

ANNUAL REPORT 30 JUNE 25

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Berhan Bank



Berhan Bank S.C
For the period ended 30 June 2025
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Berhan Bank S.C
For the period ended 30 June 2025
Abbreviations

EAD	Exposure at Default
ECL	Expected credit losses
EPS	Earnings per share
FLI	Forward-Looking-Information
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
LTV	Loan-to-Value
OCI	Other comprehensive income
SPPI	Solely payments of principal and interest



Berhan Bank S.C
For the period ended 30 June 2025
Directors, professional advisers and registered office

Company registration number
 BL/AN/2/0002442/2005

Directors (As of July 1, 2025)

Ato Eligo Legesse Motta	Chairperson	Appointed on 19 April 2024
Ato Ermias Girma Tekle	V/Chairperson	Appointed on 19 April 2024
Wzo. Meron Gezahegn Seifu	Member	Appointed on 19 April 2024
Ato Sibru Ayele Etefa	Member	Appointed on 19 April 2024
Ato Jaleta Wordoffa Gurarra	Member	Appointed on 19 April 2024
Ato Biniam Bedewi Mohammed	Member	Appointed on 19 April 2024
Dr. Lemma Degefa Gudeta	Member	Appointed on 19 April 2024
Dr. Abaydar Kettema Woldeab	Member	Appointed on 19 April 2024
Dr. Aynalem Abayneh Mamo	Member	Appointed on 19 April 2024
Ato Daniel Wondimu Wolderufael	Member	Appointed on 19 April 2024
Ato Girma Mamo Milky	Member	Appointed on 19 April 2024

Executive management (As of July 1, 2025)

Name	Title	Appointment Date
Ermias Tefera Shawel	CEO	08-Jan-2024
Solomon Assefa Haile	Deputy CEO - Enterprise Services	13-Jul 2024
Dagmawi Kasahun Mengesha	Deputy CEO - Business and Digital Banking	13-Jul 2024
Masresha Hailemickael Gonfa	Deputy CEO - Strategy and Retail Banking	13-Jul 2024
Bethlehem Getachew Metaferia	Chief - Enterprise Resource Management	13-Jul 2024
Amanuel Tadesse W/Gabriel	Chief - District and Branch Banking Officer	13-Jul 2024
Sirak Amare Shiferaw	Chief - Human Capital Officer	13-Jul 2024
Biniam Mesfin Demeke	Chief - Estate Management and Marketing Officer	13-Jul 2024
Shimelis Tesfaye Reta	Chief - Internal Audit Officer	13-Jul 2024
Tesfaye Maru Abate	Chief - Finance Officer	13-Jul 2024
Desta Bekalo Sapa	Chief - Risk and Compliance Officer	13-Jul 2024
Thomas Desalegn Beyene	Deputy Chief - Strategy and Emerging Markets	22-Jul 2024
Yared Aguade Wubneh	Deputy Chief - Estate Management Officer	22-Jul 2024
Elsa Ketema Gebre	Deputy Chief - Digital Banking Officer	8-May 2025
Bayissa Milkessa Filla	Deputy Chief - Loan Recovery and Documentation Officer	22-Jul 2024
Habtemariam Gebeyehu	Legal Advisor (Equivalent to Director)	01-Jul 2022
Tegegn		
Assefa Taye Ketema	Director - Legal Service Department	1-Jan 2021
Sasbih Nega Mamo	Acting Director- IT Security Department	10-Jun 2025
Habtamu Dita Hirpo	Deputy Director - Strategy and Emerging Market	10-May 2025
Nehyou Moges Mekonen	Director - Trade Service and Foreign Guarantee Department	12-Aug 2024
Temesgen Markos Larebo	Director - Central Ethiopia District	13-Feb 2025
Daniel Belisti Mengiste	Deputy Director - Property Management (GS) and Logistics	13-Jul 2024
Belay Mehrat Tegen	Director - IT Application Support and Development Department	16-Dec 2021
Ermyas Girma Taye	Director - South District	1-Jan 2022



Berhan Bank S.C
For the period ended 30 June 2025
Directors, professional advisers and registered office

Semenawit Abadi Kenaw	Director - Planning and Monitoring Department	1-Mar 2017
Abera Shikur Kassa	Director - South Addis District	20-Jan 2025
Henok Bekele Ababay	Director - Foreign Remittance and Fund Management Department	20-Jan 2025
Teketel Agafari Ansebo	Director - East Addis District	20-Jan 2025
Kidist Abraham Kidane	Director - Digital Banking Operations Department	20-Jan 2025
Tesfaye Zerefu Woldeamanuel	Deputy Director - Human Capital Management Department	20-Jul 2025
Achamyelesh Alemayehu Wube	Company Secretary	20-Mar 2014
Daniel Methewos Meja	Director - Institutional Banking Department	22-Jul 2024
Feyera Ejeta Gurmessa	Director - West District	22-Jul 2024
Esayas Girma Gebremedhin	Director - Database and MIS Department	22-Jan 2025
Fikadu Assefa Kebede	Deputy Director - Accounts Reconciliation	22-Jul 2024
Kibebe Gerawork Jembere	Director - Customer Accounts and KYC Department	22-Jul 2024
Yared Ashenafi Berhanu	Director - IT Infrastructure Department	22-Jul 2024
Meheretu Awano Lamtecha	Director - Human Capital Management Department	22-Jul 2024
Nebiyu Seid Mohammed	Director - Performance Management Department	22-Jul 2024
Hagos Berhane Desta	Director - West Addis District	22-Jul 2024
Rodas Solomon Aweitu	Deputy Chief - Information Officer	22-Jul 2024
Tamiru Behaga Dikte	Director - Supply Chain and Contract Management Department	22-Jul 2024
Dereje Getaneh Tessema	Director - Credit Follow Up and Portfolio Management Department	22-Jul 2024
Tizita Anchno Regassa	Deputy Director - Documentation and Disbursement	22-Jul 2024
Abeba Edmealem Ayalew	Deputy Director - Trade Service and Foreign Guarantee	22-Jul 2024
Endalkachew Ayele Workneh	Director - Treasury and Investment Department	22-Jul 2024
Aklilu Tadesse Zewdie	Deputy Director - Financial Analysis and Reporting	22-Jul 2024
Askale Atshaha Zegeye	Deputy Director - General Accounts	22-Jul 2024
Nemera Wedajo Werete	Director - Talent Development Department	22-Jul 2024
Wendwesen Tedla Mekonnen	Director - East District	22-Jul 2024
Degemu Sibany Aga	Deputy Director - Foreign Fund Management and Accounts	22-Jul 2024
Mekbib Amare Jiru	Deputy Director- Supply Chain & Contract Management	22-May 2025
Bizunesh Shiferaw Teshome	Deputy Director- Building Maintenance and Modification Office	22-May 2025
Tesfu Shibiru Gobena	Deputy Director - Institutional Banking Department	22-May 2025
Sewunet Bosho Deressa	Director - Risk Management Department	23-Jun 2025
Abey Berhane Embeza	Director - Corporate Credit Management Department	23-Jan 2024
Solomon Tadesse Degu	Director - North Addis District	23-Jan 2024
Ziena Bogale Dememe	Deputy Director - Talent Development Department	27-May 2025
Hanna Yibrah Atsebeha	Deputy Director - Legal Service Department	27-May 2025
Netsanet Tilahun Leliso	Deputy Director - Share Administration	28-Jan 2021
Desalegn Fissehatsion Altaseb	Director - Finance and Accounts Department	29-Jan 2014
Muluken Dagne Guade	Executive Assistant to the CEO	29-May 2025
Alemayehu Etana Dore	Director - Internal Audit Department	2-Jun 2025
Fikremarkos Yigrem Mekonnen	Director - Capital Market and Equity Management Department	3-Feb 2025
Abel Lema Goban	Acting Director- Digital Financial Service Department	3-Oct 2024
Emnet Teshome Haile	Director - Marketing and Communication Department	8-May 2025
Marta Gobena Shewa	Director - MSME and Personal Banking Department	9-Jan 2025
Dawit Getachew Alemneh	North District Coordinator	30-Dec-2024



Independent Auditor

Kokeb and Melkamu Audit Service LLP
Chartered Certified Accounts/UK/
P.O. Box 33645
Fax:0115522688
Email: Kokmelk@gmail.com
Addis Ababa
Ethiopia

Corporate office

TK International building
China - Africa Square
P.O Box 387 - 1110
Addis Ababa, Ethiopia

Company secretary

TK International building
China - Africa Square
P.O Box 387 - 1110
Addis Ababa, Ethiopia
www.berhanbanksc.com

Principal bankers

Bank of Beirut, London
Eco Bank, Paris
Commerze bank, Germany
Oddo BHF Bank, Germany
Aktife Bank, Turkey
Eco bank, Kenya
KCB Bank, Kenya
CAC International Bank, Djibouti
Exim Bank, Djibouti
Equity Kenya LTD
African Export Import Bank
East Africa Bank, Djibouti



Berhan Bank S.C
Report of the Directors
For the period ended 30 June 2025

The directors submit their report together with the financial statements for the period ended 30-June 2025, to the members of Berhan Bank S.C ("Berhan" or the "Bank"). This report discloses the financial performance and state of affairs of the Bank.

Incorporation and address

Berhan Bank S.C was incorporated in Ethiopia in October 2009 as a privately owned financial institution, and is domiciled in Ethiopia.

Principal activities

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

Results and dividends

The Bank's results for the year ended 30 June 2025 are set out on the Statement of profit or loss and other comprehensive income. The profit for the year has been transferred to retained earnings.

The summarised results are presented below.

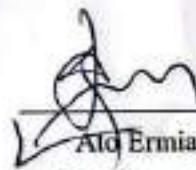
	30 June 2025	30 June 2024
	Birr'000	Birr'000
Revenue	7,946,575	4,577,533
Profit / (loss) before tax	2,511,080	1,507,785
Tax (charge) / credit	(415,521)	(319,573)
Profit / (loss) for the year	2,095,559	1,188,212
Other comprehensive income / (loss) net of taxes	268,058	217,056
Total comprehensive income / (loss) for the year	2,363,617	1,405,268

Directors

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



Ato Eligo Legesse
Chairman of the Board of Directors
Addis Ababa, Ethiopia



Ato Ermias Tefera
Chief Executive Officer



Berhan Bank S.C
Statement of Directors' Responsibilities
For the period ended 30 June 2025

In accordance with the Banking Business Proclamation No. 592/2008, the National Bank of Ethiopia (NBE) may direct the Bank to prepare financial statements in accordance with international financial reporting standards, whether their designation changes or they are replaced, from time to time.

The Bank's Directors are responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards and in the manner required by the Commercial Code of the Federal Democratic Republic of Ethiopia 2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank is required keep such records as are necessary to:

- a) Exhibit clearly and correctly the state of its affairs;
- b) Explain its transactions and financial position; and
- c) Enable the National Bank to determine whether the Bank had complied with the provisions of the Banking Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Bank's Directors accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards, Banking Business Proclamation, Commercial Code of the Federal Democratic Republic of Ethiopia 2021 and the relevant Directives issued by the National Bank of Ethiopia.

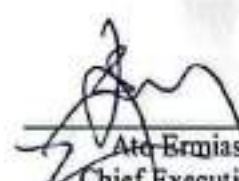
The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss.

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

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

Signed on behalf of the Directors by:


Ato Eligo Legesse
Chairman of the Board of Directors
06-Oct-25


Ato Ermias Tefera
Chief Executive Officer
06-Oct-25



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Certified Accountants (UK) & Authorized Auditors/ ሙሉኛ ሶዲቲ ስገልግሎት (የዚህ) ኔኛ የተሰጠው ሶዲቲ ነው

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

BERHAN BANK (S.C.)

Report on the Audit of the Financial Statements

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Berhan Bank (S.C.) as at June 30, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

We have audited the financial statements of the Bank, which comprise the Statement of Financial Position as at June 30, 2025, and Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

We are independent of the Bank within the meaning of the Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC) and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Responsibilities of and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards and the Banking Business Proclamation No. 592/2008, Banking (Amendment) Proclamation 1159/2019, and directives and circulars issued by the National Bank of Ethiopia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing as applicable matters related to going concern, and using the going concern basis of accounting.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, whether the financial statements are properly prepared in accordance with IFRS, the relevant provisions of the Commercial Code of Ethiopia 2021, the Banking Business Proclamation No. 592/2008, and the Banking (Amendment) Proclamation 1159/2019, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, and not a guarantee that an audit conducted in accordance with ISA(s) will always detect a material statement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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Kokeb & Melkamu Audit Service Limited Liability Partnership

Certified Accountants (UK) & Authorized Auditors/ ማረጋገጫ ስራዎችን የሚያገለግል (የኢ) ስና የተፈቀደችው ሶዲቲዬች

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit we also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that immaterial uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

We have communicated with management of the Bank regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit.

Report on Other Legal and Regulatory Requirements

We have no comment to make on the report of your Board of Directors so far as it relates to the financial statements and pursuant to Article 349 (1, 2 & 3) of the Commercial Code of Ethiopia 2021, and recommend approval of the financial statements.

The Bank's board of directors, after deducting tax, legal reserve, and other deductions, recommended to the General Assembly of Shareholders that birr 1,045,835,546 be distributed as dividend payments. As proposed dividends are subject to approval by the shareholders, we have no reservation on the proposal.

