

VOL.2 NO.2 AUGUST 2025

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BOOM & BIND

**Banks' Credit
Engine Revs as the
Road Narrows**

**Profit Alone Won't
Shield Banks from
Gathering Storms**

**Traditional Finance Dines
in State While Crypto
Waits for the Desert**

**The composite
performance index**



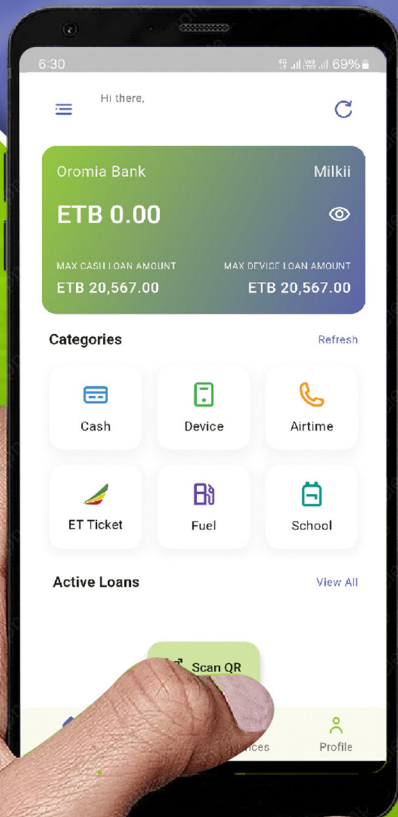
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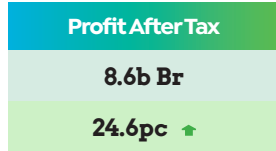
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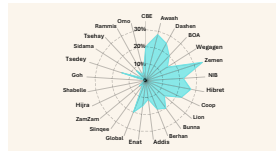
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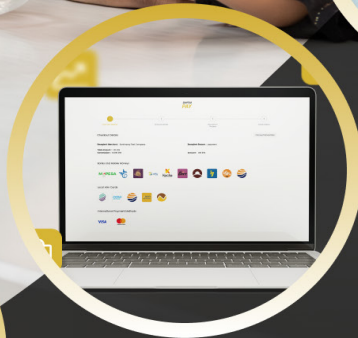
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Profit Alone Won't Shield Banks from Gathering Storms

The commercial banks ended the 2023/24 fiscal year with numbers that sparkle at first glance. Aggregate profits rose, margins stayed plump, and system-wide non-performing loans (NPLs) held in the low single digits.

However, when asset growth, capital cushions, and loan-loss provisions are weighed beside earnings, the tidy league table starts to wobble and a quiet change in hierarchy appears.

The Commercial Bank of Ethiopia (CBE), the state-owned and still immense financial institution, remains the benchmark. It posted a two-percent return on assets, a 30pc net margin, and a 15pc jump in its balance sheet. Its loan-to-deposit ratio was 80pc and management provisioned conservatively. Awash Bank, the private-sector flag-bearer, earned 2.8pc on assets and booked a 25pc margin while keeping risk within prudential lines.

Together, these banks control more than half of all banking assets and loans. Any upset in agriculture, manufacturing, real estate, or trade would rattle the whole system.

Below this commanding duo the order shifts. Goh Beto and Tsehay banks looked modest on net income yet soared when capital strength and prudence are counted. High capital-to-asset ratios, minimal provisioning costs, and measured deposit growth left them sturdier than some headline leaders.

Their position signalled that in an economy wrestling with hard-currency shortages, double-digit inflation, and tougher regulation, the ability to absorb shocks may soon matter more than the ability to print profits.

Credit risk is the first red flag. Industry NPL ratios floated between two and five percent, but the Development Bank of Ethiopia's (DBE), a state policy bank, carried arrears above 30pc. Newcomers such as Amhara Bank and Tsehay Bank have enlarged assets and deposits by more than 200pc, yet provision at only one and two percent. If defaults revert to historic norms, those cushions could disappear quickly.

The Bank of Abyssinia's (BoA) loan-to-deposit ratio was 92pc, leaving it thinly liquid. Amhara Bank has built 542 outlets yet attracted an average of 190 million Br in deposits per branch, a mismatch that will bite if customers fail to follow bricks and mortar.

Capital adequacy is the next fault line. Most established lenders operated on asset-to-equity multiples of eight to 12 and keep capital-to-asset ratios barely above the six-to-eight-percent regulatory floor. One macro shock or a spike in provisions could erase those buffers inside a single quarter.

