12. Reviewed Interim Financial Statements for the period ended December 31,2025.

ENAT BANK S.C

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

31 DECEMBER 2025

ቲኤም.ኤስ.ፐላስ ኦዲት አገልግሎት
ኃ/የተ/የሽርክና ማህበር
የተመሰከረላቸው ሂሳብ አዋቂዎች (ዩኬ)
የተፈቀደላቸው ኦዲተሮች (ኢትዮጵያ)
ስ.ቁ. 0116180638/ 0118961751/52
ፋክስ 011 6621260/70
ፓ.ሳ.ቁ. 110690
አዲስ አበባ ኢትዮጵያ

TMS PLUS Audit Service
Limited Liability Partnership
Chartered Certified Accountant (UK)
Authorized Auditors (Ethiopia)
Tel. 0118961752 Fax 011 662 1260/70
Mob. 0911229425/0930034356/57
P.O. Box – 110690 e-mail tmsplus@ethionet.et
Addis Ababa-Ethiopia

Enat Bank Share Company
Interim financial statements
For the month ended 31 December 2025

Contents

	Pages

TMS Plus

TMS Plus Audit Service Limited Liability Partnership

Tel. 251-011-8961752 /011 6180638 Mob. 0911 229425 /0930 034356/0930 034357 Fax: 251-011 662 12 70/60
E-mail:- tafessef@gmail.com / tafessef@hotmail.com P.O.Box 110690 Addis Ababa - Ethiopia

Report on Review of Interim Financial Information

To Shareholders of Enat Bank S.C.

Introduction

We have reviewed the accompanying interim financial information of Enat Bank, which comprise the interim statement of financial Position as at 31 December 2025, and the related interim statements of Profit or loss and other comprehensive income, change in equity, and cash flow for the six months period then ended 31 December 2025 and a summary of significant accounting policy and selected explanatory notes.Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial reporting standards(IFRS) and directives issued by the Ethiopian Capital Market Authority.Our responsibiltiy is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conduct our review in accordance with International Standards on Review Engagements(ISRE)2410.Review of interim Financial Information Parpared by the Independent Auditor of the Entity.A review of interim financial Information consists of making inquiries, primarily of persons responsible for finacial and accounting matters and applying analytical and other review procedures. A review is substanially less in scope than an audit conducted in accordance with international standards on Auditing(ISA),and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. accordingly, we do not express an audit opinion.

Basis of Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Enat Bank S.C. as at 31 December 2025, and its financial performance and cash flows for the six-month period then ended in accordance with IAS 34, Interim Financial Reporting, and the relevant directives of the National Bank of Ethiopia.

Emphasis of Matter

We draw attention to Note 4 to the interim financial information, which describes the significant judgment exercised by management in measuring expected credit losses (ECL) on loans and advances and other financial assets in accordance with IFRS 9, Financial Instruments. The determination of ECL involves a high degree of estimation uncertainty and judgment, including in assessing significant increases in credit risk, incorporating forward-looking macroeconomic information, and estimating probability of default, loss given default, and exposure at default parameters. Our conclusion is not modified in respect of this matter.

Responsibilities of Management

Preparing and fairly presenting the interim financial statements in accordance with IFRS and regulatory directives.Ensuring compliance with directives issued by the national bank of Ethiopia.

Auditor's Responsibilty

Our responsibility is to express a conclusion on the interim financial statements based on review. We conducted our review in accordance with ISRE 2410, which requires us to conclude whether anything has come to our attention that causes us to believe that interim financial statments are not prepared in all material repects in accordance with the applicable financial reporting framework.

Report on Other Legal and regulatory requiremnts

In accordance with the Banking Business Proclamation No. 1360/2025 and the relevant directives issued by the National Bank of Ethiopia (NBE), and based on the procedures performed in connection with our review, nothing has come to our attention that causes us to believe that Enat Bank S.C. has not complied with the applicable banking business proclamation and NBE directives in all material respects during the interim period ended 31 December 2025.

Tms plus LLP

TMS Plus Audit Service Limited Liability Partnership
Chartered Certified Accountants(UK)
Authorized Auditors(Eth.)

Addis Ababa
29 June 2026

Enat Bank Share Company
IFRS Financial Statements
For the period ended 31 December 2025
Statement of profit or loss and other comprehensive income

	Notes	31 December 2025 Birr'000	31-Dec-24 Birr"000
Interest income	5	2,598,653	1,752,889
Interest expense	6	(1,940,864)	(1,183,725)
Net interest income		**657,789**	**569,164**
Fee and commission income	7	516,592	229,850
Fee and commission expense	7	-	
Net fees and commission income		**516,592**	**229,850**
Net Gain on Foregn Exchange	8	158,891	1,149,929
Other operating income	8	414,473	197,976
Total operating income		**1,747,745**	**2,146,919**
Loan impairment reversal	9	8,419	(51,093)
Impairment losses on other assets	10	(36,201)	(27,372)
Net operating income		**1,719,964**	**2,068,453**
Personnel expenses	11	(659,037)	(568,147)
Amortization and impairment	18	(5,179)	(13,936)
Depreciation and impairment of property, plant and equipment	20	(56,043)	(49,203)
Other operating expenses	12	(497,303)	(1,147,625)
Profit before tax		**502,402**	**289,543**
Income tax expense	13a	(131,049)	(50,174)
Profit after tax		**371,353**	**239,369**
Other comprehensive income (OCI) net on income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	25b	248	
Deferred tax (liability)/asset on remeasurement gain or loss	13e	(74)	
Remeasurement gain / (loss) on fair value of investment	16a	54,990	
Deferred tax (liability)/ asset on remeasurement of investment	13e	(16,497)	
		38,667	
Total comprehensive income for the period		**410,020**	**239,369**
Basic and Diluted earnings per share	26	**82**	**221**

The notes on pages 7 to 64 are an integral part of these financial statements.

Enat Bank Share Company
IFRS Financial Statements
As at 31 December 2025
Statement of financial position

	Notes	31 December 2025 Birr'000	30 June 2025 Birr'000
ASSETS			
Cash and Cash Eqiuvalents	14	5,892,017	5,229,286
Loans and receivables	15	25,362,103	20,535,466
Investment securities:			
-Fair value through other comprehensive income	16 a	333,232	256,993
-Amortized cost	16 b	2,521,563	2,337,816
Other assets	17	10,416,958	6,350,631
Intangible assets	18	38,565	35,423
Property, plant and equipment	20	795,332	684,634
Construction in progress	19	-	50,928
The right of use asset	21	794,272	805,334
Assets held for sale	22	70,565	70,565
Total assets		**46,224,606**	**36,357,076**
LIABILITIES			
Deposits from customers(Conv.)	23 a	34,026,228	28,006,976
Interest Free Banking Deposit	23 b	489,610	261,101
Current tax liabilities	13b	125,687	146,245
Other liabilities	24	3,953,837	2,346,645
Retirement benefit obligations	25	112,485	100,270
Deferred tax liabilities	13d	73,100	51,239
Total liabilities		**38,780,947**	**30,912,476**
EQUITY			
Share capital	26	5,723,534	3,805,137
Retained earnings	27	210,811	327,708
Legal reserve	28	887,560	794,722
Regulatory risk reserve	29	426,311	368,615
Special reserve	30	55,756	47,399
Other reserves		139,687	101,020
Total equity		**7,443,659**	**5,444,600**
Total equity and liabilities		**46,224,606**	**36,357,076**

The notes on pages 7 to 64 are an integral part of these financial statements.