Kokeb & Melkamu
Kokeb & Melkamu Audit Service LLP
Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia



Berhan Bank S.C
Statement of Profit or Loss and Other Comprehensive Income
For the period ended 30 June 2025

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
Interest income	7	6,058,457	5,112,154
Interest expense	8	(2,107,561)	(1,796,517)
Net Interest Income		3,950,896	3,315,637
Fees and commission income	9	2,351,938	836,526
Fees and commission expense	9	(264,096)	(79,807)
Net Fee and Commission Income		2,087,842	756,719
Other operating income	10	1,900,602	438,261
Total Operating Income		7,939,340	4,510,617
Loan Impairment Charge	11	22,528	144,207
Impairment Loss on other Financial Assets	11	(15,293)	(77,291)
Net Operating Income		7,946,575	4,577,533
Personnel expenses	12	(2,407,302)	(2,076,281)
Depreciation of property and equipment	21	(97,988)	(79,426)
Amortisation of intangible assets	20	(4,165)	(3,784)
Amortisation of right-of-use assets	19	(343,927)	(317,680)
Other operating expenses	13	(2,582,113)	(592,577)
Total Operating Expenses		(5,435,495)	(3,069,748)
Profit Before Tax		2,511,080	1,507,785
Income tax expense	14	(415,521)	(319,573)
Profit for the Period		2,095,559	1,188,212
Other Comprehensive Income (OCI) Net of Income Tax			
Items that will not be reclassified to profit or loss:			
Remeasurements of Defined Benefit Liability/Asset-Net of Tax	26	(57,712)	(36,343)
Movement in fair value reserve (FVOCI equity instruments) -Net of Tax	26	325,770	253,399
Total Comprehensive Income for the Year, Net of Tax		2,363,617	1,405,268
Profit Attributable to Equity Holders		2,095,559	1,188,212
Earnings per share of Birr 1,000			
Basic Earnings Per Share	28	546.97	350.33

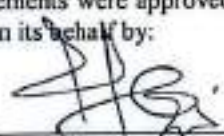
The notes are an integral part of these financial statements.



Berhan Bank S.C
Statement of Financial Position
For the period ended 30 June 2025

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
ASSETS			
Cash and Balances with Banks	15	7,323,476	4,839,915
Due from Banks & Other Financial Institutions	15	866,669	937,387
Loans and Advances to Customers	16	34,527,985	29,202,255
Investment Securities			
Financial Assets at amortized cost:	17	6,348,801	3,604,270
Financial Assets at FVTOCI:	17	608,049	460,152
Other Assets	18	2,897,297	1,550,695
Inventory	18	116,106	152,044
Non-Current Assets Held for Sale	18	237,671	214,641
Right-of-use assets	19	1,202,909	1,165,020
Intangible Assets	20	26,722	5,052
Property and Equipment	21	1,448,274	1,340,376
Restricted Fund Balance	15	3,354,900	2,549,700
Total Assets		58,958,859	46,021,506
LIABILITIES			
Due to Banks & Other Institutions	22	287,348	578,018
Deposits from Customers	22	44,454,019	36,852,193
Current Tax Liabilities	14	448,597	286,389
Margins Held on Letters of Credit	22	1,508,336	567,992
Other Liabilities	22	3,192,689	1,069,912
Provisions	22	301,061	250,027
Retirement Benefit Obligations	22	194,200	136,485
Deferred Tax Liabilities	14	32,489	67,295
Total Liabilities		50,418,739	39,808,311
EQUITY			
Share Capital	23	4,286,885	3,447,898
Share Premium	23	18,628	16,372
Retained Earnings	24	1,045,836	681,088
Legal Reserve	25	1,677,627	1,153,737
Other Reserve	26	382,940	310,080
Regulatory Risk Reserve	27	1,128,204	604,020
Total Equity		8,540,120	6,213,195
Total Liabilities and Equity		58,958,859	46,021,506

The financial statements were approved and authorized for issue by the board of directors on 06-Oct-25 and were signed on its behalf by:


Ato Eligo Legesse
Chairman of the Board of Directors


Ato Ermias Tefera
Chief Executive Officer



Berhan Bank S.C
Statement of Changes in Equity
For the period ended 30 June 2025

Notes	Share capital Birr'000	Share Premium Birr'000	Retained Earnings Birr'000	Regulatory Risk reserve Birr'000	Other Reserves Birr'000	Legal Reserve Birr'000	Total Birr'000
As at 01 July 2023	3,350,433	15,847	196,394	403,104	206,983	856,684	5,020,444
Profit for the Period	24	-	1,888,212	-	-	-	1,888,212
Director's Share of Profit	24	-	-	-	-	-	-
Other Comprehensive Income:							
Re-measurement Gains on Defined Benefit Plans	26	-	-	-	(12,944)	-	(12,944)
Movement in fair value reserve-equity instruments	26	-	-	-	116,041	-	116,041
Total Comprehensive Income for the Period		-	1,888,212	-	103,097	-	1,991,309
Transaction with owners in their capacity as owners:							
Contribution of equity net of transaction costs	23	97,465	525	-	-	-	97,990
Dividend provided for / paid	24	-	(96,394)	-	-	-	(96,394)
Transfer to legal reserve	24	-	(297,053)	-	-	297,053	-
Transfer to Regulatory Risk reserve	27	-	(213,470)	213,470	-	-	-
Transfer from Regulatory Risk reserve	27	-	12,553	(12,553)	-	-	-
Period Period Tax	27	-	(9,154)	-	-	-	(9,154)
Total		97,465	484,695	200,917	103,097	297,053	1,183,732
As at 30 June 2024	3,447,898	16,372	681,088	604,020	310,080	1,153,737	6,213,195
As at 01 July 2024	3,447,898	16,372	681,088	604,020	310,080	1,153,737	6,213,195
Profit for the Period	24	-	2,095,559	-	-	-	2,095,559
Director's Share of Profit	24	-	(1,050)	-	-	-	-
Other Comprehensive Income:							
Re-measurement Gains on Defined Benefit Plans	26	-	-	-	(30,528)	-	(30,528)
Movement in fair value reserve-equity instruments	26	-	-	-	103,388	-	103,388
Total Comprehensive Income for the Period		-	2,093,909	-	72,860	-	2,166,769
Transaction with owners in their capacity as owners:							
Contribution of equity net of transaction costs	23	838,987	2,256	-	-	-	841,243
Dividend provided for / paid	24	-	(681,088)	-	-	-	(681,088)
Transfer to legal reserve	24	-	(523,890)	-	-	523,890	-
Transfer to Regulatory Risk reserve	27	-	(524,184)	524,184	-	-	-
Transfer from Regulatory Risk reserve	27	-	-	-	-	-	-
Total		838,987	2,256	524,184	72,860	523,890	2,326,924
As at 30 June 2025	4,286,885	18,628	1,043,835	1,128,204	382,940	1,677,627	8,510,120



Berhan Bank S.C
Statement of Cash Flows
For the period ended 30 June 2025

		30 June 2025	30 June 2024
	Notes	Birr'000	Birr'000
Cash flows from operating activities			
Profit before tax		2,511,080	1,507,285
Adjustment for:			
Loan Impairment charges	11	(22,528)	(144,207)
Impairment losses on other assets	13	15,293	77,291
Amortisation of Right of use assets	19	343,927	317,681
Amortisation of Intangible assets	20	4,165	3,784
Depreciation and impairment of property, plant and equipment	21	98,188	79,456
Impairment Loss(Gain) Asset Held for Sale	13	170	45
Allowance for Inventory Write-Down	13	-	589
Gain on Disposal of Property Plant And Equipment(net)		(46,322)	(172,550)
Gain from reversal of impairment allowance		(320)	(71)
Interest Expense on Lease Liability	8	45,780	42,336
Payment of Severance Benefit	22	(14,815)	(13,026)
Gain/Loss On Lease Modification(net)		(2,558)	0
Write off Expense		22,628	-
Other Non Cash Income		(832)	-
		2,953,856	1,699,113
Cash Flow From Operation before Changes in Working Capital			
Decrease (Increase) in Loans & Advances excluding provision	16	(5,155,451)	(1,927,445)
Decrease (Increase) in Non current asset held for sale	18	(23,200)	(156,645)
Decrease (Increase) in Other Assets	18	(1,488,678)	(158,998)
Decrease (Increase) in Restricted Fund Balances	15	(805,200)	(139,000)
Increase (Decrease) in Deposits	22	7,601,826	3,069,899
Increase (Decrease) in Margin Held Account	22	940,344	202,719
Increase (Decrease) in Other Liabilities	22	2,157,769	(406,220.85)
Decrease (Increase) Inventory	18b	36,258	(74,454)
Decrease (Increase) Due from Banks & Other Financial Institutions	15	70,718	2,782,532
Increase (Decrease) in Provision	22	51,034	184,975
Decrease (Increase) Due to Banks & Other Institutions	22	(290,670)	(2,940,390)
Increase (Decrease) Retirement benefit obligations-Charge for the year	22	42,002	34,772
Decrease in Impairment provision Allowance		(42,213)	-
Cash Generated From Operation			
Withholding Tax Paid		(1,730)	(1,164)
Profit tax Paid	14	(286,389)	(79,077)
Prior Period Tax		-	(9,154)
Net Cash flow from Operating Activities		3,760,276	2,081,462
Cash Flow From Investing Activities			
Purchase of Property and Equipment	21	(231,874)	(260,240)
Purchase of Intangible Assets	20	(25,835)	-
Acquisition of Right of use asset	21	(381,816)	(389,487)
Investment in NBE Bills & Bonds	17	(2,744,668)	228,677
Investment in Shares	17	(44,509)	(37,497)
Proceeds from sale of property and equipment	21	72,109	217,698
Net Cash flow from Investing Activities		(3,356,593)	(240,848)
Cash Flow From Financing Activities			
Ordinary Shares Issued	23	838,987	97,465
Share Premium Received	23	2,256	525
Dividends paid	24	(681,088)	(190,394)
Increase (Decrease) Borrowings	22	-	(559,038)
Principal Lease Payment	19	(78,549)	(75,947)
Director's Share of Profit		(1,650)	-
Net Cash flow from Financing Activities		79,956	(733,358)
Changes in Cash and Cash Equivalents		2,483,639	1,107,256
Cash and Cash Equivalent at the Beginning of the Year		4,840,068	3,732,813
Cash Balance at end of the year		7,323,707	4,840,068



1 Reporting Entity

Berhan Bank SC ("Berhan" or the "Bank") is a private commercial bank domiciled in Ethiopia. The Bank was registered and licensed by the National Bank of Ethiopia on 27 June 2009 in accordance with the provisions of the Commercial Code of Ethiopia of 1960 (now replaced by Proclamation No. 1243/2021) and the Licensing and Supervision of Banking Business Proclamation No. 84/1994 (now replaced by Proclamation No. 1360/2025). The Bank primarily provides corporate and retail banking services in the country. Its registered office is located at Bole Dildiyie TK International 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 SME client's base in Ethiopian Market.

2 Summary of Significant Accounting Policies

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

2.1 Basis of preparation

The financial statements for the period ended 30 June 2025 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

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

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

- Fair value through other comprehensive income and fair value through profit and loss, financial assets and financial liabilities and investment properties measured at fair value;
- Assets held for sale - measured at fair value less cost of disposal; and
- The liability for defined benefit obligations recognized at the present value of the defined benefit obligation less the fair value of the plan assets and plan assets measured at fair value

2.2 Functional and Presentation Currency

These consolidated financial statements are presented in Ethiopian Birr (ETB), which is the Bank's functional currency. All amounts have been rounded to the nearest million, except when otherwise indicated.

2.3 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.



2.4 Significant accounting estimates and judgements

Judgements

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, 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 periods.

In determining the carrying amounts of certain assets and liabilities, the Bank makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Bank's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty and judgement, are set out in the relevant disclosure notes for the following areas:

- Credit impairment
- Financial instruments measured at fair value
- Provisions for liabilities and charges

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements are included:

- Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating FLI into the measurement of ECL and selection and approval of models used to measure ECL.
- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

Assumptions and Estimation Uncertainties

In determining the carrying amounts of certain assets and liabilities, the bank makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The bank's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 30 June 2025 are included in the following notes:

- Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Determination of the fair value of financial instruments with significant unobservable inputs.
- Measurement of defined benefit obligations: key actuarial assumptions.



– Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

– Impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

2.5 New and amended IFRS Accounting Standards that are effective for the Current year

i) Amendments to IAS 1: Classification of Liabilities as Current or Non-current to IAS 8

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement?
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendment does not have any material impact on the Bank

ii) Amendments to IFRS 16 – Lease Liability in a Sale

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

However, the requirements do not prevent the seller lessee from recognizing any gain or loss arising from the partial or full termination of a lease

The amendment does not have any material impact on the Bank.

2.6 New accounting standards in issue but not yet effective

A number of new standards and amendments to standards are effective for annual periods in 2025 and beyond and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these consolidated financial statements.

The bank shall apply the amendments when it is due. However, the new and amended standards are not expected to have a significant impact on the Bank's consolidated financial statements.



Berhan Bank S.C
Notes to the Financial statements

Title	Description	Effective Date
Amendments to IAS 21 – Lack of exchangeability	The amendments specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.	The amendments are effective for annual periods beginning on or after January 1, 2025. Earlier application is permitted.
IFRS 18 – Presentation and Disclosure in Financial Statements	This standard replaces IAS 1 and introduces new subtotals (e.g. operating profit) and enhanced disclosure requirements. These amendments are not expected to have a significant impact on the financial statements in the period of initial application.	Issued 9 April 2024 and effective for annual periods beginning on or after 1 January 2027 (early adoption permitted). The Bank has elected not to adopt IFRS 18 early.

2.7 Foreign Currency Translation

a) Functional and presentation currency

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

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 recognised 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. Mid exchange rate (which is the average of the selling exchange rate and the buying exchange rate) is used by the Bank in connection with the revaluation of foreign currency items.



