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Sidama Bank

ANNUAL REPORT

2024/25

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Sidama Bank
Together, We Can!

Sidama Bank
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Sidama bank

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+251- 11-470 4726
www.sidamabanksc.com
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Sidama Bank

ANNAUL REPORT

2024/25

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Sidama Bank

MISSION

"Provide professionally and technologically driven inclusive banking services by motivated employees thereby enhance stakeholders' value proposition"

VISION

"To become bank of customers' choice in Ethiopia by 2033."

Core Values

- Integrity
- Service Excellence
- Professionalism
- Team Work
- Socially Responsible
- Multiculturalism

በጋራ እንችላለን!

Together, We Can!

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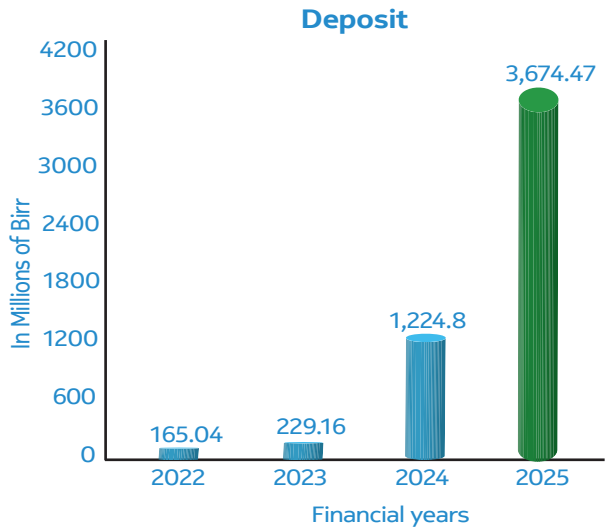
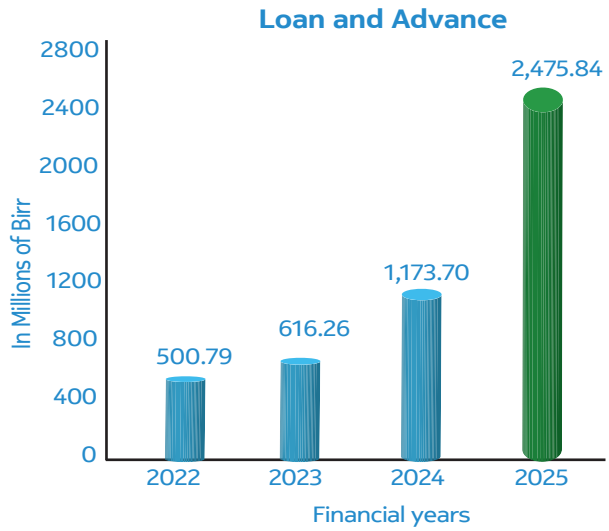
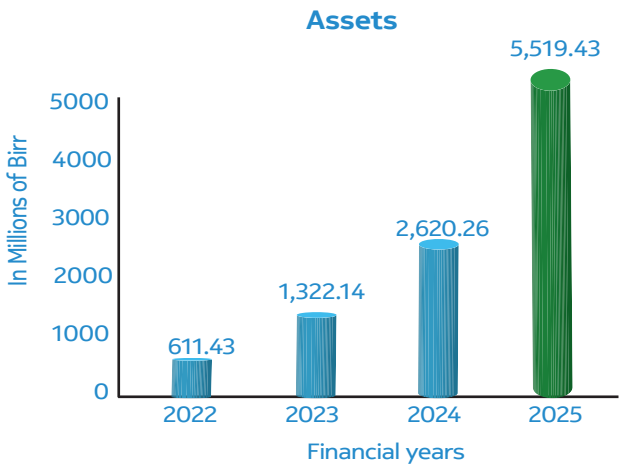
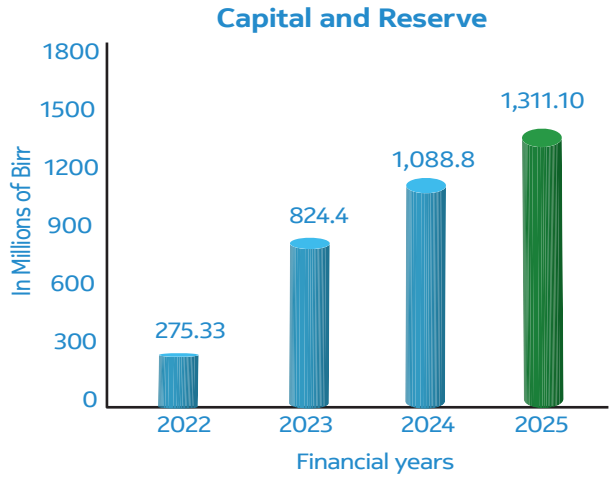
Together, We Can!

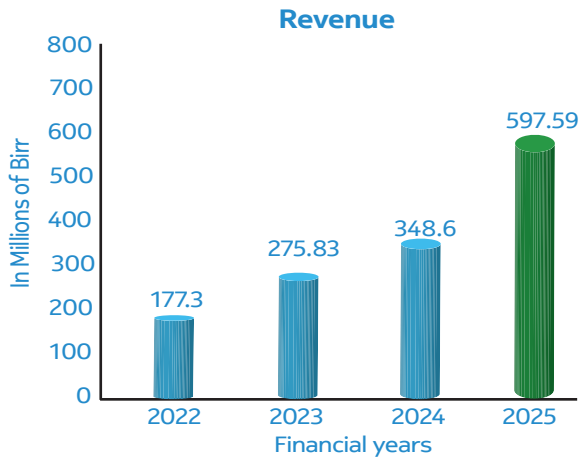
Highlights of Major Performances

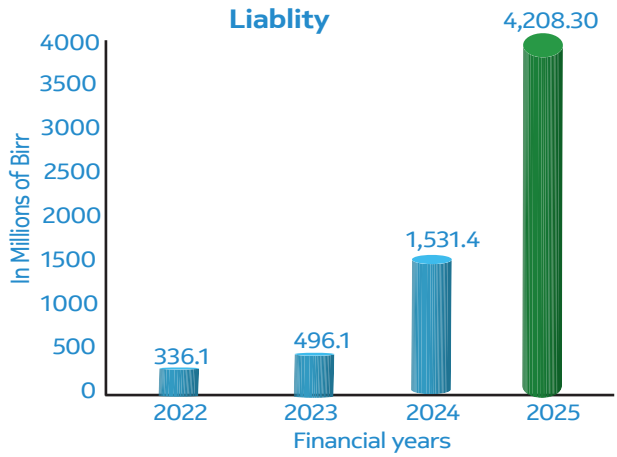


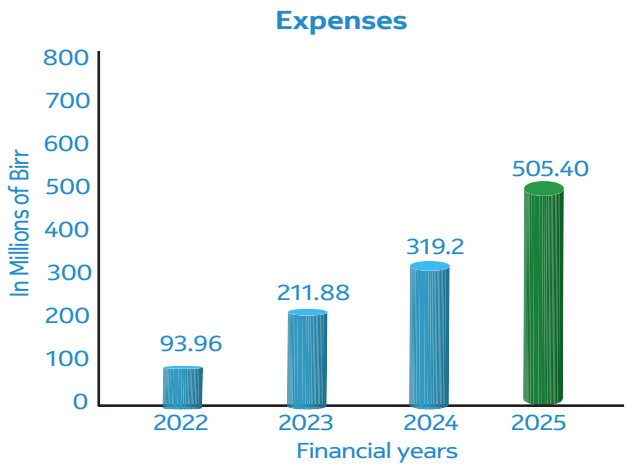


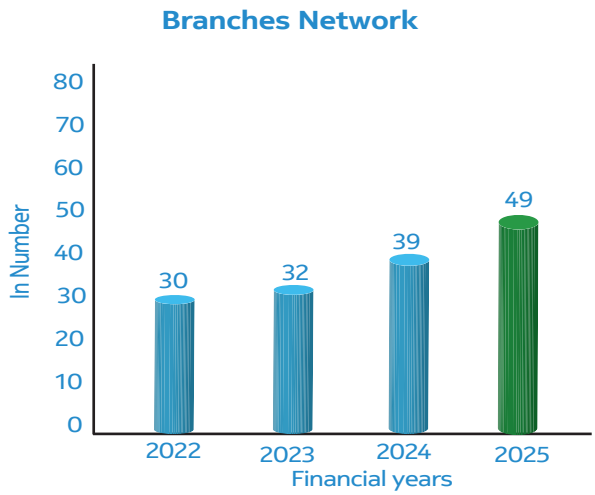












BOARD OF DIRECTORS

Ato Abreham Marshalo
BODs Chairperson

Ato Tsegaye Anebo
Vice Chairperson

Ato Timotewos Hayesso
Director

Ato Shebeku Magane
Director

Ato Haile Harsisa
Director

Dr Wogene Markos
Director

W/ro Muluwork Derese
Director

W/ro Woinshet Mengesha
Director

Ato Shimelis Hatiso
Director

Executive Management

Ato Tadesse Hatiya
Chief Executive Officer

Ato Shebeku Magane
V/P, Corporate Resource Management

Ato Elias Hirpo
Director, Credit Service

W/ro. Mihret Berhanu
Director, Internal Audit

Ato Dereje Temesgen
Director, Risk & Compliance Management

Ato Tadele Tilahun
Director, Legal Service & Loan Recovery

Ato Wondachewu Woledeyesus
Director, Information Technology

Ato Wonsha Michael
Director, Strategy & Marketing

Ato Ashenafi Wagisso
Executive Assistant to the President

Senior Management

Ato Tamiru Teferi
Director, Human Resource Operation & Development

Ato Sato Chebula
Director, Microfinance Operation

Ato Abebayew Getachew
Director, International Banking

Ato Dawit Guye
Director, Finance & Account

Ato Solomon Ambaw
A/Director, Property & Facility

Solomon Bezabeh
Director, Branch Operations

H.E. Ato Abraham Mareshalo
Chairperson of the Board of Directors

Message of the Board Chairperson

Dear Sidama Bank shareholders, distinguished guests, & distinguished participants,
First of all, on behalf of my colleagues on the Board of Directors and myself, I would like to express my great pleasure in presenting the operational and financial performance report of Sidama Bank S.C. for the Fiscal Year spanning from July 1/2024 to June 30/2025, at the 4th Annual General Meeting of Shareholders.

Dear Shareholders,
The 2024/25 Fiscal Year continued to grapple with challenges that have persisted from previous years. Throughout this period, we have observed a number of global, continental, and national events that have generated to economic imbalances globally, regionally, and domestically. The global economy proved moderate growth and stability in the Fiscal Year ending June 30, 2025, following several years marked by high inflation. While inflation trends and economic growth have varied across different continents and countries, there is a discernible trend towards decreasing inflation and a gradual improvement in economic growth to be seen.

Central banks across various countries have ordained strong policy reforms aimed at preventing global inflation. In the same fashion, in our country, significant economic reform was implemented in the last Fiscal Year. As a result, inflation has since stabilized to 13.9 %, from the inflation that surged to 29.4% in January 2025, with the measures taken by the government as part of the macroeconomic reform. Furthermore, the Fiscal Year ended with notable growth in international investment, increased remittance flows, and a significant improvement in coffee prices on the international market.

Dear Shareholders,
On the contrary, the global economy witnessed a multifaceted set of events during the Fiscal Year. As a result, the world has faced several major challenges that have impeded the growth of the global economy. Key factors contributing to this slowdown include widespread international trade conflicts, the ongoing unprecedented geopolitical instability, and escalating conflicts in various regions. Additionally, severe disruptions to economic activity and supply chains, technological advances especially in artificial intelligence (AI) have played a role. The stringent tariff and export controls by the US Administration along with volatile financial conditions and structural trade changes further exacerbate these issues. Heightened climate risks also pose additional threats to economic stability. As a result, global economic growth is projected to slowdown from 3.3% in 2023/24 to 3% in 2024/25.

In addition, geopolitical tensions across various regions and countries, including territorial disputes, ideological differences, competition for resources and adverse interactions among political actors have posed significant threats to international peace and stability. The ongoing Russia-Ukraine war, which is going on for more than three years, has exacerbated unrest in Eastern Europe and remains a critical source of geopolitical instability. This conflict, along with several other significant geopolitical conflicts and tensions, continue to escalate, contributing to global instability and humanitarian crises. The ongoing wars in Ukraine, Gaza, Iran, and neighboring Sudan, coupled with heightened tensions in East Asia, have profoundly affected the global economy in recent years. In addition, Ethiopia has faced its own challenges, including the implementation of macroeconomic reforms, security instability in some parts of our country, and the National Bank of Ethiopia's imposition of credit limits on commercial banks. These national events have significantly affected the Ethiopian economy over the past year.

Dear Shareholders,
In addition to these global factors, the Ethiopian economy has been hit hard, albeit to a lesser extent, by domestic insecurity in some parts of the country, macroeconomic instability, and the ongoing civil conflict and instability in neighboring countries in the Horn of Africa. These and other factors have led to rising commodity prices, slowing trade, reduced investment flows, reduced savings among the public, and increased fuel prices, all of which have had a significant impact on the banking industry.

Domestic and international challenges over the past two years have hindered the progress of Ethiopia's economic activity and growth. Specifically, factors such as lack of peace and security, persistent inflation, foreign exchange shortages, and widespread drought presented challenging obstacles. Nevertheless, the economy showed positive growth in the past year, a testament to comprehensive macroeconomic reform and strategic economic reforms implemented by the government.

Therefore, the Fiscal Year witnessed that the Ethiopian economy has recorded an economic growth rate of 9.2%, the highest in sub-Saharan Africa. The peaceful resolution of the war in the northern part of our country which established lasting peace contributed to the resiliency of the national economy. Furthermore, the Grand Ethiopian Renaissance Dam was successfully completed and inaugurated, and it was also a year of victory for the Ethiopian economy.
Dear Shareholders,

As it is important for our Bank to address the key challenges outlined above and to ensure the Bank's competitiveness and the profitability of its stakeholders, the Board of Directors and Management have resolved to advance with a new Ten-Year Corporate Strategic Plan. This plan will build upon the Five-Year Business Strategic Plan that was developed and implemented in the previous Fiscal Year. Additionally, our Bank has undertaken significant improvements and changes to its vision, mission, and core values, enabling the Bank to effectively analyze and anticipate the future flight of the banking industry in response to changing global and national conditions.

The Ten-Year Strategic Plan developed in this way set the mission statement of the Bank to "Provide professionally and technologically driven inclusive banking services by motivated employees thereby enhance stakeholders' value proposition" in order to achieve its main vision of "To become Bank of customers' choice in Ethiopia by 2033". Therefore, in order to maintain the Bank's sustainable competitiveness and profitability by using the values that build the Bank's image in a high level, key themes (strategic themes) have been identified to link daily activities with the strategic foundation. These strategic themes include Operational Excellence, Strategic Partnership, and Digitalization of banking services, resource mobilization, and organizational capability to ensure the long-term profitability of the Bank it has been raised as a major focus. By putting in place strategies to implement this, it was possible to achieve high results in all parameters by implementing them in the past fiscal year.

Dear Shareholders,
The market competition in the Ethiopian banking industry has become more intense than ever. In particular, competition in terms of deposit mobilization, expanding branch network, increasing the number of new customers base and retaining existing customers, increasing paid-up capital, and building asset quality has become challenging. In this regard, although the Fiscal Year that has just ended was difficult for our Bank, the Bank was able to achieve

another profitable year by undertaking many encouraging activities that have enabled it to become a worthy competitor and to make the upcoming Fiscal Year a good one. The Bank's Board of Directors, management, our hardworking and bright employees, our valued customers, and stakeholders should be commended for their significant contributions to this success.

Dear shareholders,
Despite the Ethiopian government's macroeconomic reforms and significant changes in the banking industry, Sidama Bank S.C. maintained its balance sheet growth momentum and continued its profitable path in the past fiscal year, with the Bank's total assets reaching 5.52 billion Birr during the reporting period. It showed a growth of 111% compared to the previous year. This is encouraging, moreover given the many challenges the economy has faced as it has brought significant alterations to the banking industry.

Furthermore, our Bank had a successful year, recording a net operating profit of 72.3 million Birr and nets other comprehensive income of 54.6 million Birr, resulting in a total net profit of 126.9 million Birr, which is 115% achievement of plan for the year. This remarkable profit is encouraging in light of the country's ongoing macroeconomic reform and the challenging conditions imposed by the National Bank of Ethiopia's credit expansion ceiling.

On the other hand, despite the challenging efforts to collect deposits through all our branches providing services, the Bank's total deposits reached Birr 3.67 billion, a 200% increase compared to the previous year.

Constrained by the National Bank's lending ceiling, the Bank's total loan portfolio reached Birr 2.47 billion, an increase of 110.9% compared to the previous year. In addition, the Bank has made investments in treasury bills and the purchase of bonds from the Development Bank of Ethiopia. Thus, the Bank invested a total of Birr 285.6 million. Our Bank had a remarkable year by disbursing loans worth Birr 2.23 billion to new and existing customers during the Fiscal Year, showing a growth of 178.7% compared to the previous year.

During the Fiscal Year, our country has made macroeconomic improvements, stimulating the domestic economy. The international coffee market has shown significant price expansion that helps the Ethiopian economy to strengthen. Our Bank has benefited from this opportunity and has significantly increased trade and investment activity with our customers. As a result of the credit conditions of our borrowers have improved. The performance reflected the strategic management adopted by our Bank's Board of Directors and Management. In light of these developments, the Bank's non-performing loans ratio has been reduced to 2.58 percent, below the ceiling limit set by the National Bank of Ethiopia. The achievement of NPL ratio of 2.58% shows 0.38 % decline from the previous Fiscal Year. Therefore, on behalf of myself and our valued shareholders, I would like to thank the Board of Directors and Management and employees of the Bank for their strong leadership in ensuring that our Bank's overall credit remains healthy and that we manage any negative impact on the Bank.

Dear Shareholders,
With the dedicated leadership of our Bank's Board of Directors and Management and the commitment of our shareholders, the Bank's total capital (equity) has reached Birr 1.31 billion, a 21 percent increase compared to the previous Fiscal Year. In addition, the Bank's reserve capital reached Birr 77.2 million, a 31% increase from the previous year. The paid-up capital of the Bank as at June 30, 2025 recorded Birr 1,054,121,000, which has increased by 15.44% from the preceding Fiscal Year.

This capital is in line with the Directive number SBB/78/2021 issued four years ago by the National Bank of Ethiopia, which mandated new commercial banks to increase their paid-up capital to Birr 5 billion over a period of seven years, ending June 30, 2030.

Furthermore, the low paid-up capital posed hurdle to working with international remittance institutions and adequately hold foreign currency. The capital limit has had a negative impact on the performance of our Bank. Therefore, I respectfully request you, the shareholders of our Bank, to make your contribution by purchasing additional shares and bringing in additional shareholders, as this is essential to reach the required capital level within the set time frame and to strengthen the Bank's operations and increase its foreign exchange holding capacity.

Additionally, the Bank's efforts to expand its customer base have borne fruit. During the current Fiscal Year under review, over 119,000 new customer accounts were opened, bringing the total number of customers served by the Bank to over 333,000. The Bank has achieved significant results in expanding its market share and customer base through a clear and strategic approach. At our Bank, greater emphasis has been placed on meeting customer needs and improving service excellence more than ever before, and great attention has been paid to enhancing customer service culture by adopting and implementing best practices from various parts of the world and our country.

Dear Shareholders,
In line with the Ten-Year Corporate Strategic Plan that our Bank is guided by, the Bank is well organized with skilled workforce, effectively implementing the Bank's mission, vision and values, ensuring the profitability of stakeholders and creating job opportunities for citizens. The human capital of the Bank has reached 843 employees. The human capital is consists of 59.3 percent clerical employees and the remaining 40.7 percent are engaged in non- clerical activities. The Bank hired 196 new employees during the Fiscal Year alone. In addition, our Bank has been working to provide information technology-enabled services to our customers and to modernize its systems to achieve service excellence. The Bank is currently completing the development of its core banking system, which was previously launched, and is working diligently to launch a mobile banking application in the digital banking services sector soon. The development of the core banking system and mobile banking application will significantly contribute to the expansion of the Bank's overall automation and digitalization efforts.

Dear Shareholders,
In the 2024/25 financial year, our Bank implemented a Ten-Year Corporate Strategic Plan, a Five-Year Business Plan, a One-Year Operational Plan, and a system to develop and streamline the decision-making role at various levels of responsibility of the Bank to strengthen the Bank's institutional structure. In addition, the Bank has established various board-level committees, including Risk and Compliance, Audit, Human Resources, Business Development, and Credit Committee to provide ongoing support to the management to ensure the institutional governance and operational safety of the Bank. The Board also ensures that the committees are working to realize the Bank's values, culture, and integrated growth while maintaining operational independence.

Dear Shareholders,
As always, on behalf of the Board of Directors of the Bank, I would like to express my sincere gratitude to our shareholders, customers of the Bank, and especially the Sidama National Regional Government for their unwavering support to our Bank throughout the past Fiscal Year.

The Management and staff of the Bank have actively engaged with various stakeholders in the financial industry, routing a complex macroeconomic landscape during this period of significant change. In an economic environment where banks using advanced banking technology, telecom operators, financial service providers, microfinance institutions, and credit and savings cooperatives are flourishing, the Bank has overcome all these challenges. I express my deepest gratitude, on behalf of myself and my esteemed shareholders, for their tireless contributions to the achievement of the Bank's objectives.

Furthermore, I would like to assure you that in this Fiscal Year that we have just begun, the Board of Directors, the Management, and employees of our Bank will make unremitting efforts to make our Bank more competitive, profitable, and superior in the financial services sector. I confidently assure that the upcoming Fiscal Year will be bright with Sidama Bank. I call on all of us to contribute more than ever to make the Bank's mission, vision, and value a reality.

Finally, I would like to express my heartfelt gratitude to our valued customers who have placed their trust in us and worked together to place our Bank on a higher pedestal. I would like to express my sincere gratitude to the Management, staff and other relevant government institutions particularly the National Bank of Ethiopia, who have not only provided supervision but also provided professional and valuable support to ensure that our Bank continues to be effective in its overall activities.

Thank you!

Ato Abraham Mareshalo Etisso
Chairman of the Board of Directors

H.E.Ato Tadesse Hatiya Oge
Chief Executive Officer

Message of the Chief Executive Officer

Respected Shareholders,
It is with immense pride that I present to you the annual performance report of Sidama Bank S.C. for the Fiscal Year ending June 30, 2025. Despite encountering considerable challenges, Sidama Bank has once again shown resilience, achieving record-breaking results in all parameters. These accomplishments underscore our unwavering dedication to increasing shareholders' value, conducting responsible business practices, and delivering greater benefits to our customers.
According to the IMF's World Economic Outlook during the 2024/25 Fiscal Year, the global economy showed stronger-than-expected resilience, helped by a decline in inflation from its peak in 2024. However, overall growth still lagged behind historical averages, due to persistent high borrowing costs, diminished fiscal support, geopolitical tensions, and lingering impacts of the American government trade tariff. Ongoing conflicts such as the war in Ukraine, the Israel-Gaza crisis, and increasing geo-economic fragmentation continued to hinder global economic progress throughout the 2024/25 Fiscal Year.

In addition, during the Fiscal Year, around June 2025, the global economy experienced moderate growth and stability, with inflation declining after several decades of highs, but inflation remained unstable for many months. Although this inflation and economic growth varied across continents and countries, despite the differences, positive economic changes have been observed, and various countries have strengthened their central banks' policies to combat inflation. With the economic reforms that our country has undertaken, the inflation rate in January 2024 was 29.4%, and currently it has been reduced to 13.9%. It was also a year of increased international investment, increased remittances, and significant improvements in international coffee prices.

Respected Shareholders,
Therefore, in addition to these global factors, the Ethiopian economy has been somewhat damaged by domestic insecurity and instability in some areas of our country, macroeconomic instability, and the internal conflicts and instability in neighboring countries in the Horn of Africa. These and other factors have led to rising commodity prices, slowing trade, declining investment flows, reducing the public's savings, and increasing fuel prices. Such changes have also had a significant impact on the banking industry.

In addition, Ethiopia has faced a number of domestic and external challenges over the past two years that have affected its overall economic performance and growth. Despite the challenges of the past year, such as lack of peace and security, persistent inflation, foreign exchange shortages, and widespread drought, the economy has been resilient and it has shown positive progress in designing an economic strategy and implementing domestic macroeconomic reforms. Therefore, it was a year in which our country recorded an economic growth rate of 8.4%, the highest in sub-Saharan Africa, and in which the war in the northern part of our country was peacefully resolved and lasting peace was established, and the Grand Ethiopian Renaissance Dam was successfully completed and inaugurated, and it was also a year of victory for the Ethiopian economy.

Banking and Financial Sector Overview
The banking sector has encountered multiple challenges, including restrictive monetary policies and difficult macroeconomic environments. Ongoing liquidity shortages and limited access to

foreign exchange have further pressured profit margins. Despite these difficulties, the industry remains on a growth trajectory. The emergence of FinTech companies and telecommunications firms in the payment industry has spurred significant innovation, with the notable influence of telebirr in advancing digital payments.

Operational and Financial Outcomes

Following numerous challenging circumstances, and through the collaborative efforts of the Bank's Board of Directors, the Executive Management, and staff, Sidama Bank has seen impressive progress in both its assets and earnings. The Bank's total assets soared to Birr 5.52 billion during the reporting period, a substantial rise from Birr 2.62 billion the previous year, representing an increase of 111%. Additionally, the Bank experienced a successful year, recording a net operating profit of Birr 72.3 million and total comprehensive income of Birr 54.6 million, culminating in a total net profit of Birr 126.9 million, up 77.2% from last year's Birr 71.6 million profit. Moreover, the Bank recorded the highest deposit growth among new generation's banks, with incremental deposits reaching Birr 2.45 billion. The overall deposit amount reached Birr 3.67 billion, reflecting a 200% increase compared to the previous Fiscal Year.

Sidama Bank emphasizes the importance of attracting foreign exchange and diversifying its revenue streams. For the 2024/25 FY, the Bank planned to mobilize foreign currency amount of totaling USD 5,000,000 from various sources, including export proceeds, remittance, FOREX bureaus and NBE dealings. During the year under review, the Bank exceeded this target, successfully mobilizing USD 5.8 million, beating its target 116%. On other hand, the Bank has planned to generate income from IBD sources amounting Birr 22.7 million during the annual period of the 2024/25 FY. Remarkably, the Bank has successfully generated Birr 112.3 million, representing an impressive 494% of the income planned for the period under review. Sidama Bank has established partnerships with more than one international money transfer service provider, including Dahabshiil, which has supported the mobilization of foreign currency (FCY). The Bank maintains strong relationships with several international correspondent banks such as CAC International Bank (Djibouti), Aktif Bank (Turkiye), Bank of Beirut Ltd. (UK), and Zhejiang Chouzhou Commercial Bank Co., Ltd. (China). These collaborations improve the Bank's capacity to generate foreign exchange through remittances and other incoming transfers. However, recent changes in financial policies such as the liberalization and standardization of foreign exchange rates are anticipated to boost the Bank's foreign currency revenue and foster a more competitive environment within the banking sector.

Respected Shareholders,

Our Bank's efforts to expand its customer base have yielded results. During the current Fiscal Year under review, the Bank fruitfully opened over 119,000 new customer accounts, bringing the total number of customer bases to more than 333,000. The Bank has achieved significant results in expanding its market share and customer base through a clear and strategic approach. At Sidama Bank, we have placed a delicate emphasis on understanding and addressing customer needs, while also improving service excellence. We are committed to enhancing customer service culture by adopting and implementing best practices from various parts of both the world and our country.

Throughout the Fiscal Year, the Bank achieved impressive growth in its equity, increasing to Birr 1.31 billion; this represents a 21% rise. The paid up capital also expanded by Birr 141 million, reflecting a 15.4% growth for the year. Additionally, Sidama Bank has enhanced customer access by investing in modern technology and digital channels, alongside expanding its physical branch network. During the period, the Bank inaugurated 10 new branches, bringing

the total number of branches to 49. The Bank has continued to boost the deployment of ATM terminals, expanded service accessibility, and increased both the volume and frequency of digital transactions. Additionally, there are approximately 14thousand cardholders, and the number of mobile banking users has risen to nearly 26.4 thousand.