The financial statements on pages 7 to 64 were approved and authorized for issue by the board of directors on 31 December 2025 and were signed on its behalf by:

Aster Solomon
Board Chairperson

Ermias Andargie
President

Statement of changes in equity

	Notes	Share capital Birr'000	Retained earnings Birr'000	Other reserves Birr'000	Legal reserve Birr'000	Regulatory risk reserve Birr'000	Special reserve Birr'000	Total Birr'000
As at 30 January 1, 2024		3,004,936	373,054	56,749	479,347	100,677	29,251	4,212,626
Profit for the period			555,198					555,198
Other comprehensive income:								-
Fair Value Measurements of Equity investments				14,026				14,026
on retirement benefits obligations				(7,460)				(7,460)
Contribution of equity net of transaction costs		800,201						800,201
Dividend paid for share holders			(361,862)					(361,862)
Transfer to legal reserve			(138,800)		138,800			-
Transfer to regulatory risk reserve			(95,556)			95,556		-
Transfer to special reserve			(11,192)				11,192	-
Transfer to Loan loss Provision						(27,987)		(27,987)
Dividend tax paid - special reserve							(1,119)	(1,119)
Directors share from the profit			(1,650)					(1,650)
Collateral settlement							(533)	(533)
Total comprehensive income for the period		800,201	(53,861)	6,566	138,800	67,569	9,539	968,812
As at 31 December 2024		3,805,137	319,193	63,315	618,147	168,246	38,790	5,181,438
As at 1 January 2025		3,805,137	327,708	101,020	794,722	368,615	47,399	5,444,600
Profit for the period			371,353					371,353
Fair Value Measurements of Equity investments				38,667			-	38,667
Remeasurement gain/(loss) on retirement benefits	25			-				-
Contribution of equity net of transaction costs	26	1,918,397						1,918,397
Dividend paid for share holders			(317,877)					(317,877)
Transfer to legal reserve	28		(92,838)		92,838.37			-
Transfer to regulatory risk reserve	29		(57,696)			57,696		-
Transfer to special reserve	30		(9,831)				9,831	-
opening balance difference			(10,008)					(10,008)
Dividend tax paid - special reserve	30						(1,475)	(1,475)
Directors share from the profit			-					-
Collateral settlement								-
Transferred to Impairment allowance						-		-
Transfer from regulatory reserve loan loss provision			-					-
Total comprehensive income for the period		1,918,397	(116,897)	38,667	92,838	57,696	8,357	1,999,058
As at 31 December 2025		5,723,534	210,811	139,687	887,560	426,311	55,756	7,443,659

The notes on pages 7 to 64 are an integral part of these financial statements.

Enat Bank Share Company
IFRS Financial Statements
For the period ended 31 December 2025
Statement of cash flows

	Notes	31 December 2025 Birr'000	31 December 2024 Birr'000
Cash flows from operating activities			
Cash generated from operations	31	(408,376)	2,843,026
Withholding tax paid			
Income tax paid	13c	(146,245)	(144,160)
Net cash (outflow)/inflow from operating activities		**(554,620)**	**2,698,866**
Cash flows from investing activities			
Purchase of investment securities	16b	(204,996)	(620,517)
Construction in progress	20	(3,955)	(6,335)
Purchase of intangible assets	18	(8,321)	(61,158)
Purchase of property, plant and equipment	20	(166,802)	(261,792)
Acquired asset-held for sale	22	(0)	(59,174)
Proceeds from the Disposal of PPE		904	
Net cash (outflow)/inflow from investing activities		**(383,170)**	**(1,008,976)**
Cash flows from financing activities			
Proceeds from issues of shares	26	1,918,397	418,695
Dividend paid	27	(317,877)	(67,754)
Directors profit share paid	27		(1,650)
Transferred to Special reserve			(9,576)
Net cash (outflow)/inflow from financing activities		**1,600,520**	**339,716**
Net increase/(decrease) in cash and cash equivalents		**662,730**	**2,029,606**
Cash and cash equivalents at the beginning of the year	14	5,229,286	3,877,766
Foreign exchange (losses)/ gains on cash and cash equivalents		-	1,149,929
Cash and cash equivalents at the end of the	14	**5,892,017**	**7,057,302**

The notes on pages 7 to 64 are an integral part of these financial statements.

1 General information

Enat Bank SC (" the Bank") is a private commercial Bank domiciled in Ethiopia. The Bank became operational on 5 March 2013 in accordance with the provisions of the Commercial code of Ethiopia of 2021 and the Licensing and Supervision of Banking Business Proclamation No. 1159/2019. The Bank registered office is at:

Enat Bank Share Company
Kirkos sub-city, Woreda 08, Around Bambiss Bridge
P O Box 18401
Addis Ababa, Ethiopia

The bank is involved in provision of banking services for all, with a special focus of faciltating greater access to and use of financial services for women, and creating values for shareholders. The bank's inclusive business model initiative involves women entrepreneurs in order to expand economic opportunities while creating value for Ethiopia's businesses, and society in general.

2 Summary of significant accounting policies

The bank is currently assessing the potential impact of new and revised standards, including IFRS S1 & S2 effective 1 January 2024 and IFRS 18 (effective 1 January 2027),which will be applicable in future reporting periods. At this stage, management doesnt expect a material impact on the financial statements;however the assessment is ongoing.

2.1 Introduction to 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.

2.2 Basis of preparation

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

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

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

- available-for-sale financial assets, certain classes of property, plant and equipment and investment property – measured at fair value
- assets held for sale – measured at fair value less cost of disposal, and
- defined benefit pension plans – plan assets measured at fair value.

All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).

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

2.2.1 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 6 months.

2.3 SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Financial assets and financial liabilities

a. Recognition and initial measurement

The Bank shall initially recognize loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) shall be recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability shall be measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

b. Classification and subsequent measurement

i) *Financial assets*

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

The Bank shall measure a financial asset at amortized 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.

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 amortized 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 amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (see 2.3).

- ***Business model assessment***

The Bank shall make an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

— the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

— how the performance of the portfolio is evaluated and reported to the Bank's management;

— the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

— how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

— the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis shall be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets shall not be reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

TMS Plus Audit Service • Limited Liability Partnership
TMS Plus

- *Assessment of whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' shall be defined as the fair value of the financial asset on initial recognition. 'Interest' shall be defined as the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

— contingent events that would change the amount and timing of cash flows;
— leverage features;
— prepayment and extension terms;
— terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
— Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

ii) *Financial liabilities*

The Bank shall classify its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized 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 amortization recognized in accordance with the revenue recognition policies.

c. 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 recognize loss allowances for expected credit losses (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
— Loan commitments issued.

No impairment loss shall be recognised on equity investments.
The Bank shall measure loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 6-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.

Loss allowances for lease receivables shall always be measured at an amount equal to lifetime ECL.

6-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 6 months after the reporting date. Financial instruments for which a 6-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL is 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'.

i) *Measurement of ECL*

ECL is a probability-weighted estimate of credit losses. It shall be measured as follows:

— for financial assets that are not credit-impaired at the reporting date (stage 1 and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);

— for financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;

— for 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

— For financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

ii) *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 derecognized 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.

iii) *Credit-impaired financial assets*

At each reporting date, the Bank shall assess whether financial assets carried at amortized cost, debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets').

A financial asset shall be considered 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

— significant financial difficulty of the borrower or issuer;
— a breach of contract such as a default or past due event;
— the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
— it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
— The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition shall be considered to be credit-impair 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.

iv) *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 amortized 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.

v) *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.

vi) *Non-integral financial guarantee contracts*

The Bank shall assess whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately.

Where the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset shall be treated as a transaction cost of acquiring it. The Bank shall consider the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

Where the Bank determines that the guarantee is not an integral element of the debt instrument, then it shall recognize an asset representing any prepayment of guarantee premium and a right to compensation for credit losses.

TMS Plus Audit Service
Limited Liability Partnership
TMS Plus

d. Derecognition

i) *Financial assets*

The Bank shall derecognize a financial asset when:

— The contractual right to the cash flows from the financial asset expires (see also (1.4)), 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

— 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 derecognized) 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 shall be recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI shall not be recognised in profit or loss on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank shall be recognised as a separate asset or liability.

ii) *Financial liabilities*

The Bank shall derecognize 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 derecognized (see 2.3) 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 maximize 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 amortized 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 recognizes 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 amortized over the remaining term of the modified financial asset.

