

ABAY BANK S.C

AUDITOR'S LIMITED ASSURANCE REPORT AND INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2025

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**INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON INTERIM FINANCIAL
STATEMENTS OF ABAY BANK S.C FOR THE SIX MONTHS PERIOD ENDED 31
DECEMBER 2025.**

We have reviewed the accompanying Interim Financial Statements of Abay Bank S.C for the period ended 31 December 2025 which comprise the statement of financial position as of December 31, 2025, the statement of comprehensive income, statements of change in shareholders' equity, statement of cash flows for the period then ended and summary of significant accounting policies and the related notes to the financial statements.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS) as issued by the international Accounting Standards Board (IASB); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of the Bank's use of its reporting criteria as the basis of preparation for the preparation of its financial statements, assessing the risks of material misstatement of the interim financial statements whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the financial statements. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed in preparing the interim financial statements, inspection of selected working files documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Auditors' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the International Financial Reporting Standards (IFRS) as issued by the international Accounting Standards Board (IASB).

Restriction of liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the interim financial statements of Abay Bank S.C for the period ended 31 December 2025 to the Management of the Bank in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the Bank, for our work, for this report, or for the conclusion we have reached at.

Addis Ababa Ethiopia

April 7, 2026

Tewodros and Fikre Audit Services

Partnership

Chartered Certified Accountants



ABAY BANK SHARE COMPANY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SEMI ANNUAL DECEMBER 31,2025

Intrim report	Notes	31 Dec. 2025 Birr'000	31 Dec. 2024 Birr'000
Interest income	6	4,965,468	4,159,092
Interest expense	7	(1,608,392)	(1,179,200)
Net interest income		3,357,076	2,979,892
Fee and commission income	8	1,193,138	879,967
Fee and commission expense	9	(20,752)	(20,137)
Net Fee and commission income		1,172,386	859,830
Net gain on foreign exchange valuation	10	1,094,905	1,554,728
Other operating income	11	191,097	72,877
		1,286,002	1,627,606
Total operating income		5,815,464	5,467,328
Loan impairment charge	12	(136,943)	(718,991)
Other Assets Impairment Charge	13	(46,324)	540,539
Net operating income		5,632,197	5,288,876
Personnel expenses	14	(1,643,627)	(1,390,718)
Depreciation & Amortization of PPE & Intangible assets	24-25	(165,986)	(88,933)
Depreciation expense on right of use asset	22	(258,095)	(114,292)
Interest Expense on lease liability	23	(11,355)	(7,763)
Other operating expenses	15	(975,657)	(1,335,414)
Profit before tax		2,577,478	2,351,756
Income tax expense	16 (c)	(693,862)	(992,453)
Profit After Tax		1,883,616	1,359,303
Total comprehensive income for the period		-	-
Basic EPS	32	244.89	253.93

The notes on pages 5 to 34 are an integral part of these financial statements.



ABAY BANK SHARE COMPANY
STATEMENT OF FINANCIAL POSITION
FOR THE SEMI ANNUAL DECEMBER 31,2025

	<u>Notes</u>	<u>31 Dec. 2025</u> <u>Birr'000</u>	<u>30 June 2025</u> <u>Birr'000</u>
ASSETS			
Cash and bank balance	17	19,858,799	25,535,572
Loans and advances to customers	18	59,076,115	49,216,692
Equity investments at fair value -OCI	19	747,517	707,476
Other financial assets	20	21,595,595	10,028,371
Other non Financial assets	21	661,321	691,187
Right of use assets	22	1,250,431	1,284,844
Property, plant and equipment	24	1,813,579	1,866,703
Intangible Assets-Software	25	260,642	286,849
Construction in progress	26	2,677,573	1,707,503
Non current asset held for sale	27	20,568	20,568
Total assets		107,962,140	91,345,765
LIABILITIES			
Deposits from customers	28	86,302,005	71,914,463
Current income tax liability	16 (b)	649,635	1,229,062
Other Financial liabilities	29	5,315,607	5,039,917
Lease Liabilities	23	431,321	467,340
Non financial liabilities	30	185,134	123,191
Defined benefits obligation	30	299,339	299,339
Net deferred tax asset/(liabilities)	16 (d)	107,320	63,101
Total liabilities		93,290,363	79,136,414
EQUITY			
Share Capital	31	9,657,286	7,013,373
Share Premium	31	39,288	39,128
Retained earnings	33	1,368,430	2,041,323
OCI-Defined Employee Benefit		(111,616)	(111,616)
OCI-Equity Investment	19	330,584	330,584
Legal Reserve	34	2,895,070	2,424,166
Regulatory Risk Reserve	35	492,735	472,394
		14,671,777	12,209,351
Total equity and liabilities		107,962,140	91,345,765

The notes on pages 5 to 34 are an integral part of these financial statements.



Yehuala Gessesse

Chief Executive Officer

Chief Executive Officer

ABAY BANK SHARE COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE SEMI ANNUAL DECEMBER 31, 2025

Notes	Share Capital Birr'000	Share Premium Birr'000	Retained earnings Birr'000	OCI-Defined 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 2024	6,015,344	39,108	1,052,342	(74,868)	1,674,200	301,229	321,013	9,328,369
Issues of ordinary shares	32							
Profit for the year	33	20						998,049
Dividend paid	34		2,999,863					2,999,863
Re-measurement on defined benefit plan net of tax	31		(1,052,342)	(36,749)				(1,052,342)
OCI Equity investment net of tax	19							(36,749)
Regulatory Risk Reserve	36	-	(171,164)	-	-	171,164	9,571	9,571
Transfer to legal reserve	35	-	(749,966)	-	749,966	-	-	-
Prior period adjustment	33	-	(37,410)	-	-	-	-	-
As at 30 June 2025	7,013,373	39,128	2,041,323	(111,616)	2,424,166	472,394	330,584	12,209,351
As at 1 July 2025	7,013,373	39,128	2,041,323	(111,615)	2,424,166	472,394	330,584	12,209,351
Issues of ordinary shares	32	160						
Profit for the year	34		1,883,616					2,644,073
Dividend paid	34		(2,041,323)					1,883,616
Transfer to legal reserve	34	-	(470,904)	-	470,904	-	-	(2,041,323)
Regulatory Risk Reserve	35	-	(20,341)	-	-	20,341	-	-
Prior period adjustment	33	-	(23,940)	-	-	-	-	(23,940)
As at 31 Dec. 2025	9,657,286	39,288	1,368,431	(111,616)	2,895,070	492,735	330,584	14,671,778

The notes on pages 5 to 34 are an integral part of these financial statements.



