BANK OF ABYSSINIA S.C

AUDITOR'S REPORT ON INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2025

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TEWODROS AND FIKRE AUDIT SERVICES PARTNERSHIP
CHARTERED CERTIFIED ACCOUNTANTS
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Addis Ababa Ethiopia

BANK OF ABYSSINIA
REPORT AND FINANCIAL STATEMENTS
INTERIM REPORT DECEMBER 31, 2025

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BANK OF ABYSSINIA
DIRECTORS,PROFESSIONAL ADVISORS AND REGISTERED OFFICE

Board Directors (As of 31 December 2025)

Ato Mekonene Manyazewal	Board Chairperson	Appointed 20 February 2024
Ato Aemero Belete	D/Chairperson	Appointed 20 February 2024
W/ro Emebet Woldeher	Board Member	Appointed 20 February 2024
Ato Kassahun Zewdie	Board Member	Appointed 20 February 2024
Ato Meseret Melese	Board Member	Appointed 20 February 2024
Ato Molalegn Melese	Board Member	Appointed 20 February 2024
Ato Solomon Alula	Board Member	Appointed 20 February 2024
Ato Yerom Gessese	Board Member	Appointed 20 February 2024
Dr.Yihenew Zewdie	Board Member	Appointed 20 February 2024
Ato Tewodros Tesfaye	Secretary	Appointed 20 February 2024

Executive Management (As of December 31, 2025)

Ato Bekalu Zeleke Ewnetu	Chief Executive Officer	Appointed 05 Janaury 2019
Ato Abdulkadir Redwan Muzyin	Chief Interest Free Banking Officer	Appointed 21 November 2024
Ato Abraham Gebeyehu G/Hanna	Chief Finance Officer	Appointed 21 November 2024
Ato Asaminew Deribew Cheber	Chief Credit Officer	Appointed 1 February 2019
Ato Daniel Hailu Teshome	Chief Information Systems Officer	Appointed 10 December 2018
Ato Desalegn Yizengaw Baye	Chief customer Acquisition and Support	Appointed 6 January 2025
W/ro Meseret Asfaw Yitbarek	Chief Enterprise Services Officer	Appointed 10 December 2018
Ato Mohammed Nuredin Kelifa	Chief International Banking Officer	Appointed 10 June 2019
Ato Seifu Bogale G/Egziabeher	Chief Corporate Human Resource Officer	Appointed 12 August 2019
W/ro Sosina Mengesha Rundassa	Chief Digital Banking Officer	Appointed 12 August 2019
Ato Elias Kassa Badebo	Deputy Chief Customer Support	Appointed 7 October 2022
Ato Wosenyeleh Aberra Kumbi	Deputy Chief Customer R/P and Acq.	Appointed 7 October 2022
Ato Eyasu Mekonnen Anagaw	Chief Internal Audit	Appointed 6 January 2025
Ato Yetenayet Awgechew Workeaferhu	Chief Risk Management and Compliance	Appointed 6 January 2025

Independent auditor

Tewodros and Fikre Audit Service Partnership
Authorised Auditors, Chartered Certified Accountants
Addis Ababa, Ethiopia.

Corporate office

Ras Branch
Legehar Building
Gambia Street
P.O Box 12947
Addis Ababa, Ethiopia

Tewodros and Fikre Audit Service Partnership
Certified Auditors in Ethiopia

BANK OF ABYSSINIA
REPORT OF DIRECTORS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2025

The directors submit the report for the period ended 31 December 2025, in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by Accounting and Auditing Board of Ethiopia which discloses the financial performance and state of affairs of the Bank.

Incorporation and address

Bank of Abyssinia ("the Bank") is a public owned share company domiciled in Ethiopia. The Bank was established in (1996) in accordance with the Licensing & Supervision of Banking Business Proclamation No. 84/1994 (as amended by 1360/2025) and the Commercial Code of Ethiopia of 1960(as amended by 1243/2021). The Bank opened branches throughout the Country.

The Bank's registered office is at:
Legehar Building
Gambia Street
P.O Box 12947
Addis Ababa, Ethiopia

Principal activities

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

Results and dividends

The Bank's results for the year ended 31, December 2025 are set out on page 8. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
Total operating income	17,462,146	12,285,770
Profit / (loss) before tax	5,996,035	3,973,494
Tax (charge) / credit	(1,833,597)	(1,020,134)
Profit / (loss) for the year	**4,162,438**	**2,953,360**
Earning Per Share	28%	21%

Directors

The directors who held office during the year and to the date of this report are set out on page 3.

Ato Mekonene Manyazewal
Chairperson, Board of Directors
Addis Ababa, Ethiopia

BANK OF ABYSSINIA
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2025

In accordance with the Financial Reporting Proclamation No.847/2014, Bank of Abyssinia is required to prepare its financial statements in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Commercial Code of Ethiopia of 2021. The Directors of the Bank are responsible for the preparation and fair presentation of these financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank is required keep such records as are necessary to:

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

b) Explain its transactions and financial position; and

c) Enable the Accounting and Auditing Board of Ethiopia and other concerned organs to determine whether the Bank had complied with the provisions of the Financial Reporting Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Bank's directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and other relevant laws and regulations of Ethiopia.

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

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

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

Signed on behalf of the Directors by:

Ato Mekonene Manyazewal
Chairperson of Board of Directors
February 10,2026

Tewodros and Fikre Audit Service Partnership
Certified Auditors in Ethiopia

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Tewodros and Fikre Audit Services Partnership

Partners

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

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

We have reviewed the accompanying Interim Financial Statements of Bank of Abyssinia 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 material 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 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.

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P.O. Box 8118
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Addis Ababa Ethiopia

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 Bank of Abyssinia 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.

Tewodros and Fikre Audit Services

Partnership

Chartered Certified Accountants

Addis Ababa Ethiopia

February 12,2026

BANK OF ABYSSINIA
STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2025

	Notes	31 Dec. 2025 Birr'000	31 Dec 2024 Birr'000
Interest income	5	19,073,348	15,211,054
Interest expense	6	(6,752,947)	(4,724,766)
Net interest income		**12,320,401**	**10,486,288**
Net Foreign exchange income/loss	7	1,203,090	(888,257)
Service charges		2,262,577	1,225,119
Commission earned	8	826,518	871,658
Net fees and commission income		**4,292,185**	**1,208,520**
Dividend income	9	9,509	45,391
Other operating income	10	840,051	545,571
Total Other Income		**849,560**	**590,962**
Total operating income		**17,462,146**	**12,285,770**
Loan impairment charge	11	(1,399,558)	(845,127)
Impairment losses on financial assets		(74,000)	(260,231)
Net operating income		**15,988,587**	**11,180,411**
Personnel expenses	12	(5,837,678)	(4,809,404)
Amortisation of intangible assets	20	(75,494)	(62,811)
Depreciation and impairment of property, plant and equipment	22	(469,286)	(344,762)
Depreciation on investment property	19	(2,073)	(235)
Amortization of Right of use assests	21	(602,535)	(472,399)
Interest Expense for lease Liability		(6,809)	(6,606)
Other operating expenses	13	(2,998,678)	(1,510,700)
Profit before tax		**5,996,035**	**3,973,494**
Income tax expense	14	(1,833,597)	(1,020,134)
Profit after tax		**4,162,438**	**2,953,361**
Earnings per share		28%	21%

The notes on pages 12 to 57 are an integral part of these financial statements.

Tewodros and Fikre Audit Service Partnership
Certified Auditors in Ethiopia

BANK OF ABYSSINIA

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

	Notes	31 Dec. 2025 Birr'000	30 June 2025 Birr'000
ASSETS			
Cash and cash equivalents	15	62,957,655	50,289,576
Loans , advances and financing to customers(Net)	16	239,033,557	193,379,151
Investement securities;	17		
-Debt securites at amortized cost		17,946,865	15,267,976
-Financial assets at fair value through OCI		1,473,465	1,442,225
Other assets	18	19,447,082	12,895,343
Investment property	19	183,588	10,330
Intangible assets	20	1,137,654	1,079,822
Right of use Leased assets	21	4,225,442	3,674,199
Property, plant and equipment	22	10,010,486	8,188,353
Total assets		**356,415,793**	**286,226,976**
LIABILITIES			
Deposits from customers	23	254,464,933	211,654,830
Interest free customers deposits	24	42,815,849	31,524,908
Other liabilities	25	15,052,943	10,489,194
Current tax liabilities	14	1,531,313	2,576,017
Lease Laibilities	21	304,629	330,589
Retirement benefits obligations	26	426,407	438,526
Deferred tax liabilities	15d	631,984	370,981
Inter Bank loan	27	9,200,000	-
Total liabilities		**324,428,058**	**257,385,045**
EQUITY			
Share capital	28	15,000,000	15,000,000
Share premium		5,998	5,998
Retained earnings	30	7,080,518	4,973,379
Revalution Surplus Account		418,879	420,823
Legal reserve	31	7,266,279	6,225,669
Regulatory risk reserve		1,795,767	1,795,768
Special reserve		25,919	25,919
Other Reserve		394,377	394,375
Total equity		**31,987,736**	**28,841,931**
Total equity and liabilities		**356,415,794**	**286,226,976**

The notes on pages 12 to 57 are an integral part of these financial statements.

The financial statements on pages 8 to 11 were approved and authorised for issue by the board of directors on February 10, 2026 and were signed on its behalf by:

Mekonene Manyazewal
Chairperson of Board of Directors

Bekalu Zeleke
Chief Executive Officer

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Certified Auditors in Ethiopia

BANK OF ABYSSINIA
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2025

	Notes	Share capital Birr'000	Share Premium Birr'000	Retained earnings Birr'000	Revalution Surplus Account	Regulatory risk reserve Birr'000	Legal reserve Birr'000	Special reserve Birr'000	Other Reserve Birr'000	Total Birr'000
As at 1 July 2024		14,205,583.00	5,998.00	2,576,912.88	424,711.42	1,308,584.80	4,401,042.08	25,918.84	245,349.23	23,194,100.25
Profit for the period	31			7,298,505						7,298,505.00
Capitalisation of shares		402,365		(402,365)						-
Capitalized from cash or account		392,052								392,052.00
Other comprehensive income:		-		-	-	-	-	-	149,026	149,026.00
Periodic depreciation for building revalution				3,888	(3,888)					-
Transfer to legal reserve	32			(1,824,627)			1,824,627			-
Transfer to regulatory risk reserve	33	-		(521,024)		521,024	-	-	-	-
Director's Share of profit		-		(1,350)	-	-	-	-	-	(1,350.00)
Recognition of deffered tax effect of previous years				17,987		(33,842)				(15,855.00)
Reversale of regulatory risk resereve					-	-	-	-	-	-
Dividends Paid		-		(2,174,548)						(2,174,548.00)
		15,000,000	5,998	4,973,379	420,823	1,795,767	6,225,669	25,919	394,375	28,841,930.25
As at 30 June 2025										
As at 1 July 2025		15,000,000	5,998	4,973,379	420,823	1,795,767	6,225,669	25,919	394,375	28,841,930
Profit for the period	0			4,162,438						4,162,438
Capitalisation of shares				-						-
Capitalized from cash or account										-
Other comprehensive income:										-
Periodic depreciation for building revalution				1,944	(1,944)					-
Transfer to legal reserve				(1,040,610)			1,040,610			-
Director's Share of profit										-
Recognition of deffered tax effect of previous years										-
Regulatory risk resereve adjustment										-
Retained eraning										
Dividends Paid				(1,016,634)						(1,016,634)
As at 31 Dec 2025		15,000,000	5,998	7,080,518	418,879	1,795,767	7,266,279	25,919	394,375	31,987,736

The notes on pages 12 to 57 are an integral part of these financial statements.

