

SIDAMA BANK S.C

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

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

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Auditors' Conclusion

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

Restriction of liability

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

Addis Ababa

May 16,2026



Tewodros and Fikre Audit Services

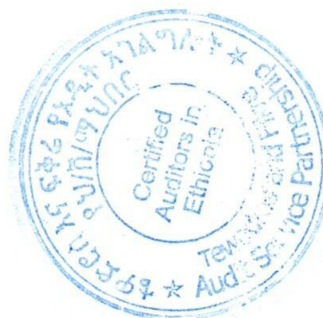
Partnership

Chartered Certified Accountants

SIDAMA BANK S.C.
Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 31 December 2025

		31-Dec-2025	31-Dec-2024
	<u>Notes</u>	<u>Birr</u>	<u>Birr</u>
Interest Income	4	309,353,095	142,152,274
Interest Expense	5	(63,148,092)	(35,055,140)
Net Interest Income		246,205,003	107,097,134
Fees and commission income	6	167,252,547	24,236,911
Other operating income	7	117,165,474	88,481,264
Total Other Income		117,165,474	88,481,264
Total Operating Income		530,623,024	219,815,309
Loss Allowances on Financial Assets	8,9	(17,110,603)	(16,238,787)
Net operating income		513,512,421	203,576,522
Salaries and other employee benefits	11	138,383,339	89,235,244
General and administrative expenses	13	158,241,066	58,004,829
Depreciation & amortization	12	15,491,194	10,849,292
Amortization of Right of use assets	11,23	21,994,068	15,986,859
Interest expense on lease liability	11,23	4,763,639	2,098,709
		(338,873,307)	(176,174,933)
Operating profit before tax		174,639,115	27,401,589
Grant income for the period	11	-	-
Profit before tax		174,639,115	27,401,589
Taxation charge	14	(56,925,687)	(10,009,002)
Profit for the period after tax		117,713,428	17,392,586

The notes on pages 6 to 39 are an integral part of these financial statements.



SIDAMA BANK S.C.**Statement of Financial Position****For the six months ended 31 December 2025**

		31-Dec-2025	30-Jun-2025
	Notes	Birr	Birr
Assets			
Cash and cash equivalents	15	1,586,088,386	2,034,426,158
Loans and Advances to Customers (Net)	16	3,741,205,805	2,390,120,571
Investment in Securities:			
-Financial assets at amortized cost	18(a)	348,274,713	285,598,713
-Financial assets at fair value through OCI	18(b)	227,716,300	191,432,300
Other Assets	19	279,083,044	169,393,554
Right of use of Leased Assets	21	125,738,715	101,287,790
Investment Property	20	36,314,515	36,687,168
Intangible assets	22	12,688,524	14,005,378
Property, Plant and Equipment	23	309,701,069	296,475,358
Total Assets		6,666,811,071	5,519,426,992
Liabilities			
Deposit from Customers	24	4,561,135,025	3,674,915,745
Other Liabilities	25	258,827,942	202,486,491
Business Income Tax Liability	26.c	47,345,900	9,709,291
Deferred tax Liability	17	57,787,414	48,248,196
Lease Liabilities	21	62,193,781	54,032,844
Deferred grant income Liability	27	8,172,073	8,172,073
Borrowing	28	187,424,942	196,839,578
Severance benefit obligations payable		13,924,311	13,924,311
Total Liabilities		5,196,811,388	4,208,328,529
Equity			
Share Capital	29	1,160,180,000	1,054,121,000
Legal Reserve	31	106,715,598	77,287,241
Regulatory Risk reserve	32	12,878,768	12,878,768
Other Reserve	33	101,940,246	101,940,246
Retained Earnings	34	88,285,071	64,871,207
Total equity		1,469,999,684	1,311,098,463
Total Liabilities and Equity		6,666,811,071	5,519,426,992

The notes on pages 6 to 39 are an integral part of these financial statements.



SIDAMA BANK S.C.
Statement of Change in equity
For the six months ended 31 December 2025

	Share capital	Retained earning	Legal reserve	Regulatory Risk reserve	Other reserve	Total
	Birr	Birr	Birr	Birr	Birr	Birr
Balance as at 1 July 2023	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)
Transfer to legal reserve	-	(45,686,433)	-	-	-	(0)
Balance transferred from regulatory risk reserve	-	(18,078,514)	18,078,514	-	-	-
Transfer to regulatory risk reserve	-	20,148,844	-	(20,148,844)	-	-
Transfer to Other reserve	-	(9,513,177)	-	9,513,177	-	-
Balance 30 June 2025	1,054,121,000	64,871,207	77,287,241	12,878,768	54,629,177	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 period	-	117,713,428	-	-	-	117,713,428
Increase of the share capital	106,059,000	-	-	-	-	106,059,000
Transfer to Dividend Payable	-	(64,871,207)	-	-	-	(64,871,207)
Transfer to legal reserve	-	(29,428,357)	29,428,357	-	-	-
Balance 31 December 2025	1,160,180,000	88,285,071	106,715,598	12,878,768	101,940,246	1,469,999,684

The notes on pages 6 to 39 are an integral part of these financial statements.