ABAY BANK SHARE COMPANY
STATEMENT OF CASH FLOW
FOR THE SEMI ANNUAL DECEMBER 31, 2025

	<u>Notes</u>	<u>31 Dec. 2025</u> <u>Birr'000</u>	<u>31 Dec. 2024</u> <u>Birr'000</u>
Cash flows from operating activities			
Cash generated from operations	36	7,161,353	6,465,109
Income tax paid	16 (b)	(1,229,062)	(481,704)
Prior period adjustment	34	(23,945)	-
Net cash (outflow)/inflow from operating activities		5,908,346	5,983,405
Cash flows from investing activities			
Proceed of investment securities	20(a)	(11,042,029)	(1,514,947)
Purchase of equity investment	19	(40,041)	(43,739)
Purchase of construction in progress	26	(970,070)	(158,591)
Purchase of intangible assets	25	(196)	-
Purchase of property, plant and equipment	24	(87,801)	(136,627)
Proceed from sale of property, plant and equipments	37	494	-
Purchase of non current asset held for sale	27	-	-
Proceed from sale of non current asset held for sale	27	-	-
Net cash (outflow)/inflow from investing activities		(12,139,643)	(1,853,904)
Cash flows from financing activities			
Payment of principal portion of lease liabilities	23	(48,225)	-
Dividend paid	33	(2,041,324)	(1,041,760)
Proceeds from issue of shares	31	2,644,073	429,419
Net cash (outflow)/inflow from financing activities		554,524	(612,341)
Net increase/(decrease) in Cash and bank balances		(5,676,773)	3,517,160
Cash and bank balance at the beginning of the year	17	25,535,572	11,694,162
Net cash increase/(decrease) during the year		(5,676,773)	3,517,160
Cash and bank balances at the end of the year	17	19,858,799	15,211,322

The notes on pages 5 to 34 are an integral part of these financial statements.



ABAY BANK SHARE COMPANY
NOTE TO THE FINANCIAL STATEMENTS
FOR THE SEMI ANNUAL DECEMBER 31, 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 policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying 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 functional currency using closing rate as at the reporting date.



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 or 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.

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 6-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 6-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. 6-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 6 months after the reporting date.

6-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 characteristics.

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 6-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.

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-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more shall be considered credit-impaired even when the regulatory definition 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 written off. Recoveries resulting from previously written off 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 derecognized and a new financial asset shall be recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification shall be accounted for as follows:

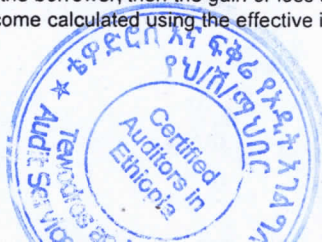
- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs shall be included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to 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 off 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:

- o the initial amount of the corresponding lease liability;
- o any lease payments made at or before the commencement date;
- o any initial direct costs incurred;
- o 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 incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- o 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 6 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 commencement 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.

2.12 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 2025/26, 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.

2.17 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 instruments in active markets are based on current prices with no subjective judgements.

There are no financial instruments 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

Amendments to IAS 21 Lack of Exchangeability

Date	
Effective	Publication
1-Jan-25	Aug-23

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

New Standards or Amendments

IFRS 9 and IFRS 7 — Classification and Measurement (Amendments)
IFRS 18, 'Presentation and Disclosure in Financial Statements'
IFRS 19 Subsidiaries without Public Accountability: Disclosures (new standard)

Date	
Effective	Publication
1-Jan-26	May-24
1-Jan-27	Apr-24
1-Jan-27	May-24



5 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.

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.

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	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Stage 1	52,851,689			52,851,689	44,886,245
Stage 2		5,010,423		5,010,423	3,514,032
Stage 3			2,045,820	2,045,820	1,511,288
Total gross exposure	52,851,689	5,010,423	2,045,820	59,907,931	49,911,565
Loss allowance	(256,549)	(51,142)	(524,127)	(831,817)	(694,873)
Net carrying amount	52,595,140	4,959,281	1,521,693	59,076,115	49,216,692

Off balance sheet items

	Stage 1	Stage 2	Stage 3	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Stage 1	-	-	-	-	6,966,453
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total gross exposure	-	-	-	-	6,966,453
Loss allowance	-	-	-	-	(11,129)
Net carrying amount	-	-	-	-	6,955,324

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

Loans and Advance By Product

	Stage 1	Stage 2	Stage 3	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Addvance against Import Bills	196,782	-	-	196,782	-
Merchandise	509,993	-	-	509,993	403,745
Overdraft	6,693,849	-	-	6,693,849	6,055,127
Pre-shipment	9,222,938	702,078	226,090	10,151,093	8,485,641
Term Loan	36,228,126	4,308,345	1,819,730	42,356,201	34,967,054
Grand Total	52,851,689	5,010,423	2,045,820	59,907,931	49,911,565

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.