Tewodros and Fikre Partnership ★ Audit Service ★
Certified Auditors in Ethiopia

BANK OF ABYSSINIA
STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2025

	Notes	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
Cash flows from operating activities			
Cash generated from operations	32	12,385,011	15,345,969
Withholding tax		(41,281)	(9,423)
Income tax paid		(2,576,017)	(1,094,277)
Net cash (outflow)/inflow from operating activities		**9,767,713**	**14,242,268**
Cash flows from investing activities			
Purchase of equity investments		(31,240)	(46,370)
Purchase of Treasury bills		(421,000)	512,710
Purchase of Treasury Bonds		(551,850)	(708,543)
Purchase of DBE bonds		(1,706,040)	(1,248,592)
Purchase of intangible assets	20	(133,326)	(86,070)
Purchase of property, plant and equipment	22	(2,466,929)	(16,940)
Cash paid for lease payament	21	(1,186,548)	(701,508)
Proceeds from sale of property, plant and equipment		10,842	-
Net cash (outflow)/inflow from investing activities		(6,486,091)	(2,295,313)
Cash flows from financing activities			
Proceeds from issues of shares	28	-	188,150
Dividends paid	25	(1,016,634)	(1,176,721)
Inter bank loan		9,200,000	3,200,000
Net cash (outflow)/inflow from financing activities		8,183,366	2,211,429
Net increase/(decrease) in cash and cash equivalents		**11,464,990**	**14,158,385**
Cash and cash equivalents at the beginning of the year	15	50,289,576	27,943,909
Foreign exchange (losses)/ gains on cash and cash equivalents		1,203,090	
Cash and cash equivalents at the end of the year	15	**62,957,655**	**42,102,294**

The notes on pages 12 to 57 are an integral part of these financial statements.

Certified Auditors in Ethiopia
Tewodros and Fikre Audit Service Partnership

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2025

1. CORPORATE INFORMATION

Bank of Abyssinia ("the Bank") is a public owned share company domiciled in Ethiopia. The Bank was established in (1996) in accordance with the Licensing & Supervision of Banking Business Proclamation No. 1360/2025 (as amended by 592/2008, 1159/2019) and the Commercial Code of Ethiopia of 1243/2021. The Bank opened branches throughout the Country. The Bank's registered office is at:

Legehar Building
Gambia Street
P. O. Box 12947
Addis Ababa, Ethiopia

The principal activities of the Bank are banking and related activities including accepting customer deposits, lending to retail, small and medium enterprise (SME) and corporate customers, trade financing, , project financing, issuing letter of credit (LCs), inter bank borrowing and lending, dealing in government securities client's base in Ethiopian Market.

2. ACCOUNTING POLICIES

2.1. Basis of Preparation

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept, except for the following;
• Assets held for sale – measured at fair value less cost of disposal, and
• Defined benefit pension plans – plan assets measured at fair value;

All values are rounded to the nearest thousand except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr '000).

2.2. Summary of Material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.
These policies have been consistently applied to all the years presented, unless otherwise stated.

2.3 Functional currency & translation of foreign currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into "Birr "using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement.

At the end of a reporting period non-monetary items carried at historical amounts continue to be measured using transaction-date exchange rates, monetary items are retranslated using the closing rate and non-monetary items carried at fair value are measured at valuation-date exchange rates.

2.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity, and a financial liability or equity instrument of another entity. This means that items that will be settled through the receipt or delivery of goods or services are not financial instruments, nor typically are tax assets and liabilities as these arise through legal rather than contractual requirements.

2.4.1 Financial assets

2.4.1.1 Date of recognition

All financial assets are initially recognised on the trade date, i.e. the date that the the Bank become a party to the contractual provisions of the instrument. This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. All financial assets are measured initially at their fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss. The Bank classify all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics.

2.4.1.2 Initial recognition

(i) Business model

The Bank determine the business model at the level that best reflects how the financial assets are managed to achieve its business objective. The Bank do not assess the business model on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the portfolio and the financial assetsheld within that business model are evaluated and reported to the key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model)and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
 . and
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

(ii) Solely payments of principal and interest/profit ("SPPI") test

Upon determination of business model, the Bank will assess the contractual terms of financial assets to identify whether they meet the SPPI test.
'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).
The most significant elements of interest/profit within a lending arrangement are typically the consideration for the time value of money and credit risk. The Bank apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest/profit rate is set in assessing the SPPI.

2.4.1.3 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and Losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of Cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss.

(i) Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Bank. The Bank measures financial assets at amortized cost if both of the following conditions are met: The financial asset is held within a business model with the objective to hold financial assets in order 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 on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is de-recognized, modified or impaired.

TeMedros and Fikre Audit Service Partnership Certified Auditors in Ethiopia

(ii) Financial assets at fair value through OCI (debt instruments)

The Bank measures debt instruments at fair value through OCI if both of the following conditions are met: The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost.

The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

(iii) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Bank can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments:
Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss.

Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

Equity instruments designated at fair value through OCI are not subject to impairment assessment.
The Bank elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future.

(iv) Financial assets at fair value through profit or loss

Included in financial assets at FVTPL are financial investments, financial assets designated upon initial recognition,

Subsequent to initial recognition, financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in the income statements.

The designation eliminates or significantly reduces inconsistent treatment that would otherwise arise frommeasuring the assets or liabilities or recognising gains or losses on them on a different basis; or
The assets and liabilities are part of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

2.4.1.4 Financial Assets designation

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.

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2.4.1.5 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a of similar financial assets) is derecognised when:

(i) The rights to receive cash flows from the financial asset have expired; or

(ii) The transfer of financial asset is qualifies for derecognition.

2.4.1.6 Impairment of financial assets

(i) Overview of Expected Credit Loss (ECL) principles

The Bank recognizes loss allowances for expected credit losses "ECL" for financial assets that are debt instruments and are not measured at FVTPL.

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

- Fixed income securities that are determined to have low credit risk at the reporting date;
- and other financial instruments for which credit risk has not increased significantly since initial recognition.

(ii) Determination of significant increase in credit risks

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

A financial asset 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 of 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.

2.4.1.7 Restructured financial assets

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

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

2.4.1.8 Write-off

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

2.4.1.9 Non-integral financial guarantee contracts

The Banks assess whether a financial guarantee contact 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.

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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 treated as a transaction cost of acquiring it.

The Bank consider the effect of the protection when measuring the fair value of the debit instrument and when measuring ECL.

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

2.4.2 Financial liabilities

2.4.2.1 Date of recognition

All financial liabilities are initially recognised on the trade date i.e. the date that the Bank become a party to the contractual provision of the instruments. This includes: regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

2.4.2.2 Initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

2.4.2.3 Subsequent measurement

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

(i) financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Bank has not designated any financial liability as at fair value through profit or loss.

(ii) Loans and Borrowings

This is the category most relevant to the Bank. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are de-recognized as well as through the EIR amortization process.
Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

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Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

2.4.2.4 Financial Liabilities Desigination

2.4.2.5 De-recognition

The Bank derecognize at financial liability when its contractual obligations are discharged or cancelled, or expire.

The Bank 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 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 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 de-recognition, then the amortized cost of the liability 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.

2.4.3 Offsetting

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

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

2.5. Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted and restricted reserve requirement balances held with NBE and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash Flows during the period have been classified as operating activities, investing activities and financing activities as per IAS 7 Statement of Cash Flows, cash flow statement can be prepared either in direct method or in indirect method, Operating cash flows of BoA are reported using indirect method, whereas investing and financing activities reported using direct method.
Cash and cash equivalents are carried at amortized cost in the statement of financial position.

2.6 Property, plant and equipment

(i) Initial recognition

(ii) Subsequent valuation

Subsequent costs are included in the asset's carrying amount of recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.
The carrying amount of the replaced part is derecognized. Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.
Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met.
When significant parts of property, plant and equipment are required to be replaced at intervals, the Bank recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in income statement as incurred.

(iii) Depreciation

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows

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Asset Class	Depreciation Rate Useful Life (Years)	(% or years) Residual Value
Building	50	5%
Motor Vehicle	10	5%
Computer and Related items	7	1%
Furniture and Fittings	10	1%
Medium lived furniture and fittings	10	1%
Long lived furniture and fittings	20	1%
Equipment:		
Short lived equipment	5	1%
Medium lived equipment	10	1%
Lift and roofing	15	1%

The Bank commences depreciation when the asset is available for use. Land is not depreciated.
Capital work-in-progress is not depreciated as these assets are not yet available for use. They are disclosed when reclassified during the year.

(iv) Gain or losses on the disposal of property, plant and equipment

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognized.

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

(v) Impairment of PPE

At each balance sheet date, the bank assesses whether there is any indication that the carrying amount of the asset exceeds its recoverable amount. If any such indication exists, the Bank should estimate the recoverable amount of the asset. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset.

If this is the case, the asset is described as impaired and impairment loss is recognized as an expense in the profit and loss account.

2.7. Intangible assets

(i) Initial recognition

(ii) Amortization

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

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives. Except for undisclosed useful life in the contract the Bank has used 6 years' useful life for all intangible assets the rest will use as per contract, the residual rate will be zero percent for all intangible asset.

(iii) Impairment

Impairment of intangible assets Intangible assets with indefinite useful life, like goodwill etc. are tested for impairment at the end of each year. As per IAS 36 Impairment, any intangible assets with definite useful life are first reviewed for any indication of impairment. If any indication exists, then the impairment test is carried out.

2.8 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, are classified as investment properties.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Bank and the cost can be reliably measured. This is usually when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The Bank has opted to subsequently carry investment property at cost and disclose fair value. Fair value is based on comparative market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Bank uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the reporting date by professional values who hold recognized and relevant professional qualifications and have recent experience in location and category of the investment property being valued. These valuations from the basis for the carrying amounts in the financial statements.

The fair value of investment property reflects, the near current market conditions. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property. Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Investment properties are derecognized when they have been disposed. Where the Bank disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of changes in net assets available for benefit.

2.9 Lease

At an inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified assets, the Bank uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into before, on or after 1 July 2019 that were previously identified as leases.

(i) Classification

At inception of a contract, the Bank assess whether a contract is, or contains, a lease arrangement based on whether the contract conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. If a lease arrangement contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components at inception and on each subsequent remeasurement of the contract on the basis of their relative stand-alone selling prices.

(ii) Bank Acting as a Lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Bank has elected to separate non-lease components from the space rental payment obligations.
The Bank recognizes a right-of-use of asset and a lease liability at the lease commencement date,plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use of asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement , plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate at the discount rate.
The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

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

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Bank is reasonably certain to exercise lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase extension or termination option if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in property and equipment and lease liabilities in other liabilities in the statement of financial position.

