ABAY BANK SHARE COMPANY

AUDITOR'S REPORT AND FANANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

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TEWODROS AND FIKRE AUDIT
SERVICES PARTNERSHIP
CHARTERED CERTIFIED
ACCOUNTANTS
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Mobile+ 251-96-621 59 21
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Addis Ababa Ethiopia

ABAY BANK SHARE COMPANY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

Directors and Statutory Information

Directors	Title	Appointment date
Dr. Amlaku Asres	Chair person	December 26, 2019
Ato Tadesse Assefa	Vice Chair person	March 19, 2020
Ato Jembere Workineh	Member	April 24, 2024
Ato Demes Teshager	Member	April 4, 2023
W/ro Marta Ayenew	Member	April 4, 2023
Ato Mulat Tsega	Member	January 04, 2016
Ato Tibebu Alula	Member	April 4, 2023
Ato Agerie Tigabu	Member	June 24, 2025
Ato Abraham Ayalew	Member	March 4, 2025

Executive management

Ato Yehuala Gessese	Chief Excutive Officer	August 17, 2015
Ato Abrham Ejigu	Chief Credit Officer	May 27, 2015
Ato Belete Kene	Chief Human Capital Officer	November 13, 2020
Ato Assefa Tefera	Chief Retail Banking Officer	January 04, 2023
Ato Wondifraw Tadesse	Chief Strategy Officer	December 15, 2020
Ato Elias Birhanu	Chief Information Officer	August 25, 2023
Ato Dawit Ayenew	Chief Internal Audit	November 13, 2020
Ato Tsega Mekonen	Chief Risk & Compliance Officer	December 01, 2011
Ato Desalegn Ayalew	Chief Corporate Services Officer	August 25, 2023
W/ro Tsige Ayalew	Chief International Banking Officer	August 25, 2023
Ato Daniel Legesse	Director - Strategy & Innovation	December 05, 2011
Ato Endakmew Getnet	Director - Legal Services	November 11, 2015

Independent auditor

Tewodross and Fikre Audit Services Partnership
Chartered Certified Accountants
Authorised Auditors (ETH)
Addis Ababa
Ethiopia

Principal bankers

Aktif Yatirim Bankasi A.S.	EBISA Ecobank, Paris
Bank of Africa	Exim Bank Djibouti S.A.
Bank of Beirut, Great Britain	Firstrand Bank, South Africa
Bank of Beirut, Lebanon	KCB - Kenya Commercial Bank
Bank of Beirut, Uk Frankfurt	ODDO BHF Aktiengesellsellschaft
CAC International Bank Djibouti	Equity Bank Kenya Ltd
Commercial Bank of Dubai	Africa Export Import Bank (AFRI EXIM)
East Africa Bank,Djibouti	NCBA Bank Kenya Plc

ABAY BANK SHARE COMPANY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

Report of Directors

The directors submit their report together with the financial statements for the year ended 30 June 2025, to the shareholders of Abay Bank (the Bank). This report discloses the financial performance and state of affairs of the Bank.

Incorporation and address

Abay Bank was incorporated in July 2010 and registered as a public share holding company in accordance with the banking business proclamation No. 592/2008. The Bank obtained its licence from the National bank of Ethiopia on July 14, 2010 and started its operation on November 4, 2010. The Bank is domiciled in Ethiopia.

Principal activities

The mandate of the Bank is to optimize the stockholder value through sustainable growth and profitability, provide wide range of innovative and customer focused Banking products and services, boost operational excellence by employing state-of-the-art information technology, to be the employer of choice by creating conducive working environment wherein employees achieve their career aspirations.

Results

The Bank's profit for the year ended 30 June 2025 has been transferred to retained earnings. The summarised results are presented below.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Total operating income	10,476,832	6,127,934
Profit / (loss) before tax	4,215,730	1,945,310
Tax (charge) / credit	(1,215,866)	(443,250)
Profit / (loss) for the year	2,999,863	1,502,060
Other comprehensive income / (loss) net of taxes	(27,178)	37,404
Total comprehensive income/ (loss) for the year	**2,972,685**	**1,539,464**
Earnings per share (Birr 1,000)	**463.31**	**280.62**

Directors

The directors who served during the year and up to the date of this report are set out on page 2.

Dr Amlaku Asres

Chairperson of Board of Directors

ABAY BANK SHARE COMPANY
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2025

The Directors are responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards and in the manner required by the Commercial Code of Ethiopia of 2021 (proclamation No 1243/2021) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank is required to keep such records as are necessary to:

a) exhibit clearly and correctly the state of its affairs;
b) explain its transactions and financial position; and
c) enable the regulatory body 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 accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Banking Business Proclamation, Commercial code of 2021 (proclamation No 1243/2021) and the relevant Directives issued by the National Bank of Ethiopia.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the 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.

The Directors have made an assessment of the bank's ability to continue as a going concern and nothing has come to the attaention of the Directors to indicate that the company will not remain a going concern for atleast the next twelve months from the date of this statement.

Signed on behalf of the Directors by:

Dr Amlaku Asres________________
Chairperson of Board of Directors

Yehuala Gessesse________________
Chief Excutive Officer

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Accounting and Auditing Board of Ethiopia
Official Copy Submitted to the board

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E-mail: chalatewodros@gmail.com
Addis Ababa Ethiopia

Partners
Tewodros Hailu, M.A, FCCA & Fikre Menta, M.A, FCCA

INDPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABAY BANK SHARE COMPANY

OPINION

We have audited the accompanying financial statements of ABAY BANK SHARE COMPANY which comprise the statement of profit and loss and other comprehensive income for the year ended 30 June 2025, statement of financial position as at 30 June 2025, statement of changing equity and statement of cash flows for the year then ended and summary of material accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of ABAY BANK SHARE COMPANY as at 30 June 2025 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by IASB.

As required by the commercial code of Ethiopia, based on our audit we report as follows:

i) Pursuant to Article 349 (1) of the Commercial Code of Ethiopia, 2013 E.C and based on our reviews of the board of directors' report, we have not noted any matter that we may wish to bring to your attention.
ii) Pursuant to article 349 (2) of the commercial code of Ethiopia, 2013 E.C, We recommend the financial statements be approved.

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon; we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to be communicated in our report.

Responsibilities of Management and Those charged with Governance for the financial statements

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

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

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

Auditors Responsibility for the Audit of the financial Statements

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

Tewodros and Fikre Audit Services
Partnership
Chartered Certified Accountants

Addis Ababa
September 15,2025

ABAY BANK SHARE COMPANY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2025

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
Interest income	6	8,785,590	6,531,247
Interest expense	7	(2,521,762)	(2,092,978)
Net interest income		**6,263,828**	**4,438,269**
Fee and commission income	8	2,038,082	1,248,051
Fee and commission expense	9	(40,305)	(30,254)
Net Fee and commission income		**1,997,777**	**1,217,797**
Net gain on foreign exchange valuation	10	1,873,486	192,454
Other operating income	11	341,741	279,958
		2,215,227	**472,412**
Total operating income		**10,476,832**	**6,128,478**
Loan impairment charge	12	(138,968)	21,337
Other Assets Impairement Charge	13	(102,184)	(107,704)
Net operating income		**10,235,680**	**6,042,111**
Personnel expenses	14	(3,198,922)	(2,510,939)
Depreciation & Amortization of PPE & Intangible assets	24-25	(241,100)	(177,800)
Depreciation expense on right of use asset	22	(440,150)	(228,585)
Interest Expense on lease liability	23	(8,556)	(15,525)
Other operating expenses	15	(2,131,223)	(1,163,952)
Profit before tax		**4,215,730**	**1,945,310**
Income tax expense	16 (c)	(1,215,866)	(443,250)
Profit After Tax		**2,999,863**	**1,502,060**
Other comprehensive income (OCI)			
Items that will not be subsequently reclassified into profit or loss:			
Re-measurement gain/(loss) on defined benefits obligations	31	(52,498)	(34,388)
Deferred tax asset / (liability) on re-measurement gain or loss:	31 (b)	15,749	10,316
Defined benefit obligations re-measurement gain or loss (net of tax)		**(36,749)**	**(24,072)**
Items that will be subsequently reclassified into profit or loss:			
Financial assets at FVOCI (equity investments)	19	13,672	87,822
Deferred tax asset / (liability) on re-measurement gain or loss:	16 (d)	(4,102)	(26,347)
FVOCI (equity investments) re-measurement gain or loss (net of tax)		**9,571**	**61,475**
Net - remeasurement gain or loss		**(27,178)**	**37,404**
Total comprehensive income for the period		**2,972,685**	**1,539,464**
Earnings per share (Birr 1,000)			
Basic EPS	33	**463.31**	**280.62**
Diluted EPS	33	**463.31**	**280.62**

The notes on pages 10 to 66 are an integral part of these financial statements.

ABAY BANK SHARE COMPANY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2025

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
ASSETS			
Cash and bank balance	17	25,535,571	11,694,162
Loans and advances to customers	18	49,216,692	41,109,103
Equity investments at fair value -OCI	19	707,476	640,520
Other financial assets	20	10,028,371	6,819,698
Other non Financial assets	21	691,187	1,394,684
Right of use assets	22	1,284,844	1,180,648
Property, plant and equipment	24	1,866,703	1,613,467
Intangible Assets-Software	25	286,849	29,772
Construction in progress	26	1,707,503	1,928,111
Non current asset held for sale	27	20,568	7,351
Total assets		**91,345,765**	**66,417,516**
LIABILITIES			
Deposits from customers	28	71,914,463	52,626,060
Current income tax liability	16 (b)	1,229,062	481,704
Other Financial liabilities	29	5,039,917	3,029,661
Lease Liabilities	23	467,340	615,713
Non financial liabilities	30	123,191	56,016
Defined benefits obligation	31 (c)	299,339	192,048
Net deferred tax asset/(liabilities)	16 (d)	63,101	87,945
Total liabilities		**79,136,414**	**57,089,147**
EQUITY			
Share Capital	32	7,013,373	6,015,344
Share Premium	32	39,128	39,108
Retained Earnings	34	2,041,323	1,052,342
OCI-Defined Employee Benefit	31 (b)	(111,616)	(74,868)
OCI-Equity Investment	19	330,584	321,013
Legal Reserve	35	2,424,166	1,674,200
Regulatory Risk Reserve	36	472,394	301,230
		12,209,352	**9,328,369**
Total equity and liabilities		**91,345,765**	**66,417,516**

The notes on pages 10 to 66 are an integral part of these financial statements.

The financial statements on page 10 - 66 were approved and authorized for issue by the board of directors on September 10, 2025 were signed on its behalf by:

Dr Amlaku Asres ____________ Yehuala Gessesse ____________

Chairperson of Board of Directors Chief Excutive Officer

ABAY BANK SHARE COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2025

	Notes	Share Capital Birr'000	Share Premium Birr'000	Retained Earnings Birr'000	OCI-Definded Employee Benefit Birr'000	Legal Reserve Birr'000	Regulatory Risk Reserve Birr'000	OCI-Equity Investment Birr'000	TOTAL Birr'000
As at 1 July 2023		**4,733,303**	**35,388**	**1,030,944**	**(50,795)**	**1,308,302**	**243,190**	**259,537**	**7,559,869**
									-
Issues of ordinary shares	32	1,282,041	3,720						1,285,761
Profit for the year	34			1,502,060					1,502,060
Dividend paid	34			(1,041,760)					(1,041,760)
Re-measurement on defined benefit plan net of tax	31				(24,072)				(24,072)
OCI Equity investment net of tax	19							61,475	61,475
Regulatory Risk Reserve	36	-	-	(58,040)	-	-	58,040	-	-
Transfer to legal reserve	35	-	-	(365,898)	-	365,898	-	-	-
Prior period adjustment	34	-	-	(14,964)	-	-	-	-	(14,964)
As at 30 June 2024		**6,015,344**	**39,108**	**1,052,342**	**(74,868)**	**1,674,200**	**301,230**	**321,013**	**9,328,369**
As at 1 July 2024		**6,015,344**	**39,108**	**1,052,342**	**(74,868)**	**1,674,200**	**301,230**	**321,013**	**9,328,369**
									-
Issues of ordinary shares	32	998,029	20						998,049
Profit for the year	34			2,999,863					2,999,863
Dividend paid	34			(1,052,342)					(1,052,342)
Re-measurement on defined benefit plan net of tax	31				(36,749)				(36,749)
OCI Equity investment net of tax	36							9,571	9,571
Regulatory Risk Reserve	36	-	-	(171,164)	-	-	171,164	-	-
Transfer to legal reserve	35	-	-	(749,966)	-	749,966	-	-	-
Prior period adjustment	34	-	-	(37,410)	-	-	-	-	(37,410)
As at 30 June 2025		**7,013,373**	**39,128**	**2,041,323**	**(111,616)**	**2,424,166**	**472,394**	**330,584**	**12,209,352**

The notes on pages 10 to 66 are an integral part of these financial statements.