Siinqee and Tsedey banks, by contrast, hold capital exceeding 15pc of assets and leverage of only three to eight times. The trade-off was thinner profitability, and equity accretion may stall while larger rivals top up capital with subordinated debt. The National Bank of Ethiopia (NBE) may lift the minimum capital-to-asset ratio to 10pc by 2027, a move likely to push under-capitalised midsize banks to merge or raise funds on harsher terms. ▶▶

Liquidity numbers also warranted caution. Most big names sat between 60pc and 80pc loans-to-deposits, yet net interest still supplied up to 80pc of revenue. If deposit rates climb faster than lending yields, an odds-on bet while inflation lingers between 20pc and 30pc as the IMF projected, spreads will narrow, and funding gaps could reopen.

Interest-free banks such as ZamZam and Hijra dodged rate swings but will likely face trouble if profit-sharing pools disappoint.

Across the industry, wages already absorbed 40pc to 50pc of operating expenses and administrative costs another 10pc to 20pc. Without a digital leap, those cost-to-income ratios will harden as fee-hungry fintech rivals gain ground. Observers note that even small dips in cost-to-income ratios will release resources for lending and technology upgrades, a dividend to outweigh the headline savings.

The next five years will decide winners and laggards. Consolidation leads the list. Between 2026 and 2028, mergers could cut the number of banks by 10pc to 15pc, lifting profits per employee and deposits per branch for those left standing. Digital adoption is the second catalyst. Mobile banking penetration is tipped to reach 50pc by 2028; swapping bricks for bits could trim administrative and staff bills by roughly 15pc.

Credit-risk sophistication will be the third driver. Advanced scoring models and industry-wide stress tests, due in 2026, should sharpen loan pricing and capital allocation. Early moves to securitise mortgage pools promise to lighten concentration risk. Interest-free banking is the fastest-growing frontier. Retail and small-business niches are projected to expand 30pc to 40pc a year, nudging conventional lenders to open Sharia-compliant windows as a dedicated rule book lands in 2026.

Early experiments in bundling mortgages into securities have already trimmed single-bank exposure to Addis Abeba's volatile property market and provincial towns alike.

Lastly, macro-prudential oversight is tightening. Counter-cyclical capital buffers and a de-facto 85pc cap on loan-to-deposit ratios, based on Basil III, will punish banks that lean too hard on short-term funding. Stress-test results published for the first time in mid-2025 have already shone a light on weak capital and provisioning practices.

Last year's aggregate performance has shown that a two-percent return on assets can sit beside sound liquidity and capital discipline, while a bank flaunting double-digit asset growth can hover near regulatory minima. Over the coming decade, leadership will belong to lenders that turn near-term earnings into thicker buffers, smarter risk models, and leaner cost structures.

Ethiopia's banks have built impressive franchises under tough conditions, but the comfort of rising profits risks breeding complacency. Investors, depositors, and regulators should reward institutions that reinforce their shock absorbers now rather than celebrate those that merely print the biggest numbers.

