BANK OF ABYSSINIA S.C

AUDITORS REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2026

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Mobile +251-96-621 59 21

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TEWODROS AND FIKRE AUDIT SERVICES PARTNERSHIP CHARTERED CERTIFIED ACCOUNTANTS

P.O.Box 8118

E-mail: chalatewodros@gmail.com

Mobile+ 251-96-621 59 21

09-21-53-99-99

Addis Ababa Ethiopia

BANK OF ABYSSINIA
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

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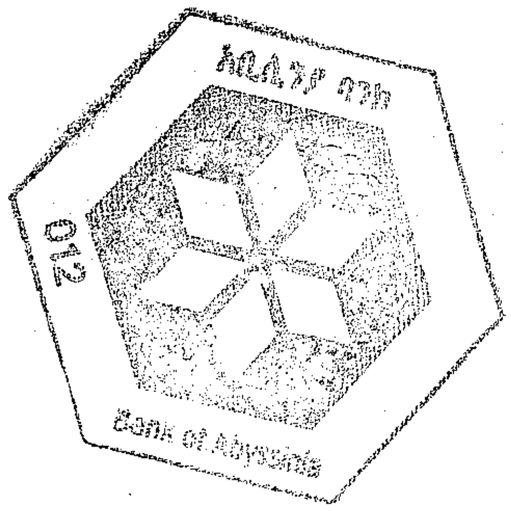

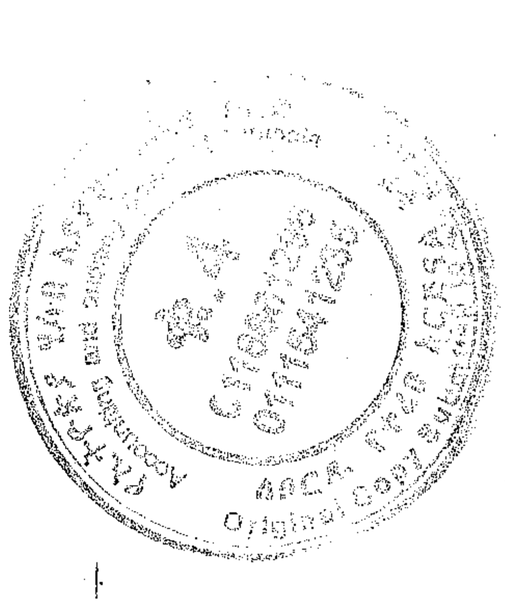

BANK OF ABYSSINIA
DIRECTORS,PROFESSIONAL ADVISORS AND REGISTERED OFFICE

Board Directors *(As of 30 June 2026)*

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 June 30, 2026)*

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 12 August 2019
Ato Daniel Hailu Teshome	Chief Information Systems Officer	Appointed 10 December 2018
Ato Desalegn Yizengaw Baye	Chief Customer Management Officer	Appointed 6 January 2025
Ato Elias Kassa Badebo	Acting Chief Internal Audit Officer	Appointed 16 June 2026
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 Wosenyeleh Aberra Kumbi	Customer R/P and Acq. Deputy Chief Officer	Appointed 21 November 2024
Ato Yetenayet Awgechew Workeaferhu	Chief Risk Management and Compliance	Appointed 6 January 2025
Ato Yoseph Alemayehu Mesfin	Customer support Deputy Chief Officer	Appointed 16 June 2026

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

BANK OF ABYSSINIA
REPORT OF DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2026

The directors submit the report together with the audited financial statements for the period ended 30 June 2026, 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") was established in 1996 and registered as a public owned share holding company in accordance with the provision of the Licensing and Supervision of Banking Business Proclamation No.84/94 (as replaced by 1360/2025) and the 1960 Commercial code of Ethiopia(as amended by 1243/2021). 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 30 June 2026 are set out on page 7. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2026 Birr'000	30 June 2025 Birr'000
Total operating income	40,291,549	28,748,312
Profit / (loss) before tax	15,849,406	10,101,095
Tax (charge) / credit	(4,313,629)	(2,802,590)
Profit / (loss) for the year	**11,535,777**	**7,298,505**
Other comprehensive income / (loss) net of taxes	139,409	149,026
Total comprehensive income / (loss) for the year	**11,675,186**	**7,447,531**
Earning Per Share	77%	50%

Directors

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

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

BANK OF ABYSSINIA
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2026

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, Board of Directors
September 9,2026

Bekalu Zeleke
Chief Executive Officer
September 9,2026

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☎ + 921-539999 ✆ 251-96-621 59 21
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TEWODROS AND FIKRE AUDIT SERVICES PARTNERSHIP
CHARTERED CERTIFIED ACCOUNTANTS

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

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

INDEPENDENT AUDITORS' REPORT

TO THE SHAEHOLDERS OF BANK OF ABYSSINIA S.C

OPINION

We have audited the accompanying financial statements of BANK OF ABYSSINIA SHARE COMPANY which comprise the statement of profit and loss and other comprehensive income for the year ended 30 June 2026, statement of financial position as at 30 June 2026, statement of changing equity and statement of cash flows for the year then ended and summary of material accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of BANK OF ABYSSINIA SHARE COMPANY as at 30 June 2026 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by IASB.

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

i) Pursuant to Article 349 (1) of the Commercial Code of Ethiopia, 2013 E.C and based on our reviews of the board of directors' report, we have not noted any matter that we may wish to bring to your attention.

ii) Pursuant to article 349 (2) of the commercial code of Ethiopia, 2013 E.C, we recommend the financial statements be approved.

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

Key Audit Matter

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

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

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

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

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

Auditors Responsibility for the Audit of the financial Statements

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

Tewodros and Fikre Audit Services

Partnership

Chartered Certified Accountants

Addis Ababa

September 10,2026

BANK OF ABYSSINIA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2026

	Notes	30 June 2026 Birr'000	30 June 2025 Birr'000
Interest income	5	43,689,742	32,718,727
Interest expense	6	(14,946,640)	(10,323,158)
Net interest income		**28,743,103**	**22,395,569**
Net Foreign exchange income/loss	7	1,676,950	(149,569)
Service charges		4,928,014	3,152,812
Commission earned	8	2,911,139	1,814,302
Net fees and commission income		**9,516,102**	**4,817,545**
Dividend income	9	76,345	79,873
Other operating income	10	1,955,999	1,455,326
Total Other Income		**2,032,344**	**1,535,199**
Total operating income		**40,291,549**	**28,748,312**
Loan impairment charge	11	(1,622,715)	(2,122,910)
Impairment losses on financial assets	12	(118,320)	(507,599)
Net operating income		**38,550,513**	**26,117,803**
Personnel expenses	13	(12,630,161)	(9,776,245)
Amortisation of intangible assets	21	(195,808)	(128,834)
Depreciation and impairment of property, plant and equipment	23	(1,110,995)	(755,903)
Depreciation on investment property	20	(1,549)	(234)
Amortization of Right of use assests	22	(1,210,105)	(1,046,361)
Interest expense on lease liability	22	(12,467)	(13,453)
Other operating expenses	14	(7,540,022)	(4,295,678)
Profit before tax		**15,849,406**	**10,101,095**
Income tax expense	15	(4,313,629)	(2,802,590)
Profit after tax		**11,535,777**	**7,298,505**
Other comprehensive income (OCI):			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	27	(68,928)	(60,366)
Income tax effect		20,678	18,110
		(48,250)	**(42,256)**
Net change in equity investment at FVOCI		268,084	273,260
Income tax effect		(80,425)	(81,978)
		187,659	**191,282**
Total other comprehensive income for the period		**139,409**	**149,026**
Total comprehensive income for the period		**11,675,186**	**7,447,531**
Earnings per share			50%

The notes on pages 11 to 83 are an integral part of these financial statements.

BANK OF ABYSSINIA
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2026

	Notes	30 June 2026 Birr'000	30 June 2025 Birr'000
ASSETS			
Cash and cash equivalents	16	76,416,523	50,289,576
Loans , advances and financing to customers(Net)	17	248,997,369	193,379,151
Investement securities;	18		
-Debt securites at amortized cost		16,670,960	15,267,976
-Financial assets at fair value through OCI		1,760,581	1,442,225
Other assets	19	18,514,945	12,895,343
Investment property	20	184,112	10,330
Intangible assets	21	1,257,743	1,079,822
Right of use Leased assets	22	4,546,251	3,674,199
Property, plant and equipment	23	13,148,728	8,188,353
Total assets		**381,497,212**	**286,226,976**
LIABILITIES			
Deposits from customers	24	277,982,151	211,654,830
Interest free customers deposits	25	40,803,442	31,524,908
Other liabilities	26	18,722,906	10,489,194
Current tax liabilities	15	2,971,605	2,576,017
Lease Laibilities	22	276,381	330,589
Retirement benefits obligations	27	795,145	438,526
Deferred tax liabilities	15d	433,401	370,981
Total liabilities		**341,985,031**	**257,385,045**
EQUITY			
Share capital	28	17,481,120	15,000,000
Share premium	29	1,494,670	5,998
Retained earnings	31	6,033,306	4,973,378
Revalution Surplus Account	35	416,935	420,823
Legal reserve	32	9,109,615	6,225,670
Regulatory risk reserve	33	4,416,833	1,795,767
Special reserve		25,919	25,919
Other Reserve	34	533,784	394,375
Total equity		**39,512,182**	**28,841,931**
Total equity and liabilities		**381,497,212**	**286,226,976**

The notes on pages 11 to 83 are an integral part of these financial statements.

The financial statements on pages 7 to 10 were approved and authorised for issue by the board of directors on September 9, 2026 and were signed on its behalf by:

Ato Mekonene Manyazewal
Chairperson, Board of Directors

Bekalu Zeleke
Chief Executive Officer

Certified Auditors in Ethiopia

BANK OF ABYSSINIA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2026

	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**	**5,998**	**2,576,913**	**424,711**	**1,308,585**	**4,401,042**	**25,919**	**245,349**	**23,194,100**
Profit for the period	31	-		7,298,505	-	-	-	-	-	-
Capitalisation of shares		402,365		(402,365)						7,298,505
Caitalized from Cash		392,052								-
Other comprehensive income:		-		-	-	-	-	-	149,026	392,052
										149,026
Periodic depreciation for building revalution				3,888	(3,888)					-
Transfer to legal reserve	32	-		(1,824,627)			1,824,627			-
Transfer from regulatory risk reserve	33	-		(521,024)		521,024	-	-	-	-
Director's Share of profit		-		(1,350)	-	-	-	-	-	(1,350)
Reversale of regulatory risk resereve				17,987		(33,842)				(15,855)
Dividends paid		-		(2,174,548)	-	-	-	-	-	(2,174,548)
										-
As at 30 June 2025		**15,000,000**	**5,998**	**4,973,378**	**420,823**	**1,795,767**	**6,225,670**	**25,919**	**394,375**	**28,841,931**
As at 1 July 2025		**15,000,000**	**5,998**	**4,973,378**	**420,823**	**1,795,767**	**6,225,670**	**25,919**	**394,375**	**28,841,931**
Profit for the period	31	-		11,535,777	-	-	-	-	-	-
Capitalisation of shares		1,660,736	996,442	(2,657,178)						11,535,777
Capitalized from cash or account		820,384	492,230							-
Other comprehensive income:		-		-	-	-	-	-	139,409	1,312,614
Periodic depreciation for building revalution				3,888	(3,888)					139,409
Transfer to legal reserve	32	-		(2,883,944)			2,883,944			-
Transfer to regulatory risk reserve	33	-		(2,621,067)		2,621,067	-	-	-	-
Director's Share of profit		-		(1,350)	-	-	-	-	-	(1,350)
Reversale of regulatory risk resereve						-				-
Dividends Paid		-		(2,316,200)	-	-	-	-	-	(2,316,200)
As at 30 June 2026		**17,481,120**	**1,494,670**	**6,033,304**	**416,935**	**4,416,835**	**9,109,615**	**25,919**	**533,784**	**39,512,181**

The notes on pages 11 to 83 are an integral part of these financial statements.

BANK OF ABYSSINIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2026

	Notes	30 June 2026 Birr'000	30 June 2025 Birr'000
Cash flows from operating activities			
Cash generated from operations	36	39,719,936	32,512,647
Capital gain Tax paid		-	(21,739)
Withholding tax		(94,317)	(31,571)
Income tax paid		(3,821,051)	(1,094,277)
Net cash (outflow)/inflow from operating activities		**35,804,568**	**31,365,060**
Cash flows from investing activities			
Purchase of equity investments		(50,272)	(150,031)
Purchase of Treasury bills		(200,000)	512,710
Purchase of Treasury Bonds		(362,972)	(4,190,856)
Purchase of DBE bonds		(840,077)	(768,763)
Purchase of intangible assets	21	(373,729)	(617,197)
Purchase of property, plant and equipment	23	(6,248,068)	(1,325,727)
Cash paid for lease payament	22	(2,148,832)	(915,399)
Proceeds from sale of property, plant and equipment	36	20,488	-
Net cash (outflow)/inflow from investing activities		(10,203,462)	(7,455,263)
Cash flows from financing activities			
Proceeds from issues of shares	28	820,384	392,052
Proceeds from issues of shares premium		492,230	-
Dividends paid	26	(2,463,722)	(1,806,612)
Net cash (outflow)/inflow from financing activities		(1,151,108)	**(1,414,561)**
Net increase/(decrease) in cash and cash equivalents		**24,449,997**	**22,495,236**
Cash and cash equivalents at the beginning of the year	16	50,289,576	27,943,909
Foreign exchange (losses)/ gains on cash and cash equivalents		1,676,950	(149,569)
Cash and cash equivalents at the end of the year	16	**76,416,523**	**50,289,576**

The notes on pages 11 to 83 are an integral part of these financial statements.