SIDAMA BANK S.C.
Statement of cash flows
For the six months ended 31 December 2025

	Notes	31 Dec 2025 Birr	31 Dec 2024 Birr
Cash flows from operating activities			
Cash flows from operating activities	35	(354,123,531)	8,731,373
Net cash (outflow)/inflow from operating activities		(354,123,531)	8,731,373
Cash flows from investing activities			
Purchase of property, plant and equipment	22	(27,027,398)	(15,130,720)
Reclassification of Investment property	22	-	-
Purchases of investment securities		(98,960,000)	(125,209,036)
Net cash (outflow)/inflow from investing activities		(125,987,398)	(140,339,756)
Cash flows from financing activities			
Proceeds (settlement) from borrowings	28	(9,414,636)	11,239,553
Dividend paid		(64,871,207)	-
Proceeds from issues of shares	29	106,059,000	34,225,000
Investment in securities received/(refunded)	18(a)	-	-
Net cash (outflow)/inflow from financing activities		31,773,157	45,464,553
Net increase/(decrease) in cash and cash equivalents		(448,337,772)	(86,143,830)
Cash and cash equivalents at the beginning of the year	15	2,034,426,158	841,576,167
Cash and cash equivalents at the end of the year	15	1,586,088,386	755,432,338

The notes on pages 6 to 39 are an integral part of these financial statements.



SIDAMA BANK S.C.
Notes to the Financial statements
For the six months ended 31 December 2025
(in Ethiopia Birr)

1 General information

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

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

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

2 Basis of preparation

a) Statement of compliance

The financial statements for the period ended 31 December 2025 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by national regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes and explanatory information to the financial statements.

b) Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept, except for the following;

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

c) Presentation

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

d) Use of estimates and judgements

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

e) Going concern

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

3 Significant Accounting Policies

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

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

a. New standards amendments, interpretations issued, effective and adopted during the year

<u>New Standards or Amendments</u>	Date	Publication
	Effective	
Amendments to IAS 21 Lack of Exchangeability	01-Jan-25	1-Aug

b. New standards amendments and interpretations issued but not effected



New Standards or Amendments

	Date Effective	Publication
IFRS 9 and IFRS 7 - classification and measurement (Amendments)	01-Jan-26	May-24
IFRS 18, Presentation and Disclosure in Financial Statements	02-Jan-27	Apr-24
IFRS 19 Subsidiaries without public accountability: Disclosures (new standard)	03-Jan-27	May-24

3.2 Functional and presentation Currency

(a) Transactions and balances

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

(b) Transactions and balances

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

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

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

3.3 Recognition of income and expense

(i) Interest income and expenses

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

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

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

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

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

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

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortization of the hedge adjustment begins.



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

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

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

- interest on financial assets and financial liabilities measured at amortized cost;
 - interest on debt instruments measured at FVTOCI;
 - the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
 - the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.
- Other interest income presented in the statement of profit or loss and OCI includes interest income on finance leases
- Interest expense presented in the statement of profit or loss and OCI includes:
 - financial liabilities measured at amortized cost; and
 - the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense.

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

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL

3.3.1 Fees and commission

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

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expenses relates mainly to transaction and service fees are expensed as the services are received.

3.3.2 Dividend income

This is recognized when the Bank's right to receive the payment is established, which is generally when the shareholders approve and declare the dividend.

3.3.3 Foreign Exchange revaluation gains and losses

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

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



3.4 Financial assets and liabilities

(a) Financial instruments – key measurement terms

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

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

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

Transaction costs

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

Amortized cost

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

The effective interest method

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

(i) Recognition and initial measurement

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

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

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

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



(ii) Classification and measurement of financial instruments Financial assets

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

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

IFRS 9 specifically requires:

- (i) the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- (ii) the Bank may irrevocably designate a debt instrument that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt instruments at amortized cost or at FVTOCI

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

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

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

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

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

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

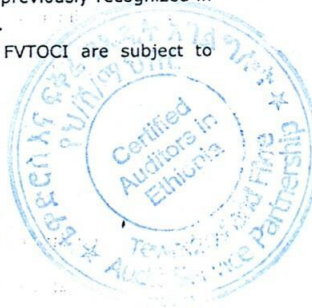
The Bank considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account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

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

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

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

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



Non-recourse loans

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

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

Financial assets at FVTPL

Financial assets at FVTPL are:

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

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

Reclassifications

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

Collateral Valuation

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

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

Renegotiated loans

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

Impairment of financial assets

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

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

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

Expected Credit Loss Impairment Model

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



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

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

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

Measurement of Expected Credit Losses

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

Details of these statistical parameters/inputs are as follows:

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

- **12-month PDs** – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs. The Bank obtains the constant and relevant coefficients for the various independent variables and computes the outcome by incorporating forward looking macroeconomic variables and computing the forward probability of default.