Respected Shareholders,
As we kick off our new decade long corporate strategic plan and roadmap as of the 2024/25 Fiscal Year, we embark on a comprehensive Five-Year Business Plan complemented by a one-year operational plan. As we introduce the Ten-Year Corporate Strategic Plan covering 2024/25 to 2033/34, we remain optimistic about Sidama Bank's future. Our commitment is to deliver outstanding performance and maximize value for our shareholders.

With the Ethiopian government's macroeconomic reforms and the uncertain business conditions in practice, we will ensure that our strategic priorities are effectively implemented in a new spirit. Our Bank's Ten-Year Strategic Plan includes several columns that confirm the Bank's competitiveness and profitability, among them Operational Excellence, Digitalization, Strategic Partnership, Resource Mobilization and Organizational Capability are the themes that are expected to contribute significantly to the Bank's profitability in ten years. Additionally, they prioritize environmental sustainability and corporate responsibility, aiming to integrate Environmental, social, and Governance (ESG) considerations into their fundamental strategic objectives.

Respected Shareholders,
In the Ten-Year Corporate Strategic Plan, we have launched with a new spirit, strengthening our strengths in line with the evolving banking landscape and customer preferences, which has led the Bank to record high profits across all parameters in this Fiscal Year.

We are highly confident in our ability to achieve growth across all industry sectors, aligned with our strategic roadmap and vision, "To Become Bank of Customers' Choice in Ethiopia by 2033". The Bank is committed to strengthening relationships with existing customers while actively seeking new clients and partnership opportunities. We focus on enhancing operational efficiency, expanding our market share, and leveraging advanced technology. Additionally, we aim to maintain low operational costs while delivering strong results and with the robust governance, oversight, and leadership provided by the Board of Directors, along with the unwavering dedication and commitment of the Executive Management and staff, I am confident that the Bank will successfully meet its profitability and growth targets in the upcoming year.

In my final remarks, I wish to express my heartfelt appreciation to our valued customers and the Bank's shareholders for their continued support. I am also grateful to the Board of Directors for their guidance and collective wisdom in navigating the challenges faced by the Sidama Bank. Additionally, I extend my sincere thanks to the Management Team and all staff members for their unwavering commitment and dedication. I would like to express my sincere gratitude to the management, staff and other relevant government institutions of the National Bank of Ethiopia, who have not only provided supervision but also provided professional and valuable support to ensure that our Bank continues to be effective in its overall activities.

Thank you all!

Ato Tadesse Hatiya Oge,
Chief Executive Officer

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Sidama Bank

Board of Directors’ Report

Board of Directors' Report For Fiscal Year 2024/25

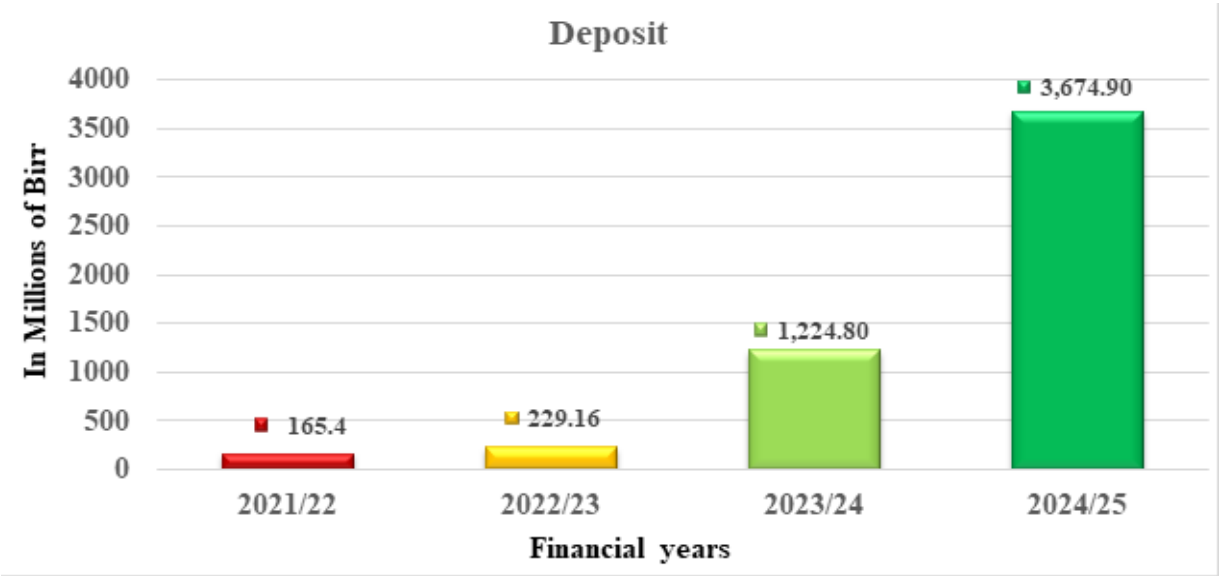
First of all, on behalf of myself and my colleagues at the Board of Directors of Sidama Bank S.C, I would like to express my great pleasure in presenting the operational and financial performance report of Sidama Bank for the Fiscal Year from July 1/2024 to June 30/2025 to the 4th Annual General Meeting of Shareholders.

1.Operational Performance

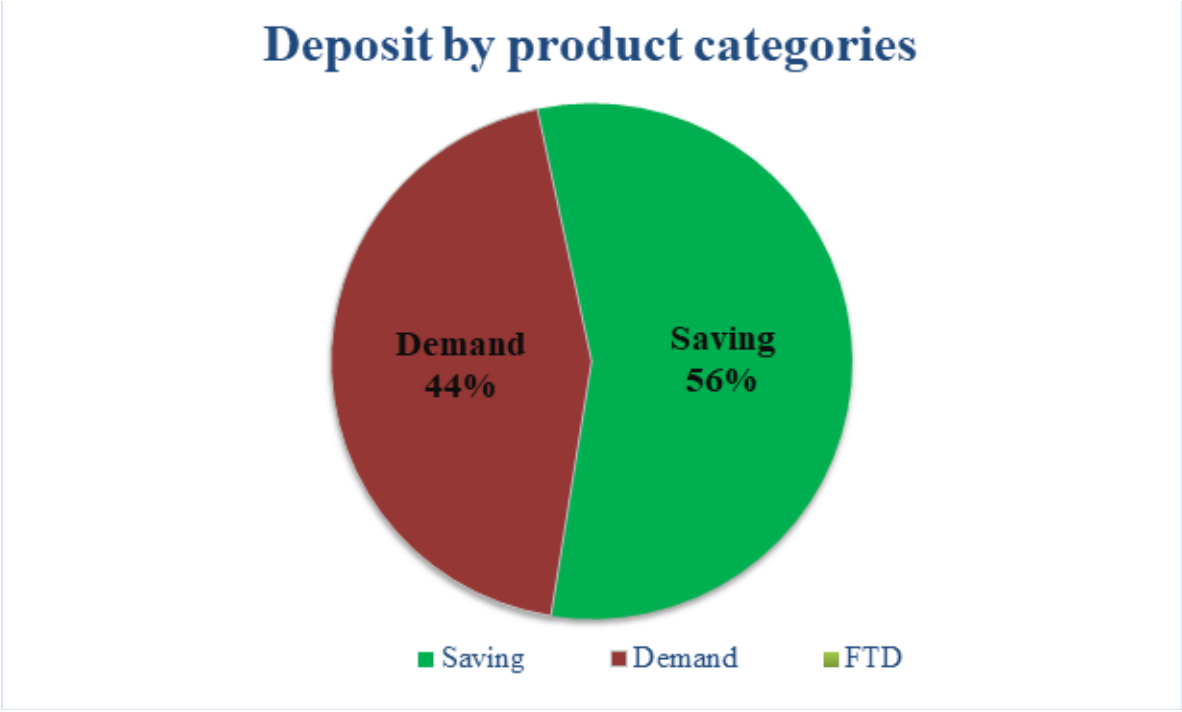
The Fiscal Year was marked by significant achievements in both financial and operational aspects, driven by substantial efforts to enhance customer service and promote growth. As a result, the Bank mobilized record high amount of local currency in its history and this categorized the Bank among the top performer banks in the industry during the Fiscal Year. The Bank proved to be sufficiently effective and successful in transforming resources into profits.

1.1.Deposit Mobilization

During the Fiscal Year 2024/25, the Bank continued to exhibit impressive growth patterns, with total additional deposits amounting to Birr 2.45 billion, reflecting a 200% increase compared to the previous year. As of June 30, 2025, the Bank's total outstanding deposits reached Birr 3.67 billion. Additionally, the Bank has planned to mobilize net total incremental & positional deposits of Birr 1.5 billion & Birr 2.72 billion respectively from different existing and potential customers for the operational year just ended (July 1, 2024 to June 30, 2025). The report revealed that the Bank remarkably achieved to mobilize net incremental & positional deposit of Birr 2.45 billion (163%) with plan & 3.67 billion (135%) positional respectively within twelve months of the Fiscal Year. When we look at the aggregate deposit mix of the Bank, it shows the total deposit constitutes 55.83% of saving, 44.17% of Demand and 0.0% of Fixed Time Deposits.

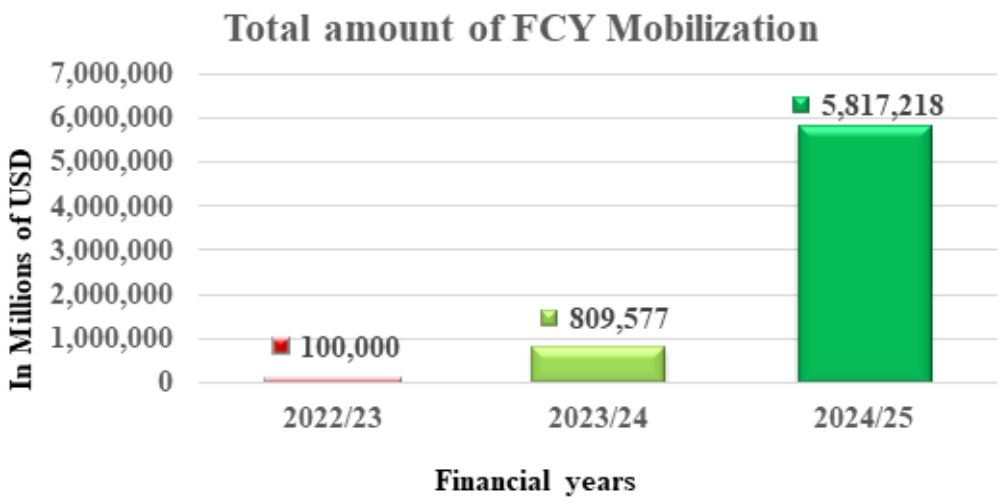


Total Deposit by product categories

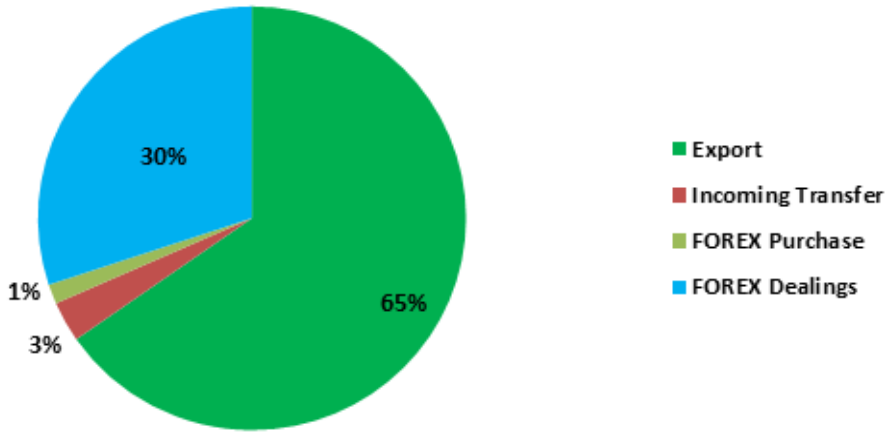


1.2. International Banking Services

For 2024/2025 budget year just ended (July 1, 2024 to June 30, 2025), the Bank has planned to mobilize foreign currency amount of USD 5 Million from different sources including export proceeds, remittance, FOREX bureaus and NBE dealings. While during the year under review, the Bank was successfully able to mobilize USD 5.8 million (116%). On other hand, the Bank has planned to generate income from International Banking Department's sources amounting Birr 22.7 million during the annual period of the 2024/25 FY, whereas the Bank was successfully able to generate Birr 112 Million (494%) within the budget year. In a related development, the Bank has established partnerships with more than one international money transfer service provider, including Dahabshiil. This has supported the mobilization of foreign currency (FCY) during the review period. The Bank maintains strong relationships with several international correspondent banks such as CAC International Bank (Djibouti), Aktif Bank (Turkiye), Bank of Beirut Ltd. (UK), and Zhejiang Chouzhou Commercial Bank Co., Ltd. (China). These collaborations improve the Bank's capacity to generate foreign exchange through remittances and other incoming transfers.



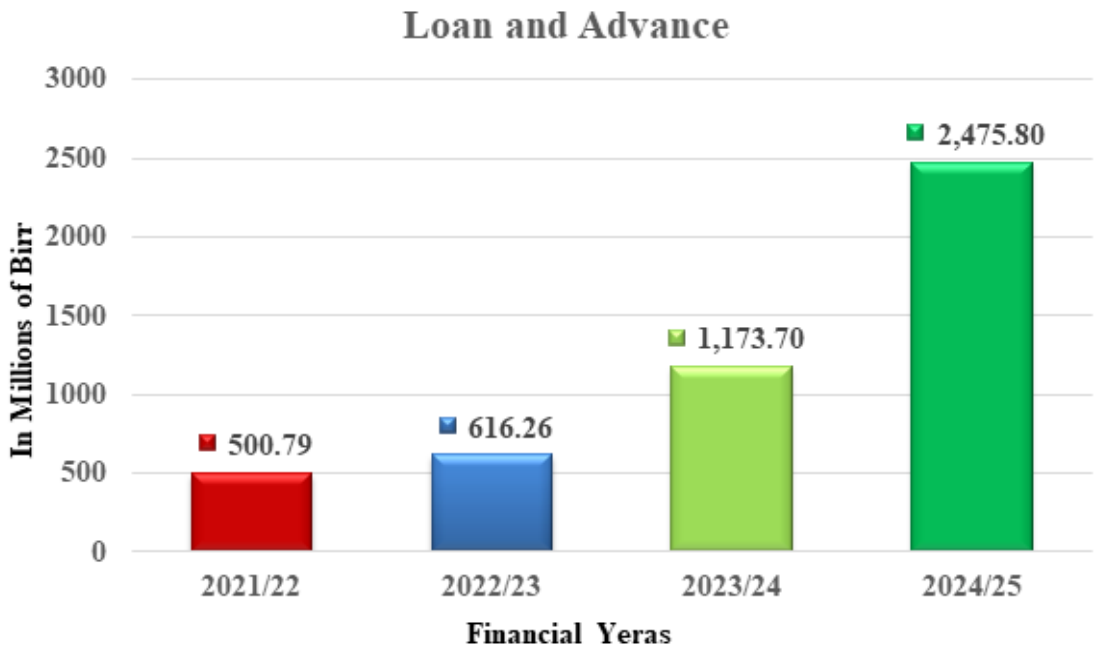
Total Amount of FCY Mobilized by Product

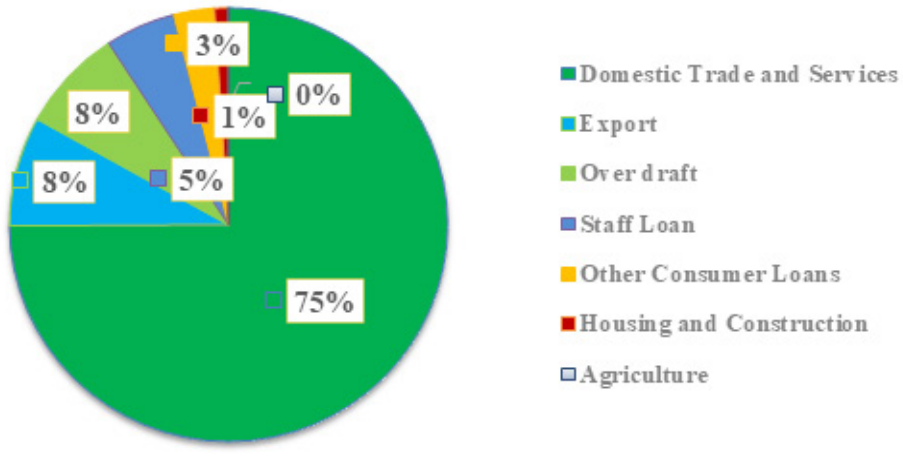


1.3. Loans and Advances

Sidama Bank maintained its vital intermediary function within the Ethiopian economy by collecting funds from the public and directing these resources toward various economic sectors. As a result, the Bank's total outstanding loans and advances increased significantly to Birr 2.47 billion, reflecting a growth of Birr 1.3 billion, or 110.9%, over the Fiscal Year ending June 30, 2025. During the Fiscal Year under review, the Bank's loan and advance portfolio was predominantly directed towards Domestic Trade and Services, accounting for Birr 1.84 billion, which represents 74.53% of the total. Additionally, a portion was allocated to export activities, totaling Birr 202.8 million (8.19%) and Overdraft facility advances Birr 190.8 Million (7.71%); whereas others such as Staff Loan, Other (Consumer Loans), Housing and Construction, and Agriculture make up around 5.22%, 3.03%, 0.99%, and 0.33% respectively.

For the Fiscal Year 2024/25 the Bank has projected its NPL ratio not to exceed 3.6 percent at the end of the operational period of the Fiscal Year. The NPL ratio of the Bank reached 2.58 percent at the end of the review period, which is found below the maximum appetite set in the plan (internally set standard) at the end of the 2024/25 Fiscal Year. The regulatory body set standard is 5% maximum.





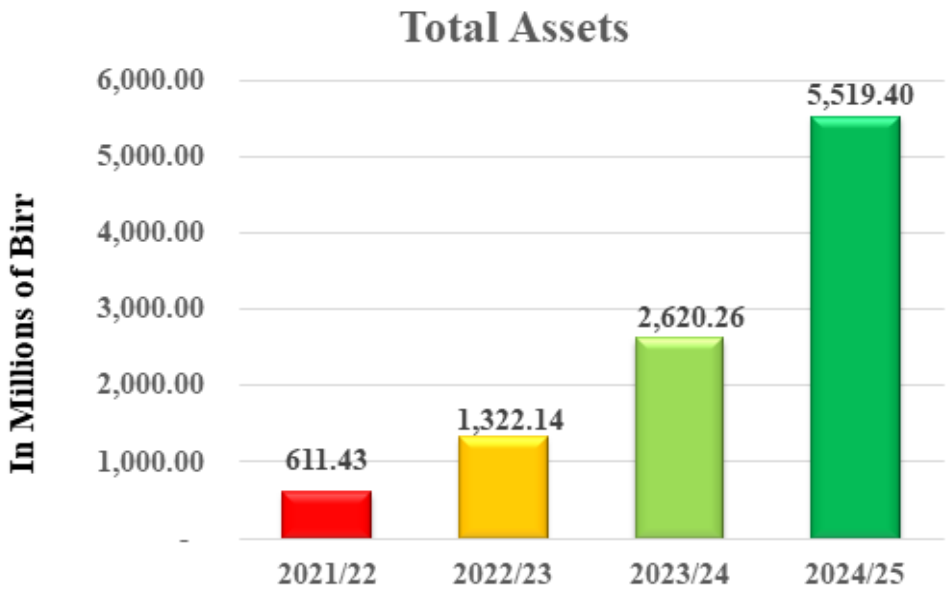
2. Financial Performance Report

This section discusses the Financial Performance Report of the Sidama Bank for the 2024/25 Fiscal Year ended on June 30, 2025. This report provides an overview of our financial position and achievements over the reporting period.

2.1. Total Asset

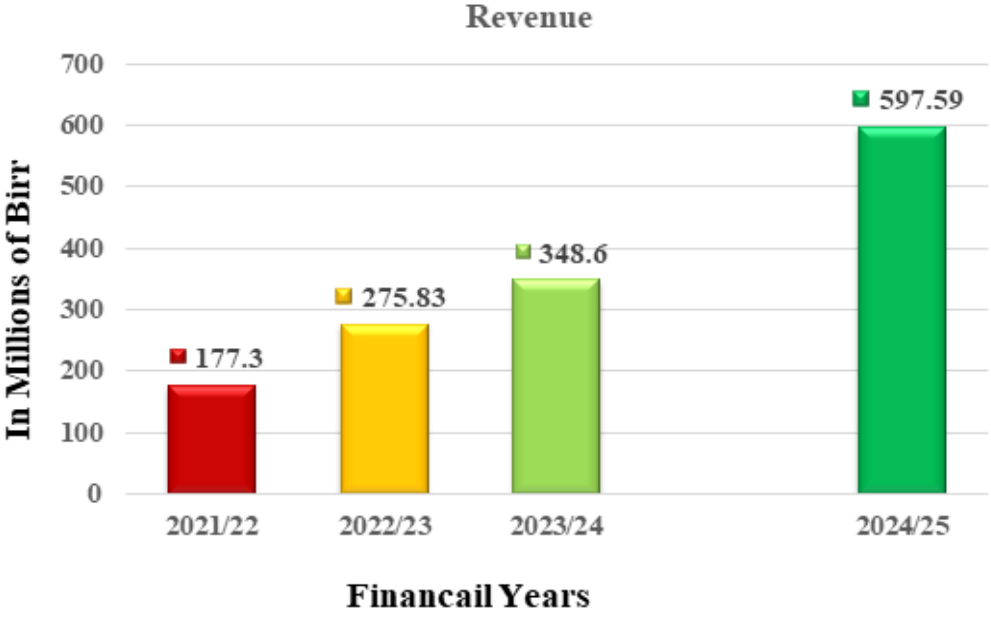
At the end of the reporting period, the Bank's total assets increased to Birr 5.52 billion from Birr 2.62 billion by the end of the previous reporting year. This marks a 111% increase from the previous year. Loans and advances constitute 43.3% of the Bank's total assets, followed by cash and cash equivalents at 36.9% and investment securities at 8.64%. Property and equipment accounted for 5.37% of the Bank's total assets, Right of use of Leased Assets 1.84%, while other assets made up 3.07%. Investment property and intangible assets account for 0.66%, 0.25%, respectively. This expansion reflects the

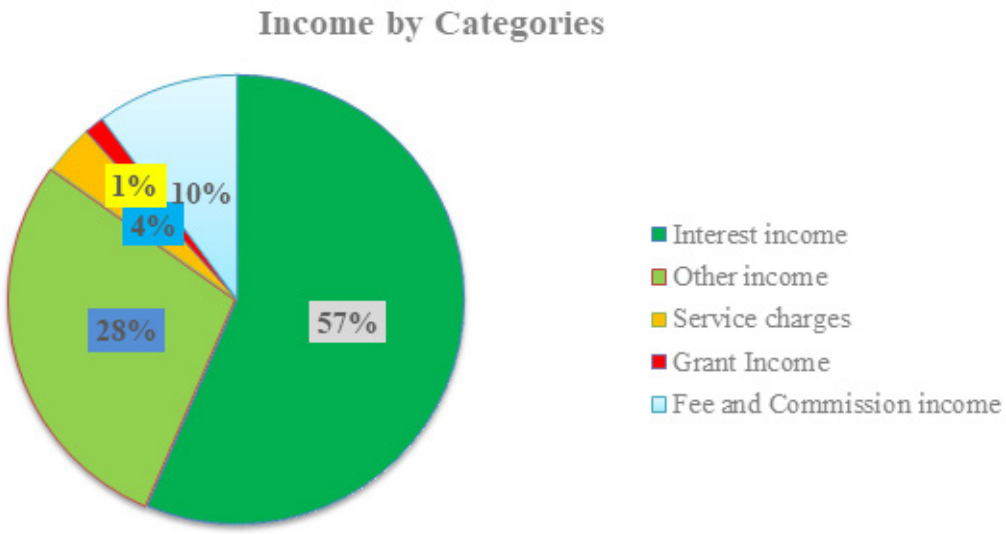
Bank's strategic emphasis on increasing its asset portfolio, potentially encompassing a varied range of investments and lending options. The steady growth in assets indicates the Bank's successful utilization of resources to promote financial stability and development.



2.2. Revenue

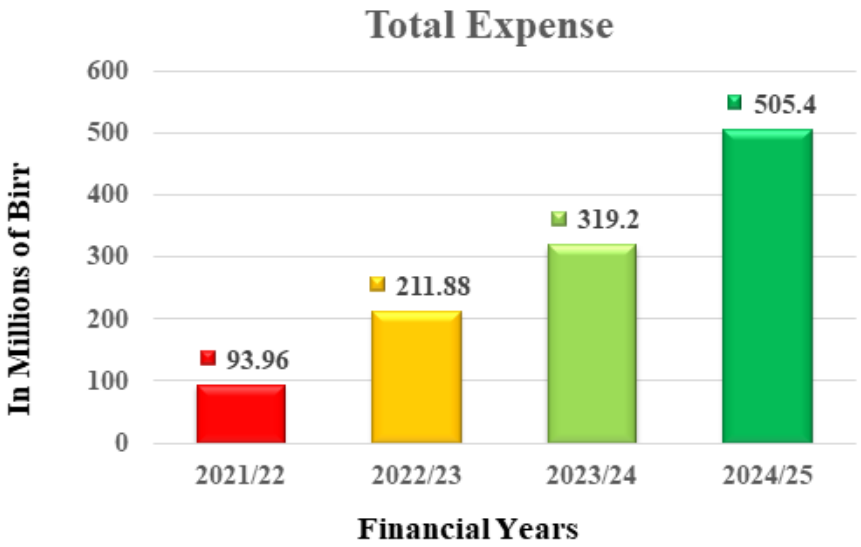
In the 2024/25 Fiscal Year, the Bank's total revenue for the year was Birr 597.59 million, increasing by Birr 248.99 million (71.4% increase) from the previous Fiscal Year. The highest proportion was derived from interest income that is 56.5% of total earnings, other operating income with 28.4%, service charges income with 3.6%, Fees and commission income with 10% and followed by grant income, which stood at 1%.

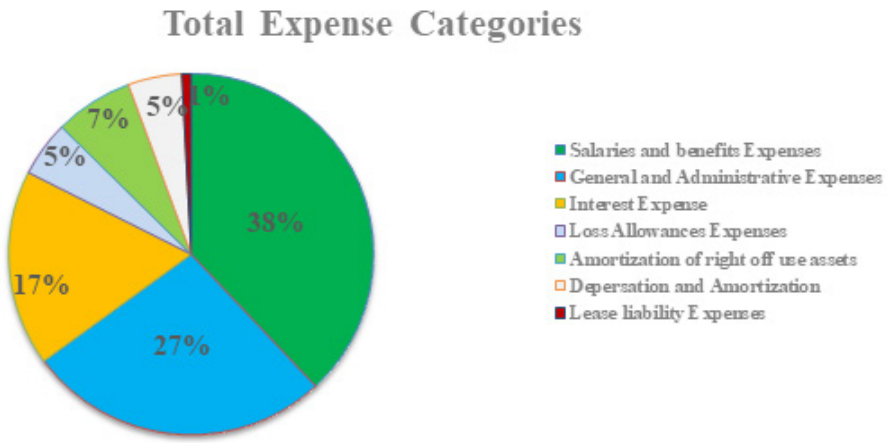




2.3. Total Expense

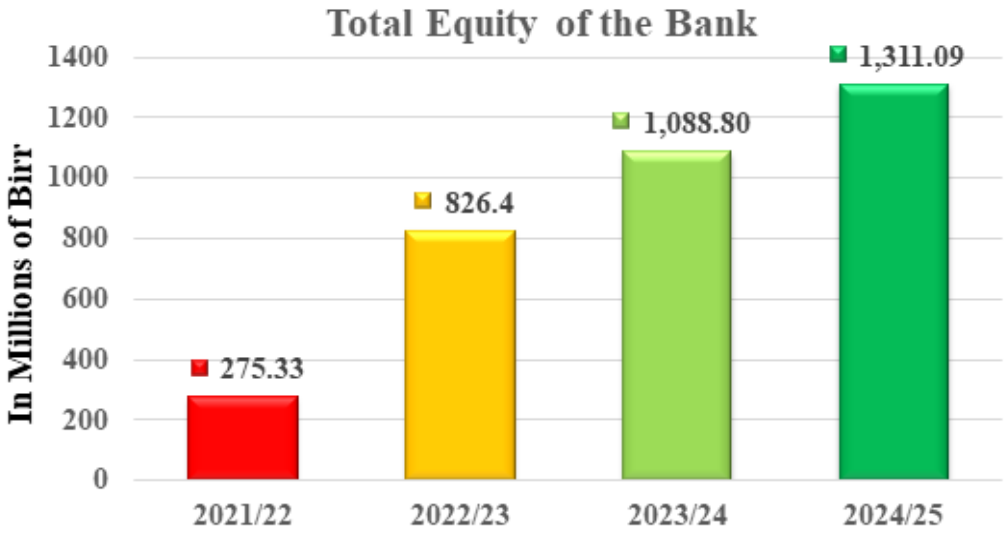
The total expenses of the Bank stood amounting Birr 505.4 million, recording a year-on-year growth of 58.2%. The primary components of the expenditures were Salaries and other employee benefits, which constituted 38%, General and administrative expenses which constituted 27%, Interest expense which constituted 17%, Loss Allowances on Financial Assets which constituted 5%, Amortization of Right of use assets which constituted 7%, Interest expense on lease liability 1%, while Depreciation and Amortization expenses constituted to 5% of the total expenses.