ABAY BANK SHARE COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2025

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
Cash flows from operating activities			
Cash generated from operations	37	17,544,400	5,476,698
Income tax paid	16 (b)	(481,704)	(572,836)
Prior period adjustment	16 (b)	(37,410)	-
Net cash (outflow)/inflow from operating activities		**17,025,286**	**4,903,862**
Cash flows from investing activities			
Proceed of investment securities	20(a)	(2,308,575)	(532,856)
Purchase of equity investment	19	(53,284)	(47,019)
Purchase of construction in progress	26	220,608	(568,385)
Purchase of intangible assets	25	(272,084)	(17,953)
Purchase of property, plant and equipment	24	(553,417)	(651,569)
Proceed from sale of property, plant and equipments	37	4,110	23,495
Purchase of non current asset held for sale	27	(15,763)	-
Proceed from sale of non current asset held for sale	27	5,750	-
Net cash (outflow)/inflow from investing activities		**(2,972,655)**	**(1,794,286)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities	23	(156,929)	92,668
Dividend paid	34	(1,052,342)	(1,041,760)
Proceeds from issue of shares	32	998,049	1,285,761
Net cash (outflow)/inflow from financing activities		**(211,222)**	**336,668**
Net increase/(decrease) in Cash and bank balances		**13,841,409**	**3,446,244**
Cash and bank balance at the beginning of the year	17	11,694,162	8,247,918
Net cash increase/(decrease) during the year		13,841,409	3,446,244
Cash and bank balances at the end of the year	17	**25,535,571**	**11,694,162**

The notes on pages 10 to 66 are an integral part of these financial statements.

ABAY BANK SHARE COMPANY
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

1 General information

Abay Bank SC or "the Bank" is a private commercial Bank domiciled in Ethiopia. The Bank was established on 14 July 2010 in accordance with the provision of the commercial code of 1960 and the banking business proclamation No. 592/2008. The Bank registered office is at:

Zequala complex,
Jomo Kenyatta Avenue,
Addis Ababa, Ethiopia

The Bank is principally engaged in the provision of diverse range of commercial banking services.

2 Summary of significant accounting policies

The accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

i) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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.

ii) Basis of measurement

The financial statement have been prepared on the historical cost basis except:
• Financial asset at FVTOCI are measured at fair value
• Prepaid staff benefits are measured at fair value and
• The liability for defined benefit obligation is measured at present value using discount method

iii) Functional and presentation currency

The financial statements are presented in Ethiopian Birr which is the functional currency of the primary economic environment in which the Bank operates. Except otherwise indicated, financial information presentation has been rounded to the nearest thousands (Birr ' 000).

iv) Going concern

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

v) Use of estimates and judgements

In preparing the financial statements management has made judgments, estimates and assumptions that affect the application of the bank's accounting poilicies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and undelying assumptions are reviewed on an ongoing basis. 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 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated in to funstional currency using closing rate as at the reporting date.

ABAY BANK SHARE COMPANY
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

2.3 Recognition of income and expenses

2.3.1 Interest income and expenses

Income is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the receipt is being made. Expense is recognized to the extent that it is probable that the economic benefits will flow to other party and the expense can be reliably measured, regardless of when the payment is being made.

For all financial instruments measured at amortized cost, interest income and expenses are recognized in profit or loss using the effective interest rate (EIR) which is the rate that exactly discounts estimated future cash payments or receipts.

2.3.2 Fees and commission

Fees and commission income (commission on letters of credit, service charges, guarantees commissions, etc.) are recognized as the related services are performed. Fees and commission expenses are recognized as the related services are received.

2.3.3 Dividend income

This is recognized when the bank's right to receive the payment is established, which is generally when the shareholders approve and declare the dividend.

2.3.4 Foreign exchange revaluation gains or losses

These are gains or 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.

2.3.5 Income tax

i) Current income tax

Current income tax expense is recognized in profit or loss except to the extent that it related to items recognized directly in equity or other comprehensive income. Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

ii) Deferred tax

Deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rate that has been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are only offset when there is a legally enforceable right to offset current tax liabilities against current tax assets and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.4 Financial assets and financial liabilities

i) Recognition and initial measurement

All financial assets are recognized when the Bank becomes a party to a financial asset contract, that is, when it gains a contractual right to receive cash or other financial assets from a contracting party. Financial liabilities are recognized when the Bank enters in to a contractual obligation to deliver cash or other financial asset to a contracting party.

A financial asset or financial liability is recognized initially at fair value. The acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added of deducted from the fair value of the financial assets or financial liabilities respectively.

ii) Classification and subsequent measurement

a) Financial assets

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

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 assets to collect contractual cash flows; and

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

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;

• 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 (SPPI)

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).

b) 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.

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iii) Impairment of financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost are credit impaired. Financial assets are credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 loans and advances. Evidence that a financial asset is credit-impaired includes the following observable data:

• Significant financial difficulty of the borrower;
• 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
• The disappearance of an active market for a security because of financial difficulties

The bank recognizes loss allowances for expected credit losses (ECL) on the following financial instruments:

• Loans and advances
• Financial assets that are debt instruments;
• Financial guarantee contracts issued; and
• Loan commitments issued

No impairment loss is 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.

The Bank recognizes life time ECL for stage 3 (non performing) loans and 12-month ECL for stage 1 and 2 loans. Stage 1 loans refers to normal loans including loans that are past due up to 29 days. Stage 2 loans are past due loans between 30 to 89 days and stage 3 loans are those loans that are past due 90 days and above.

Life-time ECL is the ECL that result from all possible default events over the expected life of the financial instrument. 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.

12-month loss allowance is also recognized for financial assets that are determined to have low credit risk and on which credit risk has not increased significantly since their initial recognition.

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'.

iv) Measurement of ECL

The bank measures ECL on collective basis for portfolio of loans that share similar economic risk characterstics.

ECL is calculated by multiplying 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. ECL for exposure in stage 2 and stage 3 are calculated by multiplying lifetime PD by LGD and by EAD.

PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. EAD represents the expected exposure in the event of default.

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.

• 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.

v) Restructured financial assets

Where the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then the Bank 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.

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vi) Credit-impaired financial assets

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

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 reorganization; 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 deifinition of default is different.

vii) 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.

viii) Write off

Loans and debt securities are written off when the bank has no reasonable expectations of recovering the financial asset (either partially or in full). This is the case when the bank determines that the borrower doesn't have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The bank may apply enforcement activities to financial assets writenoff. Recoveries resulting from previously writtenoff will result in impairment gains which will be presented in net impairment loss on financial assets in the statement of profit or loss.

ix) 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.

x) Derecognition of financial assets and financial liabilities

a) Financial assets

The Bank shall derecognize a financial asset when:

- The contractual right to the cash flows from the financial asset expires
- 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.

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.

b) Financial liabilities

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

xi) Modifications of financial assets and financial liabilities

a) Financial assets

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 derecognizedand 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 maximize 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 amortized 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 recognizes 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 amortized 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.

b) Financial liabilities

The Bank shall derecognize a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms shall be recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized 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 amortized 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 recognized in profit or loss. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

xii) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS standards or for gain and losses arising from a group of similar transactions such as in the bank's trading activities.

xiii) Designation at fair value through profit or loss

a) Financial assets

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

b) Financial liabilities

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

2.5 Cash and bank balances

Cash and bank balances comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

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

2.6 Property, plant and Equipment

a) Recognition and measurement

The Bank classifies property, plant, and equipment (PPE) as held for use in accordance with IAS 16 unless the asset is classified as investment property under IAS 40 or held for sale or discontinued operations.

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

A small portion of the Bank's PPE(Quara Building located in Gonder Town) is rented out on a short-term basis and is not central to the Bank core operations. This rented portion remains classified as PPE.

b) Subsequent costs

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

c) Depreciation

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of property, plant and equipment. The annual depreciation rates in use are:

Asset class	Estimated useful life (In years)	Residual value (In %)
Buildings	50	5
Motor vehicles	10	5
Furniture and fittings	10 - 20	1
Office equipment	5 - 10	1
Computer and accessories	7	1

The residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date. Changes in the expected useful life, residual values or methods of depreciation are accounted for as changes in accounting estimates.

d) De-recognition

Property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses arising on disposal of an item of property and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the item and are recognized net within 'other operating income' in profit or loss.

2.7 Intangible assets

Intangible assets (soft wares) acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is recognized in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight-line basis over a period of six (6) years from the date that they are available for use.

The amortization method, useful life and the residual value are reviewed at each reporting date and adjusted if appropriate. Changes in the expected useful life, residual value or amortization method are accounted for as changes in accounting estimates. There are no intangible assets with indefinite useful lives.

2.8 Non-current assets held for sale

Repossessed non-financial collaterals acquired by the Bank in settlement of overdue loans and whose carrying amount will be recovered principally through a sale transaction rather than through use and a sale is considered highly probable are classified as non-current assets held for sale. They are measured at the lower of their carrying amount or fair value less costs to sell. Depreciation is not calculated on these assets.

2.9 Impairment of non-financial assets

The Bank assesses whether there is an indication that an asset may be impaired. If any indication such as decline in market value of the asset, changes in technology, physical damage, obsolescence, etc. exist, impairment loss will be recognized to ensure that non-financial assets are carried at no more than their recoverable amount.

2.10 Other Non-financial assets

Other non financial assets are payments made in advance for goods to be received or services to be enjoyed in future. They are initially recognized up on occurrence of event or transaction and subsequently canceled when the goods are received or amortized over the period in which the service is to be enjoyed.

a) Prepayment

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

b) Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and settled when the payment is received. The Bank's other receivables are consists of E-top up, advance payments and other receivables.

2.11 Right of use asset and lease liability

The bank assesses whether a contract is, or contains a lease, at the inception of the contract. In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once the management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of the asset only exists when the Bank has the right to substantially obtain all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

Lease payments included in the measurement of lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;

- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, when the bank incurrs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received

A lease liability and corresponding right -of-use asset are recognized at the lease commencement date, for all lease agreements for which the Bank is a lessee, except for short -term leases of 12 months or less, or leases of low value assets. For these leases, the Bank recognizes the lease payments as a depreciation expense in separate line of items in profit or loss statement (note 21) on straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Right of use assets

Right of use assets conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Right of use assets are recognized at the comencement of the lease contract and is measured at cost less accumulated depreciation and accumulated impairment. Rights of use assets are depreciated over the useful life of the lease term on a straight line basis. Right of use assets are derecognized at the expiration of a lease contract.

The depreciation starts at the commencement date of a lease and the depreciation method and useful life of right of use asset described as follows;

Item	Depreciation method	Useful life
ROUA (Buildings rental)	Straight line	Lease period
Leasehold Land	Straight line	Lease period

The useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change in accounted for prospectively as a change in accounting estimate. Each part of a right-of-use-asset with a cost is significant in relation to the total cost of the asset is depreciated separately.

:.12 Prepaid employee benefit

The bank provides loans to its employee at below market rate of interest. Under IFRS such loans are recognized at their fair value on the inception date. The fair value of employee loans below market rate are determined as the present value of future cash flow receipts (installment payments) using the prevailing market rate of interest as a discounting factor. The market rate is determined by reference to what the staff members would have been charged to access a similar loan facility from other banks. The market rate is determined by the Ethiopian Bankers Association. The difference between the fair value and the contractual value of employee loans are recognized as prepaid employee benefit and amortized throughout the life the loan. Accordingly for the year 2024/25, interest rate of 13.64% was used for staff loans.

2.13 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

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

Pension scheme in line with the provisions of Ethiopian pension of private organization employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank respectively;

b) Defined benefit plan

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit cost 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 and past service cost of the defined benefit plan is recognized in the profit or loss statement Re-measurements of the net defined benefit liability, which compromise actuarial gains and losses are recognized immediately in other comprehensive income.