BANK OF ABYSSINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026

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. 84/1994 (as replaced by 1360/2025) and the Commercial Code of Ethiopia of 1960(as replaced amended by 1243/2021). The Bank opened branches throughout the Country.
Bank of Abyssinia S.C. is listed on the Ethiopian Securities Exchange (ESX) under Capital Market Proclamation No. 1248/2021 and Public Offer and Trading of Securities Directive No. 1030/2024 listed on Ethiopian security exhange ESX on July 28,2026

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

The financial statements were authorised by the Board of Directors for issue on September 9, 2026

The principal activities of the Bank are banking and related activities including accepting customer deposits, lending to customers,financing the interest-free banking customers in accordance with the islamic principle, trade financing, , project financing, inter-bank borrowing and lending.

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;
- Equity Investment at fair value through profit or loss and other comprehensive income are 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 material 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 presentation 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 would 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 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 assets held 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 should 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 judgment 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.

(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 otherwise arise from measuring 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.
2.4.1.5 DE recognition
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 DE recognition.

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 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 do 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 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-off. 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.

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.

This is the category most relevant to the Bank. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised 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.

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 Designation

The Bank designate certain financial liabilities as at FVTPL in either of the following circumstances:

- The liabilities are managed, evaluated and reported internally on a fair value basis; or
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2.4.2.5 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

The amount capitalized at initial recognition is the purchase price of the asset along with any further costs incurred in bringing the asset to its present condition and location.

(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 that 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

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

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in income statement in the period in which the expenditure is incurred.

(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 use as per contract, the residual rate should 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 that 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 can 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 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.

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 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 should 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 should 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.
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 plant 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 that would 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 should 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

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 should 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 should 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 should reverse in the foreseeable future and taxable profit would 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 should 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 should 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 would be 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.

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.

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, un cleared 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 bank assurance.

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 account.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2026 and earlier applications are permitted which have not been applied in preparing the financial statements.

(i) IFRS 18 – Presentation and Disclosure in Financial Statements

Effective Date -Jan-27

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 includes new requirements for the location, aggregation and disaggregation of financial information.

Statement of profit or loss

An entity should 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'.

Main business activities

For the purposes of classifying its income and expenses into the categories required by IFRS 18, an entity should need to assess whether it has a 'main business activity' of investing in assets or providing financing to customers, as specific classification requirements should 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.

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.
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.

New requirements have been 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.

Some requirements previously included within IAS 1 have been moved to IAS 8 Accounting Policies, Changes in Accounting Estimates 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.
The standard has a material impact on our financial statements; however, the bank has not yet early adopted it, it is not included in this financial report

(ii) IFRS 19 - Subsidiaries without Public Accountability: Disclosures
Effective Date -Jan-27
Key requirements
In May 2024, the Board issued IFRS 19 Subsidiaries without Public Accountability: Disclosures, which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 should not need to apply the disclosure requirements in other IFRS accounting standards.
The standard has not a material impact on our financial statement.

(iii) Translation to a Hyperinflationary Presentation Currency – Amendments to IAS 21
Effective Date -Jan-27
Key requirements
In November 2025, the Board issued Translation to a Hyperinflationary Presentation Currency – Amendments to IAS 21. The amendments require translation from a non hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate.
If an entity's functional currency is the currency of a non hyperinflationary economy, but its presentation currency is the currency of a hyperinflationary economy, its results and financial position are translated into the presentation currency by translating all amounts (i.e., assets, liabilities, equity items, income and expenses) and all comparatives at the closing rate at the date of the most recent statement of financial position.
An entity whose functional currency and presentation currency are the currency of a hyperinflationary economy, restates the comparative amounts of a foreign operation, whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of IAS 29, to the foreign operation's comparative figures.
The standard has no material impact on our financial statement.

(IV) IFRS Sustainability Disclosure

Overview

In June 2023, the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.

The objective of IFRS S1 is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity. Similarly, the objective of IFRS S2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity.

The Accounting and Auditing Board of Ethiopia (AABE) has determined to adopt the IFRS Sustainability Disclosure Standards in Ethiopia. The adoption of these standards represents a significant milestone in strengthening the quality, consistency and comparability of sustainability-related financial disclosures within the Ethiopian market and aligning Ethiopia with emerging international best practice.

In order to implement sustainability and climate-related disclosures, AABE has issued a phased roadmap under which twelve organisations meeting the prescribed criteria have been designated for inclusion in Group 1 of the Ethiopian IFRS Sustainability Disclosure Standards Roadmap. As a financial institution falling within this initial group, the Bank is required to adopt IFRS S1 and IFRS S2 effective for the financial year beginning July 2026, with the first sustainability report due by December 31, 2027.

Accordingly, the Bank has commenced preparatory work towards full compliance with the standards and will present its initial sustainability-related disclosures in line with the AABE roadmap requirements. These disclosures will be developed progressively as the regulatory framework and reporting infrastructure mature.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the 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 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.

During the year there have been changes in ECL computation on other assets regarding PD and LGD computation on cash and cash equivalent, Guarantee and LC.

3.3 Fair value estimation of financial assets/investments at FVOCI

3.3.1 Basis of valuation

The equity investment fair valuation has been prepared by KPMG the basis of the valuation that adopted in arriving the valuation is fair value. International Financial Reporting Standards 13 (IFRS 13) defines fair value as 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.

3.3.1.2 Valuation approaches adopted

3.3.1.2.1 Scope of work

The primary valuation techniques adopted in the valuation are the market approach and the cost approach. Under the market approach, a relative valuation technique is applied using valuation multiples of comparable listed institutions, such as the enterprise value-to-EBITDA (EV/EBITDA) multiple and price-to-book (P/BV) multiple, to estimate fair value. Under the cost approach, the Net Asset Value (NAV) method is used, which determines value based on the fair value of the company's assets less its liabilities.

3.3.2 Ethswitch S.C

ETHSWITCH S.C main activity is provision of national payment switching, clearing and settlement, and interoperable digital payment infrastructure services in Ethiopia.

3.3.2.1 EV/EBITDA Value multiples

For the purpose of a valuation, an EV/EBITDA multiple is normally selected based on observed multiples for peer companies.

3.3.2.3 Comparable companies analysis conclusion

Using an adjusted Co EV/EBITDA multiple of 10.29x that derived an enterprise value of ETB 20.5 billion, to which we adjusted for net cash and arrived at a minority, marketable equity value of ETB 22.7 billion. Further adjusted for a liquidity discount of 16.8% and arrived at a minority, non-marketable basis equity value of ETB 18.8 billion. This resulted in an implied equity value of Bank of Abyssinia's shareholding in Ethswitch, on a minority, non-marketable basis, of approximately ETB 958.9 million.

3.3.3 Ethiopian Reinsurance S.C

Ethiopian Reinsurance S.C. (Ethio-Re) provides reinsurance services to insurance companies, enabling local risk retention, supporting insurers with technical expertise, and contributing to the growth and stability of Ethiopia's insurance sector.

3.3.3.1 Price/Book Value multiples

For the purpose of a valuation, a price to book multiple is normally selected based on observed multiples for peer companies.

3.3.3.2 Comparable companies analysis conclusion

Using an adjusted CoCo price-to-book multiple of 0.80x, and applying a liquidity discount of 16.8%, the derived a minority, non-marketable basis equity value of ETB 2.4 billion. This resulted in an implied equity value of Bank of Abyssinia's shareholding in Ethio Reinsurance S.C, on a minority, non-marketable basis, of approximately ETB 65.8 million.

3.3.4 Nile Insurance S.C

Nile Insurance Company S.C.provides general insurance, life insurance, and Takaful products to individual and corporate customers in Ethiopia. Its main activities include underwriting insurance policies,managing claims, and generating investment income, supported by a nationwide distribution network of branches, agents, and intermediaries

3.3.4.1 Price/Book Value multiples

For the purpose of a valuation, a price to book multiple is normally selected based on observed multiples for peer companies.

3.3.4.2 Comparable companies analysis conclusion

Using an adjusted CoCo price-to-book multiple of 0.91x, and applying a liquidity discount of 16.8%, the derived a minority, non-marketable basis
equity value of ETB 1.6 billion. This resulted in an implied equity value of Bank of Abyssinia's shareholding in Nile Insurance S.C, on a minority,

3.3.5 Yetebaberut Beherawi Petroleum S.C

Yetebaberut Beherawi Petroleum S.C (YBP) is an Ethiopian petroleum marketing and distribution company engaged in the importation, storage, transportation, and sale of petroleum products, including gasoline, diesel, and lubricants.
The company serves both retail and commercial customers through its network of fuel stations and distribution channels, providing energy products to the transportation, industrial, agricultural, and commercial sectors across Ethiopia.

3.3.5.1 EV/EBITDA Value multiples

For the purpose of a valuation, an EV/EBITDA multiple is normally selected based on observed multiples for peer companies.

3.3.5.2 Comparable companies analysis conclusion

Using an adjusted CoCo EV/EBITDA multiple of 7.22x the derived an enterprise value of ETB 2.9 billion adjusted for net cash and arrived at a minority, marketable equity value of ETB 3.1 billion. Further adjusted for a liquidity discount of 16.8% and arrived at a minority, non-marketable basis equity value of ETB 2.5 billion. This resulted in an implied equity value of Bank of Abyssinia's shareholding in YBP on a minority, non-marketable basis, of approximately ETB 40.3 million.

3.3.6 Hohete Tibeb S.C

Hohete Tibeb S.C main activity is the provision of private educational services in Ethiopia, offering preschool, primary, secondary, and preparatory education. The company also provides related student development programs and educational support services aimed at delivering high-quality learning outcomes and human capital development.

3.3.6.1 EV/EBITDA Value multiples

For the purpose of a valuation, an EV/EBITDA multiple is normally selected based on observed multiples for peer companies.

3.3.6.2 Comparable companies analysis conclusion

Using an adjusted CoCo EV/EBITDA multiple of 8.41x the derived an enterprise value of ETB 399.5 million to which we adjusted for net debt and arrived at a minority, marketable equity value of ETB 300.9 million. Further adjusted for a liquidity discount of 16.8% and arrived at a minority, non-marketable basis equity value of ETB 250.3 million. This resulted in an implied equity value of Bank of Abyssinia's shareholding in Hohete on a minority, non-marketable basis, of approximately ETB 17.1 million

3.3.7 Abay Industries S.C

Abay Industrial Development Share Company (AID) is an Ethiopian industrial development and investment company headquartered in Bahir Dar, Ethiopia.

3.3.7.1 The Net assets approach

Investment in Abay Industrial Development S.C using the NAV method, as its the most appropriate approach.

3.3.7.2 Comparable companies analysis conclusion

Using NAV approach, the derived equity value of AID of ETB 8.0 billion. This resulted in an implied equity value of Bank of Abyssinia's shareholding in AID of ETB 563.4 million.

3.3.8 Addis International Convention Center S C (AICC)

The Addis Africa International Convention and Exhibition Center (AAICEC), also known as the Addis International Convention Center (AICC), is Ethiopia's flagship convention and exhibition venue based in Addis Ababa.

3.3.8.1 The Net assets approach

Its valued the investment in Addis Africa International Convention and Exhibition Center using the NAV method, as its the most appropriate approach.

3.3.8.2 Comparable companies analysis conclusion

Using NAV approach, the derived an equity value of AAICEC of ETB 13.1 billion. This resulted in an implied equity value of Bank of Abyssinia's shareholding in AICC of ETB 78.3 million.

3.3.9 Ethiopian Securities Exchange (ESX) S.C

ESX currently facilitates trading in five listed companies and government securities, playing a growing role in Ethiopia's capital market development by expanding investment opportunities and supporting long-term capital formation. The Exchange also supports the Ministry of Finance's plan to issue up to ETB 300 billion in Treasury bills and bonds to deepen the domestic debt market and enhance market liquidity.

3.3.9.1 The Net assets approach

The investment in Ethiopian Securities Exchange S.C using the NAV method, as its the most appropriate approach.

3.3.9.2 Comparable companies analysis conclusion

Using NAV approach the equity value of ESX of ETB 1.1 billion. This resulted in an implied equity value of Bank of Abyssinia's shareholding in ESX of ETB 36.5 million.

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 is 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 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.

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

It's 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.

3.4.2 Financial assets which are subject to impairment testing

3.4.2.1 In scope

Financial assets that are debt instruments measured at amortised cost or FVOCI – including loans and advances to customers, bank balances, trade receivables and debt securities.

- Lease receivables;
- Loan commitments issued that are not measured at FVTPL;
- Financial guarantee contracts that are in scope of IFRS 9 and not measured at FVTPL.

3.4.2.2 Out of scope

- Investments in equity instruments;
- Loan commitments or other financial instruments measured at FVTPL.

3.4.2.3 Segmentation

In estimating ECL, the Bank categorise the loan book into different segments namely;

i) Agriculture

ii) Industry

iii) Domestic Trade and Services

iv) Export

v) Import

vi) Transport and Communication

vii) Housing and Construction

viii) Other (consumer loans)

The PDs are determined at segment level and individual basis for large borrowers, LGD at customer or segment level (based on collateral and collections respectively) and EAD at account or facility level:

. Where a borrower has been in several segments historically, the Bank uses the borrower's current or latest segmentation; which is the segment of highest exposure;

. In addition to the on balance sheet facilities, the Bank consider the off balance sheet facilities offered by the Bank such as guarantees, letters of credit, overdrafts and credit cards where an exposure is present;

.The EAD for these facilities is based on whether there is a commitment by the Bank to fund a customer and the rate of conversion of such facilities (credit conversion factor – CCF).

3.4.2.4 Risk parameters in measurement of ECLs

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

– Probability of default (PD);

– Loss given default (LGD); and

– Exposure at default (EAD).

These parameters derived from internally developed statistical models and other historical data that leverage regulatory models. The Bank should adjust these to reflect forward looking information as described below

3.4.2.5 Probability of default (PD)

The probability of default (PD) estimates the possibility of a loan facility moving from the performing status (stage 1) or underperforming status (stage 2) to the non-performing status (stage 3).