2.8 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Bank, earns income from interest on loans and advances, investment in shares, deposit with other banks, purchase of Bills and Bonds, letter of credits, letter of guarantees and other operational services.

i) Net Interest Income

a) Effective interest rate

Interest income and expense were recognised in profit or loss using the effective interest method. The effective interest rate was the rate that exactly discounted the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimated future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Where the estimates of cash flows have been revised, the carrying amount of the financial asset or liability is adjusted to reflect the actual and revised cash flows, discounted at the instrument's original effective interest rate. The adjustment is recognised as interest income or expense in the period in which the revision is made.

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

Interest income for financial assets held at either fair value through other comprehensive income or amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in profit or loss using the effective interest method.

b) Calculation of interest income and expense

Interest income for financial assets held at either fair value through other comprehensive income or amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in profit or loss using the effective interest method. 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 amortised 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.



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 amortised 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 amortised cost of the asset.

c) Amortised cost and gross carrying amount

The 'amortised 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 amortisation 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 amortised cost of a financial asset before adjusting for any expected credit loss allowance.

d) Presentation

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

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

ii) Fees and Commission

Fees and commission income and expenses that are integral to the effective interest rate on government bills and bonds are included in the measurement of the effective interest rate. Other fees and commission income (for example commission on purchase orders, Cash Payment Orders (CPOs) etc) are recognised as the related services performed.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

iii) Dividend Income

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



iv) Foreign Exchange Revaluation Gains or Losses

These are gains and losses arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's exchange rate at the reporting date. This amount is recognised in the income statement.

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

During the year, the Central Bank shifted from a managed exchange rate regime to a market-based exchange rate system with new directives, Foreign Exchange Directive No. FXD/01/2024. This resulted in a foreign exchange gain on monetary assets and a loss on monetary liabilities, recognized in the income statement.

2.9 Financial Instruments

(a) Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

The bank initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the bank becomes a party to the contractual provisions of the instrument.

Subsequent to initial recognition, financial liabilities (deposits and debt securities) are measured at their amortized cost using the effective interest method.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(b) Subsequent measurement

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method.

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

(C) Classification of Financial Assets and Financial Liabilities

i) Financial assets



Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ('hold to collect') are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ('hold to collect and sell') are classified as held at FVOCI.

Both hold to collect business and a hold to collect and sell business models involve holding financial assets to collect the contractual cash flows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in the credit risk of financial assets but sales for other reasons should be infrequent or insignificant.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

The Bank shall measure a financial asset at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument shall be measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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.

On initial recognition, an equity investment that is held for trading shall be classified at FVTPL. However, for 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 made on an investment-by-investment basis.

All other financial assets that do not meet the classification criteria at amortised cost or FVOCI, above, shall be classified as measured at FVTPL.



In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

No impairment loss is recognised on equity investments.

ii) Financial liabilities

The Bank shall classify its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

A financial guarantee is an undertaking/commitment that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantees issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of: the amount of the obligation under the guarantee, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

(d) Derecognition of Financial Instruments

i) Derecognition of Financial Assets

The bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the bank is recognised as a separate asset or liability.

The bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

In transactions in which the bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.



ii) Derecognition of Financial Liabilities

The bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(e) Modifications of financial assets and financial liabilities

i) Financial assets

If the terms of a financial asset are modified, then the Bank shall evaluate whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset shall be deemed to have expired. In this case, the original financial asset shall be derecognised and a new financial asset shall be recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification shall be accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs shall be included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it shall first consider whether a portion of the asset should be written off before the modification takes place.

Where the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank shall first recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and shall be amortised over the remaining term of the modified financial asset.

Where such a modification is carried out because of financial difficulties of the borrower, then the gain or loss shall be presented together with impairment losses. In other cases, it shall be presented as interest income calculated using the effective interest rate method.

ii) Financial liabilities

The Bank shall derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms shall be recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss.



Consideration paid shall include non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

Where the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability shall be recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

2.10 Write-off

Loans and debt securities shall be written off (either partially or in full) when there is no reasonable expectation of recovering the amount in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment shall be carried out at the individual asset level.

Recoveries of amounts previously written off shall be included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

2.11 Renegotiated Loans

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, a loan that is overdue for 90 days or more is considered credit-impaired.

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

2.12 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, buildings, vehicles, 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.



2.13 Collateral Repossessed

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

2.14 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 recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Or if the Bank may enter into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as Bankruptcy or the termination of a contract.

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

3 Major Elements of Financial Statements

3.1 Cash and Cash Equivalents

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

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.2 Property and Equipment

Property 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 and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in income statement as incurred.

Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised.



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

Asset category	Years	Residual values	Remark
Building	50	50% of cost	
Motor Vehicle	10	50% of cost	
Computer and Related items	7	35% of cost	Computer and accessories are included Computer, UPS, Switch, Patch panel---
Furniture and Fitting			
Short lived Furniture and Fittings	7	45% of cost	Chairs
Medium lived Furniture and Fittings	10	50% of cost	Included, partition, cage , counter ----
Long Lived Furniture and Fittings	20	20% of cost	Vault /strong room
Equipment:			
Short lived Equipment	5	15% of cost	Counting Machine, photocopy, FCY, Display and detector, Printer, Scanner and electronic related items ...
Medium lived Equipment	10	45% of cost	Generator ,ATM and Others
Long lived equipment	20	25% of cost	Cash safe

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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use or 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 derecognised.

At each balance sheet date the assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, including assessing for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down to the recoverable amount. Gains and losses on disposals are included in the income statement.

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

3.3 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised



development costs, are not capitalised 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 amortised over the useful economic life. The amortisation period and the amortisation 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 amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented as a separate line item in the income statement.

Amortisation is calculated using the straight-line method as below:

Description	Years	Residual value
Software	6	Nil

3.40 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 fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The value in use of the impaired assets is considered to be close its fair value less cost of disposal because the assets are either fully depreciated or they will be used for shorter period than their respective normal useful lives. In determining fair value less costs of disposal, recent market transactions are taken into account.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the asset's recoverable amount. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the income statement.

3.50 Leases

The Bank assesses whether a contract is a lease in scope of this policy by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months, unless the underlying asset is of low value.



Where the Bank is a lessee and the lease is deemed in scope, it recognises a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable in the economic environment of the lease. The liability is recognised in 'Other liabilities'. A corresponding right-of-use asset equal to the liability, adjusted for any lease payments made at or before the commencement date. The lease term includes any extension options contained in the contract that the Bank is reasonably certain it will exercise.

Subsequently, the Bank depreciates the right-of-use asset on a straight-line basis over the lease term and measures the lease liability using the effective interest method. Depreciation of the asset is recognised in 'Amortization of right-of-use asset', and interest on the lease liability is recognised in 'Interest expense'.

The judgements in determining lease balances are the determination of whether the Bank is reasonably certain that it will exercise extension options present in lease contracts. On initial recognition, the Bank considers a range of characteristics such as premises function, regional trends and the term remaining on the lease to determine whether it is reasonably certain that a contractual right to extend a lease will be exercised.

IFRS 16 requires the lease term used to measure lease liabilities to include "reasonably certain" renewal options, whereas previously IAS 17 required disclosure of "non-cancellable" lease commitments. The consequences of this are:

-> Under IFRS 16, for some leases the Bank includes lease renewal options which it is reasonably certain will be exercised in the measurement of lease liabilities.

-> In certain conditions, the Bank has a unilateral right to cancel building leases with notice of fewer than three months without incurring a significant financial penalty. Under IFRS 16 the Bank would only exclude these cash flows from lease measurement if it was reasonably certain the termination clause would be exercised

Existing lease liabilities may change in future periods due to changes in assumptions or decisions to exercise lease renewal or termination options, changes in payments due to renegotiations of market rental rates. In general the remeasurement of a lease liability under these circumstances leads to an equal change to the right-of-use asset balance, with no immediate effect on the income statement.

3.60 Non-Current Assets (or disposal groups) Held for Sale and Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and 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.

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when:



- a) Their carrying amounts will be recovered principally through sale
- b) They are available for immediate sale in their present condition, and
- c) Their sale is highly probable

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

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

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

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.

3.70 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 amortised over the period in which the service is to be enjoyed.

(b) Other Receivables

Other receivables are recognised upon the occurrence of event or transaction as they arise and cancelled when payment is received.

(c) Prepaid Staff Benefits

The Bank gives loans to its staff members at below market rates of interest. Under IFRS 9, such loans must be recognised at their fair value on the inception date. The fair value is determined on inception date as the present value of all the future cash receipts (instalments) from the staff members using the prevailing market rate of interest as the discounting factor. The market rate was



determined by reference to what the staff members would have been charged to access a similar loan facility from the financial market (similar in terms of currency, term, type of interest rate and other factors). The market rate was set by the Ethiopian Bankers Association. Accordingly for the year 2024/25, interest rate of 12% was used for mortgage loans, and for other loan types interest rate of 13.64%.

The difference between the fair valued amount of the loan and the original loan amount is recognised as employee benefit. However, IAS 19 does not give specific guidelines on the treatment of prepaid employee benefit so the general guidelines of conceptual framework would apply.

Therefore, to recognise the prepaid employee benefit on inception date of the loan, the bank should consider the nature of the loan i.e. does the interest rate revert back to market interest rate or below the market interest rate when the employee leaves the bank?

If the interest rate reverts back to market interest rate, this means that the employee benefit has not been earned and the bank expects future economic benefits. Therefore, the prepaid employee benefit would be capitalised as an asset and amortized throughout the life of the loan based on the conceptual framework definition of an asset.

If the interest rate still remains below the market interest rate, this means that the employee benefit has been fully earned and the bank does not expect future economic benefits. Therefore, the prepaid employee benefit would be expensed immediately.

3.80 Inventories

IAS 2 provides guidance for determining the cost of inventories and the subsequent recognition of the cost as an expense, including any write down to net realisable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories includes all costs of purchase, costs of conversion (direct labour and production overhead) and other costs incurred in bringing the inventories to their present location and condition.

Inventories are assets:

- a) Held for sale in the ordinary course of business;
- b) In the process of production for such sale; or
- c) In the form of materials or supplies to be consumed in the production process or in the rendering of services.

In the case of Berhan bank inventories, definition (c) applies. IAS 2 Inventories contains the requirements on how to account for most types of inventory. The standard requires inventories to



be measured at the lower of cost and net realizable value (NRV) and outlines acceptable methods of determining cost, including specific identification (in some cases), first-in first-out (FIFO) and weighted average cost. The bank use weighted average cost method for measuring its inventories.

3.90 Employee Benefits

The Bank operates various post-employment benefit schemes, including both defined benefit and defined contribution plans and other long-term employee benefits.

(a) Defined Contribution Plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Bank operates two defined contribution plans;

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

ii) Provident fund contribution, funding under this scheme is 1% by the Bank;

Both schemes are based on the employees' salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

(b) Defined Benefit Plan

The Banks's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.



When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(c) Other Long-term Employee Benefits

The Banks's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(d) Termination Benefits

Termination benefits are payable to employees when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

(e) Short-term Employee Benefits

The Bank recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation such as bonus payments.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably."

(f) Defined Benefits Liabilities

According to IAS 19, employee benefit liability and expense shall be recognized in the period in which the employee gives service and should be valued.

Accounting for defined benefit plans involves the following steps:

-> Using an actuarial technique, the projected unit credit method, to make a reliable estimate of the ultimate cost to the entity of the benefit that employees have earned in return for their service in the current and prior periods. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates (actuarial assumptions) about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and medical costs) that will affect the cost of the benefit.

-> Discounting that benefit in order to determine the present value of the defined benefit obligation and the current service cost because they may be settled many years after the employees render the related service.



-> Determining amounts to be recognized in profit or loss: current service cost any past service cost and gain or loss on settlement.

-> Recognize the net defined benefit liability (asset) in the statement of financial position. This means that Berhan bank's severance pay to its employees shall be recognized earlier than the actual payment. The benefits valued are the statutory severance benefits in Ethiopia, which provides a promised lump sum as a multiple of final weeks' average daily wages for each year of service to employees on leaving the bank after a minimum of five years' service and a retirement gratuity which pays a fixed multiple of salary on retirement (three months' salary for managerial staff and two months' salary for non-managerial staff).

3.10 Provisions

Provisions are recognised when there is 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 recognised 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 recognised as other operating expenses.

3.11 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 recognised 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 recognised 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 realised or the deferred tax liability is settled.

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

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

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

3.12 Structure of Share Capital

Authorised Share Capital = the maximum value of securities that the bank can legally issue.

Issued Shares = the total of the bank's shares that are held by shareholders.

Outstanding Shares = are those issued shares.

Ordinary Shares = any shares that are not preferred shares and do not have any predetermined dividend amounts. An ordinary share represents equity ownership in a company and entitles the owner to a vote in matters put before shareholders in proportion to their percentage ownership in the bank.

3.13 Fair value measurement

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 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described in Note 6.7.

4 Credit Impairment

The Banks's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions. The significant judgements in determining expected credit loss include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk; and
- Development of expected credit loss models, including the choice of inputs relating to macroeconomic variables

The calculation of credit impairment provisions also involves expert credit judgement to be applied by the credit risk management team based upon counterparty information they receive from various sources, including external market information.

In the process of applying the Bank's accounting policies, management has made the following judgements, which have the significant effect on the amounts recognised in the financial statements:

- i) Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding,
- ii) Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition,
- iii) Determining methodology for incorporating forward-looking information (FLI) into measurement of Expected Credit Loss (ECL) and,
- iv) Selection and approval of models used to measure Expected Credit Loss (ECL)

a) Impairment

At each reporting date, the Bank shall assess whether there is objective evidence that financial assets (except equity investments), other than those carried at FVTPL, are impaired.

