

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

• the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
• the borrower is more than 90 days past due on any material credit obligation to the Bank.
• overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
• it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

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

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.
For each segment, the Bank formulates three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside and one downside. For each sector, the base case is aligned with the macroeconomic model's information value output, a measure of the predictive power of the model, as well as base macroeconomic projections for identified macroeconomic variables for each sector. The upside and downside scenarios are based on a combination of a percentage error factor of each sector model as well as simulated optimistic and pessimistic macroeconomic projections based on a measure of historical macroeconomic volatilities.

External information considered includes economic data and forecasts published by Business Monitor International, an external and independent macroeconomic data body. This is in addition to industry – level, semi – annual NPL trends across statistically comparable sectors. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management.
The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.
EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation.
The **EAD** of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the **EAD** represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, **EAD** is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:
- instrument type;
- credit risk grading;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

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

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C. Credit-impaired financial assets

At each reporting date, the Bank shall assess whether financial assets carried at amortized cost, debt financial assets carried at FVOCI, and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets').
A financial asset shall be considered 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:
• significant financial difficulty of the borrower or issuer;
• a breach of contract such as a default or past due event;
• the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
• it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
• the disappearance of an active market for a security because of financial difficulties.
A loan that has been renegotiated due to a deterioration in the borrower's condition shall be considered to be credit-impair unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more shall be considered credit-impaired even when the regulatory definition of default is different.

d. Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL shall be presented in the statement of financial position as follows:
• for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
• for loan commitments and financial guarantee contracts: generally, as a provision;
• where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
• for debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance shall be disclosed and is recognized in the fair value reserve.

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e. Write-off

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

f. Non-integral financial guarantee contracts

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

Where the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset shall be treated as a transaction cost of acquiring it. The Bank shall consider the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL. Where the Bank determines that the guarantee is not an integral element of the debt instrument, then it shall recognize an asset representing any prepayment of guarantee premium and a right to compensation for credit losses.

g. Derecognition

The Bank shall derecognise a financial asset when:
• The contractual right to the cash flows from the financial asset expires or
• It transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
• Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI shall be recognized in profit or loss.

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Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI shall not be recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank shall be recognized as a separate asset or liability.
The Bank shall derecognise a financial liability when its contractual obligations are discharged or cancelled, or expire.

h. Modifications of financial assets and financial liabilities

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

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

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

If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it shall first consider whether a portion of the asset should be written off before the modification takes place.
Where the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank shall first recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.
Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and shall be amortised over the remaining term of the modified financial asset.

Where such a modification is carried out because of financial difficulties of the borrower, then the gain or loss shall be presented together with impairment losses. In other cases, it shall be presented as interest income calculated using the effective interest rate method.
The Bank shall derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability

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based on the modified terms shall be recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid shall include non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

i. Offsetting

Financial assets and financial liabilities shall be offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.
Income and expenses shall be presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

j. Designation at fair value through profit or loss

At initial recognition, the Bank may designate certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.
The Bank shall designate certain financial liabilities as at FVTPL in either of the following circumstances:
• the liabilities are managed, evaluated and reported internally on a fair value basis; or
• the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2.6 Interest Free Banking

Murabaha is an Islamic financing transaction which represents an agreement whereby the Bank buys a commodity/good and sells it to a counterparty (customer) based on a promise received from that counterparty to buy the commodity according to specific terms and conditions. The selling price comprises of the cost of the commodity/goods and a pre-agreed profit margin.
It is treated as financing receivables. Financing receivables are non-derivative financial assets

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with fixed or determinable payments that are not quoted in an active market.
The profit is quantifiable and contractually determined at the commencement of the contract. Murabaha Income (profit) is recognized as it accrues over the life of the contract using the effective profit method (EPRM) on the principal balance outstanding. These products are carried at amortized cost less impairment.

2.7 Cash and Cash Equivalents

Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

2.8 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 group 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 starting from the asset is available for use over their estimated useful lives, as follows:

Asset class	Useful Lives
Buildings	50
Computer hardware	7
Furnitures and fittings	10
Equipments	5 to 20
Lifts	15
Motor Vehicles	10

Capital work-in-progress is not depreciated as these assets are not yet 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.

2.9 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 item in the income statement. Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives, which ranges from two to six years.

2.10 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

2.11 Impairment of non-financial assets

The Bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. 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.

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For assets 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.

2.12 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 receivables from mastercard, receivables from visa card and other receivables from debtors. This has been added to the carrying amounts of the investment.

2.13 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
- Quantitative disclosures of fair value measurement hierarchy
- Financial instruments (including those carried at amortised cost)

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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.

2.14 Employee benefits

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

(a) Defined contribution plan

The Bank operates the following defined contribution plans;

- 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;

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.

(b) 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.

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(c) Defined Benefit plans

The Bank recognizes the liability for severance and other long service awards based on actuarial requirements that set assumptions for salary increases, inflation, discount rates, turnover, mortality and others.

2.15 Provisions

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

2.16 Share capital

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

2.17 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.

2.18 Leases

The Bank has initially adopted IFRS 16 from 1 July 2019. The standard eliminates the classification of leases as either operating leases or finance leases under IAS 17 and introduces a single lease accounting model that requires lessees to recognize assets and corresponding liabilities. Due to the transition method chosen by the Bank in applying IFRS 16, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

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It also elected to apply the practical expedient that allows entities to rely on its assessment of whether leases were onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

The effect of initially applying IFRS 16 is mainly attributed to:

• an increase in non-current assets as obligations to make future payments under leases previously classified as an operating lease were recognized on the balance sheet, along with the corresponding asset: right-of-use asset.

• Expenditure on operation has decreased and finance cost have increased, as operating lease costs have been replaced by depreciation and interest expense on lease liabilities.

The adoption of IFRS 16 requires the Bank to make a number of assumptions, estimations and judgments that includes:

• lease liabilities were determined based on the value of the remaining lease payments, discounted by an appropriate incremental borrowing rate.

• term of each arrengment was based on the original lease term.

• the discount rate used to determine lease liabilities was the Bank's incremental borrowing rate. It was calculated based on observable inputs.

At the commencement date, the Bank recognized:

• all leases as right right-of-use-asset at cost. Cost of right-of-use asset includes the amount of lease liability, lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to be incurred by the Bank in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

• a lease liability at the present value of the lease payments that are not paid at that date. Present value of lease payments will be determined by discounting future lease payments at the interest rate implicit in the lease arrangement, if it is readily determined or at Bank's incremental borrowing rate.

After the commencement date, the Bank masures:

• right-of-use assets using cost model, i.e. cost at initial recognition less accumulated depreciation (in line with IAS 16: Property, plant and Equipment) and accumulated impairment losses (in line with IAS 36: Impairment of Assets).

• lease liability by increasing its carrying amount to reflect interest on the lease liability and by reducing its carrying amount to reflect lease payments made.

Interest incurred on lease liability will be recognized in the statement of profit and loss as a finance cost.

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Determination of whether an arrangement is a lease, or contains a lease

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 Lessor

The Bank has rented temporary freehold space in its head office building that is mainly constructed for office use. The lease advance payments are recognized as deferred income until recognized

2.19 Income tax

(a) Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. 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 statement of financial position 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 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 judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Bank's exposure to risks and uncertainties includes:
- Capital management
- Financial risk management and policies
- Sensitivity analyses disclosures

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:

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.

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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.

Impairment losses on financial assets at amortized cost

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 cashflow from collateral obtained would arise within 12 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.

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 statement of financial position 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.

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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.

Fair value measurement of financial instruments

When the fair values of financial assets 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. As at the year end there are no financial instrument currently measured at fair value.

Defined benefit plans

The cost of the defined benefit pension plan such as managerial employee compensation and the severance beneift and their present value of these 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.

Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives and residual values 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.

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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 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.

Development cost

The Bank capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The development costs that were capitalised by the Bank relates to those arising from the development of computer software.

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 existence and 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 risk.

4.1.1 Risk Management Structure

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established Risk and Compliance sub-Committee, which is responsible for developing and monitoring Bank's risk management policies.

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. Risk management policies and systems are reviewed regularly to reflect changes in the regulation, market conditions, products and services offered. The Bank, through its training and procedures and policies for management, aims to develop a constructive control environment, in which all employees understand their roles and obligations.
The Bank's Board of Directors is assisted in these functions by the Risk and Compliance Management unit which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Risk Management Committee.

4.1.2 Risk Measurement and Reporting Systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.
Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected regions. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk Mitigation

Risk controls and mitigants, identified and approved for the Bank, are documented for existing and new processes and systems. The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently audited as part of the review process.

