SIDAMA BANK S.C

AUDITOR'S REPORT AND FANANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

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TEWODROS AND FIKRE AUDIT
SERVICES PARTNERSHIP
CHARTERED CERTIFIED
ACCOUNTANTS
P.O.Box 8118
E-mail: chalatewodros@gmail.com
Mobile+ 251-96-621 59 21
921-539999
Addis Ababa Ethiopia

SIDAMA BANK S.C.
Company Profile
For the year ended 30 June 2026

Directors (As of June 30 2026)		Appointment Date
Ato. Abrham Marshalo Etiso	Chairperson, Board of Directors	27-Mar-25
Ato. Tseqaye 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
Ato.Birhanu Mengistu Tulu	Member, Board of Directors	17-Jun-26

Executive Management (as of June 30,2026)		Appointment Date
Ato.Tadese Hatiya Oge	Chief Executive Officer	6-May-22
Ato.Shebeku Magane Gafa	V/P-corporate and Resource Management	6-Jul-16
W/ro.Mehret Berhanu Nega	Director-Internal Audit Dep't	13-Nov-23
Ato.Dereje Temesgen Kifaw	Director- Risk and Complaince Dep't	8-Jan-24
Ato.Tadele Tilahun Worana	Director ,Legal Service & Loan Recovery Dep't	1-Aug-22
Ato.Wonsha Michael Dideso	Director, Strategy & Marketing Dep't	7-Aug-24
Ato.Wondachew Woldeyesus Hatiya	Director, Information Technology Dep't.	1-Jan-23
Ato.Tamiru Teferi Daka	Executive Assistance	1-Sep-23
Senior Management (as of June 30.2026)		
Ato.Elias Hirpo Debena	Director, Credit Service Department	1-Oct-22
Ato.Sato Chebula Hatiya	Director, Micro Finance Operatin's Dep't	1-Feb-11
Ato.Solomon Ambawu Zegeye	Director, Property &Facililate. Dep't	12-May-26
Ato.Dawit Guye Gudura	Director,Finance & Accounts Dep't	21-Mar-24
Ato..Abebayehu Getachew Asefa	Director,International Banking Dep't	21-Nov-22
Ato.Solomon Bezabih	Director, CRM Department	26-Apr-25
W/ro. Frehiwot Kifle Tefera	Director, Human Capital Management Dep't	11-Jun-26
Ato Ashenafi Wagisso Wachamo	Director-Hawassa District Office	17-Oct-25

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
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 2026

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.)
Chairperson, Board of Directors
30 September 2026

Tadesse Hatiya (Mr.)
Chief Executive Officer
30 September 2026

SIDAMA BANK S.C.
Directors Report
For the year ended 30 June 2026

The directors submit the report together with the audited financial statements for the period ended 30 June 2026, in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by Accounting and Auditing Board of Ethiopia which discloses the financial performance and state of affairs of the Bank.

Incorporation and address

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 2026 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 2026 Birr	30 June 2025 Birr
Net operating income	1,064,885,216	475,092,674
Profit / (loss) before tax	418,619,838	90,787,638
Tax (charge) / credit	(115,144,529)	(18,473,583)
Profit / (loss) for the year	303,475,308	72,314,055
Other comprehensive income / (loss) net of taxes	166,175,577	54,629,177
Total comprehensive income / (loss) for the year	469,650,886	126,943,232
Earning Per Share	26.32%	7.47%

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
30 September 2026

Certified Auditors in Ethiopia

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TEWODROS AND FIKRE AUDIT SERVICES PARTNERSHIP CHARTERED CERTIFIED ACCOUNTANTS
E-mail: chalatewodros@gmail.com
Addis Ababa Ethiopia

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

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

OPINION

We have audited the accompanying financial statements of *SIDAMA BANK S.C* which comprise the statement of financial position as at 30 June 2026, the statement of comprehensive income 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 S.C* as at 30 June 2026 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard as issued by the International Accounting Standards Board (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 EC, we recommend the financial statements be approved.

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

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

KEY AUDIT MATTER

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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 2, 2026

SIDAMA BANK S.C.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2026

	Notes	30-Jun-2026 Birr	30-Jun-2025 Birr
Interest Income	5	696,579,279	337,414,165
Interest Expense	6	(144,413,395)	(88,855,252)
Net Interest Income		**552,165,885**	**248,558,913**
Fees and commission income	7	320,160,682	81,928,100
Other operating income	8	238,168,585	169,808,901
Total Other Income		**238,168,585**	**169,808,901**
Total Operating Income		**1,110,495,152**	**500,295,914**
Loss Allowances on Financial Assets	9,10 &11	(45,609,936)	(25,203,240)
Net operating income		**1,064,885,216**	**475,092,674**
Salaries and other employee benefits	13	314,578,793	192,765,729
General and administrative expenses	15	251,943,276	136,355,360
Depreciation & amortization	14	32,267,355	24,175,537
Amortization of Right of use assets	23	47,383,560	35,255,091
Interest expense on lease liability	23	5,566,107	4,197,418
		(651,739,092)	**(392,749,134)**
Operating profit before tax		413,146,124	82,343,539
Grant income for the period	12	5,473,713	8,444,099
Profit before tax		**418,619,838**	**90,787,638**
Taxation charge	16	**(115,144,529)**	**(18,473,583)**
Profit for the year after tax		**303,475,308**	**72,314,055**
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)	1,441,731	(2,595,104)
Tax on remeasurement gain		(432,519)	778,531
		1,009,212	(1,816,573)
Gain on Fiancial assets through OCI	32	235,951,951	80,636,786
Tax on gain		(70,785,585)	(24,191,036)
		165,166,366	56,445,750
Total Other comrehensive income		166,175,577	54,629,177
Total comprehensive income for the year		**469,650,886**	**126,943,232**
Earnings per share (ETB)	34	**26.3%**	**7.5%**

The notes on pages 8 to 71 are an integral part of these financial statements.

The financial statements on pages 4 to 7 were approved and authorized for issue by the board of directors on 30 September 2026 and were signed on its behalf by:

Abriham Marshalo (Mr.)
Chairperson, Board of Directors
30 September 2026

Tadesse Hatiya (Mr.)
Chief Executive Officer
30 September 2026

SIDAMA BANK S.C.
Statement of Financial Position
As at 30 June 2026

	Notes	30-Jun-2026 Birr	30-Jun-2025 Birr
Assets			
Cash and cash equivalents	17	3,305,888,896	2,034,426,158
Loans and Advances to Customers (Net)	18	3,604,893,131	2,390,120,571
Investment in Securities:	20		
-Financial assets at amortized cost	20(a)	348,270,744	285,598,713
-Financial assets at fair value through OCI	20(b)	463,668,251	191,432,300
Other Assets	21	346,354,232	169,393,554
Right of use of Leased Assets	23	146,118,891	101,287,790
Investment Property	22	35,947,937	36,687,168
Intangible assets	24	14,436,239	14,005,378
Property, Plant and Equipment	25	364,390,251	296,475,358
Total Assets		**8,629,968,571**	**5,519,426,992**
Liabilities			
Deposit from Customers	26	5,725,592,560	3,674,915,745
Other Liabilities	27	482,626,803	202,486,491
Business Income Tax Liability	28	110,424,312	9,709,291
Deferred tax Liability	19	116,098,791	48,248,196
Lease Liabilities	23	69,914,604	54,032,844
Deferred grant income Liability	29	8,840,491	8,172,073
Borrowing	30	199,126,869	196,839,578
Severance benefit obligations payable	31	16,824,001	13,924,311
Total Liabilities		**6,729,448,430**	**4,208,328,529**
Equity			
Share Capital	33	1,238,763,000	1,054,121,000
Legal Reserve	35	153,156,068	77,287,241
Regulatory Risk reserve	36	27,771,607	12,878,768
Other Reserve	37	268,115,824	101,940,246
Retained Earnings	38	212,713,642	64,871,207
Total equity		**1,900,520,141**	**1,311,098,463**
Total Liabilities and Equity		**8,629,968,571**	**5,519,426,992**

The notes on pages 8 to 71 are an integral part of these financial statements.