The Bank shall recognise loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL: The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:-

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Letters of credit



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

- > Debt investment securities that are determined to have low credit risk at the reporting date; and
- > Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

b) Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- > Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. The difference between the cash flows due to the entity in accordance with the contract and the cash flows that the bank expects to receive);
- > Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- > Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the bank if the commitment is drawn down and the cash flows that the bank expects to receive; and
- > Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the bank expects to recover.

Expected credit losses are computed as unbiased, probability-weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information, including that which is forward-looking.

For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). There may be multiple default events over the lifetime of an instrument.

Forward-looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, interest rates, house price indices and commodity prices, among others.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Bank is exposed to credit risk. However, for certain revolving credit facilities, which include overdrafts, the Bank's exposure to credit risk is not limited to the



contractual period. For these instruments, the Bank estimates an appropriate life based on the period that the Bank is exposed to credit risk, which includes the effect of credit risk management actions such as the withdrawal of undrawn facilities.

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement.

The estimate of expected cash shortfalls on a collateralized financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, regardless of whether foreclosure is deemed probable.

c) Recognition of ECL

12 months expected credit losses (stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis."

Significant increase in credit risk (stage 2)

If a financial asset experiences a significant increase in credit risk (SICR) since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk.

Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default (PD) since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent that these are correlated to changes in credit risk. We compare the residual lifetime PD at the balance sheet date to the residual lifetime PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in credit risk. Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring).



Credit-impaired (or defaulted) exposures (stage 3)

Financial assets that are credit-impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit-impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit-impaired."

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

- > Significant financial difficulty of the issuer or borrower
- > Breach of contract such as default or a past due event
- > For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concession/s that lenders would not otherwise consider. This would include forbearance actions.
- > Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligation/s
- > The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower
- > Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses

A loan that has been renegotiated due to a deterioration in the borrower's condition shall be 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, a retail loan that is overdue for 90 days or more shall be considered credit-impaired even when the regulatory definition of default is different.

d) Presentation of allowance for ECL in the statement of financial position

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

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for loan commitments and financial guarantee contracts: generally, as a provision;
- 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; and



- For debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance shall be disclosed and is recognised in the fair value reserve.

e) Restructured financial assets

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

-> If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset

-> If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

5 Contingent liabilities and commitments

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

Where the Bank undertakes to make a payment on behalf of its customers for guarantees issued such as for performance bonds or as irrevocable letters of credit as part of the Banks's Transaction Banking business, for which an obligation to make a payment has not arisen at the reporting date, those are included in these financial statements as contingent liabilities.

Other contingent liabilities primarily include revocable letters of credit and bonds issued on behalf of customers to customs officials, for bids or offers and as shipping guarantees.

Commitments are where the Bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees, whether cancellable or not, or letters of credit, and the Bank has not made payments at the balance sheet date; those instruments are included in these financial statement as commitments. Commitments and contingent liabilities are generally considered on demand as the Bank may have to honour them, or client may draw down at any time.

Capital commitments are contractual commitments the Bank has entered into to purchase non-financial assets.



6 Financial Risk Management

6.1 Introduction

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. Risk Management provides a comprehensive and dynamic framework for identifying, measuring, monitoring and managing financial and non-financial risks. When the quantitative data disclosed at the reporting date is not representative of the Bank's exposure to risk during the period, further information that is representative must be assisted in qualitative disclosures. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk. It is also subject to country risk and various operating risks.

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

6.1.1 Risk Management Structure

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Bank Asset and Liability Management Committee (ALCO), which is responsible for approving and monitoring Bank risk management policies.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank Audit Committee oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Bank Audit Committee.

6.1.2 Risk Measurement and Reporting Systems

The Bank uses international standards of measurements and practices as well as the NBE Directives, guidelines and their derivatives to assess credit, liquidity, market and operational risks. The Bank also uses its own internal policies and procedures to assess risks.



6.1.3 Risk Mitigation

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

6.2 Financial Instruments by Category

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

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

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

	Notes	FVOCI Birr'000	Amortized Cost Birr'000	Total Birr'000
30 June 2025				
Cash and Balances with Banks	17a	-	7,323,476	7,323,476
Loans and Advances to Customers	18	-	34,527,985	34,527,985
Due from Banks & Other Financial Institutions	19b	-	866,669	866,669
Investment Securities				
Financial Assets at FVTOCI:	19b	608,049	-	608,049
Financial Assets at amortized cost:	19a	-	6,348,801	6,348,801
Other Assets	20	-	2,897,297	2,897,297
Total Financial Assets		608,049	51,964,228	52,572,277
30 June 2024				
Cash and Balances with Banks	17a	-	4,839,915	4,839,915
Loans and Advances to Customers	18	-	29,202,255	29,202,255
Due from Banks & Other Financial Institutions	19b	-	937,387	937,387
Investment Securities				
Financial Assets at FVTOCI:	19b	460,152	-	460,152
Financial Assets at amortized cost:	19a	-	3,604,270	3,604,270
Other Assets	20	-	1,550,695	1,550,695
Total Financial Assets		460,152	40,134,522	40,594,674

6.3 Credit Risk

Credit risk is the most important risk for the Bank's business defined as current or future risk on the financial result and capital arising from a counter party's failure to meet the terms of any



contract with the Bank or otherwise fail to perform as agreed. The exposure to this risk arises principally from retail and corporate lending activities, as well as activities related to off-balance sheet financial instruments (loan commitments, Letter of Guarantees and Letter of Credit).

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

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

The National Bank of Ethiopia (NBE) sets credit risk limit for a single borrower, one related party and all related parties to not exceed 25%, 15% and 35% of Bank's total capital amount as of the reporting quarterly period respectively.

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

Boards of Directors are regularly informed of the credit risk that the Bank is exposed to. The Bank has an internal system of classification of customers whose main aim is determining their creditworthiness and evaluation of the acceptable level of credit risk in starting lending.

Classification of customers to which the Bank is exposed are reviewed at least annually. The Bank has implemented a system of early warning signals in order to timely identify any deterioration in the creditworthiness of the client and take appropriate action to mitigate credit risk.

The Bank employs a range of practices to mitigate credit risk. Common practice is accepting suitable collateral for approved loans. The main collateral types for loans and other credit exposures are:

- Mortgages over residential properties;
- Charges over business assets such as premises and inventory;
- Charges over financial instruments such as equity securities;
- Pledges over movables, such as cars, equipment and other.

The Bank monitors compliance with the legally and internally established limits and controls concentrations of credit risk. Credit risk limits towards different types of borrowers, industry sectors and type of collateral.

The Bank structures the levels of credit risk by placing limits on the amount of risk accepted subject to at least an annual review. In addition, the exposure concentration risk by sectors and activities is regularly monitored on the basis of set limits.



6.3.1 Management of Credit Risk

The Board of Directors created the Bank Credit Committee for the oversight of credit risk. A separate Bank Credit department, reporting to the Bank Credit Committee, is responsible for managing the Bank's credit risk, including the following:

- Formulating credit policies, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities.
- Reviewing and assessing credit risk: assesses all credit exposures, before facilities are committed to customers. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures).
- Developing and maintaining the Bank's processes for measuring ECL: This includes processes for:
 - Initial approval, regular validation and back-testing of the models used;
 - Determining and monitoring significant increase in credit risk; and
 - Incorporation of forward-looking information (FLI).
- Regular reports on the credit quality of portfolios are provided, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

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

In the estimation of credit risk, the Bank estimate the following parameters:

(a) Probability of Default (PD)

The approach adopted in deriving the probability of default is the transition matrix approach. The transition matrix records all data about transitions from one state to the other, i.e. from pass to special mention all through to non-performing. The initial step in this approach is to split up the



total value of loans outstanding in a given month into the various loan classification buckets. For the purpose of this Expected Credit Loss (ECL) model, the buckets to be used are:

- Pass
- Special mention
- Non-performing (Sub-standard, Doubtful and Loss)
- Paid/ settled

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

The Bank uses computation of PD by amount

(b) Loss Given Default (LGD)

The loss given default (LGD) that measures how much (in form of a percentage) the bank is expected to lose in the event that default occurs from a customer. This is estimated by considering two scenarios in the Bank that is, using collateral in instances whether the customer has collateral against the debt instrument that they have undertaken with the Bank and/or an analysis of the historical cash collections after the default event, for cases that the debt instrument is not supported by any security.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

(c) Exposure at Default (EAD)

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



Significant increase in credit risk

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

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

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).
- the Bank uses three criteria for determining whether there has been a significant increase in credit risk:
 - quantitative test based on movement in PD;
 - qualitative indicators; and
 - a backstop of 30 days past due,

Definition of default

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

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

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

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

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.



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

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

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

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

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

Sector	Macroeconomic factor(s)
Cluster 1 Agriculture Consumer Loans Overdraft	M2, USD Nominal GDP, USD (PPP), % y-o-y STER, Economic Growth
Cluster 2 Domestic Trade Services Transport Health Merchandise Financial Services	Savings per capita, LCU Nominal GDP, LCU Transport & communications nominal GVA, LCU Broad money (% of GDP) - Sovereign Scorecard Legacy STPR, Policy Continuity Legacy Long-Term Political Risk Index
Cluster 3 Building and Construction Hotel and Tourism Manufacturing and Production Industry Real Estate Housing and Construction	PR, Security Risk M1, % of GDP Consumer price index inflation, 2010=100, eop Total employment M2, % of GDP Real GDP growth, % y-o-y Foreign reserves ex gold, EUR
Cluster 4 Export Import Advance against Import Bills	Political Risk Index Lending rate, %, ave Central bank policy rate, %, eop M1, USD

The economic scenarios used as at 30 June 2025 included the following key indicators for Ethiopia for the years 2023, 2024 and 2025



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Indicator	30-Jun-23	30-Jun-24	30-Jun-25
Consumer price index inflation, 2010=100, ave	763.82	959.96	1,131.52
Exports of goods and services, USD	10,163.16	9,435.45	7,190.30
Government domestic debt, LCU	1,711,834.87	2,095,039.47	2,425,405.02
Nominal GDP, LCU	7,328,259.08	9,765,072.05	12,050,982.17
Private final consumption, LCU	5,727,253.20	7,799,889.06	9,755,080.10
Total domestic demand, LCU	7,845,345.56	10,393,227.73	12,862,804.41
Savings, LCU	1,385,282.44	2,086,867.44	2,442,686.12
Population	124.94	128.11	131.32
Consumer price index inflation, 2010=100, eop	766.97	941.15	1,076.88
M1, LCU	518,230.82	583,000.41	659,488.15
M2, LCU	1,665,828.13	1,926,860.26	2,240,723.49
Current expenditure, LCU	548,963.66	616,751.84	790,988.13
Goods imports, USD	16,010.83	16,138.52	17,587.94
Goods exports, USD	3,711.59	3,672.11	4,361.86
Current account balance, USD	(4,970,521,099.44)	(4,599,280,813.34)	(4,141,870,833.33)
Import cover months	0.63	0.88	1.35
Total household spending, LCU	5,529,948.12	7,514,793.43	9,371,209.76
Nominal GDP, USD	137,853.99	144,927.85	113,766.06
Real GDP, LCU (2010 prices)	1,042,657.89	1,112,745.44	1,189,776.91
Real GDP, USD (2010 prices)	72,358.56	77,222.51	82,568.35
Real GDP per capita, USD (2010 prices)	579.13	602.77	628.76
Nominal GDP, USD (PPP)	374,678.95	409,756.75	443,051.80
Private final consumption, USD	107,737.00	115,761.68	92,091.83
Private final consumption per capita, USD	862.29	903.59	701.28
Government final consumption, LCU	499,796.37	606,562.84	717,917.21
Government final consumption, USD	9,401.81	9,002.27	6,777.42
Exports of goods and services, LCU	540,269.49	635,749.74	761,652.05
Exports of goods and services per capita, USD	81.34	73.65	54.75
Imports of goods and services, LCU	1,174,311.47	1,330,983.64	1,573,370.11
Imports of goods and services, USD	22,090.31	19,753.73	14,853.24
Total domestic demand, USD	147,581.05	154,250.60	121,429.98
Total domestic demand per capita, USD	1,181.18	1,204.02	924.69
Unemployment, % of labour force, ave	3.49	3.37	3.22
Real effective exchange rate index	27.66	15.90	7.42
Total revenue, LCU	637,726.67	791,545.69	1,021,869.42
Total revenue, USD	11,996.46	11,747.69	9,646.85
Total expenditure, LCU	855,217.12	1,025,425.24	1,327,659.92
Total expenditure, USD	16,087.73	15,218.80	12,533.64
Current expenditure, USD	10,326.71	9,153.49	7,467.24
Budget balance, LCU	(216,720,442,067.66)	(233,713,193,754.65)	(305,432,803,680.29)



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Budget balance, USD	(4,076,790,443.84)	(3,468,643,288.24)	(2,883,406,958.41)
Services imports, USD	7,541.96	7,895.97	8,468.47
Services exports, USD	7,195.79	7,756.70	8,609.65
Total reserves ex gold, USD	1,332.59	1,758.28	2,928.57
Total external debt stock, USD	31,935.96	37,352.61	43,600.93
Long-term external debt stock, USD	31,548.30	35,913.35	39,271.68
Public external debt stock, USD	30,446.77	34,659.41	39,271.68
Total government debt, USD	60,346.92	54,840.89	44,573.15
Total debt service, USD	1,775.59	1,954.54	2,507.64
M2, USD	124.94	128.11	131.32
Nominal GDP, USD (PPP), % y-o-y	124.94	128.11	131.32
STER, Economic Growth	30,480.84	22,948.56	16,877.63
Savings per capita, LCU	11.51	9.32	8.12
Transport & communications nominal GVA, LCU	33.17	17.32	10.00
Broad money (% of GDP) - Sovereign Scorecard	0.01	0.02	0.02
PR, Security Risk	7,328,259.08	9,765,072.05	12,050,982.17
M1, % of GDP	278,272.35	356,111.53	484,703.56
M2, % of GDP	22.73	19.73	18.59
Real GDP growth, % y-o-y	79.07	78.85	78.54
Foreign reserves ex gold, EUR	7.07	5.97	5.47
Political Risk Index	766.97	941.15	1,076.88
Lending rate, %, ave	22.73	19.73	18.59
Central bank policy rate, %, eop	5.92	6.72	6.92
M1, USD	1,135.37	1,641.05	2,739.51

Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analysing semi – annual historical data over the past 7 years.