TMS Plus Audit Service Limited Liability Partnership
TMS Plus

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 derecognize a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms shall be recognised at fair value. The difference between the carrying amount of the financial liability derecognized 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 amortized 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 amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

f. Offsetting

Financial assets and financial liabilities shall be offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses 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.

g. Designation at fair value through profit or loss

i) *Financial assets*

At initial recognition, the Bank may designate certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

ii) *Financial liabilities*

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

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

2.3.2 Net interest income

a. *Effective interest rate and amortized cost*

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

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

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

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

b. ***Amortized cost and gross carrying amount***

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

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

c. ***Calculation of interest income and expense***

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

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

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

d. ***Presentation***

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;

- interest on debt instruments measured at FVOCI calculated on an effective interest basis;

- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and

- The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

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

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

2.3.3 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 (Birr).

b) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Bank's functional currency are 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.

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

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

2.3.4 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 given for domestic trade and services, building and construction, manufacturing, agriculture and personal loans. Other incomes includes margins on letter of credits and performance gaurantees.

2.3.5 Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available– for–sale interest income or expense is recorded using the Effective Interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate (EIR), but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and Interest and similar expense for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.3.6 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income such as correspondent charges and estimation fees, are recognised as the related services are performed.

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

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

2.3.7 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.

2.3.8 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 spot rate of exchange at the reporting date. This amount is recognised in the income statement and it is further broken down into realised and unrealised portion.

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

2.3.9 Cash and cash equivalents

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

2.3.10 Property, plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Bank 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 group 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
Building	50	5% of cost
Computer and Hardwares	7	1% of Cost
Motor vehicles	10	5% of cost
Furniture and fittings		
Short-lived	5	1% of Cost
Medium -lived	10	1% of Cost
Other and office equiment		
Short-lived	5	1% of Cost
Medium -lived	10	1% of Cost
Long-	20	1% of Cost

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 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.

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

2.3.11 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.

Description	Years	Residual value
Software	6	Nil

2.3.12 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.
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 co-ordinated 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.

2.3.13 Impairment of non-financial assets

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

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

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

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

2.3.14 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.

The Bank's other receivables are rent receivables and other receivables from debtors.

2.3.15 Fair value measurement

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

- Disclosures for valuation methods, significant estimates and assumptions Notes 3 and Note 4.6.1
- Quantitative disclosures of fair value measurement hierarchy Note 4.6.2

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

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

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

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

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, 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 as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

TMS Plus Audit Service Limited Liability Partnership
TMS Plus

2.3.16 Employee benefits

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

(a) Defined contribution plan

The Bank operates two defined contribution plans;

i) pension scheme in line with the provisions of Ethiopian pension of private organisation employees 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 2% by only 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 liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

Past-service costs are recognised immediately in income.

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

(c) Termination benefits

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

(d) Profit-sharing and bonus plans

The Banks recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Bank recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.3.17 Provisions

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

2.3.18 Share capital

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

2.3.19 Legal reserve

The legal reserve which is a statutory reserve to which no less than 25% of the net profits after taxation shall be transferred each year until such fund is equal to the capital. When the legal reserve equals the capital of the bank , the amount to be transferred to the legal reserve account shall be 10% of the annual net profit.

2.3.20 IFRS 16 - Leases

It sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

It also elected to apply the practical expedient that allows entities to rely on its assessment of whether leases were onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

The effect of initially applying IFRS 16 is mainly attributed to:
_ an increase in non-current assets as obligations to make future payments under leases previously classified as an operating lease were recognized on the balance sheet, along with the corresponding asset: right-of-use asset.
_ Expenditure on operation has decreased and finance cost have increased, as operating lease costs have been replaced by depreciation and interest expense on lease liabilities.

The adoption of IFRS 16 requires the Bank to make a number of assumptions, estimations and judgments that includes:
_ lease liabilities were determined based on the value of the remaining lease payments, discounted by an appropriate incremental borrowing rate.
_ term of each arrengment was based on the original lease term.
_ The discount rate used to determine lease liabilities was the Bank's incremental borrowing rate. It was calculated based on observable inputs.

At the commencement date, the Bank recognized:
_ all leases as right right-of-use-asset at cost. Cost of right-of-use asset includes the amount of lease liability, lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to be incurred by the Bank in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

_ a lease liability at the present value of the lease payments that are not paid at that date. Present value of lease payments will be determined by discounting future lease payments at the interest rate implicit in the lease arrangement, if it is readily determined or at Bank's incremental borrowing rate.

After the commencement date, the Bank masures:
_ right-of-use assets using cost model, i.e. cost at initial recognition less accumulated depreciation (in line with IAS 16: Property, plant and Equipment) and accumulated impairment losses (in line with IAS 36: Impairment of Assets).
_ lease liability by increasing its carrying amount to reflect interest on the lease liability and by reducing its carrying amount to reflect lease payments made.
Interest incurred on lease liability will be recognized in the statement of profit and loss as a finance cost.

Determination of whether an arrangement is a lease, or contains a lease

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Bank as a lessor

Leases where the Bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Liability Partners

2.3.21 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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting 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 Significant accounting estimates and assumptions

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.

Other disclosures relating to the Bank's exposure to risks and uncertainties includes:
• Capital management Note 4.5
• Financial risk management and policies Note 4
• Sensitivity analyses disclosures Note 4.2.7

a) Estimates and assumptions

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

TMS Plus Audit Service Limited Liability Partnership

b) Impairment losses on loans and receivables

Regarding impairment of financial instruments the bank needs to do the detail presented in Note 2.3.1 of this financial statement.

3.1 *Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.6 for further disclosures.

3.2 *Depreciation and carrying value of property, plant and equipment*

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 *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Bank is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

In assessing whether there is any indication that an asset may be impaired, the Bank considers the following indications:

(i) External information

•there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.

•significant changes with an adverse effect on the Bank have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Bank operates or in the market to which an asset is dedicated.

•market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount

3.4 *Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

4 Financial risk management

4.1 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. 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.

4.1.1 Risk management structure

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Board has established the Loan Review and Risk sub-Committee, which are responsible for developing and monitoring Bank's risk management policies.

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

Risk management policies and systems are reviewed regularly to reflect changes in the regulation, market conditions, products and services offered. The Bank, through its training and procedures and policies for management, aims to develop a constructive control environment, in which all employees understand their roles and obligations.

The Bank's Board of Directors is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Board of Directors is assisted in these functions by the Risk and Compliance Department.

The Risk and Compliance Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Risk sub Committee.

4.1.2 Risk measurement and reporting systems

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

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

4.1.3 Risk mitigation

Risk controls and 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.

ENAT BANK S.C.

TMS Plus Audit Service Limited Liability Partnership

4.2 Credit risk

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

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

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

The National Bank of Ethiopia (NBE) sets credit risk limit for a single borrower, one related party and all related parties to not exceed 25% 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.

4.2.1 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments (December 31,2025) and available-for-sale debt assets (June 30,2025). 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	December 2025				Jun-25			
Loans and advances to customers at	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Stage 1 – Pa	22,439,036	-	-	22,439,036	19,174,028	-	-	19,174,028
Stage 2 – Special	-	2,127,935	-	2,127,935	-	1,012,630	-	1,012,630
Stage 3 - Non	-	-	1,049,956	1,049,956	-	-	612,053	612,053
Total gross exposure	**22,439,036**	**2,127,935**	**1,049,956**	**25,616,928**	**19,174,028**	**1,012,630**	**612,053**	20,798,710
Loss allowa	(173,640)	(8,920)	(72,264)	(254,824)	(186,142)	(18,704)	(58,398)	(263,244)
Net carrying	**22,265,396**	**2,119,015**	**977,692**	**25,362,103**	**18,987,886**	**993,926**	**553,655**	**20,535,466**

In Birr'000	Dec-25			Jun-25		
Other financial assets	Gross exposure	Loss allowance	Net carrying amount	Gross exposure	Loss allowance	Net carrying amount
Cash and balances	5,892,017		5,892,017	5,229,286	(315,875)	4,931,411
Investment securities (debt	2,854,795		2,854,795	2,594,809	(155,267)	2,439,542
Other receivables and	10,416,958	(36,201)	10,380,757	6,350,631	(7,456)	6,343,175
Totals	**19,163,770**	**(36,201)**	**19,127,569**	**14,174,726**	**(478,597)**	**13,714,128**

Credit Quality Analysis Disclosures for On Balance Sheet facilities.