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
30 September 2026

Tadesse Hatiya (Mr.)
Chief Executive Officer
30 September 2026

Certified Auditors in Ethiopia

Accounting and auditing Board of Ethiopia
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SIDAMA BANK S.C.
Statement of Change in equity
For the year ended 30 June 2026

	Share capital	Retained earning	Legal reserve	Regulatory Risk reserve	Other reserve	Total
	Birr	Birr	Birr	Birr	Birr	Birr
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**
Balance as at 1 July 2025	**1,054,121,000**	**64,871,207**	**77,287,241**	**12,878,768**	**101,940,246**	**1,311,098,463**
Profit for the year		303,475,308	-		-	303,475,308
Increase of the share capital	184,642,000	-	-		-	184,642,000
Transfer to Dividend Payable	-	(64,871,207)			-	(64,871,207)
Transfer to legal reserve	-	(75,868,827)	75,868,827		-	-
Balance transferred from regulatory risk reserve		10,044,957		(10,044,957)	-	-
Transfer to regulatory risk reserve	-	(24,937,796)	-	24,937,796	-	-
Transfer to Other reserve	-	-	-	-	166,175,577	166,175,577
Balance 30 June 2026	**1,238,763,000**	**212,713,642**	**153,156,068**	**27,771,607**	**268,115,824**	**1,900,520,141**

The notes on pages 8 to 71 are an integral part of these financial statements.

Accounting and auditing Board of Ethiopia
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Certified Auditors in Ethiopia
Audit Service Partnership

SIDAMA BANK S.C.
Statement of cash flows
For the year ended 30 June 2026

	Notes	30 June 2026 Birr	30 June 2025 Birr
Cash flows from operating activities			
Cash flows from operating activities	39	1,348,238,531	1,390,764,175
Net cash (outflow)/inflow from operating activities		**1,348,238,531**	**1,390,764,175**
Cash flows from investing activities			
Purchase of property, plant and equipment	24	(99,873,877)	(65,732,020)
Reclassification of Investment property	24	-	-
Purchases of investment securities		(98,960,000)	(232,356,619)
Net cash (outflow)/inflow from investing activities		**(198,833,877)**	**(298,088,639)**
Cash flows from financing activities			
Proceeds (settlement) from borrowings	30	2,287,291	4,831,888
Dividend paid		(64,871,207)	(45,686,433)
Proceeds from issues of shares	33	184,642,000	141,029,000
Investment in securities received/(refunded)	20(a)	-	-
Net cash (outflow)/inflow from financing activities		**122,058,084**	**100,174,455**
Net increase/(decrease) in cash and cash equivalents		**1,271,462,738**	**1,192,849,991**
Cash and cash equivalents at the beginning of the year	17	2,034,426,158	841,576,167
Cash and cash equivalents at the end of the year	17	**3,305,888,896**	**2,034,426,158**

The notes on pages 8 to 71 are an integral part of these financial statements.

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 (now replaced by Proclamation No. 1360/2025) 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 2026 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.

New Standards or Amendments	Date Effective	Date Publication
Amendments to IAS 21 – Lack of Exchangeability	1-Jan-25	1-Aug-23

The Bank adopted the amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability during the reporting period. The amendments clarify how an entity determines whether a currency is exchangeable into another currency, how to estimate the spot exchange rate when exchangeability is lacking, and introduce additional disclosure requirements.

New Standards, amendments, interpretations issued but not adopted.

New Standards or Amendments	Date Effective	Date Publication
IFRS 9 and IFRS 7 – Classification and Measurement (Amendments)	1-Jan-26	1-May-24
IFRS 18 – Presentation and Disclosure in Financial Statements	01-Jan-27	Apr-24
IFRS 19 – Subsidiaries without Public Accountability: Disclosures	01-Jan-27	May-24
IFRS S2 Climate-related disclosures	01-Jul-27	Jun-23
IFRS S2 – Climate-related Disclosures	01-Jul-27	Jun-23

The Bank is currently assessing the implications of these standards and amendments. Based on the assessment performed to date, the Bank does not expect their adoption to have a material impact on the recognition and measurement of its assets and liabilities.

However, IFRS 18 and IFRS 19 may result in changes to the presentation and disclosure of financial information, while IFRS S1 and IFRS S2 will introduce additional sustainability- and climate-related disclosure requirements. The Bank has commenced preparatory activities for the implementation of IFRS S1 and IFRS S2 in accordance with the AABE roadmap and will progressively develop the required disclosures.

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).

Accounting and auditing Board of Ethiopia
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Certified Auditors in Ethiopia
Tesfaye and Hirre Audit Service Partnership

(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.

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- **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.

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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 either financial liabilities 'at FVTPL' or 'other financial liabilities'. For all financial liabilities the amount presented on the statement of financial position represent all amounts payable including interest accruals.

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.

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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.

Fair value is determined in the manner described in note 3.1

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.

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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
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.

Classification and subsequent measurement

On initial recognition, a financial asset is classified either as measured at either amortized cost, fair

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 benefits

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

(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

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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

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-2026		FVOCI	Amortized Cost	Total
	Notes	Birr	Birr	Birr
Cash and cash equivalents	17		3,305,888,896	3,305,888,896
Loans and advances to customers (Net)	18		3,604,893,131	3,604,893,131
Other assets and prepayments	21		346,354,232	346,354,232
Investment in securities:	20			
Financial assets at amortized cost	20(a)	348,270,744	-	348,270,744
Financial assets at fair value through OCI (2024 AFS)	20(b)	463,668,251	-	463,668,251
Total Financila asset		**811,938,995**	**7,257,136,259**	**8,069,075,254**

30-June-2025		FVOCI	Amortized Cost	Total
	Notes	Birr	Birr	Birr
Cash and cash equivalents	17		2,034,426,158	2,034,426,158
Loans and advances to customers (Net)	21		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**

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**

The Bank's maximum exposure to credit risk at 30 June 2024 and 30 June 2023 is represented by the net carrying amounts in the statement of financial position.

	Notes	30-Jun-26 Birr	30-Jun-25 Birr
Cash and cash equivalents	17	3,305,888,896	2,034,426,158
Loans and advances to customers (Net)	21	3,604,893,131	2,390,120,571
Other assets and prepayments	21	346,354,232	169,393,554
Investment in securities:	20		
Financial assets at amortized cost	20(a)	348,270,744	285,598,713
Financial assets at fair value through OCI (2026 AFS)	20(b)	463,668,251	191,432,300
Total financial asset		**8,069,075,254**	**5,070,971,297**

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

	30-Jun-26 Birr	30-Jun-25 Birr
Loan commitments	-	-
Guarantees	1,299,883,867.84	351,794,794.74
Letters of credit	81,755,018.52	132,611,293.70
Total off balance sheet exposure	**1,381,638,886**	**484,406,088**
Total maximum exposure	**9,450,714,140**	**5,555,377,385**

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-26 Birr	30-Jun-25 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-26 Birr	30-Jun-25 Birr
Agriculture	283,291,165	8,047,021
Other (Consumer Loans)	876,828,901	74,894,999
Housing And Construction	40,863,004	24,599,509
Domestic Trade And Services	1,615,694,393	1,845,352,594
Export	338,113,389	202,890,239
Manufacturing	39,562,463	-
Import	14,374,458	-
Hotel & Tourism	55,568,738	-
Overdraft Facility	273,053,107	190,832,393
Staff Loan	186,587,216	129,227,103
Gross loans to customers	**3,723,936,833**	**2,475,843,858**

(ii) Credit quality analysis

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

	30-Jun-26 Birr	30-Jun-25 Birr
Pass	2,821,766,866	2,080,330,708
Special mention	681,909,071	317,703,471
Substandard	98,643,932	31,223,816
Doubtful	51,231,763	25,358,808
Loss	70,385,198	21,227,055
	3,723,936,831	**2,475,843,858**

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 2026 and 30 June 2025 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-26 Birr	30-Jun-25 Birr
A		-
A+	-	-
AA-	-	
AAA	-	-
BB	-	-
BBB+	-	
Not rated	3,306,035,873	2,034,426,158
allowances	(146,977)	(89,228)
	3,305,888,896	**2,034,336,930**

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 q 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

2026

Credit risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Stage 3 Life time ECL	Total
Stage 1 – Pass	2,821,766,866			2,821,766,866
Stage 2 – Special mention		681,909,071		681,909,071
Stage 3 - Non performing			220,260,894	220,260,894
Total gross exposure	2,821,766,866	681,909,071	220,260,894	3,723,936,831
Loss allowance	(50,251,875)	(26,397,277)	(42,394,551)	(119,043,702)
Net Carrying amount	**2,771,514,992**	**655,511,794**	**177,866,343**	**3,604,893,129**