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4.2 Classification of financial assets and financial liabilities

The following table shows measurement categories and amounts in accordance IFRS 9 for the Bank's financial assets and financial liabilities as at December 31,2024

Financial assets (Birr '000)

Financial assets		31-Dec-24		30-Jun-24
	Classification under IFRS 9	New carrying amount under IFRS 9	Increase/ decrease	Original carrying amount
Cash and bank balances	Amortised cost	14,355,782	1,232,283	13,123,499
Loans and advances to customers (net)	Amortised cost	47,137,400	3,836,990	43,300,410
Equity Investments at FVOCI	FVOCI	613,268	72,573	540,695
Investment securities: Loans and receivables	Amortised cost	6,713,457	2,100,302	4,613,155
Other financial assets at amortised cost	Amortised cost	3,527,648	1,785,398	1,742,250
Total financial assets		**72,347,555**	**9,027,546**	**63,320,009**
Financial liabilities				
Deposits from customers	Amortised cost	55,010,283	6,592,332	48,417,951
Deposit from financial institutions	Amortised cost	3,143,323	(563,451)	3,706,774
Other financial liabilities	**Amortised cost**	**4,983,281**	**1,615,064**	**3,368,216**
Total financial liabilities		**63,136,886**	**7,643,946**	**55,492,941**

The application of the Bank's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.5 resulted in the reclassifications set out in the table above and explained below.

"Further equity investment securities were reclassified out available-for-sale categories to FVOCI at their then fair values. The carrying amount of those assets was adjusted so that their amortised cost under IFRS 9 was as if those assets were accounted for at amortised cost from their inception. On the adoption of IFRS 9, some other financial assets were reclassified out of the loans and receivable to amortized cost and some to non financial assets. The carrying amount of those assets was adjusted so that their amortised cost under IFRS 9 was as if those assets were accounted for at amortised cost from their inception.

4.3 Credit Risk

Credit Risk is risk of financial loss to the bank if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the banks loans & advances to customers & other banks & investment securities & other financial assets the bank adopts conservative approach to credit risk.

4.3.1 Management of credit risk

For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).
Exposure to credit risk is managed through periodic analysis of the ability of borrowers and potential borrowers to determine their capacity to meet principal and interest thereon.
Exposure to credit risk is also mitigated, in part, by obtaining collateral, commercial and personal guarantees. In Managing credit risk the Board of Directors approves the credit policy, risk limits, collateral requirements, risk gradings and follows up the implementation of same. The credit limits are placed on the amount of risk accepted in relation to one borrower, or groups of borrowers, to geographical regions, and to term of the financial instrument and economic sectors. The policies and limits are reviewed and modified periodically based on changes and expectations of the markets where the Bank operates, regulations, and other factors.

4.3.2 Concentrations of credit risk

Gross loans and advances to customers per sector is analysed as follows:

	31 December 2024 Birr'000	30 June 2024 Birr'000
Manufacturing	7,640,193	6,445,065
Domestic Trade and Services	10,386,539	8,153,159
Construction	7,400,345	7,157,135
Transport Service	3,743,518	3,733,860
Export	7,624,058	7,872,182
Import	11,936,505	10,636,981
Staff loans	252,976	694,434
IFB-Financing & Investments	713,965	483,817
	49,698,098	**45,176,634**

4.3.3 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments and available-for-sale debt assets. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.
The loss allowance for loans and advances to customers also includes the loss allowances for loan commitments and financial guarantee contracts.

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Credit Quality Analysis for Loans and Advances

	31-Dec-24				30-Jun-24
In Birr'000	Stage 1	Stage 2	Stage 3	**Total**	**Total**
Loans & advances to Customers					
Stage 1 – Pass	44,982,503			44,982,503	41,054,288
Stage 2 – Special mention		1,747,817		1,747,817	1,472,296
Stage 3 - Non performing			2,967,778	2,967,778	2,650,049
Total gross exposure	44,982,503	1,747,817	2,967,778	49,698,098	45,176,634
Loss allowance	845,720	44,015	1,670,963	2,560,698	1,876,223
Net carrying amount	**44,136,783**	**1,703,801**	**1,296,816**	**47,137,400**	**43,300,410**

Credit Quality Analysis for Others Assets

In Birr'000	31-Dec-24			
Item	Stage	Gross Exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	14,355,832	(50)	14,355,782
Investment securities (debt instruments)	12 Month ECL	6,713,788	(332)	6,713,457
Other financial assets	Lifetime ECL	1,187,593	(851,346)	336,247
Totals		**22,257,214**	**(851,728)**	**21,405,486**

Credit Quality Analysis for others Assets

In Birr'000	30-Jun-24			
Other financial assets (debt instruments)	Stage	Gross Exposure	Loss allowance	Net carrying amount
Cash and bank balances	12 Month ECL	13,123,675	(176)	13,123,499
Investment securities (debt instruments)	12 Month ECL	4,613,385	(230)	4,613,155
Other financial assets	Lifetime ECL	1,272,549	(810,693)	461,856
Totals		**19,009,609**	**(811,099)**	**18,198,510**

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4.3.4 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 collateral for loans and advances granted to customers.

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. 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, which is usually done every three years.
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. are 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.

Collateral Held ('000)

Type of financial asset	31-Dec-24	30-Jun-24	Principal type of collateral held
Loans and Advances	85,722,097	78,274,023	Land and Building, Vehicles, Machines, Shares and Bank Guarantees

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4.3.5 Measurement of Expected Credit Losses (ECL)

i) Techniques used for estimating impairment

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

• for financial assets that are not credit-impaired at the reporting date (stage 1 and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);

• for financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;

• for undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and

• for financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

ii) Incorporation of forward-looking information

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

Sector/Product	Macroeconomic factors				
Cluster 1 Agriculture, Consumer Loans,Overdraft and Interest Free Financing	Goods, Debit (Imports)	-	-	-	-
Cluster 2 Domestic Trade & Services,Mining and Energy, Transport, Health, Merchandise, Financial services	-	-	-	-	-
Cluster 3 Building & Construction,Hotel & Tourism,Manufacturing & Production Industry,Real estate,Housing & construction	Gross domestic product	Current prices (U.S. dollars)		-	-
Cluster 4 Export,Import,Advance against import bills,International Trade	Goods debit (Imports)	-	-	-	-

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

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The below scenario weightings have been observed

Summary of Scenario Weightings			
	Base	Downturn(Downside)	Optimistic(Upside)
Cluster 1	100%	0%	0%
Cluster 2	100%	0%	0%
Cluster 3	92%	8%	0%
Cluster 4	100%	0%	0%

iii). Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2024 represent the allowance account for credit losses and reflect the measurement basis under IFRS 9.

Loans and advances to customers at amortized cost (on financial position exposures)	31-Dec-24				30-Jun-24
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Balance at 1 July	796,192	23,229	1,056,554	1,875,975	1,626,886
Transfer to 12 months ECL	566,082	(13,211)	(20,737)	532,133	172,151
Transfer to Lifetime ECL not credit impaired	(25,758)	1,764	(87)	(24,081)	(5,979)
Transfer to Lifetime ECL credit impaired	(733,944)	(17,960)	915,695	163,791	237,917
Net remeasurement of Loss allowance	602,572	(6,179)	1,951,426	2,547,818	2,030,975
Net financial assets originated or purchased	157,926	10,574	2,168	170,668	407,386
Financial assets derecognised	(78,048)	(547)	(22,887)	(101,482)	(267,868)

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Balance at 31 December	**845,111**	**44,015**	**1,670,963**	**2,560,089**	**1,875,975**

Loan commitments, Letter of credit and financial guarantee contracts (off balance sheet exposures)	31-Dec-24				30-Jun-24
In Birr'000	Stage 1	Stage 2	Stage 3	Total	Total
Balance at 1 July	248			248	39
Transfer to 12 months ECL	26			26	160
Transfer to Lifetime ECL not credit impaired				-	-
Transfer to Lifetime ECL credit impaired				-	-
Net remeasurement of Loss allowance	274			274	199
Net financial assets originated or purchased	360			360	85
Financial assets derecognised	26			26	36
Balance at 31 December	**608**			**608**	**248**

Other financial assets	31 - Dec - 24			
In Birr'000	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Balance as at 1 July	51	355	810,693	811,099
Net remeasurement of loss allowance	(1)	(23)	40,653	40,629
New financial assets originated or purchased	-	-	-	-
Balance as at 31 December	**50**	**332**	**851,346**	**851,728**

Other financial assets	30-Jun-24			
In Birr'000	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Balance as at 1 July	57	118	400,076	400,251
Net remeasurement of loss allowance	-	-	387,525	387,525
New financial assets originated or purchased	119	112	23,092	23,323
Balance as at 30 June	**176**	**230**	**810,693**	**811,099**

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4.3.6 Offsetting financial assets and financial liabilities

- The Bank does not offset financial assets against financial liabilities.