Sectors

	Conventional Banking Birr'000	Interest Free Banking Birr'000	Grand Total Birr'000
Agriculture	804,930	49,094	854,023
Construction and Building	10,577,168	652,711	11,229,879
Consumer Loan	6,348,202	26,238	6,374,439
Domestic Trade Services	8,607,994	283,240	8,891,234
Export and Import	20,927,819	1,068,464	21,996,282
Hotel and Tourism	886,536	-	886,536
Manufacturing and Industry	4,791,004	272,907	5,063,911
Transport and Communication	4,386,612	225,014	4,611,626
Total gross exposure	57,330,264	2,577,667	59,907,932
- Loss allowance	(812,399)	(19,417)	(831,817)
Net	56,517,865	2,558,250	59,076,115

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

	Conv'l Banking Birr'000	Interest Free Banking Birr'000	Grand Total 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	5,514,086
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

Credit concentrations by regions

The below table summarizes the credit concentrations by regions as of Dec. 31, 2025, and June 30, 2025. 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	31 Dec. 2025	30 June 2025
				Birr'000	Birr'000
Addis Ababa	34,957,920	3,962,404	1,069,679	39,990,016	33,795,856
Afar	27,710	6,392	1,684	35,787	28,172
Amhara	14,462,190	661,754	775,417	15,899,361	12,797,946
Benishangul	69,628	16,686	8,496	94,810	94,542
Central Ethiopia	106,401	34,659	1,247	142,306	143,892
Diredawa	247,342	-	2,230	249,572	190,420
Gambella	133,312	724	21	134,057	46,632
Harar	21,963	-	-	21,963	14,706
Oromia	1,054,846	95,931	19,725	1,170,502	990,375
Sidama	393,645	40,519	17,777	451,942	296,341
Somalia	35,691	-	-	35,691	32,630
South Ethiopia	315,481	28,398	4,434	348,312	239,889
South West Ethiopia Region	146,679	7,518	-	154,197	110,872
Tigray	878,880	155,439	145,096	1,179,415	1,129,293
Grand Total	52,851,689	5,010,423	2,045,807	59,907,931	49,911,565

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	31 Dec. 2025	30 June 2025
	Birr'000	Birr'000
1	6,151,601	5,297,411
2	34,427,623	27,731,945
3	12,272,464	11,856,888
4	5,010,423	3,514,032
5	436,894	436,894
6	804,911	444,559
7	804,016	702,372
8	-	-
Total gross exposure	59,907,932	49,984,102
Loss allowance	(831,817)	(694,873)
Net carrying amount	59,076,115	49,289,228

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	31 Dec. 2025	30 June 2025
					Birr'000	Birr'000
Agr Agriculture	483,392	-	108,398	667,285	1,259,075	783,231
Cor Construction and Building	12,267,569	3,665,958	5,457,000	4,286,173	25,676,700	20,860,415
Cor Consumer Loan	9,906,027	-	57,601	2,188,950	12,152,577	10,727,254
Dor Domestic Trade Services	15,093,184	-	215,067	1,098,493	16,406,745	13,881,434
Exp Export and Import	19,088,582	-	1,579,187	810,759	21,478,528	18,823,127
Hot Hotel and Tourism	1,788,094	-	37,954	10,200	1,836,248	1,712,182
Mai Manufacturing and Industry	5,020,334	-	1,760,964	201,073	6,982,372	6,392,248
Trai Transport and Communicat	1,617,438	420,490	2,770	9,144,756	11,185,454	10,516,398
Total	65,264,620	4,086,448	9,218,941	18,407,690	96,977,699	83,696,292
- Loss allowance					(831,817)	(694,873)
Net					96,145,882	83,001,418

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:

- o the remaining lifetime probability of default (PD) as at the reporting date; with
- o 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).
- o the Bank uses three criteria for determining whether there has been a significant increase in credit risk:
- o quantitative test based on movement in PD;
- o qualitative indicators; and
- o 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

- o Data from credit reference agencies, press articles, changes in external credit ratings
- o Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
- o Internally collected data on customer behavior – e.g. utilization of credit card facilities
- o Affordability metrics

b) Overdraft exposures

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

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.

- o All Pass consumer loans are assigned with risk grade 1.
- o All Pass status loans & advances with exceptions of consumer loan are assigned with risk grade 2.
- o All Special Mention status loans & advances are assigned with risk grade 3
- o All Sub-Standard status loans & advances are assigned with risk grade 4
- o All Doubtful status loans & advances are assigned with risk grade 5.
- o All Loss status loans & advances are assigned with risk grade 6.
- o All financial guarantees are assigned with risk grade 1
- o The bank hasn't any outstanding 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.

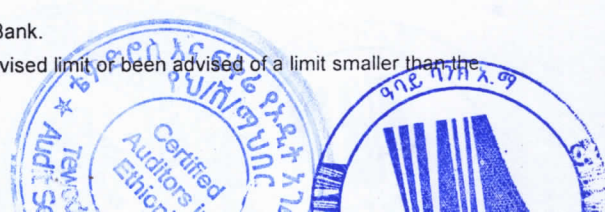
The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- o the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- o the criteria do not align with the point in time when an asset becomes 30 days past due;
- o the average time between the identification of a significant increase in credit risk and default appears reasonable;
- o exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- o there is no unwarranted volatility in loss allowance from transfers between 6-month PD (Stage 1) and lifetime PD (Stage 2)

vi) Definition of default

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

- o 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);
- o the borrower is more than 90 days past due on any material credit obligation to the Bank.
- o 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.

vii) Forward-looking information incorporated in the ECL models

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 Bank estimates each key driver for credit risk over the active forecast period of nine years.

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

Sector	Macroeconomic
Cluster 1 Agriculture, Consumer loans, Overdraft, 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 Broad money (% of GDP) - Sovereign Scorecard Legacy STPR, Policy Continuity 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

viii) 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.