- PD estimates for loans and advances estimated at a certain date, which would be calculated based on statistical migration matrices that depict transitioning to default over time and should be assessed at portfolio level for portfolios of assets that have similar characteristics;

For impairment purposes, the PD parameter estimated using a transition matrix multiplication approach that estimates the movement of loan amounts from one bucket to the next between two subsequent time periods (Markov chain process).

3.4.2.6 The PDs then be adjusted with forward looking information

. The method requires information regarding transitions among credit states. Credit states are defined by rating classes. Through the yearly review of the different segments, the Bank estimate a yearly transition matrix of ratings to compute a value or transaction based PD over the one year horizon for the past 3-5 years (The Bank collect data up to 5 years and update every year thereafter for new data);

. Transition probabilities are determined from the actual observed number of transitions over the observed period of time. These PDs estimated for stage 1 and 2 facilities based on the definition of default, which is driven by the National Bank of Ethiopia (NBE) risk classifications, management view and days past due (DPD);

. This rating migration capture the movement of obligors into default at yearly intervals an average default rate of 3 years used. Based on the transitions of counterparties within the stages in value terms, the default estimation is done by the transition matrix;

. The transition matrix record all data about transitioning from one state to the other that is from Pass to Special mention all through to Non-performing.

The initial step in this approach to be split up the total value of loans outstanding in a given month into four loan classification buckets as follows:

— Pass

— Special mention

— Non-performing (Sub-standard, doubtful and loss)

— Paid/ settled

Using loan values the bank estimate the movement of loan amounts from one band to the next between two subsequent time periods. This result in a matrix that indicates the proportionate movement of loans across the buckets. This is done considering the loan values. An average of all transitions obtained over the 60 month period is then obtained to form the general transition matrix applied.

3.4.2.7 The general form of the transition matrix used in determining PDs

The matrix is multiplied by itself n-1 times, where n is the remaining lifetime in years, to derive the lifetime probability of default.

. The transition rates between buckets are assumed to be independent and no transitions are allowed out of the default state during multiplication of the matrix;

. The Bank assign a PD of 100% to Stage 3 facilities, as the loan facilities are already in default;

. PD estimates for other exposures are estimates at a certain date, which is calculated based on statistical rating tools and assessed using rating tools tailored to the various categories of counterparties and exposures, These statistical models based on internally compiled data comprising both quantitative and qualitative factors;

.Where it is available, the Bank used market data to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD;

. Lifetime PDs estimated considering the contractual maturities of exposures and estimated prepayment rates. Lifetime PDs are calculated using the Matrix multiplication method utilising the Markov Chain method.

3.4.2.8 Probability of Default Model for large Exposures

3.4.2.8.1 Scope and applicability

Individual borrowers or connected and related parties whose credit exposure equals or exceeds 5% as per NBE directives/87/2024.

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

Uses a modified PD derived from a comprehensive credit risk grading score. This score is based on the bank's internal guidelines, incorporating both financial and non-financial parameters.

3.4.2.9 LGD by collateral

The Bank compute LGD at a customer level:

- The Bank aggregate collateral values and all outstanding exposure at customer level using a unique identifier such as the customer number. After aggregation of the collateral, net off the expected average costs incurred in the disposal of the collateral to obtain the net realizable value of that collateral.
- The Bank then net off the expected average costs incurred in the disposal of the collateral to obtain the net realizable value of that collateral;

Using the effective interest rate of the customer as at the reporting date, the Bank discount the net realizable value of the collaterals over the expected time to realization.

3.4.2.10 LGD by collections

The Bank extract all defaulted loans within the period under consideration and assess the cash collections made per loan facility after the loan defaults.

. The Bank use the contractual interest rate as at the date of default to discount the collections back to the date of default;

. The recovery rate analysed using the aggregated discounted collections per time period.

3.4.2.11 Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Bank derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments.

3.4.2.12 Forward-looking information

Under IFRS 9, the Bank incorporate forward-looking information in its measurement of ECLs. In doing this, the Bank formulate a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Board's Credit Review committee and economic experts and consideration of a variety of external actual and forecast information.

This process involve developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information may include economic data and forecasts published by governmental bodies and monetary authorities in Ethiopia, supranational organisations such as the World Bank and the International Monetary Fund, and selected private sector and academic forecasters.

3.4.2.13 Calculation of Expected credit losses

Expected credit losses are computed as a product of the probability of default, loss given default and the exposure at default.

ECL = PD x LGD x EAD

In applying the IFRS 9 impairment requirements, the Bank followed one of the approaches below:

— The general approach
— The simplified approach

3.5 Bank balances

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

☐PD -Based on grade credit rating given to a bank or financial institution by major agencies like Fitch Ratings, S&P Global Ratings, and Moody's.

☐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 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 should be considered:
–Sundry receivables

The simplified impairment method should 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 should reach the 90 DPD.

3.8.Provision on guarantee and letter of credit

Guarantees to 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 should 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 are 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 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 should 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 should be 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 should have an impact on the carrying value of these items.

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

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 straight-line 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 would be 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

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 should 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.

3.16. Books of accounts with regard to interbank

Books of accounts with regard to interbank (in Local and outside Banks) are reconciled on a monthly basis, and there are no material differences which may affect the financial statements significantly.

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 would 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 executive 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 should 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 should be 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.

The Asset Liability Management Committee (ALCO) of the bank monitors the Balance sheet overview, profit performance, capital adequacy, FCY position, off-Balance sheet items, cash flow, and stress test.

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 should be 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 should be generated periodically, which is outcome of monitoring and review of risk management practice of the Bank. The report should 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.

30 June 2026	Notes	Fair value OCI Birr'000	Amortized cost Birr'000	Total Birr'000
Cash and cash equivalents	16		76,416,523	76,416,523
Securities	18		16,670,960	16,670,960
Equity investment	18	1,760,581	-	1,760,581
Loans , advances and financing to customers(Net)	17		248,997,369	248,997,369
Other assets	19		18,514,945	18,514,945
Total financial assets		**1,760,581**	**360,599,796**	**362,360,377**

30 June 2025	Notes	Fair value OCI Birr'000	Amortized cost Birr'000	Total Birr'000
Cash and cash equivalents	16		50,289,576	50,289,576
Securities			15,267,976	15,267,976
Equity investment	18	1,442,225	-	1,442,225
Loans , advances and financing to customers(Net)	17		193,379,151	193,379,151
Other assets	19		12,895,343	12,895,343
Total financial assets		**1,442,225**	**271,832,046**	**273,274,271**

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 should 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 should 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 should 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 should 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 should 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 should 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 shouldconsider 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.

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 would be vary by portfolio and include a backstop based on delinquency ("30 DPD presumption").

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.

i). Loans and advances to customers at amortised cost

In millions of ETB	2026			
	Stage 1	Stage 2	Stage 3	Total
Stage 1 – Pass	206,225,031			206,225,031
Stage 2 – Special mention		34,627,317		34,627,317
Stage 3 - Non performing			15,635,933	15,635,933
Total gross exposure	**206,225,031**	**34,627,317**	**15,635,933**	**256,488,280**
Loss allowance	(3,182,186)	(871,707)	(3,437,019)	(7,490,912)
Net carrying amount	**203,042,845**	**33,755,609**	**12,198,914**	**248,997,368**

In millions of ETB	2025			
	Stage 1	Stage 2	Stage 3	Total
Stage 1 – Pass	178,321,198			178,321,198
Stage 2 – Special mention		15,815,583		15,815,583
Stage 3 - Non performing			5,179,507	5,179,507
Total gross exposure	**178,321,198**	**15,815,583**	**5,179,507**	**199,316,289**
Loss allowance	(2,290,254)	(164,509)	(3,482,375)	(5,937,137)
Net carrying amount	**176,030,945**	**15,651,074**	**1,697,132**	**193,379,151**

ii). Other financial assets (debt instruments)

In millions of ETB		2026		
Other financial assets (debt instruments)		**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and balance with banks	12 Month ECL	66,376,961	(11,363)	66,365,599
Investment securities (debt instruments)	12 Month ECL	15,917,291	(796)	15,916,495
Other receivables and financial assets	Lifetime ECL	3,437,385	(613,543)	2,823,842
Totals	-	**85,731,637**	**(625,702)**	**85,105,936**

In millions of ETB			2025	
Other financial assets (debt instruments)		**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and balance with banks	12 Month ECL	41,841,771	(2,092)	41,839,679
Investment securities (debt instruments)	12 Month ECL	14,607,299	(730)	14,606,568
Other receivables and financial assets	Lifetime ECL	4,311,108	(504,559)	3,806,549
Totals		**60,760,177**	**(507,381)**	**60,252,796**

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 should 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 should 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 may 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 should 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 should 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 should 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	
	30 June 2026 Birr'000	30 June 2025 Birr'000
Credit exposure for on-balance sheet financial assets		
Cash and cash equivalents	76,416,523	50,289,576
Loans and advances to customers	248,997,369	193,379,151
Debt securites at amortized cost	16,670,960	15,267,976
Other Financial Assets	18,514,945	12,895,343
	360,599,796	**271,832,046**
Credit exposure for off-balance sheet items		
Letter of Credit	48,776,972	9,742,887
Loans Commitments	8,062,202	11,256,550
Letter of Gurantee	8,605,386	9,641,522
	65,444,560	**30,640,959**
Total maximum credit risk exposure	**426,044,356**	**302,473,005**

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

	Gross carrying amount Birr'000	Provistion as per NBE directive Birr'000	Net Carrying amount Birr'000
2026			
Pass	189,062,351	4,542,707	184,772,686
Special Mention	30,564,097	980,759	29,583,298
Substandard	5,913,556	443,283	5,470,273
Doubtful	2,925,309	959,186	1,966,123
Loss	2,313,700	1,337,828	975,872
	230,779,013	**8,263,763**	**222,768,252**

	Gross carrying amount Birr'000	Provistion as per NBE directive Birr'000	Net Carrying amount Birr'000
2025			
Pass	162,540,822	3,724,723	158,816,099
Special Mention	13,214,355	506,596	12,707,759
Substandard	1,290,852	104,410	1,186,442
Doubtful	1,536,801	346,141	1,190,660
Loss	2,346,469	1,586,768	759,701
	180,929,298	**6,268,638**	**174,660,661**

iii). Loss allowance reconciliation

The following table provides a reconciliation between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and the 'impairment losses on financial instruments' line item in the consolidated statement of profit or loss and other comprehensive income.

Charge to statement of profit or loss and other comprehensive income.	2026				
In Birr'000	Loans and advances to customers at amortised cost	Loan commitments and financial guarantee contracts	Other financial assets	Bank balance and ECL	Total charge/(credit)
Net remeasurement of loss allowance	1,553,775	68,941	108,984	9,336	1,741,036
New financial assets originated or purchased	1,268,343	-	-		1,268,343
Financial assets derecognised	(1,268,343)	-	-		(1,268,343)
Amounts directly written off during the year	-	-	-		-
Recoveries of amounts previously written off	-	-	-		-
Total	**1,553,775**	**68,941**	**108,984**	**9,336**	**1,741,036**

Charge to statement of profit or loss and other comprehensive income.	2025				
In Birr'000	Loans and advances to customers at amortised	Loan commitments and financial guarantee contracts	Other financial assets	Bank balance and ECL	Total charge/(credit)
Net remeasurement of loss allowance	2,143,788	264	506,427	1,172	2,651,651
New financial assets originated or purchased	741,948	-	-		741,948
Financial assets derecoguised	(763,088)	-	-		(763,088)
Amounts directly written off during the year	-	-	-		-
Recoveries of amounts previously written off	-	-	-		-
Total	**2,122,647**	**264**	**506,427**	**1,172**	**2,630,511**

vi)Impaired financial assets(stage 3)analysed by industry sectors are as follows:

Sector name	Loans and advances to customers	Financial Investments portfolio	Other Assets	Total Birr'000
30-Jun-26				
Domestic trade and services	272,026			272,026
Import	221,705			221,705
Construction	130,503			130,503
Transport	86,614			86,614
Industry	1,456,980			1,456,980
Export	1,040,675			1,040,675
Agriculture	71,060			71,060
Others	157,456			157,456
	3,437,019	-	-	**3,437,019**
30-Jun-25				
Domestic trade and services	532,678			532,678
Import	126,913			126,913
Construction	161,535			161,535
Transport	77,023			77,023
Industry	649,373			649,373
Export	1,577,685			1,577,685
Agriculture	294,330			294,330
Others	62,838			62,838
	3,482,375	-	-	**3,482,375**

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 into determining the management credit risk actions.

vii) Investment securities designated as at FVTPL

At 30 June 2026, the Bank had no exposure to credit risk of the investment securities designated as at FVTPL

4.3.3. Amounts arising from ECL

i) Inputs, assumptions and techniques used for estimating impairment

See accounting policy in **Note 3**

ii) Significant increase in credit risk

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

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

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

- The Bank uses three criteria for determining whether there has been a significant increase in credit risk:
- Quantitative test based on movement in PD;
- Qualitative indicators; and
- A backstop of 30 days past due,

iii) Credit risk grades

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

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

a. Term loan exposures

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance

- Data from credit reference agencies, press articles, changes in external credit ratings
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

- Internally collected data on customer behaviour – e.g. utilisation of credit card facilities
- Affordability metrics

b. Overdraft exposures

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

iv) Generating the term structure of PD

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

v) Determining whether credit risk has increased significantly

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

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

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

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

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;

- exposures are not generally transferred directly from 12-month ECL measurement to credit- impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

vi) Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank.
- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or

it is becoming probable that the borrower should restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

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

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes

vii) Incorporation of forward-looking information

The EBA Forward-Looking Information (FLI) model derives industry-level macroeconomic adjustments for incorporation into member banks' IFRS 9 ECL estimates.