2.14 Provisions

The Bank recognizes provisions when it has present obligation (legal or constructive) as a result of 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. The amount of provision is determined using best estimate of the expenditure expected to settle the obligation at the reporting date.

2.15 Contingent liabilities

Letters of credit, guarantees and performance bonds are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date that the financial statements are approved for issue by the Directors.

2.16 Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

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.17 Dividends

Dividends are recognised as a liability in the period in which they are declared and approved by the shareholders.

2.18 Share capital and reserve

Ordinary shares are classified as share capital in equity. Any premium received over and above the par value of the shares is classified as share premium.

3 Significant accounting estimates and judgments

The following are key estimates and judgments that the management has used in the process of applying the bank's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

3.1 Impairment losses on loans and advances

When measuring ECL the bank uses reasonable and supportable forward looking information which is based on assumptions for the future movement of different economic drivers and how this drivers will affect each other. The key inputs in measuring Expected Credit Loss (ECL) are Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). See note 2.5 (iv). All these are estimates and judgments which are highly subjective.

3.2 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. All financial instruments are initially recognized at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Bank's financial instruments are carried at fair value. The fair value of quoted financial instrunments in active markets are based on current prices with no subjective judgjements.

There are no financial instrunments currently measured at fair value except equity investment and prepaid employee benefit. If the market for a financial instrument does not exist, a degree of judgment is required to establish fair values judgment include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.3 Defined benefit plans

The present value of the defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making various assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty and a change in any of the assumptions will alter the carrying amount of defined benefit obligations.

3.4 Property, plant and equipment

Property plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values may vary depending on a number of factors. In reassessing asset lives and residual values, factors such as technological innovation, product life cycles, maintenance programs and future market conditions are taken into account which involves extensive subjective judgment which may have significant impact on financial statements.

3.5 Taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax provisions in the period in which such determination is made.

4 New Standards, Amendments and interpretations issued during the year

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

New Standards or Amendments	Date	
	Effective	Publication
Amendments to IAS 21 Lack of Exchangeability	1-Jan-25	Aug-23
Amendments to the SASB standards to enhance their international applicability	1-Jan-25	Dec-23

The amendments remove and replace jurisdiction-specific references and definitions in the SASB standards, without substantially altering industries, topics or metrics. Effective for annual reporting periods beginning on or after 1 January 2025. The impact of implementation of this requirement is not yet established or Management could not reasonably estimate its effect as at reporting date.

b. New standards, amendments and interpretations issued but not effected

New Standards or Amendments	Date	
	Effective	Publication
IFRS 9 and IFRS 7 — Classification and Measurement (Amendments)	1-Jan-26	May-24
IFRS 18, 'Presentation and Disclosure in Financial Statements	1-Jan-27	Apr-24
IFRS 19 Subsidiaries without Public Accountability: Disclosures (new standard)	1-Jan-27	May-24
Annual Improvements to IFRS Accounting Standards — Volume 11	1-Jan-26	Jul-24

These standards are not expected to materially affect recognition and measurement, though IFRS 18 will change presentation of the primary financial statements and IFRS 9/7 will expand financial instrument disclosures.

Financial risk management

5.1 Introduction

The Bank is exposed to various types of financial risks, the most important of which are credit risk, liquidity risk and market risk. The Bank's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Bank's financial performance.

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5.1.1 Risk management structure

The Board of Directors has the overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established various committees, which are responsible for monitoring the Bank's risk in their specified areas. The senior management has the responsibility to develop and implement risk management policies and procedures. The risk and compliance department is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank and reports to the Board regarding risk management issues. Asset Liability Committee (ALCO) is responsible for managing the Bank's financial assets and financial liabilities and the overall financial performance.

5.1.2 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. 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.

5.1.3 Risk mitigation

The Bank uses various mitigating techniques to reduce its risk to the level acceptable. It uses Board approved risk tolerance limit as a risk limit control. This risk tolerance limit is composed of risk limit by sector, by credit product, by maturity, by geography and risk grade. The Bank also apply the limits imposed by National Bank of Ethiopia such as single borrower limit, related party limit, off balance sheet exposure limit, liquidity requirement, capital adequacy, etc.
In addition, the Bank has established an appropriate risk management environment, sound credit, liquidity and capital management policies and strategies.

5.2 Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank's main income generating activity is lending to customers and therefore credit risk is the principal 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, and restructuring such limits as appropriate. Exposure to credit risk is also mitigated, in part, by obtaining collateral, commercial and personal guarantees.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to term of the financial instrument and economic sectors.

The National Bank of Ethiopia (NBE) sets credit risk limit for a single borrower, one related party and all related parties to not exceed 25%, 15% and 35% of Bank's total capital amount as of the reporting quarterly period respectively.

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5.2.1 Management of credit risk

Credit management is conducted as per the risk management policy and guideline approved by the board of directors. Such policies are reviewed and modified periodically based on changes and expectations of the markets where the Bank operates, regulations, and other factors.

5.2.2 Credit quality analysis

An analysis of the Bank's credit risk exposure per class of financial assets without taking into account the effects of any collateral or other credit enhancements is provided on the following table:

Loans and advances to customers

	Stage 1	Stage 2	Stage 3	30 June 2025 Birr'000	30 June 2024 Birr'000
Stage 1	44,886,245			44,886,245	38,497,836
Stage 2		3,514,032		3,514,032	1,956,531
Stage 3			1,511,288	1,511,288	1,210,642
Total gross exposure	**44,886,245**	**3,514,032**	**1,511,288**	**49,911,565**	**41,665,009**
Loss allowance	(201,237)	(34,008)	(459,628)	(694,873)	(555,906)
Net carrying amount	**44,685,008**	**3,480,023**	**1,051,661**	**49,216,692**	**41,109,103**

Off balance sheet items

	Stage 1	Stage 2	Stage 3	30 June 2025 Birr'000	30 June 2024 Birr'000
Stage 1	6,966,453			6,966,453	5,008,073
Stage 2		-	-	-	-
Stage 3				-	-
Total gross exposure	**6,966,453**	**-**		**6,966,453**	**5,008,073**
Loss allowance	(11,129)	-	-	(11,129)	(12,079)
Net carrying amount	**6,955,324**	**-**	**-**	**6,955,324**	**4,995,994**

The off balance sheet items include Loan commitments of Revolving credit facilities and Overdraft facilities (Unutilized Amounts), Lc commitments and Financial Guarantee.

Loans and Advance By Product

	Stage 1	Stage 2	Stage 3	30 June 2025 Birr'000	30 June 2024 Birr'000
Addvance against Import Bills	-	-	-	-	42,840
Merchendise	403,745	-	-	403,745	164,930
Overdraft	6,055,127	-	-	6,055,127	5,344,046
Pre-Shipment	8,118,452	82,850	284,339	8,485,641	7,666,204
Term Loan	30,308,922	3,431,182	1,226,950	34,967,054	28,446,989
Grand Total	**44,886,245**	**3,514,032**	**1,511,288**	**49,911,565**	**41,665,009**

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Credit concentrations by sector and banking service

The bank focuses on the diversification of its lending portfolio by setting sectoral limits to ensure that its is not negatively impacted by a large exposure default.

The Bank monitors credit risk by sectorial distribution against its own risk concentration limit. An analysis of concentrations of credit risk at 30 June 2025 is give below.

Sectors	Conventiona	Interest Free Banking	Grand Total
	Birr'000	Birr'000	Birr'000
Agriculture	418,183	39,180	457,363
Construction and Building	8,666,352	287,694	8,954,045
Consumer Loan	5,487,120	26,966	5,514,087
Domestic Trade Services	6,850,741	237,492	7,088,234
Export and Import	17,034,044	977,306	18,011,350
Hotel and Tourism	843,924	-	843,924
Manufacturing and Industry	4,337,763	325,268	4,663,031
Transport and Communication	4,117,976	261,555	4,379,531
Total gross exposure	**47,756,104**	**2,155,461**	**49,911,565**
- Loss allowance	(684,966)	(9,908)	(694,873)
Net	**47,071,138**	**2,145,554**	**49,216,692**

The Bank monitors credit risk by sectorial distribution against its own risk concentration limit. An analysis of concentrations of credit risk at 30 June 2024 is give below.

Sectors	Conv'l Banking	Interest Free Banking	Grand Total
	Birr'000	Birr'000	Birr'000
Agriculture	392,239	48,233	440,472
Construction and Building	6,007,118	145,427	6,152,545
Consumer Loan	3,757,531	25,745	3,783,277
Domestic Trade Services	5,934,542	313,919	6,248,461
Export and Import	15,810,286	675,232	16,485,518
Hotel and Tourism	876,241	-	876,241
Manufacturing and Industry	4,051,134	409,469	4,460,603
Transport and Communication	2,969,476	248,416	3,217,892
Total gross exposure	**39,798,568**	**1,866,441**	**41,665,009**
- Loss allowance	(544,154)	(11,752)	(555,906)
Net	**39,254,413**	**1,854,689**	**41,109,103**

Credit concentrations by regions

The below table summarizes the credit concentrations by regions as of June 30, 2025, and June 30, 2024. It provides an overview of the distribution of credit in various regions across different stages of credit risk classification.

Regions	Stage 1	Stage 2	Stage 3	30 June 2025 Birr'000	30 June 2024 Birr'000
Addis Ababa	30,458,905	2,256,471	1,080,480	33,795,856	28,472,640
Afar	26,628	-	1,544	28,172	25,907
Amhara	11,456,475	1,014,636	326,834	12,797,946	10,788,834
Benishangul	83,034	1,532	9,976	94,542	42,155
Central Ethiopia	141,333	2,313	245	143,892	71,209
Diredawa	164,148	23,210	3,062	190,420	128,169
Gambella	45,203	1,408	21	46,632	14,550
Harar	14,706	-	-	14,706	13,406
Oromia	897,169	70,454	22,751	990,375	622,876
Sidama	266,059	2,538	27,744	296,341	224,634
Somalia	30,928	1,702	-	32,630	46,014
South Ethiopia	233,305	703	5,881	239,889	116,258
South West Ethiopia Region	110,558	-	315	110,872	69,524
Tigray	957,795	139,063	32,435	1,129,293	1,028,832
Grand Total	**44,886,245**	**3,514,032**	**1,511,288**	**49,911,565**	**41,665,009**

Loans and advances to customers by risk grade

The following table summarizes the risk category of loan and advances to customers during the year.

Risk grade	30 June 2025 Birr'000	30 June 2024 Birr'000
1	5,297,411	3,628,236
2	27,731,945	24,533,146
3	11,856,888	10,336,454
4	3,514,032	1,956,531
5	364,358	429,305
6	444,559	194,792
7	702,372	586,545
8		-
Total gross exposure	**49,911,565**	**41,665,009**
Loss allowance	(694,873)	(555,906)
Net carrying amount	**49,216,692**	**41,109,103**

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5.2.3 Collateral on loans and advances

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

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

Collateral Concentration by sector

Sector	Building	Machinery	Truck	Others	30 June 2025 Birr'000	30 June 2024 Birr'000
Agriculture	364,311	-	310,522	108,398	783,231	771,783
Construction and Build.	10,926,098	3,403,757	3,370,489	3,160,072	20,860,415	14,964,883
Consumer Loan	8,789,424	-	1,894,223	43,608	10,727,254	8,060,019
Domestic Trade Services	12,556,851	-	1,057,628	266,955	13,881,434	13,654,265
Export and Import	16,618,765	-	778,901	1,425,461	18,823,127	18,078,466
Hotel and Tourism	1,664,029	-	10,200	37,954	1,712,182	1,803,022
Manufacturing & Ind.	4,873,097	-	201,073	1,318,078	6,392,248	6,474,269
Transport and Comm'n	1,496,790	393,490	8,615,335	10,783	10,516,398	7,594,749
Total	**57,289,364**	**3,797,247**	**16,238,371**	**6,371,309**	**83,696,292**	**71,401,456**
- Loss allowance					(694,873)	(555,906)
Net					**83,001,418**	**70,845,550**

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

5.2.4 Amounts arising from ECL

i) Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 2.4

ii) Significant increase in credit risk

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

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

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

iii) Credit risk grades

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

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

a) Term loan exposures

Information obtained during periodic 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, and 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 behavior – e.g. utilization 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
- Utilization of the granted limit
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions

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Grade	Score	Risk
1	>= 85%	Bankable
2	70-84%	Bankable
3	60-69.9%	Bankable
4	50-59.9%	Bankable
5	40-49.9%	Bankable
6	30-39.9%	Not bankable
7	25-29.9%	Not bankable
8	< 25%	Not bankable

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

The grading parameters are mainly five that encompass sub-parameters allotted with score from 100 points.