2025

Credit risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Stage 3 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	77,809,679
Total gross exposure	2,080,330,708	317,703,471	77,809,679	2,475,843,858
Loss allowance	(42,791,640)	(17,901,920)	(25,029,727)	(85,723,287)
Net Carrying amount	**2,037,539,068**	**299,801,551**	**52,779,952**	**2,390,120,571**

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

2026

Credit risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Stage 3 Life time ECL	Total
	Birr	Birr	Birr	Birr
Stage 1 – Pass	1,381,638,886			1,381,638,886
Stage 2 – Special mention		-	-	-
Stage 3 - Non performing			-	-
Total gross exposure	1,381,638,886	-	-	1,381,638,886
Loss allowance	(595,073)	-	-	(595,073)
Net Carrying amount	**1,381,043,813**	**-**	**-**	**1,381,043,813**

2025

Credit risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Stage 3 Life time ECL	Total
	Birr	Birr	Birr	Birr
Stage 1 – Pass	484,406,088			78,940,367
Stage 2 – Special mention		-	-	-
Stage 3 - Non performing			-	-
Total gross exposure	78,940,367	-	-	78,940,367
Loss allowance	(23,884)	-	-	(23,884)
Net Carrying amount	**78,935,486**	**-**	**-**	**78,935,485.80**

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2026

Other financial assets (debt instruments)	Stage	Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	3,306,035,873	(146,977)	3,305,888,896
Investment securities (debt instruments)	12 Month ECL	348,288,994	(18,250)	348,270,744
Other receivables and financial	Life time ECL	352,443,703	(6,089,471)	346,354,232
Total	**-**	**4,006,768,570**	**(6,254,698)**	**4,000,513,872**
Loss allowance		-	-	-
Net Carrying amount	**-**	**4,006,768,570**	**(6,254,698)**	**4,000,513,872**

2025

Other financial assets (debt instruments)	Stage	Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	2,034,515,386	(89,228)	2,034,426,158
Investment securities (debt instruments)	12 Month ECL	285,612,994	(14,281)	285,598,713
Other receivables and financial	Life time ECL	169,774,764	(381,210)	169,393,554
Total	**-**	**2,489,903,144**	**(484,719)**	**2,489,418,425**
Loss allowance		-	-	-
Net Carrying amount	**-**	**2,489,903,144**	**(484,719)**	**2,489,418,425**

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-26	AGRICULTURE	OTHER (CONSUMER LOANS)	HOUSING AND CONSTRUCTION	DOMESTIC TRADE AND SERVICES	EXPORT	HOTEL & TOURISM	MANUFACTURING
	Birr	Birr	Birr	Birr	Birr	Birr	Birr
Building	438,615,412	1,120,985,663	33,549,687	3,461,007,296	190,098,584	49,368,015	46,972,239
Personal Guarantee	1,397,000	9,466,831	-	324,664	-	-	-
Cash	87,000	-	-	-	-	-	-
Vehicle	9,616,667	231,451,589	19,000,000	385,955,135	-	-	-
Machinery (Construction	38,286,510	-	-	18,749,738	-	-	-
Fuel Depot	-	28,861,372	-	32,403,612	-	-	-
Share Certificate	-	-	-	2,100,000	-	-	-
	488,002,589	**1,390,765,456**	**52,549,687**	**3,900,540,446**	**190,098,584**	**49,368,015**	**46,972,239**

30-Jun-26	IMPORT	Overdrafts	STAFF LOAN	Total
	Birr	Birr	Birr	Birr
Building	44,120,658	1,054,621,953	183,583,191	6,622,922,698
Personal Guarantee	-	-	-	11,188,495
Cash	-	6,000,000	-	6,087,000
Vehicle	5,559,594	42,000,000	48,700,000	742,282,986
Machinery (Construction Machinery)	-	-	-	57,036,248
Fuel Depot	-	-	-	61,264,984
Share Certificate	-	-	-	2,100,000
	49,680,252	**1,102,621,953**	**232,283,191**	**7,502,882,413**

30-Jun-25	AGRICULTURE	OTHER (CONSUMER LOANS)	HOUSING AND CONSTRUCTION	DOMESTIC TRADE AND SERVICES	EXPORT	STAFF LOAN	Total
	Birr	Birr	Birr	Birr	Birr	Birr	Birr
Building	12,760,632	44,587,096	190,027,371	4,195,415,214	9,702,266	135,008,871	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	-	40,853	140,532,588
Vehicle	-	1,600,000	-	283,557,905	-	33,200,000	318,357,905
Farm Machinery	2,150,000	-	-	34,400,885	-		36,550,885
(Construction	-	-	-	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**	**168,249,724**	**5,239,182,735**

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.

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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 appr aisals of collater al because it provides input into determining the management credit risk actions.

ii) Investment securities designated as at FVTPL

As at 30 June 2026, 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.

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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.

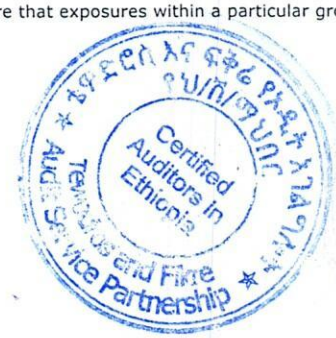
However, for overdrafts that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses 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-26 Birr	30 June 2025 Birr
Total impairment based on IFRS	119,043,702	85,723,287
Total impairment based on NBE Directives	69,054,633	44,291,184
Difference	**49,989,069**	**41,432,103**

Credit Concentration

The Institution monitors concentrations of credit risk by economic sector. An analysis of concentrations of credit risk at 30 June 2026 and 30 June 2025.

	30 June 2026		30 June 2025	
	Birr	%	Birr	Birr
Agriculture	283,291,165	7.61%	8,047,021	0.33%
Other (Consumer Loans)	876,828,901	23.55%	74,894,999	3.03%
Housing And Construction	40,863,004	1.10%	24,599,509	0.99%
Domestic Trade And Services	1,615,694,393	43.39%	1,845,352,594	74.53%
Export	338,113,389	9.08%	202,890,239	0.00%
Manufacturing	39,562,463	1.06%	-	0.00%
Import	14,374,458	0.39%	-	0.00%
Hotel & Tourism	55,568,738	1.49%	-	0.00%
Overdraft Facility	273,053,107	7.33%	190,832,393	7.71%
Staff Loan	186,587,216	5.01%	129,227,103	5.22%
	3,723,936,833	**100.00%**	**2,475,843,858**	**92%**

— 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-26 Birr	30-Jun-25 Birr
Guarantees	1,299,883,868	351,794,795
Letters of credit	81,755,019	132,611,294
	1,381,638,886	**484,406,088**

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-26	Notes	31 - 90days	91 - 180days	181 - 365 days	Over 1 year	Total
		Birr	Birr	Birr	Birr	Birr
Deposits from customers	26	174,627,165	823,242,348	997,869,513	3,729,853,534	5,725,592,560
Other liabilities	27	37,351,911	43,166,840	152,041,796	250,066,256	482,626,803
Total financial liabilities		**211,979,076**	**866,409,188**	**1,149,911,309**	**3,979,919,790**	**6,208,219,363**
Loan commitments		-	-	-	-	-
Guarantees		68,900,245	44,021,279	1,180,962,344	6,000,000	1,299,883,868
Letters of credit		81,755,019	-	-	-	-
		150,655,264	44,021,279	1,180,962,344	6,000,000	1,299,883,868
Assets held for managing liquidity risk		**362,634,340**	**910,430,467**	**2,330,873,652**	**3,985,919,790**	**7,508,103,231**

30-Jun-25	Notes	31 - 90days	91 - 180days	181 - 365 days	Over 1 year	Total
		Birr	Birr	Birr	Birr	Birr
Deposits from customers	26	112,082,743	528,390,072	640,472,815	2,393,970,115	3,674,915,745
Other liabilities	27	15,671,026	18,110,685	63,789,266	104,915,513	202,486,491
Total financial liabilities		**127,753,769**	**546,500,757**	**704,262,082**	**2,498,885,629**	**3,877,402,237**
Loan commitments		-	-	-	-	-
Guarantees		351,794,795	-	-	-	-
Letters of credit		132,611,294	-	-	-	-
Other commitments		484,406,088	-	-	-	-
		-	-	-	-	-
Assets held for managing liquidity risk		**612,159,858**	**546,500,757**	**704,262,082**	**2,498,885,629**	**3,877,402,237**

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.