The model uses aggregated Stage 3 and total gross loan balances from 27 member banks, together with historical and projected Ethiopian macroeconomic data sourced from Fitch Ratings.

The FLI model incorporates forward-looking macroeconomic conditions through portfolio-specific adjustments developed for four clusters of statistically comparable economic sectors. These adjustments provide a common industry reference for member banks, subject to each bank's approved IFRS 9 governance, validation and management judgement.

For each cluster, three macroeconomic scenarios are modelled: base, upside and downside. The scenarios are developed from Fitch Ratings forecasts and scenario-specific assumptions. Probability weights are derived from the historical distribution of cluster-level NPL ratios over ten semi-annual observations from December 2021 to June 2026.

Historical credit risk performance is represented by cluster-level NPL ratios calculated as aggregate Stage 3 outstanding balances divided by aggregate total gross loan balances. Macroeconomic inputs comprise historical Ethiopian data and forward-looking projections from Fitch Ratings, an independent external provider.

The macroeconomic variables are screened using an absolute correlation threshold of 50% which is statistical best practice, followed by assessments of economic plausibility and multicollinearity. Variables meeting both the quantitative and qualitative criteria are retained for the modelling process.

Principal Component Analysis is applied to the selected variables to derive a composite macroeconomic index for each cluster and mitigate multicollinearity. The relationship between the composite index and historical cluster-level NPL ratios is then modelled to quantify credit risk sensitivity and derive probability-weighted macroeconomic adjustment factors.

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

Sector	Macroeconomic factor(s)
Cluster 1 Agricalture Consumer loan Interest Free Financing	Import cover months •Current account bal, USD •G&S bal, USD •Nominal Effective Exchange Rate Index •CPI inflation, 2010=100, eop •Trade, goods bal, USD •Goods imp, USD
Cluster 2 Domestic Trade Services Mining and Energy Transport Health Merchandise Financial Services	CPI inflation, 2010=100, eop • Import cover months •Services exp, LCU •Current account bal, USD •Capex, LCU •Total revenue, LCU
Cluster 3 Import cover months G&S imp, LCU Private final cons, LCU Budget bal, USD Services imp, USD Trade, goods bal, USD	Import cover months •G&S imp, LCU •Private final cons, LCU •Budget bal, USD •Services imp, USD •Trade, goods bal, USD
Cluster 4 Export Import Advance against Import Bills International Trade	Nominal Effective Exchange Rate Index •Use of IMF credit/cap, USD •Total revenue, USD •Capex, USD •Total expend, USD •LCU/USD, eop

Correlation analysis

A quantitative and qualitative assessment was performed to evaluate the relationship between the standardized macroeconomic variables and the historical cluster-level NPL ratios.

An absolute correlation threshold of 50% was applied as the initial criterion for identifying statistically significant variables. The statistical results were subsequently subjected to an economic plausibility assessment to evaluate whether the direction and magnitude of the observed relationships were consistent with established economic theory and expected credit risk. behaviour.

The variables that satisfied both the quantitative and qualitative assessment criteria were retained for inclusion in the modelling process.

The historical NPL data covering ten semi-annual observations (2021–2026) is assumed to be representative of the credit risk cycles and economic conditions relevant to the modelling period.

The below scenario weightings have been observed:

Summary of scenario weightings			
Scenario	Base	Downturn (downside)	Optimistic (upside)
Cluster 1	90%	0%	10%
Cluster 2	80%	10%	10%
Cluster 3	70%	10%	20%
Cluster 4	70%	10%	20%

viii) Modified financial assets

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

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

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).
The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

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

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

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

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ix) Measurement of ECL

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

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

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

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.
LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

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

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

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

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

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

* Instrument type;
* Collateral type;
* Date of initial recognition;
* Remaining term to maturity; and
* Industry/sector

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

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4.3.4. Credit risk concentration profile

The Bank monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at 30 June 2025 and 30 June 2026. The Bank concentrates all its financial assets in Ethiopia.

	Cash and cash equivalents	Loans and advances to	Debt securites at amortized	Loans Commitments	Letter of Gurantee
30 June 2026					
Domestic trade and services		68,459,343			
Import		16,514,526			
Construction		12,360,663			
Transport		20,308,697			
Industry		46,163,295			
Export		51,796,247			
Agriculture		8,585,860			
Consumer or personal		23,810,873			
Financial Instutions	76,416,523		16,670,960		
Others				2,026,190	8,605,386
	76,416,523	**247,999,504**	**16,670,960**	**2,026,190**	**8,605,386**
30 June 2025					
Domestic trade and services		33,683,147			
Import		13,332,584			
Construction		14,364,682			
Transport		11,625,869			
Industry		45,415,964			
Export		45,026,565			
Agriculture		8,654,663			
Consumer or personal		21,243,644			
Financial Instutions	50,289,576		15,267,976		
Others				3,833,342	7,423,208
	50,289,576	**193,347,118**	**15,267,976**	**3,833,342**	**7,423,208**

4.3.5. Collateral held

The Bank holds collateral against certain of its credit and IFB financing exposures. The following table sets out the principal types of collateral held against different types of financial assets.

30 June 2026	**Secured against real estate Birr'000**	**Machinery Birr'000**	**Vehicles Birr'000**	**Others Birr'000**
Domestic trade and services	37,753,650	25,200,885	1,568,164	3,980,072
Import	9,597,819	2,573,615	733,211	3,082,323
Construction	10,404,380	124,984	1,434,332	196,705
Transport	4,568,337	737,601	13,716,229	1,277,271
Industry	37,838,573	526,487	2,257,033	3,307,178
Export	46,454,571	111,836	879,584	3,402,557
Agriculture	7,037,434	264,119	237,373	1,435,513
Murabaha Financing	7,682,802	144,470	601,065	60,439
Consumer or personal	19,499,587	1,302	2,682,392	2,208,022
	180,837,154	**29,685,300**	**24,109,383**	**18,950,080**

30 June 2025	Secured Birr'000	Machinery Birr'000	Vehicles Birr'000	Others Birr'000
Domestic trade and services	30,052,589	982,460	552,726	1,360,356
Import	9,691,385	1,518,138	267,037	1,789,411
Construction	9,792,892	2,886,296	1,114,563	480,226
Transport	2,282,821	478,307	7,357,016	1,505,654
Industry	38,815,230	896,977	1,576,606	4,130,096
Export	36,334,882	1,513,746	2,135,989	4,907,434
Agriculture	6,445,235	376,131	498,265	1,361,506
Consumer or personal	5,281,928	151,079	459,270	56,761
	19,190,812	618	2,368,837	1,200,678
	157,887,774	**8,803,752**	**16,330,309**	**16,792,122**

4.3.6. Offsetting financial assets and financial liabilities

The Bank does not offset financial assets against financial liabilities.

4.3.7. 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 should 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 unclreaed effects in relation to deposits. The reported liquid ratio to the National bank of Ethiopia is presented in below;

Description	30 June 2026 Birr'000	30 June 2025 Birr'000
Total liquid assets	77,261,748	50,560,811
Net current liabilities	299,044,516	228,829,996
15% of net current liabilities	44,856,677	34,324,499
Liquidity ratio	**25.84%**	**22.10%**
Excess/deficit liquid asset	**32,405,071**	**16,236,312**

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 liabilities.

In order to keep optimal asset-liability structure, thereby adhere to regulation in jurisdiction; BoA adopts liquidity risk management system that is governed by adequate oversight, early warning system and proper implementation of risk management process.

The Bank formed 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 treasury department. The treasury 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 should 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.

4.4.2. Maturity analysis of financial Asset and liabilities

The table below analyses the Bank's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.

30 June 2026	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Cash and Bank balances	72,437,928	3,605,670	702,000	-	-
Net investment		-			16,671,756
Net loans and advacnes	56,276,780	25,491,610	18,684,360	32,849,910	123,185,620
Total	**128,714,708**	**29,097,280**	**19,386,360**	**32,849,910**	**139,857,376**
Liabilities					
Deposits from customers	127,981,270	27,945,040	17,572,300	31,813,360	113,473,624
Borrowings	-	-	-	-	-
Other liabilities	-	742,901	0	0	22,023,135
Total	**127,981,270**	**28,687,941**	**17,572,300**	**31,813,360**	**135,496,759**
Net Mismatch	**733,438**	**409,339**	**1,814,060**	**1,036,550**	**4,360,617**

30 June 2025	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Cash and Bank balances	45,568,595	3,778,319	944,754	-	-
Net investment		-			15,268,706
Net loans and advacnes	42,862,910	21,048,645	15,112,897	23,436,199	96,855,638
Total	**88,431,504**	**24,826,965**	**16,057,651**	**23,436,199**	**112,124,344**
Liabilities					
Deposits from customers	87,963,558	21,350,837	14,960,986	22,657,025	96,247,333
Borrowings	-	-	-	-	-
Other liabilities	-	2,576,017	-	-	11,258,309
Total financial liabilities	**87,963,558**	**23,926,853**	**14,960,986**	**22,657,025**	**107,505,642**
Net Mismatch	**467,946**	**900,112**	**1,096,664**	**779,174**	**4,618,703**

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
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 market 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.

30 June 2026	Fixed Birr'000	Floating Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	5,028,754		71,387,769	76,416,523
Loans and advances to customers	240,508,593		8,488,776	248,997,369
Investement securities	16,670,960		1,760,581	18,431,541
Other Asset			18,514,945	18,514,945
Other non-interest sensitive balance			19,136,835	19,136,835
Total Asset	**262,208,307**	-	**119,288,906**	**381,497,210**

Liabilities				-
Deposits from customers	227,701,243		91,084,350	318,785,594
Borrowings	-			-
Lease Laibilities	276,381			276,381
Other liabilities			18,722,906	18,722,906
Other non-interest sensitive balance			4,200,150	4,200,150
Total Liabilities	**227,977,624**	-	**114,007,407**	**341,985,031**
Total equity			39,512,182	**39,512,182**
Total equity and liabilities	**227,977,624**	-	**153,519,589**	**381,497,210**
Interest rate sensitivity gap	**34,230,683**	-	**(34,230,684)**	**2**

30 June 2025	**Fixed Birr'000**	**Floating Birr'000**	**Non-interest bearing Birr'000**	**Total Birr'000**
Assets				
Cash and balances with banks	4,723,073		45,566,503	50,289,576
Loans and advances to customers	187,409,981		5,969,171	193,379,151
Investement securities	15,267,976		1,442,225	16,710,201
Other Asset			12,895,343	12,895,343
Other non-interest sensitive balance			12,952,705	12,952,705
Total Asset	**207,401,030**	-	**78,825,946**	**286,226,974**
Liabilities				-
Deposits from customers	177,616,050		65,563,689	243,179,738
Borrowings	-			-
Lease Laibilities	330,589			330,589
Other liabilities			10,489,194	10,489,194
Other non-interest sensitive balance			3,385,524	3,385,524
Total Liabilities	**177,946,639**	-	**79,438,406**	**257,385,045**
Total equity			**28,841,931**	28,841,931
Total equity and liabilities	**177,946,639**	-	**108,280,337**	**286,226,975**
Interest rate sensitivity gap	**29,454,391**	-	**(29,454,393)**	**(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 30 June 2026 and 30 June 2025. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

Sensitivity analysis for Intereset rate risk

30 June 2026	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%	684,613.65	(684,614)
30 June 2025			
Impact to profit	2%	589,087.82	(589,088)

(ii). Foreign exchange risk

Foreign exchange risk is the potential for loss from exposure to foreign exchange rate fluctuation.
This implies an asset or investment denominated in a foreign currency further lose value as a result of unfavourable exchange rate fluctuations between the investment's foreign currency and the investment holders in domestic currency.

Exchange risk is associated with potential gain or loss that occurs as a result of change on exchange rate based on foreign currency holdings and liability of the Bank. Such change in value of currencies affects net open position in terms of local currency.

In general, foreign exchange rate risk is potential loss as a result of adverse movement in FOREX rates.

Foreign currency senstive asset and libilities preseneted as follows;

	30 June 2026 Birr'000	30 June 2025 Birr'000
Assets		
Cash on hand	1,043,464	625,661
Deposit with other foreign banks	30,093,815	19,573,361
Other asset(Uel foreign)	3,323,989	1,125,144
Total	**34,461,269**	**21,324,166**
Liabilities		
Deposits from customers	23,874,662	12,403,054
Other FCY liabilities	1,614,956	15,353,424
Total	**25,489,618**	**27,756,478**
Net foreign asset/(liabilities)	**8,971,651**	**(6,432,311)**

Sensitivity analysis for foreign exchange risk

The sensitivity analysis for currency rate risk shows how changes in the fair value or future cash flows of a financial instrument would be fluctuate because of changes in market rates at the reporting date.
The sensitivity of the Bank's earnings to fluctuations in exchange rates is reflected by varying the exchange rates at 10% as shown below:

Currency type	At 30 June 2026 Currency carrying amount	10% Depreciation	10% Appreciation	At 30 June 2025 Currency carrying amount	10% Depreciation	10% Appreciation
Asset						
USD	29,564,293	(2,956,429)	2,956,429	18,664,966	(1,866,497)	1,866,497
EUR	3,703,931	(370,393)	370,393	1,788,363	(178,836)	178,836
GBP	407,688	(40,769)	40,769	659,212	(65,921)	65,921
AED	4,618	(462)	462	31,061	(3,106)	3,106
Other	780,739	(78,074)	78,074	180,565	(18,057)	18,057
	34,461,269	**(3,446,127)**	**3,446,127**	**21,324,166**	**(2,132,417)**	**2,132,417**
Libaility						
USD	23,773,009	(324,848)	324,848	24,849,828	(324,848)	324,848
EUR	1,449,518	(19,052)	19,052	2,850,179	(19,052)	19,052
GBP	266,938	(2,576)	2,576	56,471	(2,576)	2,576
AED	-	(161)	161	-	(161)	161
Other	153	(326)	326	-	(326)	326
	25,489,618	(346,964)	346,964	27,756,478	(346,964)	346,964
Increase/(decrease	**8,971,651**	**(3,099,163)**	**3,099,163**	**(6,432,311)**	**(1,785,452)**	**1,785,453**
Tax charge at 30%		(929,749)	929,749	-	(535,636)	535,636
Effect on net profit		(2,169,414)	2,169,414	-	(1,249,816)	1,249,817
As a percentage of net profit		-19%	19%		-17%	17%

At 30 June 2026 if the shilling had weakened/ strengthened by 10% against the major trading currencies, with all other variables held constant, net profit would have been Birr 2.2 billion (2025: Birr. 1.2 billion) lower/higher.