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.

ix) Measurement of ECL

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

- o Probability of default (PD);
- o Loss given default (LGD); and
- o 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 6-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:

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

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



c) Loss allowance by risk grade

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

Risk grade	31 Dec. 2025	30 June 2025
	Birr'000	Birr'000
1	6,830	5,749
2	183,735	143,256
3	65,984	52,232
4	51,142	34,008
5	54,700	50,429
6	144,725	106,431
7	324,702	302,767
8		
Total gross exposure	831,817	694,873

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

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

	Stage 1	Stage 2	Stage 3	31 Dec. 2025	30 June 2025
				Birr'000	Birr'000
Agriculture	4,306	642	19,260	24,208	30,255
Construction and Build.	29,695	8,736	109,716	148,147	144,915
Consumer Loan	6,830	3,664	3,329	13,823	20,527
Domestic Trade Services	69,477	12,446	73,052	154,976	121,576
Export and Import	128,505	19,848	193,569	341,922	322,164
Hotel and Tourism	898	1,027	3,558	5,484	3,916
Manufacturing & Ind.	6,074	398	107,539	114,012	13,766
Transport and Comm'n	10,764	4,380	14,102	29,245	37,755
Grand Total	256,549	51,142	524,127	831,817	694,873

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	31 Dec. 2025	30 June 2025
				Birr'000	Birr'000
Addis Ababa	181,975	38,833	324,742	545,550	539,750
Afar	77	48	601	726	527
Amhara	59,367	6,200	141,431	206,998	90,152
Benishangul	203	208	3,041	3,453	3,023
Central Ethiopia	405	405	125	935	521
Diredawa	785	-	223	1,008	878
Gambella	433	2	21	457	144
Harar	116	-	-	116	65
Oromia	4,399	1,036	8,886	14,321	12,912
Sidama	1,187	461	14,488	16,136	25,256
Somalia	83	-	-	83	94
South Ethiopia	1,151	217	443	1,811	1,406
South West Ethiopia	407	47	-	453	333
Tigray	5,960	3,684	30,125	39,769	19,812
Grand Total	256,549	51,142	524,127	831,817	694,873

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.

5.3.1 Management of liquidity risk

Liquidity risk arises because of the possibility that the bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the 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 liabilities

	31 Dec. 2025	30 June 2025
At Close of Semi annual	32.13%	23.27%
Average for the semi annual	32.45%	20.41%
Maximum for the semi annual	33.54%	23.27%
Minimum for the semi annual	31.75%	17.83%

5.3.2 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 31 Dec. 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.	5,880,960	59,616	622,816	35,182	3,293	6,601,868
Other assets	-	-	-	-	-	-
Total	5,880,960	59,616	622,816	35,182	3,293	6,601,868
Financial Liabilities:						
Deposit from customer	6,803,127	24,173	354,456	-	-	7,181,756
Other liabilities	-	-	-	-	-	-
Total	6,803,127	24,173	354,456	-	-	7,181,756
Net exposure	(922,167)	35,443	268,361	35,182	3,293	(579,888)

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	2,784.03	13,746,942
Other assets	-	-	-	-	-	-
Total	13,406,339	29,624	286,550	21,644	2,784.03	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	2,784.03	5,294,323

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 31 Dec. 2025			At 30 June 2025		
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	5,880,960	(588,096)	588,096	13,406,339	(1,340,634)	1,340,634
GBP	59,616	(5,962)	5,962	29,624	(2,962)	2,962
EUR	622,816	(62,282)	62,282	286,550	(28,655)	28,655
AED	35,182	(3,518)	3,518	21,644	(2,164)	2,164
ZAR	3,293	(329)	329	2,784	(278)	278
	6,601,868	(660,187)	660,187	13,746,942	(1,374,694)	1,374,694



Liabilities						
USD	6,803,127	680,313	(680,313)	8,313,775	831,378	(831,378)
GBP	24,173	2,417	(2,417)	517	52	(52)
EUR	354,456	35,446	(35,446)	138,326	13,833	(13,833)
AED	-	-	-	-	-	-
ZAR	-	-	-	-	-	-
	7,181,756	718,176	(718,176)	8,452,619	845,262	(845,262)
Total (Dec.)/inc. effect on	13,783,624	57,989	(57,989)	22,199,561	(529,432)	529,432

At 31 Dec.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 57.99 million Birr.

iii) 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	59,907,918	5,990,792	(5,990,792)
Time deposit	1,050,023	105,002	(105,002)
Total Interest Bearing assets	60,957,941	6,095,794	(6,095,794)
Interest Bearing liabilities			
Deposits from customers	80,425,498	8,042,550	(8,042,550)
Fixed time deposit	5,876,507	587,651	(587,651)
Total Interest Bearing Liabilities	86,302,005	8,630,201	(8,630,201)
Net interest income increase/decrease	(25,344,064)	(2,534,406)	2,534,406

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 3,561.39 million Birr. respectively.

5.3.3 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. Consequently, the Bank established a proactive action plan for capital enhancement and met the required capital requirement limit two years early. In addition, the Bank has accomplished its goal of raising a paid-up capital balance of Birr 9.66 billion by Dec. 2025.

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.