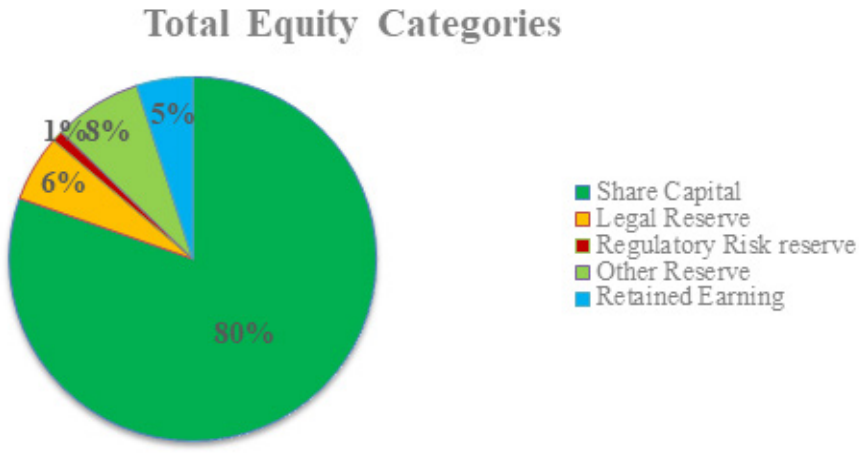




2.4. Total Equity of the Bank

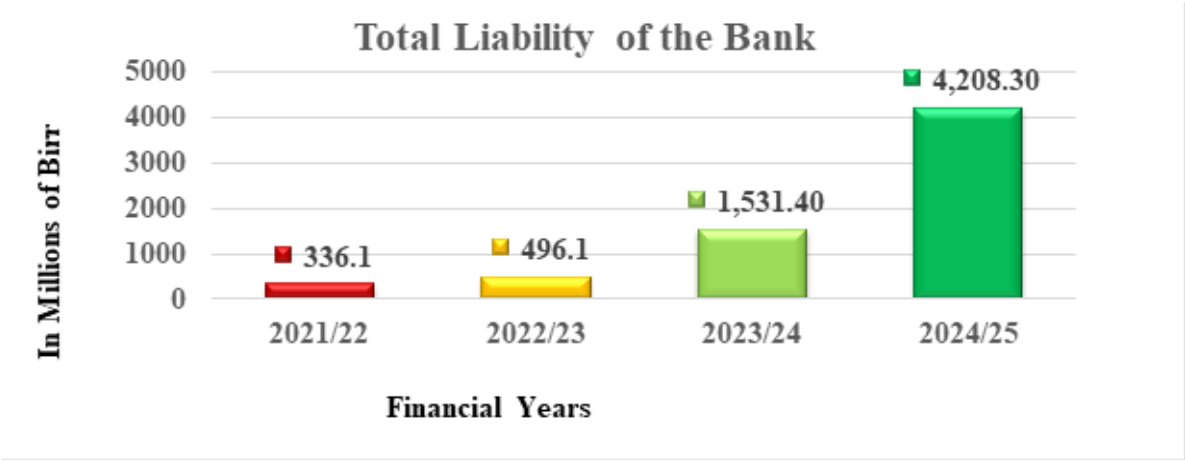
During the review period, the Bank's total equity increased from the previous year by 21% to reach Birr 1.31 billion. The growth was primarily driven by an increase in paid-up capital, which increased by 15.4%, or Birr 141 million, to reach Birr 1.054 billion at the end of the reporting period. The increase in equity strengthens the Bank's capital framework, providing a robust base for future growth and effective risk management. This development also highlights the shareholders' confidence in the Bank's continued success.





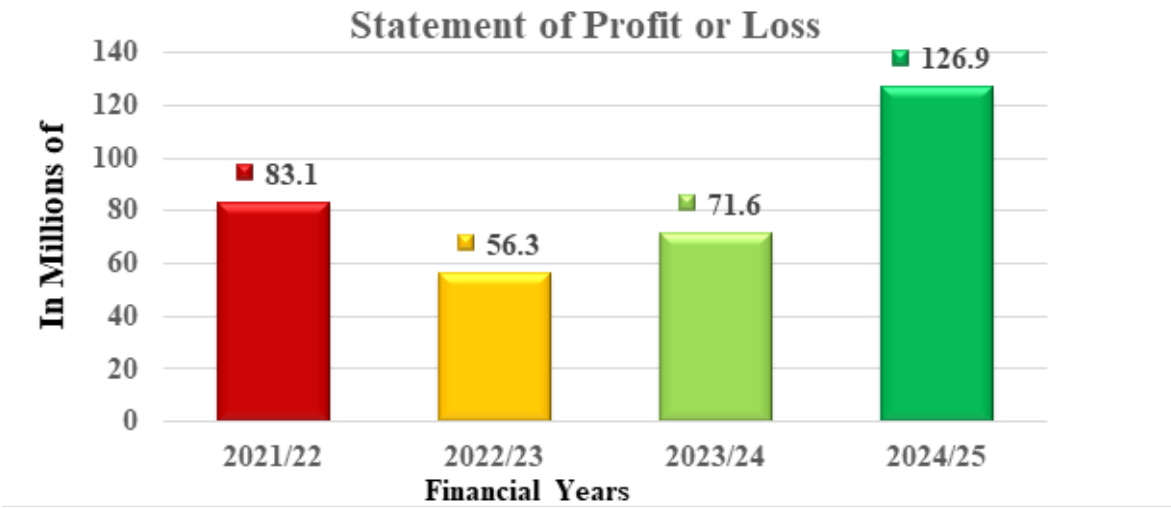
2.5. Total Liability of the Bank

Total liabilities of the Bank at the end of the reporting period have reached Birr 4.2 Billion which is above last year's total liabilities of Birr 2.67 Billion. A significant portion of the Bank's liability as at end of Fiscal Year 2024/25 is attributed to deposits accounting close to 87.3% of the total liabilities, followed by other liabilities making up 4.8%, then long-term borrowing constituting 4.7%, and others different liabilities 3.2% total liabilities of the Bank.



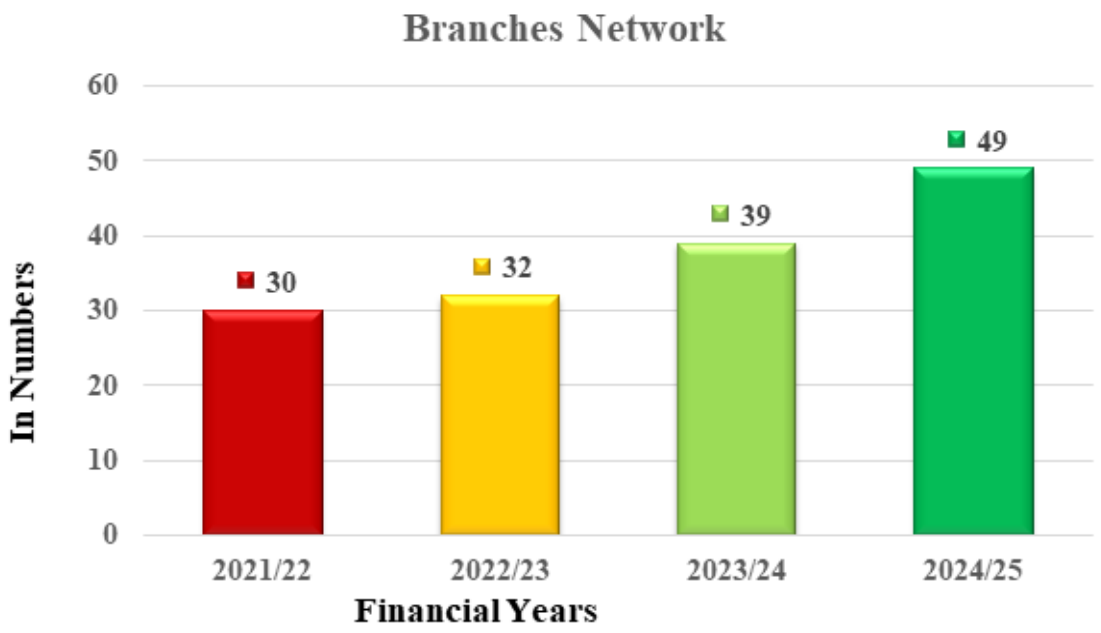
2.6. Statement of Profit or Loss and Other Comprehensive Income

Sidama Bank completed the 2024/25 Fiscal Year with a remarkable achievement registering profit before and after tax were Birr 90.7 Million and Birr 72.3 Million, respectively. In addition to this, our Bank had a successful year by earning 54.6 Million total other comprehensive income. The total profit after tax and Total Other comprehensive income is 126.9 million.



2.7. Branches Network

During the financial year under review, the Bank expanded its branch network at various parts of the country. Accordingly, 10 new branches were opened during the period, making the total number of branches to reach 49 at the end of financial year. Out of the total number of branches, 6 branches (12%) are located in the capital city of Ethiopia, in Addis Ababa, while 43 branches (88%) are operating in the outlying regional cities.



3. Corporate Governance

The Bank's Board of Directors firmly believes that effective governance is vital for ensuring the organization's long-term sustainability and overall success. Good governance involves guiding strategic decision-making within Sidama Bank in a way that aligns short-term objectives with long-term aspirations, while also balancing the interests of shareholders and societal stakeholders. Sidama Bank strives to conduct its business in line with the best of corporate governance practices. As the environment dynamics demands and with a view to ensure a sustainable shared value, the Bank also reviews from time to time its corporate governance to match local and international standards as well as Bank's business drives.

The Board of Directors operates within a well-established governance structure, through which it establishes the strategic direction of the Bank. The Board delegates the daily operational activities to the executive and general management teams, monitors performance against set objectives and goals, and compliance to requirements and risk appetites. The Board has a charter which provides a clear definition of the roles and responsibilities of the Board chairman, the directors and the Share Company secretary. Under the governance structure, the Board executes its responsibilities more effectively by utilizing standing committees assigned to supervise various aspects of the Bank's operations and management. The Board has four standing committees, namely Audit Sub-Committee (for providing independent oversight of the Bank's financial reporting and internal control system), Risk and Compliance Sub-Committee (for reviewing and approving an effective Risk Management architecture and ensuring that adequate control and information systems are in place), Credit Sub-Committees for providing independent oversight of the Bank's Loan disbursement and collection in Bank business healthy system, and the Nomination and remuneration Sub-Committee will foster sustainable business growth and institutional strength within the Bank, ultimately driving profitability. The Bank maintains a robust governance framework that emphasizes the highest levels of transparency, accountability, and integrity, all aimed at ensuring its stability and continued growth.

Finally the Board of Directors also critically reviewed and endorsed quarterly sub-committees' reports. The Chief Executive Officer (CEO) of the Bank has been overseeing the day to day operations through provision of strategic leadership for the best interest of the Company.

4. Industry progress and Other Major Activities

4.1. Corporate Strategy and Business Plan.

Sidama Bank was re-licensed on July 1, 2022, in accordance with the requirements set forth in the Federal Government Banking Proclamation No. 592/2008 and the National Bank of Ethiopia's directive no. SBB/74/2020, which laid out the way for small credit and savings institutions to evolve into regular banks. It has been providing comprehensive banking services to all parts of our country for the past three years, growing into a bank. The Bank has been recording excellent results, ranking among the top banks in the country for three consecutive years.

It is believed that the corporate strategic plan will play a significant role in sustaining the excellent growth achieved by the Bank over the past three years. This strategic plan has been prepared by Sidama Bank with the help of a competent institution, which has studied the internal and external capabilities and challenges of the Bank and has attempted to understand the future from different perspectives by assessing the banking industry.

Finally, a Ten-Year Strategic Plan, a Five-Year Business Plan, and a One-Year Operational Plan have been prepared and are being implemented since July 1, 2024. The first strategic year report, based on the evaluation of the performance of the Bank's Board of Directors and Management, confirms that the Bank has achieved excellent results in many strategic planning metrics and that the implementation of the strategic plan is being managed effectively and efficiently.

In addition, the strategic plan has emphasized the mission, vision, and core values as the foundation of the Bank. Therefore, it has set eighteen strategic objectives divided into four pillars to achieve the Bank's foundation and goals. Among these strategic pillars are expanding market share, ensuring market efficiency, creating strategic partnerships and collaborations. Sidama Bank is working with great enthusiasm to become competitive with other banks in Ethiopia within ten years. Additionally, the Bank is working on shaping various policies and procedures to bring higher profits to the stakeholders and it has started practical activities to conduct various market studies to support performance.

4.2. New Organizational Structure & Payment & Benefit Scheme

In order to ensure the successful realization of our Corporate Strategic plans, it is commanding that we establish a new strong organizational structure that can effectively shoulder the strategy and move to its realization. Equally important is that the payment and benefit structure should be designed to boost our employees' morale and attract new competent workforce.

To recall your courtesy, the Bank is a low-tier provider of payment and benefit in the industry. Thus, we are struggling fill vacant positions. In line with the rising cost of living, our employees are resigning looking for better payment. And, the Bank is facing high employee turnover.

To address this crucial situation, the Bank has commission the service of third party to design a new organizational structure and payment and benefit scheme. After carefully scrutinizing the proposal, the Board of Directors has approved new organizational structure and payment and benefit scheme that will be implemented in the new Fiscal Year.

This strategic decision is expected to yield multiple benefits. The strategic decision significantly enhances the satisfaction and motivation of our employees, increasing productivity. This also increases the Bank's capacity to attract and successfully fill critical vacant positions. These have ensured that the Bank has secured a robust organizational structure capable effectively executes the Ten-Year Corporate Strategic Plan, and the Five-Year Business Strategic Plan.

4.3. Sidama Bank Secures Land and Prepare for Head Quarters Building Construction

Sidama Bank S.C. is pleased to announce to its distinguished shareholders a significant step forward towards strategic prominence. The Bank has secured a 5,000 square meter plot of land from the Addis Ababa City Administration for the construction of its future headquarters, following strategic meticulous and lingering process. The Bank has made investment amount of Birr 29 million and more than as payment of land lease to the Addis Ababa City Administration's Land Management Bureau. The Bank, in a joint collaboration with the City Administration, the Lideta Sub-city Administration, and Wereda 04 Administration, has successfully cleared the site. The Bank will soon finish the design and pre-project activities and launch the project. In the process, the Bank has made outlay of more than 60 million for privately owned properties and kebele houses resident development displaced persons and families in the form of psychological compensation, replacement cost, and transportation.

This headquarters building is a strategic investment that delivers a strong return on investment and bolsters the shareholders' value propositions through several possibilities. The entire industry is grappling with skyrocketing commercial rental prices that severely impacting the profitability and operational stability. The project establishes a permanent corporate seat, eliminating the current headquarters rental expenses. Plus, the prime location in the city's central business district location offers substantial potential for generating commercial rental income from surplus space. The corporate building's presence in proximity to Mercato, the largest open market in Africa and bloodline of the nation's business and economy, will significantly enhance brand visibility, brand recognition and awareness, and strengthen the shareholders' value propositions. This strategic asset will position Sidama Bank S.C. for greater long-term stability and competitiveness within the market.

4.4. Strengthening the Bank's Paid-up Capital

The foundation of the Bank is anchored on a strong paid-up capital base. A strong paid-up capital is fundamental to achieving booth operational effectiveness and enhanced profitability. At present, the Bank's low paid-up capital is directly challenging our strategy to be the 'Bank of Customers' Choice by the Year 2033'. The low paid-up capital restricts the Bank's ability to partner with international payment operators, which, in turn, limits our capacity to generate optimum foreign currencies. Additionally, it blocks the Bank's ability to sufficiently hold foreign currencies. This ultimately impacts profitability and the ability to increase shareholders' value proposition.

We are legally obliged to meet a minimum paid-up capital requirement of Birr 5 billion by June 30, 2030 in accordance with the Directive of the National Bank of Ethiopia (NBE). To address this, the Bank executed various capital mobilization campaigns during the last Fiscal Year. As a result, the Bank has successfully mobilized Birr 141 million in new share capital. The Management has initiated various strategic initiatives for the new Fiscal Year that target strengthening the capital base of the Bank. Concurrently, we strongly urge all shareholders to support this critical effort by purchasing additional shares and actively recruiting new share buyers to strengthen the Bank's financial foundation.

4.5. Information Technology

In the Fiscal Year 2024/25, Information Technology System (ITS) plays a crucial role as the technological backbone of the Bank enabling efficient operations, enhancing productivity, and safeguarding data and systems. Its key functions are infrastructures deployment and management, networks, data management, data security, end-user support, cyber security, ATM card, Digital Banking and innovations and introduce new technologies in the banking industry, Data Security: Customer data is stored with encryption at rest and in transit, Access Controls: Role-Based Access Control (RBAC) mechanisms are in place.

The Bank has undertaken a number of IT and digital banking projects and activities aimed at creating customer service solutions and enhancements, increasing availability, increasing automation, ensuring security and strengthening the competitive position of the Bank. As part of the Bank's Digital Transformation endeavor, a number of IT and digital related initiatives have been completed during the ended fiscal year, and a few more are in progress. Among these, implementation of Shareholders Management System, Mobile SMS Alert, and USSD Implementation to various end users deployed & operationalized 11 ATM machines, Utility payment system and Telebirr Integration systems development within the Fiscal Year.

In this reporting year provides an overview of the current cyber security posture of Sidama Bank, highlighting key vulnerabilities, threats, and recommended mitigation strategies. Ensuring robust cyber security measures is critical to protect customer data, financial assets, and maintain trust. Currently Sidama Bank's digital and physical infrastructure is vital for delivering seamless banking services. This report assesses the bank's cyber security landscape, including network security, application security, data protection, and compliance.

In additionally the Bank Current Security Posture is Network Security: Firewalls, Intrusion Detection Systems (IDS), and Virtual Private Networks (VPNs) are implemented, Application Security: Web applications and banking software employ SSL/TLS encryption, Incident Response: A formal incident response plan exists but requires regular updates and testing.

In additionally Sidama Bank is currently working intensively to address specific vulnerabilities to strengthen its defense capabilities by organizing a trained workforce to minimize the risk of basic cyber security measures. Therefore, the bank is working on cyber security as a ten-year strategic goal, as it is essential to continuously improve, train staff, and regularly assess to adapt to evolving threats. Moreover, it has finalized deployment and implementation FortiGate Firewall Development in HA mode, Active Directory Service, System Centre Configuration Manager (SCCM), Integration to the site of DARA (Documents Authentication & Registration Authority), Kaspersky Endpoint Security Deployment, switch, router for HO and network infrastructure for all branches. Finally the Bank to establishing a standardized policy and procedures, enhance efficiency, and mitigate IT risks, the Bank has created a comprehensive set of policies and procedures. This set includes an IT Security Policy, procedural documents, access request forms, as well as additional regulatory and compliance documents. Furthermore, as per the approved strategic plan document, the bank is planning to upgrade core banking system, coming budget year the Bank construct our data center and disaster recovery center.

4.6. Human Resources

The Human Resources management in banking industry plays a pivotal role in fostering a productive, inclusive, significantly impacting its efficiency, productivity, and overall organizational health and motivated workforce to achieve organizational goals. Over the past twelve months, the HRM has undertaken significant initiatives, implemented strategic policies, and addressed key challenges to enhance employee engagement, satisfaction, and performance. This report provides an overview of the Bank activities, accomplishments, and areas of focus, highlighting the progress made in workforce development, talent acquisition, employee well-being, and organizational culture.
Accordingly, during the operational period of 2024/25 Fiscal Year, the staff strength of the Bank stood at 843 employees. Clerical positions are more prevalent, comprising 59.3% of the total workforce while non-clerical covers the remaining 40.7%. In additionally the fiscal year 2024/25 the bank planned to hire 226 new employees, but only 186 were recruited, achieving 82.3% of the target. This represents a decrease of 10 employees compared to the previous year's actual hiring of 196. The Bank strives to improve gender diversity in its workforce. Women comprised 25% or 212 of the permanent staff by the close of the reporting period.

The Bank's Human Resources and Organizational Development (HROD) function is as a vital strategic driver across the entire organization. It is responsible for overseeing all facets of human capital management, including talent acquisition, onboarding, and continuous training and development, and workforce optimization. At this budget year the Bank's Human Development played a crucial role in supporting the Bank's operational excellence by cultivating and maintaining a high-performing, adaptable workforce across all departments and units.

This integrated approach ensures that the Bank's human resource strategies align with our broader corporate goals, fostering sustainable growth and organizational resilience.

4.6.1. Training and Development

The Critical attention were given to designing and coordinating training to cover both the organization's current and future needs, identifying training & developmental needs of staff propose suitable courses of short terms training for 727 staffs and for the Board of directors, the Executive Management, middle management and staffs. Thus, the Department has managed to deliver training on the topic of Corporate Governance and Risk Management in Banking, ATM Issuance, Internal Audit Practice and Fraud Detection and Prevention, Enhanced AML/CFT, Capital Market, Know your Customer (KYC), On the process Real Time Gross Settlement (RTGS) and Bulk/Low Value payment, Foreign exchange Trading and Risk Management trainings to a total of 634(87%) and the rest for BoDs, Executive Management, middle management and staffs of the Bank.

4.7. Risk Management & Compliance

The Risk & Compliance Management serves as the Bank's unit accountable to the Board, responsible for mitigating and analyzing risks of various natures, and ensuring compliance to regulatory requirements. The unit conducts regular investigations of working units' compliance to legal regulatory and also analyses and forecast impacts of risks on the Bank as a going concern. During the operational periods of the 2024/2025 Fiscal Year the Bank placed a strong emphasis on risk management, compliance, and prudence. Efforts were concentrated on identifying, evaluating, and mitigating risks across various areas, including credit, liquidity, operational, market, and IT risks. This anticipatory strategy has been crucial in ensuring the Bank's financial stability and adhering to regulatory requirements.

Over the past three year, Sidama Bank has extensively enhanced its risk management framework through comprehensive activities. The Bank's dedicated initiatives in identifying, evaluating, and addressing risks across different areas have played a crucial role in maintaining ongoing compliance with regulatory requirements and its commitment to maintaining financial stability and operational excellence. The Bank has also strived to sustain strong liquidity and fulfill all customer cash requests by consistently focusing on various operational areas, especially Asset and Liability Management and Treasury Management.

In additionally the Bank prioritized risk management and conducted wide-ranging assessments across various dimensions of its operations to ensure the effective documentation and mitigation of potential risks. The risk management strategy is embedded in every operation of the Bank. During the Fiscal Year, risk management took center stage of the operation through identifying potential risk areas, properly measuring the probability and possible effects, putting best-fit alternatives in place and constantly watching materialized and potential risks. In this regard, the Bank is continuously working on internalizing risk management practices across the organization through enhancing risk management processes into the mainstream of the Bank's culture. This has been done through continuous awareness creation training, risk registering,

leading risk indicators as well as periodic risk assessment reports on credit, financing, liquidity, markets and operations of the banking. During the reporting period, the Bank conducted AML and CFT training sessions for various staff members as part of its ongoing efforts to ensure a secure and compliant financial environment.

4.8. Internal Audit

The Bank's Internal Audit function is an independent unit within the Bank responsible for evaluating and improving the effectiveness of control, risk management, and governance processes. It provides objective assurance to the Bank's Board of Directors and the Senior Management that the Bank's operations are conducted in accordance with applicable laws, regulations, policies, and standards

During the 2024/25 Fiscal Year, the Bank systematically carried out its risk-based audit plan, encompassing a detailed review of operations at both branch and head office levels. This comprehensive approach facilitated the identification of areas for improvement and the evaluation of the effectiveness of current controls. In addition to the scheduled audits, the Bank also conducted special investigations into reported fraud cases, underscoring its strong commitment to protecting integrity and preserving trust.

The results of these audits were carefully recorded in a comprehensive audit report and shared with the appropriate authorities, enabling us to reduce the adverse effects on our Bank. In addition, the Board Audit Sub-committee oversaw the performance of the Internal Audit wing, reviewed major audit findings, and selection processes of External Auditors for the next three fiscal years. In additions, the Sub-committee held entrance and exit discussions with External Auditors, and reviewed the rectification status of findings raised by External Auditors on the Internal Control Mechanisms (ICM) report. In this regard, I would like to thank the Board of Directors and Management of the Bank for their strong leadership in ensuring that the overall internal control of our Bank remains sound and to prevent any negative impact on the Bank.

4.9. Corporate Social Responsibility

Sidama Bank S.C. is deeply dedicated to prioritizing societal values and the well-being of communities in all its activities. The Bank actively builds and maintains enduring collaborations with humanitarian and charitable organizations to promote social development and support community causes. In line with its value promise of "Socially Responsible" that means SDB actively engage with local communities to understand their needs and contribute to their social and economic development as well as demonstrate definitive commitment to making positive contributions to society through sustainable business practices, community engagement, and ethical decision-making.

In the 2024/25 Fiscal Year, the Bank made donations, among others, in support of Gondar City Corridor Development Project. Besides, Sidama Bank is a permanent member of several charitable and non-profit organizations including, the Sidama Development Association and Sidama New Year Fichee Chambalala holiday celebration. During the Fiscal Year, the Bank donated and contributed a total of Birr 4.5 million.

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4.10. Going the Coming Year (2025/26 F.Y.)

Sidama Bank's Ten Years Corporate Strategic priorities encompass strengthening resilience amid diverse challenges, expanding the implementing of its second-year corporate strategic and business plans, improving service quality, leveraging and optimizing digital platforms, and providing customer-suit products and services along with customized value propositions for customers. Furthermore, emphasis will be placed on effective focus and alignment towards mobilizing resources in both local and foreign currencies, maintaining asset quality, and maximizing shareholder value. Similarly, maintaining compliance with international and national standards will be crucial in managing risks amid increased competition. Taking advantage of the opportunities offered by the capital market can also assist the Bank in diversifying its funding sources, supporting its long-term growth and profitability.

In additionally the coming Fiscal Year 2025/2026 the Bank's strategic focus includes improving digital banking presence via expanding Mobile banking application, additional ATMs and POS Machine network and terminal, expanding its different products, and revitalizing the industry culture. The Bank aims to maintain its asset quality through prudent financing and robust customer selection. In additionally, the Bank keeps on pushing innovative products and banking solutions towards satisfying its customers, through cultivating a performance culture, and developing our employees, so that we ensure sustainable growth and profitability.

Finally the Bank by leveraging on the farsighted leadership from the Board of Directors, and with the strong commitment and dedication from the Executive Management and staff, I am confident that the Bank will see yet another set of high financial results and growth in the year ahead.

4.11. Proposal on Dividend Pay Out

Without total other comprehensive income the total appropriable net profit of Birr 72.3 Million after considering deductions in legal reserve and other allowances, the Board of Directors of Sidama Bank recommended that a dividend will be paid to shareholders in cash or for additional purchasing of new shares capital and unfulfilled previously subscribed capital, depending upon the choice of each shareholder.