4.6. Capital management

The Bank's approach to capital management is driven by its strategic objectives and takes into account all relevant regulatory, economic, and commercial environments in which the Bank operates. The Bank regards having a strong capital position as essential to its business strategy and competitive position. As such, the Board and senior management take into account implications on the Bank's capital position prior to implementing major business decisions in order to preserve the Bank's overall capital strength.

Effective capital management is fundamental to the sustainability of the Bank. The Bank proactively manages its capital to meet the expectations of key stakeholders such as regulators, shareholders, and investors whilst ensuring that the returns on capital are commensurate with the risks undertaken by respective business units.

The Bank's objectives when managing capital are to:

*Comply with the capital requirements set by the National Bank of Ethiopia (NBE);

*Safeguard its ability to continue as a going concern;

*Maintain a strong capital base to sustain investor, creditor, and market confidence;

*Support the future development and growth of the business;

*Deploy capital efficiently to businesses and optimise returns on capital; and

*Remain flexible to capitalise on future opportunities.

4.6.1. Capital Adequacy

Regulatory Framework

The National Bank of Ethiopia (NBE) has issued a new directive, "Risk-Based Capital Adequacy Requirements for Banks" (Directive No. SBB/95/2025) , effective 10 November 2025, which replaces the following existing directives:

*Directive No. SBB/9/95 (Computation of Risk-Weighted Assets); and

*Directive No. SBB/78/2021 (Minimum Capital Requirement).

Transition Arrangements

In accordance with the transition provisions outlined in Article 30 of the new directive, the Bank has adopted a phased approach to compliance:

Reporting: The Bank commenced quarterly submission of capital adequacy reports to the NBE starting from the quarter ending March 31, 2026, as required under Article 27 of the directive.

Compliance: The Bank is required to fully comply with all provisions of the new directive, including the prudential minimum capital requirements, by December 31, 2026.

Dual Reporting: Until full compliance is achieved, the Bank continues to report and comply with the minimum capital adequacy requirements under the previous Basel I-based directives, in parallel with the new calculations.

4.6.1.1. Application of Capital Adequacy ratios as per previous Directive (Basel I)

Under the previous regulatory framework, the Bank's capital adequacy ratios were computed based on the primary capital sum, which included paid-up capital, share premium, general reserve, and legal reserve, divided by the risk-weighted assets (on-balance sheet and off-balance sheet).

	30 June 2026 Birr'000	30 June 2025 Birr'000
Capital Component		
Paid-up-capital	17,481,120	15,000,000
Paid -up-capital in excess of par	1,494,670	5,998
Legale resereve	9,109,615	6,225,669
Special Resereve	25,919	25,919
Total Capital	**28,111,324**	**21,257,587**
Risk Weighted Asset		
On balance sheet	268,852,715	213,619,897
Off balance sheet	8,979,741	12,397,613
Total risk weighted assets	**277,832,456**	**226,017,511**
Capital Adequacy Ratio	**10.12%**	**9.41%**

4.6.1.2. Application of Capital Adequacy ratios as per new directive (Basel II/III)

The Bank has transitioned its capital adequacy computation to align with the Risk-Based Capital Adequacy Requirements for Banks (Directive No. SBB/95/2025). The new framework expands the calculation to encompass all three pillars of risk, providing a more comprehensive assessment of the Bank's risk profile and capital adequacy.

The total RWA are computed based on the following approaches:

(a) Credit risk weights in the Basel II/III standardized approach based on the risk rating assigned by ECAs deemed eligiable by the National Bank of Ethiopia;

(B) Market risk under standardised approach; and

(C) Operational risk under Basic Indicator approach. The standirdized approach is Business Indicator, Business Indicator component and Internal loss Multiplier components

The minimum regulatory capital adequacy requirements for CET1, Tier 1 and Total Capital are 7%, 9% and 11% of total RWA for the financial year ended 30 June 2026 , 8.8%, 8.8% and 10% of total RWA

	30 June 2026
The capital adequacy ratios	
CET1 Capital Ratio	8.8%
Tier 1 Capital Ratio	8.8%
Total Capital Ratio	10.0%

Components of capital:	30 June 2026 Birr'000
Common Shares/stock issued by the bank	17,481,120
Share Premiums	1,494,670
Legal reserve	9,109,615
CET1 before capital dedcution	**28,085,405**
Regulatory adjustments	
Intangible assets	1,265,723
Deferred tax assets	258,442
Investments in the Insurance Entities	68,469
Total Deduction from CET1	**1,592,634**
CET1 after capital dedcution	**26,492,771**
Additional Tier 1 Capital	
N/A	
Total Tier 1 CapitaL	**26,492,771**
Tier 2 Capital	
Other reserves (as approved by the National Bank of Ethiopia)	236,330
Certain loan loss provisions such as general provisions/general loan-loss reserve (up to 1.25 percentage point of Credit Risk RWA)	3,492,810
Tier 2 before capital deduction	**3,729,140**
Regulatory adjustments	
N/A	
Total Eligible Capital base	**30,221,911**

The breakdown of RWA by each major risk categories	30 June 2026 Birr'000
Total RWA for credit risk	279,704,192
Total RWA for market risk	5,373,452
Total RWA for operational risk	15,833,820
Total RWA	**300,911,464**

4.7. Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

4.7.1. Basis of fair valuation Equity Investement

The fair value of the equity investments was made by the internationally known consulting firm in collaboration with other Ethiopian private banks,
By using this valuation method investment securities valuation based on by multiples on actual market prices the unknown value of the valuation object is calculated based on the known values of comparable objects (companies, transactions or IPOs). The selection of the appropriate multiple within a range requires judgment, considering qualitative and quantitative factors specific to the measurement.

We have selected the below market multiples for the purpose of our valuation:
•Enterprise Value to Earnings Before Interest, Tax, Depreciation and Amortisation **(EV/EBITDA)** and
•Price to Book Value **(P/BV)**

Specific consideration
EV/EBITDA is a better measure where the leverage and net profits are more vulnerable to business cycles.
•P/BV ratio works well in the case where the business model is matured, a common measure for valuation of financial institutions (banks and insurance Companies). These institution are subject to regulatory solvency and capital adequacy requirements therefore their liquidated value fairly approximates the book values.
•The above measures are also consistent with the Bank's previously applied market multiples.

4.7.2. Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

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

• Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

•Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) .This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

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

• Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable date and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4.7.3. Financial instruments not measured at fair value - Fair value hierarchy

The following table summarises the carrying amounts of financial assets and liabilities at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

30 June 2026	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets					
Cash and balances with banks	76,416,523			76,416,523	76,416,523
Loans and receivables	248,997,369			248,997,369	248,997,369
Debt securites at amortized cost	16,670,960			16,670,960	16,670,960
Financial assets at fair value through OCI	1,442,225			1,760,581	1,760,581
Total	**343,527,076**	-	-	**343,845,432**	**343,845,432**
Financial liabilities					
Deposits from customers	277,982,151			277,982,151	277,982,151
Other liabilities	18,722,906			18,722,906	18,722,906
Total	**296,705,058**	-	-	**296,705,058**	**296,705,058**

30 June 2025	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets					
Cash and balances with banks	50,289,576			50,289,576	50,289,576
Loans and receivables	193,379,151			193,379,151	193,379,151
Debt securites at amortized cost	15,267,976			15,267,976	15,267,976
Financial assets at fair value through OCI	1,018,934			1,442,225	1,442,225
Total	**259,955,637**	-	-	**260,378,928**	**260,378,928**
Financial liabilities					
Deposits from customers	211,654,830			211,654,830	211,654,830
Other liabilities	10,489,194			10,489,194	10,489,194
Total	**222,144,024**	-	-	**222,144,024**	**222,144,024**

4.7.4. Fair Value of Financial assets and liabilities

The following table shows an analysis of financial and non- financial instruments measured at fair value by level of the fair value hierarchy:

30 June 2026	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets					
Investement securities; FVOCI	1,442,225			1,760,581	1,760,581
Total	1,442,225	-	-	1,760,581	1,760,581

4.8. Offsetting financial assets and financial liabilities

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

5 Interest income

	30 June 2026 Birr'000	30 June 2025 Birr'000
Interest on Term Loan	33,560,415	24,335,811
Interest on over draft	4,199,347	3,762,914
Interest on Advance sales contract	1,466,226	1,020,998
Interest from penalty	1,107,206	951,100
Interest on deposit from local banks	817,386	875,948
Interest on Treasury Bonds	1,002,207	746,948
Interest on foreign deposits	737,205	542,610
Interest earn on DBE Bond	381,001	320,918
Interest on Import & export bills	119,131	79,964
Interest on digital loan	131,021	62,273
Interest on Inter Bank loan	38,067	10,918
Interest on Treasury bills	96,669	7,462
Interest on Open market operation	33,863	863
	43,689,742	**32,718,727**

6 Interest expense

	30 June 2026 Birr'000	30 June 2025 Birr'000
Interest on Saving Account	(10,527,696)	(7,622,608)
Interest on Time deposit	(3,828,799)	(2,476,402)
Interest on loans	(590,144)	(224,148)
	(14,946,640)	**(10,323,158)**

7 Net foreign exchange gain or loss

	30 June 2026 Birr'000	30 June 2025 Birr'000
Loss on foreign exchange	(29,253,291)	(82,890,629)
Gain on foreign exchange	30,930,241	82,741,060
	1,676,950	**(149,569)**

8 Commission earned

	30 June 2026 Birr'000	30 June 2025 Birr'000
Letters of credit and other import/export facilities	1,287,448	700,463
Letters of guarantees	243,300	412,834
Money and Telegraphic transfers and direct debit charges	17,178	11,909
Other commissions	1,363,212	689,096
	2,911,139	**1,814,302**

9 Dividend Income

	30 June 2026 Birr'000	30 June 2025 Birr'000
Dividend income from investing activities	76,345	79,873

10 Other operating income

	30 June 2026 Birr'000	30 June 2025 Birr'000
Income from Murabaha Financing	1,164,752	723,050
Loan processing fee income	221,659	193,798
Rental income	29,589	19,003
Gain on disposal of Acquired Asset	3,590	6,046
Gain on disposal of fixed assets	19,117	2,405
Other income	517,291	511,025
	1,955,999	**1,455,326**

11 Loan impairment charge

	30 June 2026 Birr'000	30 June 2025 Birr'000
Loan impairment charge	(1,553,775)	(2,122,646)
Provision for off -balance sheet	(68,941)	(264)
	(1,622,715)	**(2,122,910)**

12 Impairment losses on other financial assets

	30 June 2026 Birr'000	30 June 2025 Birr'000
Charge for the year:		
Other assets	(108,984)	(506,427)
Debt securities	(65)	(214)
Bank balance	(9,270)	(958)
	(118,320)	**(507,599)**

13 Personnel expenses

	30 June 2026 Birr'000	30 June 2025 Birr'000
Clerical Staff Salary	(5,252,141)	(3,886,953)
Contractual Staff Salary	(741,011)	(710,027)
Non-Clerical Staff Salary	(291,527)	(231,085)
Fuel Allowance	(2,007,542)	(2,038,628)
Bonus	(1,157,458)	(720,577)
Provident Fund	(658,664)	(488,806)
Training Education	(565,460)	(435,237)
Living Allowance	(448,080)	(321,933)
Housing Allowance	(265,759)	(254,748)
Medical	(273,288)	(188,729)
Car and representation Allowance	(162,745)	(144,083)
Amortazation of prepaid employee benefit	(77,189)	(83,881)
Cash Indemnity Allowance	(45,594)	(62,347)
Leave Pay	(230,308)	(36,942)
Employee Mobile Allowance	(20,350)	(19,545)
Saturday Extra time allowance	(17,318)	(17,780)
Uniforms	(32,201)	(11,216)
Non-Clerical staff overtime	(15,818)	(10,594)
Clerical staff overtime	(12,832)	(3,980)
Staff Insurance	(6,096)	(3,169)
Drivers Allowance	(1,227)	(1,268)
Other staff expenses	(347,554)	(104,717)
	(12,630,161)	**(9,776,245)**

	30 June 2026 Birr'000	30 June 2025 Birr'000
14 Other operating expenses		
Software license fee	(1,285,541)	(695,520)
Prior period tax expenses	(797,069)	(97,622)
Insurance fund for deposit	(695,822)	(557,710)
Written- Off loan	(546,197)	(248,026)
Master and Visa Card membership and service	(496,838)	-272,249
Data and Internet lines	(328,998)	(174,135)
other IFB expense	(306,025)	(175,602)
Insurance	(240,212)	(106,658)
Advertising	(222,940)	(115,205)
Repair and Maintenance	(213,323)	(184,461)
Fuel and Lubricant	(213,461)	(123,952)
Stationery and printing	(163,019)	(235,484)
Customer Incentive for FCY mob	(160,652)	(247,417)
ATM and POS card issuance fee	(128,588)	(93,042)
Consultancy fee	(101,339)	-9,358
Transportation of Currency	(98,341)	(75,759)
IT Support and maintenance exp.	(88,310)	-108,087
Promotional gift items	(82,884)	(9,941)
Per diem and travel	(80,263)	(47,057)
Entertainment	(80,506)	(32,878)
Annual reception	(73,971)	(18,498)
Donations and contributions	(65,005)	(96,848)
Swift Services	(50,286)	(17,811)
Utilities	(48,199)	(25,843)
Correspondent charges	(42,178)	(22,790)
RTGS Transaction fee	(35,665)	(32,263)
Legal fees	(48,557)	(36,657)
Postage, telephone, telegram , telex/fax	(13,831)	(16,685)
Wages for non-employees	(18,576)	(12,801)
Bank charges	(17,387)	(10,300)
Impairment for non current asset	-	(6,724)
Audit fees	(4,843)	(3,502)
Board of Directors remuneration	(4,643)	(2,515)
EATS membership and transaction fee	(180)	(198)
Other administration expenses	(786,372)	(382,080)
	(7,540,022)	**(4,295,678)**