4.4 Liquidity risk

4.4.1 Introduction

Liquidity risk is the risk that the Bank cannot meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for liquid asset positions is not available to the Bank on acceptable terms.

Liquidity risk management in the Bank 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.

4.4.2 Management of liquidity risk

Cash flow forecasting is performed by the Treasury Managment Directorate. The directorate monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. The Bank evaluates its ability to meet its obligations on an ongoing basis.

Based on these evaluations, the Bank devises strategies to manage its liquidity risk. Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Bank's reputation.

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4.4.3 Exposure to liquidity risk

The Treasury directorate receives information from other directorates of Wegagen bank regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. It then maintain a portfolio of short-term liquid assets, largely made up of physical cash, cash with banks, short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank.

The liquidity position and market conditions are regularly monitored. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Bank and liquidity reports are submitted weekly to the NBE. In addition to regulatory liquidty ratio requirements, the Bank has set its own internal liquidity ratio limits and monitor it accordingly.

The Bank has access to a limited funding base as there is no active primary and secondary market in Ethiopia. Funds are raised using instruments including deposits, borrowed funds and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities.

The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall Bank strategy.

In order for the liquidity risk to be kept at acceptable level the bank has set internal limits on liquidity risk exposure which are regularly followed and reported. Also as part of the overall liquidity risk management in order to address future emergencies, as a liquidity crisis management tool the bank has established liquidity contingency plan with clearly defined roles and responsibilities of the parties involved in the processes itself.

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The liquidity contingency plan is specifying developments, so that immediate actions will be taken in order to prevent escalation of such events. In regular course of the activities of the Bank liquidity risk is managed according to the Policy and Procedure on liquidity risk management. As key indicators, that will be used to recognise liquidity problems, the Bank, as minimum is defining the following:

• substantial increase in the assets financed by short term deposits;
• significant and sudden decrease in the core deposits or loss of the regular depositors of the Bank;
• considerable decrease in the assets quality, particularly the credit portfolio;
• extensive withdrawal of deposits before their maturity date;
• regulatory liquidity indicators; internal liquidity indicators;

As a part of the crisis management actions, within the Liquidity Contingency Plan, the following are considered as immediate:

• borrow on inter-bank money market;
• sell short term securities (domestic and foreign);
• borrowing from the National Bank of Ethiopia

4.4.4 Maturity analysis of financial Assets and Financial liabilities

The table below analyses the Bank's financial assets and 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. Considering that 35% of the deposits will be withdrawan within a short period of time; one year without any additioanl deposit mobilization, which is unlikely to happen, there will be a positive liquidty gap between maturing assets and liabilities. Moreover, in terms of regulatory compliance in terms of liquidty postion, the Bank's liquidity postion as at Dec 31, 2024 stood at 27.67%, which is well above the regulatory requirement of 15% indicating that the Bank is liquid to honor its committments. This was a persistent penomena during the intrim period.

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31 December 2024

	Below 1 year Birr'000	1-3 years Birr'000	Over 3 years Birr'000	Total
ASSETS	Birr'000	Birr'000	Birr'000	Birr'000
Cash and Bank Balances	14,355,782	-	-	14,355,782
Debt Securities at Amortized Cost	-	1,407,836	5,305,621	6,713,457
Loans and advances	11,373,312	20,811,162	14,952,926	47,137,400
Other assets	3,209,542	318,106	-	3,527,648
TOTAL	28,938,636	22,537,104	20,258,547	71,734,287
LIABILITIES				
Deposits	20,273,650	4,625,470	33,254,485	58,153,605
Other liabilities	2,666,456	103,498	2,213,327	4,983,281
Income Tax payable	893,153	-	-	893,153
TOTAL	23,833,259	4,728,968	35,467,813	64,030,040
Net Mismatch	5,105,377	17,808,136	(15,209,266)	7,704,247
Cumulative Mismatch	5,105,377	22,913,513	7,704,247	

30 June 2024

	Below 1 year Birr'000	1-3 years Birr'000	Over 3 years Birr'000	Total
ASSETS	Birr'000	Birr'000	Birr'000	Birr'000
Cash and Bank Balances	13,123,499	0	0	13,123,499
Debt Securities at Amortized Cost	-	999,620	3,613,535	4,613,155
Loans and advances	10,447,523	19,117,131	13,735,756	43,300,410
Other assets	1,447,290	294,959	-	1,742,250
TOTAL	**25,018,313**	**20,411,711**	**17,349,291**	**62,779,314**
LIABILITIES				
Deposits	9,285,005	5,543,876	37,295,843	52,124,724
Other liabilities	3,226,451	8,506	133,259	3,368,216
Income Tax payable	641,203	-	-	641,203
TOTAL	**13,152,660**	**5,552,382**	**37,429,102**	56,134,144
Net Mismatch	**11,865,653**	**14,859,328**	**(20,079,811)**	6,645,171
Cumulative Mismatch	**11,865,653**	**26,724,981**	**6,645,171**	

4.4.5 Financial assets pledged as collaterals

The Bank had no financial asset pledged as collateral during the year under review.

4.5 Market risk

Market risk is defined as the risk of loss risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions. The Bank does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

4.5.1 Management of market risk

The Bank manages changes in interest rate risk by applying fixed term interest rates while the foreign exchange risk is managed by matching of liabilities and assets and holding of assets appreciating currencies especially the USD to which the Birr is pegged to. Assets and liabilities committee (ALCO) analyzes the Bank's market risk on a monthly basis and reports to the Risk Committee. ALCO performs analyses and makes decisions with regard to balance sheet structure, liquidity risk, and currency risk and also is analyzing the risk of the Bank's treasury unit.

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk. The Bank's exposure to the risk of changes in market interest rates relates primarily to the Bank's obligations and financial assets with floating interest rates. The Bank is also exposed on fixed rate financial assets and financial liabilities. The Bank's investment portfolio is comprised of loans and advances to customers, Ethiopian government bonds and cash deposits. The table below sets out information on the exposures to interest rate sensitive financial assets and liabilities:

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31 December 2024	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Financial assets			
Cash and bank balances	-	14,355,782	14,355,782
Loans and advances to customers (net)	47,137,400		47,137,400
Equity Investments at FVOCI		613,268	613,268
Debt Securities at Amortized Cost	6,713,457		6,713,457
Other Financial Assets		1,850,706	1,850,706
Total	**53,850,857**	**16,819,756**	**70,670,613**
Financial liabilities			
Deposits from customers	55,010,283		55,010,283
Deposits from Financial Instritutions	3,143,323		3,143,323
Guarantees issued		5,649,384	5,649,384
Letter of credit		7,166,388	7,166,388
Loan commitments	5,615,759		5,615,759
Other Financial liabilities		3,833,780	3,833,780
Total	**63,769,365**	**16,649,551**	**80,418,916**

30 June 2024	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Financial assets			
Cash and bank balances	2,477,818	10,645,681	13,123,499
Loans and advances to customers	43,300,410		43,300,410
Investment securities;			
Equity Investments at FVOCI		540,695	540,695
Debt Securities at Amortized Cost	4,613,155	-	4,613,155
Other Financial Assets		413,481	413,481
Total	**50,391,384**	**11,599,856**	**61,991,240**
Financial liabilities			
Deposits from customers	48,417,951		48,417,951
Deposits from Financial Instritutions	3,706,774		3,706,774
Guarantees issued		4,080,986	4,080,986
Letter of credit		4,007,421	4,007,421
Loan commitments	2,137,732		2,137,732
Other Financial liabilities		2,044,925	2,044,925
Total	**54,262,456**	**10,133,332**	**64,395,789**

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(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.
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.