4.12. Vote of Thanks

The Board of Directors and the Executive Management of Sidama Bank S.C. sincerely thank our valued customers, shareholders, employees, and the National Bank of Ethiopia for their unwavering support, which has been instrumental in helping the Bank accomplish its goals.

Members of the Board of Directors in Sidama Bank S.C

- Ato. Abrham Marshalo Etiso . . . . . Chairperson, Board of Directors
- Ato. Tsegaye Anebo Alemaso . . . . . V/Chairperson, Board of Directors
- Ato. Timotwos Hayeso Borsamo . . . . . .Member, Board of Directors
- Ato. Shebeku Magane Gafa . . . . . .Member, Board of Directors
- Dr. Wogene Markos Dumo . . . . . .Member, Board of Directors
- W/ro.Woinshet Mengesha Sinkale . . . . . .Member, Board of Directors
- W/ro.Muluwork Derese Degesew. . . . . .Member, Board of Directors
- Ato. Haile Harsisa Haro. . . . . .Member, Board of Directors
- Ato. Shimelis Hatiso Hankalo . . . . . .Member, Board of Directors

Ato Abraham Mareshalo Etisso
Chairman of the Board of Directors

Ato Tadesse Hatiya Oge
Chief Executive Officer

The 3rd General Assembly of Sidama Bank

Staff Training

Partnership Signing Ceremony between SDB & EthioDash Money Transfer

Discussion with Members of the Parliament

MOU Signing Ceremonies B/n Sidama Bank & ECX

Management's Performance Evaluation

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Sidama Bank

Credit Products & Services

Overdraft

Special overdraft to exporter
Temporary overdraft facility (exceptional)
Overdraw from overdraft or current accounts

Merchandise loan

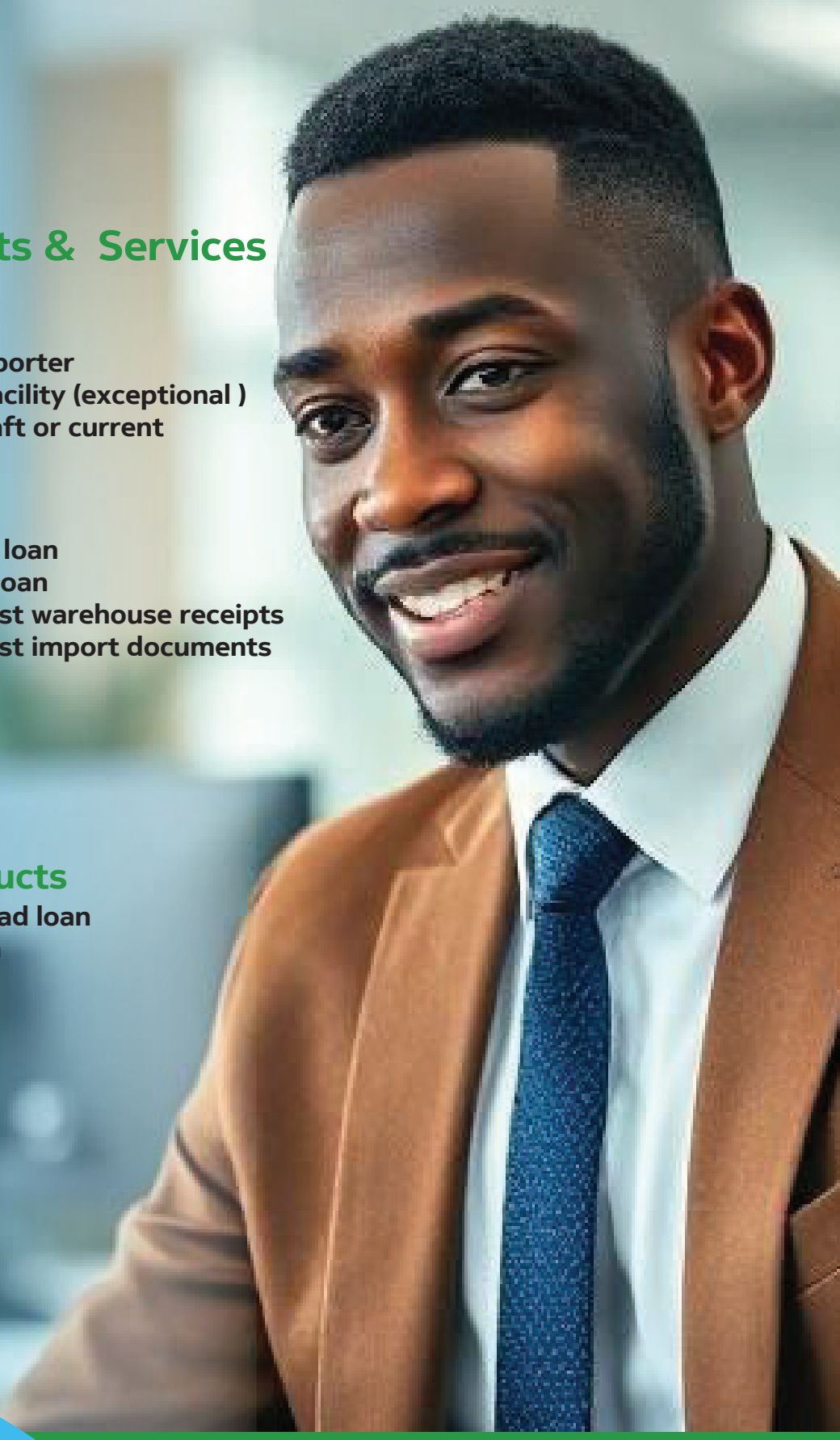
Revolving merchandise loan
One time Merchandise loan
Merchandise loan against warehouse receipts
Merchandise loan against import documents

Term Loan

Short term loan
Medium term loan
Long term loan

Micro credit products

Agricultural & petty tread loan
SME and Individual loan
General loan
Housing loan
WEDP loan



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Together we can!

www.sidamabank.com SDMAETAA

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Sidama Bank

External Auditor's Report

SIDAMA BANK S.C.
Company profile
For The Year Ended 30 June 2025

Directors (As of June 30 2025)		**Appointment Date**
Ato. Abrham Marshalo Etiso	Chairperson, Board of Directors	27-Mar-25
Ato. Tsegaye Anebo Alemaso	V/Chairperson, Board of Directors	27-Mar-25
Ato. Timotwos Hayeso Borsamo	Member, Board of Directors	27-Mar-25
Ato. Shebeku Magane Gafa	Member, Board of Directors	27-Mar-25
Dr. Wogene Markos Dumo	Member, Board of Directors	27-Mar-25
W/ro.Woyinshet Mengesha Sinkale	Member, Board of Directors	27-Mar-25
W/ro.Muluwrk Derese Degisew	Member, Board of Directors	27-Mar-25
Ato. Haile Harsisa Haro	Member, Board of Directors	27-Mar-25
Ato. Shimelis Hatiso Hankalo	Member, Board of Directors	11-Jun-25

Executive Management (as of June 30,2024)		**Appointment Date**
Tadese Hatiya Oge	Chief Executive Officer	6-May-22
Shebeku Magane Gafa	V/P-corporate and Resource Management	6-Jul-16
Mehret Berhanu Nega	Director-Internal Audit Dep't	13-Nov-23
Dereje Temesgen Kifaw	Director- Risk and Complaince Dep't	8-Jan-24
Tadele Tilahun Worana	Director ,Legal Service & Loan Recovery Dep't	1-Aug-22
Wonsha Michael Dideso	Director, Strategy & Marketing Dep't	7-Aug-24
Wondachew Woldeyesus Hatiya	Director, Information Technology Dep't.	1-Jan-23
Senior Management (as of June 30.2024)		
Elias Hirpo Debena	Director, Credit Service Department	1-Oct-22
Sato Chebula Hatiya	Director, Micro Finance Operatin's Dep't	1-Feb-11
Tamiru Teferi Daka	Director,H/R Opration's & Development Dep't	1-Sep-23
Tilahun Goneso Nemera	Director, Property &Facililate. Dep't	9-Feb-09
Dawit Guye Gudura	Director,Finance & Accounts Dep't	21-Mar-24
Abebayehu Getachew Asefa	Director,International Banking Dep't	21-Nov-22
Solomon Bezabih	Director, Operations Departmentt	8-Nov-24

Independent auditor

Tewodros and Fikre Audit Service Partnership
Authorised Auditors, Chartered Certified Accountants
Addis Ababa, Ethiopia.
P.O.Box 8118

Registered office

Sidama Bank S.C
Tel: +251 11 4706740
Tel: +251 11 4706927
P.O.BOX 11157
Addis Ababa, Ethiopia

Principal Bankers

Commercial Bank of Ethiopia
Development Bank of Ethiopia
Dashen Bank
Awash Bank
Oromia Bank
Wagagen Bank
Cooperative Bank of Oromia
Debub Global Bank S.C
Berhan Bank
Hibret Bank

SIDAMA BANK S.C.
FINANCIAL STATEMENTS
Statement of directors' Responsibilities
For The Year Ended 30 June 2025

In accordance with the Financial Reporting Proclamation No. 847/2014, Sidama Bank 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 misstate- ments, whether due to fraud or error.The Bank is required to keep such records as are necessary to:

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

b) Explain its transactions and financial position; and

c) Enable the 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 financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates,in conformity with (IFRS) and other relevant laws and regulations of Ethiopia.
The Bank's Board of 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 accordance with International Financial Reporting Standards.

The Bank's Board of Directors are of the opinion that the financial statements present fairly, in all material respects, the financial position of the Bank and its financial performance.

The Board of 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 Board of Directors to indicate that the Bank will not remain as a going concern for at least twelve months from the date of this statement

Signed on behalf of the Board of Directors by:

Abriham Marshalo (Mr.)	**Tadesse Hatiya (Mr.)**
Chairperson, Board of Directors	**Chief Executive Officer**
28 September 2025	**28 September 2025**

SIDAMA BANK S.C.
directors Report
For The Year Ended 30 June 2025

The directors submit the report together with the audited financial statements for the period ended 30 June 2025, in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by Accounting and Auditing Board of Ethiopia which discloses the financial performance and state of affairs of the Bank.

Incorporation and address

SIDAMA Bank Share Company ("the Bank") is 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 amended by 592/2008) and the 2021 Commercial code of Ethiopia.The Bank's registered office is at:

Sidama Bank S.C
Mekwor Plaza Building
Tel: +251 11 4706740
Tel: +251 11 4706927
P.O.BOX 11157
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 2025 are set out on page 4. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2025 Birr	30 June 2024 Birr
Net operating income	475,092,674	299,608,640
Profit / (loss) before tax	90,787,638	29,426,888
Tax (charge) / credit	(18,473,583)	(2,290,994)
Profit / (loss) for the year	72,314,055	27,135,894
Other comprehensive income / (loss) net of taxes	54,629,177	9,602,364
Total comprehensive income / (loss) for the year	126,943,232	36,738,258
Earning Per Share	7.47%	3.34%

Directors

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

Abriham Marshalo (Mr.)
Chairperson, Board of Directors
28 September 2025

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የጎብረት ሽርክና ማህበር
☎ + 251-011-466 11 57 251-96-621 59 21
>> 90-380 61 90
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TEWODROS AND FIKRE AUDIT SERVICES PARTNERSHIP
CHARTERED CERTIFIED ACCOUNTANTS
P.O. Box 8118
E-mail: chalatewodros@gmail.com
Addis Ababa Ethiopia

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

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF SIDAMA BANK S.C

OPINION

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

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

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

i Pursuant to Article 349 (1) of the Commercial Code of Ethiopia, 2013 E.C

and based on our reviews of the board of directors' report, we have not noted any matter that we may wish to bring to your attention.

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

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International

Ethics Standards Board for Accountants' code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon; we do not provide a separate opinion on these matters. We have determined that the matters described below to be the 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.

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

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.

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
October 1, 2025

SIDAMA BANK S.C.
Statement of Profit or Loss and Other Comprehensive Income
For The Year Ended 30 June 2025

	Notes	30-Jun-2025 Birr	30-Jun-2024 Birr
Interest Income	5	337,414,165	270,767,748
Interest Expense	6	(88,855,252)	(36,391,582)
Net Interest Income		**248,558,913**	**234,376,166**
Fees and commission income	7	81,928,100	26,104,866
Other operating income	8	169,808,901	47,845,986
Total Other Income		**169,808,901**	**47,845,986**
Total Operating Income		**500,295,914**	**308,327,018**
Loss Allowances on Financial Assets	9,10 &11	(25,203,240)	(8,718,378)
Net operating income		**475,092,674**	**299,608,640**
Salaries and other employee benefits	13	192,765,729	155,941,853
General and administrative expenses	15	136,355,360	73,200,110
Depreciation & amortization	14	24,175,537	16,079,284
Amortization of Right of use assets	23	35,255,091	26,305,009
Interest expense on lease liability	23	4,197,418	2,564,536
		(392,749,134)	**(274,090,792)**
Operating profit before tax		82,343,539	25,517,849
Grant income for the period	12	8,444,099	3,909,040
Profit before tax		**90,787,638**	**29,426,888**
Taxation charge	16	**(18,473,583)**	**(2,290,994)**
Profit for the year after tax		**72,314,055**	**27,135,894**
Other comprehensive income (OCI) net of income tax			
Items that will not be subsequently reclassified into profit or loss:			
Re-measurement gain (loss) on retirement benefits obligations	31(c)	(2,595,104)	13,717,663
Tax on remeasurement gain		778,531	(4,115,299)
		(1,816,573)	9,602,364
Gain on Fiancial assets through OCI	32	80,636,786	49,838,990
Tax on gain		(24,191,036)	(14,951,697)
		56,445,750	34,887,293
Total Other comrehensive income		54,629,177	44,489,657
Total comprehensive income for the year		**126,943,232**	**71,625,550**
Earnings per share (ETB)	34	**7.5%**	**3.3%**

The financial statements on pages 4 to 7 were approved and authorized for issue by the board of directors on 28 September 2025 and were signed on its behalf by:

Abriham Marshalo (Mr.)
Chairperson, Board of Directors
28 September 2025

Tadesse Hatiya (Mr.)
Chief Executive Officer
28 September 2025

The notes on pages 8 to 72 are an integral part of these financial statements.

SIDAMA BANK S.C.
Statement of Financial Position
As at 30 June 2025

	Notes	30-Jun-2025 Birr	30-Jun-2024 Birr
Assets			
Cash and cash equivalents	17	2,034,426,158	841,576,167
Loans and Advances to Customers (Net)	18	2,390,120,571	1,112,924,098
Investment in Securities:	20		
-Financial assets at amortized cost	20(a)	285,598,713	71,501,800
-Financial assets at fair value through OCI	20(b)	191,432,300	92,546,515
Other Assets	21	169,393,554	116,617,710
Right of use of Leased Assets	23	101,287,790	79,490,568
Investment Property	22	36,687,168	37,426,399
Intangible assets	24	14,005,378	5,403,446
Property, Plant and Equipment	25	296,475,358	262,781,577
Total Assets		**5,519,426,992**	**2,620,268,280**
Liabilities			
Deposit from Customers	26	3,674,915,745	1,224,875,020
Other Liabilities	27	202,486,491	49,234,936
Business Income Tax Liability	28	9,709,291	1,538,161
Deferred tax Liability	19	48,248,196	16,166,568
Lease Liabilities	23	54,032,844	28,569,531
Deferred grant income Liability	29	8,172,073	9,626,083
Borrowing	30	196,839,578	192,007,690
Severance benefit obligations payable	31	13,924,311	9,437,628
Total Liabilities		**4,208,328,529**	**1,531,455,616**
Equity			
Share Capital	33	1,054,121,000	913,092,000
Legal Reserve	35	77,287,241	59,208,728
Regulatory Risk reserve	36	12,878,768	23,514,434
Other Reserve	37	101,940,246	47,311,069
Retained Earnings	38	64,871,207	45,686,433
Total equity		**1,311,098,463**	**1,088,812,663**
Total Liabilities and Equity		**5,519,426,992**	**2,620,268,280**

The financial statements on pages 4 to 7 were approved and authorized for issue by the board of directors on and were signed on its behalf by:

Abriham Marshalo (Mr.)
Chairperson, Board of Directors
28 September, 2025

Tadesse Hatiya (Mr.)
Chief Executive Officer
28 September, 2025

The notes on pages 8 to 72 are an integral part of these financial statements.

SIDAMA BANK S.C.
Statement of Change in equity
For the year ended 30 June 2025

	Share capital	Retained earning	Legal reserve	Regulatory Risk reserve	Other reserve	Total
	Birr	Birr	Birr	Birr	Birr	Birr
Balance as at 1 July 2023	**590,266,000**	**151,354,085**	**52,424,754**	**29,169,163**	**2,821,412**	**826,035,414**
Profit for the year	-	27,135,894	-	-	-	**27,135,894**
Increase of the share capital	322,826,000	(96,652,601)	-	-	-	**226,173,399**
Transfer to Dividend Payable	-	(35,021,700)	-	-	-	**(35,021,700)**
Transfer to legal reserve	-	(6,783,973)	6,783,973	-	-	**-**
Balance transferred from regulatory risk reserve	-	8,861,244	-	(8,861,244)	-	**-**
Transfer to regulatory risk reserve	-	(3,206,515)	-	3,206,515	-	**-**
Transfer to Other reserve	-	-	-	-	44,489,657	44,489,657
Balance 30 June 2024	**913,092,000**	**45,686,433**	**59,208,728**	**23,514,434**	**47,311,069**	**1,088,812,663**
Balance as at 1 July 2024	**913,092,000**	**45,686,433**	**59,208,728**	**23,514,434**	**47,311,069**	**1,088,812,663**
Profit for the year		72,314,055	-		-	72,314,055
Increase of the share capital	141,029,000	-	-		-	141,029,000
Transfer to Dividend Payable	-	(45,686,433)			-	(45,686,433)
Transfer to legal reserve	-	(18,078,514)	18,078,514		-	-
Balance transferred from regulatory risk reserve		20,148,844		(20,148,844)	-	-
Transfer to regulatory risk reserve	-	(9,513,177)	-	9,513,177	-	-
Transfer to Other reserve	-	-	-	-	54,629,177	54,629,177
Balance 30 June 2025	**1,054,121,000**	**64,871,207**	**77,287,241**	**12,878,768**	**101,940,246**	**1,311,098,463**

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The notes on pages 8 to 72 are an integral part of these financial statements.

SIDAMA BANK S.C.
Statement of Cash Flows
For the year ended 30 June 2025

	Notes	30 June 2024 Birr	30 June 2024 Birr
Cash flows from operating activities			
Cash flows from operating activities	39	1,390,764,175	388,081,389
Net cash (outflow)/inflow from operating activities		**1,390,764,175**	**388,081,389**
Cash flows from investing activities			
Purchase of property, plant and equipment	24	(65,732,020)	(145,432,809)
Reclassification of Investment property	24	-	-
Purchases of investment securities		(232,356,619)	(111,297,900)
Net cash (outflow)/inflow from investing activities		**(298,088,639)**	**(256,730,709)**
Cash flows from financing activities			
Proceeds (settlement) from borrowings	30	4,831,888	48,886,615
Dividend paid		(45,686,433)	(35,021,700)
Proceeds from issues of shares	33	141,029,000	226,173,399
Investment in securities received/(refunded)	20(a)	-	-
Net cash (outflow)/inflow from financing activities		**100,174,455**	**240,038,314**
Net increase/(decrease) in cash and cash equivalents		**1,192,849,991**	**371,388,994**
Cash and cash equivalents at the beginning of the year	17	841,576,167	470,187,174
Cash and cash equivalents at the end of the year	17	**2,034,426,158**	**841,576,167**

The notes on pages 8 to 72 are an integral part of these financial statements.

SIDAMA BANK S.C.
Notes to the financial Statements
For the year ended 30 June 2025 (in ethiopia Birr)

1 General information

Sidama Bank ("the Bank") is a public owned share company domiciled in Ethiopia. The Bank was established in (2022) as per the directive of National Bank of Ethiopia SBB/74/2020. Sidama MFI has been re-licensed as Sidama Bank S.C in order to promote strong banking service in Ethiopia in accordance with the Licensing & Supervision of Banking Business Proclamation No. 84/1994 (as amended by 592/2008) and the Commercial Code of Ethiopia of 1243/2021. The Bank opened branches throughout the Country. The Bank's registered office is at:

P.O.BOX 11157
Mekwor Plaza Building
Addis Ababa
Ethiopia

The Bank is principally engaged in the provision of diverse range of financial products and services to a wholesale, retail and small and medium enterprise clients based in Ethiopian Market.

2 Basis of preparation

a) Statement of compliance

The financial statements for the period ended 30 June 2025 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by national regulations is included where appropriate.
The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes and explanatory information to the financial statements.

b) Basis of measurement

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
- The present value of the defined benefit obligation less the net total plan assets, plus unrecognized actuarial gains less unrecognized past service cost and unrecognized actuarial losses.
- Financial assets at FVTOCI are measured at fair value

c) Presentation

All values are rounded to the nearest unit, except when otherwise indicated. The financial statements are presented in Ethiopian Birr.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

e) Going concern

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

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented on these financial statements and have been applied consistently by the bank.

3.1 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 2023 and earlier applications are permitted which have not been applied in preparing these financial statements.

Classification of liabilities as current or non-current and non-current liabilities with covenants - Amendments to IAS1 (effective date 01 January 2024)

Lease liability in a sale and leaseback - Amendments to IFRS 16 (effective date 01 January 2024)

Disclosures: supplier finance arrangements - Amendments to IAS 7 and IFRS7 (effective date 01 January 2024)

IFRS S1 General Requirements for disclosure of sustainability-related financial information (effective date 01 January 2024)

IFRS S2 Climate-related disclosures

Classification of Liabilities as Current or Non-current and non-current liabilities with covenants-amendments to IAS 1

Key requirements

The first amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within on year)or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting in into equity. The amendments are not expected to have material impact on the Bank's financial statements.

The second amendment to IAS 1 requires a company to classify debt as non-current only if the company can avoid settling the debt in the 12 months after the reporting date. However, a company's ability to do so is often subject to complying with covenants. For example, a company might have long-term debt that could become repayable within 12 months if the company fails to comply with covenants in that 12 month period.

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements and the aim of the amendments therefore is to improve the information companies provide about long term debt with covenants. the amendments will be applied retrospectively and are not expected to have a material impact on the Bank's financial statements.

Lease liability in a sale and leaseback - Amendments to IFRS 16
Key requirements
The amendments add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction.
IFRS 16 had not previously specified how to measure the transaction when reporting after that date. The amendments add to the sale and leaseback requirements in IFRS 16, thereby supporting the consistent application of the standard. These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction. The amendments will be applied retrospectively and are not expected to have a material impact on the Bank's financial statements.

Disclosures: supplier finance arrangements - Amendments to IAS 7 and IFRS7
Key requirements
The amendments introduce new disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments are not expected to have a material impact on the Bank's financial statements.

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

Key requirements
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information sets out the general requirements for a company to disclose information about its sustainability-related risks and opportunities that is useful to users of general purpose financial reports (referred to as ''investors' throughout this document) in making decisions relating to providing reasources to the company. The amendments are not expected to have a material impact on the Bank's financial statements.

IFRS S2 Climate-related disclosures
Key requirements
IFRS S2 Climate-related disclosures sets our the requirements for a company to disclose information about its climate-related risks and opportunities, while building on the requirements described in IFRS S1. The amendments are not expected to have a material impact on the Bank's financial statements.

(ii). New Standards, amendments, interpretations issued but not yet effective.
Lack of exchangeability-Amendments to IAS 21, effective date is 01 January 2025
The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.
A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable right and obligations.
If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.
The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. The bank are not early adopted.

Presentation and Disclosure in financial statements IFRS 18 (effective date 1 Jan 2027)

Key requirements

The objective of this standard is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. It applies to all financial statements that are prepared and presented in accordance with International Financial Reporting Standards (IFRSs). Standards for recognizing, measuring and disclosing specific transactions are addressed in other Standards and Interpretations.

3.2 Functional and presentation Currency

(a) Transactions and balances

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

(b) Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

3.3 Recognition of income and expense

(i) Interest income and expenses

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

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

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

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. 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. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortization of the hedge adjustment begins.

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

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

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortized cost;
- interest on debt instruments measured at FVTOCI;
- 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 derivatives designated in fair value hedges of interest rate risk.
- Other interest income presented in the statement of profit or loss and OCI includes interest income on finance leases
- Interest expense presented in the statement of profit or loss and OCI includes:
- financial liabilities measured at amortized cost; and
- 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.

Interest income and expense on all trading assets and liabilities are considered 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

3.3.1 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income (for example commission on drafts, cash payment order (CPO),letter of credit (LC), guarantee etc.) are recognized on an accrual basis 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 expenses relates mainly to transaction and service fees are expensed as the services are received.

3.3.2 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.

3.3.3 Foreign Exchange revaluation gains and losses

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

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

3.4 Financial assets and liabilities

(a) Financial instruments – key measurement terms

Depending on their classification, financial instruments are carried at fair value or amortized cost as described below.

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 best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is , derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs

Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchange and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost

Is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write – down for incurred impairment losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method

Is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest reprising date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

(i) Recognition and initial measurement

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

• if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in profit or loss on initial recognition (i.e. day 1 profit or loss);

• in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

(ii) Classification and measurement of financial instruments Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

IFRS 9 specifically requires:

(i) the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, in OCI; and

(ii) the Bank may irrevocably designate a debt instrument that meets the amortized cost or FVTOCI criteria as measured at

FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt instruments at amortized cost or at FVTOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how Banks of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing its financial instruments which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's 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 in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Bank has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment explanation below,

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (nonrecourse loans). The Bank applies judgment in assessing whether the nonrecourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in note 3.1 Fair value of financial instruments.

Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

Collateral Valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash via Bank guarantees and real estate. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's reporting schedule.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. The Bank revalues its property at least after every 3 years and revalues motor vehicles at least once in every 2 years.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to ECL.

Impairment of financial assets

In line with IFRS 9, the Bank assesses the under listed financial instruments for impairment using Expected Credit Loss (ECL) approach:

- Amortized cost financial assets;
- Debt securities classified as at FVTOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

Equity instruments and financial assets measured at FVTPL are not subjected to impairment under the standard.

Expected Credit Loss Impairment Model

The Bank's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Bank follows a three-stage approach for impairment assessment based on changes in credit quality since initial recognition.

- **Stage 1** – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- **Stage 2** – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- **Stage 3** – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination.

Measurement of Expected Credit Losses

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical parameters/inputs are as follows:

PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

- **12-month PDs** – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs. The Bank obtains the constant and relevant coefficients for the various independent variables and computes the outcome by incorporating forward looking macroeconomic variables and computing the forward probability of default.
- **Lifetime PDs** – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures. PDs are limited to the maximum period of exposure required by IFRS 9. The Bank obtains 3 years forecast for the relevant macroeconomic variables and adopts exponentiation method to compute cumulative PD for future time periods for each obligor.
- **EAD** – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD** – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

To estimate expected credit loss for off balance sheet exposures, credit conversion factor (CCF) is usually computed. CCF is a modelled assumption which represents the proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring.

It is a factor that converts an off balance sheet exposure to its credit exposure equivalent. In modelling CCF, the Bank considers its account monitoring and payment processing policies including its ability to prevent further drawings during periods of increased credit risk. CCF is applied on the off balance sheet exposures to determine the EAD and the ECL impairment model for financial assets is applied on the EAD to determine the ECL on the off balance sheet exposures.

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires that:

The Bank uses internal subject matter consultant to consider a range of relevant forward looking data, including macro-economic forecasts and assumptions, for the determination of unbiased general economic adjustments in order to support the calculation of ECLs.

Macro-economic variables taken into consideration include, but are not limited to, inflation, Exchange rate, Gross Domestic Product, debt, stratification and requires an evaluation of both the current and forecast direction of the macroeconomic cycle.

Macro-economic variables considered have strong statistical relationships with the risk parameters (LGD, EAD, CCF and PD) used in the estimation of the ECLs, and are capable of predicting future conditions that are not captured within the base ECL calculations.