(iii) Short-term Leases and Leases of Low-value Assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for lease of low value assets and short-term leases, including ATM rent payments. The Bank recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

(iv) Bank Acting as a Lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the bases of their relative stand-alone selling prices.
When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset, if this is the case, then the lease is a finance lease; if not; then it is an operating lease as part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.
The Bank applies the de-recognition and impairment requirement in IFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

2.10 Non-current assets (or disposal groups) held for sale and discontinued operations(Acquired collateral)

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

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when:
a) Their carrying amounts will be recovered principally through sale;
b) They are available for immediate sale in their present condition;
c) Their sale is highly probable.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less cost to sell of an asset (or disposal group). But not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of de-recognition.
Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

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

Acquired collateral held for sale presented under the held for sale account if meets the IFRS-5 requirement, but if the management decide for banks use recorded under PPE.

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A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business of area of operations, or is a subsidiary acquired exclusively with a view of resale. The results of discontinued operations are presented separately in the statement of profit or loss.

2.11 Impairment of non-financial assets

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

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

The Bank bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

2.12 Other assets

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

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

(ii) Other receivables
Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received. The Bank's other receivables are rent receivables and other receivables from debtors.

2.13 Fair value measurement

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

- Disclosures for valuation methods, significant estimates and assumptions Notes 3
- Quantitative disclosures of fair value measurement hierarchy Notes 4.7.2.

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

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

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

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

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

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

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

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

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

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

2.14 Employee benefits

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

(a) Defined contribution plan

The Bank operates two defined contribution plans;

(ii) Pension scheme in line with the provisions of Ethiopian Pension of private organization employee's proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank, respectively;

(iii) Provident fund contribution, funding under this scheme is 6% and 12% by employees and the Bank, respectively; based on the employees' salary. Employer's contribution to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

(b) Defined benefit plan

The liability or asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The liability recognized in the statement of financial position in respect of defined benefit pension plans if the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.
The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(c) Termination benefits

Termination benefits are payable to Bank employees and executive directors when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(d) Profit-sharing and bonus plans

The Bank recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Bank recognizes a provision where contractually obliged or where there is a past practice that has created a construction obligation.

2.15 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it's probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in income statement net of any reimbursement.
If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other operating expenses.

2.16 Financial guarantees contract

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when it is due in accordance with the contractual terms. In the ordinary course of business, the Bank give financial guarantees, consisting of letters of credit, guarantees and acceptances.

2.17 Share capital and dividends declared

The Banks share capital represents the fully paid up capital contributed paid by shareholders for the value of subscribed shares.

Dividends declared and shareholders are not capitalized to the capital on ordinary shares are recognised as a liability in the period in which all relevant approvals have been obtained.

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

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2.18 Earnings per share

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

2.19 Income taxation

(i) Current Income tax

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

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

(ii) Deferred tax

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

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

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

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

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

(iii) Income tax

Current tax assets/recoverable and current tax liabilities/provisions are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date

Income taxes for the year comprises current and deferred taxes. Current tax expenses are determined according to the tax laws of each jurisdiction in which the Bank generate taxable income.
Current tax expenses relating to items recognised directly in equity, are recognised in other comprehensive income or in equity and not in the income statements.

(iv) Deferred tax assets and liabilities
Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside income statements is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.
Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.20. Recognition of income and expenses

Revenue 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 payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Bank earns income from interest on loans given for domestic trade and services, building and construction, manufacturing, agriculture and personal loans. Other incomes includes margins on letter of credits and performance guarantees.

2.20.1. Interest and similar income and expense

For all the government bills measured at amortized cost and interest bearing financial assets classified as available –for-sale interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.
The calculation takes into account all contractual terms of the financial instruments (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate (EIR), but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and interest and similar expenses for financial liabilities.
Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income has been calculated using the contractual interest rate since the loan processing fees have **no material effect** on the contractual interest rate. So, consider that the contractual interest rate and EIR are the same.

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2.20.2. Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

2.20.3 Net interest income

a) Effective interest rate and amortized cost
Interest income and expense are recognized in profit or loss using the contractual cash flow.

• The gross carrying amount of the financial asset; or
• The amortized cost of the financial liability.

The calculation of contractual loans and advances interest rate does not includes transaction costs and fees and payments paid or received.

b) Amortized cost and gross carrying amount

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

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

(i) Calculation of interest income and expense

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

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

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

☐ In measuring the amortized cost, the Bank applied the contractual interest rate since additional transaction costs, fees have no material impact, and there is no material difference when we compare EIR calculation.

(ii) Presentation

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

• Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;
• Interest on debt instruments measured at FVOCI calculated on an effective interest basis;
• The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
• The effective portion of fair value changes in qualifying hedging derivative designated in fair value hedges of interest rate risk.

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

In measuring the amortized cost, the Bank applied the contractual interest rate since additional transaction costs, fees have no material impact, and there is no material difference when we compare EIR calculation.

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2.20.4. Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset-government bills or liability are included in the measurement of the effective interest rate. Other fees and commission income; money transfer, letter of credit, payment orders, uncleared effects, ATM and POS transactions etc. are recognized as the related services are performed.
When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.
Other fees and commission expense relates mainly to transaction and service fees are expensed as the services are received.
In accordance IFRS 15 core principle that BoA recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which, BoA expects to be entitled to in exchange for those goods or services.

We applied the following five revenue recognition steps of IFRS 15
-Identify the contract.
-Identify separate performance obligations.
-Determine the transaction price.
-Allocate transaction price to performance obligations.
-Recognise revenue when each performance obligation is satisfied.

Fee income can be divided into the following categories:

2.20.4.1 Commission
Income earned in respect of sales or distribution of banking, investments and insurance products. Commission earned from banking is on trade and bancassurance.

2.20.4.2 Service charges and fees
Income earned on the services provided to retail and corporate customers, including account management and various transaction-based services, such as interchange foreign currency transactions, money order processing and insufficient funds/overdraft transactions.

2.20.5. 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.

2.20.6. Foreign exchange revaluation gains or losses

These are gains and losses, arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies of the functional currency's; spot rate of exchange at the reporting date. This amount is recognized in the income statement and it is further broken down into realized and unrealized portion.

The monetary assets and liabilities include financial assets within the foreign currency deposits received and held on behalf of third parties etc.

2.20.7. Rental Income

The amounts of periodic rent income earned on the use of BOA"s buildings and other properties by various tenants are credited to this acc

Bank of Abyssinia invest its funds in the way to secure for itself an adequate and permanent return.
To limit the risk of loss as a result of an individual issuer default, the Bank maintain adequate diversified in its holdings.
If the Bank invest its funds in different types of securities, it ensure for itself a regular flow of income.

2.20.8. Interest free and/or below market interest loan

We provided below-market interest loan, then we accounted this as the difference between market interest rate and the Bank's interest rate calculated on mortgage loans, vehicle loan, personal loans in to prepaid staff asset and the amount amortized over the loan period annually.

2.21 Interest Income
The interest income has been calculated using the contractual interest rate since the loan processing fees have no material effect on the contractual interest rate. So, consider that the contractual interest rate and EIR are the same.

2.22 STANDARDS AND ANNUAL IMPROVEMENTS TO STANDARDS ISSUED BUT NOT YET EFFECTIVE

2.22.1 New standards, amendments, interpretations effective and adopted during the year

2.22.2 Standards applied during the half-year to 31 Dec, 2025

There were no new IFRS Accounting Standards effective for the half-year 31 December 2025 affecting these financial statements.

2.22.3 Future accounting developments

2.22.3.1 Amendments to IFRS 9 and IFRS 7 Effective Date -1 Jan 2026

In May 2024, the Board issued Amendments to the Classification and Measurement of Financial Instruments(Amendments to IFRS 9 and IFRS 7),

Which clarifies that a financial liability is derecognised on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for DE recognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

Clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.

Clarifies the treatment of non-recourse assets and contractually linked Requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

Requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

This standard has an impact on our financial statements.

2.22.3.2 Hedge Accounting by a First-time Adopter

Paragraphs B5 and B6 of IFRS 1 have been amended to include cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of IFRS 9. These amendments are intended to address potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

This standard has no impact on our financial statements.

2.22.3.3 Gain or Loss on DE recognition

- The amendments update the language on unobservable inputs in paragraph B38 of IFRS 7 and include a cross reference to paragraphs 72 and 73 of IFRS 13 Fair Value Measurement.

- An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

- The amendments to paragraph IG1 of the Guidance on implementing IFRS 7 clarify that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7, nor does it create additional requirements.

This standard has an impact on our financial statements.

2.22.3.4 Lessee DE recognition of Lease Liabilities

- Paragraph 2.1 of IFRS 9 has been amended to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 and recognise any resulting gain or loss in profit or loss. However, the amendment does not address how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment of a lease liability in accordance with IFRS 9.

- An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

This standard has an impact on our financial statements.

2.22.3.5 Transaction Price

Paragraph 5.1.3 of IFRS 9 has been amended to replace the reference to 'transaction price as defined by IFRS 15 Revenue from Contracts with Customers' with 'the amount determined by applying IFRS 15'. The use of the term 'transaction price' in relation to IFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of IFRS 9.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

This standard has an impact on our financial statements.

2.22.3.6 Determination of a 'De Facto Agent'

- Paragraph B74 of IFRS 10 has been amended to clarify that the relationship described in paragraph B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor. The amendments are intended to remove the inconsistency with the requirement in paragraph B73 for an entity to use judgement to determine whether other parties are acting as de facto agents.
- An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

This standard has not an impact on our financial statements.

2.22.3.7 Cost Method

- Paragraph 37 of IAS 7 has been amended to replace the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'.
- An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

This standard has an impact on our financial statements.

2.22.3.8 Contracts Referencing Nature-dependent Electricity –Amendments to IFRS 9 and IFRS 7-Effective Date-Jan 2026.

Effective for annual periods beginning on or after 1 January 2026.

Key requirements

In December 2025, the Board issued Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7). The amendments: Update the 'own-use' requirements for in-scope contracts.

Under the amendments, the sale of unused nature dependent electricity will be in accordance with an entity's expected purchase or usage requirements, if specified criteria are met.

- Amend the designation requirements for a hedged item ina cash flow hedging relationship for in-scope contracts. The amendments will allow an entity to designate a variable nominal volume of forecast electricity transactions as a hedged item, if specified criteria are met.
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. IFRS 7 has been amended to require specific disclosures relating to contracts that have been excluded from the scope of IFRS 9 as a result of the amendments.

The amendments only apply to contracts that reference nature dependent electricity. These are contracts that expose an entity to variability in an underlying amount of electricity because the source of electricity generation depends on uncontrollable natural conditions, typically associated with renewable electricity sources such as sun and wind.

This standard has an impact on our financial statements.

2.22.3.9-IFRS 18 – Presentation and Disclosure in Financial Statements Effective for annual periods beginning on or after 1 January 2027.

Key requirements

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and dis aggregation of financial information.

2.22.3.10 Statement of profit or loss

An entity will be required to classify all income and expenses within its statement of profit or loss into one of five categories:

operating; investing; financing; income taxes; and discontinued operations. In addition, IFRS 18 requires an entity to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'.