Foreign currency denominated balances

Cash and bank balances;	31 December 2024 Birr'000	30 June 2024 Birr'000
USD	5,823,700	2,881,008
GBP	46,810	17,264
Euro	227,385	36,704
Other currencies	8,486	14,006
	6,106,381	2,948,982

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:

31 December 2024		Effect of appreciation of the Birr against foreign currencies Birr'000	Effect of depreciation of the Birr against foreign currencies Birr'000
USD	10%	582,370	(582,370)
GBP	10%	4,681	(4,681)
Euro	10%	22,738	(22,738)
Total		609,789	(609,789)

30 June 2024	Basis points Birr'000	Effect of appreciation of the Birr against foreign currencies Birr'000	Effect of depreciation of the Birr against foreign currencies Birr'000
USD	10%	288,101	(288,101)
GBP	10%	1,726	(1,726)
Euro	10%	3,670	(3,670)
Total		**293,498**	**(293,498)**

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4.6 Operational Risk

Operational risk is risk of loss due to inappropriate or weak internal processes, inappropriate persons and inappropriate or weak systems in the Bank as well as external events. The Bank defined its framework for managing operational risk by adopting the policy and procedure on operational risk management as approved by the board of directors of the Bank. In the Policy, the basic aims are defined such as operational risk management (system and processes for managing operational risk, organizational structure, reporting system, internal control and etc), as well as measuring and monitoring the operational risk. Implementation of the operational risk management framework is meant to be delivered by performing risk and control self-assessment on continuous process. During the fiscal year, the Bank made assessmnet of potentail operational risk areas including IT security risks, made register of operational risk incldents, investigated them and took action on perperators and strengthen its internal controls accordingly. Despite the number of operational risk incidents, the Bank sustained insignifact losses.

4.7 Capital management

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

4.7.1 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. As at December 31,2024, the ratio stood at 14.69% showing a marginal increase by 0.24% compared with same period last year.This arises becasue of new share issue,raise in legal reserve and a increase in risk weighted assets during the interim period ended December 31,2024.

Capital adequacy ratio	31 December 2024 Birr'000	30 June 2024 Birr'000
Capital		
Share capital	6,213,504	5,058,890
Share premium	83,241	74,917
Legal reserve	2,591,565	2,191,622
Total regulatory capital	8,888,310	7,325,429
Total risk weighted assets	60,502,203	50,701,915
Capital Adequacy Ratio (CAR)	**14.69%**	**14.45%**
Minimum Capital Adequacy ratio	**8%**	**8%**

4.8 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.

4.8.1 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.

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

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable 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.

4.8.2 Financial instruments measured at fair value - fair value hierarchy

The following table summarises the carrying amounts of financial assets and liabilities not measured at fair value and their fair value measurements as at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

31 December 2024	Carrying amount Birr'000	Fair value Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets						
Cash and Bank Balances	14,355,782	14,355,782	14,355,782			14,355,782
Loans and advances to customers	47,137,400	47,137,400			47,137,400	47,137,400
Investment securities;					-	-
- Debt Securities at Amortized Cost	6,713,457	6,713,457			6,713,457	6,713,457
- Equity Investments at FVOCI	278,444	613,268			613,268	613,268
Other Financial Assets	1,850,706	1,850,706			1,850,706	1,850,706
Total	**70,335,789**	**70,670,613**	**14,355,782**	**-**	**56,314,830**	**70,670,613**
Financial liabilities						
Deposits from customers	55,010,283	55,010,283			55,010,283	55,010,283
Deposit from financial institutions	3,143,323	3,143,323			3,143,323	3,143,323
Other Financial liabilities	3,833,780	3,833,780			3,833,780	3,833,780
Total	**61,987,385**	**61,987,385**	**-**	**-**	**61,987,385**	**61,987,385**

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30 June 2024	Carrying amount Birr'000	Fair value Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets						
Cash and Bank Balances	13,123,499	13,123,499	13,123,499			13,123,499
Loans and advances to customers	43,300,410	43,300,410			43,300,410	43,300,410
Investment securities						
- Debt Securities at Amortized Cost	4,613,155	4,613,155			4,613,155	4,613,155
- Equity Investments at FVOCI	96,322	540,695			540,695	540,695
Other Assets	413,481	413,481			413,481	413,481
Total	**61,546,868**	**61,991,240**	**13,123,499**	**-**	**48,867,741**	**61,991,240**
Financial liabilities						
Deposits from customers	48,417,951	48,417,951			48,417,951	48,417,951
Deposit from financial institutions	3,706,774	3,706,774			3,706,774	3,706,774
Other liabilities	2,044,925	2,044,925			2,044,925	2,044,925
Total	**54,169,649**	**54,169,649**	**-**	**-**	**54,169,649**	**54,169,649**

4.8.3 Transfers between the fair value hierarchy categories

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

4.8.4 Tigray region loans and advances report as stated below;

	31-Dec-2024 Birr'000	30-Jun-2024 Birr'000
Principal outstanding	8,602,326	7,077,515
Accrued interest	202,862	364,528
Total	**8,805,187**	**7,442,043**

Loan loss provision as per NBE	ETB'000
Balance as at June 30,2024	858,317
Additional provision during the year	424,272
Balance as at Secember 31, 2024	1,282,589

Suspended Interest Account	ETB'000
Balance as at June 30,2024	138,079
Reduced from non-accrual during the year	(49,816)
Balance as at December 31,2024	**88,263**

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		31 December 2024 Birr'000	31 December 2023 Birr'000
5	**Interest income**		
	Treasury Bill	47,500	49,732
	Loans and advances to customers	3,588,228	3,567,676
	Investment securities	376,450	180,592
	Interest Income on Correspondent Bank Accounts	5,592	1,088
		4,017,769	**3,799,088**

		31 December 2024 Birr'000	31 December 2023 Birr'000
6	**Interest expense**		
	Saving deposits	736,941	673,711
	Fixed time deposits	629,779	373,817
	Current deposits	388	2,055
	Short term borrowing	27,085	2,108
	Leases	12,454	13,252
		1,406,648	**1,064,942**

		31 December 2024 Birr'000	31 December 2023 Birr'000
7	**Net fees and commission income**		
	Commission and fees on L/C	1,438,044	940,506
	Commission on Gurantees	113,543	131,923
	Agent Banking Fee	16,020	9,733
	ATM Transaction Fees-Foreign	629	1,778
	ATM Transaction Fees-Local	720	658
	Commission on CPO issued	708	1,093
	Credit Information Charge	37,771	18,331
	Service Charge-Local	7,269	7,033
	SWIFT charges	40,118	12,772
	Commission Sundries	12,472	13,493
	Commission & Charges from IFB	30,297	2,099
	Commission and Fees on Fund transfers	1	29
		1,697,592	**1,139,448**

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		31 December 2024 Birr'000	31 December 2023 Birr'000
8	**Other operating income**		
	Rental income	4,717	10,482
	Estimation fees	1,204	1,706
	Rebates	1,438	1,079
	Fee on Bounced Checks	96	31
	Dividend income	43,636	-
	Gain on Disposal of Old Assets	5,194	10,498
	Card purchase & replacement income	1,402	254
	Sundries-Local	10,343	7,037
	Gain on foreign exchange Dealing	1,317,267	165,595
		1,385,295	196,682

		31 December 2024 Birr'000	31 December 2023 Birr'000
9	**Loan impairment charge**		
	Loans and Advances - charge for the year (note 15b)	684,674	639,502
		684,674	**639,502**

		31 December 2024 Birr'000	31 December 2023 Birr'000
10	**Impairment losses on other assets**		
	Other assets - charge for the year (note 17)	40,629	409,641
	Other assets - reversal of impairment losses (note 17)	-	-
		40,629	**409,641**

		31 December 2024 Birr'000	31 December 2023 Birr'000
11	**Salaries and benefits**		
	Employee salaries	940,910	751,662
	Outsourced employee salaries	148,329	148,244
	Pension costs	103,178	82,770
	Short-term employee benefits	508,578	304,169
	Severance pay- Defined benefit plan	37,180	-
		1,738,174	**1,286,846**

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	31 December 2024 Birr'000	31 December 2023 Birr'000
12 Other operating expenses		
Advertisement & Publicity	49,636	30,049
Agent Banking	2,637	-
Bank Charges	6,016	-
Broad Band Expense	8,016	6,584
Card payment Charges	34,318	993
Consultant Fee	43,024	7,784
Communication expenses	4,172	2,594
Consumables	13,527	7,086
Donations	29,487	33,305
Ethswitch Charges	1,094	1,032
Stump Duty Expense	1,146	401
Entertainment	2,405	1,442
Event organization expense	9,476	1,104
Insurance	10,665	12,531
IT support charges	49,269	16,229
Legal and professional fees	5,069	103
License Fee and Taxes	10,642	9,941
Loss on Disposal of fixed assets	100	6,636
Maintenance	28,556	21,488
Membership Fee	1,273	1,080
Money transfer charges	7,647	8,407
Penalty Expense	-	20
Perdiem and Travel	15,534	13,642
Petrol and Oil	21,330	15,703
Printing and stationary	13,840	12,591
Rental expenses	3,384	22,535
Subscription & Publication	186	215
Sundries	3,773	8,314
Uniform	20,163	16,669
Utilities	6,473	5,709
Wages for non-permanent employees.	1,903	1,260
Deposit Insurance Expense	72,880	59,610
	477,640	**325,057**