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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.

2026

Asset	**Interest variable**	**Fixed interest bearing**	**Non-interest bearing**	**Total**
				Birr
Cash and balances with banks	Fixed	26,204,706	3,279,684,190	3,305,888,896
Loans and advances to customers	Fixed	3,604,893,131	-	3,604,893,131
Investment securities	Fixed	348,270,744	463,668,251	811,938,995
Other assets		-	346,354,232	346,354,232
Total interest bearing financial assets		**3,979,368,580**	**4,089,706,673**	**8,069,075,254**
Liabilities				
Deposits from customers	Fixed	3,122,774,286	2,602,818,274	5,725,592,560
Other liabilities	Fixed		482,626,803	482,626,803
Borrowings	Fixed	199,126,869	-	199,126,869
Total interest bearing financial liabilities		**3,321,901,154**	**2,602,818,274**	**5,924,719,429**
Net interest sensitivity gap		**657,467,426**	**1,486,888,399**	**2,144,355,825**

2025

Asset	**Interest variable**	**Fixed interest bearing**	**Non-interest bearing**	**Total**
		Birr	**Birr**	**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	-	191,432,300	191,432,300
Other assets		-	169,393,553.87	169,393,554
Total interest bearing financial assets		**2,424,040,048**	**2,361,332,535**	**4,785,372,584**
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**	**616,924,650**	**4,074,241,814**
Net interest sensitivity gap		**(1,033,277,116)**	**1,744,407,885**	**711,130,769**

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 2026 was ETB 756.69 Million (30 June 2025: ETB 388.99 Million).

	30-Jun-26 Birr	30-Jun-25 Birr
US dollars (USD	756,689,183	388,990,291
	756,689,183	**388,990,291**

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-26 Birr	30-Jun-25 Birr
Effect of a 10% Increase of the ETB against USD	75,668,918	38,899,029
Effect of a 10% Decrease of the ETB against USD	**(75,668,918)**	**(38,899,029)**

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-26** **Birr**	**30-Jun-25** **Birr**
Share capital	1,238,763,000	1,054,121,000
Retained earnings	212,713,642	64,871,207
Legal Reserve	153,156,068	77,287,241
Regulatory Risk reserve	27,771,607	12,878,768
Other Reserve	268,115,824	101,940,246
	1,900,520,141	**1,311,098,463**

Risk weighted assets	30-Jun-26	Minimum required capital
Common Equity Tier 1 Capital	1,624,326,981	
Total Eligible Capital	1,739,145,995	
Total Risk Weighted Asset	5,438,334,191	
Total Eligible Capital to Risk Weighted Asset Ratio	31.98%	
Common Equity Tier 1 to Risk Weighte	29.87%	
Total Tier 1 Capital to Risk Weighted A	29.87%	
Minimum required capital	11.00%	
Excess	20.98%	

	30-Jun-25
Risk weighted balance for on-balance sheet	3,307,945,743
Credit equivalent for off-balance	54,190,196
Total risk weighted assets	3,362,135,940
Risk-weighted Capital Adequacy Ratio (CAR	39.00%
Minimum required capital	8.0%
	31%

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-26		30-Jun-25	
	Carrying amount Birr	Amortized Cost Birr	Carrying amount Birr	Amortized Cost Birr
Financial assets				
Cash and bank balances	3,305,888,896	3,305,888,896	2,034,426,158	2,034,426,158
Loans and advances to customers	3,604,893,131	3,604,893,131	2,390,120,571	2,390,120,571
Investment securities				
- Financial assets at fair value through OCI	348,270,744	348,270,744	-	-
- Financial assets at amortized cost	463,668,251	463,668,251	191,432,300	191,432,300
Other assets	346,354,232	346,354,232	169,393,554	169,393,554
Total	8,069,075,254	8,069,075,254	4,785,372,584	4,785,372,584

	30-Jun-25		30-Jun-24	
	Carrying amount Birr	Amortized Cost Birr	Carrying amount Birr	Amortized Cost Birr
Financial liabilities				
Deposits from customers	5,725,592,560	5,725,592,560	3,674,915,745	3,674,915,745
Other liabilities	482,626,803	482,626,803	202,486,491	202,486,491
Total	6,208,219,363	6,208,219,363	3,877,402,237	3,877,402,237

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:	2026 Birr	2025 Birr
Loans to customers	644,785,379	299,498,626
Deposit with other banks	1,222,565	7,832,275
Interest Income -Treasury Bond	28,088,586	16,793,303
Interest Income from DBE Bond	2,162,201	206,400
Interest Income from open Market Ope(OMO)	-	2,301,370
Interbank Money Market	20,320,548	10,782,192
Total interest income	**696,579,279**	**337,414,165**

6 Interest expense

Interest expense is arising from:	2026 Birr	2025 Birr
Interest expense on customer deposit	118,774,005	63,736,531
Interest expense on bank loan	25,639,390	25,118,721
	144,413,395	**88,855,252**

7 Fees and commission income

	2026 Birr	2025 Birr
Service charge income	108,986,709	21,374,758
Gain on foreign currency transactions	133,735,752	8,032,036
Loan Process and Evaluation	33,437,556	19,928,043
Income from Guarantee	44,000,665	32,593,264
	320,160,682	**81,928,100**

8 Other Operating Income

	2026 Birr	2025 Birr
Gain on Foreign Currency	38,781,953	5,923,458
Gain on Foreign Exchange Revaluation	110,809,612	81,967,507
Other income	78,568,458	76,641,965
Divedend Income	10,008,562	5,275,972
	238,168,585	**169,808,901**

9 Loan Impairment Charge

	30-Jun-26 Birr	30-Jun-25 Birr
Loans and advances - charge for the year	39,244,884	24,915,880
Loans and advances - reversal of provision	-	-
	39,244,884	**24,915,880**

10 Impairment On Other Assets

	30-Jun-26 Birr	30-Jun-25 Birr
Other assets-charges for the year	5,708,261	221,244
Receivables - Bad Debts Write Off	-	-
	5,708,261	**221,244**

11 Impairment on Cash, Bills and off balance sheet items

	30-Jun-26 Birr	30-Jun-25 Birr
Cash, Bills and Bonds-charge for the year	656,791	66,116
	656,791	66,116

12 Grant income from loan borrowed at a redured interest rate

	2026 Birr	2025 Birr
Income from Grant amortized	5,473,713	8,444,099
	5,473,713	8,444,099
Total grant recognised on a subsidised loans	8,172,073	9,626,083
Grant amount released to profit and loss account todate	668,418	(1,454,009)
Remaining balance	8,840,491	8,172,073

The particulars of the loan on which these grants hav been recognized is given under note 30

13 Salaries and other employee benefits

	2026 Birr	2025 Birr
Salaries and wages	201,733,223	135,731,367
Pension Cost-Defined contribution plan	21,969,418	14,697,091
Staff allowance	38,589,340	28,518,912
Leave expense	10,099,918	4,490,254
Medical Expense	2,407,901	1,404,293
Over Time	3,627,386	2,596,404
Uniform	7,093,506	737,057
Severance expense	4,462,426	2,909,272
Cash Indeminity Expense	2,384,382	1,681,078
Bonus Expense	22,211,294	-
	314,578,793	192,765,729

14 Depreciation on property, plant and equipment

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

	2026 Birr	2025 Birr
Depreciation & amortization expense	32,267,355	24,175,537
Total depreciation expense	32,267,355	24,175,537