2.22.3.11 Main business activities

For the purposes of classifying its income and expenses into the categories required by IFRS 18, an entity will need to assess whether it has a 'main business activity' of investing in assets or providing financing to customers, as specific classification requirements will apply to such entities. Determining whether an entity has such a specified main business activity is a matter of fact and circumstances which requires judgement. An entity may have more than one main business activity.

2.22.3.12 Management-defined performance measures

IFRS 18 introduces the concept of a management-defined performance measure (MPM) which it defines as a subtotal of income and expenses that an entity uses in public communications outside financial statements, to communicate management's view of an aspect of the financial performance of the entity as a whole to users. IFRS 18 requires disclosure of information about all of an entity's MPMs within a single note to the financial statements and requires several disclosures to be made about each MPM, including how the measure is calculated and a reconciliation to the most comparable subtotal specified by IFRS 18 or another IFRS accounting standard.

2.22.3.13 Location of information, aggregation and disaggregation

IFRS 18 differentiates between 'presenting' information in the primary financial statements and 'disclosing' it in the notes, and introduces a principle for determining the location of information based on identified 'roles' of the primary financial statements and the notes. IFRS 18 requires aggregation and disaggregation of information to be performed with reference to similar and dissimilar characteristics. Guidance is also provided for determining meaningful descriptions, or labels, for items that are aggregated in the financial statements.

This IFRS 18 standard has an impact on our financial statements.

2.22.3.14 Consequential amendments to other accounting standards

Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method from 'profit or loss' to 'operating profit or loss'. The optionality around classification of cash flows from dividends and interest in the statement of cash flows has also largely been removed.

Added to IAS 33 Earnings per Share that only permit entities to disclose additional amounts per share, if the numerator used in the calculation meets specified criteria.

The numerator must be:

- An amount attributable to ordinary equity holders of the parent entity; and
- A total or subtotal identified by IFRS 18 or an MPM as defined by IFRS 18.ates and Errors, which has been renamed IAS 8 Basis of Preparation of Financial Statements. IAS 34 Interim Financial Reporting has been amended to require disclosure of MPMs.

This standard has an impact on our financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgements and estimates are as follows:

3.1 Going concern

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

3.2 Impairment of financial investments portfolio

The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

3.3 Fair value estimation of financial assets/investments at FVOCI

3.3.1 Basis of valuation

The fair value of equity investments in this interim report is based on the valuation prepared by PricewaterhouseCoopers Limited ("PwC") for the Annual Report as of June 30, 2025. This value was then adjusted for additions made during the six-month period from July 2025 to December 31, 2025

3.4 Judgements Expected credit loss

3.4.1 Impairment losses on loans and advances

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

The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or

The borrower is more than 90 days past due on any material credit obligation to the Bank. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Bank; or if it meets the National Bank of Ethiopia (NBE)'s definition of default, if in the future the NBE prescribes the criteria of default for IFRS 9 purposes.

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

Qualitative: senior management using professional judgment may resort to this approach guided by matters such as breaches of covenants which are deemed material, declaration of bankruptcy by the customer, death of borrower individual / proprietorships with no succession plan, loss of a significant portion of revenue stream or any other event significantly impacting the ability of the customer to repay and other customer specific factors. This will be applied on a case by case basis and is not limited to the above factors;

Quantitative: such as overdue status and non-payment of 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.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the 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. Revisions to estimates are recognized prospectively.

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The Bank will use judgement to determine the valuation approach and technique that is most appropriate to the Bank. This will be the approach that is:

- Most appropriate in the circumstances;

- For which sufficient data is available; and

- Maximizes the use of observable inputs, and minimizes the use of unobservable inputs.

We involved the consideration of similar approaches the Bank has taken in the past, and of the approach that makes most use of external data and relies least on internal estimates.

Elements of the ECL models that are considered accounting judgements and estimates include:

(i) Internal credit grading model, which assigns PDs to the individual grades;

(ii) Criteria for assessing possible significant increase in credit risk and qualitative information to determine if allowances should be measured using lifetime ECL basis;

Elements of the ECL models that are considered accounting judgements and estimates include:

(iv) Development of ECL models, including the various formulas and the choice of inputs;

(v) Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral

values and the effect on PDs, EADs and LGDs; and

(vi) Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL

models.

Overlays and adjustments for ECL

These overlays and post-model adjustments were taken to reflect the following risk factors not captured in the modelled outcome:

(a) Latest macroeconomic outlook given the elevated uncertainty under high inflation and interest rate environment;

(b) High risk and vulnerable sectors;

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward-looking assessment for ECL estimation purposes. The drivers of the management judgemental adjustments continue to evolve with the economic environment.

Probablity of Default Model for large Exposures
Scope and applicablity

Individual borrowers or connected and related parties whose credit exposure equals or exceeds 10% as per NBE directiveSBB/87/2024.

Group exposures where worest rated member PD applies if there exposure represents 20% or more group exposure.

New large exposure customers, initially rated at Grade 3 ased on score of 60-69%, PD determined considering average score 65% in accordance to risk grade line of the Bank.

3.5 Bank balances

The simplified impairment approach will be applied in impairing bank balances. For ECL computation purposes, Management has adopted the below assumptions:

☐PD -the speculative grade rating PD assigned by rating agencies such as S&P and Moody's. This is recommended due to lack of historical default experience. The speculative grade rating PD is recommended because the banks are unrated.

☐LGD -the Basel minimum LGD of 10% is recommended to be applied.

☐EAD -the outstanding balances as at the reporting date.

3.6 Government securities

The simplified impairment approach will be applied in impairing government securities. For ECL computation purposes, Management has adopted the below assumptions:

☐PD -the country rating PD assigned by rating agencies such as S&P and Moody's. This is recommended due to lack of historical default experience.

☐LGD -the Basel minimum LGD of 10% is recommended to be applied.

☐EAD -the outstanding balances as at the reporting date.

3.7 ECL calculation –Receivables

For impairment purposes, the following receivables and other financial assets will be considered:

–Sundry receivables

The simplified impairment method will be adopted for impairment of receivables and other financial assets. This is as outlined in the steps below.

☐ Obtain historical periodic receivables ageing reports for 2 years.

☐ Flow rate represents the probability of a receivable moving into the next ageing bucket in the subsequent tracking period. Each flow rate is assumed to be independent of the next.

☐ A loss rate is calculated for each bucket as a product of subsequent flow rates. This represents the probability that the receivables in a given bucket will reach the 90 DPD.

3.8.Provision on guarantee and letter of credit

Guarantees will be assumed by management to have a CCF of 100%.

☐ The on balance sheet/ economic sector PDs and LGD have been assumed to be the off balance sheet PD and LGD. The PD has been assumed to follow the Basel minimum PD and the LGD has been assumed to follow either the minimum Basel LGD or the unsecured LGD.

For LCs, default occurs when a customer does not honor their obligation at the point of maturity. LCs with a 100% cash-backed margins will not be considered for impairment as the LGD is zero.

Default for a letter of credit is defined as any default experience that the Bank has after converting the LC into an on balance sheet facility, i.e. 90DPD after the conversion date. These default rates will be estimated as the total defaulted LCs amounts as a proportion of the total LC portfolio as at a reporting date.

In instances where there are no historical default rates for the LCs:

☐It is recommended that the Basel minimum PD of 5 basis points (0.05%) is assigned. This is assumed because the credit risk of an LC is expected to be lower than that of an on-balance sheet facility.

For ECL computation purposes, the following will be assumed by management when determining the LC's LGD:

☐For secured customers with on-balance sheet facilities, assign the on balance sheet LGD.

☐For unsecured customers without on-balance sheet facilities, assign the unsecured LGD computed for the respective economic sector.

The exposure at default for the LC will be calculated as the committed amount less any cash margin in lien that has been used to cover the LC.

3.9 Deferred tax asset and liabilities

The Bank consider current tax as the amount of income tax payable (recoverable) in respect of taxable profit, Recognise deferred tax for the estimated future tax effects of temporary differences, unused tax losses carried forward and unused tax credits carried forward.

3.10 Defined benefit plans

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

3.10.1 Defined benefit plans/ funding arrangements and funding policy

- Description of any funding arrangements and funding policy that affect future contributions.
- The expected contributions to the plan for the next annual reporting period.
- Information about the maturity profile of the defined benefit obligation. This will include the weighted average duration of the defined benefit obligation and may include other information about the distribution of the timing of benefit payments, such as a maturity analysis of the benefit payments.

3.11 Deprecation and carrying value of property, plant and equipment

The estimate of the useful lives of assets is based on Management's judgment. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items

3.12 Right of –use- asset (Prepaid rent & lease)-Deperciation

Right-of-use ("ROU") assets

BoA recognise ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.
The cost of ROU assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

ROU assets are depreciated on a straightline basis over its estimated useful life and the lease term.

Lease liabilities at the commencement date of the lease, the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term.

Interest expense on the lease liability is presented separately from depreciation of the right-of-use asset, as a component of finance costs.

Short-term leases and leases of low-value assets ,the Bank apply the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less.

3.12.1. Leases - renewal option

The Bank determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised,

3.13 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Bank is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purpose.

3.14 Taxes

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

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

3.15 Development cost

The Bank capitalizes development costs for a project in accordance with the accounting policy. Initial capitalization of costs is based on Management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to established project management model.

In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

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4. Financial risk management

4.1 Introduction

Risk is the effect of uncertainty on objectives of an entity; an effect can be either positive or negative deviation from what is expected. Therefore, risk is the chance that there will be a positive or negative deviation from the objective that is expected to be achieved.

Risk management is a systematic approach to identify, analyse, evaluate, and treat risks that may have an adverse impact on targeted objectives of an entity; and it is also a process of understanding and managing risks that the entity is inevitably subjected to in due process of achieving its corporate objectives.

Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate levels of risk taken to the desired levels of returns.

Financial risk management overview

Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate levels of risk taken to the desired levels of returns.

The Board of Directors is the ultimate governing body, which has overall responsibility for establishing a sound risk management and internal control system, as well as for reviewing its adequacy and effectiveness in identifying, assessing and responding to risks that may hinder the Bank from achieving its objectives.

The Management at excutive levels has assist and support the Board committees in overseeing core areas of business operations and controls,

Governance and Risk Oversight: There is a clear, effective and robust governance structure with well-defined, transparent and consistent lines of responsibility.

Risk Management Practices and Processes: BoA risk management processes are in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Bank.

Stress Test: Stress testing is used to test the resilience of the Bank's exposure against future financial scenarios and gauge the resulting various risks and adequacy of capital.

4.1.1 Risk management structure

The Board of Directors generally be responsible for ensuring the appropriateness of the Banks risk management program and its proper implementation. The Board has already established Loan Review and Risk Management Sub-Committee that facilitates Board function.

In view of the strategic direction and risk appetite by the Board, the senior Management responsible for the implementation of risk management policies and procedures. Business units/operational units are primarily responsible for ensuring the Banks compliance with regulatory requirement and internal policies and procedures. Bank of Abyssinia considers Liquidity, Credit, Market, Operational, Legal, Strategic, Compliance, and Reputational risks as core risks of the Bank. Treasury and Financial Accounting Department establishes management information system that promptly conveys information between the organs in the liquidity risk management structure. ALCO closely control asset and liability structure of the Bank for maximization of its earning without endangering its liquidity status and report the status periodically for the board of directors.