Parameter	Weight
Financial Risk/Strength of Financial Management System	35%
Business/industry Risk	10%
Management Risk	15%
Account performance Risk	25%
Customer relationship Risk	15%

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

• Consumer loans (including staff loans) are assigned grade 1 because of the fact that such loans are regularly repaid from salary account without any delinquency and arrears.

All loans and advances assumed to be graded as follows.

- All Pass consumer loans are assigned with risk grade 1.
- All Pass status loans & advances with exceptions of consumer loan are assigned with risk grade 2.
- All Special Mention status loans & advances are assigned with risk grade 3
- All Sub-Standard status loans & advances are assigned with risk grade 4
- All Doubtful status loans & advances are assigned with risk grade 5.
- All Loss status loans & advances are assigned with risk grade 6.
- All financial guarantees are assigned with risk grade 1

The bank hasn't any outstading loans & advances with grade 7 & 8.

iv) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. The Bank employs statistical models to analyze 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.

v) Determining whether credit risk has increased significantly

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

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

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

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

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

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

vi) Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank.
- 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.

'ii) Financial risk management

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on quarterly basis.

viii) Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

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

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

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

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

Sector (Product)	Macroeconomic factor
Cluster 1 Agriculture, Consumer loans, Overdtaft, Interest free financing	M2, USD Nominal GDP , USD (PPP), % y-o-y STER, Economic Growth
Cluster 2 Domestic Trade Services, Mining and energy, Transport, Health, Merchandise, Financial services	Savings per capita, LCU Nominal GDP, LCU Transport & communications nominal GVA, LCU Legacy STPR, Policy Continuity Broad money (% of GDP) - Sovereign Scorecard Legacy Long-Term Political Risk Index
Cluster 3 Building and Construction, Hotel and tourism, Manufacturing and production, Industry, Realstate, Housing and construction	PR, Security Risk M1, % of GDP Consumer price index inflation, 2010=100, eop Total employment M2, % of GDP Real GDP growth , % y-o-y Foreign reserves ex gold, EUR
Cluster 4 Export, Import, Advance against import bills, International trade	Political Risk Index Lending rate %, ave Central bank policy rate, %, eop M1, USD

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The Bank defined a statistically significant correlation threshold with macroeconomic of 60%. The economic scenarios used included the following key indicators for Ethiopia:

Indicator	30-Jun-23	30-Jun-24	30-Jun-25
Consumer price index inflation, 2010=100, ave	764	960	1,132
Exports of goods and services, USD	10,163	9,435	7,190
Government domestic debt, LCU	1,711,835	2,095,039	2,425,405
Nominal GDP, LCU	7,328,259	9,765,072	12,050,982
Private final consumption, LCU	5,727,253	7,799,889	9,755,080
Total domestic demand, LCU	7,845,346	10,393,228	12,862,804
Savings, LCU	1,385,282	2,086,867	2,442,686
Population	125	128	131
Consumer price index inflation, 2010=100, eop	767	941	1,077
M1, LCU	518,231	583,000	659,488
M2, LCU	1,665,828	1,926,860	2,240,723
Current expenditure, LCU	548,964	616,752	790,988
Goods imports, USD	16,011	16,139	17,588
Goods exports, USD	3,712	3,672	4,362
Current account balance, USD Figures in 000s	(4,970,521)	(4,599,281)	(4,141,871)
Import cover months	1	1	1
Total household spending, LCU	5,529,948	7,514,793	9,371,210
Nominal GDP, USD	137,854	144,928	113,766
Real GDP, LCU (2010 prices)	1,042,658	1,112,745	1,189,777
Real GDP, USD (2010 prices)	72,359	77,223	82,568
Real GDP per capita, USD (2010 prices)	579	603	629
Nominal GDP, USD (PPP)	374,679	409,757	443,052
Private final consumption, USD	107,737	115,762	92,092
Private final consumption per capita, USD	862	904	701
Government final consumption, LCU	499,796	606,563	717,917
Government final consumption, USD	9,402	9,002	6,777
Exports of goods and services, LCU	540,269	635,750	761,652
Exports of goods and services per capita, USD	81	74	55
Imports of goods and services, LCU	1,174,311	1,330,984	1,573,370
Imports of goods and services, USD	22,090	19,754	14,853
Total domestic demand, USD	147,581	154,251	121,430
Total domestic demand per capita, USD	1,181	1,204	925
Unemployment, % of labour force, ave	3	3	3
Real effective exchange rate index	28	16	7
Total revenue, LCU	637,727	791,546	1,021,869
Total revenue, USD	11,996	11,748	9,647
Total expenditure, LCU	855,217	1,025,425	1,327,660
Total revenue, USD	11,996	11,748	9,647

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Indicator		30-Jun-23	30-Jun-24	30-Jun-25
Total expenditure, USD		16,088	15,219	12,534
Current expenditure, USD		10,327	9,153	7,467
Budget balance, LCU	Figures in 000s	(216,720,442)	(233,713,194)	(305,432,804)
Budget balance, USD	Figures in 000s	(4,076,790)	(3,468,643)	(2,883,407)
Services imports, USD		7,542	7,896	8,468
Services exports, USD		7,196	7,757	8,610
Total reserves ex gold, USD		1,233	1,758	2,929
Total external debt stock, USD		31,936	37,353	43,601
Long-term external debt stock, USD		31,548	35,913	39,272
Public external debt stock, USD		30,447	34,659	39,272
Total government debt, USD		60,347	54,841	44,573
Total debt service, USD		1,776	1,955	2,508
M2, USD		125	128	131
Nominal GDP, USD (PPP), % y-o-y		125	128	131
STER, Economic Growth		30,481	22,949	16,878
Savings per capita, LCU		12	9	8
Transport & communications nominal GVA, LCU		33	17	10
Broad money (% of GDP) - Sovereign Scorecard		0	0	0
PR, Security Risk		7,328,259	9,765,072	12,050,982
M1, % of GDP		278,272	356,112	484,704
M2, % of GDP		23	20	19
Real GDP growth, % y-o-y		79	79	79
Foreign reserves ex gold, EUR		7	6	5
Political Risk Index		767	941	1,077
Lending rate, %, ave		23	20	19
Central bank policy rate, %, eop		6	7	7
M1, USD		1,135	1,641	2,740

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 7 years.
The below scenario weightings have been observed:

Summary of scenario weightings

Scenario	Base	Downturn (downside)	Optimistic (upside)
Cluster 1	73%	6.67%	20.00%
Cluster 2	73%	13.33%	13.33%
Cluster 3	67%	13%	20.00%
Cluster 4	67%	13.33%	20.00%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment have been made the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.

ix) Modified financial assets

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

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

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

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

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

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

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

x) Measurement of ECL

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

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

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

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

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

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

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

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

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

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

5.2.5 Reconciliation of total gross carrying amounts

The following table summerizes the movement of total gross carrying amount of loan and advances during the year ended 30 June 2025.

Reconciliation of total gross carrying amounts				**30 June 2025**
	Stage 1	**Stage 2**	**Stage 3**	**Birr'000**
Balance at 1 July	38,497,836	1,956,531	1,210,642	41,665,009
Transfer to 12 months ECL	830,191	(655,521)	(174,670)	-
Transfer to Lifetime ECL not credit impaired	(2,361,856)	2,407,155	(45,299)	0.00
Transfer to Lifetime ECL credit impaired	(612,963)	(242,588)	855,551	-
Net remeasurement of Loss allowance	(1,696,100)	(356,395)	103,464	(1,949,031)
Net financial assets originated or purchased	23,249,544	958,345	50,742	23,704,520
Financial assets derecognised	(13,020,407)	(553,494)	(489,142)	(14,063,043)
Balance at 30 June 2025	**44,886,245**	**3,514,032**	**1,511,288**	**49,911,565**

The following table summerizes the movement of total gross carrying amount of loan and advances during the year ended 30 June 2024.

	Stage 1	Stage 2	Stage 3	30 June 2024 Birr'000
Balance at 1 July	33,341,813	2,166,915	1,542,915	37,051,643
Transfer to 12 months ECL	399,251	(321,552)	(77,699)	-
Transfer to Lifetime ECL not credit impaired	(1,451,255)	1,473,822	(22,567)	-
Transfer to Lifetime ECL credit impaired	(468,861)	(148,989)	617,850	-
Net remeasurement of Loss allowance	(1,733,494)	(271,424)	(13,492)	(2,018,409)
Net financial assets originated or purchased	22,618,246	451,549	181,791	23,251,586
Financial assets derecognised	(14,207,864)	(1,393,791)	(1,018,155)	(16,619,810)
Balance at 30 June 2024	**38,497,836**	**1,956,531**	**1,210,642**	**41,665,009**

.2.6 Loss allowance

a) Loss allowance movement

The following table summerizes the movement of the loss allowance of loan and advances during the current year.

	Stage 1	Stage 2	Stage 3	30 June 2025 Birr'000
Balance at 1 July, 2024	188,574	13,377	353,955	555,906
Transfer to 12 months ECL	24,952	(3,344)	(21,608)	-
Transfer to Lifetime ECL not credit impaired	(9,703)	14,233	(4,530)	-
Transfer to Lifetime ECL credit impaired	(3,643)	(2,177)	5,821	-
Net remeasurement of Loss allowance	(38,721)	5,536	234,687	201,502
Net financial assets originated or purchased	115,716	10,413	5,935	132,064
Financial assets derecognised	(75,936)	(4,028)	(114,633)	(194,598)
Balance at 30 June 2025	**201,237**	**34,008**	**459,628**	**694,873**

The increased in Expected Credit Loss (ECL) is mainly attributed to increment of total exposure.

The following table summerizes the movement of the loss allowance of loan and advances during the year ended 30 June 2024.

	Stage 1	Stage 2	Stage 3	30 June 2024 Birr'000
Balance at 1 July, 2023	182,842	19,431	375,019	577,292
Transfer to 12 months ECL	16,790	(2,394)	(14,396)	-
Transfer to Lifetime ECL not credit impaired	(4,926)	7,183	(2,257)	-
Transfer to Lifetime ECL credit impaired	(2,853)	(2,620)	5,473	-
Net remeasurement of Loss allowance	(23,007)	284	155,083	132,360
Net financial assets originated or purchased	125,642	3,755	21,825	151,222
Financial assets derecognised	(105,913)	(12,262)	(186,792)	(304,968)
Balance at 30 June 2024	**188,574**	**13,377**	**353,955**	**555,906**

b) Loss allowance by sector and banking services

Sector	Conv'nal Banking Birr'000	Interest Free Banking Birr'000	30 June 2025 Birr'000	30 June 2024 Birr'000
Agriculture	29,953	302	30,255	19,515
Construction and Build.	143,569	1,346	144,915	130,357
Consumer Loan	20,392	135	20,527	11,721
Domestic Trade Services	118,555	3,021	121,576	128,983
Export and Import	319,315	2,848	322,164	229,008
Hotel and Tourism	3,916	-	3,916	1,886
Manufacturing & Ind.	13,330	436	13,766	9,539
Transport and Comm'n	35,936	1,818	37,755	24,897
	684,966	**9,908**	**694,873**	**555,906**

c) Loss allowance by risk grade

The following table summarizes the risk category of loan and advances impiarment during the year.

Risk grade	30 June 2025 Birr'000	30 June 2024 Birr'000
1	5,749	4,548
2	143,256	129,078
3	52,232	54,948
4	34,008	13,377
5	50,429	75,678
6	106,431	25,856
7	302,767	252,421
8		-
Total gross exposure	**694,873**	**555,906**

d) Loss allowance by type of loan and advance sector and regions

The following table summerizes the loss allowance of loan and advances by type of products during the current and previous years.