Forward looking adjustments for both general macro-economic adjustments and more targeted at portfolio / industry levels. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

Macroeconomic factors

The Bank relies on a broad range of forward looking information as economic inputs, such as: GDP growth, debt, household spending , consumer price index, inflation rates and foreign exchange rates. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

The macroeconomic variables and economic forecasts as well as other key inputs are reviewed and approved by management before incorporated in the ECL model. Any subsequent changes to the forward looking information are also approved before such are inputted in the ECL model.

The macro economic variables are obtained for 5 years in the future and are reassessed every 6 months to ensure that they reflect prevalent circumstances and are up to date.

Where there is a non-linear relationships, one forward-looking scenario is never sufficient as it may result in the estimation of a worst-case scenario or a best case scenario. The Bank's ECL methodology considers weighted average of multiple economic scenarios for the risk parameters (basically the forecast macroeconomic variables) in arriving at impairment figure for a particular reporting period. The model is structured in a manner that the final outcome, which is a probability cannot be negative.

SICR is assessed once there is an objective indicator of a deterioration in credit risk of customer. In addition, the Bank as part of its routine credit processes perform an assessment on a quarterly basis to identify instances of SICR.

Multiple forward-looking scenarios

The Bank determines allowance for credit losses using three probability-weighted forward-looking scenarios. The Bank considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Bank prepares the scenarios using forecasts generated by credible sources such as Business Monitor International (BMI), International Monetary Fund (IMF), Ministry of Finance (MF), World Bank (WB),and Ethiopian Central statistical Agency (ECSA).

The Bank estimates three scenarios for each risk parameter (LGD, EAD, CCF and PD) – Base, Upside and Downside, which in turn is used in the estimation of the multiple scenario ECLs. The ' Base case' represents the most likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

Assessment of significant increase in credit risk (SICR)

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region.

The Bank adopts a multi factor approach in assessing changes in credit risk. This approach considers: Quantitative

(primary), Qualitative (secondary) and Back stop indicators which are critical in allocating financial assets into stages.

The quantitative models considers deterioration in the credit rating of obligor/counterparty based on the Bank's internal rating system or External Credit Assessment Institutions (ECAI) while qualitative factors considers information such as expected forbearance, restructuring, exposure classification by licensed credit bureau, etc.

A backstop is typically used to ensure that in the (unlikely) event that the primary (quantitative) indicators do not change and there is no trigger from the secondary (qualitative) indicators, an account that has breached the 30 days past due criteria for SICR and 90 days past due criteria for default is transferred to stage 2 or stage 3 as the case may be except there is a reasonable and supportable evidence available without undue cost to rebut the presumption.

Definition of Default and Credit Impaired Financial Assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is '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; Others include death, insolvency, breach of covenants, etc.

•A breach of contract such as a default or past due event;

•The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

•It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

•The disappearance of an active market for a security because of financial difficulties.

• The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, loans that are more than 90 days past due are considered impaired.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy which applies for corporate and retail lending.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

• Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;

• A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Bank deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Bank considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated- credit impaired. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

• the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with

• the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Banks's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL.

If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Bank performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Bank calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account in 'Losses on modification of financial assets'. Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss.

A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Collateral Repossessed

Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be used for internal operations are initially recognized at the lower of their repossessed value or the carrying value of the original secured asset and included in the relevant assets depending on the nature and the Bank's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

Write off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is 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. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

• for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;

• for debt instruments measured at FVTOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.

• for loan commitments and financial guarantee contracts: as a provision; and

• where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Financial Liabilities

Under IFRS 9 fair value changes are generally presented as follows:

• the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

• the remaining amount of change in the fair value is presented in profit or loss

For an explanation of how the Bank classifies financial liabilities under IFRS 9, see below:

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL. A financial liability is classified as held for trading if:

• it has been incurred principally for the purpose of repurchasing it in the near term; or

• on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or

• it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

• the financial liability forms part of a Bank of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the banking is provided internally on that basis; or

• it forms part of a hybrid (combined) contract, containing one or more embedded derivatives that significantly modifies the cash flows of the contract, or it is clear with little or no analysis that separation of the embedded derivative is not prohibited.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in the profit or loss account.

However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For issued loan commitments and financial guarantee contracts that are designated as at FVTPL all gains and losses are recognized in profit or loss.

In making the determination of whether recognizing changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Bank assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income section" above.

Modification and derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. To determine if the modified terms of a liability are substantially different to the original terms a similar process with modification of financial assets is followed. The modification is assessed at first on a qualitative basis, factors such as a change in currency or the introduction of a non-closely related embedded derivative that significantly modifies the cash flows are regarded as substantially different. If it is not clear from the qualitative assessment that a modification has resulted in a substantial change in a financial liability, a quantitative assessment is applied. It is assumed that the terms of the financial liability are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the Bank recalculates the amortized cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. The Bank recognizes any adjustment to the amortized cost of the financial liability in profit or loss as income or expense at the date of the modification. The financial liability modification gain/loss is not significant for the Bank Modification gains are presented in 'other income' and modification losses are presented in 'other expenses' in the profit or loss account.

3.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Bank has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Bank or the counterparty.

3.6 Cash and cash equivalents

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

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

3.7 Property, plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Bank 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.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

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

Property, Plant and Equipment

Asset class	**Depreciation rate (years)**
Buildings	50
Furniture and fittings	10-20
Equipment	5-10
Motor Vehicles	15
Computer and accessories	10

'The Bank commences depreciation when the asset is available for use.

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

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is 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, if appropriate.

3.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated 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 .

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 a 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, as follows:

- Swift software – 6 years
- Core Banking software – 6 years
- Mobile and agent banking software – 6 years

3.9 Leases

At 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 in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS16.

(i) 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 not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use 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 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 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 remeasurements 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 as the discount rate.

The Bank determines its incremental borrowing rate by analyzing its cost of fund incurred for mobilizing deposits as there is no experience of borrowings from different external sources.

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

When the lease liability is remeasured 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 and lease liabilities in the statement of financial position separately.

(ii). 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 basis 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.

3.10 Investment property

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

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

Investment properties are measured initially at cost, including transaction costs. The Bank has opted to subsequently carry investment property at cost and disclose fair value. Fair value is based on active 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 valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

3.11 Non current assets held for sale or disposal and discontinued operation

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

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal Bank) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal Bank), 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 Bank) is recognized at the date of derecognition.

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

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

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

3.12 Impairment of non-financial assets

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

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

The Bank bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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, nor 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.

3.13 Other assets

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

(a) Prepayment

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

(b) 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.

3.14 Fair value measurement

The Bank measures financial instruments classified as available-for-sale at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed .

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

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

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

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

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, 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 unobservable.

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.

Classification and subsequent measurement

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

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

There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognized in profit or loss as other income when the company's right to receive payments is established.

3.15 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;

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

(b) Defined benefit plan

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

The current service cost of the defined benefit plan, 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 in income.

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

(c) Termination benefi

Termination benefits are payable to 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.

3.16 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is 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.

3.17 Contingent liabilities

Letters of credit, acceptances, guarantees, Approved Loan and Financing but not disbursed and performance bonds are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date that the financial statements are approved for issue by the Directors.

3.18 Related parties

In the normal course of business, the Bank has entered into transactions with related parties.

3.19 Operating segment

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Bank's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

3.20 Share capital

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

3.21 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.22 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Bank receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to income statement over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

3.23 Income taxation

(a) Current income tax

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

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

(b) Deferred tax

Deferred tax is 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 that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

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

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting Bank 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.

3.24 Significant accounting judgments, estimates and assumption

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liability, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future period.

Other disclosures relating to the Bank's exposure to risks and uncertainties includes:

- Capital management
- Financial risk management and policies

a) Judgments

In the process of applying the Bank's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared.
Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

c) 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.

d) Deprecation and carrying value of property, plant and equipment

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

e) Impairment of non-financial assets

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

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

f) 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 will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

g) 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.

4 Financial risk management

4.1 Introduction

As a financial institution the Bank is exposed to risks that arise from its use of financial instruments This note describes The Bank's objectives policies and processes for managing those risks and the methods used to measure them Further quantitative information in respect of these risks is presented throughout these financial statements Financial assets and financial liabilities that are liquid or have a short term maturity it is assumed that the carrying amounts approximate to their fair value.

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurementand monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk, market risk and different operational risks. It is also subject to various risks that affect the financial sector of the country

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank's strategic planning process

4.1.1 Risk management structure

The Board Risk Sub-Committee, a subset of the Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. It also has the responsibility to monitor the overall risk process within the Bank

The Senior Management chaired by the chief Executive Officer (CEO) has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is also responsible for managing risk decisions and monitoring risk levels and reports on a monthly basis to the Board Risk Sub Committee.

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Senior Management to ensure that procedures are compliant with the overall framework

The Risk Management Unit is responsible for monitoring compliance with risk principles, policies and limits across the Bank. It carries out an assessment of risk on an ad hoc basis to monitor the Bank's independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported, where necessary, to the Senior Management, and further to the Board Risk Sub-Committee and the relevant actions are taken to address exceptions and any areas of weakness

The Bank Finance and Treasury function is responsible for managing the Bank's financial assets, financial liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit Function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. The Internal Audit Function discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Sub-Committee.

4.1.2 Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events, which are unlikely to occur, do in fact, occur

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected regions. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 **Risk mitigation**

Risk controls and mitigates, identified and approved for the Bank, are documented for existing and new processes and systems.

The adequacy of these 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

As part of the credit risk mitigation which is the main identified financial risk of the Bank, an appropriate risk environment,credit policies and procedures are established. In addition, there is portfolio management, appropriate credit administration and monitoring and loan review function.
The other credit risk mitigation measures is obtaining sufficient collateral securities and guarantees for certain loan products as the second way out in case of default.

4.1.4 **Financial instruments by category**

The Bank's financial assets are classified into the following measurement categories: Financial assets at fair value through OCI and Financial assets at amortized cost and the financial liabilities are classified into other liabilities at amortised cost

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

The Bank's classification of its financial assets is summarised in the table below:

30-June-2025

			FVOCI	Amortized Cost	Total
	Notes	Birr	Birr	Birr	Birr
Cash and cash equivalents	17			2,034,426,158	2,034,426,158
Loans and advances to customers (Net)	18			2,390,120,571	2,390,120,571
Other assets and prepayments	21			169,393,554	169,393,554
Investment in securities:	20				
Financial assets at amortized cost	20(a)		285,598,713	-	285,598,713
Financial assets at fair value through OCI (2024 AFS)	20(b)		191,432,300	-	191,432,300
Total Financila asset			**477,031,013**	**4,593,940,284**	**5,070,971,297**

30-June-2024

		FVOCI	Amortized Cost	Total
	Notes	Birr	Birr	Birr
Cash and cash equivalents	17		841,576,167	841,576,167
Loans and advances to customers (Net)	21		1,112,924,098	1,112,924,098
Other assets and prepayments	21		116,617,710	116,617,710
Investment in securities:	20			
Financial assets at amortized cost	20(a)	71,501,800		71,501,800
Financial assets at fair value through OCI (2024	20(b)	92,546,515		92,546,515
Total Financila asset		**164,048,314**	**2,071,117,975**	**2,235,166,289**

4.3 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and other financial assets

Exposure to credit risk is managed through periodic analysis of the ability of borrowers and potential borrowers to determine their capacity to meet principal and interest thereon, and restructuring such limits as appropriate. Exposure to credit risk is also mitigated, in part, by obtaining collateral, commercial and personal guarantees .

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

The National Bank of Ethiopia (NBE) sets credit risk limit for a single borrower, one related party and all related parties to not exceed 25%, 5% and 35% of Bank's total capital amount as of the reporting quarterly period respectively.

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

In measuring credit risk of Financial assets at amortized cost to various counterparties, the Bank considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counterparty/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other solutions. Our credit exposure comprises wholesale and retail Financial assets at amortized cost which are developed to reflect the needs of our customers. The Bank's policy is to lend principally on the basis of our customer's repayment capacity through quantitative and qualitative evaluation. However we ensure that our loans are backed by collateral to reflect the risk of the obligors and the nature of the facility

4.3.1 **Credit related commitment risks**

The Bank holds collateral against loans and advances to customers in the form of bank guarantees and property. Estimates of fair value are based on the value of collateral assessed at the time of lending.

4.3.2 **Credit risk exposure**

a) Maximum exposure to credit risk before collateral held or other credit enhancements

exposure to credit risk at 30 June 2024 and 30 June 2023 is represented by

	Notes	30-Jun-25 Birr	30-Jun-24 Birr
Cash and cash equivalents	17	2,034,426,158	841,576,167
Loans and advances to customers (Net)	21	2,390,120,571	1,112,924,098
Other assets and prepayments	21	169,393,554	116,617,710
Investment in securities:	20		
Financial assets at amortized cost	20(a)	285,598,713	71,501,800
Financial assets at fair value through OCI (2024 AFS)	20(b)	191,432,300	92,546,515
Total Financila asset		**5,070,971,297**	**2,235,166,289**

Credit risk exposures relating to off balance sheets are as follows:

	30-Jun-25 Birr	30-Jun-24 Birr
Loan commitments	-	-
Guarantees	351,794,794.74	74,222,827
Letters of credit	132,611,293.70	4,717,540
Total off balance sheet exposure	**484,406,088**	**78,940,367**
Total maximum exposure	**5,555,377,385**	**2,314,106,656**

b) Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Bank by taking possession of collaterals held as security against loans and advances to customers at the year end are shown below.

	30-Jun-25 Birr	30-Jun-24 Birr
Acquired	-	-
	-	-

c) **Loans and advances to customers at amortised cost**

(i) Gross loans and advances to customers per sectors are analysed as follows:

	30-Jun-25 Birr	30-Jun-24 Birr
Agriculture	8,047,021	21,783,530
Other (Consumer Loans)	74,894,999	150,647,780
Housing And Construction	24,599,509	69,564,524
Domestic Trade And Services	1,845,352,594	766,259,058
Export	202,890,239	
Overdraft Facility	190,832,393	94,799,142
Staff Loan	129,227,103	70,677,471
Gross loans to customers	**2,475,843,858**	**1,173,731,505**

Credit quality analysis

(ii) Gross loans and advances from customers per National Bank of Ethiopia's impairment guidelines are analysed a

	30-Jun-25 Birr	30-Jun-25 Birr
Pass	2,080,330,708	823,526,804
Special mention	317,703,471	250,180,519
Substandard	31,223,816	61,337,432
Doubtful	25,358,808	16,540,484
Loss	21,227,055	22,146,267
	2,475,843,858	**1,173,731,505**

The above table represents a worst case scenario of credit risk exposure of the Bank as at the reporting dates without taking account of any collateral held or other credit enhancements attached. The exposures are based on carrying amounts as reported in the statement of financial position. Management is confident in its ability to continue to control and effectively manage the credit risk exposure in the Bank's loan and advances portfolio.

4.3.3 Credit quality analysis

(a) **Credit quality of Cash and bank balances**

The credit quality of Cash and bank balances and short-term investments that were neither past due nor impaired at as 30 June 2025 and 30 June 2024 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. However, Cash and bank balances that is held in foreign banks can be assessed by reference to credit rating agency designation as shown in the table below

	30-Jun-25 Birr	30-Jun-24 Birr
A		-
A+	-	-
AA-	-	
AAA	-	-
BB	-	-
BBB+	-	
Not rated	2,034,515,386	841,576,167
Less: Loss allowances	(89,228)	(33,817)
	2,034,426,158	**841,542,350**

Definitions of ratings

AA: Very high credit quality	This denotes expectations of a very low default risk. It indicates a very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A: High credit quality	This denotes expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB: Good credit quality	This indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.
Not rated	This indicates financial institutions or other counterparties with no available ratings and cash in hand.

A "+ "(plus) or "-" (minus) may be appended to a rating to indicate the relative position of a credit within the rating category. This is based on Fitch national long-term issuer default ratings

(b) **Credit quality of loans and advances to customers**

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

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 2.6

2025

Credit risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Total
Stage 1 – Pass	2,080,330,708		2,080,330,708
Stage 2 – Special mention		317,703,471	317,703,471
Stage 3 - Non performing			77,809,679
Total gross exposure	2,080,330,708	317,703,471	2,475,843,858
Loss allowance	(42,791,640)	(17,901,920)	(85,723,287)
Net Carrying amount	**2,037,539,068**	**299,801,551**	**2,390,120,571**

2024

Credit risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Total
Stage 1 – Pass	823,526,804		823,526,804
Stage 2 – Special mention		250,180,519	250,180,519
Stage 3 - Non performing			100,024,182
Total gross exposure	823,526,804	250,180,519	1,173,731,505
Loss allowance	(27,720,167)	(7,222,781)	(60,807,407)
Net Carrying amount	**795,806,636**	**242,957,738**	**1,112,924,098**

(C) **Credit quality of Off balance sheet items**

2025

Credit risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Total
	Birr	Birr	Birr
Stage 1 – Pass	484,406,088		484,406,088
Stage 2 – Special mention		-	-
Stage 3 - Non performing			-
Total gross exposure	484,406,088	-	484,406,088
Loss allowance	(23,884)	-	(23,884)
Net Carrying amount	**484,382,205**	**-**	**484,382,204.73**

2024

Credit risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Total
	Birr	Birr	Birr
Stage 1 – Pass	78,940,367		78,940,367
Stage 2 – Special mention		-	-
Stage 3 - Non performing			-
Total gross exposure	78,940,367	-	78,940,367
Loss allowance	(4,882)	-	(4,882)
Net Carrying amount	**78,935,486**	**-**	**78,935,485.80**

2025

Other financial assets (debt instruments)	Stage	Gross exposure	Net carrying amount
Cash and balances with banks	12 Month ECL	2,034,515,386	2,034,426,158
Investment securities (debt instruments)	12 Month ECL	285,612,994	285,598,713
Other receivables and financial	Life time ECL	43,119,491	42,762,165
Total	**-**	**2,363,247,871**	**2,362,787,036**
Loss allowance		-	-
Net Carrying amount	**-**	**2,363,247,871**	**2,362,787,036**

2024

Other financial assets (debt instruments)	Stage	Gross exposure	Net carrying amount
Cash and balances with banks	12 Month ECL	841,609,984	841,576,167
Investment securities (debt instruments)	12 Month ECL	71,505,375	71,501,800
Other receivables and financial	Life time ECL	30,460,663	30,305,578
Total	**-**	**943,576,022**	**943,383,545**
Loss allowance		-	-
Net Carrying amount	**-**	**943,576,022**	**943,383,545**

4.3.4 **Collaterals held and their financial effect**

The bank holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The main types of collateral and the types of assets these are associated with are listed below. The Bank does not sell or repledge the collateral in the absence of default by the borrower. 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.

The estimated value real estate 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.

4.3.5 **Nature of security in respect of loans and advances to customers**

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

30-Jun-25	AGRICULTURE	OTHER (CONSUMER LOANS)	HOUSING AND CONSTRUCTION	DOMESTIC TRADE AND SERVICES	EXPORT	Total
	Birr	Birr	Birr	Birr	Birr	Birr
Building	12,760,632	44,587,096	190,027,371	4,195,415,214	9,702,266	4,587,501,450
Personal Guarantee	-	4,329,013	-	24,664	-	4,353,677
Cash	820,979	11,277,400	1,065,077	127,328,280	-	140,532,588
Vehicle	-	1,600,000	-	283,557,905	-	318,357,905
Farm	2,150,000	-	-	34,400,885	-	36,550,885
Machinery (Construction M	-	-	-	8,158,000	-	8,158,000
Fuel Depot	-	-	-	61,264,984	-	61,264,984
Share Certificate	-	-	-	2,600,000	-	2,600,000
Others	10,000	10,529,543	2,948,542	66,375,162	-	79,863,246
	15,741,611	**72,323,051**	**194,040,990**	**4,779,125,093**	**9,702,266**	**5,239,182,735**

30-Jun-24	AGRICULTURE	OTHER (CONSUMER LOANS)	HOUSING AND CONSTRUCTION	DOMESTIC TRADE AND SERVICES	Total
	Birr	Birr	Birr	Birr	Birr
Building	12,760,632	42,563,687	292,604,475	1,783,933,216	2,202,945,776
Personal Guarantee	-	17,782,806	-	-	17,782,806
Merchandise	-	-	2,376,000	-	2,376,000
Cash	515,540	18,718,042	5,251,546	47,445,627	71,930,755
Vehicle	-	1,600,000	-	127,824,487	142,524,487
Farm	3,208,700	-	-	-	3,208,700
Machinery (Construction Machinery)	-	-	-	6,481,350	6,481,350
Fuel Depot	-	-	-	18,782,161	18,782,161
Share Certificate	-	450,549	-	500,000	950,549
Others	-	47,529,561	14,239,272	30,358,382	92,127,215
	16,484,872	**128,644,646**	**314,471,293**	**2,015,325,223**	**2,559,109,799**

i) Loans and advances to customers

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. 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 customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to customers. Valuation of collateral of real estates (buildings) is updated and reviewed every three year and at the same time whenever the loan foreclosure measure is opted. For credit impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

ii) Investment securities designated as at FVTPL

As at 30 June 2024, the Bank had no exposure to credit risk of the investment securities designated as at FVTPL.

4.3.6 **Amounts arising from ECL**

i) inputs, assumptions and techniques used for estimating impairement

See accounting policy in note 3.3 - iv

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 Institution 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 analyzed by type of product and borrower. The Institution 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.

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

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

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good 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 Institution 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.
• it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes .
The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

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

External information considered includes economic data and forecasts published by Business Monitor International, an external and independent macroeconomic data body. This is in addition to industry – level, semi – annual NPL trends across statistically comparable sectors.

vii) Incorporation of forward-looking information
Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

vii) 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.

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 recoverycosts 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 observationsand 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;
- credit risk grading;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

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

x) Loss allowance

Statement of Prudential adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the National Bank of Ethiopia (NBE) Directives. This is at variance with the forward looking model required by IFRS-9. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.
The proclamation 'Financial Reporting Proclamation No.847/2014 stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.

However, the Bank would be required to comply with the following:

(a) Provisions for loans recognised in the income statement should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under the NBE Directives and the expected impact/changes in other reserves should be treated as follows:
• Prudential provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve (retained earnings) account to a "regulatory risk reserve".
• Prudential provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve(retained earnings) account

(b) The non-distributable reserve should be classified under Tier 1 as part of the core capital.

	30-Jun-25 Birr	30 June 2024 Birr
Total impairment based on IFRS	85,723,287	60,807,407
Total impairment based on NBE Directives	44,291,184	21,768,261
Difference	**41,432,103**	**39,039,146**

Credit Concentration

The Institution monitors concentrations of credit risk by economic sector. An analysis of concentrations of credit risk at 30 June 2024 and 30 June 2023.

	30 June 2025		
	Birr	%	Birr
Agriculture	8,047,021	0.33%	1.86%
Other (Consumer Loans)	74,894,999	3.03%	12.83%
Housing And Construction	24,599,509	0.99%	5.93%
Domestic Trade And Services	1,845,352,594	74.53%	65.28%
Export	202,890,239	8.19%	
Overdraft Facility	190,832,393	7.71%	8.08%
Staff Loan	129,227,103	5.22%	6.02%
	2,475,843,858	**100.00%**	**100%**

— **Loans with renegotiated terms**

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off

— **Loans that were past due but not impaired**

Loans that were 'past due but not impaired' are those for which contractual interest or principal payments were past due but the Bank believed that impairment was not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank. The amounts disclosed exclude assets measured at FVTPL.

4.3.7 **Commitments and guarantees**

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

	30-Jun-25 Birr	30-Jun-24 Birr
Guarantees	351,794,795	74,222,827
Letters of credit	132,611,294	4,717,540
	484,406,088	**78,940,367**

4.4 **Liquidity risk**

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

Liquidity risk management in the Bank is solely determined by the Asset and Liability Committee (ALCO), which bears the overall responsibility for liquidity risk. The main objective of the Bank's liquidity risk framework is to maintain sufficient liquidity in order to ensure that we meet our maturing obligations.

4.4.1 **Management of liquidity risk**

Cash flow forecasting is performed by the Finance and Treasury function. The Finance and Treasury function 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 of damage to the Bank's reputation.

4.4.1 **Maturity analysis of financial 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-Jun-25	**Notes**	**31 - 90days**	**91 - 180days**	**181 - 365 days**	**Total**
		Birr	**Birr**	**Birr**	**Birr**
Deposits from customers	26	112,082,743	528,390,072	640,472,815	3,674,915,745
Other liabilities	27	15,671,026	18,110,685	63,789,266	202,486,491
Total financial liabilities		**127,753,769**	**546,500,757**	**704,262,082**	**3,877,402,237**
Loan commitments		-	-	-	-
Guarantees		351,794,795	-	-	-
Letters of credit		132,611,294	-	-	-
		484,406,088.44	-	-	-
Assets held for managing liquidity risk		**612,159,858**	**546,500,757**	**704,262,082**	**3,877,402,237**

30-Jun-24	**Notes**	**31 - 90days**	**91 - 180days**	**181 - 365 days**	**Total**
		Birr	**Birr**	**Birr**	**Birr**
Deposits from customers	26	37,357,959	176,116,092	213,474,051	1,224,875,020
Other liabilities	27	3,810,437	4,403,644	15,510,469	49,234,936
Total financial liabilities		**41,168,396**	**180,519,736**	**228,984,520**	**1,274,109,956**
Loan commitments		-	-	-	-
Guarantees		74,222,827	-	-	-
Letters of credit		4,717,540	-	-	-
Other commitments			-	-	-
		78,940,367	-	-	-
Assets held for managing liquidity risk		**120,108,763**	**180,519,736**	**228,984,520**	**1,274,109,956**

4.5 **MARKET RISK**

Market risk is defined as the risk of loss that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions.

The Bank does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

4.5.1 **Management of market risk**

The main objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk is monitored by the risk and compliance management function regularly, to identify any adverse movement in the underlying variables

i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings and lending obtained at variable rates give rise to interest rate risk.

The Bank's exposure to the risk of changes in market interest rates relates primarily to the Bank's obligations and financial assets with floating interest rates. The Bank is also exposed on fixed rate financial assets and financial liabilities. The Bank's investment portfolio is comprised of treasury bills, Ethiopian government bonds and cash deposits.

The table below sets out information on the exposures to fixed and variable interest instruments

The table below summarises The Bank's exposure to interest rate risks The table presents the aggregated amounts of The Bank's interest bearing financial assets and interest bearing financial liabilities at carrying amounts as at 30 June 2025 and 30 June 2024.

2025

Asset	Interest variable	Fixed interest bearing	Non-interest bearing	Total Birr
Cash and balances with banks	Fixed	33,919,477	2,000,506,681	2,034,426,158
Loans and advances to customers	Fixed	2,390,120,571	-	2,390,120,571
Investment securities	Fixed	285,598,713	191,432,300	477,031,013
Other assets		-	169,393,554	169,393,554
Total interest bearing financial assets		**2,709,638,762**	**2,361,332,535**	**5,070,971,297**
Liablities				
Deposits from customers	Fixed	3,260,477,587	414,438,159	3,674,915,745
Other liabilities	Fixed		202,486,491	202,486,491
Borrowings	Fixed	196,839,578	-	196,839,578
Total interest bearing financial liabilities		**3,457,317,164**	**414,438,159**	**3,871,755,323**
Net interest sensitivity gap		**(747,678,403)**	**1,946,894,377**	**1,199,215,974**

2024

Asset	Interest variable	Fixed interest bearing	Non-interest bearing	Total
		Birr	Birr	Birr
Cash and balances with banks	Fixed	210,440,567	631,135,601	841,576,167
Loans and advances to customers	Fixed	1,112,924,098	-	1,112,924,098
Investment securities	Fixed	-	92,546,515	92,546,515
Other assets		-	116617709.6	116,617,710
Total interest bearing financial assets		**1,323,364,664**	**840,299,825**	**2,163,664,489**
Liablities				
Deposits from customers	Fixed	1,224,875,020		1,224,875,020
Other liabilities	Fixed		49,234,936	49,234,936
Borrowings	Fixed	192,007,690	-	192,007,690
Total interest bearing financial liabilities		**1,416,882,710**	**49,234,936**	**1,466,117,646**
Net interest sensitivity gap		**(93,518,046)**	**791,064,889**	**697,546,844**

ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.
The Bank is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr (ETB). The Bank's foreign currency bank accounts act as a natural hedge for these transactions. Management has set up a policy to manage the Bank's foreign exchange risk against its functional currency.