Title	December 2025			
	6 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Normal	22,439,036	-	-	22,439,036
Watch	-	2,127,935	-	2,127,935
Non-Perforn	-	-	1,049,956	1,049,956
Total Exposure	**22,439,036**	**2,127,935**	**1,049,956**	25,616,928
Loss Allowa	(173,640)	(8,920)	(72,264)	(254,824)
Carrying A	**22,265,396**	**2,119,015**	**977,692**	**25,362,103**

TMS Plus Audit Service Limited Liability Partnership

4.2.2 Collateral held

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

Nature of security in respect of loans and receivables

31 December 2025	Secured against real estate	Bank guarantees	Equitable Mortgage	Shares	Others
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Agriculture	-	-	170,672	-	383,873
Construction	13,961	-	1,480,084	-	2,047,495
Domestic trade and services	35,871	-	4,068,737	8,108	4,301,009.23
Emergency staff loan	-	-		-	4,104
Export	50,573	-	2,325,048	5,109.18	1,169,635.87
Hotel and Tourism	-	-	84,939	-	-
Import	-	-	2,529,339	-	830,268.67
Industry	-	-	2,546,237	32,991.09	1,062,029.51
Personal	11,019	-	773,319	232.98	720,715.84
Staff Personal Loan	-	-	15,391	-	165,058
Staff residential loan	60,537	-	1,081,442	-	27,347
Staff vehicle loan	-	-	-		267,739
Transport	-	-	706,823	-	15,737,464.60
	171,961	-	**15,782,032**	46,441	26,716,740

4.2.3 ii) ***Investment securities designated as at FVTPL***

At 31 December 2025, the Bank had no exposure to credit risk of the investment securities designated as at FVTOCI

4.2.4 Amounts arising from ECL

i) ***Inputs, assumptions and techniques used for estimating impairment***

See accounting policy in **Note 2.3.1**

ii) ***Significant increase in credit risk***

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

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

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

iii) ***Credit risk grades***

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

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

a. **Term loan exposures**

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

— Data from credit reference agencies, press articles, changes in external credit ratings

— Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

— Internally collected data on customer behaviour – e.g. utilisation of credit card facilities

— Affordability metrics

b. **Overdraft exposures**

— Payment record – this includes overdue status as well as a range of variables about payment ratios

— Utilisation of the granted limit

— Requests for and granting of forbearance

— Existing and forecast changes in business, financial and economic conditions

i) ***Generating the term structure of PD***

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

ii) ***Determining whether credit risk has increased significantly***

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

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling:

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

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

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

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit- impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

iii) ***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.

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

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.

TMS Plus Audit Service • Limited Liability Partnership • TMS Plus

ENAT BANK S.C.

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.

In line with the expected, as well as experienced, Expected Credit Loss forward - looking volatility arising from the economic impact of the Covid 19 global crisis, the Bank has conducted, and overlaid, additional scenario analysis on the macroeconomic overlay model. This includes application of higher probability weights on the downside scenario, lower probability weights on the upside scenario, as well as stress tests on macroeconomic projections. The Bank continues to monitor the economic impact of Covid 19 on it's credit risk profile as well as forward - looking Expected Credit Loss estimates and shall update the same on it's IFRS 9 forward - looking estimates as and when significant changes in the overall macroeconomic environment are experienced.

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

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/Product
Agriculture, Personal loans and Staff loans
Domestic Trade & Services
Building & Construction and Manufacturing & Production
Export and Import

Scenario probability weightings

As at June	**2025**			**2024**		
Scenario	**Optimistic (upside)**	**Base**	**Downturn (downside)**	**Upside**	**Median/Central**	**Downside**
Cluster 1	7%	73%	20%	9%	91%	0%
Cluster 2	13%	73%	13%	0%	100%	0%
Cluster 3	13%	67%	20%	48%	52%	0%
Cluster 4	13%	67%	20%	9%	91%	0%

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 5 years.**

4.2.5 *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.

4.2.6 ***Measurement of ECL***

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

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

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

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

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

For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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.

TMS Plus Audit Service Limited Liability Partnership

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;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- Geographic location of the borrower.

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

4.2.7 Concentrations of credit risk

The Bank monitors concentrations of credit risk by economic sector. An analysis of concentrations of credit risk from loans and advances, loan commitments, financial guarantees and investment securities is shown below;

	Note	Amount Millions of ETB December 2025	Amount Millions of ETB June 30,2025
Carrying amount	15	25,362,103	20,535,466
Amount committed/guaranteed		25,616,928	20,798,710
Concentration by sector			
Agriculture		579,975	590,390
Industry		2,725,356	2,781,407
Construction		2,426,225	2,444,449
Domestic Trade and Services		4,359,945	4,041,496
Personal loans		1,897,919	803,234
Export		6,228,999	4,504,869
Import		2,577,236	1,937,468
Transportation		4,567,763	2,604,429
Emergency Staff Loan		2,220	2,864
Staff Residential Loan		236,905	829,507
Staff Vehicle Loan		14,385	184,421
Hotel and Tourism		(2)	74,177
		25,616,928	20,798,711

4.2.8 Offsetting financial assets and financial liabilities

The Bank does not offset financial assets against financial liabilities.

Net interest income

In millions	Dec-25	Dec-24
Interest income	2,598,653	1,766,329
Interest expense	(1,940,864)	(1,183,725)
Net interest income	**657,789**	**582,603.47**

4.3 Liquidity risk

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

Liquidity risk management in the Bank is solely determined by Asset and Liability 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.

4.3.1 Management of liquidity risk

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

The Bank has incurred indebtedness in the form of borrowings. The Bank evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Bank devises strategies to manage its liquidity risk.

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

4.3.2 Financing arrangements

The Bank has access to the following undrawn borrowing facilities at the end of the reporting period:

	31 December 2025 Birr'000	30 June 2025 Birr'000
Expiring within one year (borrowings)	2,400,000	
Expiring beyond one year (borrowings)	557,411	1,834,715
	2,957,411	1,834,715

4.3.3 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.

31 December 2025	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Deposits from customers	5,979,540	4,169,100	5,751,530	5,611,360	13,228,160
Debt securities issued	-	-	-	-	-
Borrowings	2,400,000	-	-	-	557,411
Other liabilities	274,842	1,386	10,782	1,775,723	53,929
Total financial liabilities	**8,654,382**	**4,170,486**	**5,762,312**	**7,387,083**	**13,839,500**

30 June 2025	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Deposits from customers	5,147,630	4,811,301	4,134,301	3,749,905	10,540,319
Debt securities issued	-	-	-	-	-
Borrowings	-	-	-	-	1,834,715
Other liabilities	274,842	1,386	10,782	1,775,723	53,929
Total financial liabilities	5,422,472	4,812,687	4,145,083	5,525,628	12,428,964

4.4 Market risk

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

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

4.4.1 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.

4.4.2 Management of market risk

Market risk is monitored by the risk management department on 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 and cash deposits.