Earnings alone will not protect the industry from the gathering storms. ■

Industry Assets

3.28t Br

June 2024

Deposits

2.5t Br

Loans & Bonds

2.2t Br

**Branches per
population**

8,800

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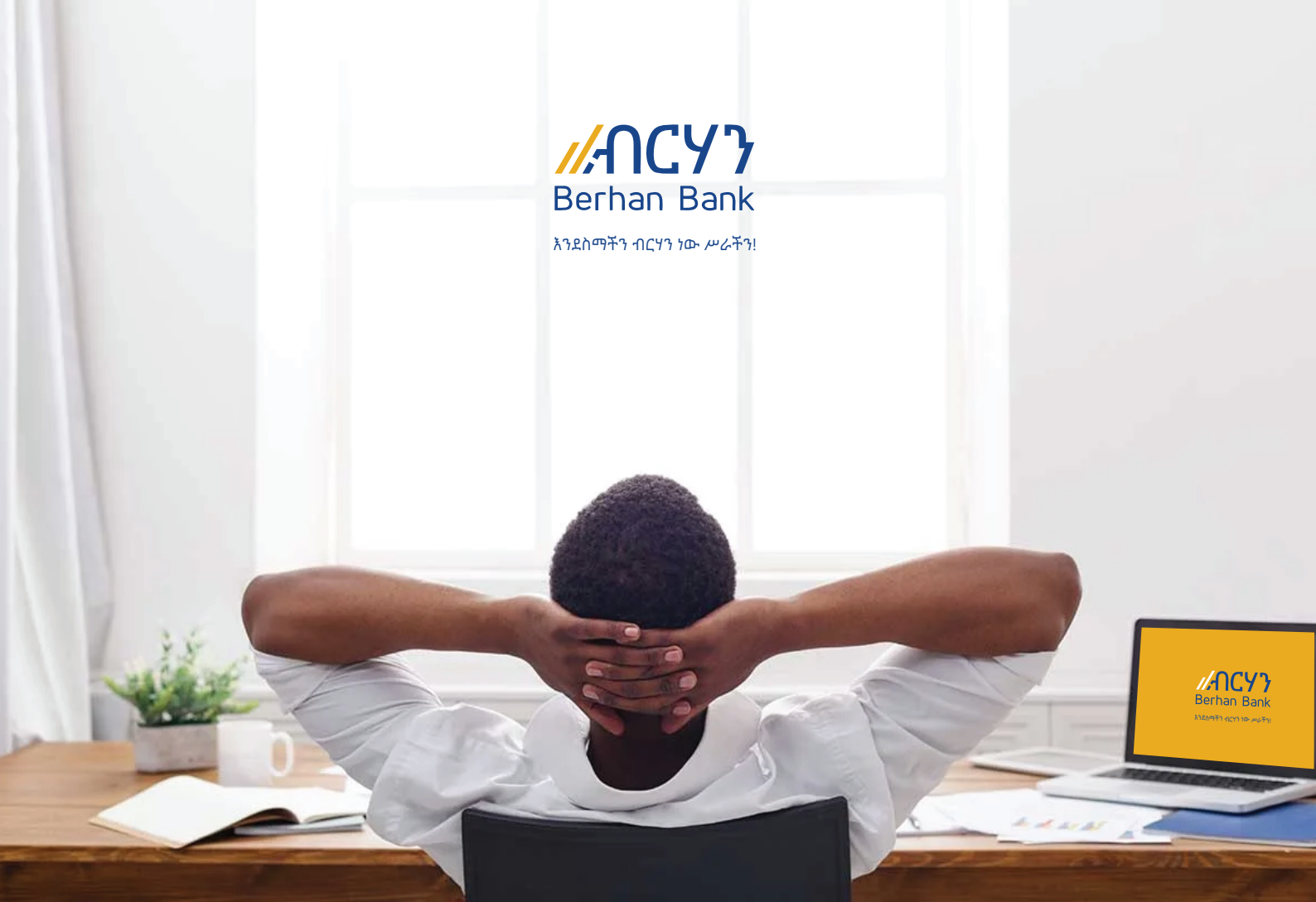


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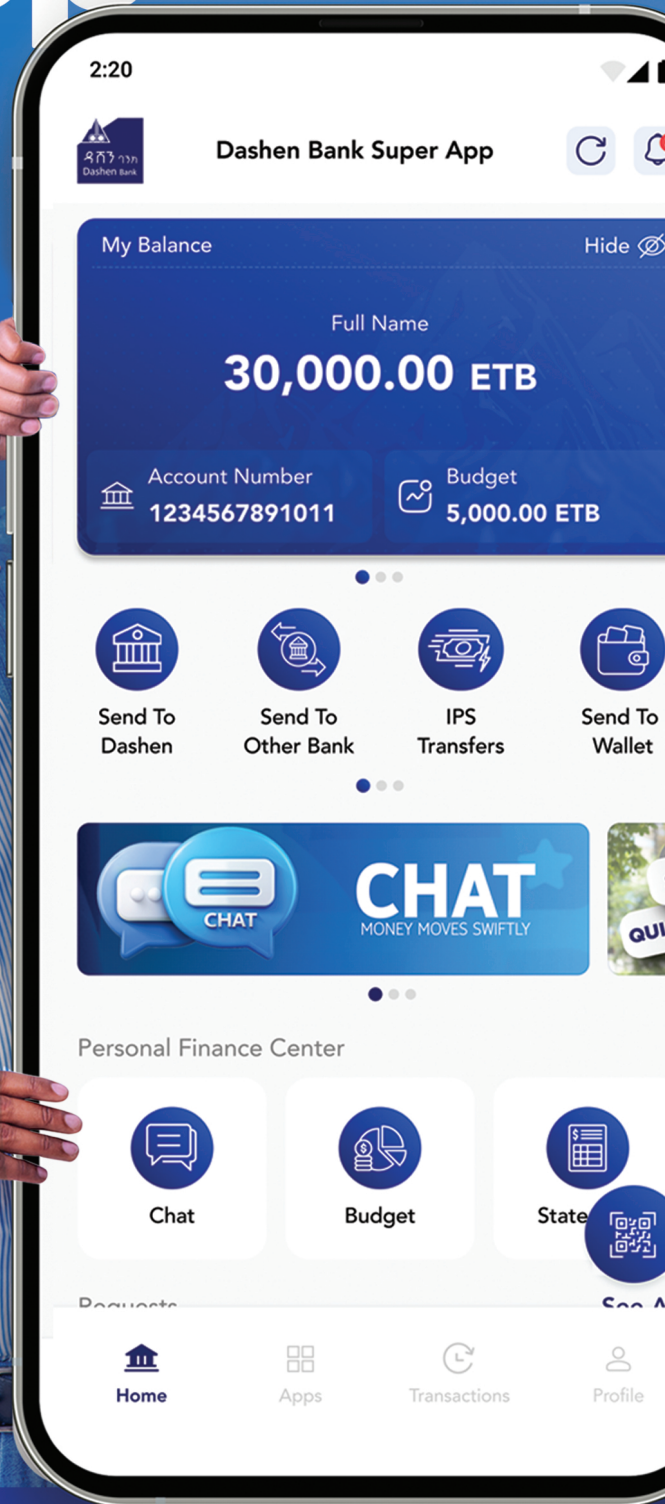
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The composite performance *index*