15 Reconciliation of effective tax to statutory tax

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
15a Component of tax expenses		
Current tax expense	(4,310,956)	(2,607,863)
Deferred tax (15e)	(2,673)	(194,726)
	(4,313,629)	**(2,802,590)**

	30 June 2026 Birr'000	30 June 2025 Birr'000
15b Current Tax		
IFRS Accounting profit	**15,849,406**	**10,101,095**
Add : Disallowed expenses		
Entertainment	80,506	32,878
Donation	44,934	631
Penalty	31,098	6,313
Depreciation for accounting purpose	1,112,544	756,137
Amortization for accounting purpose	195,808	128,834
Amortization of Employee benefit	77,189	83,881
Severance accrual (net of Payment)	287,691	66,986
Wages expenses	6,502	4,480
Medical expense for spouses	9,978	6,802
Deprecation and Interest expense as per IFRS-16	1,222,573	13,453
impairment on non-current asset	-	6,724
Accrued leave	207,636	20,223
Legal expense	48,557	36,657
Land and building tax	17,435	14,798
Net unrealized foreign exchange gain or loss	193,547	203,421
Provision for other Asset	118,320	507,599
Provision for loans and advances as per IFRS	1,622,715	2,122,910
Written- Off loan	546,197	248,026
Tax payment as per tax audit work	797,069	97,622
Staff loan Interest income as per tax	207,862	184,135
	6,828,161	**4,542,511**
Less :		
Depreciation for tax purpose	1,595,646	1,033,450
Amortization for tax purpose	225,085	140,727
Interest income taxed at source-Local & foreign deposits		1,418,558
Dividend income taxed at source	76,345	79,873
Interest income taxed at source-Treasury bills	96,669	7,462
Interest income taxed at source-Treasury bonds	1,002,207	746,948
Interest income taxed at source-DBE bonds	381,001	320,918
Staff loan Interest income as per IFRS	184,473	193,359
Interest suspended recognized previous period	1,367,447	
Capital Gain tax		21,739
Office rent expense as per Tax	1,225,886	
Reversale of provision for North Eth. Conflict		287,292
Provision for loans and advances as per NBE 80%	2,152,958	1,881,276
Net income from rental operation	8,725	8,298
	8,316,441	**6,139,900**
Taxable profit	14,361,126	8,503,706
	4,308,338	**2,551,112**
Add : 10% of interest on foreign deposits		54,261
Current tax at 30%	**4,308,339**	**2,605,374**

15c Statement of Financial Position(Current income tax liability)

	30 June 2026 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	4,308,339	2,605,374
Rental Income tax expense payable to A.A. Large tax payers office	2,449	2,215
Prior year (over)/ under provision		
WHT Notes utilised	(94,148)	(31,571)
Payment during the year	(2,576,017)	(1,094,277)
Tax for the year	**4,216,640**	**2,576,018**
*Advance paid to ERCA	(1,245,035)	
Balance at the end of the year	**2,971,605**	**2,576,017**

* In accordance with Ethiopia's Income tax(Amendment) proclamation No. 1395/2025, category A and B business taxpayers must make quarterly advance corporate income tax payments eqal to 25% of their previous year's tax liability

Accordingly, in the current fiscal year the Bank paid Birr 1,245,034,827.14 to Ministry of Revenue for Quarter 1 and Quarter 2 Advance payments. And the final corporate income tax due to Ministry of Revenues shall be Current Year Tax Provision minus Advance tax payments.

15d Deferred income tax

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Deferred tax Asset	438,036	258,442
Deferred tax liability	(871,437)	(629,424)
	(433,401)	**(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

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	30 June 2026 Birr'000
Annual Leave	126,885		62,291		189,176
Post employment benefit obligatior	131,558		86,307	20,678	238,544
IFRS-16, lease			10,317		10,317
Total deferred tax assets	**258,442**	**-**	**158,915**	**20,678**	**438,036**

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 obligatior	93,352		20,096	18,110	131,558
Total deferred tax assets	**214,036**	**-**	**26,295**	**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	30 June 2026 Birr'000
Property, plant and equipment	-426,406		(161,588)		(587,993)
Equity Investments	-203,018		-	(80,425)	(283,443)
Total deferred tax liabilities	**(629,424)**	-	**(161,588)**	**(80,425)**	**(871,437)**

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Severance pay - carrying amount	795,145	438,526
Severance pay - tax base	-	-
Severance pay temporary difference	**795,145**	**438,526**
Deferred tax asset - @ 30%	**238,544**	**131,558**
Annual Leave - carrying amount	630,585	422,949
Annual Leave - tax base	-	-
Annual leave temporary difference	**630,585**	**422,949**
Deferred tax asset - @ 30%	**189,176**	**126,885**
ROU - carrying amount	4,269,871	
Officet rent - tax base	4,304,260	
Offce -temporary difference	34,390	0
Deferred tax asset - @ 30%	**10,317**	**203,018**
PPE- carrying amount	14,296,418	8,590,712
PPE - tax base	12,336,439	7,169,359
	1,959,978	1,421,352
Deferred tax liability - @ 30%	**587,993**	**426,406**
Equity investment - carrying amount	1,760,581	1,442,225
Equity investment - tax base	815,770	765,498
Equity Investment -temporary difference	**944,811**	**676,727**
Deferred tax liability - @ 30%	**283,443**	**203,018**
Deferred tax asset/ (liability) - @ 30%	**(433,401)**	**(370,981)**

15f Depreciation for tax Purpose

30 June 2026

Asset type	Cost	Depreciation for the year	Accumulated depreciation	Book Value
Premises	1,867,247	93,362	211,217	1,562,667
Motor vehicles	1,335,688	150,715	754,778	430,196
Office furniture & fittings	2,633,270	289,590	802,026	1,541,655
Office equipment	8,477,584	781,018	1,095,949	6,600,617
Computer and accessories	2,099,415	271,532	787,188	1,040,694
Intangible assets	1,768,159	225,085	464,704	1,078,371
Investment	96,286	9,429	4,618	82,238
Total	**18,277,649**	**1,820,731**	**4,120,480**	**12,336,439**

30 June 2025

Asset type	Cost	Depreciation for the year	Accumulated depreciation	Book Value
Premises	1,899,916	94,480	116,738	1,688,698
Motor vehicles	1,338,685	155,031	599,746	583,908
Office furniture & fittings	2,003,139	261,392	540,634	1,201,113
Office equipment	3,523,336	322,114	773,834	2,427,387
Computer and accessories	1,467,544	200,100	587,089	680,355
Intangible assets	1,050,564	140,727	323,977	585,860
Investment	6,656	333	4,285.51	2,037
Total	**11,289,839**	**1,174,177**	**2,946,303**	**7,169,359**

15g. Rental Income tax

	30 June 2026 Birr'000	30 June 2025 Birr'000
Addis Abeba City		
Income;		
Rental Income	9,136	8,709
Expense;		
Depreciation	(412)	(412)
Profit (loss) before tax from rental operation	**8,725**	**8,298**
Rental income tax @ 30% due to Addis Abeba City administrations	2,617	2,489
Withholding tax receivable	168	275
Net Tax Due to A.A. LARGE TAX PAYERS OFFICE	**2,449**	**2,215**

16 Cash and cash equivalents

	30 June 2026 Birr'000	30 June 2025 Birr'000
Cash in hand	9,867,417	8,234,176
Balances with Central Banks :		
-Reserve account with National Bank of Ethiopia	31,100,000	17,030,000
-Other accounts with National Bank of Ethiopia	337,899	186,178
Deposits with foreign banks	30,093,815	20,118,242
Deposits with local banks	5,028,754	4,723,073
	76,427,885	**50,291,668**
Allowances for impairment losses	(11,363)	(2,092)
	76,416,523	**50,289,576**

The simplified impairment method should 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 should reach the 90 DPD.

The maturity profile of deposits with from local financial institutions are as follows

	30 June 2026 Birr'000	30 June 2025 Birr'000
Within three Month		4,550,786
Within six month	4,826,754	172,288
Within one year	202,000	-
	5,028,754	**4,723,073**

The reserve with National Bank of Ethiopia represents regulatory cash ratio requirements based on customer deposits with the Bank. As at 30 June 2026, the cash ratio requirement was 10% . The funds are not available for the day to day operations of the Bank and are non interest bearing.

Amounts included in cash and cash equivalents are current. Reserves with National Bank of Ethiopia are non - current. Cash and balances with National Bank of Ethiopia are classified as 'loans and receivables'.

There is proper policy , procedures and guidance to all responsible units about the cash management operation for smooth executive of cash related duties

17 Loans , advances and financing to customers

(i) Loans , advances and Financing by types;

	30 June 2026 Birr'000	30 June 2025 Birr'000
Loans, advances and Financing at amortized cost		
Conventional banking loans and advances:		
Term Loan	216,379,399	166,862,498
Overdraft loans	18,858,079	18,286,447
Advance loans	12,762,026	8,198,173
	247,999,504	**193,347,118**
Interest Free Financing and advances:		
Murabaha financing	11,528,530	8,336,228
Unearned income	-3,039,753	-2,367,057
	8,488,776	**5,969,171**
Total Carrying Amount	**256,488,280**	**199,316,289**
Allowances for loans , advances and financing :		
Loan loss Allowance_stage 1	(3,182,186)	(2,290,254)
Loan loss Allowance_stage 2	(871,707)	(164,509)
Loan loss Allowance_stage 3	(3,437,019)	(3,482,375)
Total loan loss allowance	**(7,490,912)**	**(5,937,137)**
Net Carrying Amount	**248,997,369**	**193,379,151**

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Domestic trade and services	68,459,343	33,683,147
Import	16,514,527	13,332,584
Construction	12,360,663	14,364,682
Transport	20,308,697	11,625,869
Industry	46,163,295	45,415,964
Export	51,796,247	45,026,565
Agriculture	8,585,860	8,654,663
Consumer or personal	23,810,873	21,243,644
Gross amount	**247,999,504**	**193,347,118**

(iii) Interest free financing excluding deferred income analysed by economic purpose are as follows

	30 June 2026 Birr'000	30 June 2025 Birr'000
DTS	6,689,421	4,225,256
Manufacturing	589,261	1,311,499
Consumer and mortgage	2,078,637	983,892
Agricultural input	288,875	281,777
Building and Constriction	623,476	588,880
Motor Vehicle	465,150	399,494
Intl trade-export	459,389	287,598
Machinery and Equipment	292,892	170,548
Intl trade-import	7,438	15,637
Commercial banking	31,341	71647
	11,525,879	**8,336,228**
Unearned income	(3,037,103)	(2,367,057)
Gross financing and advances	**8,488,776**	**5,969,171**

(iv) The maturity profile of loans and advances are as follows

	30 June 2026 Birr'000	30 June 2025 Birr'000
Short -Term loan (within 12 months)	41,504,849	26,638,356
Medium -term loan(More than 1 year but less than or equal to five (5) years	76,867,005	29,978,979
Long- term loan (More than five (5) years)	138,116,426	138,160,066
Gross loans and Advances	**256,488,280**	**194,777,400**

The above classification by maturity is based on the loan portfolio classification methodology of the National Bank Ethiopia(NBE)

(v) The maturity profile of Murabaha financing are as follows

	30 June 2026 Birr'000	30 June 2025 Birr'000
Short -Term loan (within 12 months)	1,853,081	1,153,824
Medium -term loan(More than 1 year but less than or equal to five (5) years	4,738,180	3,374,623
Long- term loan (More than five (5) years)	1,897,515	1,440,724
Gross loans, Advances and Financing	**8,488,776**	**5,969,171**

The above classification by maturity is based on the loan portfolio classification methodology of the National Bank Ethiopia(NBE)

(vi) Analysis of changes in gross carrying amount and the corresponding impairement allowances for loans, advances and Interest free financing are as follows

As at 30 June 2026

Changes in the gross carrying amount of financing and advances carried at amortised cost that contributed to the changes in loss allowances during the financial year ended 30 June 2026 were mainly due to an increase in loan size, portfolio distribution, and loan loss amounts. Loans and advances for the financial year increased to Birr 256.49 billion, reflecting a rise of Birr 57 billion, within the ceiling prescribed by the National Bank of Ethiopia (NBE) for the fiscal year.

*One component of the increase in expected credit losses (ECL) relates to enhancements made to the IFRS 9 model in the prior period. In the current period, the probability of default (PD) computation was refined to incorporate more diversified risk profiles, including a requirement that individual exposures exceeding 5% of the bank's capital undergo a separate, exposure-specific risk assessment to determine their PD. This approach is prudential, as it improves the identification and measurement of credit risk associated with large exposures.