	Stage 1	Stage 2	Stage 3	30 June 2025 Birr'000	30 June 2024 Birr'000
Agriculture	2,056	554	27,645	30,255	19,515
Construction and Build.	22,056	9,211	113,648	144,915	130,357
Consumer Loan	5,749	2,586	12,192	20,527	11,721
Domestic Trade Services	55,973	7,456	58,147	121,576	128,983
Export and Import	97,416	10,228	214,520	322,164	229,008
Hotel and Tourism	1,096	151	2,669	3,916	1,886
Manufacturing & Ind.	5,954	908	6,904	13,766	9,539
Transport and Comm'n	10,936	2,915	23,903	37,755	24,897
Grand Total	**201,237**	**34,008**	**459,628**	**694,873**	**555,906**

The subsequent table summarizes the loss allowance of loan and advances in each region for the current and previous fiscal years.

Regions	Stage 1	Stage 2	Stage 3	30 June 2025 Birr'000	30 June 2024 Birr'000
Addis Ababa	147,483	23,995	368,271	539,750	422,862
Afar	66	-	460	527	258
Amhara	40,337	6,319	43,496	90,152	73,988
Benishangul	253	15	2,756	3,023	1,957
Central Ethiopia	462	35	25	521	754
Diredawa	328	244	306	878	282
Gambella	117	6	21	144	62
Harar	65	-	-	65	1,634
Oromia	2,757	906	9,249	12,912	3,566
Sidama	764	36	24,455	25,256	16,592
Somalia	72	22	-	94	210
South Ethiopia	811	7	588	1,406	1,373
South West Ethiopia	301	-	31	333	183
Tigray	7,420	2,424	9,968	19,812	32,185
Grand Total	**201,237**	**34,008**	**459,628**	**694,873**	**555,906**

5.2.7 Guarantees and commitments

The maximum exposure to credit risk related to guarantees and letter of credit is the maximum amount the bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk related to loan commitment is the full amount of the commitment. The below table shows the bank's oustanding credit risk exposure of financial guarantee, letter of credit and loan commitment.

	Below 1 year	1-3 years	Over 3 years	30 June 2025 Birr'000	30 June 2024 Birr'000
Financial guarantees	957,234	19,053	-	976,287	805,561
Letters of credit net-off margin held	1,518,231	27,100	-	1,545,331	1,786,202
Loan commitments	4,444,834			4,444,834	2,416,310
Total financial assets	**6,920,300**	**46,153**	**-**	**6,966,453**	**5,008,073**
- Less impairment	**(11,091)**	**(37)**	**-**	**(11,129)**	**(12,079)**
Net	**6,909,208**	**46,116**	**-**	**6,955,324**	**4,995,994**

The following table summarizes the risk category of off balance sheet items which include Loan commitments of Revolving credit facilities and Overdraft facilities (Unutilized Amounts), Letter of Credit LC and Financial Guarantee for the year ended 30 June 2024 and 30 June 2025.

Risk grade	30 June 2025 Birr'000	30 June 2024 Birr'000
1	5,421,121	3,221,871
2	553,364	403,233
3	991,968	1,382,969
Total gross exposure	**6,966,453**	**5,008,073**
Loss allowance	(11,129)	(12,079)
Net carrying amount	**6,955,324**	**4,995,994**

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The following table summerizes the movement of the Loan commitments, Lc commitments and financial guarantee contracts provision expense (off balance sheet exposures) during the year.

	Stage 1	Stage 2	Stage 3	30 June 2025 Birr'000
Balance at 1 July 2024	12,079	-	-	12,079
Transfer to 12 months ECL	-	-	-	-
Transfer to Lifetime ECL not credit impaired	-	-	-	-
Transfer to Lifetime ECL credit impaired	(514)	-	514	-
Net remeasurement of Loss allowance	(383)	-	(514)	(897)
Net financial assets originated or purchased	5,500			5,500
Financial assets derecognised	(5,554)	-		(5,554)
Balance at 30 June 2025	**11,129**	**-**	**-**	**11,129**

The following table summerizes the movement of the Loan commitments and financial guarantee contracts provision expense (off balance sheet exposures) for the year ended 30-June-2024.

	Stage 1	Stage 2	Stage 3	30 June 2024 Birr'000
Balance at 1 July 2023	17,620	464	-	18,084
Transfer to 12 months ECL	-	-	-	-
Transfer to Lifetime ECL not credit impaired	-	-	-	-
Transfer to Lifetime ECL credit impaired	(77)	-	77	-
Net remeasurement of Loss allowance	2,898	-	(77)	2,822
Net financial assets originated or purchased	6,149			6,149
Financial assets derecognised	(14,512)	(464)		(14,976)
Balance at 30 June 2024	**12,079**	**-**	**-**	**12,079**

5.3 Liquidity risk

Liquidity risk is the risk that the Bank, though solvent either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due or can secure them only at excessive costs. The bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

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5.3.1 Management of liquidity risk

Liquidity risk arrises because of the possibility that the bank might be unable to meet its payment obligations when they fall due as a result of missmatches in the timing of the cashflows under both normal and stress circumstances.

The daily liquidity position of the Bank is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions to ensure that sufficient liquidity is maintained. The key measures used by the bank for managing liquidity risk are the ratio of net liquid assets to net current liabilities and maturity analysis. Details of the reported Bank' s ratio of net liquid assets to net current liabilities at the reporting date and during the reporting year were as follows:

Ratio of net liquid assets to net current liabilitites	30 June 2025	30 June 2024
At Close of the year	38.10%	23.27%
Average for the year	30.82%	20.41%
Maximum for the year	38.10%	23.27%
Minimum for the year	22.14%	17.83%

5.3.2 Maturity analysis of financial asset and liabilities

The table below summarizes the Bank's liquidity risk as at 30 June 2025, categorized into relevant maturity groupings based on contractual maturity date.

30 June 2025	0-30 days Birr'000	31-90 days Birr'000	91-180 days Birr'000	181-365 days Birr'000	Over 1 year Birr'000	30 June 2025 Birr'000
Financial Assets						
Cash and bank bal.	17,763,344	666,017.43	380,672	622,642	6,102,896	25,535,572
Loans & advances	2,506,601	7,985,080	2,958,970	3,453,973	32,312,068	49,216,692
Equity investments	-	-	-	-	707,643	707,643
Other financial Assets	236,516	155,168	183,972	669,058	8,783,657	10,028,371
Total Fin. Assets (a)	**20,506,462**	**8,806,265**	**3,523,614**	**4,745,672**	**47,906,265**	**85,488,278**
Financial Liabilities						
Deposits from customers	1,137,709	3,210,703	4,938,169	8,894,886	52,199,422	70,380,889
Deposits from other banks	-	1,033,574	500,000	-	-	1,533,574
Other financial liabilities	1,574,100	1,829,200	27,280	78,400	1,530,937	5,039,917
Total fin. liabilities (b)	**2,711,809**	**6,073,477**	**5,465,449**	**8,973,286**	**53,730,359**	**76,954,380**
NET Mismatch (a - b)	**17,794,652**	**2,732,788**	**(1,941,835)**	**(4,227,614)**	**(5,824,094)**	**8,533,898**
Cumulative Mismatch	**17,794,652**	**20,527,441**	**18,585,606**	**14,357,992**	**8,533,898**	**17,067,797**

The cash flows presented in the table above are the undiscounted amounts to be settled in the future. The analysis shows that the Bank will not be exposed to liquidity risk in the future. The maturity analysis is based on NBE requirements.

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5.3.3 Liquidity risk of relevant maturing group

The table below summarizes the bank's liquidity risk as at 30 June 2024 and 30 June 2025, categorized into relevant maturity grouping based on contractual maturity date.

	Below 1 year	1-3 years	Over 3 years	30 June 2025 Birr'000	30 June 2024 Birr'000
Total gross exposure	17,221,304	7,289,611	25,400,650	49,911,565	41,665,009
- Loss allowance	(372,610)	(108,427)	(213,836)	(694,873)	(555,906)
Net	**16,848,694**	**7,181,184**	**25,186,814**	**49,216,692**	**41,109,103**

	Maturity grouping			30 June 2025	30 June 2024
Financial assets	**Below 1 year**	**1-3 years**	**Over 3 years**	**Birr'000**	**Birr'000**
Financial guarantees	957,234	19,053	-	976,287	805,561
Loan commitments	1,518,231	27,100	-	1,545,331	1,786,202
Letter of credit	4,444,834			4,444,834	2,416,310
	6,920,300	**46,153**	**-**	**6,966,453**	**5,008,073**
- Loss allowance	(11,091)	(37)	-	(11,129)	(12,079)
Net	**6,909,208**	**46,116**	**-**	**6,955,324**	**4,995,994**

5.4 Market risk

Market risk is the risk of loss 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.

i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments 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 currencies other than Ethiopian Birr. Management has set limits to manage the Bank's foreign exchange risk against its functional currency.

The table below summarizes the foreign currency exposure for the year ended 30 June 2025.

	USD Birr'000	GBP Birr'000	EUR Birr'000	AED Birr'000	ZAR Birr'000	Grand Total Birr'000
Financial Assets:						
Cash and bank bal.	13,406,339	29,624	286,550	21,644	2,784	13,746,942
Other assets	-	-	-	-	-	-
Total	**13,406,339**	**29,624**	**286,550**	**21,644**	**2,784**	**13,746,942**
Financial Liabilities:						
Deposit from customer	8,313,775	517	138,326	-	-	8,452,619
Other liabilities	-	-	-	-	-	-
Total	**8,313,775**	**517**	**138,326**	**-**	**-**	**8,452,619**
Net exposure	**5,092,564**	**29,107**	**148,224**	**21,644**	**2,784**	**5,294,323**

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The table below summarizes the foreign currency exposure for the year ended 30 June 2024.

	USD Birr'000	GBP Birr'000	EUR Birr'000	AED Birr'000	ZAR Birr'000	Grand Total Birr'000
Financial Assets:						
Cash and bank bal.	2,440,091	16,316	134,817	11,646	671.10	2,603,541
Other assets	-	-	-	-	-	-
Total	**2,440,091**	**16,316**	**134,817**	**11,646**	**671.10**	**2,603,541**
Financial Liabilities:						
Deposit from customer	1,395,023	59	12,455	-	-	1,407,537
Other liabilities	-	-	-	-	-	-
Total	**1,395,023**	**59**	**12,455**	**-**	**-**	**1,407,537**
Net exposure	**1,045,068**	**16,258**	**122,362**	**11,646**	**671.10**	**1,196,005**

ii) Sensitivity analysis for foreign exchange risk

Sensitivity analysis of foreign exchange risk measures the impact of currency rate fluctuation on profitability of the Bank with all other variables held constant. The following table summarizes the sensitivity of profit due to increase or decrease in foreign currency rate by 10% on foreign currency denominated monetary assets and liability accounts:

	At 30 June 2025			At 30 June 2024		
Description	**Carrying Amount Birr'000**	**10% Depreciation Birr'000**	**10% Appreciation Birr'000**	**Carrying Amount Birr'000**	**10% Depreciation Birr'000**	**10% Appreciation Birr'000**
Assets						
USD	13,406,339	(1,340,634)	1,340,634	2,440,091	(244,009)	244,009
GBP	29,624	(2,962)	2,962	16,316	(1,632)	1,632
EUR	286,550	(28,655)	28,655	134,817	(13,482)	13,482
AED	21,644	(2,164)	2,164	11,646	(1,165)	1,165
ZAR	2,784	(278)	278	671	(67)	67
	13,746,942	**(1,374,694)**	**1,374,694**	**2,603,541**	**(260,354)**	**260,354**
Liabilities						
USD	8,313,775	831,378	(831,378)	1,395,023	139,502	(139,502)
GBP	517	52	(52)	59	6	(6)
EUR	138,326	13,833	(13,833)	12,455	1,245	(1,245)
AED	-	-	-	-	-	-
ZAR	-	-	-	-	-	-
	8,452,619	**845,262**	**(845,262)**	**1,407,537**	**140,754**	**(140,754)**
Total (Dec.)/inc. effect on	**22,199,561**	**(529,432)**	**529,432**	**4,011,078**	**(119,600)**	**119,600**

At 30 June 2025 if the Birr had weakened/strengthened by 10% against the major trading currencies, with all other variables held constant, profit before tax would have been lower/higher 529.43 million Birr.

i) Interest rate risk

Interest rate is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. Interest margin may decrease as a result of such changes but may increase losses in the event that unexpected movement arises. The Bank closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of financial assets and liabilities carried on the statement of financial position.