Banks



Rating

Banks	NET PROFIT MARGIN	ROA	ASSET GROWTH	LOAN/ASSET	LOAN/DEPOSIT	PROFIT/EMPLOYEE	Rating
Commercial Bank of Ethiopia (CBE)	~30%	~2.0%	~15%	50%	80%	0.44 mln	★★★★★
Awash Bank	~25%	~2.8%	20%	61%	70%	0.58 mln	★★★★★
Dashen Bank	~22%	~2.5%	18%	64%	78%	0.50 mln	★★★★★
Bank of Abyssinia	17%	2.00%	24%	77%	92%	0.34 mln	★★★★★
Wegagen Bank	15%	1.50%	10%	66%	77%	0.20 mln	★★★★★
Zemen Bank	30%	3.50%	12%	70%	90%	1.8 mln	★★★★★
Nib Int'l Bank	20%	2.20%	22%	63%	80%	0.30 mln	★★★★★
Abay Bank	~ 24%	~ 2.3%	~ 19%	63%	74%	0.34 mln	★★★★★
Hibret Bank (United)	22%	2.70%	30%	60%	70%	0.25 mln	★★★★★
Cooperative Bank of Oromia	18%	2.30%	27%	55%	70%	0.28 mln	★★★★
Lion (Anbessa) Int'l Bank	12%	1.40%	15%	60%	72%	0.15 mln	★★★★
Bunna International Bank	14.20%	2.00%	36%	75%	95%	0.23 mln	★★★★
Berhan Bank	20%	1.80%	40%	65%	80%	0.12 mln	★★★★
Addis Int'l Bank	12%	1.10%	20%	50%	65%	0.10 mln	★★
Oromia Bank (OIB)	(loss)	–	8%	60%	–	100 mln	★★
Enat Bank	15%	1.50%	25%	60%	75%	0.14 mln	★★
Debub Global Bank	18%	2.00%	30%	65%	80%	0.16 mln	★★
Amhara Bank	(loss)	–	284%	63%	80%	–	★★
Siinqee Bank	~3%	0.30%	40%	40%	50%	0.03 mln	★★
ZamZam Bank (IFB)	~10%	0.50%	200%	35%	–	0.02 mln	★★
Hijra Bank (IFB)	~5%	0.20%	150%	30%	–	0.01 mln	★★
Ahadu Bank	(loss)	–	300%	50%	60%	–	★
Sidama Bank	~2%	0.20%	80%	40%	50%	0.01 mln	★

Each bank's performance is aggregated in percentile ranking across 17 key metrics such as profitability, growth, efficiency, asset quality and leverage to yield a single "star" rating from ★ (bottom 20pc) to ★★★★★ (top 20pc).

★★★★★ (5 stars) denote the industry leaders, consistently in the top quintile on most metrics.

★★★ (3 stars) are solid mid-tier banks, with respectable results but lacking standout metrics.

★★ (2 stars) often include fast-growing or niche banks that are still building scale and efficiency.

★ (1 star) comprise those with the weakest returns, negative or marginal growth, or noteworthy asset-quality strains.





Abay Bank's Revenue Soars, Profit Margins Feel the Squeeze in Costly Growth Push

Abay Bank financial performance in 2023/24

Total Assets	Total Liabilities	Paid-up Capital	Income	Expense	Profit After Tax	Earning per Share
66.4b Br	57b Br	6.01b Br	8.4b Br	6.4b Br	1.5b Br	280 Br
21pc ↑	20.2pc ↑	30pc ↑	19pc ↑	30pc ↑	3.2pc ↓	22.2pc ↓

Illustrated by: *Fortune*

Source: Abay Bank Annual Report 2023/24

Abay Bank has racked up noteworthy expansions in deposits, assets, and overall revenue. Yet its impressive growth trajectory contained some cautionary signals about profitability pressures in an increasingly competitive market. The Bank's net profit margin on total assets slipped to 2.26pc in 2023/24, trailing a common industry benchmark of three percent and declining from the 3.82pc mark recorded the previous year.