- **Lifetime PDs** – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures. PDs are limited to the maximum period of exposure required by IFRS 9. The Bank obtains 3 years forecast for the relevant macroeconomic variables and adopts exponentiation method to compute cumulative PD for future time periods for each obligor.

- **EAD** – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- **LGD** – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

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

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

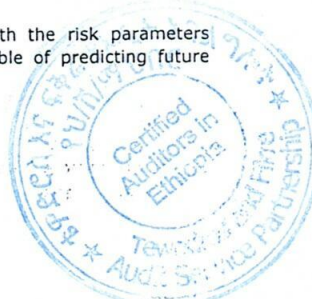
Forward-looking information

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

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

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

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



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

Macroeconomic factors

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

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

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

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

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

Multiple forward-looking scenarios

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

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

Assessment of significant increase in credit risk (SICR)

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

The Bank adopts a multi factor approach in assessing changes in credit risk. This approach considers: Quantitative (primary), Qualitative (secondary) and Back stop indicators which are critical in allocating financial assets into stages:

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

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

Definition of Default and Credit Impaired Financial Assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.



Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer; Others include death, insolvency, breach of covenants, etc.
- A breach of contract such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

Modification and derecognition of financial assets

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

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

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

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

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

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

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

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Bank'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 forbore 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 forbore loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

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

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

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

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

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

Collateral Repossessed

Reposessed 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 reposessed 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 reposessed 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.

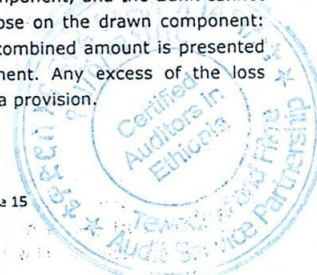
Write off

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

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Bank of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the banking is provided internally on that basis; or
- it forms part of a hybrid (combined) contract, containing one or more embedded derivatives that significantly modifies the cash flows of the contract, or it is clear with little or no analysis that separation of the embedded derivative is not prohibited.

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

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

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

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

Other financial liabilities

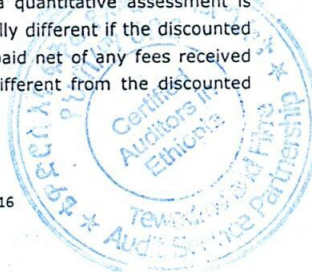
Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

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

Modification and derecognition of financial liabilities

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

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



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

3.5 Offsetting financial instruments

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

3.6 Cash and cash equivalents

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

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

3.7 Property, plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Bank recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in income statement as incurred.

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

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

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

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

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

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognized.

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



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

(ii). As a lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

3.10 Investment property

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

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

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

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

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

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

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

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

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal Bank) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal Bank), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal Bank) is recognized at the date of derecognition.

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

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

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



3.12 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Bank bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

3.13 Other assets

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

(a) Prepayment

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

(b) Other receivables

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

3.14 Fair value measurement

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

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

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

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



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

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

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

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

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

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

Classification and subsequent measurement

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

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

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

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



3.15 Employee benefits

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

(a) Defined contribution plan

The Bank operates two defined contribution plans;

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

(b) Defined benefit plan

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

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

Past-service costs are recognized immediately in income.

(c) Termination benefit

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

3.16 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other operating expenses.

3.17 Contingent liabilities

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

3.18 Related parties

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

3.19 Operating segment

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

3.20 Share capital

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



3.21 Earnings per share

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

3.22 Government grants

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

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

3.23 Income taxation

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

3.24 Significant accounting judgments, estimates and assumption

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

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

- Capital management
- Financial risk management and policies



a) Judgments

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

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

c) Defined benefit plans

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

d) Depreciation 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 Net Interest Income

Interest income is arising from:

Loans to customers
Deposit with other banks
Interest Income -Treasury Bond
Interest Income from DBE Bond
Interest Income from open Market Ope(OMO)
Interbank Money Market

Total interest income

31-Dec-25

Birr

278,905,580

675,160

14,107,571

599,030

-

15,065,753

309,353,095

31-Dec-24

Birr

126,496,313

7,919,100

5,099,874

-

2,636,986

-

142,152,274

5 Interest expense

Interest expense is arising from:

Interest expense on customer deposit
Interest expense on bank loan

31-Dec-25

Birr

52,812,310

10,335,782

63,148,092

31-Dec-24

Birr

26,744,455

8,310,685

35,055,140

6 Fees and commission income

Service charge income
Gain on foreign currency transactions
Loan Process and Evaluation
Income from Guarantee