31 December 2025	Fixed Birr'000	Floating Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	2,263,510		3,628,506	5,892,016
Loans and receivables	25,362,103	-	-	25,362,103
Total	27,625,613	-	3,628,506	31,254,119
Liabilities				
Deposits from customers	34,739,690	-	-	34,739,690
Debt securities issued	-	-	-	-
Other liabilities	2,674,073	-	-	2,674,073
Total	37,413,763	-	-	37,413,763

30 June 2025	Fixed Birr'000	Floating Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets				
Cash and balances with banks	2,315,509	766,486	2,147,291	5,229,286
Loans and receivables	20,548,782	-	-	20,548,782
Total	22,864,291	766,486	2,147,291	25,778,069
Liabilities				
Deposits from customers	28,383,455	-	-	28,383,455
Debt securities issued	-	-	-	-
Other liabilities	3,951,378	-	-	3,951,378
Total	32,334,833	-	-	32,334,833

(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 borrowings and cash and bank balances.

Foreign currency denominated balances

	31 December 2025 Birr'000	30 June 2025 Birr'000
Cash and bank balances	5,892,017	5,229,286
Deposit from customers	34,515,838	28,268,077
	40,407,855	**33,497,363**

4.5 Capital management

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

4.5.1 Capital adequacy ratio

According to the Licensing & Supervision of Banking Business Directive No SBB/50/2011 of the National Bank of Ethiopia, the Bank has to maintain 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. For this purpose capital base includes capital contribution, legal reserve and other reserves .

	31 December 2025 Birr'000	30 June 2025 Birr'000
Capital		
Capital contribution	5,723,534	3,805,137
Retained earnings	210,811	327,708
Legal reserve	887,560	794,722
	6,821,906	4,927,567
Regulatory Capital		
Capital contribution	5,723,534	3,805,137
Legal reserve	887,560	794,722
	6,611,095	4,599,859
Risk weighted assets		
Risk weighted balance for on-balance sheet items	38,108,900	28,543,230
Credit equivalents for off-balance sheet items	7,207,770	6,225,020
	45,316,670	34,768,250
Risk-weighted Capital Adequacy Ratio (CAR)	15%	13%
Minimum required capital	8%	8%
Excess	7%	5%

4.6 Fair value of financial assets and liabilities

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

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

4.6.1. 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 date and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4.6.2 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. The amounts are based on the values recognised in the statement of financial position.

	Carrying amount	Fair value
31 December 2025	**Birr'000**	**Birr'000**
Financial assets		
Cash and balances with banks	5,892,017	5,892,017
Loans and receivables	25,362,103	25,362,103
Investment securities	2,854,795	2,854,795
Total	**34,108,915**	**34,108,915**
Financial liabilities		
Deposits from customers	34,515,838	34,515,838
Debt securities issued	-	-
Borrowings	2,957,411	2,957,411
Other liabilities	3,953,837	3,953,837
Total	**41,427,086**	**41,427,086**

	Carrying amount	Fair value
30 June 2025	**Birr'000**	**Birr'000**
Financial assets		
Cash and balances with banks	5,229,286	5,229,286
Loans and receivables	20,535,466	20,535,466
Investment securities	2,594,809	2,594,809
Total	**28,359,561**	**28,359,561**
Financial liabilities		
Deposits from customers	28,268,077	28,268,077
Debt securities issued		-
Borrowings	1,834,715	1,834,715
Other liabilities	2,346,645	2,346,645
Total	32,449,437	32,449,437

	31 December 2025 Birr'000	31-Dec-24 Birr'000
5 Interest income		
Interest on term loans	1,741,071	1,096,170
Interest on import and export facilities	358,630	292,571
Interest on overdraft	290,815	195,590
Interest on deposits with domestic banks and NBE	102,511	86,018
Interest on NBE bills	102,450	77,931
Interest earned on correspondents	3,176	4,609
	2,598,653	**1,752,889**

	31 December 2025 Birr'000	31-Dec-24 Birr'000
6 Interest expense		
Interest on certificate of deposits	(1,238,225)	(708,942)
Interest on customer savings	(511,336)	(393,124)
Interest on Borrowing	(191,303)	(81,660)
	(1,940,864)	**(1,183,725)**

	31 December 2025 Birr'000	31-Dec-24 Birr'000
7 Net fees and commission income		
Fee and commission income		
Financial guarantee contracts issued	403,483	202,521
Commission on letters of credit	112,467	26,684
Cashier payment order	79	95
Commission on managed funds	563	550
	516,592	**229,850**
Fee and commission expense		
Net fees and commission income	**516,592**	**229,850**

		31 December 2025 Birr'000	31-Dec-24 Birr''000
8	**Other operating income**		
	Service charge	230,644	170,247
	Other income	154,835	12,185
	Correspondent charges	-	17
	Dividend income	16,233	13,440
	Postage and processing fees	31	0
	Swift charges	11,368	1,460
	Penalty Charge Income	1,363	626
		414,473	**1,347,905**
	Net gain on foreign exchange	**158,891**	**1,149,929**

8(a) Foreign exchange gains have arisen from balances held in foreign currency deposits with foreign correspondent banks.In accoundance with IAS 21 and relevant.Directives of the National Bank of Ethiopia, such gains should be appropriately classified between realised and unrealised components based on settlement status and revaluation at the reporting date. However, the entity has not separately identified and disclosed these components, which may result in incomplete presentation of foreign exchange gains in the financial statements.

		31 December 2025 Birr'000	31-Dec-24 Birr'000
9	**Loan impairment charge**		
	Loans and receivables - charge for the year	-	
	Loans and receivables - reversal of provision	8,419	(51,093)
		8,419	**(51,093)**

		31 December 2025 Birr'000	31-Dec-24 Birr'000
10	**Impairment losses on other assets**		
	Other assets - charge for the year	(36,201)	(27,372)
	Other assets - reversal of impairment losses	-	
		(36,201)	**(27,372)**

		31 December 2025 Birr'000	31-Dec-24 Birr'000
11	**Personnel expenses**		
	Short term employee benefits :		
	Salaries and wages	(384,535)	(371,275)
	Staff allowances	(164,973)	(121,733)
	Overtime	(710)	(988)
	Bonus	-	
	Pension costs – Defined contribution plan	(49,518)	(48,079)
	Other staff expenses	(44,332)	(26,071)
		(644,068)	**(568,147)**
	Long term employee benefits :		
	Pension costs - Defined benefit plans	(14,969)	-
		(14,969)	-
		(659,037)	**(568,147)**

ENAT BANK S.C. እናት ባንክ አ.ማ
TMS Plus Audit Service Limited Liability Partnership TMS Plus

		31 December 2025	31-Dec-24
		Birr'000	Birr'000
12	**Other operating expenses**		
	Depreciation expenses - Right of use of Asset	(126,025)	(104,772)
	Office supplies and sundry	(110,958)	(43,450)
	Advertisement and Publicity	(27,286)	(23,056)
	Commissions	(3,149)	(1,213)
	Electricity, telephone and internet	(13,231)	(7,693)
	Travelling expenses	(719)	(313)
	Repairs and maintenance	(13,464)	(10,054)
	Event organization expense	(2,205)	(2,736)
	Fuel and lubricants	(5,810)	(4,740)
	Per diem administration	(9,608)	(4,422)
	Representation allowance	(3,092)	(2,640)
	Insurance	(3,471)	(3,228)
	Legal and professional fees	(71,189)	(22,108)
	Entertainment	(14,180)	(9,973)
	Director fees	(660)	(660)
	Correspondent costs	(929)	(842,110)
	Bank charges	(20,161)	(10,089)
	Subscription and Publication	(437)	(348)
	Wages for non employees	(1,332)	(681)
	Management and Board Meeting	(817)	(651)
	Women loan expense	-	
	Audit fees	(369)	(551)
	Donations	(8,037)	(5,927)
	Postage and stamps	(225)	(166)
	Security expenses	(59,950)	(46,044)
		(497,303)	**(1,147,625)**

		31 December 2025	30 June 2025
		Birr'000	Birr'000
13	**Company income and deferred tax**		
13a	**Current income tax**		
	Company income tax	125,687	146,245
	Prior year (over)/under provision	-	-
	Deferred income tax/(credit) to profit or loss	5,362	(16,967)
	Total charge to profit or loss	**131,049**	**129,278**
	Tax (credit) on other comprehensive income	(16,571)	(16,159)