4.1.2 Risk measurement and reporting systems

The Bank's risks are measured using a method that reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on scenario analysis. The analysis makes used 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 reviewing of risk management practice should be planned part of the risk management process and involve regular checking to ensure that adequate and important Information is generated by the risk management process. Furthermore, the information captured, used and maintained effectively. This ensures that risk management is Effective, and provides evidence of a demonstrable risk management system.
Thus, it's important to have a documented formal record of the risk management process outcomes,Risk review report will be generated periodically, which is outcome of monitoring and review ofrisk management practice of the Bank. The report will propose plausible solution for identified loopholes besides describing the current status of risk management practice. The targeted audience are Board of Directors and executive management.

4.1.3 Risk mitigation

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

4.2. Financial instruments by category

The Bank's financial assets are classified in to the following measurement categories: measured at amortized cost and fair value through other comprehensive income (FVOCI).

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

31 December 2025	Notes	Fair value OCI Birr'000	Amortized cost Birr'000	Total Birr'000
Cash and cash equivalents	15		62,957,655	62,957,655
Securities	17		17,946,865	17,946,865
Equity investment	18	1,473,465		1,473,465
Loans, advances and financing to customers (Net)	16		239,033,557	239,033,557
Other assets	18		19,447,082	19,447,082

Total financial assets	1,473,465	339,385,159	340,858,624

4.3. Credit risk

Credit risk is the risk that the Bank borrowers are either unwilling to discharge their obligation or their ability to discharge such obligation is impaired resulting in economic loss to the Bank. Credit Risk also arise from off-balance commitment's (such as guarantees & letter of credits) and placement With other banks (both domestic and foreign banks)

The Bank strive to ensure the existence of fundamental credit risk management elements that enable to effectively manage the credit risk exposure.

Sound and prudent risk management involves the minimization of concentration risk by diversifying credit portfolio; therefore, the Bank have credit diversification policies state clearly the goals for portfolio mix and place exposure limits on single counterparties and groups of associated counterparties, key industries or economic sectors, geographical regions and new and existing products collateral type, NPLs and off-balance sheet exposure. Moreover, the Bank strictly observe the directives, rules and regulations of the NBE in this respect.

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.

4.3.1 Credit risk management

Credit risk management Overview

Credit risk definition
Credit risk is the risk that a counterparty fails to meet its obligations in accordance with the agreed terms of a credit facility. The exposures to credit risk are unilateral and only the lending bank faces the risk of loss.

Management of credit risk
Credit risk assessed jointly by business and credit units where each counterparty is assigned a credit rating based on the assessment of relevant qualitative and quantitative factors, including the counterparty's financial position, future cash flows, types of facilities and collateral offered.

Credit risk measurement
BoA consider a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Bank. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Bank; or
- if it meets the National Bank of Ethiopia (NBE)'s definition of default, if in the future the NBE prescribes the criteria of default for IFRS 9 purposes.

In assessing whether a borrower is in default, BoA consider indicators that are:
- qualitative: senior management using professional judgment may resort to this approach guided by matters such as breaches of covenants which are deemed material, declaration of bankruptcy by the customer, death of borrower individual / proprietorships with no succession plan, loss of a significant portion of revenue stream or any other event significantly impacting the ability of the customer to repay and other customer specific factors. This will be applied on a case by case basis and is not limited to the above factors;
- quantitative: such as overdue status and non-payment of 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.

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

BoA identify a significant increase in credit risk where
- exposures have a regulatory risk rating of 'special mention';
- an exposure is greater than 30 days past due - this is in line with the IFRS 9 "30 DPD rebuttable presumption";
- an exposure has been restructured in the past due to credit risk related factors or which was non-performing and is now regular (subject to the regulatory cooling off period); or
- by comparing an exposure's:
  -- credit risk quality at the date of reporting; with
  -- the credit risk quality on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

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Determining whether credit risk has increased significantly
☐ BoA establish a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition.
☐ The framework should align with the Bank's internal credit risk
The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency ("30 DPD presumption").

Quantitative factors
☐ BoA deem the credit risk of a particular exposure to have increased significantly since initial recognition based on a loan being in arrears for a period of 31 to 90 days in accordance with IFRS 9 paragraph 5.5.11. The Bank develop an internal rating model going forward and movement in rating grades between the reporting period and the initial recognition date / date of initial application of IFRS 9 of the loan will form the basis of significant increases in credit risk.

Qualitative factors
☐ In certain instances, using its expert credit judgment and, where possible, relevant historical experience, the Bank determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis.
☐ The management view and judgment include, but not limited to, the following assessments:
- Classification of exposures by any other Banks and Financial institutions or local Credit Reference Bureau (CRB).
- Unavailable / inadequate financial information/financial statements;
- Qualified report by external auditors;
- Significant contingent liabilities;
- Loss of key staff to the organization;
- Increase in operational risk and higher occurrence of fraudulent activities;
- Continued delay and non-cooperation by the borrower in providing key relevant documentation;
- Deterioration in credit worthiness due to factors other than those listed above.
- Obligor subsequently classified as a politically exposed person (PEP).

☐ As a backstop, and as required by IFRS 9, the Bank presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

4.3.2 Credit quality analysis
Maximum exposure to credit risk

The following analysis represents the Bank's maximum exposure to credit risk of on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers/borrowers.

	Maximum exposure 31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
Credit exposure for on-balance sheet financial assets		
Cash and cash equivalents	62,957,655	50,289,576
Loans and advances to customers	239,033,557	193,379,151
Debt securites at amortized cost	17,946,865	15,267,976
Other Financial Assets	19,447,082	12,895,343
	339,385,159	271,832,046
Credit exposure for off-balance sheet items		
Letter of Credit	32,130,034	6,887,922
Loans Commitments	7,738,861	9,411,029
Letter of Gurantee	7,481,895	10,855,561
	47,350,790	27,154,511
Total maximum credit risk exposure	386,735,949	298,986,557

Gross loans and receivables to customers per National Bank of Ethiopia impairment guidelines is analyzed as follows;

Dec-2025	Gross carrying amount Birr'000	Provision as per NBE directive Birr'000	Net Carrying amount Birr'000
Pass	182,791,514	1,827,915	180,963,599
Special Mention	25,687,916	1,020,637	24,667,279
Substandard	1,172,951	1,021,035	151,916
Doubtful	2,293,066	506,676	1,786,390
Loss	4,087,615	2,573,659	1,513,956
	216,033,062	6,949,922	209,083,140

4.3.3 Credit quality analysis (continued)

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments and available-for-sale debt assets. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

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

vi) Loans and advances to corporate customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended 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 in to determining the management credit risk actions.

vii) Investment securities designated as at FVTPL

At 31 Dec 2025, the Bank had no exposure to credit risk of the investment securities designated as at FVTPL

4.3.3 Credit risk concentration profile

The Bank monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at 31 December 2025. The Bank concentrates all its financial assets in Ethiopia.

	Cash and cash equivalents	Loans and advances to	Debt securites at amortized cost	Loans Commitments	Letter of Gurantee
31 Dec 2025					
Domestic trade and services		56,955,633			
Import		17,558,470			
Construction		12,357,763			
Transport		16,668,000			
Industry		45,229,468			
Export		55,820,215			
Agriculture		9,854,601			
Consumer or personal		31,926,102			
Financial Instutions	62,957,655				
Others			17,946,865	3,343,708	4,395,153
	62,957,655	246,370,253	17,946,865	3,343,708	4,395,153

4.3.5. Offsetting financial assets and financial liabilities

The Bank does not offset financial assets against financial liabilities.

4.3.6 Risk limit control and mitigation policies

a). Collateral held and their financial effect

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. Staff loans are secured to the extent of the employee's continued employment in the Bank. The Bank may take collateral in the form of a first charge over real estate, liens and guarantees. The Bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on creditworthiness, the Bank aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.
For impaired loans, the Bank obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.
The fair value of the collaterals are based on the last revaluations carried out by the Bank's in-house engineers. The valuation technique adopted for properties is in line with the Bank's valuation manual and the revalued amount is similar to fair values of properties with similar size and location.

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

4.4. Liquidity risk

Liquidity Risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses Liquidity risk may not be seen in isolation as it can be triggered by other financial risks such as credit risk, Market risk Generally, liquidity risk results from size and maturity mismatch of Assets and liabilities.

According to the Licencing and Supervision of Banking Business liquidity requirement (5th replacement) Directive No SBB/57/2014 of the National Bank of Ethiopia, Any licensed commercial bank maintain liquid assets of not less than fifteen percent (15%) of its net current liabilities. The net current liabilities refers to the sum of demand (current) deposits, savings deposits and time deposits and similar liabilities with less than one-month maturity and deduct the uncleared effects in relation to deposits. The reported liquidity ratio to the National bank of Ethiopia is presented in below.

Description	31 December 2025 Birr'000	31 December 2024 Birr'000
Total liquid assets	63,478,477	42,324,040
Net current liabilities	293,658,664	204,492,630
15% of net current liabilities	44,048,800	31,123,890
Liquidity ratio	**21.62%**	**20.40%**
Excess/deficit liquid asset	19,429,678	11,203,150

4.4.1 Management of liquidity risk

Liquidity risk may not be seen in isolation as it can be triggered by other financial risks such as credit risk,market risk,etc.Generally,liquidity risk results from size and maturity mismatch of asset and liablities.

In order to keep optimal asset-liablity structure,thereby adhere to regulation in jurisdication; BoA Adopts liquidity risk managemen t system that is goverened by adequate oversight,early warning system and proper implementation of risk management process.

The Bank form the ALCO committee whose members are drawn form its senior Management and entrust in which the responsibility of managing the overall liquidity of the Bank.

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

The Bank has incurred indebtedness in the form of borrowings. The Bank evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Bank devises strategies to manage its liquidity risk.

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

For day-to-day liquidity management, the treasury operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis. Besides, the process of managing liquidity risk also includes:

- Maintaining a-sufficient amount of unencumbered high quality liquidity buffer as a protection against any unforeseen interruption to cash flows;
- Managing short and long-term cash flows via maturity mismatch report and various indicators;
- Monitoring depositor concentration at the Bank levels to avoid undue reliance on large depositors;
- Managing liquidity exposure by domestic and significant foreign currencies;
- Diversifying funding sources to ensure appropriate funding mix;
- Conducting liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios.

4.5- Market risk

Market Risk is the risk that value of on and off-balance sheet positions of the Bank are adversely affected by movements in market rates or prices such as interest rates and FOREX rates resulting
In the financial losses to the Bank.

Management of market risk is an area that has received increasing attention from managers and supervisors of the globe as banks financial trading activities have been growing from time to time.

4.5.1. Management of market risk

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Management of market risk is an area that has received increasing attention from mangers and supervisors of the globe as banks financial trading activites have been growing from time to time.

In Ethiopia, the mmarket is not that much sensetive and involvement of banks are so limited to a few types of exposures. The risk exposures considered as relevant are interest rate and exchange rate risks,
And hence, these are incorporated in this risk management programme.