Summary of scenario weightings			
Scenario	Base	Downturn (downside)	Optimistic (upside)
Cluster 1	73.33%	6.67%	20.00%
Cluster 2	73.33%	13.33%	13.33%
Cluster 3	66.67%	13.33%	20.00%
Cluster 4	66.67%	13.33%	20.00%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment have been made the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit



deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out.

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

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

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

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

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

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures by type of product and borrower as well as by credit risk grading.

The Bank employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.



Measurement of ECL

Expected credit losses are determined for all financial debt instruments that are classified at amortised cost or fair value through other comprehensive income, undrawn commitments and financial guarantees.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Bank expects to receive over the contractual life of the instrument."

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

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

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

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

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

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

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



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

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

- instrument type;
- credit risk grading;
- collateral type;
- LTV ratio for retail mortgages (the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral);
- date of initial recognition;
- remaining term to maturity; and
- industry

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

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

Loans with renegotiated terms

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

Loans that were past due but not impaired

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



6.3.2 Credit Related Commitment Risks

The Bank holds collateral against loans and advances to customers in the form of bank guarantees and property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally updated when a loan is individually assessed as impaired.

6.3.3 Maximum Exposure to Credit Risk before Collateral Held or Credit Enhancements

The Bank's maximum exposure to credit risk at 30 June 2025 and 30 June 2024 respectively, is represented by the net carrying amounts in the statement of financial position.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Cash and Balances with Banks	7,323,476	4,839,915
Loans and Advances to Customers	34,527,985	29,202,255
Investment Securities		
Financial Assets at FVTOCI	608,049	460,152
Financial Assets at amortized cost:	6,348,801	3,604,270
Other Assets	2,897,297	1,550,695
	51,705,608	39,657,287
Credit Risk Exposures Relating to Off balance Sheets :		
Loan commitments	310,000	250,000
Guarantees issued and outstanding	13,223,743	6,644,301
Letter of credit and other credit related obligations	1,939,037	100,495
	15,472,780	6,994,796
Total maximum exposure	67,178,387	46,652,083

	30 June 2025 Birr'000	30 June 2024 Birr'000
Pass	33,229,348	28,382,110
Special mention	452,345	434,237
Substandard	281,936	223,351
Doubtful	397,553	228,670
Loss	1,612,758	1,550,121
	35,973,941	30,818,490

Gross loans and advances to customers per sector is analysed as follows:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Agriculture	130,128	152,534
Transport	458,255	457,443
Hotel and Tourism	463,718	458,343
Health and Education Service	837,151	279,992
Import	4,505,287	3,285,482
Export	3,949,405	2,543,950



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Manufacturing	4,964,293	3,708,946
Domestic trade and services	7,159,306	7,129,317
Building and construction	7,095,054	6,060,526
Personal loan	3,647,405	3,545,660
Staff loan	2,763,941	3,196,297
	35,973,941	30,818,490

The above table represents a worst case scenario of credit risk exposure of the Bank as at the reporting dates without taking in to account of any collateral held or other credit enhancements attached. The exposures are based on gross carrying amounts.

Management is confident in its ability to continue to control and effectively manage the credit risk exposure in the Bank's loan and advances portfolio.

6.3.6 Credit Quality Analysis

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

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

In Birr'000	2025				2024
Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total	Total
Stage 1 - Pass	33,229,348	-	-	33,229,348	28,382,110
Stage 2 - Special mention	-	452,345	-	452,345	434,237
Stage 3 - Non performing	-	-	2,292,248	2,292,248	2,002,143
Total gross exposure	33,229,348	452,345	2,292,248	35,973,941	30,818,490
Loss allowance	(200,841)	(1,140)	(695,042)	(897,022)	(919,550)
Interest in suspense	-	-	(120,292)	(120,292)	(84,462)
Staff Loan Market Interest Adjustment	(428,642)	-	-	(428,642)	(612,223)
Net carrying amount	32,599,865	451,205	1,476,914	34,527,985	29,202,255

In Birr'000	2025		
Other financial assets (debt instruments)	Gross exposure	Less allowance	Net carrying amount
Cash and balances with banks	12 Month ECL 4,933,263	(231)	4,933,032
Investment securities (debt instruments)	12 Month ECL 6,349,118	(317)	6,348,801
Other receivables and financial assets	Lifetime ECL 2,523,877	(288,584)	2,235,293
Totals	13,806,258	(289,132)	13,517,126



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<i>In Birr'000</i>	2024				2023
Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total	Total
Stage 1 – Pass	28,382,110	-	-	28,382,110	26,018,430
Stage 2 – Special mention	-	434,237	-	434,237	712,583
Stage 3 - Non performing	-	-	2,002,143	2,002,143	2,160,032
Total gross exposure	28,382,110	434,237	2,002,143	30,818,490	28,891,045
Loss allowance	(219,151)	(1,357)	(699,042)	(919,550)	(1,063,757)
Interest in suspense	-	-	(84,462)	(84,462)	(69,921)
Staff Loan Market Interest Adjustment	(612,223)	-	-	(612,223)	(411,309)
Net carrying amount	27,550,736	432,880	1,218,639	29,202,255	27,346,057

<i>In Birr'000</i>	2024			
Other financial assets (debt instruments)		Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	3,108,343	(153)	3,108,190
Investment securities (debt instruments)	12 Month ECL	3,604,450	(180)	3,604,270
Other receivables and financial assets	Lifetime ECL	1,062,305	(294,259)	768,046
Totals		7,775,098	(294,592)	7,480,506

ECL Movement

	Stage 1	Stage 2	Stage 3	Totals
ECL at 1 July 2024	219,151	1,357	699,042	919,550
Transfer to Stage 1	8,786	(635)	(8,150)	-
Transfer to Stage 2	(809)	3,135	(2,326)	-
Transfer to Stage 3	(4,159)	(135)	4,294	-
Net remeasurement	(162,627)	291	133,010	(29,325)
ECL on new loans	186,685	430	15,109	202,223
ECL on derecognised loans	(46,186)	(3,303)	(145,936)	(195,426)
ECL at 30 June 2025	200,841	1,140	695,042	897,023

	Stage 1	Stage 2	Stage 3	Totals
ECL at 1 July 2023	194,483	4,364	864,911	1,063,757
Transfer to Stage 1	146,914	(2,406)	(144,508)	-
Transfer to Stage 2	(564)	712	(148)	-
Transfer to Stage 3	(1,860)	(683)	2,543	-
Net remeasurement	(147,316)	217	(24,720)	(171,819)
ECL on new loans	178,321	251	4,224	182,796
ECL on derecognised loans	(150,826)	(1,098)	(3,259)	(155,184)
ECL at 30 June 2024	219,151	1,357	699,042	919,550

(a) Credit quality of cash and cash equivalents

The credit quality of cash and cash equivalents and short-term investments that were neither past due nor impaired as at 30 June 2025 and 30 June 2024 have been classified as non-rated as there are no credit rating agencies in Ethiopia.



(b) Credit quality of loans and advances

The nonperforming (NPL) ratio of the bank is 6% as of June 30, 2025, by considering both principal and interest. But the NPL ratio of the bank is 4.78% when considering the total portfolio against the principal amount.

30 June 2025	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	Total Birr'000
Agriculture	118,271	-	11,856	130,128
Transport	385,296	1,428	71,531	458,255
Hotel and tourism	435,017	3,464	25,236	463,718
Health and Education Service	822,503	12,991	1,658	837,151
Import	4,433,050	36,968	35,269	4,505,287
Export	3,740,019	5,188	204,197	3,949,405
Manufacturing	4,902,785	18,564	42,943	4,964,293
Domestic trade and services	6,072,137	257,118	830,051	7,159,306
Building and construction	6,098,407	17,085	979,561	7,095,054
Personal loans	3,560,973	45,410	41,022	3,647,405
Staff loan	2,660,889	54,130	48,922	2,763,941
Gross	33,229,348	452,345	2,292,248	35,973,941
Less:				
Impairment allowance (note 16a)	(200,841)	(1,140)	(695,042)	(897,022)
Interest in suspense	-	-	(120,292)	(120,292)
Staff Loan Market Interest Adjustment	(428,642)	-	-	(428,642)
Net Loans and Advance	32,599,865	451,205	1,476,914	34,527,985

30 June 2024	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	Total Birr'000
Agriculture	141,221	3,197	8,116	152,534
Transport	372,224	-	85,218	457,443
Hotel and tourism	430,605	10,683	17,056	458,343
Health and Education Service	269,585	-	10,407	279,992
Import	3,214,838	12,631	58,013	3,285,482
Export	2,418,570	20,298	105,082	2,543,950
Manufacturing	3,566,312	71,840	70,794	3,708,946
Domestic trade and services	6,326,398	123,544	679,374	7,129,317
Building and construction	5,108,750	42,125	909,651	6,060,526
Personal loans	3,449,555	70,703	25,402	3,545,660
Staff loan	3,084,053	79,215	33,028	3,196,297
Gross	28,382,110	434,237	2,002,143	30,818,490
Less:				
Impairment allowance (note 18a)	(219,151)	(1,357)	(699,042)	(919,550)
Interest in suspense	-	-	(84,462)	(84,462)
Staff Loan Market Interest Adjustment	(612,223)	-	-	(612,223)
Net Loans and Advance	27,550,736	432,880	1,218,639	29,202,255



(i) Loans and advances - neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Loans and advances in this category are loans past due for less than 30 (thirty) days.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Neither past due nor impaired	33,229,348	28,382,110
Collective impairment	(200,841)	(219,151)
Loan and advances (net)	33,028,507	28,162,959

(ii) Loans and advances - past due but not impaired

	30 June 2025 Birr'000	30 June 2024 Birr'000
Past due up to 30 days	452,345	434,237
Collective impairment	(1,140)	(1,357)
Loan and advances (net)	451,205	432,880

(iii) Loans and advances - Impaired loans

	30 June 2025 Birr'000	30 June 2024 Birr'000
Impaired loans	2,292,248	2,002,143
Individual impairment	(695,042)	(690,042)
Net Carrying Amount	1,597,206	1,303,101

(iv) Allowance for loan impairment

	30 June 2025 Birr'000	30 June 2024 Birr'000
IFRS Loan impairment charge	897,022	919,550
Total allowance for impairment	897,022	919,550

6.3.7 Statement of Prudential Adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the National Bank of Ethiopia (NBE) Directives. This is at variance with the expected credit loss model required by IFRS 9. As a result of the differences in the



methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

The proclamation 'Financial Reporting Proclamation No.847/2014 stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.

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

(a) Provisions for loans recognised in the income statement should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under the NBE directives and the expected impact/changes in Regulatory Risk Reserve should be treated as follows:

>If prudential provisions is greater than IFRS provisions; the excess provisions resulting should be transferred from Retained Earnings account to Regulatory Risk Reserve Account.

>If prudential provisions is less than IFRS provisions; the excess provision is charged to the statement of profit or loss. The cumulative balance in the regulatory risk reserve is thereafter reversed to the Retained Earnings account.

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
Total impairment based on IFRS	897,022	919,550
Total impairment based on NBE Directives	(1,075,249)	(991,647)
Excess(Shortage) Prudential Adjustments	(178,227)	(72,097)

8.3.8 Credit concentrations

The Bank monitors concentrations of credit risk by economic sector. An analysis of concentrations of credit risk at 30 June 2025 and 30 June 2024. The Bank concentrates all its financial assets in Ethiopia.

30 June 2025	Public Enterprise Birr'000	Cooperative Birr'000	Private Birr'000	Association Birr'000
Short term Investments	-	-	-	-
Loans and advances	-	72,049	35,901,925	-
Investment securities	6,349,118	-	-	-
Investment in Equity	-	-	608,049	-
Loan commitments	-	-	310,000	-
	6,349,118	72,049	36,810,974	-



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	Public Enterprise Birr'000	Cooperative Birr'000	Private Birr'000	Association Birr'000
Short term Investments	-	-	-	-
Loans and advances	-	50,303	30,768,187	-
Investment securities	3,604,450	-	-	-
Investment in Equity	-	-	460,152	-
Loan commitments	-	-	250,000	-
	3,604,450	50,303	31,478,339	-

6.3.9 Nature of security in respect of loans and advances

30 June 2025	Building Birr'000	Building & Vehicle Birr'000	Share Certificate Birr'000	Vehicle Birr'000	Others Birr'000
Agriculture	113,444	3,360	-	13,324	-
Building, Construction & Real Estate	4,239,554	462,636	-	572,686	1,820,177
Domestic Trade and Services	4,795,547	1,245,870	21,383	913,134	183,372
Export	2,448,894	211,348	235,172	390,041	663,950
Health & Education	673,353	-	35,427	128,370	-
Hotel And Tourism	424,209	15,626	-	23,882	-
Import	3,303,668	318,078	193,636	457,447	232,458
Manufacturing	2,272,393	517,145	3,933	196,589	1,974,232
Personal	2,903,561	5,344	3,123	593,420	141,957
Transport & Communication	38,674	31,783	962	386,836	-
Other(Staff)	2,284,586	-	-	170,834	308,521
	23,497,884	2,811,191	493,636	3,846,563	5,324,667

30 June 2024	Building Birr'000	Building & Vehicle Birr'000	Share Certificate Birr'000	Vehicle Birr'000	Others Birr'000
Agriculture	92,012	4,434	43,577	10,723	1,789
Building, Construction & Real Estate	3,882,473	371,035	1,382	555,177	1,250,460
Domestic Trade and Services	5,422,107	700,017	23,171	907,703	73,103
Export	1,174,338	206,822	225,917	362,550	574,323
Health & Education	265,818	-	-	14,174	-
Hotel And Tourism	415,999	18,052	-	24,292	-
Import	2,379,846	186,052	273,580	283,659	162,345
Manufacturing	2,661,422	238,697	8,617	108,135	692,075
Personal	2,793,144	5,630	6,534	572,718	167,634
Transport & Communication	60,687	26,688	-	369,109	959
Other(Staff)	2,321,412	2,131	-	189,203	683,551
	21,469,258	1,759,558	582,778	3,397,442	3,606,239



6.3.10 Collateral held and their financial effect

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that borrowers provide it. Staff loans are secured to the extent of the employee's continued employment in the Bank and against the buildings or vehicles purchased.