13b 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:

	31 December 2025 Birr'000	31-Dec-24 Birr'000
Profit before tax	502,402	289,543
Add: Disallowed expenses		
Donation	8,037	5,927
Hardship Allowance	24,678	23,935
Leave pay Accrual	-	-
Entertainment	14,162	9,973
Severance pay temporary difference		
Provision for loans and advances as per IFRS	(8,419)	51,093
Depreciation for accounting purpose	56,043	49,203
Amortization for accounting purpose	5,179	13,936
Other Provision IFRS	36,201	27,372
Share Selling Agent Payment		1,213
Penalty		7,577
Employee benefit loan	-	
	-	
Total disallowable expenses	**135,880**	**190,229**
Less: Allowable		
Depreciation and amortization for tax purpose	61,222	91,130
Interest income on deposit with other bank		85,961
Interest income on NBE Bills/T/Bills	-	
Provision for loans and advances for tax NBE 80%	39,421	44,065
Dividend taxed at source	16,233	13,440
Income Earned on Government Bonds	22,809	16,094
Income Earned on Treasury Bonds	79,641	61,837
Total allowable expenses	**219,326**	**312,526**
Taxable profit	**418,957**	**167,246**
Current tax at 30%	**125,687**	**50,174**

13c Current income tax liability	31 December 2025 Birr'000	30 June 2025 Birr'000
Balance at the beginning of the year	(146,245)	(144,160)
Current year provision	(125,687)	(146,245)
WHT Notes utilized	-	-
Payment during the year	146,245	144,160
Balance at the end of the year	**(125,687)**	**(146,245)**

13d Deferred income tax

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

	31 December 2025 Birr'000	30 June 2025 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	(73,100)	(51,239)
To be recovered within 12 months	-	(4)
	(73,100)	**(51,243)**

13e

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 2025	(Credit)/ charge to P/L	Effect of opening balance restatement	Credit/ (charge) to equity	31 December 2025
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Property, plant and equipment	(21,285)	(5,362)			(26,647)
Post employment benefit obligati	27,490			(74)	27,490
Equity Securities	(57,446)			(16,497)	(73,943)
Total deferred tax assets/(liabil	**(51,243)**	**(5,362)**	**-**	**(16,571)**	**(73,100)**

14 Cash and balances with banks

	31 December 2025 Birr'000	30 June 2025 Birr'000
Cash in hand	608,027	554,323
Balance held with National Bank of Ethiopia	1,663,437	2,147,291
Deposits with local banks	2,263,510	1,761,186
Deposits with foreign banks	1,357,042	766,486
	5,892,017	**5,229,286**

Maturity analysis	31 December 2025 Birr'000	30 June 2025 Birr'000
Current	4,247,657	3,219,826
Non-Current	1,644,360	2,009,460
	5,892,017	**5,229,286**

15 Loans and receivables

	31 December 2025 Birr'000	30 June 2025 Birr'000
Agriculture	579,975	590,390
Industry	2,725,356	2,781,407
Construction	2,426,225	2,444,449
Domestic Trade and Services	4,359,945	4,041,496
Personal loans	1,897,919	803,234
Export	6,228,999	4,504,869
Import	2,577,236	1,937,468
Transportation	4,567,763	2,604,429
Emergency Staff Loan	2,220	2,864
Staff Residential Loan	236,905	829,507
Staff Vehicle Loan	14,385	184,421
Hotel and Tourism	(2)	74,177
Gross amount	**25,616,928**	**20,798,710**
Less: Impairment allowance (note 4.2.1)	**254,824**	**263,244**
	25,362,103	**20,535,466**

TMS Plus Limited Liability Partnership

		31 December 2025 Birr'000	30 June 2025 Birr'000
16	**Investment securities**		
16a	**Fair value through other comprehensive income**		
	Equity Investments	256,993	64,194
	Fair valuation gain	54,990	192,799
	Additional Investment	21,249	
		333,232	**256,993**

	30-Jun-2025 Beginning Carrying Value	31-Dec-2025 Revalued amount	Revaluation Gain
Ethiowich Share Company	232,112	285,409	53,297
United Insurance Share Company	16,049	15,013	(1,036)
Ethiopian Securities Exchange	8,832	11,561	2,729
	256,993	**311,983**	**54,990**

		31 December 2025 Birr'000	30 June 2025 Birr'000
16b	**Amortized cost**		
	NBE bills	2,521,563	2,337,816
	Gross amount	**2,521,563**	**2,337,816**
	Less individual allowance for impairment	-	-
		2,854,795	**2,594,809**

Maturity analysis	31 December 2025 Birr'000	30 June 2025 Birr'000
Current	-	-
Non-Current	2,854,795	2,594,809
	2,854,795	**2,594,809**

The Bank hold equity investments in Eth-switch of 2.10% (of the paid up capital of the investee as of December 31, 2025) and United Insurance Share Company of o.71% (31 December 2025 of the total subscribed capital of the investee). And the bank's holding at Ethiopian Security Exchange is 1.26% of paid up capital of the security as at December 31, 2025.

17 Other assets

	Note	31 December 2025 Birr'000	30 June 2025 Birr'000
Financial assets			
Items in course of collection		965,185	929,982
Uncleared effects		1,357,401	717,941
		2,322,586	**1,647,922**
Non-financial assets			
Prepaid staff benefit		134,635	134,635
Other Asset		-	272,287
Deposit and Prepayments		34,948	14,449
Sundry receivables		7,929,220	4,257,045
Inventory and office supplies	17 (b)	49,714	42,237
		8,148,517	**4,720,653**
Less :			
Impairment allowance on other assets		(54,145)	(17,944)
Gross amount		**10,416,958**	**6,350,631**

Maturity analysis	31 December 2025 Birr'000	30 June 2025 Birr'000
Current	2,268,441	1,629,978
Non-Current	8,148,517	4,720,653
Impairment allowance on other assets		
	10,416,958	**6,350,631**

17a Impairment allowance on other assets

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

	31 December 2025	30 June 2025
	Birr'000	Birr'000
Balance at the beginning of the year	17,944	29,152
(Reversal)/charge for the year (note 10)		(11,208)
Balance at the end of the year	**17,944**	**17,944**

17b Inventory

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

	31 December 2025	30 June 2025
	Birr'000	Birr'000
Stationary stock account	21,700	18,674
Other stock	10,176	7,615
Stock accounts	1,251	1,904
Uniform stock	5,184	3,452
Cheque book stock	1,803	1,963
Revenue stamp loans	28	30
Revenue stamp accounts	10	10
ATM Debit Card (ENAT Card)	9,561	8,589
	49,714	**42,237**

18 Intangible Assets

	31 December 2025 Birr'000	30 June 2025 Birr'000
Cost:		
Balance at the beginning of the period	130,290	69,132
Acquisitions	8,321	61,158
Reclassifications	-	-
Balance at the end of the period	**138,611**	**130,290**
Accumulated amortisation and impairment losses		
Balance at the beginning of the period	94,867	71,107
Amortisation for the year	5,179	23,760
Impairment losses	-	-
Balance at the end of the period	**100,046**	**94,867**
Net book value	**38,565**	**59,183**

19 Construction in progress

	31 December 2025 Birr'000	30 June 2025 Birr'000
Cost:		
Balance at the beginning of the period	50,928	47,838
Addition for the period	3,955	3,090
Reclassifications	(54,882)	-
Balance at the end of the period	**0**	**50,928**

The current balance of CIP is nil, as it previously included research and development costs that have now been expensed in accordance with IAS 38 Intangible Assets. Under this standard, research research costs are expensed as incurred and development costs are only capitalised when specific recognition criteria are met. Accordingly the balance has been cleared to comply with the applicable accounting requirments.