The table below summarises the impact of increases/decreases of 10% on equity and profit or loss arising from the Bank's foreign denominated borrowings and cash and bank balanc
The total foreign currency denominated assets exposed to risk as at year end 30 June 2025 was ETB 388.99 Million (30 June 2024: ETB 41.39 Million).

	30-Jun-25 Birr	30-Jun-24 Birr
US dollars (USD	388,990,291	41,393,162
	388,990,291	**41,393,162**

Sensitivity analysis for foreign exchange risk

The sensitivity analysis for currency rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date.

	30-Jun-25 Birr	30-Jun-24 Birr
Effect of a 10% Increase of the ETB against USD	38,899,029	4,139,316
Effect of a 10% Decrease of the ETB against USD	**(38,899,029)**	**(4,139,316)**

4.6 **Capital management**

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

4.6.1 **Capital adequacy ratio**

According to the Licensing & Supervision of Banking Business Directive No SBB/50/2011 of the National Bank of Ethiopia, the Bank has to maintain a capital to risk weighted assets ratio of 8% at all times, the risk weighted assets being calculated as per the provisions of Directive No SBB/9/95 issued on 18 August 1995. Capital includes capital contributions, retained earnings, legal reserve and other reserves to be approved by the National Bank of Ethiopia.

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

Capital	**30-Jun-25** **Birr**	**30-Jun-24** **Birr**
Share capital	1,054,121,000	913,092,000
Retained earnings	64,871,207	
Legal Reserve	77,287,241	59,208,728
Regulatory Risk reserve	12,878,768	23,514,434
Other Reserve	101,940,246	47,311,069
	1,311,098,463	**1,043,126,231**

Risk weighted assets		
Risk weighted balance for on-balance sheet items	3,307,945,743	851,949,829
Credit equivalent for off-balance	54,190,196	-
Total risk weighted assets	**3,362,135,940**	**851,949,829**
Risk-weighted Capital Adequacy Ratio (CAR)	39.00%	122.44%
Minimum required capital	8%	8%
Excess	**31.00%**	**114.44%**

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 three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole

4.7 **Fair value of financial assets and liabilities**

4.7.1 **Valuation models**

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

- **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, another 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 data and the unobservable inputs have a significant effect on the asset's 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.

4.7.2 **Financial instruments not measured at fair value**

The following table summarises the carrying amounts of financial assets and liabilities at the reporting date. The amounts are based on the values recognised in the statement of financial position.

	30-Jun-25		30-Jun-24	
	Carrying amount Birr	Amortized Cost Birr	Carrying amount Birr	Amortized Cost Birr
Financial assets				
Cash and bank balances	2,034,426,158	2,034,426,158	841,576,167	841,576,167
Loans and advances to customers	2,390,120,571	2,390,120,571	1,112,924,098	1,112,924,098
Investment securities				
- Financial assets at fair value through OCI	285,598,713	285,598,713	-	-
- Financial assets at amortized cost	191,432,300	191,432,300	92,546,515	92,546,515
Other assets	169,393,554	169,393,554	116,617,710	116,617,710
Total	**5,070,971,297**	**5,070,971,297**	**2,163,664,489**	**2,163,664,489**

	30-Jun-25		30-Jun-24	
	Carrying amount Birr	Amortized Cost Birr	Carrying amount Birr	Amortized Cost Birr
Financial liabilities				
Deposits from customers	3,674,915,745	3,674,915,745	1,224,875,020	1,224,875,020
Other liabilities	202,486,491	202,486,491	49,234,936	49,234,936
Total	**3,877,402,237**	**3,877,402,237**	**1,274,109,956**	**1,274,109,956**

4.7.3 **Valuation technique using significant unobservable inputs – Level 3**

The Bank has equity investments measured at fair value on subsequent recognition.

4.7.4 **Transfers between the fair value hierarchy categories**

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

4.8 **Offsetting financial assets and financial liabilities**

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

5 Net Interest Income

Interest income is arising from:	2025 Birr	2024 Birr
Loans to customers	299,498,626	236,782,306
Deposit with other banks	7,832,275	31,356,794
Interest Income -Treasury Bond	16,793,303	2,628,648
Interest Income from DBE Bond	206,400	-
Interest Income from open Market Ope(OMO)	2,301,370	-
Interbank Money Market	10,782,192	-
Total interest income	**337,414,165**	**270,767,748**

6 Interest expense

Interest expense is arising from:	2025 Birr	2024 Birr
Interest expense on customer deposit	63,736,531	17,774,842
Interest expense on bank loan	25,118,721	18,616,740
	88,855,252	**36,391,582**

7 Fees and commission income

	2025 Birr	2024 Birr
Service charge income	21,374,758	12,462,847
Gain on foreign currency transactions	8,032,036	636,018
Loan Process and Evaluation	19,928,043	12,654,949
Income from Guarantee	32,593,264	351,052
	81,928,100	**26,104,866**

8 Other Operating Income

	2025 Birr	2024 Birr
Gain on Foreign Currency	5,923,458	375,934
Gain on Foreign Exchange Revaluation	81,967,507	1,313,246
Other income	76,641,965	46,156,806
Divedend Income	5,275,972	-
	169,808,901	**47,845,986**

9 Loan Impairment Charge

	30-Jun-25 Birr	30-Jun-24 Birr
Loans and advances - charge for the year	24,915,880	8,521,019
Loans and advances - reversal of provision	-	-
	24,915,880	**8,521,019**

10 Impairment On Other Assets

	30-Jun-25 Birr	30-Jun-24 Birr
Other assets-charges for the year	221,244	159,966
Receivables - Bad Debts Write Off	-	-
	221,244	**159,966**

11 Impairment on Cash, Bills and Bonds

	30-Jun-25 Birr	30-Jun-24 Birr
Cash, Bills and Bonds-charge for the year	66,116	37,392
	66,116	37,392

12 Grant income from loan borrowed at a redured interest rate

	2025 Birr	2024 Birr
Income from Grant amortized	8,444,099	3,909,040
	8,444,099	**3,909,040**
Total grant recognised on a subsidised loans	9,626,083	24,469,627
Grant amount released to profit and loss account todate	(1,454,009)	(14,843,545)
Remaining balance	**8,172,073**	**9,626,083**

The particulars of the loan on which these grants hav been recognized is given under note 24

13 Salaries and other employee benefits

	2025 Birr	2024 Birr
Salaries and wages	135,731,367	110,226,745
Pension Cost-Defined contribution plan	14,697,091	11,959,954
Staff allowance	28,518,912	24,382,693
Leave expense	4,490,254	1,528,698
Medical Expense	1,404,293	794,281
Over Time	2,596,404	730,972
Uniform	737,057	395,449
Severance expense	2,909,272	5,923,062
Cash Indeminity Expense	1,681,078	-
	192,765,729	**155,941,853**

14 Depreciation on property, plant and equipment

The depreciation expenses represents current year depreciation on Property, plant and equipment and investment property.

	2025 Birr	2024 Birr
Depreciation & amortization expense	24,175,537	16,079,284
Total depreciation expense	**24,175,537**	**16,079,284**

15 General and administrative expenses

	2025 Birr	2024 Birr
Perdiem & travel	11,610,202	7,590,860
Stationary and printing	13,444,401	9,522,206
Communication	5,764,981	3,416,163
Marketing and promotion	8,213,422	8,540,068
Insurance Expense	3,689,510	2,441,410
Miscellaneous expense	1,345,683	2,179,132
Fuel & lubricants	7,760,944	4,077,991
Entertainment	5,222,600	1,522,225
Maintenance & repair	9,089,958	5,694,840
Training	22,698,662	1,120,938
Donation expense	1,419,960	310,015
Cleaning and supplies	636,402	328,040
Professional fee	1,327,916	110,472
Audit fee	517,500	402,500
Board fee Expense	2,590,000	3,410,000
Utilities	898,682	479,758
Swift Charge	3,849,229	1,290,985
Membership fee	521,600	778,000
Lease Expense	8,133,436	3,830,999
Hotel Accomodation	3,879,708	2,583,812
Legal Case Fee	72,228	90,751
Annual CBS Maintenance and Support Exp.	583,226	283,000
Loss On Revaluation of FCY	20,741,948	81,432
Reward & other Benefit	50,720	319,924
Inaguration& Establishment Cost	-	11,846,977
EATS-RTGS Service Charge	63,785	77,612
NBE-License,Renewal and Examnation	765,000	870,000
Regional municipality fee	1,463,655	-
	136,355,360	**73,200,110**

16 Taxation charge/expense

	2025 Birr	2024 Birr
Curent year tax charge as per the income tax proclamation	9,804,460	1,538,161
Deferred tax (income)/expense	8,669,123	752,833
	18,473,583	**2,290,994**

17 CASH AND CASH EQUIVALENTS

	30-Jun-25	30-Jun-24
	Birr	Birr
Cash on hand	249,960,190	165,273,983
Cash at Bank	54,203,037	240,131,832
Other accounts with National Bank of Ethiopia	1,341,361,867.55	394,811,008
Deposit with foreign Banks	388,990,291	41,393,162
	2,034,515,386	841,609,984
Less: Loss allowances	(89,228)	(33,817)
	2,034,426,158	**841,576,167**

18 LOANS TO CUSTOMERS

	30-Jun-25	30-Jun-24
	Birr	Birr
Agriculture	8,047,021	21,783,530
Other (Consumer Loans)	74,894,999	150,647,780
Housing And Construction	24,599,509	69,564,524
Domestic Trade And Services	1,845,352,594	766,259,058
Export	202,890,239	-
Overdraft Facility	190,832,393	94,799,142
Staff Loan	129,227,103	70,677,471
Gross loans to customers	**2,475,843,858**	**1,173,731,505**
Less : allowance for impairment losses	(85,723,287.02)	(60,807,407.05)
Net loans to customers	**2,390,120,571**	**1,112,924,098**

Total Gross Loans and advances Birr 2,475,843,858.41 Out of this amount, Birr 1,216,940,751.27 are Micro Finance loans and Birr 1,258,903,107.14 are bank loans.

Movments of the loan impairment allowance for the year ended 30 June 2025 and 30 June 2024 as follows:

	30-Jun-25	30-Jun-25
	Birr	Birr
Balance at the beginning of the year	60,807,407	52,286,388
Provision expense	24,915,880	8,521,019
Balance at the end of the year	**85,723,287**	**60,807,407**
Loan impairment charge		

The following table provide information on the credit quality of the loan portfolio:

Originated loans to customers according to the agreement	30-Jun-25	30-Jun-24
	Birr	Birr
Current and less than 90 days overdue	2,398,034,179	1,073,707,323
90 to 180 days overdue	31,223,816	61,337,432
180 to 365 days overdue	25,358,808	16,540,484
above 365 days overdue	21,227,055	22,146,267
Balance at the end of the year	**2,475,843,858**	**1,173,731,505**
Less : allowance for impairment losses	(85,723,287)	(60,807,407)
Balance at the end of the year	**2,390,120,571**	**1,112,924,098**

Loan to customers are collateralized by:	**30-Jun-25**	**30-Jun-24**
	Birr	**Birr**
Building	4,587,501,450	2,202,945,776
Personal Guarantee	4,353,677	17,782,806
Merchandise	-	2,376,000
Cash	140,532,588	71,930,755
Vehicle	318,357,905	142,524,487
Farm	36,550,885	3,208,700
Machinery (Construction Machinery)	8,158,000	6,481,350
Fuel Depot	61,264,984	18,782,161
Share Certificate	2,600,000	950,549
Others	79,863,246	92,127,215
	5,239,182,735	**2,559,109,799**

Reconcillations of loans to customers according to the agreement and effective interest rate:

	30-Jun-25	**30-Jun-24**
	Birr	**Birr**
Originated loans to customers according to the agreement	2,261,119,424	999,326,287
Accrued interest according to the agreement	214,724,435	174,405,218
agreement	**2,475,843,858**	**1,173,731,505**
Gross loans to customers	**2,475,843,858**	**1,173,731,505**
Less: allowance for impairment losses	(85,723,287)	(60,807,407)
Net loans to customers	**2,390,120,571**	**1,112,924,098**

-

Breakdown of current and noncurrent portions is presented

	30-Jun-25	**30-Jun-24**
	Birr	**Birr**
Current portion	2,264,936,065	970,458,203
Noncurrent portion	210,907,793	203,273,302
Total loan and advances	**2,475,843,858**	**1,173,731,505**

19 Deferred Tax Asset

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss ("P/L"), in equity and other comprehensive income are attributable to the following items:

Deferred income tax assets/(liabilities):

	30-Jun-25 Birr	30-Jun-24 Birr
PPE carying value as per IFRS	347,167,904	305,611,422
PPE carying value as per Income tax proclamation	(289,397,902)	(272,794,344)
Temporary difference	57,770,002	32,817,078
Deferred tax liability	**(17,331,001)**	**(9,845,123)**
	-	-
Leave & Severence Carrying value	27,418,458	19,145,728
Leave & Severence tax base	-	-
Temporary difference	27,418,458	19,145,728
Deferred tax asset @30%	**8,225,537**	**5,743,719**
Deferred tax aset on Loss for tax purpose	-	9,621,778
Deferred tax asset @	-	2,886,533
Deferred tax on gain from Investments through OCI		
Carrying amount-Fair Value	191,432,300	92,546,515
Tax base-Cost	60,956,525	42,707,525
Gain on investment through OCI	130,475,775	49,838,990
Deferred tax laibility on gain from Investments through OCI **@30%**	(39,142,733)	(14,951,697)
NET DEFERRED TAX CREDIT/(EXPENSE)	**(48,248,196)**	**(16,166,568)**

2025

	Balance on 30/06/2024	Blance recognised in profit & loss	Blance recognised in other comp. income	Balance on 30/06/2025
	Birr	Birr	Birr	Birr
Property, plant & equipment	(9,845,123)	(7,485,877)	-	(17,331,001)
Severance & leave pay	5,743,719	1,703,288	778,531	8,225,537
Gain on Financial assets through OCI	(14,951,697)	-	(24,191,036)	(39,142,733)
Loss for tax pupose	2,886,533	(2,886,533)	-	-
	(16,166,568)	**(8,669,123)**	**(23,412,504)**	**(48,248,196)**

2024

	Balance on 30/06/2023	Blance recognised in profit & loss account	Blance recognised in other comp. income	Balance on 30/06/2024
	Birr	Birr	Birr	Birr
Property, plant & equipment	(3,970,229)	(5,874,895)	-	(9,845,123)
Severance & leave pay	7,623,489	2,235,528	(4,115,299)	5,743,719
Gain on Financial assets through OCI	-	-	(14,951,697)	(14,951,697)
Loss for tax pupose	-	2,886,533	-	2,886,533
	3,653,261	**(752,833)**	**(19,066,996)**	**(16,166,568)**

20 Investment Securities

20(a) At amortised cost

Government Bond as at 30 June 2024 and 30 June 2025 comprises the following:

	30-Jun-25 Birr	30-Jun-24 Birr
Government Bond	-	-
Investment in securities received/(refunded)	-	-
Treasure Bond	274,487,994	71,505,375
DBE Bond	11,125,000	-
	285,612,994	**71,505,375**
Less: Loss allowances	(14,281)	(3,575)
	285,598,713	**71,501,800**

20(b At fair value through OCI

Investment securities as at 30 June 2024 and 30 June 2023 comprises the following:

	30-Jun-25 Birr	30-Jun-24 Birr
Investment securities	346,569,519	114,212,900

The Bank equity investment comprises
A breakdown of the Investment securitiess is as follows:

	30-Jun-25 Birr	30-Jun-24 Birr
Investement in ETH Switch SC	190,010,704	91,158,038
ET Inclusive Finance Technology S.C.	1,421,596	1,388,476
	191,432,300	**92,546,515**

2025

The Investments comprise of: At 30 June 2024	Fair Value per share	Number of shares held at par vale of	Cost Birr	Fair value Birr
Eth Switch S.Co	5,253	36,174	57,879,525	190,010,704
ET Inclusive Finance Technology S.C.	462	3,077	3,077,000	1,421,596
			60,956,525	**191,432,300**

2024

The Investments comprise of: At 30 June 2024	Fair Value per share	shares held at par vale of Birr	Cost Birr	Fair value Birr
Eth Switch S.Co	5,039.98	18,087	39,792,525	91,158,038
ET Inclusive Finance Technology S.C.	476.32	2,915	2,915,000	1,388,476
			42,707,525	**92,546,515**

21 Other Assets

	30-Jun-25 Birr	30-Jun-24 Birr
Non Financial Assets		
Prepayment	70,750,753	59,278,625
Prepaid rent	-	-
Prepaid staff benefit on staff loan at reduced rate	55,904,519	26,896,937
Other Recivable	43,119,491	30,460,663
Withholde Tax Paid	-	141,451
Gross amount	**169,774,764**	**116,777,676**
Impairment losses on other assets	(381,210)	(159,966)
Net other asset and Prepayment	**169,393,554**	**116,617,710**

Movments of the impairment allowance for other assets for the year ended 30 June 2025 and 30 June 2024 as follows:

	30-Jun-25 Birr	30-Jun-24 Birr
Balance at the beginning of the year	197,358	-
Impairment losses on other assets	287,360	197,358
Balance at the end of the year	-	-
	484,719	**197,358**

Breakdown of current and noncurrent portions is as follows:

	30-Jun-25 Birr	30-Jun-24 Birr
Current portion	140,850,740	96,967,626
Noncurrent portion	28,542,814	19,650,084
	169,393,554	**116,617,710**

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22 Investment Property

Investment property as at 30 June 2025 is presented as follows:

Cost	**Birr**	**Total**
Balance as at 01 July 2023	38,906,886	38,906,886
Transfer from CIP	-	-
Reclassification	-	-
As at 30 June 2024	**38,906,886**	**38,906,886**
Balance as at 01 July 2024	38,906,886	38,906,886
Transfer from CIP	-	-
Reclassification	-	-
As at 30 June 2025	**38,906,886**	**38,906,886**
Accumulated Depreciation		
Balance as at 01 July 2023	**739,231**	**739,231**
Charge for the year	741,256	741,256
Reclassification	-	-
As at 30 June 2024	**1,480,487**	**1,480,487**
Balance as at 01 July 2024	**1,480,487**	**1,480,487**
Charge for the year	739,231	739,231
Reclassification	-	-
As at 30 June 2025	**2,219,718**	**2,219,718**
NET BOOK VALUE		
As at 30 June 2024	**37,426,399**	**37,426,399**
As at 30 June 2025	**36,687,168**	**36,687,168**

22a Amounts recognised in profit or loss for investment properties

	30 June 2025 Birr	**30 June 2024 Birr**
Rental income	4,758,462	7,072,548
Direct operating expenses on property that generated rental income	-	-
	4,758,462	**7,072,548**

22b 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 a portion. These property are held to earn rentals and for capital appreciation. There are currently no restrictions on the realisability of this property.

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. The fair value of investment properties has been disclosed as required.

22c Fair value hierarchy

Details of the Bank's Investment properties and information about the fair value hierarchy at 30 June 2023, and 30 June 2024 respectively are as follows:

30 June 2024	**Carrying amount Birr**	**Level 1 Birr**	**Level 2 Birr**	**Level 3 Birr**
Investment properties	37,426,399			37,426,399

30 June 2025	**Carrying amount Birr**	**Level 1 Birr**	**Level 2 Birr**	**Level 3 Birr**
Investment properties	36,687,168			36,687,168

23 Leases

23(a) Leases as Lessee

The Bank leases a number of branches office premises and land lease. The Leases typically option to renew the lease after that expiry date. Information about leases for which the Bank is a Lessee is presented below:

Right –of use Assets and lease obligation

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

Right –of use Assets

COST

	Building Birr	Total Birr
Balance at 01 July 2023	62,427,499	62,427,499
Adjustments	4,031,342	4,031,342
Addition	39,336,737	39,336,737
Less amortization-Charge for the year	(26,305,009)	(26,305,009)
Balance as at 30 June 2024	**79,490,568**	**79,490,568**
Balance at 01 July 2024	**79,490,568**	**79,490,568**
Adjustments	-	-
Addition	57,052,313	57,052,313
Less amortization-Charge for the year	(35,255,091)	(35,255,091)
Balance at 30 June 2025	**101,287,790**	**101,287,790**
Net Carrying Value at 30 June 2024	**79,490,568**	**79,490,568**
Net Carrying Value at 30 June 2025	**101,287,790**	**101,287,790**

Lease Liabilities	Building Birr	Total Birr
Balance at 01 July 2023	**33,881,173**	**33,881,173**
Adjustments	3,608,107	3,608,107
Additions	5,890,947	5,890,947
Interest expense recognised in the Profit and loss account	2,564,536	2,564,536
Payment of Leases	(17,375,232)	(17,375,232)
Balance at 30 June 2024	**28,569,531**	**28,569,531**
Balance at 01 July 2024	**28.569.531**	**28.569.531**
Additions	28,821,399	28,821,399
Interest expense recognised in the Profit and loss account	4,197,418	4,197,418
Payment of Leases	(7,555,503)	(7,555,503)
Balance at 30 June 2025	**54,032,844**	**54,032,844**

At 30 June 2025, the future minimum lease payments under non-cancellable operating leases were payable as follows;

Maturity analysis- contractual undiscounted cash flows:-

	30-Jun-25 Birr	30-Jun-24 Birr
Upto 1 year	70,750,753	59,278,625
2 year to 3 years	57,336,588	29,450,961
4 year to 5 years	26,586,303	19,153,051
Finanancial commitments and contingencies	**154,673,644**	**107,882,637**

	30-Jun-25 Birr	30-Jun-24 Birr
Interest expense on lease liability	**4,197,418**	**2,564,536**

24 Intangible Assets

	Intangible Assets Birr	Total Birr
Cost		
As at 01 July 2023	-	-
Additions	5,788,946	5,788,946
As at 30 June 2024	**5,788,946**	**5,788,946**
As at 01 July 2024	5,788,946	5,788,946
Additions	10,042,803	10,042,803
As at 30 June 2025	**15,831,749**	**15,831,749**
Accumulated depreciation		
As at 01 July 2023	-	-
Charge for the year	385,500	385,500
As at 30 June 2024	**385,500**	**385,500**
As at 01 July 2024	385,500	385,500
Charge for the year	1,440,870	1,440,870
As at 30 June 2025	**1,826,371**	**1,826,371**
Net Book Value		
As at 30 June 2024	**5,403,446**	**5,403,446**
As at 30 June 2025	**14,005,378**	**14,005,378**

25 PROPERTY, PLANT AND EQUIPMENT

Cost	Buildings Birr	Computer & Accessories Birr	Motor Vehicles Birr	Furniture & Fittings Birr	Office & Other Equipments Birr	Total Birr
As at 01 July 2023	44,685,842	22,258,216	32,614,677	54,391,245	-	153,949,980
Additions	-	-	-	(31,759,568)	31,759,568	-
As at 30 June 2024	**47,291,877**	**73,788,801**	**89,649,947**	**35,409,462**	**47,453,755**	**293,593,842**
As at 01 July 2024	47,291,877	73,788,801	89,649,947	35,409,462	47,453,755	293,593,842
Additions	152,939	19,777,525	6,664,178	4,286,575	24,808,000	55,689,217
Transfer to PPE	-	-	-	-	-	-
As at 30 June 2025	**47,444,816**	**93,566,326**	**96,314,126**	**39,696,037**	**72,261,754**	**349,283,059**
Accumulated depreciation						
As at 01 July 2023	1,955,116	3,157,110	5,294,936	5,452,575	-	15,859,738
Reclassification				(2,646,312)	2,646,312	-
Charge for the year	861,667	5,239,625	2,098,984	4,317,208	2,435,043	14,952,527
As at 30 June 2024	**2,816,783**	**8,396,736**	**7,393,920**	**7,123,471**	**5,081,355**	**30,812,265**
As at 01 July 2024	2,816,783	8,396,736	7,393,920	7,123,471	5,081,355	30,812,265
Charge for the year	901,045	7,920,231	5,632,798	2,938,115	4,603,246	21,995,436
As at 30 June 2025	**3,717,829**	**16,316,967**	**13,026,718**	**10,061,586**	**9,684,601**	**52,807,701**
Net Book Value						
As at 30 June 2024	**44,475,094**	**65,392,065**	**82,256,027**	**28,285,991**	**42,372,400**	**262,781,577**
As at 30 June 2025	**43,726,988**	**77,249,358**	**83,287,407**	**29,634,451**	**62,577,153**	**296,475,358**

26 Deposits From Customers

	30-Jun-25 Birr	30-Jun-24 Birr
Demand Deposits	1,759,556,649	412,873,110
Saving Deposits	1,906,665,395	786,997,727
Time Deposit	8,249,174	23,635,512
Interest Payable on Deposit	444,527	1,368,670
	3,674,915,745	**1,224,875,020**

Breakdown of borrowings by current and noncurrent portions are as follows:

	30-Jun-25 Birr	30-Jun-23 Birr
Current portion	1,100,233,001	349,519,433
Noncurrent portion	2,574,682,745	875,355,587.51
	3,674,915,745	**1,224,875,020**

27 Other Liabilities

	30-Jun-25 Birr	30-Jun-24 Birr
Defered service charge income	208,408	3,475,750
Accrued leave payable	13,494,147	9,708,101
Accrued Audit fee	517,500	402,500
Directors' Allowance	1,350,000	1,650,000
Other liabilities	29,013,923	18,048,546
Cash Collateral	4,800,000	4,800,000
Personnel Income Tax	3,928,544	3,381,883
Withholde Tax	274,005	142,658
Interest Income Tax	351,310	174,584
Stamp Duty	835,451	402,720
Income tax from Dividend	404,280	499,855
Value Added Tax (VAT) Payable	2,952,383	335,406
Credit Information fee Payable	1,300,550	628,200
Cost Sharing Payable	49,025	96,579
Defered Guarantee	4,536,431	770,613
Margin Held Account ETB for IBD	83,970,110	4,717,540
Account payable blocked for PO Issuance	46,308,921	-
Guarantee Fund- Save the Chilidren	3,801,637	-
Exchange Payable to NBE	4,389,865	-
	202,486,491	**49,234,936**

28 PROVISION FOR PROFIT TAX

28.1 On regular business operation

	30-Jun-25 Birr	30-Jun-24 Birr
Profit before tax	90,787,638	29,426,888
Add: Depreciation for repporting purpose	24,175,537	16,079,284
Provision for IFRS	25,203,240	8,718,378
Amortization of asset use right	35,255,091	26,305,009
Interst expense on Lease obligation	4,197,418	2,564,536
Interest expense as per EIR	25,118,721	18,616,740
Severance expense	2,909,272	5,923,062
Leave expense	4,490,254	1,528,698
Entertainment	5,222,600	4,106,037
Donation	319,960	310,015
Less: Depreciation for tax purpose	(49,128,462)	(35,385,706)
Rent expense	(39,719,133)	(26,208,032)
Grant income on subsidized loan-DBE	(8,444,099)	(3,909,040)
Interest income taxed at source	(37,915,539)	(33,985,442)
Leave expense-Paid	(704,207)	-
Severance expense-Paid	(1,017,693)	-
Interest expense as per agreement on Loan obtained at reduced rate-DBE	(19,430,836)	(14,011,568)
Loan provision as per NBE(80%)	(28,630,386)	(4,573,434)
Profit for tax pupose Schedule B (27.2b)	(2,813,118)	(5,127,204)
Current year Schedule (C) taxable profit/ Loss for	29,876,258	(9,621,778)
Loss for tax purpose brought forward	(9,621,778)	-
Loss for tax purpose brought forward rejected by tax office	9,613,936	-
Net Taxable profit/ Loss for tax purpose	29,868,416	(9,621,778)
Provision for Business tax @ 30%	**8,960,525**	**-**

28.2a On rental business-Schedule B

Rental income from investment properties	4,758,462	7,072,548
Depreciation charge as per IFRS	(739,231)	(741,256)
Profit from Rental Business	4,019,231	6,331,292
28.2b Profit from rental business(27.2b)	4,019,231	6,331,292
Add: Depreciation as per IFRS	739,231	741,256
Less:Depreciation for tax Purpose	(1,945,344)	(1,945,344)
Profit for tax purpose on rental business	2,813,118	5,127,204
Tax charge @ 30%	**843,935**	**1,538,161**
Less:Withholde Tax Paid	(95,169)	-
Total Provision for Business tax @ 30%	**9,709,291**	**1,538,161**

29 Defered Grant Liability

	30-Jun-25 Birr	30-Jun-24 Birr
Defered Grant Liability	8,172,073	9,626,083
Total Deferred Grant Liability	**8,172,073**	**9,626,083**

30 Borrowings

Accounting for Government Grants - IAS 20

The benefit on below-market interest rate loans is treated as a government grant. The loan shall be recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with this Standard. The entity shall consider the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate.