31-Dec-25

Birr

61,585,095

60,266,833

23,633,504

21,767,116

167,252,547

31-Dec-24

Birr

7,178,389

1,384,913

7,458,823

8,214,787

24,236,911

7 Other Operating Income

Gain on Foreign Currency
Gain on Foreign Exchange Revaluation
Other income
Divedend Income

31-Dec-25

Birr

9,265,393

80,669,486

27,121,454

109,141

117,165,474

31-Dec-24

Birr

1,713,777

63,051,382

18,602,134

5,113,972

88,481,264

8 Loan Impairment Charge

Loans and advances - charge for the year
Loans and advances - reversal of provision

31-Dec-25

Birr

17,531,697

-

17,531,697

31-Dec-24

Birr

13,808,410

-

13,808,410

9 Impairment On Other Assets

Other assets-charges for the year
Receivables - Bad Debts Write Off

31-Dec-25

Birr

(421,094)

-

(421,094)

31-Dec-24

Birr

2,430,377

-

2,430,377



10 Amortization of Right of use assets

Less amortization-Charge for the year
Interest expense recognised in the Profit and loss
account

31-Dec-25	31-Dec-24
<u>Birr</u>	<u>Birr</u>
21,994,068	15,986,859
4,763,639	2,098,709
26,757,707	18,085,568

11 Salaries and other employee benefits

Salaries and wages
Pension Cost-Defined contribution plan
Staff allowance
Leave expense
Medical Expense
Over Time
Uniform
Severance expense
Cash Indemnity Expense
Bonus Expense

31-Dec-25	31-Dec-24
<u>Birr</u>	<u>Birr</u>
87,901,694	64,900,778
9,538,400	7,033,824
16,991,865	13,241,177
9,768,825	2,245,127
987,075	630,818
1,136,829	875,559
4,710,237	-
48,871	-
1,281,954	307,961
6,017,589	-
138,383,339	89,235,244

12 Depreciation on property, plant and equipment

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

Depreciation & amortization expense

Total depreciation expense

31-Dec-25	31-Dec-24
<u>Birr</u>	<u>Birr</u>
15,491,194	10,849,292
15,491,194	10,849,292



13 General and administrative expenses

Perdiem & travel
Stationary and printing
Communication
Marketing and promotion
Insurance Expense
Miscellaneous expense
Fuel & lubricants
Entertainment
Maintenance & repair
Training
Donation expense
Cleaning and supplies
Professional fee
Board fee Expense
Utilities
Swift Charge
Membership fee
Lease Expense
Hotel Accomodation
Legal Case Fee
Annual CBS Maintenance and Support Exp.
Loss On Revaluation of FCY
Reward & other Benefit
EATS-RTGS Service Charge
NBE-License,Renewal and Examnation
Regional municipality fee
Registration Fee Expense-Capital Market
Stamp Duty Expense

31-Dec-25

Birr

10,037,320
11,872,183
4,497,639
3,851,607
3,425,572
430,044
5,512,906
2,621,486
9,245,075
15,297,177
99,920
379,862
1,557,636
540,000
661,886
1,778,052
630,000
3,317,875
2,894,381
37,392
-
77,430,537
405,000
51,918
710,500
640,667
300,000
14,433

158,241,066

31-Dec-24

Birr

4,420,241
6,916,863
1,893,685
3,322,889
1,706,231
652,482
3,094,274
2,830,343
1,774,325
11,531,832
1,229,960
191,894
1,215,596
550,000
375,888
746,123
-
1,605,584
2,195,680
6,121
583,226
7,198,506
1,464,916
33,045
220,000
2,245,127
-
-

58,004,829

14 Taxation charge/expense

Curent year tax charge as per the income tax proclamation
Deferred tax (income)/expense

Rent Expense

31-Dec-25

Birr

47,386,468
9,539,219

56,925,687

31-Dec-24

Birr

1,339,879
8,669,123.08

10,009,002



15 CASH AND CASH EQUIVALENTS

Cash on hand	
Cash at Bank	
Interbank Money Market	
Other accounts with National Bank of Ethiopia	
Deposit with foreign Banks	

Less: Loss allowances

31-Dec-25

Birr

308,202,631
110,058,028
300,000,000
604,079,857
263,837,098

1,586,177,614
(89,228)

1,586,088,386

30-Jun-25

Birr

249,960,190
54,203,037
-
1,341,361,868
388,990,291

2,034,515,386
(89,228)

2,034,426,158

16 LOANS TO CUSTOMERS

Agriculture	
Other (Consumer Loans)	
Housing And Construction	
Domestic Trade And Services	
Export	
Manufacturing	
Import	
Hotel & Tourism	
Overdraft Facility	
Staff Loan	
Gross loans to customers	

Less : allowance for impairment losses

Net loans to customers

Movments of the loan impairment allowance for the year ended 31 December 2025 and 31 December 2024 as follows:

Balance at the beginning of the year	
Provision expense	

Balance at the end of the year
Loan impairment charge

31-Dec-25

Birr

176,411,080
171,201,595
23,437,918
2,725,991,913
219,613,468
34,022,682
4,913,611
55,645,952
259,674,055
173,548,517

3,844,460,789
(103,254,984)

3,741,205,805

30-Jun-25

Birr

8,047,021
74,894,999
24,599,509
1,845,352,594
202,890,239

190,832,393
129,227,103

2,475,843,858

2,390,120,571

31-Dec-25

Birr

85,723,287
17,531,697

103,254,984

30-Jun-25

Birr

60,807,407
24,915,880

85,723,287



17 **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):

	31-Dec-25 Birr	30-Jun-25 Birr
PPE carrying value as per IFRS	358,704,108	347,167,904
PPE carrying value as per Income tax proclamation	(259,792,327)	(289,397,902)
Temporary difference	98,911,781	57,770,002
Deferred tax liability	(29,673,534)	(17,331,001)
Leave & Severance Carrying value	36,762,841	27,418,458
Leave & Severance tax base	-	-
Temporary difference	36,762,841	27,418,458
Deferred tax asset @30%	11,028,852	8,225,537
Deferred tax asset on Loss for tax purpose	-	-
Deferred tax asset @	-	-
Deferred tax on gain from Investments through OCI		
Carrying amount-Fair Value	227,716,300	191,432,300
Tax base-Cost	97,240,525	60,956,525
Gain on investment through OCI	130,475,775	130,475,775
Deferred tax liability on gain from Investments through OCI @30%	(39,142,733)	(39,142,733)
NET DEFERRED TAX CREDIT/(EXPENSE)	(57,787,414)	(48,248,196)

31-Dec-25

	Balance on 30/06/2025	Balance recognised in profit & loss account	Balance recognised in other comp. income	Balance on 30/06/2025
	Birr	Birr	Birr	Birr
Property, plant & equipment	(17,331,001)	(12,342,534)	-	(29,673,534)
Severance & leave pay	8,225,537	2,803,315	-	11,028,852
Gain on Financial assets through OCI	(39,142,733)	-	-	(39,142,733)
Loss for tax purpose	-	-	-	-
	(48,248,196)	(9,539,219)	-	(57,787,414)

30-Jun-25

	Balance on 30/06/2024	Balance recognised in profit & loss account	Balance 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 purpose	2,886,533	(2,886,533)	-	-
	(16,166,568)	(8,669,123)	(23,412,504)	(48,248,196)



18 Investment Securities

Investment securities as at 31 December 2025 and 30 June 2025 at cost comprises the following:

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

18(a) At amortised cost

Government Bond as at 31 December 2024 and 31 December 2025 comprises the following:

	31-Dec-25 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	(14,281)	(14,281)
	348,274,713	285,598,713

18(b) At fair value through OCI

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

	31-Dec-25 Birr	30-Jun-25 Birr
Investment in ETH Switch SC	226,294,704	190,010,704
ET Inclusive Finance Technology S.C.	1,421,596	1,421,596
	227,716,300	191,432,300

2025	Fair Value per share	Number of shares held at par value of	Cost Birr	Fair value Birr
The Investments comprise of: At 30 June 2024				
Eth Switch S.Co	5,253	36,174	94,053,525	226,184,704
ET Inclusive Finance Technology S.C.	462	3,077	3,187,000	1,531,596
			97,240,525	227,716,300
2025				
The Investments comprise of: At 30 June 2024				
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

19 Other Assets

Non Financial Assets

Prepayment
Prepaid rent
Prepaid staff benefit on staff loan at reduced rate
Other Recivable
Withholde Tax Paid

Gross amount

Impairment losses on other assets

Net other asset and Prepayment

Movments of the impairment allowance for other assets for the year ended 31 December 2025 and 31 December 2024 as

	31-Dec-25 Birr	30-Jun-25 Birr
Balance at the beginning of the year	484,719	197,358
Impairment losses on other assets	(410,652)	287,360
Balance at the end of the year	74,067	484,719

Breakdown of current and noncurrent portions is as follows:

	30-Jun-25 Birr	30-Jun-25 Birr
Current portion	232,057,551	140,850,740
Noncurrent portion	47,025,493	28,542,814
	279,083,044	169,393,554

20 Investment Property

Investment property as at 31 December 2025 is presented as follows:

<u>Cost</u>	<u>Birr</u>	<u>Total</u>
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 31 Dec 2025	38,906,886	38,906,886
<u>Accumulated Depreciation</u>		
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	372,653	372,653
Reclassification	-	-
As at 31 Dec 2025	2,592,371	2,592,371
<u>NET BOOK VALUE</u>		
As at 30 June 2025	36,687,168	36,687,168
As at 31 Dec 2025	36,314,515	36,314,515