The risk measurement techniques employed by the Bank comprise both quantitative and qualitative measures.

i). **Interest rate risk**
Interest rate risk is the potential impact on institutions earnings and on the net-asset values of the changes of its interest rates. IRR arises when an institutions principal and cash flows, both on and off the balance sheets have mismatched reprising dates.

Banks are exposed to IRR because they invariably operate with unmatched balance sheet i.e. being Either IR sensitive asset or IR sensitive liabilities.

The Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the ALCO to protect total net interest income from changes in market interest rates.

31 December 2025	Fixed Birr'000	Floating Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	4,427,523		58,530,132	62,957,655
Loans and advances to customers	230,038,355		8,995,203	239,033,557
Investement securities	17,946,865		1,473,465	19,420,330
Other Asset			19,447,082	19,447,082
Other non-interest sensitive balance			15,557,170	15,557,170
				-
Total Asset	252,412,743	-	104,003,051	356,415,792
				-
Liabilities				
Deposits from customers	209,746,720		87,534,062	297,280,782
Borrowings	-			-
Lease Laibilities	304,629			304,629
Other liabilities			15,052,943	15,052,943
Other non-interest sensitive balance			11,789,703	11,789,703
Total Liabilities	210,051,349	-	114,376,709	324,428,058
Total equity			31,987,736	31,987,736
Total equity and liabilities	210,051,349	-	146,364,445	356,415,794
Interest rate sensitivity gap	42,361,394	-	(42,361,394)	(1)

The sensitivity of the income statement is the effect of the assumed changes in saving interest rates on the profit or loss for a year, based on the floating rate non-trading financial assets and financial liabilities held at 31 Dec 2025. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

Sensitivity analysis for Interesetrate risk

31 Dec 2025	Increase (decrease) in basis points Birr'000	Impact of an increase P/L and equity Birr'000	Impact of a decrease P/L and Equity Birr'000
Impact to profit	2%	847,228	(847,228)

4.6 **Capital management**

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

Capital Management-Principles

- BoA always maintain and comply the minimum Capital requirement and capital adequacy ratio; set forth by relevant laws of the Bank;
- There is an updated capital maintenance and determination of short and long-term plan and its corresponding evaluation criteria that commensurate to its business strategies;
- BoA timely increase its capital in line with the contemporary business requirements and competition in the industry;

- Deploy its capital to support sustainable, long-term revenue and net income growth by maintaining
- Existing customers attracting new customers, diversify and introduce new products, acquisition
- Investment and other available methods.

4.6.1. Capital adequacy ratio

Regulatory capital- NBE(National Bank of Ethiopia)
According to the Licencing and Supervision of Banking Business minimum Capital Requirement for Banks (Amended) Directiv 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 assests being calculated as per the provistions of Directive No SBB/9/95

The capital adequcy ratio is the quotient of the capital base of the bank and the bank's risk weighted asset base.

4.6.1.2 Application of capital adequacy ratios

The capital adequacy ratios of the the Bank are computed in accordance primary capital sum this includes primary capital,share premium,general reserve and legal reserve over the risk weighted asset on balance sheet and off balance sheet.

Total Capital includes Paid up capital, Legal resereve and other reserves to be approved by the National Bank of Ethiopia

Capital Component	**31 Dec 2025 Birr'000**	**31 Dec 2024 Birr'000**
Paid-up-capital	15,000,000	14,398,380
Paid -up-capital in excess of par	5,998	5,998
Legal e resereve	7,266,279	5,139,382
Special Resereve	25,919	25,919
Total Capital	**22,298,196**	**19,569,679**
Risk Weighted Asset		
On balance sheet	254,886,920	195,649,997
Off balance sheet	9,484,680	11,510,879
Total risk weighted assets	**264,371,600**	**207,160,876**
Capital Adequcy Ratio	**8.43%**	**9.45%**

4.7 Offsetting financial assets and financial liabilities

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

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		31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
5	**Interest income**		
	Interest on Term Loan	13,954,466	11,366,355
	Interest on over draft	2,011,226	1,860,495
	Interst on Import & export bills	42,370	49,305
	Interest on Advance sales contract	595,791	496,302
	Interest from penality	473,452	305,028
	Interest on foriegn deposits	768,977	215,578
	Interst on Treasury Bonds	504,618	317,853
	Interest earn on DBE Bond	172,307	139,205
	Interest on deposit from local banks	453,473	453,473
	Interst income on Treasury bills	96,669	7,462
		19,073,348	**15,211,054**

		31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
6	**Interest expense**		
	Interest on Saving Account	(4,909,207)	(3,628,972)
	Interest on Time deposit	(1,644,156)	(1,040,826)
	Interest on loans	(199,583)	(54,968)
		(6,752,947)	**(4,724,766)**

		31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
7	**Net foreign exchange gain or loss**		
	Loss on foreign exchange	(19,257,504)	(73,707,597)
	Gain on foreign exchange	20,460,594	72,819,339
		1,203,090	**(888,257)**

		30-Dec-25 Birr'000	31-Dec-24 Birr'000
8	**Commission earned**		
	Gross Commission income		
	Letters of credit and other import/export facilities	466,848	284,688
	Money and Telegraphic transfers and direct debit charges	7,199	3,932
	Letters of guarantees	93,878	331,707
	Other commissions	517,832	276,627
		1,085,758	**896,955**
	Commition expense;		
	Customer Incentive for FCY mob	-259,240	-25,296
	Net commission income	**826,518**	**871,658**

		31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
9	**Dividend Income**		
	Dividend income from investing activities	9,509	45,391

		31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
10	**Other operating income**		
	Rental income	12,048	7,651
	Gain on disposal of fixed assets	10,662	1,705
	Gain on disposal of Aqtuired Asset	2,601	496
	Loan processing fee income	164,632	123,660

Income from Murabaha Financing	516,365	343,488
Other income	133,745	68,350
	840,051	**545,571**

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
11 Loan impairment charge		
Loans and receivables - charge for the year	-1,473,081	-845,127
	-	-
	(1,473,081)	**(845,127)**

31 Dec 2025 Birr'000	31 Dec 2024 Birr'000

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
12 Personnel expenses		
Clerical Staff Salary	(2,598,506)	(1,961,573)
Contractual Staff Salary	(361,880)	(353,513)
Non-Clerical Staff Salary	(145,762)	(115,433)
Fuel Allowance	(1,011,736)	(1,039,874)
Training Education	(346,643)	(171,103)
Bonus	(338,138)	(350,029)
Provident Fund	(325,706)	(247,052)
Living Allowance	(221,050)	(163,092)
Medical	(117,760)	(78,138)
Car and representation Allowance	(80,065)	(73,113)
Leave Pay	(60,000)	(37,204)
Uniforms	(27,901)	(9,910)
Cash Indemnity Allowance	(24,498)	(31,698)
Staff Insurance	(5,400)	(3,006)
Drivers Allowance	(621)	(635)
Other staff expenses	(172,012)	(174,031)
	(5,837,678)	**(4,809,404)**

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
13 Other operating expenses		
Software license fee	(615,671)	(177,589)
Insurance fund for deposit	(272,229)	(232,070)
Mastercard and Visa Membership service	(217,753)	(117,875)
Mudarabah cost of fund	-128,941	(79,258)
Data and Internet lines	(123,681)	(69,008)
Advertising	(108,791)	(44,671)
Repair and Maintainance	(103,394)	(71,402)
Fuel and Lubricant	(102,952)	(53,838)
Promotional gift items	(82,809)	(3,604)
Insurance	(81,789)	(53,011)
ATM and POS card issuance fee	(68,546)	(50,127)
Stationery and printing	(62,591)	(91,282)
IT Support and maintenance exp.	-49,435	(101,362)
Transportation of Currency	(48,115)	(32,345)
Per diem and travel	(38,899)	(25,704)
Entertainment	(23,662)	(13,102)
Consultancy fee	-19,124	(2,748)

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Utilities	(19,165)	(10,212)
RTGS Transactin fee	(17,944)	(15,679)
Annual reception	(17,270)	(8,097)
Donations and contributions	(16,227)	(47,506)
Correspondnet charges	(15,095)	(7,372)
Legal fees	(10,631)	(15,174)
Bank charges	(9,362)	(5,307)
Wages for non-employees	(8,136)	(5,364)
Board of Directors remeineration	(2,321)	(1,257)
Postage, telephone, telegram , telex/fax	(1,769)	(5,666)
EATS membership and transaction fee	(165)	(168)
Audit fees	(5)	(1,583)
other IFB expense	-	(929)
Other administration expenses	(732,203)	(167,390)
	(2,998,678)	**(1,510,700)**

Operating expenses increased by Birr 1.4 billion as of December 31,2025 compared to last year the same period. The primary reasons for this increase were a 438 million Birr software license fee and a 99 million Birr charge related to Mastercard and Visa membership. These costs were driven mainly by the increase in the foreign currency exchange rate and new IT initiatives.

14 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:

15a Component of tax expenses

Current tax expense	1,572,595	1,104,334
Deferred tax (15e)	261,002	-64,286
	1,833,597	**1,040,047**

14a Current Tax

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
IFRS Accounting profit	5,996,035	3,973,494
Add : Disallowed expenses		
Entertainment	23,662	13,102
Donation	16,227	47,506
Penalty	3,907	5,343
Amortization of Employee benefit	-	-
Severance Payment	(12,119)	-
Interest expense on lease liability	6,809	6,606
impairment on non-current asset	-	-
Legale expense	10,631	15,174
Land and building tax	15,566	10,185
Provision for other Asset	74,000	260,231
Provision for loans and advances as per IFRS	1,399,558	845,127
Written- Off loan	1,727	5,052
Tax payment as per tax audit work	233	1,827
	1,540,200	**1,210,152**
Less :		8,370,064
Interest income taxed at source-Local & foreign deposits	1,222,450	669,051
Dividend income taxed at source	9,509	45,391
Interest income taxed at source-Treasurey bills	96,669	7,462
Interest income taxed at source-Treasurey bonds	504,618	317,853
Interest income taxed at source-DBE bonds	172,307	139,205
Provision for loans and advances as per NBE 80%	545,029	676,102
	2,550,582	**1,855,063**
Taxable profit	4,985,654	3,328,583
	1,495,696	**998,575**
Add: 10% of interest on foreign deposits	76,898	21,558
Current tax at 30%	1,572,595	1,020,134

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14b Statement of Financial Postion (Current income tax libility)	31 Dec 2025 Birr'000	30 June 2025 Birr'000
Balance at the beginning of the year	2,576,017	1,094,277
Charge for the year:		
Income tax expense	1,572,595	2,607,588
Prior year (over)/ under provision		
WHT Notes utilised	(41,281)	(31,571)
Payment during the year	(2,576,017)	(1,094,277)
Balance at the end of the year	1,531,313	2,576,017

15d Deferred income tax

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

	31 Dec 2025 Birr'000	30 June 2025 Birr'000
Deferred tax Asset	274,390	258,442
Deferred tax liability	(906,373)	(629,424)
	(631,984)	(370,981)

The analysis of deferred tax assets is as follows:
To be recovered after more than 12 months

Deferred income tax assets , deferred income tax charge/(credit) in profit or loss ("P/L), in equity and other comprehensive income are

Deferred income tax assets:

Desc.	At 1 July 2025 Birr'000	Adjustment made to recognize previous years deferred tax effect Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	31 Dec 2025 Birr'000
Annual Leave	126,885		15,947.30		142,832
Post employment benefit obligatio	131,558		-		131,558
Total deferred tax assets	258,442	-	15,947	-	274,390

Desc.	At 1 July 2024 Birr'000	Adjustment made to recognize previous years deferred tax effect Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2025 Birr'000
Annual Leave	120,684		6,201		126,885
Post employment benefit obligatio	93,352		20,096	18,110	131,558
Total deferred tax assets	214,036	-	26,296	18,110	258,442

Deferred income tax liabilities: Desc.	At 1 July 2025 Birr'000	Adjustment made to recognize previous years deferred tax effect Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	31 Dec 2025 Birr'000

Property, plant and equipment	-426,406		(276,950)		(703,355)
Equity Investments	-203,018		-	-	(203,018)
Total deferred tax liabilities	**(629,424)**	**-**	**(276,950)**	**-**	**(906,373)**

Desc.	At 1 July 2024 Birr'000	Adjustment made to recognize previous years deferred tax effect Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2025 Birr'000
Property, plant and equipment	-205,383		(221,023)		(426,406)
Equity Investments	-121,040		0	(81,978)	(203,018)
Total deferred tax liabilities	**(326,423)**	**-**	**(221,023)**	**(81,978)**	**(629,424)**

15e Deferred tax and liabilities

	31 Dec 2025 Birr'000	30 June 2025 Birr'000
Severance pay - carrying amount	438,526	438,526
Severance pay - tax base	-	-
Severance pay temporary difference	438,526	438,526
Deferred tax asset - @ 30%	131,558	131,558
Annual Leave - carrying amount	476,106	422,949
Annual Leave - tax base	-	-
Annual leave temporary difference	476,106	422,949
Deferred tax asset - @ 30%	142,832	126,885
PPE- carrying amount	11,035,837	8,590,712
PPE - tax base	8,691,318	7,169,359
	2,344,518	1,421,352
Deferred tax liability - @ 30%	703,355	426,406
Equity investment - carrying amount	1,473,465	1,442,225
Equity investment - tax base	796,738	765,498
Equity Investment -temporary difference	676,727	676,727
Deferred tax liability - @ 30%	203,018	203,018
Deferred tax asset/ (liability) - @ 30%	(631,984)	(370,981)

15 Cash and cash equivalents

	31 Dec 2025 Birr'000	30 June 2025 Birr'000	31 Dec 2024 Birr'000
Cash in hand	11,657,652	8,234,176	6,792,624
Balances with Central Banks:			
-Reserve account with National Bank of Ethiopia	22,400,000	17,030,000	14,990,000
-Other accounts with National Bank of Ethiopia	861,835	186,178	131,997
Deposits with foreign banks	23,612,462	20,118,242	15,594,681
Deposits with local banks	4,427,523	4,723,073	4,594,127
	62,959,472	50,291,668	42,103,429
Allowances for impairment losses	(1,817)	(2,092)	(1,134)
	62,957,655	50,289,576	42,102,294

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16 **Loans, advances and financing to customers**

(i) Loans , advances and Financing by types;

Loans, advances and Financing at amortized cost	31 Dec 2025 Birr'000	30 June 2025 Birr'000
Conventional banking loans and advances:		
Term Loan	198,783,775	166,862,498
Overdraft loans	22,601,992	18,286,447
Advance loans	15,989,283	8,198,173
	237,375,050	193,347,118
Interest Free Financing and advances:		
Murabaha financing	12,258,242	8,336,228
Unearned income	-3,263,039	-2,367,057
	8,995,203	5,969,171
Total Carrying Amount	246,370,252	199,316,289
Allowances for loans , advances and financing as per NBE giudlines:		
Loan loss Allowance_stage 1	(2,199,304)	(2,290,254)
Loan loss Allowance_stage 2	(357,786)	(164,509)
Loan loss Allowance_stage 3	(4,779,605)	(3,482,375)
Total loan loss allowance	(7,336,695)	(5,937,137)
Net Carrying Amount	239,033,557	193,379,151

(ii) Loans, advances and financing analysed by economic purpose are as follows

	31 Dec 2025 Birr'000	30 June 2025 Birr'000
Domestic trade and services	56,955,633	33,683,147
Import	17,558,470	13,332,584
Construction	12,357,763	14,364,682
Transport	16,668,000	11,625,869
Industry	45,229,468	45,415,964
Export	55,820,215	45,026,565
Agriculture	9,854,601	8,654,663
Consumer or personal	31,926,102	21,243,644
Gross amount	246,370,253	193,347,118

17 **INVESTMENT SECURITES**

□ There are two types of securities: debt securities and equity securities. Regarding debt securities, the govenment bill and bond, classification is amortised cost, and we applied the impairment model;

a). **Financial assets at amortized cost (Government securities)**	31 Dec 2025 Birr'000	30 June 2025 Birr'000
Investment on DBE bond	5,773,845	4,066,936
Investment in Treasury Bills	421,000	-
Investment in Treasury bond	11,753,620	11,201,770
	17,948,465	15,268,706
Allowances for impairment losses	(1,600)	(730)
	17,946,865	15,267,976

b). Equity investment	31 Dec 2025 Birr'000	30 June 2025 Birr'000
Financial assets at FVOCI (Equity investments)	1,473,465	1,442,225
	1,473,465	1,442,225

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The fair value of the equity investments was determined as of June 30, 2025, by the internationally known consulting firm PwC in collaboration with other Ethiopian private banks. This semiannual, the bank did not revalue the asset but only disclosed the additions.

c). Movements and details of equity Investment securites as follows;

The Investments comprise of: At 31 Dec, 2025	As at 01 July, 2025 Birr'000	Additions Birr'000	Changes in fair value Birr'000	31 Dec 2025 Birr'000
EthSwitch S.Co	749,418	8,263		757,681
Addis-Africa Int. Convention & Exhibition Centre	74,334			74,334
Hohete Tibeb S.Co	29,064			29,064
Ethiopian Reinsurece S.Co	68,469			68,469
Abay Industry Development S.Co	477,259			477,259
Yetebaberut Beherawi Petrolem S.Co	24,522	3,496		28,018
Nile Insurance S.Co	326			326
Ethiopian Securities Exchange Share Company (ES:	18,832	19,482		38,314
	1,442,224	31,241	-	1,473,465

18 Other assets

	31 Dec 2025 Birr'000	30 June 2025 Birr'000
Acquired collaterals	1,399,463	1,006,053
Sundry receivables	14,061,225	7,569,063
Items in course of collection from other banks	1,033,581	1,976,094
Deposit and Prepayment	1,132,720	450,041
Prepaid staff asset	2,398,651	2,398,651
Gross amount	**20,025,641**	**13,399,902**
Less: other asset -ECL	(578,559)	(504,559)
	19,447,082	**12,895,343**

☐ The nature of the prepaid staff asset is related to the difference between the interest rate applied for the staff loans applied by th bank and the market interest rate. The market interest rate is determined based on consumers loans given by Ethiopian Banks and prepared by the Ethiopian banker assoications, for common use;

☐ The difference between the market interest rate and bank interest rate is calculated on Mortgage loan, Vehicle loan, and Personal loan, then the prepaid amount amortized over the loan period;

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19 Investment property

	Total Birr'000
Cost:	
As at 1 July 2024	12,339
Acquisitions	-
Transfer from property and equipment	(0)
As at 30 June 2025	12,339
As at 1 July 2025	12,339
Acquisitions	
Transfer from property and equipment	175,331
As at 31 Dec 2025	187,670
Accumulated depreciation and impairment losses	
As at 1 July 2024	(1,774)
Transfer from property and equipment	
Amortisation for the year	(234)
Impairment losses	-
As at 30 June 2025	(2,008)
As at 1 July 2025	(2,008)
Transfer from property and equipment	
Amortisation for the year	(2,073)
Impairment losses	-
As at 31 Dec 2025	(4,081)
Net book value	
As at 31 Dec 2025	183,588
As at 30 June 2025	10,330

The investment property comprises of the following properties:

19a Amounts recognised in profit or loss for investment properties

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
Rental income		12,048	7,651
Direct operating expenses from property that generated rental income		-	-
		12,048	7,651

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

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

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

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

The fair value of the Bank's Investment property as at June 30, 2016 and has been arrived at by in-house engineers qualified estate surveyors and reviewed and approved by independent valuers. These valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair value was determined based on the replacement cost concept which approximates the estimated amount for which a property should exchange on the date of valuation between knowledgeable willing parties in an arm's length transaction after proper marketing, prudently and without compulsion.

This implies a market comparable approach that reflects the recent transaction prices for similar properties). In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

19c Fair value hierarchy

Details of the Bank's Investment properties and information about the fair value hierarchy at 31 Dec 2025, and 30 June 2025 respectively are as follows:

30 Dec 2025	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Investment properties	187,670			187,670

30 June 2025	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Investment properties	12,339			12,339

20 Intangible Assets

	Birr'000
Cost:	
As at 1 July 2024	897,880
Acquisitions	243,719
WIP	373,478
As at 30 June 2025	1,515,077
As at 1 July 2025	1,515,077
Acquisitions	67,916
WIP	65,411
As at 31 Dec 2025	1,648,403
Accumulated amortisation and impairment losses	
As at 1 July 2024	306,420
Amortisation for the year	128,834
Impairment losses	-
As at 30 June 2025	435,255
As at 1 July 2025	435,255
Amortisation for the year	75,494
Impairment losses	-
As at 31 Dec 2025	510,749
Net book value	
As at 30 Dec 2025	1,137,654
As at 30 June 2025	1,079,822

21 Leases

21.1 Leases as Lessee

The Bank leases a number of branch and office premises. The leases typically option to renew the lease after that expire date. Information about leases for which the Bank is a leassee is presented below.