	Motor vehicles	Premises	Office and other equipment	Furniture and fittings	Computer and accessoric	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
20 Property, plant and equipment						
Cost:						
As at 1 July 2024	144,888	39,997	207,431	**263,827**	**209,063**	**865,206.60**
Additions	6,650	63,364	43,872	21,744	34,277	**169,907**
Disposals	-	-	(1,772)	(218)	(1,468)	**(3,458)**
Reclassification						
As at 30 June 2025	**151,538**	**103,360**	**249,531**	**285,353**	**241,872**	**1,031,655**
As at 1 July 2025	**151,538**	**103,360**	**249,531**	**285,353**	**241,872**	**1,031,655**
Additions			63,686	13,117	89,998	**166,802**
Disposals	(649)		(46)			**(695)**
Reclassification						
As at 31 December 2025	**150,889**	**103,360**	**313,169**	**298,470**	**331,871**	**1,197,759**
Accumulated depreciation						
As at 30 June 2024	**43,392**	**4,015**	**69,619**	**60,906**	**74,706**	**252,638**
Charge for the year	12,469	826	31,206	25,829	26,936	**97,266**
Disposals		-	(1,456)	(180)	(1,246)	**(2,883)**
Reclassification	-	-	-	-	-	-
	55,861	**4,841**	**99,369**	**86,555**	**100,396**	**347,021**
As at 30 June 2025	**55,861**	**4,841**	**99,368**	**86,555**	**100,396**	**347,021**
Charge for the year	4,683	990	18,357	13,838	18,174	56,043
Disposals	(617)		(19)			(635.59)
Reclassification						
As at 31 December 2025	**59,928**	**5,831**	**117,706**	**100,393**	**118,570**	**402,428**
Net book value As at 30 June 2025	**95,677**	**98,520**	**150,162**	**198,798**	**141,477**	**684,634**
Net book value As at 31 December 2025	**90,962**	**97,529**	**195,463**	**198,077**	**213,300**	**795,331**

TMS Plus Audit Service Limited Liability Partnership TMS Plus

21 The right of use asset

	31 December 2025	30 June 2025
	Land Lease	Land Lease
	Birr'000	Birr'000
Cost:		
As at 1 July 2024	91,323	100,653
Acquisitions		
Accumulated depreciation		(9,330)
As at 30 June 2025	91,323	91,323
	Office Rent	**Office Rent**
	Birr'000	**Birr'000**
Cost:		
As at 1 July 2024	714,011	687,816
Acquisitions	(11,062)	26,195
Reclassifications	-	-
As at 30 June 2025	**702,949**	**714,011**
Net book value as at 30 June 2025	794,272	805,334

	31 December 2025	30 June 2025
	Birr'000	Birr'000
22 Assets held for sale		
Balance as at the beginning of the year	70,565	111,541
Transfer to/from property, plant and equipment		(40,976)
Addition	-	-
Disposals	-	-
Fair value gain/(loss) on assets held for sale	-	-
Balance at the end of the year	**70,565**	**70,565**

Enat bank took over collateral of some customers assets and these were recorded in the books Assets classified as held for sale as the Bank had no intention to make use of the property for administrative use. Management initiated a plan to dispose of these assets to willing buyers and expects to have completed the transaction before the end of the next financial period.These assets have been valued by in-house engineers responsible for collateral valuation using the market approach determined using Level 3 inputs.There is no cumulative income or expenses in OCI relating to assets held for sale.

	31 December 2025	30 June 2025
	Birr'000	Birr'000
23 a Deposits from customers(Conv.)		
Demand deposits	5,965,389	4,608,899
Savings deposits	15,267,520	12,416,902
Time deposits	12,793,319	10,981,175
	34,026,228	**28,006,976**
23 b Interest Free Deposit		
IFB Savings	446,302	204,723
IFB Current	43,307	56,378
	489,610	**261,101**

TMS Plus Audit Service Limited Liability Partnership TMS Plus

		31 December 2025	30 June 2025
		Birr'000	Birr'000
24	**Other liabilities**		
	Financial liabilities		
	Unearned Income	30,446	30,446
	Audit fee	935	585
	Borrowing (24.1)	2,957,411	1,834,715
		2,988,792	**1,865,746**

Break Down of Borrowing

The bank obtain borrowing from Develoment Bank of Ethiopia Birr 557,411

The Bank has borrowed a fund from Development Bank Ethiopia which DBE sourced the fund is from WEDP and KFW.The interest rate for the fund from WEDP is 11% and the Bank can only borrow such fund only to women borrowers. In addition, the maximum that one woman can borrow is up to 10 million whatever the business sector that she is engaged. The interest rate for the fund that sourced from KFW is 12% with out discriminating between genders. In addition the maximum that a borrower can take is 20 million.

Borrowing from various banks (Money Market) (24.1.2)	2,400,000	
	2,400,000	
Total		
Borrowing from Development Bank of Ethiopia		
Beginning Balance	**430,440**	
Additional Borrowing for the period	**184,783**	
Matured and paid during the period (principal)	**-84,060**	
Interest paid for the period	**26,248**	
Endig Balance	**557,411**	
Borrowing from Money Market		
Beginning Balance	**1,404,276**	
Additional Borrowing for the period	**66,145,000**	
Matured and paid during the period (principal)	**-65,314,330**	
Interest paid for the period	**165,055**	
Endig Balance	**2,400,000**	
Non-financial liabilities		
Other payable	302,676	167,923
Blocked current account	148,475	70,522
Tax payable	40,128	42,395
Sales tax on interest paid	16,381	10,037
VAT Payable	33,441	24,919
Dividend payable	269,653	20,974
Dividend tax payable	8,068	
Defined contribution liabilities	9,746	7,683
Withholding tax payable	3,198	1,528
Graduate Tax	212	63
Director fees payable		1,650

Leave days accrual	60,428	62,317
Stamp duty payables	2,761	1,009
Lease Liabilities	69,878	69,878
	965,045	**480,899**
Gross amount	**3,953,837**	**2,346,645**

24 a Lease Liability

	31 December 2025 Birr'000	30 June 2025 Birr'000
Cost:		
Land lease	69,157	69,157
Office rent	721	721
As at 31 December 2025	69,878	69,878

Maturity analysis	31 December 2025 Birr'000	30 June 2025 Birr'000
Current	926,548	442,052
Non-Current	3,027,289	1,904,593
	3,953,837	**2,346,645**

		31 December 2025 Birr'000	30 June 2025 Birr'000
25	**Retirement benefit obligations**		
	Defined benefits liabilities:		
	Severance pay Note 24(a)	**112,485**	100,270
	Liability in the statement of financial position	**112,485**	**100,270**
	Income statement charge included in personnel expenses:		
	Severance costs Note 24(a)	**112,485**	(100,270)
	Total defined benefit expenses	**112,485**	**(100,270)**
	Remeasurements for:		
	Remeasurement (gains)/los Note 24(a)	248	(20,193)
	Deferred tax liability (asset)/ on remeasurement (gains)/losses	(74)	6,058
		174	**(14,135)**

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

Maturity analysis	31 December 2025 Birr'000	30 June 2025 Birr'000
Current	-	-
Non-Current	**112,485**	100,270
	112,485	**100,270**

25a Severance pay

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

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

	31 December 2025 Birr'000	30 June 2025 Birr'000
A Liability recognized in the financial position	112,485	100,270

B Amount recognized in the profit or loss	31 December 2025 Birr'000	30 June 2025 Birr'000
Current service cost	6,649	9,456
Interest cost	8,002	12,815
	14,650	**22,271**

curren service cost and interest cost of the period is calculated based on the projection made by the Acturials while calculating severance pay of June 30, 2025. As the imterim statement is half years we took half of the projection made for the fiscal year which ended \June 30, 2026.