20a Amounts recognised in profit or loss for investment properties

	<u>30 June 2025</u> <u>Birr</u>	<u>30 June</u> <u>2025</u> <u>Birr</u>
Rental income	2,028,405	4,758,462
Direct operating expenses on property that generated rental income	-	-
	<u>2,028,405</u>	<u>4,758,462</u>

20b Fair value measurement of the Bank's Investment properties

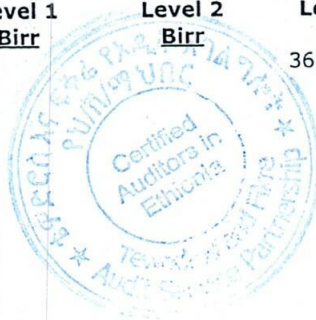
The Bank's investment property is measured at cost. These properties include those held for rental purposes and those in which the Bank occupies a portion. These property are held to earn rentals and for capital appreciation. There are currently no restrictions on the realisability of this property.

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.

20c Fair value hierarchy

Details of the Bank's Investment properties and information about the fair value hierarchy at 31 December 2025, and 31 December 2024 respectively are as follows:

	<u>Carrying amount</u> <u>Birr</u>	<u>Level 1</u> <u>Birr</u>	<u>Level 2</u> <u>Birr</u>	<u>Level 3</u> <u>Birr</u>
30 June 2025				
Investment properties	36,687,168			36,687,168
31 Dec 2025				
Investment properties	36,314,515			36,314,515



21 Leases

21(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

Balance at 01 July 2024

Adjustments

Addition

Less amortization-Charge for the year

Balance as at 31 June 2025

Balance at 01 July 2025

Adjustments

Addition

Less amortization-Charge for the year

Balance at 31 Dec 2025

Net Carrying Value at 30 June 2025

Net Carrying Value at 31 Dec 2025

Lease Liabilities

Balance at 01 July 2024

Adjustments

Additions

Interest expense recognised in the Profit and loss account

Payment of Leases

Balance at 30 June 2025

Balance at 01 July 2025

Additions

Interest expense recognised in the Profit and loss account

Payment of Leases

Balance at 31 Dec 2025

Interest expense on lease liability

Building Birr	Total Birr
79,490,568	79,490,568
-	-
57,052,313	57,052,313
(35,255,091)	(35,255,091)
101,287,790	101,287,790
101,287,790	101,287,790
-	-
46,444,993	46,444,993
(21,994,068)	(21,994,068)
125,738,715	125,738,715
101,287,790	101,287,790
125,738,715	125,738,715
Building	Total
Birr	Birr
28,569,531	28,569,531
-	-
28,821,399	28,821,399
4,197,418	4,197,418
(7,555,503)	(7,555,503)
54,032,844	54,032,844
54,032,844	54,032,844
18,922,800	18,922,800
4,763,639	4,763,639
(15,525,502)	(15,525,502)
62,193,781	62,193,781
31-Dec-25	30-Jun-25
Birr	Birr
4,763,639	4,197,418



22 Intangible Assets

	Intangible Assets	Total
	<u>Birr</u>	<u>Birr</u>
<u>Cost</u>		
As at 01 July 2024	5,788,946.49	5,788,946.49
Additions	<u>10,042,803</u>	<u>10,042,803</u>
As at 30 June 2025	15,831,749	15,831,749
As at 01 July 2025	15,831,749	15,831,749
Additions	<u>-</u>	<u>-</u>
As at 31 Dec 2025	15,831,749	15,831,749
<u>Accumulated depreciation</u>		
As at 01 July 2024	385,500.49	385,500
Charge for the year	<u>1,440,870</u>	<u>1,440,870</u>
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	<u>1,316,855</u>	<u>1,316,855</u>
As at 30 Dec 2025	3,143,226	3,143,226
<u>Net Book Value</u>		
As at 30 June 2025	<u>14,005,378</u>	<u>14,005,378</u>
As at 31 Dec 2025	<u>12,688,524</u>	<u>12,688,524</u>



23 PROPERTY, PLANT AND EQUIPMENT

<u>Cost</u>	<u>Buildings</u> Birr	<u>Computer & Accessories</u> Birr	<u>Motor Vehicles</u> Birr	<u>Furniture & Fittings</u> Birr	<u>Office & Other Equipments</u> Birr	<u>Total</u> 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
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	-	12,737,049	9,744,055	710,234	3,836,060	27,027,398
Transfer to PPE	-	-	-	-	-	-
As at 31 Dec 2025	47,444,816	106,303,374	106,058,181	40,406,271	76,097,814	376,310,457
Accumulated depreciation						
As at 01 July 2024	2,816,783	8,396,736	7,393,920	7,123,471	5,081,355	30,812,265
Reclassification	901,045	7,920,231	5,632,798	2,938,115	4,603,246	21,995,436
Charge for the year	3,717,829	16,316,967	13,026,718	10,061,586	9,684,601	52,807,701
As at 30 June 2025	3,717,829	16,316,967	13,026,718	10,061,586	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	454,430	5,085,778	3,314,494	1,585,316	3,361,668	13,801,687
As at 31 Dec 2025	4,172,259	21,402,745	18,559,436	9,428,678	13,046,269	66,609,388
Net Book Value						
As at 30 June 2025	43,726,988	77,249,358	83,287,408	29,634,451	62,577,153	296,475,358
As at 31 Dec 2025	43,272,558	84,900,629	87,498,745	30,977,593	63,051,545	309,701,069