Sensitivity analysis for interest rate risk

Sensitivity analysis of interest rate risk measures the impact of interest rate fluctuation on profitability of the Bank with all other variables held constant. The following table summarizes the sensitivity of profit due to increase or decrease in interest rate by 10% on interest bearing financial assets and liabilities. The sensitivity is measured based on the assumption that there is parallel shift in the yield curve.

Interest Bearing assets	Carrying Amount	10% Increase	10% Decrease
Loans and advance to customers at amortized cost	49,911,565	4,991,157	(4,991,157)
Time deposit	720,395	72,040	(72,040)
Total Interest Bearing assets	**50,631,960**	**5,063,196**	**(5,063,196)**
Interest Bearing liabilities			
Deposits from customers	66,945,637	6,694,564	(6,694,564)
Fixed time deposit	4,968,826	496,883	(496,883)
Total Interest Bearing Liabilities	**71,914,463**	**7,191,446**	**(7,191,446)**
Net interest income increase/decrease	**(21,282,503)**	**(2,128,250)**	**2,128,250**

If interest rate had increased/decreased by 10% against interest bearing assets and liabilities, 'with all other variables held constant, profit before tax would have been lower/higher by 2,128.25 million Birr respectively.

5.5 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.

Minimum capital requirement

According to the Licensing & Supervision of Banking Business Directive No SBB/78/2021 of the National Bank of Ethiopia, all Banks whose paid-up capital is below Birr 5 billion (Five billion Birr) shall raise their paid-up capital to the said amount by June 30, 2026. Accordingly, the Bank established a proactive action plan for capital enhancement and met the required capital requirement limit two years early. Now the Bank's paid-up capital surged to Birr 7 billion as of June 2025.

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Certified Auditors in Ethiopia Tewodros and Fikre Audit Service Partnership

ABAY BANK SHARE COMPANY
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Capital adequacy ratio

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
Primary capital		
Share capital	7,013,373	6,015,344
Share premium	39,128	39,108
Legal reserve	2,424,166	1,674,200
	9,476,667	**7,728,652**
Supplimentary capital		
OCI-Equity Investment	330,584	321,013
OCI-Definded Employee Benefit	(111,616)	(74,868)
Regulatory risk reserve	472,394	301,230
	691,361	547,375
Total Capital	**10,168,029**	**8,276,027**
Total risk weighted assets	**67,281,362**	**55,203,834**
Primary Capital to RWA Ratio	14.09%	14.00%
Total Capital to RWA Ratio	15.11%	14.99%
Minimum required capital ratio	8.00%	8.00%
Excess /short-fall	**6.09%**	**6.00%**

The Bank has satisfied both the NBE requirement of a minimum capital adequacy ratio of 8% and the capital management policy's stated internal risk exposure limit of 10%.

6 Interest income

	30 June 2025 Birr'000	30 June 2024 Birr'000
Loans and advances to customers	7,729,264	6,148,551
Treasusy Bills	2,270	50,650
Treasury Bond	352,221	174,545
Government Bonds	87,086	52,442
Time deposits	360,383	105,059
Interbank money market'	235,955	-
Open market operations'	18,411	-
	8,785,590	**6,531,247**

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7 Interest expense

	30 June 2025 Birr'000	30 June 2024 Birr'000
Deposits from customers	2,123,960	1,721,160
Deposits from cooperatives and other Banks	358,233	347,589
Deposits from public agencies	37,944	24,229
Inter bank money market	1,625	-
	2,521,762	**2,092,978**

During the year, the Bank reclassified profit-sharing expenses related to Wadiah and Mudarabah saving accounts from interest expense to a separate line item under other operating expenses, to better reflect the Sharia-compliant nature.

8 Fee and commission income

	30 June 2025 Birr'000	30 June 2024 Birr'000
Commission income Local	480,610	285,459
Commission income Foreign	408,652	336,658
Service charges Local	66,104	38,158
Service charges Foreign	1,039,538	562,255
Processing fees	43,178	25,521
	2,038,082	**1,248,051**

9 Fee and commission expense

	30 June 2025 Birr'000	30 June 2024 Birr'000
Legal Fees	36	6
Manucipality Fees	7,458	6,101
Membership fee	1,379	970
License Fees	1,081	1,155
Correspondent Charges	5,055	1,732
Motor Vehicles Inspection & Circulation Fees	512	308
Bank Charges & Commissions	5,224	6,019
Ethswitch Remote-on us expense	14,757	11,800
Swift charge	4,803	2,163
	40,305	**30,254**

10 Net gain on foreign exchange translation

	30 June 2025 Birr'000	30 June 2024 Birr'000
Gain on Forign Exchange Valuation	5,180,985	329,344
Loss on Forign Exchange Valuation	(3,307,499)	(136,890)
	1,873,486	**192,454**

ABAY BANK SHARE COMPANY
NOTE TO THE FINANCIAL STATEMENTS
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11 Other operating income

	30 June 2025 Birr'000	30 June 2024 Birr'000
Rental income	222	293
Gain on disposal of properties	1,801	17,085
Penalty Charge Income	7,866	12,163
Dividend earned	53,192	34,148
Income from murabaha & musharaka financing	194,850	136,480
Other income	83,810	79,789
	341,741	**279,958**

During the year, the Bank reclassified income from Murabaha and Musharakah financing from Interest Income to a separate line item under Other Operating Income, to more accurately reflect the Sharia-compliant nature of these transactions and enhance the presentation of interest-free banking activities.
Comparative figures have been reclassified accordingly. This change had no impact on previously reported total income or net profit.

12 Loan impairment charge

	30 June 2025 Birr'000	30 June 2024 Birr'000
	138,968	(21,337)
	138,968	**(21,337)**

13 Impairment losses on other assets/liabilities

	30 June 2025 Birr'000	30 June 2024 Birr'000
Impairment losses on other assets	101,369	107,507
Impairment losses on Treasury Bill	140	26
Impairment losses on Cash & bank Balance	675	171
	102,184	**107,704**

14 Personnel expenses

	30 June 2025 Birr'000	30 June 2024 Birr'000
Staff Salaries	1,601,787	1,389,690
Staff allowances	813,299	707,108
Pension costs – Definded Employee Benefit	176,148	152,930
Definded Employee Benefit	60,822	43,449
Other staff expenses	546,866	217,762
	3,198,922	**2,510,939**

ABAY BANK SHARE COMPANY
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15 Other operating expenses

	30 June 2025 Birr'000	30 June 2024 Birr'000
Advertisement & publicity	80,253	90,621
Amortisation Leasehold Land	(233)	2,170
Donations	41,216	201
Audit fees	1,035	424
Consultancy fee	2,167	1,288
Directors' related expenses	2,430	2,370
Entertainment	927	771
Event organization expense	23	118
Fuel and lubricants	35,744	27,188
Insurance	164,545	141,841
IT support	380,906	155,440
Loss on Desposal of Assets	439	3,193
Office supplies	133,527	136,730
Other Operating expenses	12,789	166,194
Perdiem administration	9,919	7,195
Repairs and maintenance	23,576	20,973
Security,Messengers & Janitors expenses	375,043	299,683
General assembly	5,313	2,678
Meeting accomodation	7,143	6,213
Fund transfer fees and expenses	7,491	7,882
Staff loan - Amortisation	34,358	16,511
Sundries	7,363	4,068
Telephone expenses	53,331	39,825
Provision Expense on LCS	66,130	32
Provision Expense on Financial Gurantee	447,450	(608)
Provision expense on Court Case	20,065	50
Provision expense on OD & Revolving Facilities	(1,104)	(5,429)
Sponsorship expense	4,578	8,636
Transport and fuel	16,947	16,276
Utilities	9,450	6,864
Wages for non-permanent employees.	3,874	4,011
Write-off expense	131,425	-
IFB Profit Expense	53,103	544
	2,131,223	**1,163,952**

16 Company income and deferred tax liability

a) 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:

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	30 June 2025 Birr'000	30 June 2024 Birr'000
IFRS accounting profit	4,215,730	1,945,310
Add: Disallowed expenses		
Entertainment	927	771
Penalties	1,493	624
Sponsorship	2,383	-
Property tax	70	-
Award/Gifts	1,896	1,027
Sport expense	1,056	576
Current service cost, past service cost and interest	60,822	43,449
Impairment on financial assets	815	197
Provision expense on Court Case	20,065	50
Depreciation & Amortization expense of PPE and Intangible assets for accounting purpose	241,100	177,799
Impairment on Loans and Advances as per IFRS	138,968	(21,337)
Interest expense on Lease liability	8,556	15,525
Depreciation Expense - ROUA	440,150	228,585
Amortisation Leasehold Land	(233)	2,170
Other benefit	71,339	-
Prepaid staff expense	34,358	16,511
Additional interest income recognized on employee benefit	106,019	109,337
Accrued-Leave expenses (Total Leave expense -Current year Accrued Leave)	79,477	29,246
Gain on Disposal of property, plant and equipments (As per TAX)	1,190	15,558
Off balance sheet provision expense (As per IFRS)	532,540	3,251
Other receivable impairment expense	101,369	107,507
Loan and advance and other write off expense	131,425	-
Sub total	**1,975,785**	**730,847**
Less: Tax exempted income and allowed expenses		
Depreciation & Amortization expense of PPE for tax purpose	320,450	238,906
80% of NBE provision on loans	106,699	(13,776)
80% of Other receivable asset impairment	(56,831)	135,150
80% of off balance sheet provision	447,791	105,060
Interest income taxed at source- local deposit	200,673	50,650
Interest Earned on Correspondent Banks	159,710	-
Interest income taxed at source- Treasury Bill	2,270	174,545
Interest Earned on Treasury Bonds	352,221	52,442
Interest income taxed at source- Government Bond	87,086	34,148
Dividend income taxed at source	53,192	13,892
Net Gain or loss on Disposal of property, plant and equipments (As per IFRS)	1,361	4,790
Defind employee benefit paid as per tax base	6,029	4,246
Accrued-Leave expenses as per tax base	5,701	293
Quara & Hara Building Rent Income	222	9,257
Office rent amortization expense as per tax base	461,399	261,128
Sub total	**2,147,973**	**1,070,729**
Taxable profit	**4,043,541**	**1,605,428**
Current tax @30%	1,213,062	481,629
Add: Rental income tax	29	88
Add: 10% interest income on foreign deposit	15,971	-
Current income tax	**1,229,062**	**481,717**

ABAY BANK SHARE COMPANY
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b) Current income tax liability

	30 June 2025 Birr'000	30 June 2024 Birr'000
Balance at the beginning of the year	481,704	572,836
Prior year over /under paid	-	-
Payment during the year	(481,704)	(572,836)
Current year profit tax	1,229,062	481,717
Witholding tax paid	-	(13)
Balance at the end of the year	**1,229,062**	**481,704**

c) Income tax expense

	30 June 2025 Birr'000	30 June 2024 Birr'000
Current incom tax	1,229,062	481,717
Deferred tax expense/(income) - profit or loss	(13,196)	(38,466)
Total charge to profit or loss	**1,215,866**	**443,250**
Deferred tax expense/(income) - OCI	(11,648)	16,030
Total tax in statement of comprehensive income	**1,204,219**	**459,280**

d) Deferred tax assets or liabilities

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:

Description	1 July, 2024 Birr'000	Credit (charge) to P/L Birr'000	Credit (charge) to OCI Birr'000	30 June 2025 Birr'000
Deferred Tax Assets				
Provision for accrued leave	44,969	22,133	-	67,102
Post-employment benefit obligation	57,614	16,438	15,749	89,802
	102,583	**38,571**	**15,749**	**156,904**
Deferred Tax Liabilities				
Unrealized fair value (gain)/loss on equity invest.	(137,577)	-	(4,102)	(141,679)
PPE & Intangible assets	(52,951)	(25,375)	-	(78,326)
	(190,528)	**(25,375)**	**(4,102)**	**(220,005)**
Total net deferred tax assets/(liabilities)	**(87,945)**	**13,196**	**11,648**	**(63,101)**

Description	1 July, 2023 Birr'000	Credit (charge) to P/L Birr'000	Credit (charge) to OCI Birr'000	30 June 2024 Birr'000
Deferred Tax Assets				
Provision for accrued leave	-	44,969	-	44,969
Post-employment benefit obligation	35,700	11,598	10,316	57,614
	35,700	**56,567**	**10,316**	**102,583**
Deferred Tax Liabilities				
Unrealized fair value (gain)/loss on equity invest.	(111,230)	-	(26,347)	(137,577)
PPE & Intangible assets	(34,851)	(18,100)	-	(52,951)
	(146,081)	**(18,100)**	**(26,347)**	**(190,528)**
Total net deferred tax assets/(liabilities)	**(110,381)**	**38,466**	**(16,030)**	**(87,945)**

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17 Cash and bank balance

	30 June 2025 Birr'000	30 June 2024 Birr'000
Local currency cash on hand	1,931,339	2,214,099
Foreign currency cash on hand	129,990	14,345
Cash held on NBE	9,351,115	6,876,993
Deposits with local banks	507,323	2
Deposits with foreign banks	13,616,952	2,589,196
Less: Bank balance impairement	(1,148)	(473)
	25,535,571	**11,694,162**
Maturity analysis		
Current	19,432,676	11,694,162
Non Current	6,102,896	-
	25,535,572	**11,694,162**

The cash held on NBE balance consists of 8.69 billion Birr of statury reserve balance which constitutes 7% of the stated net deposit balance. The equivalent reserve balance is released right away in the event that the deposit balance falls.