Under IFRS, All financial liabilities are initially recognised at fair value, minus transaction costs that are directly attributable to issuing the financial liability.

There are two measurement categories for financial liabilities: fair value, and amortised cost. Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss or an entity has opted to measure a liability at fair value through profit or loss.

A government loans with below market rate of interest are measured at fair value on initial recognition loan shall be recognised and measured in accordance with IFRS 9 Financial Instruments: Recognition and Measurement. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit is accounted for in accordance with IAS 20.

IAS 20 requires that a government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

Borrowings as at 30 June 2025 and 30 June 2024 comprises the following:

	30-Jun-25 Birr	30-Jun-24 Birr
Borrowing	196,839,578	192,007,690
Total borrowings	**196,839,578**	**192,007,690**

Breakdown of borrowings by current and noncurrent portions can be presented

	30-Jun-24 Birr	30-Jun-23 Birr
Current portion	47,906,913	33,632,801
Noncurrent portion	148,932,665	158,374,889
Total borrowings	**196,839,578**	**192,007,690**

Borrowed From	Loan Borrowed Amount	NIR	EIR	Loan Balance as at AS PER NIR	Loan Balance as at AS PER EIR
	Birr			30-Jun-25 Birr	30-Jun-24 Birr
Development Bank of Ethiopia (DBE)	3,875,882	11%	15%	860,963	1,809,148
Development Bank of Ethiopia (DBE)	59,500,000	11%	15%	7,754,721	22,595,727
Development Bank of Ethiopia (DBE)	20,000,000	11%	15%	7,585,592	12,484,526
Development Bank of Ethiopia (DBE)	28,537,600	11%	15%	10,947,428	17,805,765
Development Bank of Ethiopia (DBE)	47,906,804	11%	15%	24,365,968	35,623,524
Development Bank of Ethiopia (DBE)	77,828,290	11%	15%	48,993,100	67,050,624
Development Bank of Ethiopia (DBE)	70,943,677	11%	15%	53,126,655	34,638,376
Development Bank of Ethiopia (DBE)	49,716,698	11%	15%	43,205,151	-
	358,308,950			**196,839,578**	**192,007,690**

The particulars of the foregoing loans granted to the Bank, the then Sidama Microfinance, at a below market interest rates are given as hereunder. The commercial rates were obtained from the rate at which the Microfinance was able to borrow at a commercial rate from the Commercial Bank of ethiopa during similar periods.

Development Bank of Ethiopia has entered into a lead subsidiary agreement with the Ministry of finance and Economic Development of the Federal Democratic republic of Ethiopia which designated the Bank as the lead program agency for the implementation of the credit fund component of the Rural Financial Intermediation Programme II (RUFIP II). The Government, through a programme loan agreement signed on December 21, 2011, borrowed Br 8,627,070.00 from the International Fund for Agriculture Development (IFAD) to finance its loan-able fund requirement. The said borrowed amount is to be repaid in ten equal semi-annual installments of Br. 862,707.00 that become due on January 31st and July 31st of each year commencing on 31st January, 2019 and ending on 31st July, 2023 and with an interest rate of 6% per annum.

The bank also entered into an agreement with Sidama Micro Financing Institution S.C. to lend a loan of Birr 3,875,882 and has been lent to the Company, for financing Rural Financial Intermediation Program II (RuFIPII). The said lent principal amount is to be repaid in ten Semi-annual installments, where the first nine equal Semi-annual installments of Birr 387,588 and the last and tenth semi-annual installment of Birr 387,590 that become due on January 31st and July 31st of each year commencing on 31st January 2022 and ending on 31st July 2026 and with an interest rate of 6%per annum.

The bank entered into an agreement with sidama micro financing institutions s.c. to lend a loan of birr 19,573,010.00 during the year under review, for financing Rural Financial Intermediation Program II (RUFIP II). The said lent Principal amount is to be repaid in eight semi-annual installments, where the first seven equal semi-annually installments of birr 2,446,626.00 and the last and eighty semi annualy installment of birr 2,446,628.00 that became due on January 31st and July 31st of each year commencing on 31st July 2019 and ending on 31st January 2023 and with an interest rate of 6% per annum and payable semi-annually on January 31st and July 31st of each year commencing on 31st July 2018.

In addition, the bank entered into an agreement with sidama micro financing institutions s.c. to lend a loan of birr 12,000,000.00 during the year under review, for financing Rural Financial Intermediation Program II (RUFIP II). The said lent Principal amount is to be repaid in eight semi-annual installments, where the first seven equal semi-annually installments of birr 1,500,000.00 and the last and eighty semi annualy installment of birr 1,500,000.00 that became due on January 31st and July 31st of each year commencing on 31st July 2020 and ending on 31st January 2024 and with an interest rate of 6% per annum and payable semi-annually on January 31st and July 31st of each year commencing on 31st July 2019.

The Development Bank of Ethiopia has entered into a Lead Subsidiary Loan Agreement with the Ministry of finance and Economic Development of the Federal Democratic Republic of Ethiopia on 9th September 2011 to manage the credit component of the Agricultural Marketing Improvement Program (AMIP). The Government, through a programme loan agreement signed on December 21, 2011, borrowed Br 8,627,070.00 has been on lent to the Company for financing post harvest Tecnology . The said borrowed amount is to be repaid in ten equal semi-annual installments of Br. 862,707.00 that become due on January 31st and July 31st of each year commencing on 31st January, 2019 and ending on 31st July, 2023 and with an interest rate of 6% per annum.

The Development Bank of Ethiopia has entered in to an Agreement with Sidama Micro Financing Institution s.c to lend a loan of Birr 59,500,000.00 for financing Rural Financial Intermediation Programme III(RUFIP III) during the year under reveiw.The Loan shall be disbursed to Sidama Micro Financing Institution s.c in two installaments after the fulfilment of all condtions and siging of the contract. The said lent principal amount is to be repaid in eight equal semi-annual installments of Br. 7,437,500.00 that become due on January 31st and July 31st of each year commencing on 31st January, 2022 and ending on 31st July, 2025 and with an interest rate of 8% per annum and payable semi-annaully on January 31st and July 31st of each year commencing on 31st January, 2021.

The Development Bank of Ethiopia has entered in to an Agreement with Sidama Micro Financing Institution s.c to lend a loan of Birr 28,537,600.00 for financing Rural Financial Intermediation Programme III(RUFIP III) during the year under reveiw.The Loan shall be disbursed to Sidama Micro Financing Institution s.c in two installaments after the fulfilment of all condtions and siging of the contract. The said lent principal amount is to be repaid in eight equal semi-annual installments of Br. 3,567,200.00 that become due on January 31st and July 31st of each year commencing on 31st January, 2023 and ending on 31st July, 2026 and with an interest rate of 8% per annum and payable semi-annaully on January 31st and July 31st of each year commencing on 31st January, 2022.

The Bank has entered into a Lead Subsidiary Loan Agreement with the Government of Ethiopia designed by the Ministry of Finance on February 25,2021 to manage the credit component of the Women Enterpreneurship Development Project(WEDP).

The Bank then entered into an agreement with Sidama Micro-Financing Institution S.C. to provide a maximum loan of Br. 20,000,000.00 to finance its loan-able fund requirement. However, of the said maximum loan, to date, only Br 20,000,000.00 has been on lent to the company for financing WEDP Clients. The said lent amount is to re-paid in ten semi-annual installments of Br. 2,500,000.00 that become due on January 31st and July 31st of each year commencing on 31st January, 2023 and ending on 31st July, 2026 and with an interest rate of 8% per annum.

The Bank has entered into a Lead Subsidiary Loan Agreement with the Government of Ethiopia designed by the Ministry of Finance on February 25,2021 to manage the credit component of the Women Enterpreneurship Development Project(WEDP).

The Bank then entered into an agreement with Sidama Micro-Financing Institution S.C. to provide a maximum loan of Br. 47,906,803.73 to finance its loan-able fund requirement. However, of the said maximum loan, to date, only Br 23,953,401.87 has been on lent to the company for financing WEDP Clients. The said lent amount is to re-paid in ten semi-annual installments of Br. 5,988,350.00 that become due on January 31st and July 31st of each year commencing on 31st July, 2023 and ending on 31st January, 2027 and with an interest rate of 8% per annum.

The Development Bank of Ethiopia has entered in to an Agreement with Sidama Bank s.c to lend a loan of Birr 77,828,390.00 for financing Rural Financial Intermediation Programme III(RUFIP III) during the year under reveiw.The Loan shall be disbursed to Sidama Bank s.c in two installaments after the fulfilment of all condtions and siging of the contract. The said lent principal amount is to be repaid in eight equal semi-annual installments of Br. 9,728,548.00 that become due on January 31st and July 31st of each year commencing on 31st January, 2024 and ending on 31st July, 2027 and with an interest rate of 8% per annum and payable semi-annaully on January 31st and July 31st of each year commencing on 31st July, 2023.

The Bank has entered into a Lead Subsidiary Loan Agreement with the Government of Ethiopia designed by the Ministry of Finance on February 25,2021 to manage the credit component of the Women Enterpreneurship Development Project(WEDP).

The Bank then entered into an agreement with Sidama Micro-Financing Institution S.C. to provide a maximum loan of Br. 70,943,676.53 to finance its loan-able fund requirement. However, of the said maximum loan, to date, only Br 35,471,838.27 has been on lent to the company for financing WEDP Clients. The said lent amount is to re-paid in ten semi-annual installments of Br. 8,867,957.00 that become due on July 31st and January 31st of each year commencing on 31st July, 2024 and ending on 31st January, 2028and with an interest rate of 8% per annum.

The Development Bank of Ethiopia has entered in to an Agreement with Sidama Bank s.c to lend a loan of Birr 49,716,698.00 for financing Rural Financial Intermediation Programme III(RUFIP III) during the year under reveiw.The Loan shall be disbursed to Sidama Bank s.c in two installaments after the fulfilment of all condtions and siging of the contract. The said lent principal amount is to be repaid in eight equal semi-annual installments of Br. 6,214,587.00 that become due on January 31st and July 31st of each year commencing on 31st January, 2025 and ending on 31st July, 2028 and with an interest rate of 8% per annum.

31 Severance Benefit Obligations Payable

(i) Severance benefit

The severance benefits are based on statutory severance benefits in Ethiopia. The statutory severance benefits are set out in Labour Proclamation No. 1156/2019.

Clause 39 (1) (h) of the Labour Proclamation sets out that any worker who has completed their probation and who is not eligible for pension is entitled to a severance benefit:

h) Where he has given service to the employer for a minimum of five years' service and his contract of employment is terminated because of sickness or death or his contract of employment is terminated on his own initiative provided that he has no contractual obligation relating to training to render service to the employer

Clause 40 of the Labour Proclamation sets out the amount of the benefit, as follows: The benefit applicable would be:

- thirty times the average daily wages of their last week of service for the first year of service, with part-years pro-rata, plus
- ten times the average daily wages of their last week of service for each completed year of service after the first.

ii) Bank Paid Benefits

The bank valued severance benefits payable on death or resignation after a minimum of 5 years' service only for all employees, as it is applied by the Bank.
Furthermore, one months' salary is divided by 30 to get the daily salary applied in the severance benefit calculation

Furthermore, one months' salary is divided by 30 to get the daily salary applied in the severance benefit calculation

The following table broadly summarises the benefit types valued on the various modes of exit for eligible employees:

Resignation	Death	Retirement	Retirement
Non-Management	Severance (5 years service min)	Severance (5 years service min)	None
Management	Severance (5 years service min)	Severance (5 years service min)	None
Senior Management	Severance (5 years service min)	Severance (5 years service min)	None

iii) Employee Statistics

The table below summarises the data applied as at the current valuation date:

Active Employees	30 Jun 2025	30-Jun-24
Number	843	700
Salary-weighted average age	36.1	36.7
Salary-weighted average service	6.8	7
Total annual salaries ETB	143,335,632	110,471,892
Average annual salary ETB	170,030	157,817

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

31(a) The amounts to be recognised in the statement of financial position are as below:

(Liability)/Asset Recognised in Statement of Financial Position	**30-Jun-25 Birr**	**30-Jun-24 Birr**
Defined Benefit Obligation	13,924,311	9,437,628
Fair Value of Plan Assets	-	-
Defined Benefit (Liability) /Asset	**13,924,311**	**9,437,628**

31(b) The expense to be recognised in Profit & Loss for the year ending 30 June 2025 and 30 June 2024 is as follows:

Amount to be recognised in Profit & Loss	**30-Jun-25 Birr**	**30-Jun-24 Birr**
Net Service Cost	1,019,163	1,185,915
Net Interest on Net Defined Benefit Asset	1,890,109	4,737,147
Expense/(Income) recognised in Profit & Loss	**2,909,272**	**5,923,062**

31(c) The movements to be recognised under other comprehensive income (OCI) for the year ending 30 June 2025 and 30 June 2024 are as follows::

Remeasurements recognised in OCI	**30-Jun-25 Birr**	**30-Jun-24 Birr**
Actuarial (Gains)/Losses on experience (liabilities)	708,977	(14,204,010)
Actuarial (Gains)/Losses on economic assumptions	1,886,127	**486,347**
Expense/(Income) recognised in OCI	**2,595,104**	**(13,717,663)**

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

Reconciliation of Defined Benefit Obligation	**30-Jun-25 Birr**	**30-Jun-24 Birr**
Defined Benefit Obligation at the beginning of the period	9,437,628	17,232,229
Current Service Cost (excluding interest)	1,019,163	1,185,915
Benefits Paid	(1,017,693)	-
Interest cost	1,890,109	4,737,147
Past Service Cost	-	-
Actuarial (Gains)/Losses on economic assumption	1,886,127	486,347
Actuarial (Gains)/Losses on experience	708,977	(14,204,010)
Defined Benefit Obligation at the end of the period	**13,924,311**	**9,437,628**

The significant actuarial assumptions were as follows:

i)Financial Assumptions Long term Average

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

Assumption	**30-Jun-25 Birr**	**30-Jun-24 Birr**
Discount Rate	**14.00%**	**19.00%**
Inflation Rate	**12.20%**	**14.30%**
Salary Increase Rate	**14.20%**	**16.30%**
Net pre-retirement rate	**-0.18%**	**2.32%**
Duration		

ii) Pre-retirement Mortality

Mortality rates are commonly set with reference to standard tables published by reputable institutions (such as the Actuarial Society of South Africa and the Ethiopian Insurers Association) who have access to statistically significant data from which to derive mortality rates.

In determining an appropriate mortality table to use for the valuations, we have used the same approach as for the previous valuation, by considering the mortality rates published in Demographic and Health Survey ("DHS") 2016 report compiled by the CSA. The DHS report provides male and female mortality rates for 5-year age bands from age 15 to age 49. Since the rates are provided in 5-year bands, we have used the rates provided per band as the mortality rate for the age in the middle of each band and interpolated linearly for rates in between these ages

No more recent or credible Ethiopian based adult mortality studies are available; so we have maintained the DHS 2016 table.

For ages over 47 we assumed that mortality will be in line with the SA85/90 ultimate standard South African mortality tables published by the Actuarial Society of South Africa ("ASSA"), since the rates in these tables are similar to the DHS female mortality rate at age 47.
Sample mortality rates are shown in the table below:

Age	Mortality rate Males	Mortality rate Females
20	0.00306	0.00223
25	0.00303	0.00228
30	0.00355	0.00314
35	0.00405	0.00279
40	0.00515	0.00319
45	0.00450	0.00428
50	0.00628	0.00628
55	0.00979	0.00979
60	0.01536	0.01536

No explicit additional assumptions on costs or mortality due to AIDS was made in the valuation. Theoretically, increased mortality rates would reduce the employer's liability

iii) Resignations
As previously, we have the following generic resignation scale:

Age	Annual rate of Resignation
20	15.00%
25	12.50%
30	10.00%
35	7.50%
40	5.00%
45	2.50%
50+	0.00%

The sensitivity of the main results to changes in the principal assumptions rate have been calculated. The changes in the Defined Benefit Obligation are reflected b

Sensitivity	Base DBO Sensitivity ETB	DBO on changed assumptions ETB	% change
Discount rate + 1%	13,924,311.00	13,097,443.00	-5.90%
Discount rate - 1%	13,924,311.00	14,811,369.00	6.40%
Salary increase + 1%	13,924,311.00	14,801,802.00	6.30%
Salary increase - 1%	13,924,311.00	13,091,802.00	-6.00%

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 recognized within the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the gratuity scheme at the end of the reporting period is five years (30 June 2025

32 Net change of Financial assets at fair value through OCI

	30-Jun-25	30-Jun-24
Fair of financial assets at fair vale through OCI 30 June 2025	191,432,300	92,546,515
Cost/carrying values of Fiancial assets at fair value through OCI	60,956,525	42,707,525
Gain or Loss	130,475,775	49,838,990
Gain recognised	(49,838,990)	-
Gain 2025	80,636,786	49,838,990
30% Corporate tax	(24,191,036)	(14,951,697)
Net gain/(Loss)	56,445,750	34,887,293

33 Share Capital

Authorised:		
1,447,002 Ordinary shares of 1000 Birr each	1,447,002,000	1,447,002,000
Issued and fully paid:		
1,054,121 Ordinary shares of 1000 Birr each (1,054,121 as of 30 June 2025)	**1,054,121,000**	**913,092,000**

34 Earnings Per Share

Earnings per share for the year is computed by dividing the operating profit before legal reserves by the average number of shares outstanding during the year.

Earnings per share at 30 June 2024 and 30 June 2025 comprises the following:

	30-Jun-25 Birr	30-Jun-24 Birr
Profit for the year	72,314,055	27,135,894
Weighted average number of shares	967,505	812,252
Earning per share(%)	**7.47%**	**3.34%**

35 Legal Reserve

The NBE directive no.SBB/4/95 state requires the Bank to transfer annually 25% of its annual net profit to its legal reserve account until such account equals its capital. When the legal reserve account equals the capital of the Bank, the amount to be transferred to the legal reserve account will be 10% (ten present) of the annual net profit.

Legal reserve as at 30 June 2025 and 30 June 2024 is as follows:

	30-Jun-25 Birr	30-Jun-24 Birr
At the begning of the year	59,208,728	52,424,754
Transfer from profit or loss	18,078,514	6,783,973
	77,287,241	**59,208,728**

36 Regulatory Risk Reserve

The Regulatory risk reserve is a non-distribution reserve required by the suspended Interest from non-performing loans which is recognized as income under IFRS is transferred to regulatory risk reserve and it is non-distributable to the owners of the Bank's

		30-Jun-25	30-Jun-24
35.1	At the begning of the year	23,514,434	29,169,163
	Suspended interest recovered	(20,148,844)	(8,861,244)
	Additional suspended interest for the year net(30.2)	9,513,177	3,206,515
	At the end of the year	**12,878,768**	**23,514,434**
35.2	Additional suspended interest for the year	9,513,177	6,107,648
	Less: 30% tax provided	-	(1,832,294)
		9,513,177	**4,275,354**
	25% legal reserve provided	**-**	**(1,068,838)**
	Balance to be keprt under regulatory risk reserve	**9,513,177**	**3,206,515**

37 Other Reserve

Total Other Reserves as at 30 June 2025 and 30 June 2024 is as follows:

	30-Jun-25 Birr	30-Jun-24 Birr
At the begning of the year	47,311,069	2,821,412
Current year movement	(1,816,573)	9,602,364
Fair value reserve-equity investment	56,445,750	34,887,293
At the end of the year	**101,940,246**	**47,311,069**

38 Retained Earnings

Total retained earning as at 30 June 2025 and 30 June 2024 is as follows:

	30-Jun-25 Birr	30-Jun-24 Birr
At the begning of the year	45,686,433	151,354,085
Profit for the year	72,314,055	27,135,894
Retained earning transfet to Capital	-	(96,652,601)
Retained earning transfet to Dividend	(45,686,433)	(35,021,700)
Transfer to legal reserve	(18,078,514)	(6,783,973)
Balance transferred from regulatory risk reserve	20,148,844	8,861,244
Transfer to regulatory risk reserve	(9,513,177)	(3,206,515)
Transfer to Other reserve	-	-
At the end of the year	**64,871,207**	**45,686,433**

39 Notes to the statement of cashflows

	30-Jun-24 Birr	30-Jun-24 Birr
a) Cash used in operations		
Reconciliation of profit after income tax to cash from operations		
Profit before tax	90,787,638	29,426,888
Adjustments for non-cash items:		
Depreciation of property and equipment	24,175,537	16,079,284
Loan impairment Charge	25,114,013	8,684,561
Changes in operating assets and liabilities:		
-Decrease/ (Increase) in loans and advances	(1,302,112,353)	(557,470,683)
-Decrease/ (Increase) in other assets	(52,997,088)	(74,055,938)
-Decrease/ (Increase) in Leased assets	(21,797,222)	(17,063,070)
-Increase/ (Decrease) in customer's deposit	2,450,040,725	995,718,373
-Increase/ (Decrease) in Lease Liabilitie	25,463,314	(5,311,642)
-Increase/ (Decrease)Deferred grant income Liability	(1,454,009)	(2,913,088)
-Increase/ (Decrease)Business Income Tax Liability	(1,538,161)	(15,337,549)
-Increase/ (Decrease) in other liabilities	155,081,782	10,324,254
	1,390,764,175	**388,081,389**

b) Cash and cash equivalents

	30 June 2025 Birr	30 June 2024 Birr
Cash in hand	249,960,190	165,273,983
Deposits with local banks	54,203,037	240,131,832
Other accounts with National Bank of Ethiopia	1,341,361,868	394,811,008
Deposit with foreign Banks	388,990,291	41,393,162
Less: Loss allowances	(89,228)	(33,817)
Cash and cash equivalents	**2,034,426,158**	**841,609,984**

40 Commitments And Contingencies

40.1 LITIGATION

In the ordinary course of business organisations are usually subject to legal actions and complaints.

Following the Bank's customers' failure to meet loan repayment obligations the Bank is involved in legal disputes against such customers The highest possible outcome from such legal disputes is the amount of loans receivable from such customers (including accrued interest and other charges)

As it is not certain that all the customers will meet the repayment obligations the Bank recognises provision for impairment for such loans

40.2 OPERATING LEASE COMMITMENTS

The Bank's leases offices under cancellable operating lease. The leases typically run for a period of 5 years, with an option to renew the lease after that date operating lease commitments as at 30 June 2025 and 30 June 2024 and are payable as follows:

	30-Jun-25 Birr	30-Jun-24 Birr
2 year to 3 years	57,336,588	29,450,961
4 year to 5 years	26,586,303	19,153,051
Finanancial commitments and contingencies	**83,922,891**	**48,604,012**

41 Transactions with related parties

Related parties or transactions with related parties as defined by IAS "Related party disclosures" could be one or more of the following:

a) Parties that directly or indirectly through one or more intermediaries: control or are controlled by or are under common control with the company this includes parents subsidiaries and fellow subsidiaries; have an interest in The Bank that gives then significant influence over The Bank; and that have joint control over the company;

b) Members of key management personnel of the company or its parent;
c) Close members of the family of any individuals referred to in a or b;

d) Parties that are entities controlled jointly controlled or significantly influenced by or for which significant voting power in such entity resides with directly or indirectly any individual referred to in c or b;

In considering each possible related party relationship attention is directed to the substance of the relationship and not merely the legal form Details of transactions between The Bank and other related parties are disclosed below :

Related party balances and transactions as and for the year ended 30 June 2025

2025	Board Directors	Key mamangment personnel
Borrowing	-	18,474,537
Interest expense		
Allowance	1,350,000	2,100,000
Salaries and other employee benefits	1,240,000	8,989,272

Related party balances and transactions as and for the year ended 30 June 2024

2024	Board Directors	Key mamangment personnel
Borrowing		19,033,500
Interest expense		
Allowance	1,650,000	1,986,000
Salaries and other employee benefits	1,320,000	8,673,468

Corporate Social Responsibility

Green Legacy Tree Planting

Digitalization

H.E. Ato Abraham Mareshalo Etisso
Chairperson of
the Board of Directors

የሲዳማ ባንክ አ.ማ. የዳይሬክተሮች ቦርድ የ2017 ዓ.ም. የሥራ አፈጻጸም ሪፖርት

የተከበራችሁ የሲዳማ ባንክ ባለአክስዮኖች፤የተከበራችሁ እንግዶች፣ ክቡራን ተሳታፊዎች፤

ከሁሉ አስቀድሜ ባንካችን እ.አ.አ ከJuly 1/2024 እስከ June 30/2025 ድረስ ባለው በጀት ዓመት ያከናወናቸውን የኦፕሬሽናልና የፋይናንሻል የሥራ አፈጻጸም ሪፖርት ለተከበረው 4ተኛ የባለአክሲዮኖች ዓመታዊ መደበኛ ጠቅላላ ጉባኤ ሳቀርብ የተሰማኝን ታላቅ ደስታ በራሴ እና በስራ ባልደረቦቼ በሆኑት የዳይሬክተሮች ቦርድ አባላት ስም ለመግለጽ እወዳለሁ፡፡

የተከበራችሁ ባለአክስዮኖች፤

እ.ኤ.አ. 2024/25 በጀት ዓመት የዓለም አቀፍ ኢኮኖሚ ካለፉት ዓመታት የቀጠሉ ተግዳሮቶችን እየተጋፈጠ ቀጥሏል፡፡ በጀት ዓመቱ በዓለማችን፣ በአህጉራችን እንዲሁም በሐገራችን በአንድ በኩል ኢኮኖሚያዊ መደላድሎችን የፈጠሩ በርካታ ዓለም አቀፍ፣ አህጉራዊ`ና ሐገራዊ ክስተቶችን የተመለከትንበት ዓመት ነበር፡፡ በበጀት ዓመቱ እ.ኤ.አ. ሰኔ፣ 2025 አካባቢ የዓለም ኢኮኖሚ መጠነኛ ዕድገትና መረጋጋት አሳይቷል፡፡ ምንም እንኳን የዋጋ ግሽበት ለውጥና የኢኮኖሚ ዕድገት በአህጉራትና ሐገራት መካከል የተለያየ ቢሆንም ከበርካታ ዓመታት ከፍተኛ የዋጋ ግሽበት በኋላ የዋጋ ግሽበት የመቀነስ አዝማሚያ እና የኢኮኖሚ ዕድገት ለውጦች መታየት ጀምረዋል፡፡ የዋጋ ግሽበትን ለመከላከል የተለያዩ ሐገራት ማዕከላዊ ባንኮች ጠንካራ የፖሊሲ ማሻሻያዎችን ተግባራዊ አድርገዋል፡፡ ሐገራችን ባገባደድነው በጀት ዓመት የኢኮኖሚ ማሻሻያ ሪፎርም ተግባራዊ አድርጋለች፡፡ ይህንንም ተከትሎ እ.ኤ.አ. በጥር፣ 2025 የዋጋ ግሽበት ወደ 29.4 % አሻቅቦ የነበረ ሲሆን አሁን ላይ መንግስት በወሰዳቸው እርምጃዎች የዋጋ ግሽበት ወደ 13.9 % በመውረድ እንዲረጋጋ ተደርጓል፡፡ በተጨማሪም የበጀት ዓመቱ የዓለም አቀፍ ኢንቨስትመንት ዕድገት፣ የሓዋላ ገንዘብ ፍሰት መጨመር፣ እንዲሁም የዓለም አቀፍ ገበያ የቡና ዋጋ ከፍተኛ መሻሻል የታየበት ዓመት ሆኖ ተጠናቋል፡፡