15 General and administrative expenses

	2026 Birr	2025 Birr
Perdiem & travel	18,026,153	11,610,202
Stationary and printing	18,321,204	13,444,401
Communication	10,577,489	5,764,981
Marketing and promotion	7,720,907	8,213,422
Insurance Expense	9,253,731	3,689,510
Miscellaneous expense	1,045,693	1,345,683
Fuel & lubricants	11,375,665	7,760,944
Entertainment	6,144,348	5,222,600
Maintenance & repair	14,442,452	9,089,958
Training	29,390,269	22,698,662
Donation expense	5,499,920	1,419,960
Cleaning and supplies	733,385	636,402
Professional fee	1,557,636	1,327,916
Audit fee	1,345,000	517,500
Board fee Expense	2,430,000	2,590,000
Utilities	1,447,780	898,682
Swift Charge	5,340,938	3,849,229
Membership fee	651,600	521,600
Lease Expense	5,574,922	8,133,436
Hotel Accomodation	5,463,848	3,879,708
Legal Case Fee	478,102	72,228
Annual CBS Maintenance and Support Exp.	-	583,226
Loss On Revaluation of FCY	92,781,909	20,741,948
Reward & other Benefit	420,000	50,720
EATS-RTGS Service Charge	203,538	63,785
NBE-License,Renewal and Examnation	735,500	765,000
Regional municipality fee	640,667	1,463,655
Registration Fee Expense-Capital Market	300,000	-
Stamp Duty Expense	40,621	-
	251,943,276	**136,355,360**

16 Taxation charge/expense

	2026 Birr	2025 Birr
Curent year tax charge as per the income tax proclamatior	118,512,039	9,804,460
Deferred tax (income)/expense	(3,367,510)	8,669,123
	115,144,529	**18,473,583**

17 CASH AND CASH EQUIVALENTS

	30-Jun-26 Birr	30-Jun-25 Birr
Cash on hand	366,525,032	249,960,190
Cash at Bank	95,059,899	54,203,037
Other accounts with National Bank of Ethiopia	2,087,761,758	1,341,361,868
Deposit with foreign Banks	756,689,183	388,990,291
	3,306,035,873	2,034,515,386
Less: Loss allowances	(146,977)	(89,228)
	3,305,888,896	**2,034,426,158**

18 LOANS TO CUSTOMERS

	30-Jun-26 Birr	30-Jun-25 Birr
Agriculture	283,291,165	8,047,021
Other (Consumer Loans)	876,828,901	74,894,999
Housing And Construction	40,863,004	24,599,509
Domestic Trade And Services	1,615,694,393	1,845,352,594
Export	338,113,389	202,890,239
Manufacturing	39,562,463	-
Import	14,374,458	-
Hotel & Tourism	55,568,738	-
Overdraft Facility	273,053,107	190,832,393
Staff Loan	186,587,216	129,227,103
Gross loans to customers	**3,723,936,833**	**2,475,843,858**
Less : allowance for impairment losses	(119,043,702)	(85,723,287)
Net loans to customers	**3,604,893,131**	**2,390,120,571**

Movments of the loan impairment allowance for the year ended 30 June 2026 and 30 June 2025 as follows:

	30-Jun-26 Birr	30-Jun-25 Birr
Balance at the beginning of the year	85,723,287	60,807,407
Day 1 gain/(loss) on loans	-	-
Writeoff	(5,924,468)	-
Provision expense	39,244,884	24,915,880
Balance at the end of the year	**119,043,702**	**85,723,287**
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-26 Birr	30-Jun-25 Birr
Current and less than 90 days overdue	3,503,675,937	2,398,034,179
90 to 180 days overdue	98,643,934	31,223,816
180 to 365 days overdue	51,231,763	25,358,808
above 365 days overdue	70,385,198	21,227,055
Balance at the end of the year	**3,723,936,833**	**2,475,843,858**
Less : allowance for impairment losses	(119,043,702)	(85,723,287)
Balance at the end of the year	**3,604,893,131**	**2,390,120,571**

Loan to customers are collateralized by:	30-Jun-26 Birr	30-Jun-25 Birr
Building	6,622,922,698	4,587,501,450
Personal Guarantee	11,188,495	4,353,677
Cash	6,087,000	140,532,588
Vehicle	742,282,986	318,357,905
Farm	-	36,550,885
Machinery (Construction Machinery)	57,036,248	8,158,000
Fuel Depot	61,264,984	61,264,984
Share Certificate	2,100,000	2,600,000
Others	-	79,863,246
	7,502,882,413	**5,239,182,735**

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

	30-Jun-26 Birr	30-Jun-25 Birr
Originated loans to customers according to the agreement	3,444,747,019	2,261,119,424
Accrued interest according to the agreement	279,189,814	214,724,435
agreement	**3,723,936,833**	**2,475,843,858**
Gross loans to customers	**3,723,936,833**	**2,475,843,858**
Less: allowance for impairment losses	(119,043,702)	(85,723,287)
Net loans to customers	**3,604,893,131**	**2,390,120,571**

Breakdown of current and noncurrent portions is presented

	30-Jun-26 Birr	30-Jun-25 Birr
Current portion	3,406,708,710	2,264,936,065
Noncurrent portion	317,228,123	210,907,793
Total loan and advances	**3,723,936,833**	**2,475,843,858**

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-26 Birr	30-Jun-25 Birr
PPE carrying value as per IFRS	414,774,426	347,167,904
PPE carrying value as per Income tax proclamation	(328,725,118)	(289,397,902)
Temporary difference	86,049,308	57,770,002
Deferred tax liability	**(25,814,792)**	**(17,331,001)**
	-	-
Leave & Severence Carrying value	39,679,012	27,418,458
Leave & Severence tax base	-	-
Temporary difference	39,679,012	27,418,458
Deferred tax asset @30%	**11,903,704**	**8,225,537**
Right of use of Leased Assets	146,118,891	
Right of use of Leased Assets tax base	(102,006,339)	
Temporary difference	44,112,552	
Deferred tax liability	**(13,233,766)**	
Lease Liabilities	69,914,604	
Lease Liabilities tax@	-	
Temporary difference	69,914,604	
Deferred tax Asset	**20,974,381**	
Deferred tax aset on Loss for tax purpose	-	(29,876,258)
Deferred tax asset @	-	(8,962,877)
Deferred tax on gain from Investments through OCI		
Carrying amount-Fair Value	463,668,251	191,432,300
Tax base-Cost	97,240,525	60,956,525
Gain on investment through OCI	366,427,726	130,475,775
Deferred tax laibility on gain from Investments through OCI **@30%**	(109,928,318)	(39,142,733)
NET DEFERRED TAX CREDIT/(EXPENSE)	**(116,098,791)**	**(57,211,073)**

2026

	Balance on 30/06/2025	Balance recognised in profit & loss account	Balance recognised in other comp. income	Balance on 30/06/2026
	Birr	Birr	Birr	Birr
Property, plant & equipment	(17,331,001)	(8,483,792)	-	(25,814,792)
Severance & leave pay	8,225,537	4,110,685	(432,519)	11,903,704
Gain on Financial assets through OCI	(39,142,733)	-	(70,785,585)	(109,928,318)
Right of use of Leased Assets	-	(13,233,766)	-	(13,233,766)
Lease Liabilities	-	20,974,381	-	20,974,381
Loss for tax pupose	-	-	-	-
	(48,248,196)	**3,367,510**	**(71,218,105)**	**(116,098,791)**

2025

	Balance on 30/06/2024	Balance recognised in profit & loss account	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)**

20 Investment Securities

20(a) At amortised cost

Government Bond as at 30 June 2025 and 30 June 2026 comprises the following:

	30-Jun-26 Birr	30-Jun-25 Birr
Treasure Bond	313,263,994	274,487,994
DBE Bond	35,025,000	11,125,000
	348,288,994	**285,612,994**
Less: Loss allowances	(18,250)	(14,281)
	348,270,744	**285,598,713**

20(b At fair value through OCI

Investment securities as at 30 June 2026 and 30 June 20253 comprises the following:

	30-Jun-26 Birr	30-Jun-25 Birr
Investment securities	445,529,519	346,569,519

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

	30-Jun-26 Birr	30-Jun-25 Birr
Investement in ETH Switch SC	459,800,116	190,010,704
ET Inclusive Finance Technology S.C.	3,868,135	1,421,596
	463,668,251	**191,432,300**

2026

The Investments comprise of: At 30 June 2026	Fair Value per share	held at par vale of Birr 1000	Cost Birr	Fair value Birr
Eth Switch S.Co	6,355	72,348	94,053,525	459,800,116
ET Inclusive Finance Technology S.C.	1,214	3,187	3,187,000	3,868,135
			97,240,525	**463,668,251**