ECL by Class of Cash and Cash Equivalent Items	30 June 2025 Birr'000	30 June 2024 Birr'000
Cash held on NBE	468	344
Deposits with foreign banks	681	129
Total ECL	**1,148**	**473**

18 Loans and advances to customers

	30 June 2025 Birr'000	30 June 2024 Birr'000
Agriculture	457,363	440,472
Construction and Building	8,954,045	6,152,545
Consumer Loan	5,514,087	3,783,277
Domestic Trade Services	7,088,234	6,248,461
Export and Import	18,011,350	16,485,518
Hotel and Tourism	843,924	876,241
Manufacturing and Industry	4,663,031	4,460,603
Transport and Communication	4,379,531	3,217,892
Total gross exposure	**49,911,565**	**41,665,009**
- Loss allowance	(694,873)	(555,906)
	49,216,692	**41,109,103**
Maturity analysis		
Current	16,904,624	13,786,875
Non Current	32,312,068	27,322,227
	49,216,692	**41,109,103**

ABAY BANK SHARE COMPANY
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19 Equity investments at fair value -OCI

Investee companies	Openning Balance Birr'000	Addition of the Year Birr'000	FV - OCI of the Year Birr'000	FV as at 30 June 2025 Birr'000	FV as at 30 June 2024 Birr'000
Abay Insurance S.C	60,430	9,968	(14,077)	56,321	60,430
Abay Industries S.C	190,144	5,600	(131,508)	64,236	190,144
Addis-Africa Int. Conv. & Exh. Center	71	207	913	1,191	71
Dessie Hidassie Building .C	100	-	-	100	100
Ethiswitch S.C	367,016	33,771	159,107	559,894	367,016
Tsedey Bank S.C	17,758	3,738	(596)	20,900	17,758
Ethiopian Security Exchange	5,000	-	(167)	4,833	5,000
	640,520	**53,284**	**13,672**	**707,476**	**640,520**

OCI equity investment reconcilation

	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the year	321,013	259,537
Re-measurement fair value gains/(loss) on equity investment, net of deferred tax	9,571	61,475
At the end of the year	**330,584**	**321,013**

The fair value of equity investments are estimated by independent consultant, price waterhouse Coopers (PWC). PWC used the market approach to value the Bank's investee Companies. Pwc used readily available market information of comparable companies to the investee companies being valued and adjusted for specific factors as a basis for fair valuation. The PWC applied level II inputs in determining fair value of bank's equity investments.

Valuation by multiples is based on actual market prices. By using this valuation method, the unknown value of the valuation object is calculated based on the known values of comparable objects (companies, transactions or IPOs). The selection of the appropriate multiple within a range requires judgment, considering qualitative and quantitative factors specific to the measurement.

20 Other Financial assets

) Investment Securities

	30 June 2025 Birr'000	30 June 2024 Birr'000
Time deposit	720,395	975,476
Treasury bill, IBM & OMO	501,352	145,651
Treasury bond	5,058,036	2,978,334
Government Bond	1,107,794	979,541
	7,387,577	**5,079,002**
Less Impairement on investment securities	(394)	(254)
	7,387,183	**5,078,748**

Certified Auditors in Ethiopia
Tewodros and Fikre Audit Service Partnership

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b) Other receivables

	30 June 2025 Birr'000	30 June 2024 Birr'000
Receivable from money transfer agents	91,117	184,306
Staff reciveable	30,876	517,918
Other receivables	2,642,621	1,060,782
Less: impairment allowance	(123,426)	(22,056)
	2,641,188	**1,740,950**
Total Other Financial Assets	**10,028,371**	**6,819,698**

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	1,244,714	1,887,893
Non Current	8,783,657	4,931,805
	10,028,371	**6,819,698**

21 Other Non-financial assets

	30 June 2025 Birr'000	30 June 2024 Birr'000
Prepayments	218,330	391,407
Inventory in stock	418,008	447,096
Prepaid employee benefit	53,674	554,124
Other receivable	1,175	2,057
Total other Non Financial Assets	**691,187**	**1,394,684**

Prepaid employee benefit measured at fair valuation

Stages	**Staff Loan Measured at Fair Value**	**Employee Benefit**	30 June 2025 Birr'000	30 June 2024 Birr'000
Stage 1	1,212,366	618,003	618,003	560,876
Stage 2	51,979	4,149	4,149	3,189
Stage 3	14,020	(1,566)	(1,566)	516
Grand Total	**1,278,366**	**620,586**	**620,586**	**564,581**

The prepaid employee benefit balance presented under Other Non-financial Assets includes an amortized portion, which is accounted for as an expense over the period of the employee benefit. The difference of Birr 34.36 million is attributable to the amortization of the prepaid employee benefit recognized in the current year. The comparative prepaid employee benefit balance comprised the fair value of employee benefits, which is currently presented under loan and advances. For the current year, only the fair value adjustment relating to employee benefits is recognized under prepaid employee benefits.

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22 Right of Use Asset

The Bank applied two discount rates for measuring Right-of-Use Assets in accordance with IFRS 16: a 6% rate, reflecting the Bank's Weighted Average Cost of Capital, was maintained for existing lease contracts, while a revised 7% rate was applied to new lease contracts entered during the current reporting period.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Right-of-use assets balance – As at July 1	1,180,648	927,495
Add: ROUA addition	474,981	454,124
Add: Lease liability addition	69,365	177,349
Add (Less): Depreciation expense of the year	(440,150)	(228,585)
Prior period adjustment	-	(149,735)
Total	**1,284,844**	**1,180,648**

Breakdown of right of use asset	30 June 2025 Birr'000	30 June 2024 Birr'000
Office rent	1,233,526	1,055,481
Leasehold land	51,318	125,167
Total Right of use asset	**1,284,844**	**1,180,648**

23 Lease liabilities

In accordance with IFRS 16 – Leases, the Bank uses the Weighted Average Cost of Capital (WACC) as the incremental borrowing rate to discount lease liabilities. For existing lease contracts, a discount rate of 6% has been consistently applied, in line with the rate determined at the commencement date, as required under IFRS 16.26.

During the current year, the Bank revised its discount rate to 7% for new lease contracts entered during the reporting period, reflecting updated financing conditions. This change is in compliance with IFRS 16.26, which permits the use of a different discount rate for leases commencing in different periods, provided there is no reassessment or modification of existing leases as outlined under IFRS 16.40–43.

Lease Liabilities Balance	30 June 2025 Birr'000	30 June 2024 Birr'000
Lease liabilities balance – As at July 1	615,713	507,520
Add/(Less): Lease liability addition during the year	69,365	92,668
Add: Current year interest expense on lease liability	8,556	15,525
Less: Lease liability paid during the year	(226,294)	-
Total	**467,340**	**615,713**

Breakdown of Lease Liabilities	30 June 2025 Birr'000	30 June 2024 Birr'000
Office Rent	424,346	495,657
Land	42,993	120,056
Total lease liability	**467,340**	**615,713**

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24 Property, plant and equipment

	Buildings	Motor Vehicles	Furniture & Fittings	Office Equipment	Computer & Accessories	Total Birr'000
Cost:						
As at 1 July 2023	165,988	398,838	246,308	353,002	380,485	1,544,620
Additions	-	115,698	89,674	320,883	125,313	651,568
Disposals	-	(15,292)	(4,227)	(5,875)	(3,102)	(28,496)
As at 30 June 2024	**165,988**	**499,244**	**331,755**	**668,010**	**502,696**	**2,167,692**
As at 1 July 2024	165,988	499,244	331,755	668,010	502,696	2,167,692
Additions	-	21,855	74,344	134,009	323,209	553,417
Disposals	(74,813)	(1,003)	(3,480)	(8,849)	(3,642)	(91,787)
Prior period adjustment	-	-	-	-	-	-
As at 30 June 2025	**91,175**	**520,096**	**402,620**	**793,169**	**822,262**	**2,629,323**
Accumulated depreciation:						
As at 1 July 2023	4,415	91,097	55,359	90,477	161,734	403,082
Charge for the year	3,154	39,080	23,136	50,232	54,435	170,037
Disposals	-	(10,233)	(1,782)	(4,393)	(2,485)	(18,894)
As at 30 June 2024	**7,569**	**119,944**	**76,713**	**136,316**	**213,683**	**554,225**
As at 1 July 2024	7,569	119,944	76,713	136,316	213,683	554,225
Charge for the year	3,154	46,000	29,297	80,162	67,480	226,093
Disposals	(3,474)	(953)	(1,643)	(8,451)	(3,178)	(17,699)
Prior period adjustment	-	-	-	-	-	-
As at 30 June 2025	**7,249**	**164,992**	**104,368**	**208,026**	**277,985**	**762,619**
Net book value:						
As at 30 June 2024	**158,419**	**379,300**	**255,042**	**531,694**	**289,012**	**1,613,467**
As at 30 June 2025	**83,926**	**355,105**	**298,252**	**585,143**	**544,277**	**1,866,703**

25 Intangible Assets

Description	**30 June 2025 Birr'000**	**30 June 2024 Birr'000**
Cost:		
As at 1 July 2024	96,786	78,833
Additions	272,084	17,953
30 June 2025	**368,870**	**96,786**

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	30 June 2025 Birr'000	30 June 2024 Birr'000
Accumulated amortization		
As at 1 July 2024	67,014	59,251
Charge for the year	15,007	7,763
30 June 2025	**82,021**	**67,014**
Net book value:		
As at 30 June 2025	**286,849**	**29,772**

During the year, the bank purchased Cheque Point software and an HSM PL license, both of which meet the recognition criteria for intangible assets under IAS 38 and support real-time transactions processed through the national payment system, as well as transactions executed via POS and ATMs. Both assets are expected to provide economic benefits over a useful life of six years.

6 Construction in progress

	30 June 2025 Birr'000	30 June 2024 Birr'000
As at 1 July 2024	1,928,111	1,359,726
Addition of the year	512,249	568,385
Reclassified to advance payment	(732,857)	-
	1,707,503	**1,928,111**

27 Non current asset held for sale

Movement during the year	30 June 2025 Birr'000	30 June 2024 Birr'000
Opening balance	7,351	7,351
Additions (New foreclosures)	15,763	-
Disposal during the year	(2,546)	-
Proceed from disposal	5,750	-
Gain/(loss) on disposal	3,204	-
Balance at the end of the year	**20,568**	**7,351**

The Bank's policy is to pursue the timely realization of collateral in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations." The management had intended to sell the non-current asset held for sale within 12 months from the reporting date. However, due to unforeseen and immediate conditions resulting from ongoing conflict in the region where the collateral is located, the Bank has been unable to proceed with the sale or re-assess and measure the fair value of the asset.