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		31 Dec 2024 Birr'000	31 Dec 2023 Birr'000
13	**Company income and deferred tax**		
13.a	**Current income tax**		
	Company income tax	893,383	414,264
	Deferred income tax/(credit) to profit or loss	(17,475)	-
	Total charge to profit or loss	875,908	414,264
	Tax (credit) on other comprehensive income	6,596	35,061
	Total tax in statement of comprehensive income	**882,505**	**449,325**

13.b 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:

		31 Dec 2024 Birr'000		31 Dec 2023 Birr'000	
	Profit before tax		2,475,679		1,189,992
	Tax calculated at statutory tax rate of 30 %		742,704		356,997
Add:					
	Entertainment	721		433	
	Donation	60		1,710	
	Penalty	-		6	
	Provision for Legal cases	736		0	
	Employee Severance benefits expensed	11,154		0	
	Loss on disposal of fixed assets	30		1,991	
	Provision for loans and other assets	217,591		314,743	
	Depreciation for accounting purpose	30,527		23,684	
	Depreciaion and int. expense IFRS 16	49,546		37,364	
	Amortization for accounting purpose	6,648		4,448	
	Loss on FCY revaluation	235,787		7,125	
	Life Insurance	2,854		2,061	
	Staff Loan Fair valuation expense	(516)		0	
	Accrued leave Expense	28,378		0	
	Accrued leave Expense		583,515		393,563

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		31 December 2024 Birr'000		31 December 2023 Birr'000	
Less:					
	Depreciation for tax purpose	(36,340)		27,327	
	Amortization for tax purpose	(5,175)		3,411	
	Rent expense	(54,297)		48,100	
	Employee severance paid in cash	(5,022)		2,325	
	Provision for loans and other assets	(189,051)		185,307	
	Accrued leave paid in cash to resigned staffs	(999)		403	
	Dividend income taxed at source	(13,091)		-	
	Interest income exempt/taxed at Sources	(127,185)		69,097	
	Interest income from correspondent bank accounts taxed at 5%	(1,677)		326	
			(432,836)		(336,297)
			893,383		**414,264**

		31 December 2024 Birr'000	31 June 2024 Birr'000
13.c	**Current income tax liability**		
	Balance at the beginning of the year	641,203	354,776
	Charge for the year:		
	Income tax expense	893,383	641,553
	Payment during the year	(641,203)	(354,776)
	Withholding tax	(230)	(350)
	Balance at the end of the year	**893,153**	**641,203**

The income tax payable during the period are current in nature.

13.d Deferred income tax

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 2024 Birr'000**	**Credit/ (charge) to P/L Birr'000**	**Credit/ (charge) to OCI** Birr'000	**31 December 2024 Birr'000**
Property, Plant and Equipment	119,913	16,088		136,000
Post employment benefit obligation	(86,537)	(6,132)	-	(92,669)
Accrued Leave	(23,729)	(27,430)		(51,159)
Equity Investments	93,851		6,596	100,447
Total deferred tax (assets)/ liabilities	**103,498**	**(17,475)**	**6,596**	**92,619**

	At 1 July 2023 Birr'000	**Credit/ (charge) to P/L Birr'000**	**Credit/ (charge) to equity Birr'000**	**30 June 2024 Birr'000**
Deferred income tax assets/ (liabilities):	118,652	1,261		119,913
Post employment benefit obligation	(74,814)	(15,615)	3,891	(86,537)
Accrued Leave	(14,176)	(9,553)		(23,729)
Equity Investments	64,858		28,992	93,851
Total deferred tax assets/ (liabilities)	**94,521**	**(23,906)**	**32,884**	**103,498**

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		31 December 2024 Birr'000	30 June 2024 Birr'000
14	**Cash and bank balances**		
	Cash in hand	1,314,963	1,225,035
	Deposit with local commercial banks	2,460,559	1,066,152.8
	Deposit with foreign banks	6,074,877	2,937,736
	Deposit with National Bank of Ethiopia	4,505,434	5,416,933
	Treasury Bills	-	2,477,818
	Impairment Allowance for cash	(50)	(176)
		14,355,782	**13,123,499**

	31 December 2024 Birr'000	30 June 2024 Birr'000
Maturity analysis		
Current	14,355,782	13,123,499
Non-Current	-	-
	14,355,782	**13,123,499**

		31 December 2024 Birr'000	30 June 2024 Birr'000
15	**Loans and advances**		
15.a	**Loans and advances to customers**		
	Manufacturing	7,640,193	6,445,065
	Domestic Trade and Services	10,386,539	8,153,159
	Construction	7,400,345	7,157,135
	Transport Service	3,743,518	3,733,860
	Export	7,624,058	7,872,182
	Import	11,936,505	10,636,981
	Staff loans	252,976	694,434
	IFB-Financing & Investments	713,965	483,817
	Gross amount	**49,698,098**	**45,176,634**
	Less: Impairment allowance (note 15b)	(2,560,698)	(1,876,223)
		47,137,400	**43,300,410**

	31 December 2024 Birr'000	30 June 2024 Birr'000
Maturity analysis		
Current	11,373,312	10,447,523
Non-Current	35,764,088	32,852,887
	47,137,400	**43,300,410**

15.b Impairment allowance on loans and advances to customers

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

Alowance for loan impairment	As at 1 July 2024 Birr'000	Write offs during the year Birr'000	Charge for the year Birr'000	As at 31 December 2024 Birr'000
Construction	236,832	-	249,959	486,791.20
Domestic Trade and Servces	788,064	-	(2,480)	785,583.31
Export	315,878	-	(8,338)	307,540.33
Import	209,921	-	388,472	598,393.58
Manufacturing	236,162	-	40,852	277,013.99
Staff loans	5,869	-	(1,836)	4,032.49
Transport Service	73,672	-	17,731	91,402.45
Letter of Guarantee	88	-	177	266
Letter of Credit	160	-	183	343
IFB Financing	**9,578**	-	**(246)**	**9,333**
	1,876,223	-	**684,674**	**2,560,698**

Alowance for loan impairment	As at 1 July 2023 Birr'000	Adjustmnent as at July 1,2023 Birr'000	Write offs during the year Birr'000	Charge for the year Birr'000	As at 30 June 2024 Birr'000
Construction	462,367	-	-	(205,375)	236,832
Domestic Trade and Servces	392,362	-	-	395,701	788,064
Export	211,452	-	-	104,426	315,878
Import	227,803	-	-	(17,882)	209,921
Manufacturing	259,250	-	-	(23,089)	236,162
Staff loans	1,570	-	-	4,299	5,869
Transport Service	65,231	-	-	8,441	73,672
Guarantee	39	-	-	49	88
Letter of Credit	165	-	-	(5)	160
IFB Financing	6,851	-	-	2,728	9,578
	1,627,090	-	-	**269,292**	1,876,223

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		31 December 2024 Cost Birr'000	Fair Value(FV) Adjustment	31 December 2024 FV Birr'000	30 June 2024 FV Birr'000
16	**Investment Securities**				
16.a	**Equity Investment securities at FVOCI**				
	Ethio switch	126,615	363,739	490,354	449,037
	Africa Insurance S.C	31,065	15,448	46,513	22,151
	Addis Ababa Exhibition & Con. Center	54,000	(50,221)	3,779	3,813
	Ethiopian Reinsurance S.C	17,801	5,222	23,023	17,453
	Capital Finance Excellence Center	5,000	5,930	10,930	10,666
	Allenatech Electronics S.C.	5,000	(5,294)	(294)	**-1,389**
	Ethiopian Securities Exchange S.C	38,963	-	38,963	38,963
		278,444	**334,823**	**613,268**	**540,695**

All the above equity investmnets are made in unquoted companies whose fair value is determined on net asset basis. Valuation of Ethiopian Security Exchange (ESX) share price has not done due to unavailabiltiy of audited and interim fiancial report for the period June 30, 2024 and December 31, 2024 respectively.