2025

The Investments comprise of: At 30 June 2025	Fair Value per share	Number of shares held at	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**

21 Other Assets

	30-Jun-26 Birr	30-Jun-25 Birr
Non Financial Assets		
Prepayment	192,295,849	70,750,753
Prepaid rent	-	-
Prepaid staff benefit on staff loan at reduced rate	70,254,548	55,904,519
Other Recivable	89,893,306	43,119,491
Withholde Tax Paid	-	-
Gross amount	**352,443,703**	**169,774,764**
Impairment losses on other assets	(6,089,471)	(381,210)
Net other asset and Prepayment	**346,354,232**	**169,393,554**

Movments of the impairment allowance for other assets for the year ended 30 June 2026 and 30 June 2025 as follows:

	30-Jun-26 Birr	30-Jun-25 Birr
Balance at the beginning of the year	484,719	197,358
Impairment losses on other assets	5,769,979	287,360
Balance at the end of the year	-	-
	6,254,698	**484,719**

Breakdown of current and noncurrent portions is as follows:

	30-Jun-26 Birr	30-Jun-25 Birr
Current portion	287,993,544	140,850,740
Noncurrent portion	58,360,688	28,542,814
	346,354,232	**169,393,554**

22 Investment Property

Investment property as at 30 June 2026 is presented as follows:

Cost	Birr	Total
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**
Balance as at 01 July 2025	38,906,886	38,906,886
Transfer from CIP	-	-
Reclassification	-	-
As at 30 June 2026	**38.906.886**	**38.906.886**
Accumulated Depreciation		
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**
Balance as at 01 July 2025	**2,219,718**	**2,219,718**
Charge for the year	739,231	739,231
Reclassification	-	-
As at 30 June 2026	**2,958,949**	**2,958,949**
NET BOOK VALUE		
As at 30 June 2025	**36,687,168**	**36,687,168**
As at 30 June 2026	**35,947,937**	**35,947,937**

22a Amounts recognised in profit or loss for investment properties

	30 June 2026 Birr	30 June 2025 Birr
Rental income	9,020,731	4,758,462
Direct operating expenses on property that generated rental income	-	-
	9,020,731	**4,758,462**

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 2025, and 30 June 2026 respectively are as follows:

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

	Carrying amount Birr	Level 1 Birr	Level 2 Birr	Level 3 Birr
30 June 2026				
Investment properties	35,947,937			35,947,937

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 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 as at 30 June 2025	**101,287,790**	**101,287,790**
Balance at 01 July 2025	**101,287,790**	**101,287,790**
Adjustments	-	-
Addition	92,214,660	92,214,660
Less amortization-Charge for the year	(47,383,560)	(47,383,560)
Balance as at 30 June 2026	**146,118,891**	**146,118,891**
Net Carrying Value at 30 June 2025	**101,287,790**	**101,287,790**
Net Carrying Value at 30 June 2026	**146,118,891**	**146,118,891**

Lease Liabilities	Building Birr	Total Birr
Balance at 01 July 2024	**28,569,531**	**28,569,531**
Adjustments	-	-
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**
Balance at 01 July 2025	**54,032,844**	**54,032,844**
Additions	30,490,920	30,490,920
Interest expense recognised in the Profit and loss account	5,566,107	5,566,107
Payment of Leases	(20,175,267)	(20,175,267)
Balance at 30 June 2026	**69,914,604**	**69,914,604**

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

Maturity analysis- contractual undiscounted cash flows:-

	30-Jun-26 Birr	30-Jun-25 Birr
Upto 1 year	192,295,849	70,750,753
2 year to 3 years	62,747,748	57,336,588
4 year to 5 years	12,039,563	26,586,303
Finanancial commitments and contingencies	**267,083,161**	**107,882,637**

	30-Jun-26 Birr	30-Jun-25 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 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**
As at 01 July 2025	15,831,749	15,831,749
Additions	3,183,200	3,183,200
As at 30 June 2026	**19,014,949**	**19,014,949**
Accumulated depreciation		
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**
As at 01 July 2025	1,826,371	1,826,371
Charge for the year	2,752,340	2,752,340
As at 30 June 2026	**4,578,711**	**4,578,711**
Net Book Value		
As at 30 June 2025	**14,005,378**	**14,005,378**
As at 30 June 2026	**14,436,239**	**14,436,239**

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 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	-	-	-	-	-	-
Transfer to Investment property	-	-	-	-	-	
Reclassification						
As at 30 June 2025	**47,444,816**	**93,566,326**	**96,314,126**	**39,696,037**	**72,261,754**	**349,283,059**
As at 01 July 2025	47,444,816	93,566,326	96,314,126	39,696,037	72,261,754	349,283,059
Additions	-	24,173,375	60,268,555	6,438,393	5,810,355	96,690,677
Transfer to PPE	-	-	-	-	-	-
As at 30 June 2026	**47,444,816**	**117,739,700**	**156,582,681**	**46,134,430**	**78,072,109**	**445,973,737**
Accumulated depreciation						
As at 01 July 2024	2,816,783	8,396,736	9,612,144	4,905,247	5,081,355	30,812,265
Reclassification						-
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**	**15,244,942**	**7,843,362**	**9,684,601**	**52,807,701**
As at 01 July 2025	3,717,829	16,316,967	15,244,942	7,843,362	9,684,601	52,807,701
Charge for the year	901,452	10,712,180	7,068,533	3,317,093	6,776,527	28,775,785
As at 30 June 2026	**4,619,280**	**27,029,147**	**22,313,476**	**11,160,455**	**16,461,128**	**81,583,486**
Net Book Value						
As at 30 June 2025	**43,726,988**	**77,249,358**	**81,069,184**	**31,852,675**	**62,577,153**	**296,475,358**
As at 30 June 2026	**42,825,536**	**90,710,553**	**134,269,205**	**34,973,975**	**61,610,981**	**364,390,251**







26 Deposits From Customers

	30-Jun-26 Birr	30-Jun-25 Birr
Demand Deposits	2,602,818,274	1,759,556,649
Saving Deposits	3,113,498,886	1,906,665,395
Time Deposit	8,782,415	8,249,174
Interest Payable on Deposit	492,985	444,527
	5,725,592,560	**3,674,915,745**

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

	30-Jun-26 Birr	30-Jun-25 Birr
Current portion	1,706,351,940	1,100,233,001
Noncurrent portion	4,019,240,620	2,574,682,744.60
	5,725,592,560	**3,674,915,745**

27 Other Liabilities

	30-Jun-26 Birr	30-Jun-25 Birr
Defered service charge income	(0)	208,408
Accrued leave payable	22,855,011	13,494,147
Accrued Audit fee	1,000,000	517,500
Directors' Allowance	1,350,000	1,350,000
Other liabilities	15,659,698	23,856,156
Cash Collateral	4,800,000	4,800,000
Personnel Income Tax	4,095,387	3,928,544
Withholde Tax	372,232	274,005
Interest Income Tax	2,404,212	351,310
Stamp Duty	1,071,419	835,451
Income tax from Dividend	4,396,527	404,280
Value Added Tax (VAT) Payable	12,116,100	2,952,383
Credit Information fee Payable	919,690	1,300,550
Cost Sharing Payable	49,447	49,025
Defered Guarantee	15,979,890	4,536,431
Margin Held Account ETB for IBD	81,755,019	83,970,110
Account payable blocked for PO Issuance	250,176,215	46,308,921
Dividend Payable	29,437,791	5,157,767
Guarantee Fund- Save the Chilidren	-	3,801,637
Exchange Payable to NBE	4,123,212	4,389,865
Eth. Disaster Risk Fund	13,276,177	-
Bonus Payable	16,193,704	-
Impairment Off Balalce sheet	595,073	-
	482,626,803	**202,486,491**