የተከበራችሁ ባለአክሲዮኖች፣

በተቃራኒው የበጀት ዓመቱ የዓለም ኢኮኖሚ ባለብዙ ገፅታ ክስተቶችን የተመለከትንበት ነበር፡፡ በመሆኑም የዓለም ኢኮኖሚ እንዳያድግ ማነቆ የሆኑ በርካታ አበይት ነጥቦችን ዓለም አስተናግዳለች፡፡ በዋናነት በስፋት የተስተዋሉ ዓለም አቀፍ የንግድ ግጭቶች፣ መለሳለስ/መሻሻል ያልተስተዋለበት የጂኦፖለቲካ አለመረጋጋት፣ በተለያዩ ክፍለ ዓለማት ተባብሰው የቀጠሉ ግጭቶች፣ ኢኮኖሚያዊ እንቅስቃሴና የአቅርቦት ሰንሰለቶች ከፍተኛ መታወክ፣ የቴክኖሎጂ በተለይም አርቴፊሻል ኢንተለጀንስ (AI) እሽቅድድም፣ የአሜሪካ አስተዳደር ጥብቅ የታሪፍና ኤክስፖርት ንግድ ቁጥጥር፣ ተለዋዋጭ የፋይናንስ ሁኔታዎች እና የመዋቅር ንግድ ለውጦች እና ከፍተኛ የአየር ንብረት አደጋ ስጋቶች የዓለም ኢኮኖሚ እ.ኤ.አ. 2023/24 ከነበረው ከ3.2 % - 3.3 % ዕድገት እ.ኤ.አ. በ2024/25 የዓለም ኢኮኖሚ ዕድገት ወደ 3 % መቀነስ በምክንያትነት ይጠቀሳሉ፡፡

በተጨማሪም የጂኦፖለቲካል ውጥረቶች በተለያዩ ሀገራት፤ የግዛት አለመግባባቶች፣ የአስተሳሰብ ልዩነቶች፤ የሀብት ፉክክር እና በፖለቲካ ተዋናዮች መካከል የሚፈጠሩ አሉታዊ ክስተቶች ዓለም አቀፍ ሰላምና መረጋጋት አደጋ እንዲጋፈጥ የዳረጉ ምክንያቶች ሆነዋል፡፡ ከዚህ ጋር ተያይዞ የሚነሳው የሩሲያ-ዩክሬን ጦርነት በተከታታይ ከሦስት ዓመታት በላይ በመቀጠሉ በምስራቅ አውሮፓ እየተካሄደ ያለው ግጭት ዋነኛው የጂኦፖለቲካዊ አለመረጋጋት ምንጭ ሆኖ በመሆን ተባብሶ ቀጥሏል፡፡ ይህም ለአለም አለመረጋጋት እና ለሰብአዊ ቀውሶች አስተዋፅዖ አድርጓል፡፡ በዩክሬን፣ በጋዛ፤ በኢራን እና በጎረቤታችን ሱዳን የቀጠለው ጦርነት እንዲሁም በምስራቅ እሲያ ከፍተኛ ውጥረት ያንዣበበበት ዓመት በመሆኑ በዓለም ኢኮኖሚ ላይ ከፍተኛ ተፅዕኖ አሳርፏል፡፡ እንዲሁም የኢትዮጵያ የማክሮ ኢኮኖሚ ማሻሻያ ትግበራ፤ በጥቂት የሐገራችን አካባቢዎች የፀጥታ አለመረጋጋት እና የኢትዮጵያ ብሔራዊ ባንክ ለንግድ ባንኮች የብድር ጣርያ ገደብ ማስቀመጥ ባሳለፍነው ዓመት በኢትዮጵያ ኢኮኖሚ ላይ ከፍተኛ ተፅዕኖ ያሳረፉ አበይት ሐገራዊ ክስተቶች ናቸው፡፡

የተከበራችሁ ባለአክሲዮኖች፣

ከነዚህ ዓለም አቀፋዊ ሁኔታዎች በተጨማሪ በሐገር ውስጥ በጥቂት የሀገራችን አካባቢዎች የተፈጠሩ የፀጥታ አለመረጋጋቶች፤ የማክሮ ኢኮኖሚ ማሻሻያ፤ እንዲሁም በጎረቤት የአፍሪካ ቀንድ ሐገራት በተፈጠረው የእርስ በርስ ግጭት እና አለመረጋጋት ሳቢያ የኢትዮጵያ ኢኮኖሚ መጠነኛ ቢሆንም ለበለጠ ጉዳት የተዳረገበት ሁኔታ ተስተውሏል። በእነዚህ ጉዳዮች እና በሌሎች ምክንያትም የሸቀጦች ዋጋ እንዲንር፤ የንግድ እንቅስቃሴ እንዲቀዛቀዝ፣ የኢንቨስትመንት ፍሰት እንዲቀንስ፤ የህብረተሰቡ የገንዘብ ቁጠባ መጠን እንዲቀንስ፤ የነዳጅ ዋጋ እንዲጨምር እና ሌሎች መሰል ክስተቶች እንዲፈጠሩ የዳረገ ሲሆን፤ በተያያዘም በባንክ ኢንዱስትሪው ላይ ቀላል የማይባል ተፅዕኖ አሳርፏል።

በአጠቃላይ ባለፉት ሁለት ዓመታት የተከሰቱ የሐገር ውስጥና ዓለም አቀፍ ተግዳሮቶች የኢትዮጲያ ኢኮኖሚያዊ እንቅስቃሴና ዕድገት እንዲገታ አሉታዊ አስተዋጾ አድርገዋል። ሆኖም የሰላም`ና የፀጥታ እጦት፣ ያልተቋረጠ የዋጋ ግሽበት፣ የውጭ ምንዛሬ እጥረት ምንም እንኳን በባለፈው ዓመት መሻሻል የታየበት ቢሆንም፣ እና የድርቅ መስፋፋት ፈተናዎችን በሐገር-በቀል የኢኮኖሚ ሪፎርም ማሻሻያ እና በመንግስት ተነድፎ ተግባራዊ በተደረገው ስልታዊ የኢኮኖሚ ስትራቴጂ የተነሳ የሐገራችን ኢኮኖሚ አዎንታዊ ዕድገት በተጠናቀቀው ዓመት አሳይቷል። በመሆኑም ሀገራችን ከሰሀራ በታች ካሉት የአፍሪካ ሀገራት 9.2% የኢኮኖሚ እድገት ማስመዝገብ የቻለችበትና የሰሜኑ የሀገራችን ክፍል የነበረውን ጦርነት በሰላማዊ መንገድ በመፍታትና ዘላቂ ሰላም እንዲሰፍን በማድረግ ኢኮኖሚያዊ ሚናውን ማስፋት ተችሏል። በሌላ በኩል ታላቁ የኢትዮጵያ ሕዳሴ ግድብ ተጠናቆ ለምርቃት በስኬት የበቃበት እና ግድቡ ለኢትዮጵያ ኢኮኖሚ ተጨማሪ የድል ጮራ የተመዘገበበት ዓመት ነበር።

የተከበራችሁ ባለአክሲዮኖች፣

ባንካችን ከላይ በዝርዝር የተቀመጡ አንኳር ተግዳሮቶችን ተጋፍጦ ለማለፍ እና የባንኩን ተወዳዳሪነት እና የባለድርሻ አካላት ትርፋማነት ባስጠበቀ መልኩ በመምራት ውጤት ማምጣት አስፈላጊ በመሆኑ የባንኩ የዳይሬክተሮች ቦርድና ማኔጅመንት ባንኩ ወደፊት የሚገጥሙትን ተግዳሮቶችን ተቋቁሞ ወደፊት ለመራመድ የሚያስችለው አዲስ የአስር-ዓመት የኮርፖሬት ስትራቴጂክ ዕቅድ፤ የአምስት-አመት የንግድ ዕቅድ ነድፎ ያለፈዉ በጀት ዓመት ወደ ትግበራ የተገባበት ዓመት ነበር። በተጨማሪም ባንካችን ተለዋዋጭ የሆኑ ዓለም አቀፋዊ እና ሐገራዊ ሁኔታዎችን መሰረት በማድረግ እንዲሁም የወደፊቱን የባንክ ኢንዳስትሪ ጉዞ ተንትኖ መተንበይ የሚያስችል በራዕዩ፤ በተልዕኮው እና ለባንኩ መሰረታዊ እሴቶች ላይ ከፍተኛ ማሻሻያ እና ለውጥ ተደርጓል። በዚህም የተዘጋጀው የአስር ዓመት ስትራቴጂክ ዕቅድ ዋነኛ ራዕይ “እ.ኤ.አ. በ2033 በኢትዮጵያ የደንበኞች ተመራጭ ባንክ መሆን”፤ ተልዕኮውም “በብርቱ ሠራተኞች የተደገፈ በሙያዊ ብቃት`ና ቴክኖሎጂ የተመሰረተ አካታች/ሁሉን-አቀፍ የባንክ አገልግሎት በማቅረብ የባለድርሻ አካላትን ዕሴት ማሳደግ” በሚል መሰረት የተገነባ ስትራቴጂ ነው። በመሆኑም ከፍተኛ በሆነ መልኩ የባንኩ ገጽታ የሚገነቡ እሴቶችን በመጠቀም የባንኩን ዘላቂ ተወዳዳሪነት እና ትርፋማነት ለማስቀጠል ዓበይት ርዕሰ-ጉዳያት (ስትራቴጂክ ጭብጦች) የዕለት-ተዕለት እንቅስቃሴን ከስትራቴጂክ መሰረት ጋር እንዲያስተሳስሩ ተለይተዋል። እነዚህ ስትራቴጂክ ርዕሰ-ጉዳያትም የተግባር ብቃት (Operational Excellence)፣ ስልታዊ አጋርነት (Strategic Partnership)፣ የዲጂታል ባንኪንግ አገልግሎት ማሻሻል (Digitalization)፣ ባንኩ በዘርፉ ያለው የተቀማጭ ሀብት ድርሻ ማጎልበት (Resource Mobilization)፣ እንዲሁም የሚገኝበት አካባቢ በደንብ መቆጣጠር እና ድርጅታዊ የመፈጸም ችሎታን ማጎልበት (Organizational Capability) የረጅም ጊዜ የባንኩን ትርፋማነት ለማረጋገጥ ዋነኛ የትኩረት አቅጣጫ አድርጎ ተነስቷል። ይህንን ለማስፈፀም የሚያስችሉ ስልቶችን በማስቀመጥ ያለፈዉ በጀት ዓመት ተግባራዊ በማድረግ በሁሉም መለኪያዎች ከፍተኛ የሆነ ውጤት ማምጣት ተችሏል።

የተከበራችሁ ባለአክሲዮኖች፣

በኢትዮጵያ የባንክ ኢንዳስትሪ ውስጥ እየታየ ያለው የገበያ ፉክክር ከመቼውም ጊዜ ይበልጥ ከባድ እየሆነ መጥቷል። በተለይም ተቀማጭ ሀብት ማሰባሰብ፣ የቅርንጫፎች ተደራሽነት ማስፋት፣ የአዳዲስ ደንበኞች ቁጥር ማሳደግ እና ነባር ደንበኞች ማቆየት፣ የተከፈለ ካፒታል ማሳደግ እና በገፅታ ግንባታ ስራዎች ዙሪያ ያለው ውድድር ፈታኝ ሆኗል።

በዚህ ረገድ የተጠናቀቀው በጀት ዓመት ለባንካችን ምንም እንኳን ከባድ ቢሆንም ብቁ ተወዳዳሪ ለመሆን ያስቻሉት በርካታ አበረታች ስራዎች በማከናወን ባንካችን ሌላ ትርፋማ አመት እንዲያሳልፍ ያስቻለ እና መጪው ጉዞውን መልካም ያደረገበት በጀት ዓመት ሆኖ እንዲያሳልፍ አስችሏል። በዚሁ ስኬት ውስጥ የባንኩ የዳይሬክተሮች ቦርድ አመራሮች፣ የማኔጅመንት አካላት፣ ታታሪና ብሩህ አዕምሮ ባለቤት የሆኑ ሠራተኞቻችን እና ክቡራን ደንበኞች እንዲሁም የባለድርሻ አካላት አስተዋፅኦ ከፍተኛ በመሆኑ ሊመሰገኑ ይገባል።

የተከበራችሁ ባለአክሲዮኖች፣

ምንም እንኳን የኢትዮጵያ መንግሥት የማክሮ ኢኮኖሚ ማሻሻያ ቢደረግም፤ የባንክ ኢንዳስትሪ ሴክተሩ ውስጥ ከፍተኛ ለውጦች ቢደረጉም፣ ሲዳማ ባንክ አ.ማ የሒሳብ ሚዛን ዕድገት ግስጋሴውን እና የትርፋማነት መንገዱን ያለፈዉ በጀት ዓመት አስጠብቆ በመቀጠል በሒሳብ ዓመት ሪፖርቱ ወቅት የባንኩ አጠቃላይ ሃብትም ብር 5.52 ቢሊየን የደረሰ ሲሆን፤ ካለፈው ዓመት ጋር ሲነፃፀር የ111 በመቶ ዕድገት አሳይቷል። ይህ ደግሞ ኢኮኖሚው በባንክ ኢንዱስትሪው ላይ ከፍተኛ ለውጥ አስከትሎ ከደረሰባቸው በርካታ ፈተናዎች አንፃር የሚያበረታታ ነው። በተጨማሪም ባንካችን በበጀት ዓመቱ 72.3 ሚሊዮን ብር የተጣራ ኦፕሬሽናል ትርፍና ብር 54.6 ሚሊዮን የተጣራ አጠቃላይ ገቢዎች (Other comprehensive income) በማግኘት በድምሩ ብር 126.9 ሚሊዮን የተጣራ ትርፍ፤ ከዓመታዊ ዕቅድ አንጻር 115 በመቶ በማስመዝገብ የተሳካ ዓመት አሳልፏል። ይህ የተመዘገበው ትርፍም ሐገራችን የማይክሮ ኢኮኖሚ ሪፎርም ላይ በመሆኗ እና ብሔራዊ ባንክ ያስቀመጠው የብድር ማስፋፊያ ጣሪያ ከነበሩት ፈታኝ ሁኔታዎች አኳያ ሲታይ አበረታች ሊባል የሚችል ትርፍ ነው። በሌላ በኩል ተቀማጭ ሀብት አሰባሰብ በተመለከተ አገልግሎት እየሰጡ ባሉ ሁሉም ቅርንጫፎቻችን አማካይነት ተቀማጭ ገንዘብ ለማሰባሰብ የተደረገው ጥረት ፈታኝ የነበረ ቢሆንም የባንኩን አጠቃላይ ተቀማጭ ገንዘብ መጠን ብር 3.67 ቢሊየን ማድረስ ተችሏል። አፈፃፀሙም ካለፈው ዓመት ጋር ሲነፃፀር በ 200 በመቶ ከፍ ያለ ነው።

ከብሔራዊ ባንክ የብድር ጣሪያ ጋር በተጣጣመ መልኩ የባንኩ አጠቃላይ የብድር ክምችት ብር 2.47 ቢሊዮን የደረሰ ሲሆን ይህም ከባለፈዉ ዓመት ጋር ሲነጻጸር 110.9 በመቶ እድገት አሳይቷል። በተጨማሪም ባንኩ መዋለ-ንዋይ ያፈሰሰበት የግምጃ ቤት ሰነድ እና የኢትዮጵያ ልማት ባንክ ቦንድ ግዥም ብር 285.61 ሚሊዮን ደርሷል። ባንካችን በበጀት ዓመቱ ለአዳዲስ እና ለነባር ደንበኞች ብር 2.23 ቢሊዮን ብድር በማሰራጨት ይበል የሚያሰኝ ዓመት ያሳለፈ ሲሆን ከባለፈዉ ዓመት ጋር ሲነጻጸር 178.7 በመቶ ዕድገት አሳይቷል።

በበጀት ዓመቱ ሐገራችን የማክሮ ኢኮኖሚ ማሻሻያዎችን በማድረግ የሐገር ውስጥ ኢኮኖሚ እንዲነቃቃ በማድረጓ እና የዓለም አቀፍ የቡና ገበያ ከፍተኛ ጭማሪ በማሳየቱ ምክንያት የባንካችን ደንበኞች ይህንን እድል ተጠቃሚ በመሆን የንግድና ኢንቨስትመንት እንቅስቃሴ በከፍተኛ ሁኔታ በማደጉ የተበዳሪ ደንበኞቻችን የብድር አመላለስ ጤናማ እንዲሆን በማስቻሉ እና እንደ ከዚህ ቀደሙ የባንካችን የዳይሬክተሮች ቦርድና የስራ አመራሮች በወሰዱት ስትራቴጂካዊ የሥራ አመራር የባንኩ ጤናማ ያልሆኑ ብድሮች መጠን የኢትዮጵያ ብሔራዊ ባንክ ካስቀመጠው ጣሪያ በታች 2.58 በመቶ እንዲሆን ተደርጓል። ካለፈዉ ዓመት ጋር ሲነፃፀር 0.38 በመቶ ዝቅ የተደረገበት ዓመት ነበር። ስለሆነም የባንኩ የዳይሬክተሮች ቦርድ እና ማኔጅመንት የባንካችን አጠቃላይ ብድር ጤናማ ሆኖ እንዲቀጥልና በባንኩ ላይ የሚመጣውን አሉታዊ ተፅዕኖ ለማስቀረት ላደረጉት ጠንካራ የሆነ የመሪነት ብቃት በእኔና ውድ በሆናችሁት ባለአክሲዮኖች ስም ለማመስገን እወዳለሁ።

የተከበራችሁ ባለአክሲዮኖች፣

የባንካችን ዳይሬክተሮች ቦርድ እና ማኔጅመንት በቁርጠኛ አመራር ሰጭነት እና በባለአክሲዮኖቻችን ቁርጠኝነት የባንኩ አጠቃላይ ካፒታል(equity) ብር 1.31 ቢሊዮን የደረሰ ሲሆን ይህም ካለፈው አመት ጋር ሲነጻጸር የ21 በመቶ እድገት አሳይቷል። በተጨማሪም የባንኩ መጠባበቂያ ካፒታል ብር 77.2 ሚሊየን የደረሰ ሲሆን፤ ይህም ካለፈው ዓመት የ31 በመቶ ዕድገት አለው።

በተጨማሪም የባንኩ የተከፈለ ካፒታል 15.44 ዕድገት በማስመዝገብ ከአንድ ቢሊዮን ብር በላይ ደርሷል። ይህም ካፒታል የኢትዮጵያ ብሔራዊ ባንክ ከአራት ዓመት በፊት ያፀደቀው መመሪያ ቁጥር SBB/78/2021 አዳዲስ የንግድ ባንኮች እ.ኤ.አ እስከ June 30, 2030 ባሉት ሰባት ዓመታት የተከፈለ ካፒታላቸውን ወደ ብር 5 ቢሊየን እንዲያሳድጉ አዟል። ከዚህም ባሻገር የአለም አቀፍ የሓዋላ ሰጭ ተቋማት ጋር ለመስራት እና የውጭ ሀገር ገንዘቦች በበቂ ሁኔታ ለመያዝ የባንኩ የተከፈለ ካፒታል ማነስ አሉታዊ ተፅዕኖ በባንካችን ላይ አሳድሯል። በመሆኑ የተከበራችሁ የባንካችን ባለአክስዮኖች በተቀመጠው የጊዜ ገደብ ውስጥ ወደ ተፈለገው የካፒታል መጠን መድረስ እንዲቻል እንዲሁም የባንኩን ኦፕሬሽን ለማጠናከር የውጭ ምንዛሬ የመያዝ አቅምን ማሳደግ ወሳኝ በመሆኑ ተጨማሪ አክሲዮን በመግዛት እና አዳዲስ አክሲዮን ገዢዎችን በማምጣት የበኩላችሁን አስተዋፅኦ እንድታደርጉ በዚሁ አጋጣሚ በአክብሮት እጠይቃለሁ።

የባንካችን የደንበኞች መሰረት ለማስፋት የተደረገው ጥረት ፍሬ አፍርቷል። በዚሁ በጀት ዓመት በግምገማው ወቅት ከ119 ሺህ በላይ አዳዲስ ደንበኞች ሒሳብ የተከፈቱ ሲሆን ይህም በባንኩ ውስጥ የሚገለገሉ የደንበኞች ቁጥር 333 ሺህ በላይ አድርሶታል። ባንኩ በሚከተለው የገበያ ድርሻና የደንበኞች መሰረት ማስፋት ላይ ግልጽ እና ስትራቴጂካዊ በሆነ ስልት እየተመራ ከፍተኛ ውጤት ማስመዘገብ ችሏል። በባንካችን ዘንድ የደንበኞችን ፍላጎት በበለጠ ለማርካት`ና እና አገልግሎት ለማሻሻል ከመቼውም ጊዜ በላይ ከፍ ያለ ግምት የተሰጠው ሲሆን የተለያዩ የአለማችን እና የሀገራችን ክፍሎች ምርጥ ተሞክሮዎችን በመቀመር እና ተግባራዊ በማድረግ የደንበኞች አገልግሎት ባህል ለማሳደግ ከፍተኛ ትኩረት ተሰጥቶ ተሰርቷል፣ በመሰራት ላይ ይገኛል።

የተከበራችሁ ባለአክሲዮኖች፣

ባንካችን የሚመራበት የአስር-ዓመት ኮርፖሬት ስትራቴጂክ ዕቅድ መሰረት ባንኩን በሰለጠነ የሰው ኃይል በማደራጀት የባንኩን ተልዕኮ፣ ራዕይ እና እሴቶቹን በሚገባ ተግባራዊ በማድረግ እና የባለድርሻ አካላት ትርፋማነት ለማረጋገጥና የዜጎች የስራ ዕድል ከመፍጠር አኳያ በአጠቃላይ ባንኩ 843 ሰራተኞች ያሉት ሲሆን፤ ከነዚህ ውስጥ 59.3 በመቶው የጽህፈት የስራ መደቦች ሰራተኞች ሲሆኑ፣ ቀሪዎቹ ደግሞ 40.7 በመቶው ጽህፈት ያልሆነ የስራ መደቦች ላይ ተሰማርተው ይገኛሉ። በሒሳብ ዓመቱ ብቻ የ196 አዲስ ሠራተኞች ቅጥር ባንኩ አካሂዷል። በተጨማሪም ባንካችን የአገልግሎት ልህቀት ላይ ለመድረስ በኢንፎርሜሽን ቴክኖሎጂ የታገዘ አገልግሎትን ለደንበኞቻችን ለመስጠትና ሲስተሙን ለማዘመን በተደረገው እንቅስቃሴም ቀደም ብሎ የተጀመረው የባንኩ የኮር ባንኪንግ ሲስተም የማጎልበት ስራ በማጠናቀቅ ላይ ያለ ሲሆን በዲጂታል ባንኪንግ አገልግሎት ዘርፍም በቅርቡ የሞባይል ባንኪንግ መተግበሪያ ለማስጀመር በሙሉ አቅሙ በቁርጠኝነት በመስራት ላይ የሚገኝ ሲሆን፤ የኮር ባንኪንግ ሲስተሙ እና የሞባይል ባንኪንግ መተግበሪያ ማጎልበት አጠቃላይ የባንኩ አውቶሜሽን እና ዲጂታላይዜሽን ስራዎች መስፋፋት ከፍተኛ አስተዋፅኦ ይኖረዋል።

የተከበራችሁ ባለአክስዮኖች፣

ባንካችን እ.ኤ.አ. በ2024/25 የሒሳብ ዓመት የዳይሬክተሮች ቦርድ የባንኩ ተቋማዊ አሰራር ለማጎልበት የአስር-አመት ኮርፖሬት ስትራቴጂክ ዕቅድ፤ የአምስት-አመት የንግድ ዕቅድ፤ የአንድ አመት ኦፕሬሽናል ዕቅድ እና በተለያዩ የባንኩ የኃላፊነት ደረጃዎች የውሳኔ ሰጭነት ሚና ለማዳበርና ለማቀላጠፍ የሚያስችል አሰራር ተግባራዊ አድርጓል። በተጨማሪም ዳይሬክተሮች ቦርዱ የተለያዩ ኮሚቴዎችን ማለትም የሪስክ እና ኮምፕሊያንስ፣ የኦዲት፣ እንዲሁም የሰው ኃይል ጉዳዮች እና የቢዝነስ ደቨሎፕመንት ኮሚቴዎችን በማዋቀር የባንኩን ተቋማዊ አስተዳደር እና የአሰራር ደህንነትን ለማረጋገጥ ለማኔጅመንት ያልተቋረጠ እገዛቸውን ሲያበረክቱ ቆይተዋል። በተጨማሪም ቦርዱ የኮሚቴዎቹን የአሰራር ነፃነት በጠበቀ መልኩ የባንኩን እሴት፣ ባህል እና የተቀናጀ ዕድገት እውን ለማድረግ እየሰሩ መሆናቸውን ማረጋገጫ ይሰጣል።

የተከበራችሁ ውድ ባለአክሲዮኖች፣

እንደወትሮ ሁሉ በተጠናቀቀው በጀት ዓመት ባለአክስዮኖች፤ የባንኩ ደንበኞች፤ በተለይ የሲዳማ ብሔራዊ ክልላዊ መንግሥት ለባንካችን ላደረጉት ያልተገደበ ድጋፍ የባንኩ ዳይሬክተሮች ቦርድን በመወከል ከልብ ማመስገን እወዳለሁ። በተጨማሪም የባንኩ ማኔጅመንትና ሰራተኞች የተለያዩ የፋይናንስ ኢንዱስትሪ ተዋናዮች በበዙበት፤ መንግስት የተለያዩ የማክሮ ኢኮኖሚ ለውጦች ባደረገበት በዚህ ፈታኝ ዘመን እና የተራቀቀ ባንኪንግ ቴክኖሎጂ የሚጠቀሙ ባንኮች፤ የቴሌኮም ኦፕተር ፋይናንስ አገልግሎት ሰጭዎች፤ ማይክሮ ፋይናንሶች እና የገንዘብ ብድርና ቁጠባ ሕብረት ሥራ ማህበራት በበዙበት የኢኮኖሚ ከባቢ ይህን ሁሉ ፈታኝ ሁኔታዎች ሳይበግራቸው የባንኩ ዓላማ ከግብ እንዲደርስ ላደረጉት አስተዋፅኦ ያለኝ አድናቆትና አክብሮት ከፍ ያለ በመሆኑ በራሴና በተከበራችሁ ባለአክሲዮኖች ስም ላቅ ያለ ምስጋና አቀርባለሁኝ።

በተጨማሪም በዚህ በጀመርነው በጀት ዓመትም የባንካችን የዳይሬክተሮች ቦርድ፣ ማኔጅመንትና ሰራተኞች ባንካችንን ከዚህ የበለጠ ተወዳዳሪ፤ ትርፋማ እና በፋይናንስ አገልግሎት ዘርፍ ወደላቀ ደረጃ ለማድረስ ያልተቆጠበ ጥረት የምናደርግ መሆኑን በልበ-ሙሉነት ላረጋግጥላችሁ እወዳለሁ። መጪው በጀት ዓመት ከሲዳማ ባንክ ጋር ብሩህ እንደሚሆን በመተማመን ሁላችንም የባንኩን ተልዕኮ፣ ራዕይ እና እሴቶች እውን እንዲሆኑ እንደወትሮ በበለጠ የድርሻችንን እንድናበረክት ጥሪዬን አቀርባለሁ።

በመጨረሻም ባንካችንን ተባብረን በከፍታ ማማ ላይ ለማስቀመጥ ለምንሰራው ሥራ እምነታችሁን ጥላችሁ አብራችሁን እየሰራችሁ ላላችሁ ውድ ደንበኞቻችን ከልብ የመነጨ ምስጋናዬን አቀርባለሁ። ባንካችን በሁለንተናዊ እንቅስቃሴው ውጤታማ ሆኖ እንዲቀጥል ቁጥጥር ብቻ ሳይሆን ሙያዊና ጠቃሚ ድጋፍ ላደረጉልንና እያደረጉልን ለሚገኙ የኢትዮጵያ ብሔራዊ ባንክ ሥራ አመራር አባላት፤ ሠራተኞች እና ሌሎች አግባብነት ያላቸው መንግስታዊ ተቋማት ያለኝን ልባዊ ምስጋና አቀርባለሁ።

አመሰግናለሁ!

_____

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