		31 December 2024 Birr'000	30 June 2024 Birr'000
16.b	**Investment in Debt Securities**		
	Ethiopian Government Securities	6,713,788	4,613,385
	Impairment Allowance for Debt Securities	(332)	(230)
		6,713,457	4,613,155

	31 December 2024 Birr'000	30 June 2024 Birr'000
Maturity analysis		
Current	-	-
Non-Current	6,713,788	4,613,385
	6,713,788	**4,613,385**

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		31 December 2024 Birr'000	30 June 2024 Birr'000
17	**Other assets**		
	Financial assets		
	Staff receivables	1,780	1,258
	Receivable from money transfer agents	172,982	81,809
	Recievable from VISA	40,776	1,147
	Recievable from Master Card	26,957	4,046
	Eth-switch Receivable	219,002	13,758
	Other receivables	2,240,555	1,122,155
	Gross amount	**2,702,052**	**1,224,174**
	Less: Impairment allowance (note 17a)	(851,346)	(810,693)
		1,850,706	**413,481**
	Non-financial assets		
	Prepayments	551,445	270,821
	Prepaid expenses on staff loans	630,789	600,590
	Inventory	122,564	101,260
	Repossessed properties	179,332	162,830
	Cash Lost	192,811	193,268
		1,676,942	**1,328,769**
	Gross amount	**3,527,648**	**1,742,250**

Maturity analysis

	31 December 2024 Birr'000	30 June 2024 Birr'000
Current	3,209,542	1,447,290
Non-Current	318,106	294,959
	3,527,648	1,742,250

17.a Impairment allowance on other assets

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

	31 December 2024 Birr'000	30 June 2024 Birr'000
Balance at the beginning of the year	810,693	400,101
Written off during the year	40,653	410,591
(Reversal)/charge for the year	-	-
Balance at the end of the year	**851,346**	**810,693**

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17.b Inventory

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

	31 December 2024 Birr'000	30 June 2024 Birr'000
Stationery	38,554	30,898
Office supplies	28,172	37,847
Visa cards	22,645	1,320
Other stock	33,031	31,035
Memorial Coins	161	161
	122,564	**101,260**

18 Investment property

	31 December 2024 Birr'000	30 June 2024 Birr'000
Investment property		
Cost:	3,027	943
At the beginning of the year	-	2,084
Renovation	3,027	3,027
Accumulated depreciation:		
At the beginning of the year	441	384
Charge for the year	29	58
At the end of the year	470	441
Net book value		
As at 31 December 2024	**2,556**	**2,585**

18.a **Amounts recognised in profit or loss for investment properties**	31 December 2024 Birr'000	31 December 2023 Birr'000
Rental income	4,717	10,482

18.b Fair value measurement of the Bank's Investment properties

The Bank's investment property is measured at cost. These properties include those held for rental purposes and those in which the Bank occupies an insignificant portion. These properties are held to earn rentals and for capital appreciation. There are currently no restrictions on the realisability of these properties.

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

The fair value of the Bank's Investment property as at 31 December 2024 has been arrived at by in-house engineers qualified estate surveyors and valuers. These valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the replacement cost concept which approximates the estimated amount for which a property should exchange on the date of valuation between knowledgeable willing parties in an arm's length transaction after proper marketing, prudently and without compulsion. This implies a market comparable approach that reflects the recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

18c Fair value hierarchy

Details of the Bank's Investment properties and information about the fair value hierarchy at 31 December 2024 and 30 June 2024 are as follows:

31 December 2024	**Carrying amount Birr'000**	**Level 1 Birr'000**	**Level 2 Birr'000**	**Level 3 Birr'000**
Investment properties	2,556			13,009
30 June 2024	**Carrying amount Birr'000**	**Level 1 Birr'000**	**Level 2 Birr'000**	**Level 3 Birr'000**
Investment properties	2,556			13,009

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	Purchased Software Birr'000	Software Under development Birr'000	Total Birr'000
19 Intangible Assets			
Cost:			
As at 1 July 2023	172,156	-	172,156
Acquisitions	33,311		33,311
Derecognition	-		-
Adjustments/Transfers to intangible assets	-	-	-
As at 30 June 2024	**205,467**	**-**	**205,467**
As at 1 July 2024	205,467	-	205,467
Acquisitions	192,606		192,606
Derecognition	-		-
Adjustments/Transfers to intangible assets	-	-	-
As at 30 December 2024	**398,074**	**-**	**398,074**
Accumulated amortisation			
As at 1 July 2023	123,338	-	123,338
Derecognition	-		-
Amortisation	34,061		34,061
As at 30 June 2024	**157,399**	**-**	**157,399**
As at 1 July 2024	157,399	-	157,399
Amortisation	22,160		22,160
As at 31 December 2024	**179,559**	**-**	**179,559**
Net book value			
As at 30 June 2024	**48,818**	**-**	**48,068**
As at 31 December 2024	**218,515**	**-**	**218,515**

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	Office Equipments Birr'000	Building Birr'000	Motor vehicles Birr'000	Furniture and fittings Birr'000	Computer equipments Birr'000	Capital work in Progress Birr'000	Total Birr'000
20 Property, Plant and Equipment							
Cost:							
As at 1 July 2023	488,871	857,848	314,235	276,370	531,935	12,077	2,481,336
Additions	129,219	-	119,940	74,026	160,326	1,317	484,828
Disposals	(875)	-	(2,266)	(3,359)	(2,114)	-	(8,615)
Write-off	(10,923)	-	(4,002)	(1,205)	(6,529)	-	(22,658)
Reclassification	(55,507)	(2,084)	(3,426)	(9,120)	(76,167)	-	(146,305)
As at 30 June 2024	**550,784**	**855,764**	**424,481**	**336,712**	**607,451**	**13,395**	**2,788,586**
As at 1 July 2024	**550,784**	**855,764**	**424,481**	**336,712**	**607,451**	**13,395**	**2,788,586**
Additions in Six Months	30,891	-	11,559	100,514	24,222	1,495	168,681
Disposals	(652)	-	(1,312)	-	(855)	-	(2,819)
Write-off	-	-	-	(186)	-	-	(186)
Reclassification	(20,673)	-	(3,343)	(11,065)	(17,459)	-	(52,541)
As at 31 December 2024	**560,350**	**855,764**	**431,384**	**425,975**	**613,359**	**14,890**	**2,901,721**

Accumulated depreciation

	Acc dep - Office Equipments	Acc dep - Building	Acc dep -Motor vehicles	Acc dep -Furniture and fittings	Acc dep -Computer equipments	Acc dep -Capital work in Progress	Total
As at 1 July 2023	263,724	88,351	181,095	131,038	283,966	-	948,173
Charge for the year	43,201	16,304	28,473	26,408	62,139	-	176,525
Write-off	(8,054)	-	(3,043)	(101)	(4,855)	-	
Disposals	(626)	-	(2,142)	(2,741)	(1,991)	-	(7,501)
As at 30 June 2024	**298,245**	**104,655**	**204,382**	**154,603**	**339,259**	**-**	**1,101,144**
As at 1 July 2024	**298,245**	**104,655**	**204,382**	**154,603**	**339,259**	**-**	**1,101,144**
Charge for Six Months	24,502	8,197	15,926	16,382	36,721	-	101,727
Write-off	-	-	-	(110)	-	-	(110)
Disposals	**(478)**	**-**	**(1,297)**	**-**	**(828)**	**-**	**(2,603)**
As at 31 December 2024	322,268	112,852	219,012	170,874	375,152	-	1,200,158
Net book value							
As at 30 June 2024	**252,539**	**751,109**	**220,098**	**182,109**	**268,192**	**13,395**	**1,687,442**
As at 31 December 2024	**238,081**	**742,912**	**212,372**	**255,100**	**238,207**	**14,890**	**1,701,563**

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20.a Right-of-Use Asset and lease liability

	31-Dec-24 Birr'000	30-Jun-24 Birr'000
Right-of-Use (ROU) Asset		
ROU-Office buildings	900,138	675,445
Lease liability		
Current	56,854	44,768
Non-current	180,038	141,765
Lease liability	**236,892**	**186,533**
Depreciaiton on ROU asset	152,698	124,546

		31 Dec 2024 Birr'000	30 June 2024 Birr'000
21	**Deposits from customers**		
	Demand deposits	19,071,265	16,504,445
	Saving deposits	30,599,106	27,864,741
	Fixed term deposits	5,339,912	4,048,764
		55,010,283	48,417,951

	31 Dec 2024 Birr'000	30 June 2024 Birr'000
Maturity analysis		
Current	44,913,802	8,624,716
Non-Current	10,096,480	39,793,235
	55,010,283	48,417,951

		31 Dec 2024 Birr'000	30 June 2024 Birr'000
22	**Deposit from financial institutions**		
	Saving Deposit	127,499	114,976
	Demand Deposit	334,680	459,440
	Fixed Term deposit	2,681,143	3,132,357
	Total	3,143,323	3,706,774

	31 Dec 2024 Birr'000	30 June 2024 Birr'000
Maturity analysis		
Current	2,566,403	660,290
Non-Current	576,919	2,483,033
	3,143,323	**3,706,774**