The Bank may take collateral in the form of a first charge over real estate, liens and guarantees. The Bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on creditworthiness, the Bank aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.

The fair value of the collaterals are based on the last revaluations carried out by the Bank's in-house engineers. The valuation technique adopted for properties is in line with the Bank's valuation manual and the revalued amount is similar to fair values of properties with similar size and location.

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

At 30 June 2025, the net carrying amount of credit-impaired loans and advances to customers amounted to ETB1.62 billion and the value of identifiable collateral held against those loans and advances amounted to ETB 2.4 billion. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

6.4 Liquidity Risk

Liquidity risk is the risk that the Bank cannot meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk management in the Bank is solely determined by Asset Liability Management Committee, which bears the overall responsibility for liquidity risk. The main objective of the Bank's liquidity risk framework is to maintain sufficient liquidity in order to ensure that we meet our maturing obligations.

6.4.1 Management of Liquidity Risk

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

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



6.4.2 Maturity Analysis of Financial Liabilities

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

30 June 2023	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000	Total Birr'000
Deposits from customers	4,000,862	889,080	1,333,621	1,778,161	36,452,296	44,454,019
Due to Banks & Other Institutions	287,348	-	-	-	-	287,348
Current tax liabilities	-	-	448,597	-	-	448,597
Margins held on letters of credit	-	1,508,336	-	-	-	1,508,336
Provisions	-	204,721	15,053	21,074	60,212	301,061
Retirement benefit obligations	971	1,942	2,913	3,884	184,490	194,200
Other liabilities	175,598	638,538	1,328,159	727,933	322,462	3,192,689
Deferred Tax Liabilities	-	-	-	-	32,489	32,489
Total financial liabilities	4,464,779	3,242,618	3,128,342	2,531,052	37,051,949	50,418,739

30 June 2024	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000	Total Birr'000
Deposits from customers	3,316,697	737,044	1,105,566	1,474,088	30,218,798	36,852,193
Due to Banks & Other Institutions	578,018	-	-	-	-	578,018
Current tax liabilities	-	-	286,389	-	-	286,389
Margins held on letters of credit	-	567,992	-	-	-	567,992
Borrowings	-	-	-	-	-	-
Provisions	-	170,018	12,501	17,502	50,005	250,027
Retirement benefit obligations	682	1,365	2,047	2,730	129,661	136,485
Other liabilities	58,845	213,982	445,083	243,940	108,061	1,069,912
Deferred Tax Liabilities	-	-	-	-	67,295	67,295
Total financial liabilities	3,954,243	1,690,401	1,851,586	1,738,259	30,573,820	39,808,311

6.5 Market Risk

Market risk is defined as the risk of loss that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign



exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions.

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

6.5.1 Management of Market Risk

The main objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is monitored by the risk management department regularly to identify any adverse movement in the underlying variables.

(i) Interest Rate Risk

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

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

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

30 June 2025	Fixed Birr'000	Floating Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	1,757,634	-	5,565,842	7,323,476
Loans and advances	34,182,705	-	345,280	34,527,985
Investment securities	6,348,801	-	-	6,348,801
Total	42,289,140	-	5,911,122	48,200,262
30 June 2024	Fixed Birr'000	Floating Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	1,161,580	-	3,678,335	4,839,915
Loans and advances	28,910,232	-	292,023	29,202,255
Investment securities	3,604,270	-	-	3,604,270
Total	33,676,082	-	3,970,358	37,646,440

(ii) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Bank is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The Bank's foreign currency bank accounts act as a



natural hedge for these transactions. Management has set up a policy to manage the Bank's foreign exchange risk against its functional currency.

The table below summarises the impact of increases/decreases of 10% on equity and profit or loss arising from the Bank's foreign denominated cash and bank balances.

The total foreign currency denominated assets and liabilities exposed to risk as at 30 June 2025 was Birr 1.06bill and 30 June 2024 Birr 145.6million.

Foreign currency denominated balances

	30 June 2025 Birr'000	30 June 2024 Birr'000
Cash and bank balances	2,597,748	310,819
Deposits/Liabilities	1,532,108	456,485
Net Foreign currency denominated balances	1,065,640	(145,666)

Sensitivity analysis for foreign exchange risk

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

The sensitivity of the Bank's earnings to fluctuations in exchange rates is reflected by varying the exchange rates at 15% and 5% as shown below:

	30 June 2025 Birr'000	30 June 2024 Birr'000
USD cash at Foreign and Cash Balances	2,597,748	310,819
15% appreciation of Dollar	389,662	46,623
5% Depreciation of Dollar	(129,887)	(15,541)
	259,775	31,082

6.6 Capital Management

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

6.6.1 Capital Adequacy Ratio

According to the Licensing & Supervision of Banking Business Directive No SBB/78/2021 of the National Bank of Ethiopia, the Bank has to maintain capital to risk weighted assets ratio of 8% at all times, the risk weighted assets being calculated as per the provisions of Directive No SBB/9/95 issued on August 18, 1995.

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



Capital includes capital contribution, legal reserve and other reserves to be approved by the National Bank of Ethiopia.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Capital		
Capital contribution	4,286,885	3,447,898
Share Premium	18,628	16,372
Legal reserve	1,677,626	1,153,737
Regulatory Risk Reserve	1,128,204	604,020
	7,111,344	5,222,027
Risk weighted assets		
Risk weighted balance for on-balance sheet items	36,045,302	26,889,096
Credit equivalents for off-balance Sheet Items	8,002,363	3,949,158
Total risk weighted assets	44,047,665	30,838,254
 Risk-weighted Capital Adequacy Ratio (CAR)	16%	17%
Minimum required capital	8%	8%
Excess	8%	9%

6.7 Fair Value of Financial Assets and Liabilities

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

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

6.7.1 Valuation Models

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

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

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

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



or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

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

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

6.7.2 Financial Instruments Not Measured at Fair Value - Fair value Hierarchy

The following table summarises the carrying amounts of financial assets and liabilities at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised.

30 June 2025	Gross Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets					
Cash & balances with banks	7,323,707	-	7,323,707	-	7,323,707
Loans and advances	35,076,919	-	35,076,919	-	35,076,919
Investment securities	6,491,781	-	-	6,491,781	6,491,781
Total	48,892,407	-	42,400,626	6,491,781	48,892,407
Financial liabilities					
Deposits from customers	44,454,019	-	44,454,019	-	44,454,019
Other liabilities	3,192,689	-	3,192,689	-	3,192,689
Total	47,646,708	-	47,646,708	-	47,646,708

30 June 2024	Gross Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets					
Cash and balances with banks	4,840,068	-	4,840,068	-	4,840,068
Loans and advances	29,898,940	-	29,898,940	-	29,898,940
Investment securities	3,702,604	-	-	3,702,604	3,702,604
Total	38,441,612	-	34,739,007.96	3,702,604.00	38,441,611.96
Financial liabilities					
Deposits from customers	36,852,193	-	36,852,193	-	36,852,193
Other liabilities	1,069,912	-	1,069,912	-	1,069,912
Total	37,922,105	-	37,922,105	-	37,922,105



6.7.3 Transfers between the Fair Value Hierarchy Categories

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

6.8 Offsetting Financial Assets and Financial Liabilities

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

7 Interest Income

	30 June 2025 Birr'000	30 June 2024 Birr'000
Interest on loans and advances	5,363,807	4,707,404
Interest on investment securities	415,149	284,135
Interest on deposits due from banks	259,431	120,615
Interest on short term Securities	20,070	-
	6,058,457	5,112,154

8 Interest Expense

	30 June 2025 Birr'000	30 June 2024 Birr'000
Interest on Demand deposits	(6,594)	(15,027)
Interest on Saving deposits	(1,289,693)	(1,151,210)
Interest on Time deposits	(570,549)	(521,216)
Interest on borrowings from domestic banks	(194,945)	(66,728)
Interest expense – Lease	(45,780)	(42,336)
	(2,107,561)	(1,796,517)

9 Fees and Commission Income

	30 June 2025 Birr'000	30 June 2024 Birr'000
Commission on letters of credit	305,328	164,607
Commission on CPOs, Cheques and FTs	1,933	1,365
Commission on guarantees	628,731	267,391
Fees Income	1,201,585	366,296
Commission on PO issuance	214,361	36,867
	2,351,938	836,526
Fee and commission expense :		
Fee and commission Expense	(264,096)	(79,807)
	(264,096)	(79,807)
Net fees and commission income	2,087,842	756,719



10 Other Operating Income

	30 June 2025 Birr'000	30 June 2024 Birr'000
Other income	192,788	236,728
Gain on foreign exchange	1,707,814	201,533
	1,900,602	438,261

11 Impairment losses on Financial Instruments

	30 June 2025 Birr'000	30 June 2024 Birr'000
Loan Impairment Charge	22,528	144,207
Impairment Loss-Other Financial Assets	(15,293)	(77,291)
	7,235	66,916

12 Personnel Expenses

	30 June 2025 Birr'000	30 June 2024 Birr'000
Short term employee benefits :		
Salaries	(1,379,710)	(1,220,871)
Staff allowances	(431,228)	(357,324)
Overtime	(23,111)	(23,033)
Bonus	(209,213)	(174,152)
Training and Education	(43,786)	(21,295)
Leave Payment	(15,731)	(15,751)
Pension costs – Defined contribution plan	(150,973)	(133,539)
Provident Fund – Defined contribution plan	(13,727)	(12,140)
Other staff expenses	(91,182)	(83,404)
	(2,365,301)	(2,041,509)
Long term employee benefits :		
Defined benefit plans-Severance	(42,002)	(34,772)
	(2,407,303)	(2,076,281)

13 Other Operating Expenses

	30 June 2025 Birr'000	30 June 2024 Birr'000
Utilities	(21,526)	(12,598)
Advertisement and promotions	(25,384)	(42,222)
Software Maintenance Fee	(65,248)	(43,049)
Sponsorship expenses	(2,875)	(3,742)
Communication expense	(32,227)	(21,680)
Postage and stamps	(569)	(368)
Stationery and office expenses	(44,094)	(63,212)
Legal and professional fees	(7,602)	(3,002)



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Audit fees	(538)	(538)
Repairs and maintenance	(49,226)	(28,877)
Travelling expenses	(10,876)	(16,881)
Donations	(13,120)	(132)
Insurance	(135,884)	(132,102)
Entertainment	(7,068)	(6,113)
Fuel and lubricant	(2,979)	(8,570)
Miscellaneous expenses	(44,729)	(32,399)
License fees	(845)	(845)
Director fees	(1,225)	(1,220)
Fines and penalty	(2,239)	(2,784)
Loss on foreign exchange	(2,034,522)	(135,746)
Write-off expense	(22,628)	-
Outsource Service expense	(53,398)	(33,238)
Loss on Revaluation or Disposal	(2,941)	(2,595)
Impairment Loss - Property	(200)	(30)
Inventory Write-Down Expense	-	(589)
Impairment Loss on Assets Held for Sale	(170)	(45)
	(2,582,113)	(592,577)

Security Services of birr 33.3 mill, Electricity - Generator Fuel (birr 2.7 mill) and Short-SMS Charge (birr 5.6mill) reclassified from miscellaneous expenses to Outsource service expense, Utilities and Communication expense for the year 2024 respectively.