24 Deposits From Customers

	31-Dec-25	30-Jun-25
	<u>Birr</u>	<u>Birr</u>
Demand Deposits	2,092,547,340	1,759,556,649
Saving Deposits	2,456,674,019	1,906,665,395
Time Deposit	8,512,965	8,249,174
Interest Payable on Deposit	3,400,700	444,527
	<u>4,561,135,025</u>	<u>3,674,915,745</u>

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

	31-Dec-25	30-Jun-25
	<u>Birr</u>	<u>Birr</u>
Current portion	1,359,337,613	1,100,233,001
Noncurrent portion	3,201,797,411	2,574,682,744.60
	<u>4,561,135,025</u>	<u>3,674,915,745</u>

25 Other Liabilities

	31-Dec-25	30-Jun-25
	<u>Birr</u>	<u>Birr</u>
Deferred service charge income	208,408	208,408
Accrued leave payable	22,838,531	13,494,147
Accrued Audit fee	-	517,500
Directors' Allowance	1,350,000	1,350,000
Other liabilities	18,410,699	29,013,923
Cash Collateral	4,800,000	4,800,000
Personnel Income Tax	5,512,412	3,928,544
Withholde Tax	455,421	274,005
Interest Income Tax	916,380	351,310
Stamp Duty	5,775,845	835,451
Income tax from Dividend	-	404,280
Value Added Tax (VAT) Payable	4,052,090	2,952,383
Credit Information fee Payable	2,042,530	1,300,550
Cost Sharing Payable	155,810	49,025
Deferred Guarantee	4,536,431	4,536,431
Margin Held Account ETB for IBD	93,457,661	83,970,110
Account payable blocked for PO Issuance	10,293,286	46,308,921
Dividend Payable	69,575,878	-
Guarantee Fund- Save the Children	-	3,801,637
Exchange Payable to NBE	14,446,561	4,389,865
	<u>258,827,942</u>	<u>202,486,491</u>



26 PROVISION FOR PROFIT TAX**26.a On regular business operation**

	31-Dec-25	30-Jun-25
	Birr	Birr
Profit before tax	174,639,115	90,787,638
Add: Depreciation for reporting purpose	15,491,194	24,175,537
Provision for IFRS	17,110,603	25,203,240
Amortization of asset use right	21,994,068	35,255,091
Interst expense on Lease obligation	4,763,639	4,197,418
Interest expense as per EIR	10,335,782	25,118,721
Severance expense	48,871	2,909,272
Leave expense	9,768,825	4,490,254
Entertainment	2,621,486	5,222,600
Donation	319,960	319,960
Less: Depreciation for tax purpose	(56,814,324)	(49,128,462)
Rent expense	(21,211,998)	(39,719,133)
Grant income on subsidized loan-DBE	-	(8,444,099)
Interest income taxed at source	(14,107,571)	(37,915,539)
Leave expense-Paid	(424,442)	(704,207)
Severance expense-Paid	(48,871)	(1,017,693)
Interest expense as per agreement on Loan obtained at reduced rate-DBE	10,335,782	(19,430,836)
Loan provision as per NBE(80%)	(16,867,225)	(28,630,386)
Profit for tax purpose Schedule B (27.2b)	(83,060)	(2,813,118)
Current year Schedule (C) taxable profit/ Loss for	157,871,834	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	157,871,834	29,868,416
Provision for Business tax @ 30%	47,361,550	8,960,525

26.b On rental business-Schedule B

Rental income from investment properties
Depreciation charge as per IFRS

Profit from Rental Business

26.c Profit from rental business(27.2b)

Add: Depreciation as per IFRS

Less: Depreciation for tax Purpose

Profit for tax purpose on rental business

Tax charge @ 30%

Less: Withholde Tax Paid

Total Provision for Business tax @ 30%

2,028,405	4,758,462
(372,653)	(739,231)
1,655,751	4,019,231
1,655,751	4,019,231
372,653	739,231
(1,945,344)	(1,945,344)
83,060	2,813,118
24,918	843,935
(40,568)	(95,169)
47,345,900	9,709,291

27 Deferred Grant Liability

Deferred Grant Liability

Total Deferred Grant Liability

30-Jun-25

Birr

8,172,073

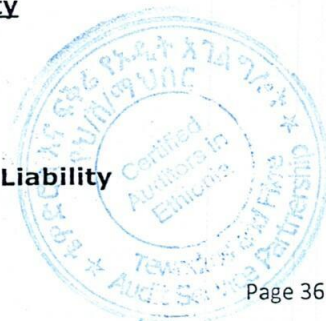
8,172,073

30-Jun-24

Birr

8,172,073

8,172,073



28 Borrowings
Accounting for Government Grants - IAS 20

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

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

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

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

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

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

Table with 3 columns: Description, 30-Jun-25, 30-Jun-24. Row 1: Borrowing, 187,424,942, 196,839,578.