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28 PROVISION FOR PROFIT TAX

28.1 On regular business operation

	30-Jun-26 Birr	30-Jun-25 Birr
Profit before tax	418,619,838	90,787,638
Add: Depreciation for repporting purpose	32,267,355	24,175,537
Provision for IFRS	45,609,936	25,203,240
Amortization of asset use right	47,383,560	35,255,091
Interst expense on Lease obligation	5,566,107	4,197,418
Interest expense as per EIR	25,639,390	25,118,721
Severance expense	4,462,426	2,909,272
Leave expense	10,099,918	4,490,254
Entertainment	6,144,348	5,222,600
Donation	499,920	319,960
Less: Depreciation for tax purpose	(60,636,701)	(49,128,462)
Rent expense	(45,776,124)	(39,719,133)
Grant income on subsidized loan-DBE	(5,473,713)	(8,444,099)
Interest income taxed at source	(30,250,787)	(37,915,539)
Leave expense-Paid	(739,055)	(704,207)
Severance expense-Paid	(121,005)	(1,017,693)
Interest expense as per agreement on Loan obtained at reduced rate-DBE	(19,349,057)	(19,430,836)
Loan provision as per NBE(80%)	(38,906,226)	(28,630,386)
Profit for tax pupose Schedule B (27.2b)	(7,075,386)	(2,813,118)
Current year Schedule (C) taxable profit/ Loss fo	387,964,743	29,876,258
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	387,964,743	29,868,416
Provision for Business tax @ 30%	**116,389,423**	**8,960,525**
Less: Tax paid in advance	**(4,480,263)**	-
Less: Tax paid in advance 2.5%	**(2,670,853)**	-

28.2a On rental business-Schedule B

Rental income from investment properties	9,020,731	4,758,462
Depreciation charge as per IFRS	(739,231)	(739,231)
Profit from Rental Business	8,281,500	4,019,231
28.2b Profit from rental business(27.2b)	8,281,500	4,019,231
Add: Depreciation as per IFRS	739,231	739,231
Less:Depreciation for tax Purpose	(1,945,344)	(1,945,344)
Profit for tax purpose on rental business	7,075,386	2,813,118
Tax charge @ 30%	**2,122,616**	**843,935**
Less: Withholde Tax Paid	**(250,338)**	(95,169)
Less: Tax paid in advance	**(686,274)**	-
Total Provision for Business tax @ 30%	**110,424,312**	**9,709,291**

29 Defered Grant Liability

	30-Jun-26 Birr	30-Jun-25 Birr
Defered Grant Liability	8,840,491	8,172,073
Total Deferred Grant Liability	**8,840,491**	**8,172,073**

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 2026 and 30 June 2025 comprises the following:

	30-Jun-26 Birr	30-Jun-25 Birr
Borrowing	199,126,869	196,839,578
Total borrowings	**199,126,869**	**196,839,578**

Breakdown of borrowings by current and noncurrent portions can be presented

	30-Jun-26 Birr	30-Jun-25 Birr
Current portion	47,906,913	33,632,801
Noncurrent portion	151,219,956	163,206,777
Total borrowings	**199,126,869**	**196,839,578**

Borrowed From	Loan Borrowed Amount	NIR	EIR	Loan Balance as at AS PER NIR 30-Jun-26	Loan Balance as at AS PER EIR 30-Jun-25
	Birr			Birr	Birr
Development Bank of Ethiopia (DBE)	3,875,882	11%	15%	323,834	860,963
Development Bank of Ethiopia (DBE)	59,500,000	11%	15%	-	7,754,721
Development Bank of Ethiopia (DBE)	20,000,000	11%	15%	2,510,120	7,585,592
Development Bank of Ethiopia (DBE)	28,537,600	11%	15%	3,709,570	10,947,428
Development Bank of Ethiopia (DBE)	47,906,804	11%	15%	12,414,107	24,365,968
Development Bank of Ethiopia (DBE)	77,828,290	11%	15%	29,885,847	48,993,100
Development Bank of Ethiopia (DBE)	70,943,677	11%	15%	35,998,569	53,126,655
Development Bank of Ethiopia (DBE)	49,716,698	11%	15%	31,330,719	43,205,151
Development Bank of Ethiopia (DBE)	42,203,658	11%	15%	30,536,277	-
Development Bank of Ethiopia (DBE)	47,286,563	11%	15%	44,955,991	-
Development Bank of Ethiopia (DBE)	8,174,730	11%	15%	7,461,835	-
	455,973,901			**199,126,869**	**196,839,578**

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.

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 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.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. 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 11% 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. 42,203,757.79 to finance its loan-able fund requirement. The said lent amount is to re-paid in ten semi-annual installments of Br. 5,275,469.00 that become due on October31st and April 30 of each year commencing on 31st October,2025 and ending on 30 April, 2029and with an interest rate of 11% 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. 47,286,663.44 to finance its loan-able fund requirement.The said lent amount is to re-paid in ten semi-annual installments of Br. 5,910,832.00 that become due on July 31st and January 31st of each year commencing on 31st July, 2026 and ending on 31st January, 2030 and with an interest rate of 11% per annum.

The Development Bank of Ethiopia has entered in to an Agreement with Sidama Bank s.c to lend a loan of Birr 8,174,729.9 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. 1,021,842.90 that become due on July 31st and January 31st of each year commencing on 31st July, 27 and ending on 31st January, 2031 and with an interest rate of 11% 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 2026	30-Jun-25
Number	1,054	843
Salary-weighted average age	35.3	36.1
Salary-weighted average service	6.1	6.8
Total annual salaries ETB	233,150,604	143,335,632
Average annual salary ETB	221,206	170,030

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-26 Birr	30-Jun-25 Birr
Defined Benefit Obligation	16,824,001	13,924,311
Fair Value of Plan Assets	-	-
Defined Benefit (Liability)/Asset	**16,824,001**	**13,924,311**

31(b) The expense to be recognised in Profit & Loss for the year ending 30 June 2026 and 30 June 2025 is as follows:

Amount to be recognised in Profit & Loss	**30-Jun-26 Birr**	**30-Jun-25 Birr**
Net Service Cost	1,019,163	1,019,163
Net Interest on Net Defined Benefit Asset	1,890,109	1,890,109
Expense/(Income) recognised in Profit & Loss	**2,909,272**	**2,909,272**

31(c) The movements to be recognised under other comprehensive income (OCI) for the year ending 30 June 2026 and 30 June 2025 are as follows::

Remeasurements recognised in OCI	**30-Jun-26 Birr**	**30-Jun-25 Birr**
Actuarial (Gains)/Losses on experience (liabilities)	1,065,058	708,977
Actuarial (Gains)/Losses on economic assumptions	(2,506,789)	**1,886,127**
Expense/(Income) recognised in OCI	**(1,441,731)**	**2,595,104**

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

Reconciliation of Defined Benefit Obligation	**30-Jun-26 Birr**	**30-Jun-25 Birr**
Defined Benefit Obligation at the beginning of the period	13,924,311	9,437,628
Current Service Cost (excluding interest)	2,356,535	1,019,163
Benefits Paid	(121,005)	(1,017,693)
Interest cost	2,105,891	1,890,109
Past Service Cost	-	-
Actuarial (Gains)/Losses on economic assumption	(2,506,789)	1,886,127
Actuarial (Gains)/Losses on experience	1,065,058	708,977
Defined Benefit Obligation at the end of the period	**16,824,001**	**13,924,311**

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:

Actuarial Assumptions	**30-Jun-26 Birr**	**30-Jun-25 Birr**
Discount rate (% p.a.)	16.00%	14.00%
Future salary increases (% p.a.)	14.00%	14.20%
Mortality Assumptions – Males	DHS 2016 Males	DHS 2016 Males
Mortality Assumptions – Females	DHS 2016 Females	DHS 2016 Females
Weighted average duration of defined benefit obligation	6.86	7.00

ii) Pre-retirement Mortality

In general, benefits will decrease or cease when the individual dies. In our projections of benefits it is thus essential to take account of the mortality of the employees. Mortality is normally expressed as the probability of death within the next year for an individual of a specific age. Different mortality rates are thus set for each age group (higher rates for older people) and this set of rates is referred to as a mortality table. Different mortality tables can be used for males and females, as appropriate.

The mortality table used for the current employees was DHS 2016 tables as published by the CSA (Central Statistics Agency) of Ethiopia. Based on our knowledge of the region mortality, we believe that this table is suitable for use in this valuation. Since the rates are provided in 5-year bands, we applied the rate 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 have assumed that mortality will be in line with the with the SA85/90 mortality tables .