14 Company Income and Deferred Tax

14a Reconciliation of effective tax to statutory tax

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
Current income tax		
Charge for the year:	450,326	287,553
Prior year (over)/ under provision	-	-
Deferred income tax/(credit) to profit or loss	(34,806)	32,020
Total charge to profit or loss	415,521	319,573
Tax (credit) on other comprehensive income	(114,882)	(93,024)
Total tax in statement of comprehensive income	300,639	226,549



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Notes to the Financial statements

	30 June 2025 Birr'000	30 June 2024 Birr'000
Profit before tax	2,511,079	1,507,785
Add : Disallowed Expenses		
Entertainment	7,068	6,113
Donation	120	132
Sponsorship	2,875	3,742
Penalty	2,239	2,784
Awards	5,414	1,592
Accrued Leave Expense	15,731	15,751
Amortization of Right of Use asset	343,927	317,681
Interest Expense on Lease Liability	45,780	42,336
Impairment Loss - Property	200	30
Impairment Loss on Assets Held for Sale	170	45
Inventory Write-Down Expense	-	589
Provision for loans & other financial assets as per IFRS	(7,235)	(66,916)
Severance Expense	42,002	34,772
Net Gain on disposal of PPE-IFRS	(46,322)	(172,550)
Net Gain on disposal of PPE-Tax	61,528	194,263
Depreciation for IFRS accounting purpose	97,988	79,426
Amortization for IFRS accounting purpose	4,165	3,784
Cash Indemnity Allowance	12,679	13,378
Employee Interest rate Benefit-IFRS	(20,893)	(34,040)
Employee Interest rate Benefit-Tax	166,061	174,052
Loss On Lease Modification	407	4
Property Tax	260	-
Write off Expense	22,628	-
Sport Related	160	-
	756,951	616,968
Less :		
Depreciation for tax purpose	259,014	246,215
Amortization of Prepaid Rent and Lease	374,489	340,421
Provision for loans & other financial assets for tax NBE 80%	397,156	132,705
Severance Paid	14,815	13,026
Leave Paid	6,399	4,927
Interest income taxed at source- foreign	46,534	7,580
Dividend income taxed at source	40,360	18,063
Interest income exempted-NBE Bills and T-Bills	415,149	284,135
Interest income taxed at source-Local Deposit	212,897	113,035
Gain from reversal of Impairment allowance	320	71
Cash Indemnity Allowance Paid	4,600	7,325
Gain On Lease Modification	2,965	4
	1,774,698	1,167,508
Taxable profit	1,493,332	957,245
Current tax at 30%	448,000	287,174
5% on interest on foreign deposits	2,327	379
Total tax in statement of comprehensive income	450,326	287,553
Average Effective Tax Rate:	17.93	19.07



The average effective tax rate is the tax expense divided by accounting profit.

14b Current income tax liability

Current income tax liability	30 June 2025 Birr'000	30 June 2024 Birr'000
Balance at the beginning of the year	286,389	79,077
Charge for the year	450,326	287,553
Prior year (over)/ under provision	-	-
WHT Notes utilised	(1,730)	(1,164)
Payment during the year	(286,389)	(79,077)
Balance at the end of the year	448,597	286,389

14c

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	(32,489)	(67,295)
To be recovered within 12 months	-	-
	(32,489)	(67,295)

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):	At 1 July 2024 Birr'000	Credit/(charge) to P/L Birr'000	Credit/(charge) to equity Birr'000	30 June 2025 Birr'000
Property, plant and equipment	108,240	(17,491)	-	90,749
Provisions	-	-	-	-
Unrealised exchange gain	-	-	-	-
Tax losses charged to profit or loss	-	-	-	-
Post-employment benefit obligation	(40,946)	(17,315)	-	(58,260)
Total deferred tax assets/(liabilities)	67,295	(34,806)	-	32,489



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Deferred income tax assets/(liabilities):	At 1 July 2023 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2024 Birr'000
Property, plant and equipment	65,813	42,427	-	108,240
Provisions	-	-	-	-
Unrealized exchange gain	-	-	-	-
Tax losses charged to profit or loss	-	-	-	-
Post-employment benefit obligation	(30,539)	(10,407)	-	(40,946)
Total deferred tax assets/(liabilities)	35,275	32,020	-	67,295

15 Cash and Cash Equivalents

15a Cash and balances with banks

	30 June 2025 Birr'000	30 June 2024 Birr'000
Cash in hand local currency	1,690,665	1,707,309
Cash in hand foreign currency	215,097	24,416
Placement with other Institutions	1,644,421	1,478,983
Deposits with foreign banks	2,382,651	286,403
Balance held with National Bank of Ethiopia	385,120	1,342,957
Money Market Operations	1,005,753	-
Gross amount	7,323,707	4,840,068
Less :		
Allowance for Impairment- Bank Balances	(231)	(153)
	7,323,476	4,839,915

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	3,968,807	2,290,368
Non-Current	3,354,900	2,549,700
	7,323,707	4,840,068

15b Due from Banks & Other Financial Institutions:

	30 June 2025 Birr'000	30 June 2024 Birr'000
ATM Settlement-Off Us	33,735	255,951
Cheque Clearance-Outward	6,449	2,655
Foreign Currency Receivable	709,999	191,831
Mobile Fund Transfer-Off Us	116,486	486,950
	866,669	937,387



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	30 June 2025 Birr'000	30 June 2024 Birr'000
15c Restricted Fund Balance	3,354,900	2,549,700

The restricted fund balance represents 7% of deposit balance maintained with National Bank of Ethiopia.

16 Loans and Advances

16a Loans and advances to customers

	30 June 2025 Birr'000	30 June 2024 Birr'000
Agriculture	130,128	152,534
Building and construction	6,303,311	5,640,130
Domestic trade and services	6,213,821	6,272,772
Export	1,195,655	1,426,388
Hotel and Tourism	398,571	410,348
Health and Education Service	672,637	245,060
Import	3,095,892	1,897,053
Manufacturing	4,237,549	2,822,610
Merchandise Loans	11,007	135,205
Overdrafts	4,176,372	3,651,249
Personal loan	3,647,405	3,545,679
Pre-Shipment	2,686,914	994,823
Staff loan	2,763,940	3,196,297
Transport	440,739	428,342
Gross amount	35,973,941	30,818,490
Less: Impairment allowance		
Collective impairment		
Stage 1	(200,841)	(219,151)
Stage 2	(1,140)	(1,357)
Stage 3	(695,042)	(699,042)
	35,076,919	29,898,940
Less :		
Interest in suspense	(120,292)	(84,462)
Staff Loan Market Interest Adjustment	(428,642)	(612,223)
Net Loan Balance	34,527,985	29,202,255

Maturity analysis

	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	11,151,922	9,553,732
Non-Current	24,822,019	21,264,758
	35,973,941	30,818,490



16b Impairment Allowance for Loans and Advances

IFRS 9 key guidance on segmentation

(IFRS 9 B5.5.5) For the purpose of determining significant increases in credit risk and recognizing a loss allowance on a collective basis, an entity can group financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

In addition, common considerations that a Bank may consider before selection of a segmentation criteria include, but are not limited to:

- Customer grading methodologies and whether this is reflective of the proposed segmentation criteria;
- How a Bank sets portfolio credit concentration limits;
- Management's experience with regards to historical default trends;
- Regulatory guidance on credit reporting; and
- Financial statement disclosures and current credit reporting structures.

Based on the above facts the bank recognize the loss allowance by segmenting its portfolios into the following clusters:

- 1) Agriculture
- 2) Construction and Building (Including Hotel and Tourism)
- 3) Domestic Trade and Services (Including Transport and Communication, Health & Education Service)
- 4) Export and Imports
- 5) Manufacturing
- 6) Personal Loans (Including Staff Loans and Diaspora Loans)

A reconciliation of the allowance for impairment losses for loans and advances by class, is as follows:

<i>Collective allowance for impairment</i>	As at 30 June 2024 Birr'000	Charge for the year Birr'000	30 June 2025 Birr'000
Allowance For Impairment - Agriculture	(794)	(324)	(1,118)
Allowance For Loan Impairment - Building And Construction	(584,161)	41,190	(542,971)
Allowance For Loan Impairment - DTS	(118,830)	(24,137)	(142,967)
Allowance For Loan Impairment - Export and Imports	(35,186)	7,521	(27,665)
Allowance For Loan Impairment - Manufacturing	(7,909)	1,334	(6,575)
Allowance For Loan Impairment - Personal	(15,293)	(1,147)	(16,440)
Allowance For Loan Impairment - merchandise loans	(779)	712	(67)
Allowance For Loan Impairment - Preshipment loans	(54,252)	(11,024)	(65,276)
Allowance For Loan Impairment - Overdrafts	(102,324)	8,381	(93,943)
Allowance For Loan Impairment - Emergency staff loans	(23)	23	-
Total - Collective Impairment	(919,551)	22,529	(897,022)



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<i>Collective allowance for impairment</i>	As at 30 June 2023 Birr'000	Charge for the year Birr'000	30 June 2024 Birr'000
Allowance For Impairment - Agriculture	(661)	(133)	(794)
Allowance For Loan Impairment - Building And Construction	(630,992)	46,831	(584,161)
Allowance For Loan Impairment - DTS	(164,711)	45,881	(118,830)
Allowance For Loan Impairment - Export and Imports	(118,486)	83,300	(35,186)
Allowance For Loan Impairment - Manufacturing	(4,832)	(3,077)	(7,909)
Allowance For Loan Impairment - Personal	(6,695)	(8,598)	(15,293)
Allowance For Loan Impairment - merchandise loans	(177)	(602)	(779)
Allowance For Loan Impairment - Preshipment loans	(49,245)	(5,007)	(54,252)
Allowance For Loan Impairment - Overdrafts	(87,939)	(14,385)	(102,324)
Allowance For Loan Impairment - Emergency staff loans	(18)	(5)	(23)
Total - Collective Impairment	(1,063,756)	144,205	(919,551)

17 Investment Securities

17a Financial Assets at amortized cost:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Bonds and Bills	6,349,118	3,604,450
Less:		
Allowance for impairment - Bills & Bonds	(317)	(180)
Net Bond and Bills	6,348,801	3,604,270

17b Financial Assets at FVTOCI:

Equity Investments	142,663	98,154
Fair Value Adjustment – Equity Investments	465,386	361,998
Net Equity Investments	608,049	460,152

<i>Maturity analysis</i>	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	6,348,801	3,604,270
Non-Current	608,049	460,152
	6,956,850	4,064,422

The Bank holds equity investments in Ethswitch S.C, Berhan Insurance S.C., Premier Switch Solution S.C and Debo Micro Finance S.C. The percentage shareholding for each equity investments is summarized as follows:



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30 June 2025 Birr'000	Number of shares	% owned as per the Bank	Amount invested in '000	Fair Value as per IFRS 9
Ethswitch S.C.	100,000	3.90%	100,000	525,268.71
Berhan Insurance S.C.	26,449	5.00%	26,449	44,081.46
Premier Switch Solution S.C	11,531	3.28%	11,531	31,303.60
Debo Micro Finance S.C.	4,683	4.68%	4,683	7,395.30
Total Equity Investments				608,049

30 June 2024 Birr'000	Number of shares	% owned as per the Bank	Amount invested in '000	Fair Value as per IFRS 9
Ethswitch S.C.	68,379	3.88%	68,379	388,979.80
Berhan Insurance S.C.	18,259	5.40%	18,259	26,033.43
Premier Switch Solution S.C	9,849	4.08%	9,849	43,620.42
Debo Micro Finance S.C.	1,667	2.19%	1,667	1,518.09
Total Equity Investments				460,152

18 Other assets

	30 June 2025 Birr'000	30 June 2024 Birr'000
Financial assets		
Other Receivables	2,523,877	1,062,305
	2,523,877	1,062,305
Non-financial assets		
Prepayments	103,182	61,139
Prepaid Staff Benefits	558,822	721,510
	662,004	782,649
Gross amount	3,185,881	1,844,954
Less :		
Impairment allowance for Other assets	288,584	294,259
Net amount	2,897,297	1,550,695

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	869,189	465,209
Non-Current	2,028,108	1,085,487
	2,897,297	1,550,695

18a Impairment Allowance on Other Assets

A reconciliation of the allowance for impairment losses for other assets is as follows:



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	30 June 2025 Birr'000	30 June 2024 Birr'000
Balance at the beginning of the year	294,259	217,235
Write off during the year	(20,426)	-
(Reversal)/charge for the year	14,750	77,024
Balance at the end of the year	288,584	294,259

18b Inventory

A breakdown of the items included within inventory is as follows:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Sandry materials	31,011	49,178
Check books	8,220	9,469
Stationary	15,594	19,232
Printed materials	60,438	73,619
Draft and CPO	1,107	1,143
Revenue stamp	80	67
Gross amount	116,450	152,708
Less:		
Allowance for Inventory Write-Down	(344)	(664)
	116,106	152,044

18c Non-Current Assets Held for Sale

	30 June 2025 Birr'000	30 June 2024 Birr'000
Assets Held for Sale	238,381	215,181
Less:		
Allowance for Impairment Assets Held for Sale	(710)	(540)
	237,671	214,641

The non-current assets held for sale comprises repossessed collaterals. The buildings are not impaired while the vehicles showed decrease in value as indicated by the fair value assessment.

19 IFRS 16 – Leases

The Bank leases a number of branch and office premises. The leases typically run for a period of 5 to 10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

For short-term and/or leases of low-value items, the Bank has elected not to recognise right-of-use assets and lease liabilities for these leases.



Most leases of office premises contain extension options exercisable by the Bank before the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

i) Right-of-use asset

	Land Birr'000	Buildings Birr'000	Total Birr'000
Cost:			
As at 01 July 2024	153,379	2,036,557	2,189,936
Additions	65,987	344,904	410,890
Disposals	(2,488)	(67,216)	(69,704)
As at 30 June 2025	216,878	2,314,244	2,531,122
Accumulated amortization			
As at 01 July 2024	11,573	1,013,343	1,024,916
Charge for the year	6,504	337,423	343,927
Disposals	(401)	(40,228)	(40,629)
As at 30 June 2025	17,676	1,310,537	1,328,213

ii) Lease Liabilities

	Land Birr'000	Buildings Birr'000	Total Birr'000
As at 01 July 2024	92,553	416,292	508,846
Additions	-	126,854	126,854
Interest Expense	10,300	35,480	45,780
Payment	(3,326)	(75,222)	(78,549)
Adjustment	-	(29,899)	(29,899)
As at 30 June 2025	99,527	473,505	573,032

The bank reclassified Right of use asset and amortization of ROU previously included in Property, Plant and Equipment (PPE) and Depreciation of property and equipment as a separate item to better reflect the nature of those assets. Comparative amounts have been reclassified to conform to the current year's presentation. This change had no impact on previously reported Profit or equity.