Part of the margin squeeze resulted from soaring costs, particularly interest outlays, which in 2023/24 ate up nearly one-third of the Bank's overall expenses. This narrowing of spreads mirrored a market environment where deposit rates often lag behind inflation, forcing banks to steer tight corridors between relatively low-yielding assets and rising obligations. Abay Bank's profit margin erosion emerged when its net profit dropped 3.2pc to 1.5 billion Br, accompanied by a 22pc fall in earnings per share (EPS), down from 360 Br, though it still is higher than private banks' mean.

Abay Bank President, Yehuala Gessesse, who has run the Bank for nine years, sees the dampened performance partly driven by monetary policy constraints that stifled loan growth. According to him, a substantial portion of the Bank's income is interest-based, making the Bank especially sensitive to credit restrictions.

"Due to the monetary policy restriction and other issues, the loan growth was low," he conceded.

However, Abdulmenan Mohammed (PhD), a financial analyst based in London, blamed the effect of heightened expenditures, from a 33.1pc climb in interest expenses to a 27.7pc jump in wages and benefits, which reached 2.51 billion Br. Other operating expenses soared 48.2pc to 1.5 billion Br, unveiling heavier spending on promotion, insurance, and IT support. These costs led to a 6.4 billion Br outlay, up 30pc from a year earlier.

"The massive expansion of expenses undermined the revenue growth, resulting in a reduction in net profit," Abdulmenan said.

He warned Yehuala and his team to exercise caution. Yehuala, who has a postgraduate degree in business administration and 25 years of banking experience, defended his growth strategy, arguing that investments in IT and digitisation will make Abay Bank competitive by providing unparalleled customer service.



Yehuala Gessesse, president

"We prefer to invest in IT and accessibility such as branch expansion, ATM and POS," he told *Fortune*. "But most of the costs are fixed costs."

In the 2022/23 operational year, the Bank's deposits surged 29pc to 41.8 billion Br, leading to a net profit of 2.1 billion Br, a 63pc growth. It was buoyed by climbing revenues that hit 7.1 billion Br, 78pc of which stemmed from interest income. Total assets also rose by 35pc, reaching 55 billion Br. The results were attributed to multi-pronged measures, such as enlarging the customer base to 2.5 million, launching 110 new branches with a strong focus on interest-free banking windows, and doubling mobile banking subscribers to 1.28 million.

Last year, Abay Bank's revenue kept pace with revenue growth of 19pc to 8.4 billion Br; however, it was overshadowed by ballooning expenses that eroded net profit. The Bank's executives defend their strategy of investing in technology, digitisation, and expansion to capture more market share. They opened 59 new branches last year, bringing the total to 542, but several locations in the Amhara Regional State remained underutilised due to ongoing conflicts.

The Bank's deposit base swelled by 11 billion Br, mirroring the rise in interest expenses amid heightened competition for liquidity.

Interest on loans, advances, and Central Bank bonds rose 20.2pc to 6.67 billion Br. Service charges and commissions edged up 2.8pc to 1.22 billion Br, while gains on foreign exchange

dealings jumped 24.2pc to 192.45 billion Br. The decline in loan impairment provisions, from 219.3 million Br to 86.4 million Br, showed improved asset quality, a silver lining that could address risk for Abay Bank, whose total assets climbed 20.6pc to 66.42 billion Br in 2023/24.

The Bank disbursed 41.11 billion Br in loans, up 12.7pc, and mobilised 52.62 billion Br in deposits, an increase of 26pc.

Though cost pressures suppressed Abay Bank's bottom line, some shareholders applauded the management for strong capital and liquidity positions. Its paid-up capital jumped 27.3pc to a little over six billion Birr, lifting the Bank's capital adequacy ratio to 15pc, three percentage points higher than the previous year.

Board Chairperson Amlaku Asres (PhD) told the 4,537 shareholders gathered at the Interluxury Hotel, on Marshal Tito Road, that issues like inflationary headwinds, regional security concerns, and political uncertainties had weighed on the Bank's performance.

A shareholder, Fisseha Tekeste, called the results "commendable," though he urged the Bank to consider merging with a more prominent institution for market consolidation.

"When we grow bigger, we become dominant," he told *Fortune*.

Another founding shareholder, speaking anonymously, praised the balance-sheet growth but raised concerns that returns have yet to catch up.

"It doesn't add up," he told *Fortune*.

Regulatory limits on lending have chipped away at Banks' capacity to deploy capital, as the country's financial sector prepares for foreign entrants. Such constraints, he argued, created a mismatch for domestic lenders aspiring to scale while bracing for external competition. Abay's loan-to-deposit ratio fell from 87.3pc in 2022/23 to 78.1pc last year, a logical outcome under National Bank of Ethiopia (NBE) caps that constrained credit expansion.