	2026			
In millions of ETB	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL not credit impaired**	**Stage 3 Lifetime ECL credit impaired**	**Total**
Loans and advances to customers at amortised cost (on balance sheet exposures)				
Balance at 1 July 2025	2,290,254	164,509	3,482,375	5,937,137
Transfer to 12 months ECL	(387,340)	48,748	338,592	-
Transfer to Lifetime ECL not credit impaired	350,367	(414,704)	64,336	-
Transfer to Lifetime ECL credit impaired	164,739	51,771	(216,510)	-
Net remeasurement of Loss allowance	891,932	707,199	(45,356)	1,553,775
Net financial assets originated or purchased	202,904	343,394	722,045	1,268,343
Financial assets derecognised	(330,671)	(29,209)	(908,463)	(1,268,343)
Balance as at 30 June 2026	**3,182,186**	**871,707**	**3,437,019**	**7,490,912**

	2025			
In millions of ETB	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL not credit impaired**	**Stage 3 Lifetime ECL credit impaired**	**Total**
Loans and advances to customers at amortised cost (on balance sheet exposures)				
Balance at 1 July 2024	1,249,465	632,678	1,932,347	3,814,490
Transfer to 12 months ECL	(923,423)	505,019	418,404	-
Transfer to Lifetime ECL not credit impaired	45,158	(51,631)	6,473	-
Transfer to Lifetime ECL credit impaired	23,365	12,516	(35,882)	-
Net remeasurement of Loss allowance	1,040,788	(468,169)	1,550,028	2,122,646
Net financial assets originated or purchased	1,054,335	(391,578)	100,332	763,089
Financial assets derecognised	(199,435)	(74,326)	(489,327)	(763,088)
Balance as at 30 June 2025	**2,290,254**	**164,509**	**3,482,375**	**5,937,137**

18 INVESTMENT SECURITES

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

a). Financial assets at amortized cost (Government securities)	**30-Jun-26** Birr'000	**30-Jun-25** Birr'000
Investment on DBE bond	4,907,013	4,066,936
Investment in Treasury Bills	200,000	-
Investment in Treasury bond	11,564,742	11,201,770
	16,671,756	**15,268,706**
Allowances for impairment losses	(796)	(730)
	16,670,960	**15,267,976**

(b)Details of government securities

	30 June 2026 Birr'000	30 June 2025 Birr'000
As at July 01	15,268,706	10,821,797
Additions	2,822,441	5,522,324
Redeemed on maturity	(2,117,539)	(1,240,168)
Accrued Interest income	698,146	164,753
	16,671,756	**15,268,706**

(c) Impairment allowance on Government securities

	30 June 2026 Birr'000	30 June 2025 Birr'000
At 1 July	(730)	(516)
Impairment charge for the year	(65)	(214)
At 30 June	**(796)**	**(730)**

We used Simplified ECL approach for impairment calculation

d) The maturity profile of government bills are as follows

	30 June 2026 Birr'000	30 June 2025 Birr'000
Within one year	166,743	2,983,863
One year to three years	-	2,000,730
Three years to five years	11,149,174	10,284,114
After five years	5,299,521	-
	16,615,438	**15,268,706**

e). Equity investment

Financial assets at FVOCI (Equity investments)	30 June 2026 Birr'000	30 June 2025 Birr'000
	1,760,581	1,442,225
	1,760,581	**1,442,225**

The fair value of the equity investments was made by the internationally known consulting firm (KPMG) in collaboration with other Ethiopian private banks.

f). Movements and details of equity Investment securities as follows;

The Investments comprise of: At 30 June, 2026	As at 01 July, 2025 **Birr'000**	Additions **Birr'000**	Changes in fair value **Birr'000**	**30 June 2026 Birr'000**
EthSwitch S.Co	749,418	8,203	201,256	**958,877**
Addis-Africa Int. Convention & Exhibition Centre	74,334	3,812	174	**78,320**
Hohete Tibeb S.Co	29,064	-	(11,940)	**17,124**
Ethiopian Reinsurance S.Co	68,469	-	(2,684)	**65,785**
Abay Industry Development S.Co	477,259	15,280	70,825	**563,365**
Yetebaberut Beherawi Petroleum S.Co	24,522	3,496	12,301	**40,320**
Nile Insurance S.Co	326		14	**340**
Ethiopian Securities Exchange Share Company (ES	18,832	19,482	(1,862)	**36,451**
	1,442,225	**50,272**	**268,084**	**1,760,581**

The Investments comprise of: At 30 June, 2025	Beginning Balance Birr'000	Addition Birr'000	Changes in fair value Birr'000	30 June 2025 Birr'000
EthSwitch S.Co	494,165	44,624	210,630	749,418
Addis-Africa Int. Convention & Exhibition Centre*	20,481	58,668	(4,815)	74,334
Hohete Tibeb S.Co	15,367	1,628	12,069	29,064
Ethiopian Reinsurece S.Co	37,740	15,710	15,020	68,469
Abay Industry Development S.Co*	427,970	21,970	27,319	477,259
Yetebaberut Beherawi Petrolem S.Co	3,453	7,329	13,740	24,522
Nile Insurance S.Co	278	101	(52)	326
Ethiopian Securities Exchange Share Company (ES	19,482		(650)	18,832
	1,018,934	**150,031**	**273,260**	**1,442,225**

Investments in unlisted equity securities are non-current

19 Other assets	30 June 2026 Birr'000	30 June 2025 Birr'000
Acquired collaterals	2,077,937	1,006,053
Sundry receivables	10,286,277	7,569,063
Items in course of collection from other banks	3,436,100	1,976,094
Deposit and Prepayment	1,157,480	450,041
Prepaid staff asset	2,170,694	2,398,651
Gross amount	**19,128,488**	**13,399,902**
Less: other asset -ECL	(613,543)	(504,559)
	18,514,945	**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 the 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 associations, 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;

19a *Maturity analysis*	30 June 2026 Birr'000	30 June 2025 Birr'000
Within one year	19,023,438	13,094,146
One year to three years	12,561	210,651
Three years to five years	2,413	6,749
After five years	90,076	88,356
	19,128,488	**13,399,902**

19b Impairment allowance on other assets

The movement in impairment allowance on other financial assets is as follows:

	30 June 2026 Birr'000	30 June 2025 Birr'000
At 1 July	504,559	22,669
Change in impairment		481,890
Reversale of previous provistion held	108,984	
Previous year adjustment held in the regulatory risk reserve account	-	-
Balance at the end of the year	**613,543**	**504,559**

20 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 30 June 2026	**187,670**
Accumulated depreciation and impairment losses	
As at 1 July 2024	
Transfer from property and equipment	1,774
Amortisation for the year	235
As at 30 June 2025	**2,009**
As at 1 July 2025	2,009
Amortisation for the year	1,549
As at 30 June 2026	**3,558**
Net book value	
As at 30 June 2025	10,330
As at 30 June 2026	184,112

The investment property comprises of the following properties:

20a Amounts recognised in profit or loss for investment properties

	Notes	30 June 2026 Birr'000	30 June 2025 Birr'000
Rental income		29,589	19,003
Direct operating expenses from property that generated rental income		-	-
		29,589	19,003

20b 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.

20c Fair value hierarchy

Details of the Bank's Investment properties and information about the fair value hierarchy at 30 June 2026, and 30 June 2025 respectively are as follows:

30 June 2026	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

21 Intangible Assets

	30 June 2026 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	717,595
WIP	(343,866)
As at 30 June 2026	**1,888,806**
Accumulated amortisation and impairment losses	
As at 1 July 2024	306,421
Amortisation for the year	128,834
As at 30 June 2025	**435,255**
As at 1 July 2025	435,255
Amortisation for the year	195,808
As at 30 June 2026	**631,063**
Net book value	
As at 30 June 2025	**1,079,822**
As at 30 June 2026	**1,257,743**

22 Leases

22.1 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 lease is presented below.

22.1.1 Right-of Use Assets and lease obligation

Information about leases for which the Bank is a lease is presented below;

	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		41,423	41,423
Additions during the year	4,790	2,077,366	2,082,156
Balance at 30 June 2026	**245,853**	**9,320,363**	**9,566,216**
Amortisation			
Balance at 01 July 2024	12,143	2,721,187	2,733,331
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	-	41,423	41,423
Charge for the year	4,017	1,206,088	1,210,105
Balance at 30 June 2026	**20,176**	**4,999,788**	**5,019,965**
Net Carrying Value at 30 June 2025	**224,903**	**3,449,296**	**3,674,199**
Net Carrying Value at 30 June 2026	**225,677**	**4,320,574**	**4,546,251**

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**	**283,891**	**330,589**
Balance at 01 July 2025	46,698	283,891	330,589
Additions		16,508	16,508
Interest expense in P & L	-	12,467	12,467
Payment of Leases	0	(83,184)	(83,184)
Balance at 30 June 2026	**46,698**	**229,682**	**276,381**

At 30 June 2026, the future minimum lease payments under non-cancellable operating Leases were payable as follows

Maturity analyis-Contractual undiscounted cash flows

	June 30,2026	30,2025
Less than one year	3,244	96,102
Between one and five years	226,373	187,363
More than five years	46,764	47,124
Total undiscounted leases liabilities at 30 June	**276,381**	**330,589**

22.1.2. Amounts recognized in profit or loss

	June 30,2026	June 30,2025
Interest expenses on lease liabilities (Note 6)	12,467	13,453
Short term leases of low value assets(ATM rent)	30,135	25,075

Amounts recognized in statement of cash flows

	June 30,2026	June 30,2025
Total cash outflows for leases	2,148,832	683,247

22.2. Leases as Lessor

22.2.1 Finance Lease
The Bank does not hold any finance leases in its capacity as a lessor

22.2.2 Operating Lease

The Bank leases out its buildings property. The bank has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 20 sets out information about the operating leases of property and equipment.

Rental income recognized by the bank during the year ended 30 June 2026 was birr 29 million(2025 birr 19 million)

23 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
Reclassification	196,751					(196,751)	-
Disposals		-	(7,851.41)	(6,033.74)	(4,550.16)	-	(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	15,653	1,116	4,955,471	633,342	635,288	7,199	6,248,068
Reclassification	(118,369)					(56,962)	(175,330)
Fixed asset adjustments			3		-	0	3
Disposals		(4,113)	(1,226)	(3,211)	(3,416)	-	(11,965)
As at 30 June 2026	2,233,998	1,335,688	8,477,584	2,633,270	2,099,415	173,519	16,953,473
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	497,199	624,229	-	2,704,344
As at 1 July 2025	153,056	536,788	893,073	497,199	624,229	-	2,704,344
Charge for the year	31,926	114,479	560,710	190,049	213,830	-	1,110,995
Accumulated depreciation on disposals	-	(3,907)	(1,153)	(2,227)	(3,307)		(10,594)
As at 30 June 2026	184,982	647,359	1,452,631	685,021	834,752		3,804,745
Net book value							
As at 30 June 2025	2,183,657	801,898	2,630,263	1,505,940	843,315	223,281	8,188,353
As at 30 June 2026	2,049,016	688,329	7,024,953	1,948,249	1,264,663	173,519	13,148,728

	30 June 2026 Birr'000	30 June 2025 Birr'000
24 Deposits from customers		
Savings deposits	201,230,909	158,640,864
Demand Deposits	50,280,908	34,038,780
Fixed Time Deposits	26,470,334	18,975,185
	277,982,151	**211,654,830**

	30 June 2026 Birr'000	30 June 2025 Birr'000
The deposits are sourced from the following types of customers		
Private sector & Staffs	237,445,661	184,455,303
Co-operatives & Associations	4,904,314	4,339,212
Domestic banks	3,653,801	2,372,945
NR - Transferable Birr accounts	130	161
Public agencies & enterprises	16,356,130	11,410,935
NR - Non-transferable Birr accounts	185	249
Resident and non resident - Foreign currency accounts	7,534,070	4,931,841
Retention account	6,871,492	3,526,247
Central Government	474,745	315,335
Regional government	741,624	302,603
	277,982,151	**211,654,830**

The weighted average effective interest rates on interest bearing customer deposits as at 30 June 2026 was 6.98% (June 2025 -6.37%)

	30 June 2026 Birr'000	30 June 2025 Birr'000
The maturity profile of fixed deposits and negotiable instruments of deposits are as follows		
Within six months	19,571,107	15,632,917
Six months to one year	6,852,377	3,295,992
One year to three years	73,850	45,277
Above three years	1,000	1,000
	26,498,334	**18,975,186**

	30 June 2026 Birr'000	30 June 2025 Birr'000
25 Interest free customers deposits		
The deposits are presented types of deposits:		
Saving Deposits;		
Mudarabaha	2,822,984	2,096,149
Wadia	31,091,185	24,502,211
	33,914,169	**26,598,360**
Demand Deposits;		
Wadia Current	6,201,159	4,488,181
	6,201,159	**4,488,181**
Term Deposits;		
Mudarabaha	688,114	438,368
	688,114	**438,368**
Total IFB Deposit	**40,803,442**	**31,524,908**

Please note the term deposits are restricted or unrestricted

The IFB deposits are sourced from the following types of customers:

	30 June 2026 Birr'000	30 June 2025 Birr'000
Private sector & Staffs	40,030,071	31,296,679
Co-operatives & Associations	570,626	182,583
Domestic banks	148,707	32,118
Public agencies & enterprises	54,038	13,528
	40,803,442	**31,524,908**

The maturity profile of Term deposits are as follows:

	30 June 2026 Birr'000	30 June 2025 Birr'000
Within Three months	493,844	314,607
Three months to Six Month	87,177	55,537
Six Month to One year	82,975	52,860
Above one year	24,119	15,365
	688,116	**438,369**

		Note	30 June 2026 Birr'000	30 June 2025 Birr'000
26	**Other liabilities**			
	Cashiers' payment orders		569,884	959,689
	MTs and TTs payable - local and foreign		272	300
	Dividend payable		351,986	499,508
	Exchange and auction payable to NBE		263,756	282,023
	Accrued leave payable		630,585	422,949
	Board of Director fee		1,350	1,350
	Margins held on letters of credit		10,910,907	4,079,714
	Other payables		4,557,002	2,964,809
	Bonus accrual		1,156,157	718,613
	Unearned income	(i)	198,115	338,918
	Provistion for commitements and contingent liability	(ii)	82,892	221,320
	Gross amount		**18,722,906**	**10,489,194**

	30 June 2026 Birr'000	30 June 2025 Birr'000
Within one year	18,722,906	10,489,194
One year to three years		
Three years to five years		
After five years		
	18,722,906	**10,489,194**

(i). Movement in unearned income

	Guarantee commission	Service change on letter of credit	Total
2026			
01 July ,2025	138,314	200,604	338,918
Income recognized	(93,605)	(200,604)	-294,209
Deferred income	65,064	88,341	153,406
Balance at the end of the year	**109,774**	**88,341**	**198,115**

	Guarantee commission	Service change on letter of credit	Total
2025			
01 July ,2024	161,987	96,484.51	258,471
Income recognized	(123,625)	(96,484.51)	-220,109
Deferred income	99,952	200,604.31	300,556
Balance at the end of the year	**138,314**	**200,604**	**338,918**

(ii) Provistion for commitements and contingent liability

	Provistion for North ethiopia confilict	Off- balance sheet commitement	Legale case commitments	Total
01 July ,2025	221,320	341	-	221,661
Addition		68,941.25	13,610	82,551
Adjustment	(221,320)			-221,320
Write back				-
As at June 30, 2026	**-**	**69,282**	**13,610**	**82,892**

	Provistion for North ethiopia confilict	Off- balance sheet commitement	Legale case commitments	Total
01 July ,2024	515,917	77	-	515,994
Addition		264		264
Write back	(294,597)			-294,597
As at June 30, 2025	**221,320**	**341**	**-**	**221,661**

		30 June 2026 Birr'000	30 June 2025 Birr'000
27	**Retirement benefit obligations**		
	Defined benefits liabilities:		
	– Severance pay	795,145	438,526
	Liability in the statement of financial position	**795,145**	**438,526**

The duration of the liabilities, on which the assumptions have been set, was calculated to be 8 years on the current valuation assumptions and data.