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

	31 December 2025 Birr'000	30 June 2025 Birr'000
At the beginning of the year	100,270	(59,617)
Current service cost	6,649	(20,193)
Interest cost	8,002	(22,271)
Remeasurement (gains)/ losses	(248)	1,811
Benefits paid	(2,187)	-
Actuarial(Gains/Losses on experience Liabilities	-	-
At the end of the year	**112,485**	**(100,270)**

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	31 December 2025	30 June 2025
	Birr'000	Birr'000
Discount rate	14.40%	14.40%
Inflation rate	12.20%	12.20%
Salary Increase rate	14.20%	14.20%
Net pre-retirement rate	**0.18%**	**0.18%**

ii) Mortality in Service

The rate of mortality assumed for employees are those according to the British A49/52 ultimate table published by the Institute of Actuaries of England. These rates combined are approximately summarized as follows:

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

25c Retirement benefit obligations (Contd)

iii) Withdrawal from Service

The withdrawal rates are as summarized below :

Age	Annual rate of resignation
20	0.00%
25	5.40%
30	2.90%
35	3.40%
40	5.00%
45	4.50%
50+	5.20%

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

26 Ordinary share capital

	31 December 2025 Birr'000	30 June 2025 Birr'000
Authorized:		
Ordinary shares of Birr 1000 each	15,000,000	15,000,000
Issued and fully paid:		
Ordinary shares of Birr 1,000 each	**5,723,534**	**3,805,137**

Earning per share

Basic earnings per share(EPS) is calculated by dividing the profit after taxation by weighted average number of ordinary shares in issue during the year

	31 December 2025 Birr'000	30 June 2025 Birr'000
Profit attributable to shareholders	371,353	239,369
Weighted average number of ordinary shares in issue	4,529,186	3,196
Basic and diluted earnings per share of Birr 1,000	**82**	**221**

27 Retained earnings

	31 December 2025 Birr'000	30 June 2025 Birr'000
At the beginning of the year	327,708	319,193
Profit/ (Loss) for the year	371,353	706,302
Transfer to legal reserve	(92,838)	(176,576)
Transfer to special reserve	(9,831)	(9,576)
Transfer to regulatory reserve As per order of NBE	-	(56,250)
Transfer to regulatory reserve loan loss provision difference	(57,696)	(144,119)
Dividend provided for share holders	(317,877)	(309,617)
Directors share on profit	-	(1,650)
opening balance difference	(10,008)	
At the end of the year	**210,811**	**327,708**

TMS Plus Audit Service Limited Liability Partnership

	31 December 2025 Birr'000	30 June 2025 Birr'000
28 Legal reserve		
At the beginning of the year	794,722	618,146
Transfer from profit or loss	92,838	176,576
At the end of the year	**887,560**	**794,722**

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.

	31 December 2025 Birr'000	30 June 2025 Birr'000
29 Regulatory risk reserve		
At the beginning of the year	368,615	168,246
Transfer (from) retained earnings (Note 27)	57,696	200,369
Transferred to loan provision	-	-
At the end of the year	**426,310**	**368,615**

The Regulatory risk reserve is a non-distributable reserves required by the regulations of the National Bank of Ethiopia(NBE) to be kept for impairment losses on loans and receivables in excess of IFRS charge as derived using the incurred loss model.

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

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

	31 December 2025 Birr'000	30 June 2025 Birr'000
30 Special reserve		
At the beginning of the year	47,399	38,791
Collateral settlement		(9)
Transfer (from) / to retained earnings	9,831	9,576
Dividend tax paid on last year reserve	(1,475)	(958)
At the end of the year	**55,756**	**47,399**

After approval by the annual general meeting, 3% of the net profit for the year is transferred to a special reserve to cover female loan defaults guaranteed without collateral.

		Notes	31 December 2025 Birr'000	31-Dec-24 Birr'000
31	**Cash generated from operating activities**			
	Profit before tax		502,402	289,543
	Adjustments for non-cash items:			
	Depreciation of property, plant and equipment	20	56,043	49,203
	Amortization of intangible assets	18	5,179	13,936
	Amortization of RUA		11,062	
	Reclassifeid CIP		54,882	
	Gain/(Loss) on disposal of property, plant and equipment	20	845	(187)
	Impairment on loans and receivables	15	(8,419)	51,093
	Retirement Benefit liability	25	(16,726)	23,048
	Impairment on other asset	17	36,201	27,372
	Net gain or loss on foreign exchange	8		(1,149,929)
	Openning balance difference		(10,008)	
	Change in working capital			
	-Increase in loans and advances to customer	15	(4,826,637)	(3,655,431)
	-Increase in other asset	17,21	(4,066,327)	(782,572)
	-Increase /Decrease/ in other liabilities	24	1,605,367	1,116,251
	-Increase in deposits from customer and IFB	23	6,247,761	6,860,699
	-Decrease/ (Increase) in Current tax liabilities		-	
			(408,376)	2,843,026

In the statement of cash flows, profit on sale of property, plant and equipment (PPE) comprise:

	31 December 2025 Birr'000	30 June 2025 Birr'000
Proceeds on disposal property, plant and equipment	904	-
Net book value of property, plant and equipment disposed (Note 19)	59	575
Gain/(loss) on disposal of property, plant and equipment	845	(575)
Gain/(loss) on sale of property, plant and equipment Inventory Items		(97.22)
	845	**-673**

32 Related party transactions

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

32a *Transactions with related parties*

	31 December 2025 Birr'000	30 June 2025 Birr'000
Loans disbursed to		
Key management	2,017	3,756
Board Members	1,497	2,995
	3,514	**6,751**

32b *Key management compensation*

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

	31 December 2025 Birr'000	30 June 2025 Birr'000
Salaries and other short-term employee benefits	8,379	16,758
Post-employment benefits	512	1,024
Termination benefits		-
Sitting allowance (Representation Allowance)	195	390
Other expenses (Provident fund contribution)	1,744	3,488
	10,830	**21,660**

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

33 Directors and employees

i) The number of employees at the end of fisical year was as follows:

	31 December 2025 Number	30 June 2025 Number
Professionals and High Level Supervisors	286	291
Semi-professional, Administrative and Clerical	1,749	1,721
Technician and Skilled	56	55
	2,091	**2,067**

ii) The table below shows the number of employees (excluding directors), who earned over Birr 10,000 as emoluments in the year and were within the bands stated.

	31 December 2025 Number'000	30 June 2025 Number'000
10,000 - 30,000	1,403	1,380
30,001 - 50,000	438	430
50,001 - 100,000	219	234
Above 100,000	31	23
	2,091	**2,067**

34 Contingent liabilities

34a Claims and litigation

The Bank had 18 cases of which 7 are decided in favor of the Bank. From the remaining 11 cases except 1 case whose amount is birr 118 million the probability of incurring liability is high for the Bank. However, for the remaining cases the probability is very remote.

34b Guarantees and letters of credit

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 summarizes the fair value amount of contingent liabilities for the account of customers:

	31 December 2025 Birr'000	30 June 2025 Birr'000
Guarantees Issued	13,281,110	11,667,949
Letters of credit	873,547	747,772
	14,154,657	**12,415,721**

Performance and advance Guarantees issued to construction companies

Performance	3,623,481	2,883,454
Advance	7,115,248	6,911,798
	10,738,729	9,795,252
Others		
Suppliers	883,451	527,503
Retention	175,211	86,944
Customs	287,349	190,833
Bid bond	1,196,370	1,067,417
	2,542,381	1,872,697
	13,281,110	**11,667,949**

Some of the guarantees and advances cast significant uncertainty which may adversely affect the Bank Financial situation unless current economic environment is changed.

35 Commitments

The Bank has commitments, not provided for in these financial statements being unutilized facilities.

	31 December 2025 Birr'000	30 June 2025 Birr'000
Loans approved but not disbursed	-	-
Unutilized facilities	785,014	482,991
	785,014	**482,991**

36 Events after the reporting period

There were no significant events occuring after the reporting period that require adjustment or disclosure in accordance with IAS 10 Events after the Reporting Period. Mangement has evaluated all events up to the date of authorization of the financial statements and concluded that no significant impact exists.