The dip in this ratio coincided with a 41.7pc surge in Abay Bank's cash and bank balances, lifting the share of total assets to 17.6pc from 15pc. According to the Bank's President, Abay carefully manages liquidity to maintain flexibility in the face of uncertain regulatory and macroeconomic realities. Labour costs also remain a major line item, with wage and benefit expenses totalling 2.51 billion Br in 2023/24, 39pc of overall expenses, and administrative outlays representing 18pc.

With over 10,000 employees and 1,636 new hires recruited last year to support its push for enhanced customer service, Abay Bank continued to build out physical infrastructure, betting on near-term expenditures for long-term scale.

However, analysts question the prudence of a 1.33pc provisioning ratio at a time when inflation, political uncertainty, and liquidity crunch could test borrowers' repayment capacity.

Abay Bank's performance showed industry-wide trends among the 30 private and two state-owned banks, which have expanded deposits by 16.3pc to 2.4 trillion Br. Private banks held 67.4pc of the 290.6 billion Br in aggregate capital, chipping away at the dominance of the state-owned Commercial Bank of Ethiopia (CBE), which still retains over a fifth of the industry's total capital. Abay Bank's 20pc jump in assets could mark the ascendance of private banks, whose loan portfolios and deposit mobilisation have seen double-digit rises.

The Bank's deposit per branch was about 130.61 million Br in 2023/24, a respectable figure that displayed successful retail and commercial outreach. Profit per employee reached 146,541 Br in



Amlaku Asres(PhD), Board Chairperson

2023/24, surpassing the industry's 10-year average, beginning in 2013. Over the past decade, private banks have outpaced state-owned peers in growth, even if they remain smaller in absolute size. Capital-to-asset ratios generally were around 13.5pc. Abay Bank's was around 14pc, representing a prudent buffer, while its asset-to-equity ratio of about 7.12 displayed a moderate leverage approach.

According to analysts, these measures suggested Abay Bank, incorporated 14 years ago, is balancing ambition with regulatory caution.

Reliance on net interest income remains a cornerstone of the financial system. More than 74pc of Abay Bank's operating income last year was derived from interest-based activities, a function of limited foreign exchange availability and still-nascent digital banking services that could generate fee income. Roughly 32.49pc of total costs stemmed from interest expenses, echoing stiff competition for deposits. The Bank's executives eye fee-based products and upgraded digital platforms as part of their "Journey to Greatness" plan, to broaden revenue sources and attract a tech-savvy segment of the population.

At the Mehal Gerji branch, Zelalem Dereje, its manager, oversees seven employees and credits teamwork for hitting goals in deposits, foreign exchange, and service quality. The branch caters to clients from corporate importers to small-scale retailers. One innovative feature is the "Muday Banking" system. Customers store cash from daily sales and deposit it at their convenience, a model Zelalem says saves them travels to the branch. It is an account capturing Abay Bank's bid to tailor services for businesses operating on thin margins but seeking secure, convenient options.

"The key to the box is kept at the bank, allowing customers to deposit their funds when possible," he told *Fortune*.

According to independent analysts, Abay's long-term success depends on its ability to deepen non-interest income streams and improve efficiency. Although the Bank's deposit base and capital cushions are robust, its persistent net profit margin squeezes reveal structural challenges. Rapid inflation, foreign exchange bottlenecks, and political unrest increase borrowers' risk of falling behind, testing Abay Bank's credit quality. Yet management remains optimistic that investments in digital platforms, branch expansions, and staff training will ultimately pay off once policy constraints ease.

"We're implementing well-crafted resource mobilisation and liquidity management strategies to sustain our liquidity position," said Yehuala. ■



Abyssinia's Forex Recovery Beams Despite Pressures on Shareholder Returns

Bank of Abyssinia financial performance in 2023/24

Total Assets	Total Liabilities	Paid-up Capital	Income	Expense	Profit After Tax	Earning per Share
222.3b Br	199.1b Br	14.2b Br	27.7b Br	22.4b Br	4.2b Br	330 Br
17.3pc ↑	17.1pc ↑	19.4pc ↑	22pc ↑	28.4pc ↑	9.3pc ↑	15.3pc ↓

Illustrated by: Fortune

Source: Abyssinia Bank Annual Report 2023/24

The Bank of Abyssinia's (BoA) financial results for the fiscal year 2023/24 tell a story of growth mixed with rising costs and narrowing returns. However, a particularly notable development came from its foreign exchange activities.

Net foreign exchange income turned positive at 99.19 million Br, compared with a loss of 223.56 million Br the previous year. Based in London, financial statement analyst Abdulmenan Mohammed (PhD) called the turnaround "remarkable," a bright spot in an otherwise cautious market.