Income statement charge included in personnel expenses:		
– Gross service cost	107,739	33,178
– Interest Cost on DBO	67,899	61,779
Recognition of past service cost	166,727	
Total defined benefit expenses	**342,365**	**94,957**
Remeasurements for:		
– Actuarial (Gains)/Losses on economic assumptions	(34,009)	49,625
– Actuarial (Gains)/Losses on experience (liabilities)	102,937	10,741
Expense/(Income) recognised in OCI	**68,928**	**60,366**

27a Severance pay

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

The Bank has updated executive management staff regulation Manual, which shows amended benefit payable to Executive Management, as follows;

Service at exit	Severance Benefit
0-3 years	30 days of salary for the first year of service and 10 days of salary for each year thereafter(only if exit on death)
3-5 years	90days of salary for the first year of service and 10 days of salary for each year thereafter
5-7 years	90days of salary for the first year of service and 15 days of salary for each year thereafter
More than 7 years	90days of salary for the first year of service and 30 days of salary for each year thereafter

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
A Liability recognised in the financial position	795,145	438,526

B Amount recognised in the profit or loss	30 June 2026 Birr'000	30 June 2025 Birr'000
Net Service Cost	107,739	33,178
Net Interest on Net Defined Benefit Asset	67,899	61,779
Recognition of past service	166,727	
	342,365	**94,957**

C Amount recognised in other comprehensive income:		
Remeasurement (gains)/losses arising from changes in demographic assumptions	-34,009	49,625
Remeasurement (gains)/losses arising from changes in the financial assumptions	102,937	10,741
Tax credit /(charge)	-20,678	-18,110
	48,250	**42,256**

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Net liability as start of period	438,526	311,174
Net expense recognised in income and expense	342,365	94,957
Net expense recognised in other comprehensive income	68,928	60,366
Actuarial (Gains)/Losses on	(54,674)	(27,971)
At the end of the year	**795,145**	**438,526**

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2026 Birr'000	30 June 2025 Birr'000
Discount Rate (p.a)	15.75%	14.60%
Salary Increase rate (p.a)	13.75%	12.20%
Net pre-retirement rate	**2.14%**	**2.14%**

ii) Mortality in Service

For ages over 47 we assumed that mortality should be in line with the SA85/90 ultimate standard South Africa mortality tables published by the Actuarial Society of South Africa ("ASSA"). These rates combined are approximately summarized as follows:

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

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

30 June 2026

	Base DBO ETB'000	DBO on changed assumptions ETB'000	% change
Discount rate +1%	795,145	749,918	-5.69%
Discount rate -1%	795,145	846,232	6.42%
Salary increase +1%	795,145	828,057	4.14%
Salary increase -1%	795,145	765,756	-3.70%

30 June 2025

	Base DBO ETB'000	DBO on changed assumptions ETB'000	% change
Discount rate +1%	438,526	408,497	-6.80%
Discount rate -1%	438,526	471,064	7.40%
Salary increase +1%	438,526	471,483	7.50%
Salary increase -1%	438,526	407,616	-7.00%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

Maturity Profile

Time to Maturity of membership	Liability Birr'000
<1 year	46,103
1-5 years	36,747
>5 years	712,295

		30 June 2026 Birr'000	30 June 2025 Birr'000
28	**Ordinary share capital**		
	Authorized:		
	Shares of Birr 1000 each	17,481,120	15,000,000
	Issued and fully paid:		
	Ordinary shares of Birr 1000 each	17,481,120	15,000,000

Capital Market Project Status

The registration process at Ethiopian Capital Market Authority (ECMA) has been finalized. As per Reference Number MSOD/0002/2026 dated March 17, 2026, in a letter issued by the Central Securities Depository (CSD), the shareholders' and securities data of Bank of Abyssinia (BoA) have been successfully migrated, recorded, and are now maintained electronically in the CSD system, based on the information officially submitted by BoA. And Bank of Abyssinia has confirmed that the final migrated data in the CSD system has been reconciled and formally accepted, representing the existing paid-up capital of Birr 15 billion.

Following the Bank's application for the extension of offer period, ECMA has approved the same until April 18, 2026 then until May 18, 2026. Based on our letter dated 16 June 2026 with reference no. BOA/CFO/076/2026, requesting approval of the allotment report for the rights offer made pursuant to the prospectus approved on 29 January 2026, the ECMA has approved the allotment for 2,481,120 securities with a total value of ETB 3,969,792,000.00 on June 24, 2026. On the date of settlement scheduled by Central Securities Depository (CSD), a total value of ETB 3,969,792,000.00 (ETB 2,657,178,206.50 from dividend and ETB 1,312,613,793.50 from cash) has been distributed or credited i.e ETB 2,481,120,000.00 (ETB 1,660,736,379.06 from dividend and ETB 820,383,620.94 from cash) to paid-up capital and ETB 1,488,672,000 (ETB 996,441,827.44 from dividend and ETB 492,230,172.56 from cash) to paid-up in excess of par on June 26, 2026. Therefore, the paid-up capital of the Bank has been increased from ETB 15 billion to ETB 17,481,120,000.00 as of June 26, 2026. We have also published the summary allotment report on the Bank's website on June 29, 2026. Currently, the Bank is in the process of listing on the Ethiopian Securities Exchange (ESX).

		30 June 2026 Birr'000	30 June 2025 Birr'000
29	**Share premium**		
	At the beginning of the year	5,998	5,998
	Addition for the year	1,488,672	-
	At the end of the year	**1,494,670**	**5,998**

The above explanation covers the movement description. The increase for the year was related to the bank's sale of shares above par value. Although the par value is 1,000 birr per share, the bank sold the shares to existing shareholders at 1,600 birr per share

30 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 should be from the net profit which shall be proposed by the Board of directors and subsequently approved by the general assembly.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Profit after tax	11,535,777	7,298,505
Weighted average number of ordinary shares in issue	15,033,988	14,473,381
Basic & diluted earnings per share (%age)	77%	50%

31 Retained earnings	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	4,973,379	2,576,914
Profit/ (Loss) for the year	11,535,777	7,298,505
Dividends declared	(4,973,379)	(2,576,914)
Director's Share of profit	(1,350)	(1,350)
Transfer to legal reserve	(2,883,944)	(1,824,626)
Transfer to regulatory risk reserve	(2,621,065)	(503,038)
Transfer from Revaluation surplus	3,888	3,888
At the end of the year	**6,033,306**	**4,973,379**

32 Legal reserve	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	6,225,670	4,401,043
Transfer from profit or loss	2,883,944	1,824,626
Recognition of deferred tax effect for previous years		
At the end of the year	**9,109,615**	**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 should 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.

33 Regulatory risk reserve	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	1,795,766	1,308,585
Transfer (from) / to retained earnings;		
Loan provision adjustment(IFRS vs NBE)	1,247,247	228,685
Other asset provision (IFRS vs NBE)	-164,583	-92,870
Interest Income suspended Adjustments	1,538,403	385,210
Write off other asset provision		-33,842
At the end of the year	**4,416,833**	**1,795,768**

The previous year's adjustments indicate that the reclassification of the other asset provision is in accordance with the National Bank of Ethiopia's provisioning requirements, moving it from the provision liability to the regulatory risk reserve account.

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is higher than the loan loss impairment determined using the expected loss model under IFRS, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the Bank.

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is less than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred from regulatory risk reserve to the retained earning to the extent of the non-distributable reserve previously recognised.

70% of the suspended interest income kept under this regulatory reserve account until the regulatory organs(NBE) amended the directive related with provision.

34 Other reserves:

	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	394,375	245,349
Movement in fair value reserve -equity investment	187,659	191,282
Re-measurement gains on defined benefit plan(Net of tax) (Note 27a)	(48,250)	(42,256)
At the end of the year	**533,784**	**394,375**

35 Revaluation Surplus Account

	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	420,823	424,711
Adjustment for the year		
Amount recycled to retained earning for the year	(3,888)	-3,888
	416,935	**420,823**

The revaluation surplus account is a non-distributable to shareholder's and non-taxable income kept under equity section which is the net revalued amount for building asset in order to the bank followed fair value approach as deemed cost for first time adoption of IFRS until Tax authority recognize fair value approach regarding with property, plant and equipment. However , during the year the revaluation surplus amount has reduced by the deprecated amount and transfer to retained earnings.

36 Cash generated from operating activities

	Notes	30 June 2026 Birr'000	30 June 2025 Birr'000
Profit before tax		15,849,406	10,101,094
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	23	1,110,995	755,903
Depreciation of investment property	20	1,549	234
Depreciation of right use of asset	22	1,210,105	1,046,361
Amortisation of intangible assets	21	195,808	128,834
Gain/(Loss) on disposal of property, plant and equipment	10	(19,117)	7,756
Impairment on loans and receivables	11	1,553,775	2,122,910
Impairment on other financial assets	12	109,050	507,599
Interest on lease liability		12,467	13,453
Severance accrual (net of payment)		287,691	66,986
Net Gain Foreign currency transactions and translations		(1,676,950)	149,569
Changes in working capital:			
-Decrease/ (Increase) in loans and advances	17	(57,171,992)	(31,579,216)
-Decrease/ (Increase) in other assets	19	(5,728,592)	(6,785,805)
-Increase/ (Decrease) in other liabilities	26	8,379,885	5,306,327
-Increase/ (Decrease) in deposits by customers	24	75,605,855	50,670,642
		39,719,936	**32,512,647**

37 Related party transactions

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:

37a. *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.	**30 June 2026 Birr'000**	**30 June 2025 Birr'000**
Loans to directors and executive Mangement	912,199	987,210
Shareholding in the Bank	900,171	105,385

During the fiscal year ended 30 June 2026, loans given to two Board members had an average collateral coverage of approximately 294% and weighted average interest rate of 19.45%. For the same period, loans to executive management had an average collateral coverage of approximately 260% and interest rate of 7%

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

Per the NBE related party directive number SBB 88/2024, any influential shareholders holding 5% or more interest as shareholders is classfied as a related party

	30 June 2026 Birr'000	**30 June 2025 Birr'000**
Loans , Advances and Financing	10,794,868	9,241,745
Shareholding in the Bank	6,262,430	5,406,324

The aggregate collateral coverage for loans extended to related parties other than the Board of Directors and Executive Management was approximately 229%, with a weighted average interest rate of 21%

37b *Key management compensation*

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2026.

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

	30 June 2026 Birr'000	**30 June 2025 Birr'000**
Board of directors remuneration		
Directors Allowance	4,643	2,515
Directors share on profit	1,350	1,350
Executive Management		
Salaries and other short term employee benefits	84,428	46,517
Sitting/ representation allowance	3,120	2,800

38 Contingent liabilities

38a Claims and litigation

The Bank is a party to numerous legal actions brought by various organizations and individuals arising from its normal business operations. As at 30 June 2026, the Bank's maximum exposure in respect of these legal cases amounts to Birr 27.22 million (30 June 2025: Birr 2.2 million). Based on legal professional advice, the Bank has held a provision of Birr 13.61 million against this exposure.

38b 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 only 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:

	30 June 2026 Birr'000	30 June 2025 Birr'000
Financial guarantees	8,605,386	9,641,522
Loans and advances approved but not disbursed	2,026,190	3,833,342
Unutilised overdraft and other revolving facilities	6,036,012	7,423,208
Letters of credit and Deffred LC	48,776,972	9,742,887
	65,444,560	**30,640,959**

In accodance with NBE asset classification directive No. 90/2024, the bank has set aside a Total provistions amounting of Birr 1.3 billion

39 Comparative Figures

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

40 Events after reporting period

Subsequent to the reporting period, the Bank of Abyssinia (BoA) was officially listed on the Main Market of the Ethiopian Securities Exchange (ESX) under the ticker symbol "BOAX."

This listing enhances the Bank's access to capital, improves liquidity for shareholders, and reinforces corporate governance standards. It also promotes public transparency and supports the Bank's long-term strategic positioning by enabling the trading of shares on a regulated and transparent market platform.

In the opinion of the Directors, except for the possible impact of the matter indicated above, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Bank as at 30 June 2026 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.