21.1.1 Right-of Use Assets and lease obligation

Information about leases for which the Bank is a leassee is presented	Birr'000 Land	Birr'000 Building	Birr'000 Total
Cost:			
Balance at 01 July 2024	241,063	5,483,220	5,724,283
Adjustments	-	5,517	5,517
Additions during the year	-	1,712,835	1,712,835
Balance at 30 June 2025	241,063	7,201,573	7,442,636
Balance at 01 July 2025	241,063	7,201,573	7,442,636
Adjustments		(33,117)	(33,117)
Additions during the year	-	1,181,691	1,181,691
Balance at 31 Dec 2025	241,063	8,350,148	8,591,211
Amortisation			
Balance at 01 July 2024	12,143	2,721,187	2,733,330
Adjustments	-	-	-
Charge for the year	4,017	1,031,090	1,035,106
Balance at 30 June 2025	16,160	3,752,277	3,768,436
Balance at 01 July 2025	16,160	3,752,277	3,768,436
Adjustments		(5,203)	(5,203)
Charge for the year	2,009	600,526	602,535
Balance at 31 Dec 2025	18,169	4,347,600	4,365,769
Net Carrying Value at 31 Dec 2025	222,895	4,002,547	4,225,442
Net Carrying Value at 30 June 2025	224,903	3,449,296	3,674,199

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ii Lease Liabilities

	Land Birr'000	Building Birr'000	Total Birr'000
Balance at 01 July 2024	46,698	220,506	267,204
Adjustments			-
Additions	-	93,696	93,696
Interest expense in P & L		13,453	13,453
Payment of Leases		(43,763)	(43,763)
Balance at 30 June 2025	46,698	283,892	330,590
Balance at 01 July 2025	46,698	283,892	330,590
Adjustments			-
Additions		8,570	8,570
Interest expense in P & L	-	6,809	6,809
Payment of Leases	0	(41,340)	(41,340)
Balance at 31 Dec 2025	46,698	304,628.54	304,629

22 **Property and equipment**

	Buildings Birr'000	Motor vehicles Birr'000	Office and other equipment Birr'000	Furniture & fittings Birr'000	Computer & Related Items Birr'000	Construction in progress Birr'000	Total Birr'000
Cost:							
As at 1 July 2024	2,071,778	1,337,898	1,949,667	1,830,713	1,170,241	461,511	8,821,808
Additions	68,184	787	1,581,520	178,460	301,853	(41,479)	2,089,325
Reclassfication	196,751					(196,751)	-
Disposals			(7,851)	(6,034)	(4,550)		(18,435)
As at 30 June 2025	2,336,713	1,338,685	3,523,336	2,003,139	1,467,544	223,281	10,892,698
As at 1 July 2025	2,336,713	1,338,685	3,523,336	2,003,139	1,467,544	223,281	10,892,698
Additions	1,280		1,823,462	216,028	418,960	7,200	2,466,929
Reclassification	(175,331)						(175,331)
Fixed assset adjustments					-	-	-
Disposals		(3,832)				-	(3,832)
As at 31 Dec 2025	2,162,662	1,334,853	5,346,798	2,219,167	1,886,504	230,481	13,180,465
Accumulated depreciation							-
As at 1 July 2024	108,855	419,858	632,296	339,407	458,766	-	1,959,182
Charge for the year	44,201	116,930	265,704	160,176	168,832	-	755,842
Accumulated depreciation on disposals	-		(4,927)	(2,383)	(3,369)		(10,680)
As at 30 June 2025	153,056	536,788	893,073	497,200	624,229	-	2,704,344
As at 1 July 2025	153,056	536,788	893,073	497,200	624,229	-	2,704,344
Charge for the year	6,707	58,169	227,522	85,056	91,831	-	469,286
Accumulated depreciation on disposals	-	(3,652)					(3,652)
As at 31 Dec 2025	159,763	591,305	1,120,595	582,256	716,060		3,169,979
Net book value							
As at 31 Dec 2025	2,002,899	743,548	4,226,203	1,636,912	1,170,444	230,481	10,010,486
As at 30 June 2025	2,183,657	801,898	2,630,263	1,505,940	843,315	223,281	8,188,353

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		31 Dec 2025 Birr'000	30 June 2025 Birr'000
23	**Deposits from customers**		
	Saving Deposits	187,642,613	158,640,864
	Demand Deposits	44,718,213	34,038,780
	Fixed Time Deposits	22,104,107	18,975,185
		254,464,933	211,654,830

	31 Dec 2025 Birr'000	30 June 2025 Birr'000
The deposits are sourced from the following types of customers		
Private sector & Staffs	223,522,172	185,073,241
Co-operatives & Associations	4,028,907	4,339,212
Domestic banks	3,480,129	2,372,945
NR - Transferable Birr accounts	130	161
Public agencies & enterprises	11,776,332	11,410,935
NR - Non-transferable Birr accounts	250	249
NR - Foreign currency accounts	6,681,349	4,931,841
Residents	4,975,664	3,526,247
	254,464,933	211,654,830

		31 Dec 2025 Birr'000	31 June 2025 Birr'000
24	**Interest free customers deposits**		
	The deposits are presented types of deposits:		
	Saving Deposits;		
	Mudarabaha	2,747,177	2,096,149
	Wadia	30,513,082	24,502,211
		33,260,258	26,598,360
	Demand Deposits;		
	Wadia Current	8,667,607	4,488,181
		8,667,607	4,488,181
	Term Deposits;		
	Mudarabaha	887,984	438,368
		887,984	438,368
	Total IFB Deposit	42,815,849	31,524,908

Please note the term deposits are restircted or unrestricted

	31 Dec 2025 Birr'000	31 June 2025 Birr'000
The IFB deposits are sourced from the following types of customers:		
Private sector & Staffs	41,859,888	31,296,679
Co-operatives & Associations	791,571	182,583
Domestic banks	134,215	32,118
Public agencies & enterprises	30,176	13,528
	42,815,849	31,524,908

		31 Dec 2025 Birr'000	31 June 2025 Birr'000
25	**Other liabilities**		
	Cashiers' payment orders	403,721	959,689
	MTs and TTs payable - local and foreign	262	300
	Dividend payable	22,567	499,508
	Exchange and auction payable to NBE	354,043	282,023
	Accrued leave payable	476,106	422,949
	Margins held on letters of credit	8,135,550	4,079,714
	Other payables	4,752,005	2,966,159
	Bonus accrual	336,918	718,613
	Unearned income	343,145	338,918
	Provition on salary, other expense and asset damage for North Ethiopia co	228,626	221,320
	Gross amount	15,052,943	10,489,194

		31 Dec 2025 Birr'000	30 June 2025 Birr'000
26	**Retirement benefit obligations**		

26a Severance pay

	31 Dec 2025 Birr'000	30 June 2025 Birr'000
Defined Benefit Obligation at the beginning of the period	438,526	311,174
Current Service Cost (excluding interest)		33,178
Benefits Paid	(12,119)	(27,971)
Interest Cost		61,779
Actuarial (Gains)/Losses on economic assumptions		49,625
Actuarial (Gains)/Losses on experience		10,741
At the end of the year	**426,407**	**438,526**

		31 Dec 2025 Birr'000	31 June 2025 Birr'000
27	**Borrowing**		
	Inter-Bank loans	9,200,000	-
		9,200,000	**-**

The bank has borrowed Birr 9.2 billion in interbank loans from eight different banks at an average interest rate of 15.73%. The loans have varying maturities: Birr 7.2 billion for seven days, Birr 1 billion overnight , and Birr 1 billion for eight days

		31 Dec 2025 Birr'000	30 June 2025 Birr'000
28	**Ordinary share capital**		
	Authorised:		
	9,375,000 ordinary shares of Birr 1600 each	15,000,000	15,000,000
	Issued and fully paid:		
	9,375,000 ordinary shares of Birr 1000 each	15,000,000	15,000,000

29 Earnings per share

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

BoA presents basic earnings per share ("EPS") for profit or loss from continuing operations attributable to the ordinary equity holders of the Bank on the face of the income statements.

Distribution of dividend to shareholders shall be from the net profit which shall be proposed by the Board of directors and subsequently approved by the general assembly.

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	31 Dec 2025	31 December 2024
	Birr'000	Birr'000
Profit after tax	4,162,438	2,953,361
Weighted average number of ordinary shares in issue	14,837,915	14,176,388
Basic & diluted earnings per share (%age)	28%	21%

30	Retained Eranings	31 Dec 2025 Birr'000	30 June 2025 Birr'000
	At the beginning of the year	4,973,379	2,576,914
	Profit/ (Loss) for the year	4,162,438	7,298,505
	Dividends paid	(1,016,634)	(2,576,914)
	Director's Share of profit		(1,350)
	Transfer to legal reserve	(1,040,610)	(1,824,626)
	Transfer to regulatory risk reserve		(503,038)
	Transfer from Revalution surpuls	1,944	3,888
	At the end of the year	**7,080,518**	**4,973,379**

31	Legal reserve	31 Dec 2025 Birr'000	30 June 2025 Birr'000
	At the beginning of the year	6,225,669	4,401,042
	Transfer from profit or loss	1,040,610	1,824,626
	Recognition of deffred tax effect for previous years		
	At the end of the year	**7,266,279**	**6,225,669**

The NBE Directive No. SBB/4/95 states 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.

This account contains amount apportioned and credited from the yearly profit of the BoA in accordance with the prevailing rate; as per relevant NBE directive, the account is debited only when the Bank ceases its operations.

32	Cash generated from operating activities	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
	Profit before tax	5,996,035	3,973,494
	Adjustments for non-cash items:		
	Depreciation of property, plant and equipment	469,286	344,762
	Depreciation of investment property	2,073	235
	Depreciation of right use of asset	602,535	472,399
	Amortisation of intangible assets	75,494	62,811
	Impairment on loans and receivables	1,399,558	845,127
	Impairment on other asset	74,000	260,231
	Interest on lease liability	6,809	6,606
	Gain on disposal of property, plant and Equipment	(10,662)	-
	Severance Payment	(12,119)	-
	Net Gain Foreign currency transactions and translations	(1,203,090)	-
	Changes in working capital:		
	-Decrease/ (Increase) in loans and advances	(47,053,963)	(18,386,767)
	-Decrease/ (Increase) in other assets	(6,625,739)	(3,252,588)
	-Increase/ (Decrease) in other liabilities	4,563,749	2,263,662
	-Increase/ (Decrease) in deposits by customers	54,101,044	28,755,996
		12,385,011	**15,345,969**

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33 Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel includes all the directors and chief executive officers of the Bank.

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

There are other companies which are related to Bank of Abyssinia through common shareholdings or common directorships.

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

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

32a. *Significant related party balances*

i). *Key management personnel*

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

The amounts are as follows.

	31 December 2025 Birr'000	31 December 2024 Birr'000
Loans to directors and executive Mangement	982,303	1,082,880
Deposits from customers	47,822	22,690
Paid-up capital	93,285	105,049

ii). *Other than Board of Directors and Executive Mangement*

Per the NBE related party directive number SBB 88/2024, any influential shareholders holding 10% or more interest as shareholders is classfied as a related party

	31 December 2025 Birr'000	31 December 2024 Birr'000
Loans, Advances and Financing	10,882,940	8,683,218
Deposits from customers	206,856	236,713
Paid-up capital	5,062,566	5,319,634

iii) *Key management compensation*

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management for is shown.

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

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
Board of directors		
Directors Allowance	1,621	904
Executive Management		
Salaries and other short term employee benefits	34,753	18,023
Sitting/ representation allowance	1,715	1,505

34 Contingent liabilities

33a *Claims and litigation*

The Bank is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The maximum exposure of the Bank to these legal cases as at 31 Dec 2025 is Birr 2.2 million (30 June 2025: Birr 2.2 million). No provision has been made in the financial statements as the Directors believe that it is not probable that the economic benefits would flow out of the Bank in respect of these legal actions.

33b *Off-balance sheet items*

The Bank conducts business involving performance bonds and guarantees. These instruments are given as a security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.
The table below summarises the fair value amount of contingent liabilities for the account of customers:

	31 Dec 2025 Birr'000	31 June 2025 Birr'000
Financial guarantees	7,481,895	9,641,522
Loans and advances approved but not disbursed	3,343,708	3,833,342
Unutilised overdraft and other revolving facilities	4,395,153	7,423,208
Letters of credit	32,130,034	9,742,887
	47,350,790	**30,640,959**

34 Comparative Figures

Some of the previous year figures have been reclassified to make them comparable with current year presenation

35 In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Bank as at 31 Dec 2025 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

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