Pre- Retirement Mortality rates are shown in the table below:

Age	Mortality rate Males	Mortality rate Females
20	0.306	0.223
25	0.303	0.228
30	0.355	0.314
35	0.405	0.279
40	0.515	0.319
45	0.450	0.428
50	0.628	0.628
55	0.979	0.979
60	1.536	1.536

iii) Withdrawal Rates

We have applied the gradual rates of withdrawal as shown below:

Age	Annual rate of Resignation
20	15.00%
25	12.00%
30	6.00%
35	2.50%
40	1.80%
45	1.00%
50	0.18%
55	0.08%

iv) Ill-health/Disabilit

The rates selected are consistent with those used for other African post employment benefits arrangement and are our best estimate of the expected future long-term experience of the Company. These rates are internally developed by ActServ.

Age	Males	Females
20	0.04%	0.04%
25	0.04%	0.04%
30	0.04%	0.04%
35	0.04%	0.04%
40	0.06%	0.05%
45	0.11%	0.08%
50	0.20%	0.14%
55	0.35%	0.25%
60	0.57%	0.42%

Sensitivity Analysis

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

	Discount Rate	Salary Increases	Demographic Assumption
Scenario – 1 Base	16.00%	14.00%	No Change
Scenario – 2 Discount Rate Increased by 1%	18.25%	13.15%	No Change
Scenario – 3 Salary Rate Increased by 1%	17.25%	14.15%	No Change
Scenario – 4 Discount Rate Decreased by1%	16.25%	13.15%	No Change
Scenario – 5 Salary Rate Decreased by 1%	17.25%	12.15%	No Change
Scenario – 6 Mortality increased by 10%	17.25%	13.15%	Increased by 10%
Scenario – 7 Mortality Decreased by 10%	17.25%	13.15%	Decreased by 10%

Sensitivity	Base DBO Sensitivity ETB	DBO on changed assumptions ETB	% change
Discount rate Increased by 1%	16,824,001.00	15,895,119.00	-5.52%
Discount rate Decreased by%	16,824,001.00	17,877,950.00	6.26%
Salary Rate Increased by 1%	16,824,001.00	17,838,945.00	6.03%
Salary Rate Decreased by1%	16,824,001.00	15,919,857.00	-5.37%
Mortality Increased by 10%	16,824,001.00	17,210,799.00	2.30%
Mortality Decreased by 10%	16,824,001.00	16,432,212.00	-2.33%

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 2026)

32 Net change of Financial assets at fair value through OCI

	30-Jun-26	30-Jun-25
Fair of financial assets at fair vale through OCI	463,668,251	191,432,300
Cost/carrying values of Fiancial assets at fair value through OCI	97,240,525	60,956,525
Gain or Loss	366,427,726	130,475,775
Gain recognised	(130,475,775)	(49,838,990)
Gain to be recognized	235,951,951	80,636,786
30% Corporate tax	(70,785,585)	(24,191,036)
Net gain/(Loss)	165,166,366	56,445,750

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:		
1,238,763 Ordinary shares of 1000 Birr each (1,238,763 as of 30 June 2026)	**1,238,763,000**	**1,054,121,000**

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 2025 and 30 June 2026 comprises the following:

	30-Jun-26 Birr	30-Jun-25 Birr
Profit for the year	303,475,308	72,314,055
Weighted average number of shares	1,152,964	967,505
Earning per share(%)	**26.32%**	**7.47%**

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 2026 and 30 June 2025 is as follows:

	30-Jun-26 Birr	30-Jun-25 Birr
At the begning of the year	77,287,241	59,208,728
Transfer from profit or loss	75,868,827	18,078,514
	153,156,068	**77,287,241**

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-26	30-Jun-25
35.1	At the begning of the year	12,878,768	23,514,434
	Suspended interest recovered	(10,044,957)	(20,148,844)
	Additional suspended interest for the year net(30.2)	24,937,796	9,513,177
		27,771,607	**12,878,768**

37 Other Reserve

Total Other Reserves as at 30 June 2026 and 30 June 2025 is as follows:

	30-Jun-26 Birr	30-Jun-25 Birr
At the begning of the year	101,940,246	47,311,069
Current year movement	1,009,212	(1,816,573)
Fair value reserve-equity investment	165,166,366	56,445,750
At the end of the year	**268,115,824**	**101,940,246**

38 Retained Earnings

Total retained earning as at 30 June 2026 and 30 June 2025 is as follows:

	30-Jun-26 Birr	30-Jun-25 Birr
At the begning of the year	64,871,207	45,686,433
Profit for the year	303,475,308	72,314,055
Retained earning transfet to Capital	-	-
Retained earning transfet to Dividend	(64,871,207)	(45,686,433)
Transfer to legal reserve	(75,868,827)	(18,078,514)
Balance transferred from regulatory risk reserve	10,044,957	20,148,844
Transfer to regulatory risk reserve	(24,937,796)	(9,513,177)
At the end of the year	**212,713,642**	**64,871,207**

39 Notes to the statement of cashflows

	30-Jun-26 Birr	30-Jun-25 Birr
a) Cash used in operations		
Reconciliation of profit after income tax to cash from operations		
Profit before tax	418,619,838	90,787,638
Adjustments for non-cash items:		
Depreciation of property and equipment	32,267,355	24,175,537
Loan impairment Charge	45,462,959	25,114,013
Changes in operating assets and liabilities:		
-Decrease/ (Increase) in loans and advances	(1,254,017,443)	(1,302,112,353)
-Decrease/ (Increase) in other assets	(182,668,939)	(52,997,088)
-Decrease/ (Increase) in Leased assets	(44,831,100)	(21,797,222)
-Increase/ (Decrease) in customer's deposit	2,050,676,815	2,450,040,725
-Increase/ (Decrease) in Lease Liabilitie	15,881,760	25,463,314
-Increase/ (Decrease)Deferred grant income Liability	668,417.58	(1,454,009)
-Increase/ (Decrease)Business Income Tax Liability	(17,546,680)	(1,538,161)
-Increase/ (Decrease) in other liabilities	283,725,549	155,081,782
	1,348,238,531	**1,390,764,175**

b) Cash and cash equivalents

	30 June 2026 Birr	30 June 2025 Birr
Cash in hand	366,525,032	249,960,190
Deposits with local banks	95,059,899	54,203,037
Other accounts with National Bank of Ethiopia	2,087,761,758	1,341,361,868
Deposit with foreign Banks	756,689,183	388,990,291
Less: Loss allowances	(146,977)	(89,228)
Cash and cash equivalents	**3,305,888,896**	**2,034,515,386**

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 2026 and 30 June 2025 and are payable as follows:

	30-Jun-26 Birr	30-Jun-25 Birr
2 year to 3 years	62,747,748	57,336,588
4 year to 5 years	12,039,563	26,586,303
Finanancial commitments and contingencies	**74,787,312**	**83,922,891**

Accounting and auditing Board of Ethiopia
0118861296
0111541235
Original Copy Submitted to the Board
Certified Auditors in Ethiopia
Tewodros and Fitre Audit Service Partnership
Sidama Bank

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 2026

2026	Board Directors	Key mamangment personnel
Borrowing	-	29,512,418
Interest expense		
Allowance	1,350,000	3,455,400
Salaries and other employee benefits	1,080,000	12,181,080

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

42 Events after reporting period

On 13 July 2026, following its seventh Monetary Policy Committee meeting, the National Bank of Ethiopia (NBE) announced the complete removal of the economy-wide annual credit growth ceiling previously imposed on commercial banks, and increased its benchmark policy rate from 15% to 16%. The NBE also reduced the mandatory foreign exchange surrender requirement for exporters from 50% to 30%, and reduced the FX transaction commission from 2.5% to 1.5%.
These changes affect the regulatory environment in which the Bank operates prospectively, including lending capacity, cost of funds, and foreign exchange-related income, but do not affect balances or transactions recognized as at 30 June 2026.
In the opinion of the Directors, except for thw possible impact indicated at above, there were no significant post-balance sheet events which could have a material effect on the state of affairs of the Bank as at 30 June 2026 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

Subsequent to the reporting period, the Ethiopian Capital Market Authority (ECMA) approved the registration statement on 20 July 2026, relating to the registration of 1,447,002 ordinary shares under Registration Certificate No. ECMA/1176/2026.
Following the approval of the registration statement, the Bank's shares were officially listed on the Ethiopian Securities Exchange S.C. (ESX) on 28 September 2026.
The above events occurred after the reporting period and are disclosed as significant subsequent events in the financial statements.