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		31 December 2024 Birr'000	30 June 2024 Birr'000
23	**Other liabilities**		
	Financial liabilities		
	Blocked Account	9,484	9,562
	Cash payment order payable	184,089	233,603
	Customer deposits for letter of credit	1,957,999	1,388,599
	Deferred revenue	123,859	206,156
	Deposit for Guarantees Issued	13,907	26,681
	Dividend payable	376,905	43,110
	Exchange payable to NBE	71,208	49,071
	Nostro Account	5	29
	Old draft payable	61,092	61,092
	Payable to Ethio switch	11,745	6,902
	Prepaid card control account	11,088	7,705
	Telegraphic transfer payable	12,400	12,415
	Borrowing	1,000,000	-
		3,833,780	**2,044,925**
	Non-financial liabilities		
	Provision for court cases	62,568	60,115
	Pension Contribution Pay	24,450	20,912
	Stamp duty payable	4,522	3,138
	Interest Tax Payable	13,019	13,193
	Withholding tax payable	4,137	3,180
	Employee income Tax Payable	57,565	41,934
	VAT payable	95,274	6,136
	Cost Sharing Payable	339	404
	Technical Service Payable	7,178	1,618
	Accrued leave pay	170,530	79,096
	Sundry payables	473,029	619,536
	Lease Liability	236,892	186,533
	Employee Bonus Payable	-	287,496
		1,149,501	1,323,291
	Gross amount	**4,983,281**	**3,368,216**

Maturity analysis	31 December 2024 Birr'000	30 June 2024 Birr'000
Current	4,803,243	3,226,451
Non-Current	180,038	141,765
	4,983,281	**3,368,216**

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		31 December 2024 Birr'000	30 June 2024 Birr'000
24	**Employee benefit obligations**		
24.a	**Defined benefits liabilities:**		
	-Severance benefits	308,898	249,379
	Liability in the statement of financial position	**308,898**	**249,379**
	Income statement charge included in personnel expenses:	**31 Dec 2024 Birr'000**	**30 June 2024 Birr'000**
	– Severance pay	37,180	54,662
	Total defined benefit expenses	**37,180**	**54,662**
	Re-measurements for:	-	48,167
	– Severance pay	-	**48,167**

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

24.b Severance pay

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

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

		31 December 2024 Birr'000	30 June 2024 Birr'000
A	**Liability recognized in the statement of financial position**	308,898	249,379
		31 December 2024 Birr'000	**30 June 2024 Birr'000**
B	**Amount recognized in profit or loss statement**		
	Current and past service cost	10,012	18,519
	Interest cost	27,168	53,398
		37,180	71,917
		31 December 2024 Birr'000	**30 June 2024 Birr'000**
C	**Amount recognized in other comprehensive income:**		
	Remeasurement gain arising from experience	-	31,786
	Remeasurement losses arising from changes in the financial assumptions	-	16,381
	Tax Credit/Charge	-	(14,450)
		0	33,717

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

	31 Dec 2024 Birr'000	30 June 2024 Birr'000
At the beginning of the year	288,457	249,379
Current and past service cost	10,012	18,519
Interest cost	27,168	53,398
Re-measurement (gains)/ losses		(12,971)
Benefits paid	(16,739)	(19,868)
At the end of the year	308,898	288,457

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	31 Dec 2024 Birr'000	30 June 2024 Birr'000
Discount Rate	18.80%	18.80%
Salary Increase rate	16.30%	16.30%
Inflation rate	14.30%	14.30%

ii) Mortality in Service

Mortality rates are commonly set with reference to standard tables published by reputable institutions (such as the Actuarial Society of South Africa and the Central Statistics Agency (“CSA”)) who have access to statistically significant data from which to derive mortality rates. Sample mortality rates are as follows:

Age	'Mortality rate	
	Males	Females
20	0.31%	0.22%
25	0.30%	0.23%
30	0.36%	0.31%
35	0.41%	0.28%
40	0.52%	0.32%
45	0.45%	0.43%
50	0.63%	0.63%
55	0.98%	0.98%
60	1.54%	1.54%

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iii) Withdrawal/Resignation from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed that resignation rates decrease by 2.5% for each age from 15% at age 20 (and below) to 0% at age 50. A sample of the resignation rates is summarised in the table below.

Age	Resignation rates per annum
20	15.00%
25	12.50%
30	10.00%
35	7.50%
40	5.00%
45	2.50%
50	0.00%

The sensitivity of the main results to changes in the assumed salary escalation rates and the discount rate have been calculated based on the duration of the liablities. The changes in the 31 December 2024 Defined Benefit Obligation and the assets are reflected below:

	Base DBO Birr'000	Current service cost one year impact Birr'000	% Change
Discount rate + 1%	308,898	267,461	-13.4%
Discount rate - 1%	308,898	311,359	0.8%
Salary Increase +1%	308,898	311,665	0.9%
Salary Increase +1%	308,898	266,851	-13.6%

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.

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		31 December 2024 Birr'000	30 June 2024 Birr'000
25	**Share capital**		
	Authorised:		
	Ordinary shares of Birr 1000 each	20,000,000	20,000,000
	Issued and fully paid:		
	Ordinary shares of Birr 1000 each	6,213,504	5,058,890
	Share premium	83,241	74,917
		6,296,745	5,133,807

26 Earnings per share

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

	31 December 2024 Birr'000	31 December 2023 Birr'000
Profit attributable to shareholders	1,599,771	775,728
Weighted average number of ordinary shares in issue	5,539,904	4,052,012
Basic earnings per share (%age)	**28.88%**	**19.1%**

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 and the year before, hence the basic and diluted profit per share have the same value.

		31 December 2024 Birr'000	31 December 2023 Birr'000
27	**Retained earnings**		
	At the beginning of the year	581,796	223,398
	Dividend Paid/Capitalized	(581,796)	(223,398)
	Profit/(Loss) for Six Months	1,599,771	775,728
	Transfer to Legal Reserve	(399,943)	(193,932)
	Transfer to Regulatory Reserve	(65,906)	-
	Balance at the end of the year	**1,133,922**	**581,796**

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		31 December 2024 Birr'000	30 June 2024 Birr'000
28	**Reserve**		
28.a	**Legal Reserve**		
	At the beginning of the year	2,191,622	1,790,822
	Transfer from profit or loss	399,943	400,800
	At the end of the year	**2,591,565**	**2,191,622**

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.

28.b Regulatory Risk Reserve

This includes interest on Non perfroming loans/Stage 3 loans that are recognized per IFRS but not available for dividend distribution as required by National Bank of Ethiopia directive and the excess of provision per NBE directive over that of IFRS 9 which is not accounted as bad debt expense.

	31 December 2024 Birr'000	30 June 2024 Birr'000
Opening Balance	**507,882**	**552,262**
Add : Additional provision per NBE	62,607	112,201
: Interest income on Non Performing Loans (NPL)	36,096	(244,821)
Less : Income Tax (30%) and legal reserve		
: Tax on interest from Non-performing loans	(10,829)	73,446
: Transfer to legal reserve from interest income on NPL	(6,317)	42,844
: Transfer to Legal reserve from additional provision	(15,652)	(28,050)
	573,787	**507,882**

28.c Other Reserve

The other reserve includes the fair value gain/loss on equity instruments classified at FVOCI and remeasurement gains/losses on defined benefit obligations of the Bank.

	31 December 2024 Birr'000	30 June 2024 Birr'000
Opening Balance	127,360	50,631
Fair Value gain of Equity Instruments	15,391	67,649
Remeasurement loss on defined benefit plans(net of tax)	-	9,080
	142,751	**127,360**

		31 Dec 2024 Birr'000	31 Dec 2023 Birr'000
29	**Cash generated from operating activities**		
	Profit before tax	2,475,679	1,189,992
	Adjustments for non-cash items:		
	Depreciation of property, plant and equipment	101,727	78,918
	Depreciation of investment property	29	29
	Amortisation of intangible assets	22,160	14,825
	Depreciation of right of use assets	152,698	124,546
	(Gain)/Loss on disposal of property, plant and equipment	(5,094)	(3,862)
	Impairment on loans and receivables	725,303	1,049,143
	Foreign currency exchange rate gain on cash and cash equivalents	(150,976)	(99,394)
	Employee benefit obligations	131,773	34,082
	Dividend income	(43,636)	-
	Changes in working capital:		
	-Decrease/ (Increase) in loans and advances	(4,521,465)	(2,174,735)
	-Decrease/ (Increase) in other assets	(1,826,051)	(1,911,777)
	-Increase/ (Decrease) in deposits from customers	6,592,332	3,680,084
	-Increase/ (Decrease) in deposits from financial institutions	(563,451)	21,890
	-Increase/ (Decrease) in other liabilities	1,615,064	591,332
		4,706,093	**2,595,073**

30 Related party transactions

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

		Nature of relationship	31 Dec 2024 Birr'000	30 June 2024 Birr'000
30.a	**Transactions with related parties**			
	I. Loans and advances to:	• Influential shareholders	2,109,744	1,717,250
		• Key Management Personnel	97,754	96,343
			2,207,498	**1,813,593**
	II. Deposit balances of:	• Influential shareholders	858,859	414,141
		• Key Management Personnel	3,829	2,660
			862,688	**416,801**

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30.b 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 is shown. There were no sales or purchase of goods and services between the Bank and key management personnel as at 31 December 2024.