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Primary capital		
Share capital	9,657,286	6,015,344
Share premium	39,288	39,108
Legal reserve	2,895,070	1,674,200
	12,591,644	7,728,652
Supplementary capital		
OCI-Equity Investment	330,584	321,013
OCI-Defined Employee Benefit	(111,616)	(74,868)
Regulatory risk reserve	492,735	301,230
	711,703	547,375
Total Capital	13,303,347	8,276,027
Total risk weighted assets	67,281,362	55,203,834



Liabilities						
USD	6,803,127	680,313	(680,313)	8,313,775	831,378	(831,378)
GBP	24,173	2,417	(2,417)	517	52	(52)
EUR	354,456	35,446	(35,446)	138,326	13,833	(13,833)
AED	-	-	-	-	-	-
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Sensitivity analysis for interest rate risk

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Capital adequacy ratio

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

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Primary capital		
Share capital	9,657,286	6,015,344
Share premium	39,288	39,108
Legal reserve	2,895,070	1,674,200
	12,591,644	7,728,652
Supplementary capital		
OCI-Equity Investment	330,584	321,013
OCI-Defined Employee Benefit	(111,616)	(74,868)
Regulatory risk reserve	492,735	301,230
	711,703	547,375
Total Capital	13,303,347	8,276,027
Total risk weighted assets	67,281,362	55,203,834



Primary Capital to RWA Ratio
Total Capital to RWA Ratio
Minimum required capital ratio
Excess /short-fall

18.71%	14.00%
19.77%	14.99%
8.00%	8.00%
<u>10.71%</u>	<u>6.00%</u>

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

6 Interest income

Loans and advances to customers
Treasury Bills
Treasury Bond
Government Bonds
Time deposits
Interbank money market'
Open market operations'

31 Dec. 2025	31 Dec. 2024
Birr'000	Birr'000
4,281,130	3,772,609
-	2,270
220,145	157,716
47,027	37,040
263,880	93,067
104,998	-
48,288	-
<u>4,965,468</u>	<u>4,062,702</u>

7 Interest expense

Deposits from customers
Deposits from cooperatives and other Banks
Deposits from public agencies
Inter bank money market

31 Dec. 2025	31 Dec. 2024
Birr'000	Birr'000
1,349,224	989,188
209,473	188,896
49,578	1,115
117	-
<u>1,608,392</u>	<u>1,179,199</u>

8 Fee and commission income

Commission income Local
Commission income Foreign
Service charges Local
Service charges Foreign
Processing fees

31 Dec. 2025	31 Dec. 2024
Birr'000	Birr'000
202,788	236,275
134,278	184,372
48,108	30,195
701,443	412,378
106,521	16,747
<u>1,193,138</u>	<u>879,967</u>

9 Fee and commission expense

Legal Fees
Municipality Fees
Membership fee
License Fees
Correspondent Charges
Motor Vehicles Inspection & Circulation Fees
Bank Charges & Commissions
Ethswitch Remote-on us expense
Swift charge

31 Dec. 2025	31 Dec. 2024
Birr'000	Birr'000
19	6
5,077	5,671
1,056	868
210	66
2,741	2,228
589	465
2,219	3,098
7,658	6,826
1,183	910
<u>20,752</u>	<u>20,138</u>

10 Net gain on foreign exchange translation

Gain on Foreign Exchange Valuation
Loss on Foreign Exchange Valuation

31 Dec. 2025	31 Dec. 2024
Birr'000	Birr'000
2,879,857	3,820,271
(1,784,952)	(2,265,543)
<u>1,094,905</u>	<u>1,554,728</u>



11 Other operating income

Rental income
Gain on disposal of properties
Penalty Charge Income
Dividend earned
Income from murabaha & musharaka financing
Other income

31 Dec. 2025	31 Dec. 2024
Birr'000	Birr'000
909	48
64	3,211
7,502	3,449
38,547	43,743
133,609	22,426
10,466	
191,097	72,877

12 Loan impairment charge

Loan impairment charge

31 Dec. 2025	31 Dec. 2024
Birr'000	Birr'000
136,943	718,991
136,943	718,991

13 Impairment losses on other assets/liabilities

Impairment losses on other assets
Impairment losses on Treasury Bill
Impairment losses on cash & bank balance

31 Dec. 2025	31 Dec. 2024
Birr'000	Birr'000
46,324	(540,539)
-	-
-	-
46,324	(540,539)

14 Personnel expenses

Staff Salaries
Staff allowances
Pension costs – Defined Employee Benefit
Defined Employee Benefit
Other staff expenses

31 Dec. 2025	31 Dec. 2024
Birr'000	Birr'000
1,009,727	801,501
435,079	401,631
111,063	88,113
5,238	2,363
82,520	97,110
1,643,627	1,390,718

15 Other operating expenses

Advertisement & publicity
Donations
Audit fees
Consultancy fee
Directors' related expenses
Entertainment
Event organization expense
Fuel and lubricants
Insurance
IT support
Loss on Desposal of Assets
Office supplies
Other Operating expenses
Perdiem administration
Repairs and maintenance
Security, Messengers & Janitors expenses
General assembly
Meeting accomodation
Fund transfer fees and expenses
Sundries
Telephone expenses
Provision Expense on LCS
Provision Expense on Financial Gurantee
Provision expense on OD & Revolving Facilities
Sponsorship expense
Transport and fuel
Utilities
Wages for non-permanent employees.
Write-off expense
IFB Profit Expense

31 Dec. 2025	31 Dec. 2024
Birr'000	Birr'000
41,933	41,022
7,840	15,050
19	-
41,107	1,777
540	540
659	339
472	14
19,589	15,255
90,182	70,052
204,289	114,207
912	438
68,286	78,170
20,043	232,043
7,860	4,306
45,945	8,838
212,193	178,000
8,134	4,878
7,064	3,388
5,778	3,462
1,976	8,670
24,887	17,843
(34,414)	44,604
46,707	456,607
33,884	20,295
6,655	2,527
9,466	8,505
4,119	2,862
2,033	1,726
536	-
96,961	-
975,657	1,335,414



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:

	31 Dec. 2025 Birr'000	31 Dec 2025 Birr'000
IFRS accounting profit	2,577,478	2,351,756
Add: Disallowed expenses		
Entertainment	659	339
Penalties	12,521	140
Sponsorship	4,460	1,719
Property tax	70	507
Award/Gifts	3,209	2,363
Sport expense	520	
Current service cost, past service cost and interest	5,238	
Depreciation & Amortization expense of PPE and Intangible assets for accounting purpose	165,980	92,813
Impairment on Loans and Advances as per IFRS	136,943	718,991
Interest expense on Lease liability	11,355	7,763
Depreciation Expense - ROUA	258,095	114,992
Other benefit	1	-
Accrued-Leave expenses (Total Leave expense -Current year Accrued Leave)	4,111	1,931
Gain on Disposal of property, plant and equipments (As per TAX)	(410)	(438)
Off balance sheet provision expense (As per IFRS)	46,178	-
Other receivable impairment expense	46,324	-
Loan & Advance and Other Asset Write-Off	536	540,539
Sub total	695,790	1,481,659
Less: Tax exempted income and allowed expenses		
Depreciation & Amortization expense of PPE for tax purpose	224,434	
80% of NBE provision on loans	125,827	575,193
80% of Other receivable asset impairment	37,059	(432,431)
80% of off balance sheet provision	36,942	
Interest income taxed at source- local deposit	-	93,068
Interest Earned on Correspondent Banks	184,128	
Interest income taxed at source- Treasury Bill	-	2,270
Interest Earned on Treasury Bonds	220,145	157,716
Interest income taxed at source- Government Bond	47,027	37,040
Dividend income taxed at source	38,547	43,742
Net Gain or loss on Disposal of property, plant and equipments (As per IFRS)	(848)	3,211
Defend employee benefit paid as per tax base	5,238	2,363
Accrued-Leave expenses as per tax base	-	1,931
Quara & Hara Building Rent Income	909	48
Office rent amortization expense as per tax base	249,761	
Sub total	1,169,169	484,150
Taxable profit	2,104,099	3,349,265
Current tax @30%	631,230	1,004,779
Add: Rental income tax	-	
Add; 10% Interest Income tax on foreign deposit	18,413	
Current income tax	649,643	1,004,779

b) Current income tax liability

Balance at the beginning of the year
Payment during the year
Current year profit tax
Withholding tax paid
Balance at the end of the year

31 Dec. 2025 Birr'000	31 Dec 2025 Birr'000
1,004,779	481,704
(1,229,062)	(481,704)
649,643	1,004,779
(5)	-
425,355	1,004,779

c) Income tax expense

Current income tax
Deferred tax expense/(income) - profit or loss
Total charge to profit or loss
Deferred tax expense/(income) - OCI
Total tax in statement of comprehensive income

31 Dec. 2025 Birr'000	31 Dec 2025 Birr'000
649,643	1,004,779
44,219	(12,326)
693,862	992,453
693,862	992,453



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, 2025 Birr'000	Credit (charge) to P/L Birr'000	Credit (charge) to OCI Birr'000	31 Dec. 2025 Birr'000
Deferred Tax Assets				
Provision for accrued leave	67,102	(0)	-	67,102
Post-employment benefit obligation	89,802			89,802
	156,904	(0)	-	156,904
Deferred Tax Liabilities				
Unrealized fair value (gain)/loss on equity invest.	(141,679)	-	-	(141,679)
PPE & Intangible assets	(78,326)	(44,219)	-	(122,545)
	(220,005)	(44,219)	-	(264,224)
Total net deferred tax assets/(liabilities)	(63,101)	(44,219)	-	(107,321)

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)

17	Cash and bank balance	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
	Local currency cash on hand	1,916,727	1,931,340
	Foreign currency cash on hand	120,789	129,990
	Cash held on NBE	5,542,682	9,351,115
	Deposits with local banks	579,935	507,323
	Deposits with foreign banks	11,699,814	13,616,952
	Less: Bank balance impairment	(1,148)	(1,148)
		19,858,799	25,535,572
	Maturity analysis		
	Current	-	19,432,676
	Non Current	-	6,102,895
		-	25,535,571

The cash held on NBE balance consists of 5.09 billion Birr of statutory reserve balance which constitutes 7% of the stated 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

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Cash held on NBE	(468)	468
Deposits with foreign banks	(681)	681
Total ECL	(1,149)	1,148

18 **Loans and advances to customers**

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Agriculture	854,023	457,363
Construction and Building	11,229,879	8,954,045
Consumer Loan	6,374,439	5,514,086
Domestic Trade Services	8,891,234	7,088,234
Export and Import	21,996,282	18,011,350
Hotel and Tourism	886,523	843,924
Manufacturing and Industry	5,063,911	4,663,031
Transport and Communication	4,611,639	4,379,531
Total gross exposure	59,907,931	49,911,565
- Loss allowance	(831,817)	(694,873)
	59,076,115	49,216,692
Maturity analysis		
Current	19,363,789	16,904,624
Non Current	39,712,326	32,312,068
	59,076,115	49,216,692



19 Equity investments at fair value -OCI

	Opening Balance Birr'000	Addition of the Year Birr'000	FV - OCI of the Period Birr'000	FV as at 31 Dec. 2025 Birr'000	FV as at 30 June 2025 Birr'000
Equity investments					
Abay Insurance S.C	56,321	-	-	56,321	56,321
Abay Industries S.C	64,236	-	-	64,236	64,236
Addis-Africa Int. Conv. & Exh. Center	1,191	-	-	1,191	1,191
Dessie Hidassie Building .C	100	-	-	100	100
Ethiswitch S.C	559,894	38,547	-	598,441	559,894
Tsedey Bank S.C	20,900	1,494	-	22,394	20,900
Ethiopian Security Exchange	4,833	-	-	4,833	4,833
	707,476	40,041	-	747,517	707,476