20 Intangible Assets

	Computer software Birr'000
Cost:	
As at 1 July 2023	25,098
Acquisitions	-
Disposal	-
As at 30 June 2024	25,098
As at 1 July 2024	25,098
Acquisitions	25,835
Disposal	-
As at 30 June 2025	50,933
Accumulated amortisation and impairment losses	
As at 1 July 2023	16,263
Amortisation for the year	3,784
Impairment losses	-
As at 30 June 2024	20,046
As at 1 July 2024	20,046
Amortisation for the year	4,165
Impairment losses	-
As at 30 June 2025	24,211
Net book value	
As at 30 June 2024	5,052
As at 30 June 2025	26,722

21 Property and equipment

	Buildings	Motor vehicles	Office and other equipment	Furniture and fittings	Computer and accessories	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost:						
As at 01 July 2023	70,614	501,258	473,085	322,124	273,532	1,640,614
Additions	-	-	132,633	49,754	77,853	260,240
Disposals	(12,950)	(50,791)	(12,908)	(5,783)	(6,074)	(88,508)
Reclassification	-	-	-	-	-	-
As at 30 June 2024	57,664	450,466	592,809	366,096	345,311	1,812,346
Accumulated amortisation and impairment losses						
As at 01 July 2023	4,222	78,666	173,004	82,814	97,241	435,947
Charge for the year	643	22,797	29,909	9,219	16,858	79,426
Impairment Loss	-	-	(16)	(55)	30	(42)
Disposals	(940)	(24,557)	(10,092)	(3,262)	(4,508)	(43,360)
As at 30 June 2024	3,925	76,905	192,804	88,715	109,621	471,970



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As at 01 July 2024	57,664	450,466	592,809	366,096	345,311	1,812,346
Additions	28,214	61,023	21,633	13,765	107,239	231,874
Disposals	-	(33,531)	(4,975)	(3,014)	(5,397)	(46,917)
Reclassification	-	-	-	-	-	-
As at 30 June 2025	85,878	477,959	609,467	376,847	447,153	1,997,303
Accumulated amortisation and impairment losses						
As at 01 July 2024	3,925	76,905	192,804	88,715	109,621	471,970
Charge for the year	794	21,753	36,451	12,787	26,204	97,988
Impairment Loss	-	-	2	74	123	200
Disposals	-	(12,603)	(3,040)	(1,312)	(4,175)	(21,130)
As at 30 June 2025	4,719	86,055	226,217	100,265	131,773	549,029
Net book value						
As at 30 June 2024	53,739	373,561	400,006	277,380	235,690	1,340,376
As at 30 June 2025	81,160	391,903	383,250	276,582	315,380	1,448,274

The gross carrying amount of fully depreciated still in use are as follows:

	Motor vehicles	Office and other equipment	Furniture and fittings	Computer and accessories
As at 30 June 2025	1,972	677	663.7	250.13
As at 30 June 2024	4,145	712	747.3	296.89

22 Liabilities

22a Due to Banks & Other Institutions

	30 June 2025 Birr'000	30 June 2024 Birr'000
Cheque Clearance-Inward	7,067	7,905
ATM Settlement-On Us	177,375	103,839
Mobile Fund Transfer-On Us	102,906	466,274
	287,348	578,018

22b Deposits from Customers

	30 June 2025 Birr'000	30 June 2024 Birr'000
Demand deposits	13,248,870	12,078,453
Savings deposits	27,399,146	20,979,921
Time deposits	3,806,003	3,793,819
	44,454,019	36,852,193



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	30 June 2025 Birr'000	30 June 2024 Birr'000
Margins held on letters of credit	1,508,336	567,992

22c Other Liabilities

	30 June 2025 Birr'000	30 June 2024 Birr'000
Financial Liabilities		
Banking instruments payables	98,059	71,754
Unearned Income	96,525	72,370
Lease liability	573,032	508,846
Total Financial Liabilities	767,616	652,970
Non-Financial Liabilities		
Tax and Other Obligations	98,225	54,474
Sundry payables	2,326,848	362,468
Total Non-Financial Liabilities	2,425,073	416,942
Total Financial and Non-Financial Liabilities	3,192,689	1,069,912

Breakdown of Tax and Other Obligations:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Employer Pension Cont	7,159	6,533
Income Tax Payable	24,739	21,760
Stamp Duty Charges	4,501	12,798
Income Tax on Savings Interest	7,315	6,651
Withholding Tax-Local	1,110	1,392
Value Added Tax-Vat Payable	46,369	589
Withholding Tax -Technical Service-Abroad	1,016	101
Cost Sharing Expense Payable	3	9
Reverse Taxation Payable	1,016	512
Employee Pension Cont	4,487	4,129
Share Premium Tax Payable	510	-
	98,225	54,474

22d Provisions

	30 June 2025 Birr'000	30 June 2024 Birr'000
Leave Pay	85,208	75,876
Bonus Payable	215,853	174,151
	301,061	250,027



22e Retirement Benefit Obligations

		30 June 2025 Birr'000	30 June 2024 Birr'000
Defined benefits liabilities:			
Severance pay	Note 22 (f)	194,200	136,485
Liability in the statement of financial position		194,200	136,485
Income statement charge included in personnel expenses:			
Severance costs	Note 22(f)	42,002	34,772
Total defined benefit expenses		42,002	34,772
Remeasurements for:			
Remeasurement gains/(losses)	Note 22(f)	(30,528)	(12,944)
		(30,528)	(12,944)

The income statement charge included within personnel expenses includes current service cost, interest cost, past service costs on the defined benefit schemes.

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	16,377	16,378
Non-Current	177,823	120,107
	194,200	136,485

22f Severance Pay

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

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
A Liability recognised in the financial position	194,200	136,485



	30 June 2025 Birr'000	30 June 2024 Birr'000
B Amount recognised in the profit or loss		
Current service cost	15,050	12,557
Interest cost	26,952	22,215
	<u>42,002</u>	<u>34,772</u>

22g Retirement Benefit Obligations (Contd)

Amount recognised in other comprehensive income:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Actuarial (Gains)/Losses on economic assumptions	4,407.00	4,148.00
Actuarial (Gains)/Losses on experience	<u>30,528</u>	<u>12,944</u>

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
(Liability)/Asset at beginning of period	136,485	101,795
(Expense)/Income recognised in OCI	4,407	4,148
(Expense)/Income recognised in Profit and Loss	42,002	34,772
Remeasurement (gains)/ losses	26,121	8,796
Benefits paid	-14,815	-13,026
At the end of the year	<u>194,200</u>	<u>136,485</u>

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2025 Birr'000	30 June 2024 Birr'000
Discount rate (p.a)	14.40%	18.70%
Inflation Rate	12.20%	14.30%
Long term salary Increase rate (p.a)	14.20%	16.30%

ii) Pre-retirement Mortality

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

In determining an appropriate mortality table to use for the valuations, we have used the same approach as for the previous valuation, by considering the mortality rates published in Demographic and Health Survey ("DHS") 2016 report compiled by the CSA. The DHS report



provides male and female mortality rates for 5-year age bands from age 15 to age 49. Since the rates are provided in 5-year bands, we have used the rates provided per band as the mortality rate for the age in the middle of each band, and interpolated linearly for rates in between these ages.

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

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

22h Retirement Benefit Obligations (Contd)

iii) Withdrawal from Service

The withdrawal rates are as summarised below:

Age	Resignation rates per annum
20	15.00%
25	12.50%
30	10.00%
35	7.50%
40	5.00%
45	2.50%
50+	0.00%

23 Ordinary Share Capital

	30 June 2025 Birr'000	30 June 2024 Birr'000
Authorised:		
Ordinary shares of Birr 1,000 each	4,286,885	3,447,898
Issued and fully paid:		
Ordinary shares of Birr 1,000 each	4,286,885	3,447,898
Share Premium (Net of tax)	18,628	16,372



As at 30 June 2025, the authorised share capital of the Bank comprised of 4,286,885 ordinary shares with a par value of Birr 1000. Issued and fully paid ordinary shares, which have a par value of Birr 1000, carry one vote per share and carry a right to dividend.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at General Meetings of the Bank.

24 Retained Earnings

	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the year	681,088	196,394
Profit / (loss) for the year	2,095,559	1,188,212
Transfer to legal reserve	(523,890)	(297,053)
Dividend provided for / paid	(681,088)	(196,394)
Director's Share of Profit	(1,650)	-
Prior Period Tax Expense	-	(9,154)
Transfer to Regulatory Risk Reserve	(524,184)	(213,470)
Transfer from Regulatory Risk Reserve	-	12,553
At the end of the year	1,045,836	681,088

25 Legal Reserve

	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the year	1,153,737	856,684
Transfer from profit or loss	523,890	297,053
At the end of the year	1,677,626	1,153,737

The NBE Directive No. SBB/4/95 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.

26 Other Reserves:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Other comprehensive income :		
Remeasurement Gain or Loss on Defined Benefit Plans	(82,446)	(51,918)
Movement in fair value reserve-equity instruments	465,386	361,998
	382,940	310,080



Income tax relating to Other comprehensive income :		
Remeasurement Gain or Loss on Defined Benefit Plans	(24,734)	(15,575)
	-24,734	-15,575

Net Other comprehensive income :		
Remeasurement Gain or Loss on Defined Benefit Plans	(57,712)	(36,343)
	(57,712)	(36,343)

Income tax relating to Other comprehensive income :		
Movement in fair value reserve-equity instruments	139,616	108,599
	139,616	108,599

Net Other comprehensive income :		
Movement in fair value reserve (equity instruments)	325,770	253,399
	325,770	253,399

27 Regulatory Risk Reserves:

	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the Year	604,020	403,104
Transfer from/to Retained Earning-Loan Provision	106,129	72,097
Transfer from/to Retained Earning-Receiveable Provision	15,935	141,373
Transfer from/to Retained Earning-Off balance sheet	360,371	-
Net regulatory risk reserve-Suspended Interest	41,749	(12,553)
At the end of the Year	1,128,204	604,020

The Regulatory risk reserve is a non-distributable reserves required by the regulations of the National Bank of Ethiopia to be kept for impairment losses on loans and receivables in excess of IFRS charge as derived using the Expected Credit Loss Model.

Where the loan loss impairment determined using the National Bank of Ethiopia guidelines is higher than the loan loss impairment determined using the Expected Credit Loss Model under IFRS, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the Bank.

Where the loan loss impairment determined using the National Bank of Ethiopia guidelines is lower than the loan loss impairment determined using the Expected Credit Loss Model under IFRS, the difference is transferred from regulatory risk reserve to retained earnings to the extent of the non-distributable reserve previously recognized.



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In addition 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.

28 Earnings per Share

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
Net profit attributable to ordinary equity holders		2,095,559	1,188,212
Weighted average number of ordinary shares		3,831,194	3,391,670
Basic Earnings per share of Birr 1,000		546.97	350.33
Retained earnings balance available for distribution to ordinary equity holders	27	1,045,836	681,088
Weighted average number of ordinary shares		3,831,194	3,391,670
Net Basic Earnings per share of Birr 1,000		272.98	200.81

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

The net Basic earnings per share is calculated after deducting legal reserve and regulatory reserves from the net profit for the year and dividing it by the weighted average number of ordinary shares outstanding during the year.

29 Related Party Transactions

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

There are companies which are related to Berhan Bank through common shareholdings or common directorships.

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

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



29a Loans and Advances

	30 June 2025 Birr'000	30 June 2024 Birr'000
Companies associated with directors		
At the beginning of the year	244,471	239,125
Net movement during the year	(238,355)	5,346
At the end of the year	6,116	244,471
Guarantees and letters of credit to companies associated with directors	-	-

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
Directors and key management personnel		
At the beginning of the year	97,055	83,411
Net movement during the year	14,310	13,644
At the end of the year	111,365	97,055
Guarantees and letters of credit to directors	-	-

These loans and advances are performing and are adequately secured.

29b Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management is shown. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2025.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Salaries and other short-term employee benefits	81,193	44,371
Post-employment benefits	-	-
Termination benefits	-	-
Sitting allowance	4,569	3,146
Other expenses	159.65	58
	85,921	47,575



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

29c Directors and Employees

i) The average number of persons (excluding directors) employed by the Bank during the year was as follows:

	30 June 2025 In Number	30 June 2024 In Number
Professionals and High Level Supervisors	27	24
Clerical	53	321
Non-Clerical	2	64
	82	409

ii) The table below shows the number of employees (excluding directors), who earned over Birr 25,000 as emoluments in the year and were within the bands stated.

	30 June 2025 In Number	30 June 2024 In Number
25,000 - 40,000	716	539
40,001 - 60,000	259	276
60,001 - 100,000	222	123
Above 100,000	19	6
	1,216	944

30 Contingent Liabilities

30a Claims and litigation

The Bank is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The maximum outflow and inflow of exposure of the Bank to these legal cases as at 30 June 2025 is Birr 327.4 million and 182mill respectively. Appropriate Provision has been held in the financial statements. In addition, the bank has claimed by the tax authority related to dividend tax and the bank appeal to the Federal High Court and the maximum exposure of the bank is 194.5mill.

Claims by the bank

The bank has instituted suits against third parties arising from the normal course of business. There is no possible claim arising from settlement of these cases as at 30 June 2025.

30b Contingent liabilities and commitments

The Bank conducts business involving performance bonds and guarantees. These instruments are given as a security to support the performance of a customer to third parties. As the Bank will only



be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

The table below summarises the fair value amount of contingent liabilities for the account of customers:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Guarantees issued and outstanding	13,223,743	6,644,301
Commitments on letter of credit net of margin paid	1,939,037	100,495
Loans approved but not disbursed	310,000	250,000
	15,472,780	6,994,796

31 Commitments

The Bank has commitments, not provided for in these financial statements, as of 30 June 2025 Birr 115 million (30 June 2024: Birr 78.5 million) for purchase of various capital items.

32 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Bank as at 30 June 2025 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