28 Deposits from customers

	30 June 2025 Birr'000	30 June 2024 Birr'000
Demand deposits	27,252,435	17,498,041
Savings deposits	39,693,202	30,736,341
Fixed Time deposit	4,968,826	4,391,678
	71,914,463	**52,626,060**
Maturity analysis		
Current	19,715,041	52,626,060
Non Current	52,199,422	-
	71,914,463	**52,626,060**

BAY BANK SHARE COMPANY
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9 Other Financial liabilities

	30 June 2025 Birr'000	30 June 2024 Birr'000
Audit fee payables	1,035	423
Borrowing from DBE	216,043	255,455
Cash payment order payable	252,558	169,132
Customers payables	551,936	638,940
Provision for bonus	231,624	100,000
Deferred guarantee income	1,209	1,513
Directors share of profit payable	1,350	1,350
Dividend payables	61,405	65,825
Exchange commission payable	45,779	9,958
Foreign transfers payables	272,185	50,880
Impairement Financial Gurantee	447,687	237
Impairement on L/C	66,250	121
Provision - on Overdraft Facility	4,647	6,125
Provision - on Revolving Facility	5,970	5,596
Long Outstanding payables	131,600	70,287
Margin Held Accounts	2,270,274	1,334,541
Refund payable	15	13
Shareholders payables	1	808
Staff leave payables	223,673	149,896
Cash indemnity allowance	48,360	35,086
Sundry payables	206,316	133,475
	5,039,917	**3,029,661**

As of 30 June 2025, the Bank had a dividend payable balance of 61.41 million Birr. This balance represents dividends declared by the Board of Directors in a prior periods that have not yet been paid to shareholders due to various reasons.

*The sundry payables account includes blocked accounts payables, court cases payables, telephone payable and other miscellaneous.

Reconciliation of contract liabilities (Deferred guarantee income)

	30 June 2025 Birr'000	30 June 2024 Birr'000
Balance at 1 July 2024	1,513	5,605
Deferred guarantee income recognized during the year	(1,513)	(5,605)
Deffered guarantee income of the year	1,209	1,513
Balance at 30 June 2025	**1,209**	**1,513**

The above table summarizes the opening and clsoing balance of deferred guarantee income and revenue of Birr 1.51 million was recognized in 2025 for performance obligations satisfied (or partially satisfied) in prior periods.

0 Non-financial liabilities

	30 June 2025 Birr'000	30 June 2024 Birr'000
Stamp duty payable	1,861	7,956
Tax payables	77,594	34,515
Pension payable	10,614	9,117
Provisions	21,215	1,154
Other payables	11,907	3,274
Total other financial and non financial liabilities	**123,191**	**56,016**

Maturity analysis of other financial liabilities		
Current	3,508,980	3,029,661
Non Current	1,530,937	56,016
	5,039,917	**3,085,677**

1 Defined Employee Benefit Obligation

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). 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 recognized in the financial statements:

a) **Amount recognized in the profit or loss**	30 June 2025 Birr'000	30 June 2024 Birr'000
Current service cost	21,460	15,890
Interest cost	39,362	27,559
Past service cost	-	-
Total expense recognized	**60,822**	**43,449**

The movements recognized under other comprehensive income (OCI) for the year ended 30 June 2025 are

b) **Amount recognized in other comprehensive income:**	30 June 2025 Birr'000	30 June 2024 Birr'000
Defined benefit obligation - OCI at the beginning of the period	(74,868)	(50,796)
Actuarial (Gains)/Losses on economic assumptions	(55,205)	(19,316)
Actuarial (Gains)/Losses on experience	2,707	(15,072)
Deferred tax asset(liability) on re-measurement gain or loss	15,749	10,316
Total defined benefit obligation - OCI	**(111,616)**	**(74,868)**

c) Net defined benefit liability

The below table summarizes the key movements in the net defined benefit liability during the period, including changes in the present value of the defined benefit obligation, plan assets, and the effect of the asset ceiling.

Description	Opening Balance	Movement During Period	Closing Balance
(i) Plan Assets	-	-	-
(ii) Present Value of the Defined Benefit Obligation	(192,048)	(107,291)	(299,339)
(iii) Effect of the Asset Ceiling	-	-	-
Net Defined Benefit Liability	**(192,048)**	**(107,291)**	**(299,339)**

There are no separate assets held which are creditor remote and are held in the name of a separate legal entity to the Bank set aside to fund the Benefits. Thus, the Bank have therefore not included any assets in the valuation.

Sensitivity of the Defined Benefit Obligation (DBO) to Changes in Key Assumptions

The table below provides a sensitivity analysis showing how changes in the key actuarial assumptions impact the valuation of the defined benefit obligation. The principal assumptions used in the valuation are listed, and the corresponding effects on the Defined Benefit Obligation are presented.

Scenario	Base DBO (Birr' 000)	DBO on Changed Assumptions (Birr' 000)	% Change
Discount rate + 1%	299,339	266,462	-11.00%
Discount rate - 1%	299,339	332,088	10.90%
Salary increase + 1%	299,339	332,480	11.10%
Salary increase - 1%	299,339	265,627	-11.30%

Reconciliation of Defined Benefit Obligation

The table below outlines the development of the Defined Benefit Obligation that the Bank will reflect in its financial statements for the year ended 30 June 2025.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Defined Benefit Obligation at the beginning of the period	192,048	119,001
Current Service Cost (excluding interest)	21,460	15,890
Interest Cost	39,362	27,559
Benefits Paid	(6,029)	(4,790)
Actuarial (Gains)/Losses on economic assumptions	55,205	19,316
Actuarial (Gains)/Losses on experience	(2,707)	15,072
Defined benefit obligation at the end of the period	**299,339**	**192,048**

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Summary of Key Financial Assumptions

Financial assumptions are those that affect the amount of the benefit payments (e.g. increases in salary and the discount rate) while demographic assumptions are those that affect the expected timing of the benefit payments (e.g. resignation or mortality rates).

The key financial assumptions applied in the valuation, compared to those applied in the previous valuation are summarized as follows:

Financial Assumptions	**30 June 2025 Birr'000**	**30 June 2024 Birr'000**
Discount Rate	14.4%	18.7%
Inflation Rate	12.2%	14.3%
Salary increase Rate	12.2%	14.3%
Net Pre-Retirement Rate	**1.96%**	**3.85%**

32 Share capital

Authorized:	**30 June 2025 Birr'000**	**30 June 2024 Birr'000**
Ordinary shares of Birr 1000 each	12,000,000	12,000,000
Issued and fully paid:		
Ordinary shares of Birr 1000 each	7,013,373	6,015,344
Share premium	39,128	39,108
	7,052,501	**6,054,452**

The Bank shares are owned by individuals, farmer associations and companies.

33 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.

Weighted average number of shares is computed based on the number of days to year end the shares were held by the Bank from the payment date for the piad up capital.

	30 June 2025 Birr'000	**30 June 2024 Birr'000**
Profit after tax	2,999,863	1,502,060
Weighted average number of ordinary shares in issue	6,475	5,353
Basic earnings per share (Birr)	**463.31**	**280.62**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2025), hence the basic and diluted earnings per share have the same value.

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34 Retained earnings

	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the year	1,052,342	1,030,944
Dividend paid	(1,052,342)	(1,041,760)
Carried forward		
Profit/ (Loss) for the year	2,999,863	1,502,060
Legal reserve	(749,966)	(365,898)
Regulatory risk reserve	(171,164)	(58,040)
Prior period tax adjustment	(37,410)	(14,964)
At the end of the year	**2,041,323**	**1,052,342**

35 Legal reserve

	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the year	1,674,200	1,308,302
Legal reserve transferred during the period	749,966	365,898
At the end of the year	**2,424,166**	**1,674,200**

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.

36 Regulatory risk reserve

	30 June 2025 Birr'000	30 June 2024 Birr'000
Balance brought forward	**301,230**	
Loan impairement		
Loan impairement under IFRS 9	694,873	(555,906)
NBE directive requirement	693,397	560,023
	(1,477)	**4,117**
On other assets		
Other Assets impairement under IFRS 9	123,426	(22,056)
NBE directive requirement	123,426	194,465
	-	**172,408**
Off balance sheet		
Off balance sheet provision as per IFRS	10,906	-
Off balance sheet provision as per NBE	58,169	-
	47,263	**-**
Suspended interest		
Addition of the year	123,901	124,705
	123,901	**124,705**
Regulatory risk reserve ending balance	**472,394**	**301,230**

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The Regulatory risk reserve is a non-distributable reserve required by the regulation of National Bank of Ethiopia to be kept for impartment losses on loans and other receivables in excess of IFRS 9 charges. When the loan loss impairment determined using the NBE guidelines is higher than loss impairment determined under IFRS 9 model, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the bank.

Where the loss impairment determined using the NBE guidelines is less than the loan loss impairment determined using under IFRS 9 model, the difference is transferred from regulatory risk reserve to the retained earnings to the extent of non-distributable reserve previously recognized. Moreover, according to NBE dircetives interest income on impaired loans are not distributable to shareholders of the bank. The amount net-off tax is transferred to regulatory risk reserve.

37 Cash generated from operating activities

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
Profit before tax		**4,215,730**	**1,945,310**
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	24	226,093	170,037
Amortization of intangible assets	25	15,007	7,763
Gain/(Loss) on disposal of property, plant and equipment	37	(1,361)	(13,892)
Impairment on loans and advances	12	138,968	(21,337)
Interest expense on lease liability	23	8,556	15,525
Other staff expenses	14	71,339	-
Impairment on other receivable, NBE bill and Treasury Bill	13	(102,184)	107,534
Employee benefit obligations	31 (b)	(52,498)	(34,388)
Gain/(Loss) on disposal of non current asset held for sale	11	(3,204)	-
Prior period adjustment		-	(3,082)
Changes in working capital:			
-Decrease/ (Increase) in loans and advances	18	(8,246,557)	(4,613,415)
-Decrease/ (Increase) in other financial asset	20 (b)	(797,914)	(726,654)
-Decrease/ (Increase) in Other Non Financial assets	21	703,497	(688,906)
-Decrease/ (Increase) in Right of use assets	22	(104,196)	(265,035)
-Increase/ (Decrease) in deposits from customers	28	19,288,403	10,856,545
-Increase/ (Decrease) in Other Financial liabilities	29	2,010,256	(1,335,114)
-Increase/ (Decrease) in Defined benefits obligation	31 (c)	107,291	73,047
-Increase/ (Decrease) in Non financial liabilities	30	67,175	2,759
		17,544,400	**5,476,698**

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
Cost of Property, plant and equipments sold	16,974	28,496
Accumulated depreciation of property, plant and equipment sold	(14,225)	(18,893)
Gain/(loss) on sale of property, plant and equipment	1,361	13,892
Proceed of property, plant and equipment sold	**4,110**	**23,495**

38 Related party transactions

A number of transactions where entered in to with related parties in the normal course of business. Below is a summary of the Bank's related party transactions for the years ended 30 June 2025 and 30 June 2024:

a) Loans and Advances to Related Parties

	30 June 2025 Birr'000	30 June 2024 Birr'000
Outstanding Loans to Board of Directors	98,950	47,149
Outstanding Loans to Executive Management	206,758	183,273
	305,708	**230,422**

b) Key management compensation

Key management includes members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management during the year is detailed below. There is no sales or purchase of goods and services occurred between the Bank and key management personnel as at 30 June 2025.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Compensation of Key Management Personnel (Salaries, Allowances, Bonuses)	37,688	31,222
Directors' Share of Annual Profit	1,350	1,350
Directors' Annual Sitting Allowance	1,080	1,080
Total Compensation	**40,118**	**33,652**

39 Contingent liabilities

i) Guarantees and letters of credit

The Bank conducts business involving performance bonds and guarantees. These instruments are given as a security to support the performance of a customer to third parties. 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 summarizes the mount of contingent liabilities for the account of customers:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Guarantees issued and outstanding	976,287	805,561
Letters of credit net-off margin held	4,444,834	2,416,310
	5,421,121	**3,221,871**

ii) Loan and advance commitments

The bank has outstanding loan and advance commitments, not provided for in these financial statements, which are summarized as follows:

Unutilized overdraft facility

	30 June 2025 Birr'000	30 June 2024 Birr'000
Overdraft Facility Limit	7,090,021	6,741,778
Utilized Overdraft Amount	6,055,127	5,344,046
Unutilized Overdraft Amount	1,165,693	1,501,254
Overdraft Loan Impairment	**(29,062)**	**(40,406)**

Unutilized revolving facility

	30 June 2025 Birr'000	30 June 2024 Birr'000
Revolving Facility Limit	9,036,429	8,144,508
Utilized Revolving Facility Amount	8,343,436	7,494,702
Unutilized Revolving Facility Amount	692,993	649,806
Revolving Facility Loan Impairment	**(206,232)**	**(151,169)**