OCI equity investment reconciliation

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
At the beginning of the year	330,584	321,013
Re-measurement fair value gains/(loss) on equity investment, net of deferred tax	-	9,571
At the end of the year	330,584	330,584

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

a) Investment Securities

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Time deposit	1,050,023	720,395
Treasury bill, IBM & OMO	10,630,091	501,352
Treasury bond	5,173,618	5,058,036
Government Bond	1,575,874	1,107,794
	18,429,606	7,387,577
Less Impairment on investment securities	(394)	(394)
	18,429,212	7,387,183

b) Other receivables

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Receivable from money transfer agents	562,367	91,117
Staff recivable	12,571	30,876
Other receivables	2,761,195	2,642,621
Less: impairment allowance	(169,750)	(123,426)
	3,166,383	2,641,188
Total Other Financial Assets	21,595,595	10,028,371

Maturity analysis

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Current	-	1,244,714
Non Current	-	8,783,657
	21,595,595	10,028,371

21 Other Non-financial assets

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Prepayments	243,042	218,330
Inventory in stock	418,904	418,008
Prepaid employee benefit	(2,269)	53,674
Other receivable	1,644	1,175
Total other Non Financial Assets	661,321	691,187

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 into during the current reporting period.

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Right-of-use assets balance – As at July 1	1,284,844	1,180,648
Add: ROUA addition	166,550	474,981
Add: Lease liability addition	37,231	69,365
Add (Less): Depreciation expense of the year	(258,095)	(440,150)
Prior period adjustment	19,900	-
Total	1,250,431	1,284,844

Breakdown of right of use asset

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Office Rent	1,199,113	1,233,526
Land	51,318	51,318
Total Right of use asset	1,250,431	1,284,844

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.

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Lease Liabilities Balance		
Lease liabilities balance – As at July 1	467,340	615,713
Add/(Less): Lease liability addition during the Semi Annual	37,231	87,907
Add: Current year interest expense on lease liability	11,355	8,556
Less: Lease liability paid during the year	(72,212)	(244,837)
Add/(Less): Prior period Interest expense adjustment during the semi annual	(13,245)	-
Add/(Less): Prior period Interest expense adjustment during the semi annual	851	-
Total	431,321	467,340

Breakdown of Lease Liabilities

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Office Rent	388,327	424,347
Land	42,993	42,993
Total lease liability	431,321	467,340

24 Property, plant and equipment

Figures in Ethiopian Birr thousand

	Buildings	Motor Vehicles	Furniture & Fittings	Office Equipment	Computer & Accessories	Total Birr'000
Cost:						
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
As at 1 July 2025	91,175	520,096	402,620	793,169	822,262	2,629,323
Additions	20,901	-	35,859	10,920	20,122	87,801
Disposals	-	-	(3,043)	(43)	(50)	(3,135)
As at 31 Dec. 2025	112,076	520,096	435,435	804,046	842,335	2,713,989
Accumulated depreciation:						
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 Year Adjustment	-	-	-	-	-	-
As at 30 June 2025	7,249	164,992	104,368	208,026	277,985	762,619

As at 1 July 2025	7,249	164,992	104,368	208,026	277,985	762,619
Charge for the year	877	23,750	16,901	45,417	52,639	139,584
Disposals	-	-	(1,717)	(42)	(34)	(1,793)
As at 31 Dec. 2025	8,125	188,742	119,552	253,401	330,590	900,410

Net book value:

As at 30 June 2025	83,926	355,105	298,252	585,143	544,277	1,866,703
As at 31 December 2025	103,951	331,355	315,884	550,645	511,745	1,813,579

25 Intangible Assets

Description	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Cost:		
As at 1 July 2025	368,870	96,786
Additions	196	272,084
31 Dec. 2025	369,066	368,870
Accumulated amortization		
As at 1 July 2025	82,021	67,014
Charge for the year	26,402	7,504
31 Dec. 2025	108,424	82,021
Net book value:		
As at 31 Dec. 2025	260,642	286,849

During the semi annual, the bank purchased IS BIOSTAR ADV Bio Star Advanced software which meet the recognition criteria for intangible assets under IAS 38 and support IT security process. Assets are expected to provide economic benefits over a useful life of six years.

26 Construction in progress	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
As at 1 July 2025	1,707,503	1,928,111
Add : Addition of the year	970,070	512,249
Less : Reclassified to advance payment		(732,857)
Construction in progress ending balance	2,677,573	1,707,503

27 Non current asset held for sale	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Movement during the year		
Opening balance	20,568	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	20,568

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	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Demand deposits	34,951,857	27,252,435
Savings deposits	45,473,641	39,693,202
Fixed Time deposit	5,876,507	4,968,826
	86,302,005	71,914,463
Maturity analysis		
Current	-	19,715,041
Non Current	-	52,199,422
	86,302,005	71,914,463



29 Other Financial liabilities

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Audit fee payables	-	1,035
Borrowing from DBE	223,327	216,043
Cash payment order payable	218,772	252,558
Customers payables	581,371	551,936
Provision for bonus	34,819	231,624
Deferred guarantee income	1,209	1,209
Directors share of profit payable	-	1,350
Dividend payables	49,429	61,405
Exchange commission payable	111,129	45,779
Foreign transfers payables	365,736	272,185
Impairment Financial Gurantee	494,394	447,687
Impairment on L/C	31,836	66,250
Provision - on Overdraft Facility	26,044	4,647
Provision - on Revolving Facility	18,458	5,970
Long Outstanding payables	181,878	131,600
Margin Held Accounts	2,633,692	2,270,274
Refund payable	536	15
Shareholders payables	-	1
Staff leave payables	223,673	223,673
Cash indemnity allowance	54,085	48,360
Sundry payables	65,218	206,316
	5,315,607	5,039,917

As of 31 Dec. 2025, the Bank had a dividend payable balance of 49.43 million Birr. This balance represents dividends declared by the Board of Directors in a prior period 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)

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Balance at 1 July	1,209	1,513
Deferred guarantee income recognized during the year		(1,513)
Deferred guarantee income during the year		1,209
Ending Balance	1,209	1,209

30 Non-financial liabilities

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Stamp duty payable	6,381	1,861
Tax payables	123,239	77,594
Pension payable	14,967	10,614
Provisions	21,215	21,215
Other payables	19,331	11,907
	185,133	123,191

Total other financial and non financial liabilities

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 31 Dec. 2025.