Yet, beneath the positive development in the forex front, Abdulmenan noted what should be a concerning trend. Earnings per share (EPS) have declined for two consecutive years, at 33pc last year, dropping by five percentage points from the previous year, still at par with the industry average.

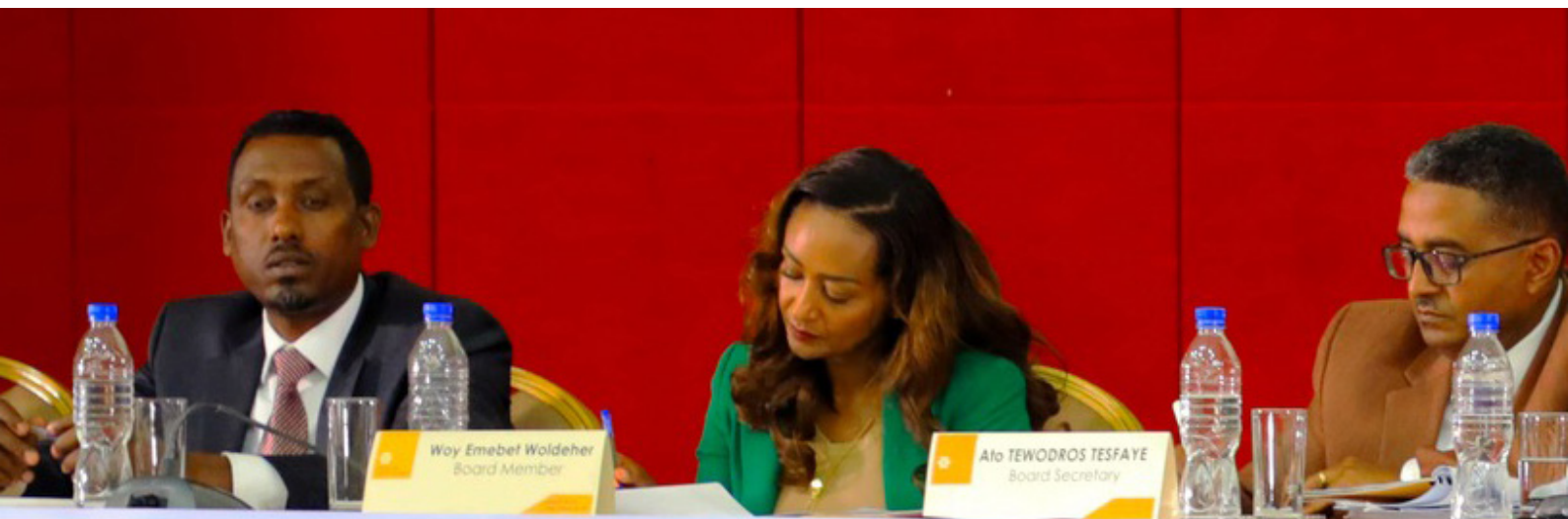
Provision for loan and asset impairments rose by 7.3pc to 1.03 billion Br, a substantial sum that signals the Bank's need to scrutinise credit management. The current 0.66pc level of provisions aligns roughly with the industry's long-term average of around 0.5pc, a sign that BoA's risk management stood on relatively stable ground. Still, observers say the environment could shift quickly, and prudent provisioning today may not fully insulate the Bank in the future.

According to Abraham Gebeyehu, Abyssinia Bank's chief retail banking officer, the Bank is moving to diversify its revenue streams and manage costs through more judicious resource use. The approach prioritises high-yielding product portfolios that can offset rising expenses and regulatory restrictions.

Total assets expanded by 17.3pc to 222.3 billion Br, which places the Bank squarely within an industry-wide pattern of private lenders enjoying double-digit asset growth. Management and analysts say this expansion is no small feat in a market defined by uncertainty and tightening regulatory curbs. However, the Bank's profit profile is beginning to show signs of stress beneath the surface.

Net profit after tax rose by 9.3pc to 4.24 billion Br, less than that of a peer like Dashen Bank, at 4.88 billion Br. Though the profit gain is not insignificant in an environment shaped by inflation and foreign exchange crunch, it signals a broader truth about Abyssinia Bank and its first-generation peers. Size and expansion alone do not guarantee a firm foothold in the evolving financial sector.

As industry averages once neared a 2.6pc return on assets, BoA's 1.91pc figure showed the erosion of profitability at a time when growth strategies no longer translate seamlessly



into robust returns. Bekalu Zeleke, president of Abyssinia Bank, attributed this trend to the Bank's "exceptional growth in assets" over the past five years.

"One of our biggest challenges is that capital growth is not matching assets expansion," he told *Fortune*.