29 Share Capital**Authorised:**

1,447,002 Ordinary shares of 1000 Birr each

1,447,002,000

1,447,002,000

Issued and fully paid:1,054,121 Ordinary shares of 1000 Birr each
(1,054,121 as of 31 Dec 2025)1,160,180,0001,054,121,000**30 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 31 December 2025 and 30 June 2025 comprises the following:

	31-Dec-25	30-Jun-25
	Birr	Birr
Profit for the year	117,713,428	17,392,586
Weighted average number of shares	967,505	812,252
Earning per share(%)	12.17%	2.14%

31 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 percent) of the annual net profit.

Legal reserve as at 31 December 2025 and 30 June 2025 is as follows:

	31-Dec-25	30-Jun-25
	Birr	Birr
At the begning of the year	77,287,241	59,208,728
Transfer from profit or loss	29,428,357	18,078,514
	106,715,598	77,287,241

32 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

33 Other Reserve

Total Other Reserves as at 31 December 2025 and 30 June 2025 is as follows:

	31-Dec-25	30-Jun-25
	Birr	Birr
At the begning of the year	101,940,246	47,311,069
Current year movement	-	(1,816,573)
Fair value reserve-equity investment	-	56,445,750
At the end of the year	101,940,246	101,940,246



34 Retained Earnings

Total retained earning as at 31 December 2025 and 30 June 2025 is as follows:

	31-Dec-25 <u>Birr</u>	30-Jun-25 <u>Birr</u>
At the begning of the year	64,871,207	45,686,433
Profit for the year	117,713,428	72,314,055
Retained earning transfet to Capital	-	-
Retained earning transfet to Dividend	(64,871,207)	(45,686,433)
Transfer to legal reserve	(29,428,357)	(18,078,514)
Balance transferred from regulatory risk reserve	-	20,148,844
Transfer to regulatory risk reserve	-	(9,513,177)
Transfer to Other reserve	-	-
At the end of the year	<u>88,285,071</u>	<u>64,871,207</u>

35 Notes to the statement of cashflows

a) Cash used in operations

Reconciliation of profit after income tax to cash from operations
Profit before tax

Adjustments for non-cash items:

Depreciation of property and equipment
Grant Income
Loan impairment Charge

Changes in operating assets and liabilities:

-Decrease/ (Increase) in loans and advances
-Decrease/ (Increase) in other assets
-Decrease/ (Increase) in Leased assets
-Increase/ (Decrease) in customer's deposit
-Increase/ (Decrease) in Lease Liabilitie
-Increase/ (Decrease)Deferred grant income Liability
-Increase/ (Decrease)Business Income Tax Liability
-Increase/ (Decrease) in other liabilities

	31-Dec-25 <u>Birr</u>	31-Dec-24 <u>Birr</u>
Profit before tax	174,639,115	27,401,589
Depreciation of property and equipment	15,491,194	10,849,292
Grant Income	-	-
Loan impairment Charge	17,021,375	16,238,787
-Decrease/ (Increase) in loans and advances	(1,368,616,931)	(710,324,921)
-Decrease/ (Increase) in other assets	(109,219,737)	(1,648,077)
-Decrease/ (Increase) in Leased assets	(24,450,924)	(1,282,502)
-Increase/ (Decrease) in customer's deposit	886,219,279	641,547,751
-Increase/ (Decrease) in Lease Liabilitie	8,160,937	5,311,642
-Increase/ (Decrease)Deferred grant income Liability	0.00	-
-Increase/ (Decrease)Business Income Tax Liability	(9,709,291)	(1,538,161)
-Increase/ (Decrease) in other liabilities	56,341,451	22,175,975
	<u>(354,123,531)</u>	<u>8,731,373</u>

b) Cash and cash equivalents

Cash in hand
Deposits with local banks
Other accounts with National Bank of Ethiopia
Deposit with foreign Banks
Less: Loss allowances

Cash and cash equivalents

	31-Dec-25 <u>Birr</u>	30-Jun-25 <u>Birr</u>
Cash in hand	308,202,631	249,960,190
Deposits with local banks	110,058,028	54,203,037
Other accounts with National Bank of Ethiopia	604,079,857	1,341,361,868
Deposit with foreign Banks	263,837,098	388,990,291
Less: Loss allowances	(89,228)	(89,228)
Cash and cash equivalents	<u>1,286,088,386</u>	<u>2,034,515,386</u>