	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
Defined Benefit Obligation at the beginning of the period	299,339	192,048
Current Service Cost (excluding interest)	-	21,460
Interest Cost	-	39,362
Benefits Paid	-	(6,029)
Actuarial (Gains)/Losses on economic assumptions	-	55,205
Actuarial (Gains)/Losses on experience	-	(2,707)
Defined benefit obligation at the end of the period	299,339	299,339



31 Share capital

Authorized:

Ordinary shares of Birr 1000 each

Issued and fully paid:

Ordinary shares of Birr 1000 each

Share premium

31 Dec 2025	30 June 2025
Birr'000	Birr'000
12,000,000	12,000,000
9,657,286	7,013,373
39,288	39,128
9,696,574	7,052,501

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

32 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 paid up capital.

Profit after tax

Weighted average number of ordinary shares in issue

Basic earnings per share (Birr)

31 Dec 2025	31 Dec 2025
Birr'000	Birr'000
1,883,616	1,359,303
7,692	5,353
245	254

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 (31 Dec. 2025), hence the basic and diluted earnings per share have the same value.

33 Retained earnings

At the beginning of the year

Dividend paid

Carried forward

Profit/ (Loss) for the semi annual

Legal reserve

Regulatory risk reserve

Prior period adjustment

At the end of the year

31 Dec 2025	30 June 2025
Birr'000	Birr'000
2,041,323	1,052,342
(2,041,323)	(1,052,342)
-	-
1,883,616	2,999,863
(470,904)	(749,966)
(20,341)	(171,164)
(23,940)	(37,410)
1,368,431	2,041,323

34 Legal reserve

At the beginning of the year

Legal reserve transferred during the period

At the end of the year

31 Dec 2025	30 June 2025
Birr'000	Birr'000
2,424,166	1,674,200
470,904	749,966
2,895,070	2,424,166

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.

35 Regulatory risk reserve

Balance brought forward

Loan impairment

Loan impairment under IFRS 9

NBE directive requirement

On other assets

Other Assets impairment under IFRS 9

NBE directive requirement

Off balance sheet

Off balance sheet provision as per IFRS

Off balance sheet provision as per NBE

Suspended interest

Addition of the year

Regulatory risk reserve ending balance

31 Dec 2025	30 June 2025
Birr'000	Birr'000
472,394	301,230
831,817	694,873
852,157	693,397
20,341	(1,477)
169,750	123,426
169,750	123,426
-	-
-	10,906
-	58,169
-	47,263
-	123,901
-	123,901
492,735	472,394



The Regulatory risk reserve is a non-distributable reserve required by the regulation of National Bank of Ethiopia to be kept for impairment 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 directives interest income on impaired loans are not distributable to shareholders of the bank. The amount net-off tax is transferred to regulatory risk reserve.

36 Cash generated from operating activities

	Notes	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
Profit before tax		2,577,478	2,351,756
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	24	139,584	88,900
Amortization of intangible assets	25	26,402	
Gain/(Loss) on disposal of property, plant and equipment	36	848	
Impairment on loans and advances	12	136,943	718,991
Interest expense on lease liability	23	12,206	7,763
Adjustment for reclassification of loan write off to loan provision	14	-	
Impairment on other receivable, NBE bill and Treasury Bill	13	(46,324)	(540,539)
Gain/(Loss) on disposal of non current asset held for sale	11		2,546
Prior period adjustment			
Changes in working capital:			
-Decrease/ (Increase) in loans and advances	18	(9,996,366)	(4,742,368)
-Decrease/ (Increase) in other financial asset	20(b)	(478,871)	(3,651,740)
-Decrease/ (Increase) in Other Non Financial assets	21	29,866	(147,620)
-Decrease/ (Increase) in Right of use assets	22	34,413	693,443
-Increase/ (Decrease) in deposits from customers	28	14,387,542	9,214,658
-Increase/ (Decrease) in Other Financial liabilities	29	275,690	2,421,325
-Increase/ (Decrease) in Defined benefits obligation	31 c	(0)	
-Increase/ (Decrease) in Non financial liabilities	30	61,943	47,994
		7,161,353	6,465,109

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

	31 Dec 2025 Birr'000	30 June 2025 Birr'000
Cost of Property, plant and equipments sold	3,135	16,974
Accumulated depreciation of property, plant and equipment sold	(1,793)	(14,225)
Gain/(loss) on sale of property, plant and equipment	(848)	1,361
Proceed of property, plant and equipment sold	494	4,110

37 Related party transactions

A number of transactions were entered into 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 Dec. 2025 and 31 June 2024:

a) Loans and Advances to Related Parties

	31 Dec 2025 Birr'000	30 June 2025 Birr'000
Outstanding Loans to Board of Directors	57,397	98,950
Outstanding Loans to Executive Management	205,740	206,758
	263,137	305,708

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 31 Dec. 2025.

	31 Dec 2025 Birr'000	30 June 2025 Birr'000
Compensation of Key Management Personnel (Salaries, Allowances, Bonuses)	16,517	37,688
Directors' Share of Annual Profit	-	1,350
Directors' Annual Sitting Allowance	540	1,080
Total Compensation	17,057	40,118