		31 Dec 2024 Birr'000	31 Dec 2023 Birr'000
Salaries and other employee benefits to:	• Board of Directors	600	920
	• Executive Management	16,983	11,264
		17,583	**12,184**

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

31 Employees

The total number of persons employed by the Bank during the year was as follows:

	31 Dec 2024 Number	30 June 2024 Number
Total staff	5,467	5,396

32 Contingent liabilities and assets

32.a Claims and litigation

As of December 31, 2024, the Bank is involved in various legal cases initiated by different organizations and individuals in the course of its normal business operations. Out of the cases amounting to Birr 560.26 million, the Bank has conducted an assessment and allocated a provision of Birr 62.57 million, compared to Birr 60.11 million as of June 30, 2024.

32.b Guarantees and letters of credit

The Bank conducts business involving issuance of various bid bond, performance bonds and advance payment guarantees. These instruments are given as a security to support the performance of a customer to third parties. The Bank also issued letter of credit facilities to importers, whcih created committment to the Bank to settle the obligation in foreign currency when the L/C documents are clearly presented to the Bank and recover the amount from custmers in local currency. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

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

	31 Dec 2024 Birr'000	30 June 2024 Birr'000
Guarantees issued	5,649,384	4,080,986
Letter of credit	7,166,388	4,007,421
	12,815,771	8,088,407

32.c Commitments

Loan commitments	31 December 2024 Birr'000	30 June 2024 Birr'000
Un-utilized overdraft and other facilities	5,615,759	2,137,732
	5,615,759	2,137,732

33 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 31 December 2024 and on the profit for the year ended on that date, which have not been adequately provided for or disclosed.

34 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are different from those of other segments . Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker is the person of the Bank that allocates resources to and assesses the performance of the operating segments of an entity.

The Bank has determined the Board of Directors as its chief operating decision maker. All transactions between business segments are conducted on commercial terms basis with intra-segment revenue and costs being eliminated at Bank level.

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Segment information

IFRS 8 requires operating segments to be identified on the bases of internal reports about components of the bank that are regularily reviewd by the borad of directors in order to allocate resources to the segment and to assess its performance
Information reported to the Bank's Board of Directors for the purposes of resource allocation and assessment of segment performance is focused on products and services.
The accounting policies of the reportable segments are the same as the Bank's accounting policies described in note 2
For management purposes, the Bank has been organised into two operating segments based on products and services, as

1• Interest Free Banking- All Islamic banking products offered to customers are included under the Islamic Banking segment. These products inlcude Wadiah deposits, Amanah deposits and mudarabah investments,Murabaha and Qard Financing.

2• Conventional Banking- The conventional banking segment comprises of corporate,retail and institutional banking customers in various sectors which include agriculture, manufacturing, domestic trade, construction, hotel and tourism, microfinance institutions, mortgage loans and personal loans. It also comprises public,private,cooperative,goverment and non-govermental orginizations deposits.

The Executive Management Committee have monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the consolidated financial statements. However, income taxes are managed at bank level and are not allocated to operating segments.
Transfer prices between operating segments are based on the Bank's internal pricing framework.
No revenue from transactions with single external customer or Counterparty amounted to 10% or more of the bank's total reveunue in 2023/2024

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31-Dec-24

34.a Statement of Profit or Loss and Other Comprehensive Income

	Conventional Banking Birr '000	Interest Free Banking Birr '000	The bank Birr '000
Interest income	3,988,856	-	3,988,856
Income from Interest free financing and investment products	-	28,913	28,913
Interest expense	(1,397,276)		(1,397,276)
Distribution to depositors- Interest Free Banking Products		(9,372)	(9,372)
Net interest income and income from Interest Free Banking products net of distribution to depositors	**2,591,580**	**19,541**	**2,611,122**
Fee and commission income	1,696,776	816	1,697,592
Other operating income	1,384,728	567	1,385,295
Gain from sale of aquired properies	-	-	-
Loan and Other asset impairment charge	(725,037)	(266)	(725,303)
Net operating income	**4,948,048**	**20,658**	**4,968,707**
Amortization of intangible assets	(22,160)	-	(22,160)
Depreciation of property,plant and equipment	(100,671)	(1,085)	(101,756)
Personnel and Other operating expenses	(2,353,413)	(15,698)	(2,369,111)
Segment Profit before tax	2,471,805	3,875	2,475,679
Income tax expense	**(874,746)**	**(1,162)**	**(875,908)**
Segment profit after tax	**1,597,059**	**2,712**	**1,599,771**

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31-Dec-24

34.b Statement of Financial Position

	Conventional Banking Birr '000	Interest Free Banking Birr '000	The bank Birr '000
Assets			
Cash and bank balances	14,312,901	42,881	14,355,782
Loans and advances to customers	46,440,231		46,440,231
IFB financings	-	678,756	678,756
Investment securities	7,326,724	-	7,326,724
IFB profit recievables	-	18,412	18,412
Other assets	983,277	2,544,371	3,527,648
Fixed assets	2,807,157	15,615	2,822,773
Total assets	**71,870,292**	**3,300,035**	**75,170,327**
Liabilities			
Deposit from customers	55,527,384		55,527,384
IFB deposits	-	2,626,222	2,626,222
Current tax liabilities	893,153		893,153
Other liabilities	4,713,689	671,108	5,384,798
Total liabilities	61,134,227	3,297,330	64,431,557
EQUITY			
Share capital	6,213,504		6,213,504
Share premium	83,241		83,241
Retained earnings and reserves	**4,439,320**	**2,705**	**4,442,025**
Total equity	**10,736,065**	**2,705**	**10,738,771**
Total equity and liabilities	**71,870,292**	**3,300,035**	**75,170,327**

31-Dec-23

34.c Statement of Profit or Loss and Other Comprehensive Income

	Conventional Banking Birr '000	Interest Free Banking Birr '000	The bank Birr '000
Interest income	3,786,012	-	3,786,012
Income from Interest free financing and investment products	-	13,076	13,076
Interest expense	(1,056,590)		(1,056,590)
Distribution to depositors- Interest Free Banking Products		(8,352)	(8,352)
Net interest income and income from Interest Free Banking products net of distribution to depositors	**2,729,422**	**4,724**	**2,734,146**
Fee and commission income	1,137,435	2,014	1,139,448
Other operating income	196,597	85	196,682
Loan and Other asset impairment charge	(1,049,143)	-	(1,049,143)
Net operating income	3,014,311	6,822	3,021,133
Armotisation of intangible assets	(14,825)	-	(14,825)
Depreciation of property and equipment	(78,536)	(411)	(78,946)
Personal and Other operating expenses	(1,724,966)	(12,403)	(1,737,370)
Segment Profit before tax	1,195,983	(5,992)	1,189,992
Income tax expense	**(414,264)**	**-**	**(414,264)**
Segment profit after tax	**781,720**	**(5,992)**	**775,728**

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34.d Statement of Financial Position

	Conventional Banking Birr '000	Interest Free Banking Birr '000	The bank Birr '000
Cash and bank balances	11,124,038	1,999,461	13,123,499
Loans and advances to customers	42,826,172		42,826,172
IFB financings	-	463,230	463,230
Investment securities	5,153,850	-	5,153,850
IFB recievables	-	11,008	11,008
IFB inventory	-	-	-
Other assets	1,730,036	12,214	1,742,250
Fixed assets	2,400,808	12,733	2,413,541
Total assets	**63,234,903**	**2,498,647**	**65,733,550**
LIABILITIES			
Deposit from customers	49,656,941	-	49,656,941
IFB deposits	-	2,467,783	2,467,783
Current tax liabilities	641,203		641,203
Other liabilities	3,754,476	5,695	3,760,171
Total liabilities	**54,052,620**	**2,473,478**	**56,526,098**
EQUITY			
Share capital	5,058,890		5,058,890
Share premium	74,917		74,917
Retained earnings and reserves	4,048,475	25,169	4,073,644
Total equity	**9,182,282**	**25,169**	**9,207,451**
Total equity and liabilities	**63,234,903**	**2,498,647**	**65,733,550**

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