Analysts see as a sign that BoA is good at in using its capital to optimise efficiency, but the President acknowledged the inherent risk during times of volatility.

Executives in the private banking sector have grown accustomed to years of steady asset build-ups and surging profits. Over the decade beginning in 2013, the private banking industry enjoyed healthy expansion and a manageable set of non-performing loans (NPL), even amid periodic regulatory changes. Abyssinia Bank's current performance demonstrates that it is a mature institution that has capitalised on this long growth trajectory but now stands at a critical turning point.

Bekalu and his senior executives have built a formidable resource base, yet the escalating cost of operations and narrowing profit margins reveal the fragility of that achievement. They appear to have learned that more moderate margins are the price of doing business in a market faced with cost pressures and structural inefficiencies.

A closer look at BoA's expense structure shows wage, benefits, and administrative costs prominently placed. These costs represent over half of total expenses, a reminder that operations remain resource-intensive. The wider private banking market's wage and administrative expenses are usually around five percent of assets.

According to the analyst, BoA's executives could do more to squeeze efficiencies out of its structure, whether by rethinking resource allocations, tightening controls, or embracing technology to curb costs.

Where BoA sets itself apart is the intensity of its core lending operations.

Revenue gains have come from both financial and nonfinancial intermediation. Income climbed by 22pc to 27.7 billion Br, a jump stemmed mainly from a 17.4pc rise in interest on loans, advances, and central bank bills, which reached 24.6 billion Br. Service charges and commissions soared by nearly 48pc to 2.1 billion Br, while other income shot up almost 67pc to 946.8 million Br.

Its loan-to-asset ratio was 75.46pc, and its loan-to-deposit ratio was 87.13pc, both strong indicators of aggressive lending. In more placid times, such assertiveness could enhance margins. But when liquidity buffers and foreign currency availability are as precarious as they are now, pushing the lending envelope can increase vulnerability.

BoA's capital-to-asset ratio (6.39pc) was well below the 10-year private bank average of 13.5pc. With an asset-to-equity ratio of 9.59, the Bank appears to have a leaner capital structure that could amplify sensitivity to sudden shifts in the business environment.

Net interest income accounted for roughly 59.74pc of total income, somewhat below the historical industry norm of around 65pc to 73pc. This shortfall may show strategic diversification. According to the analyst, should interest margins tighten further, a well-balanced income stream could serve as a cushion.

According to Bekalu, Abyssinia Bank will focus on beefing up forex earnings in the coming years. This is one strategy to diversify revenue streams, along with customer acquisitions.

Abyssinia Bank's expansion strategy has been aggressive, as demonstrated by the opening of 67 new branches, bringing the total to 930. The broadened footprint contributed to deposit growth of more than 21pc, with an average deposit per branch reaching 207 million Br. These speak to a strong franchise and the potential to reap efficiencies if adequately managed.

The workforce shrank slightly to 11,455 employees from 11,508 the previous year, but

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*We believe
it's the
most
important
resource of
the Bank.*



wages and benefits rose by over 22pc to 9.11 billion Br. General administrative expenses grew by nearly 46pc to 4.31 billion Br, driven partly by deposit insurance payments of 472.3 million Br.

While these figures represent rising overhead, they have not undermined productivity. Profit per employee was over 370,000 Br, far above a decade-long private banking average of 76,000 Br, signalling well-utilised human capital.

Fikremariam Terefe manages one of the branches in the Meskel Flower neighborhood. He characterised the fiscal year as “triumphant for resource mobilisation and accessibility.” He plans to carry out the Bank’s five-year strategy, which anchors on digital transformation, a broader forex offering, and expanded credit services for high-value clients.

“We plan to improve efficiency and leverage digital technology to optimise operations,” he told *Fortune*. “Our virtual banking centre has operated round-the-clock.”

For Board Chairperson Mekonnen Manyazewal, BoA’s human remains the foundation of the Bank’s strategy.

“We believe it’s the most important resource of the Bank,” he said.

Mekonnen, once a senior minister under the EPRDF-led government, acknowledged that recent regulatory changes - covering lending exposure limits, asset classification, provisioning standards, and corporate governance — have influenced performance. The Bank’s approach appears to reflect a willingness to adapt, though adaptation often brings costs before yielding returns.

Total assets marched upward by 17.3pc to 222.3 billion Br. Loans and advances reached 163.92 billion Br, a 14.4pc increase, almost consistent with a credit ceiling imposed by the National Bank of Ethiopia (NBE) in August 2023. Deposits climbed 21.4pc to 192.51 billion Br, lowering the loan-to-deposit ratio from 90.7pc, in line with the regulator’s constraints.

While abundant resources might have once fueled more lending, the new credit cap requires selective allocation. Abraham disclosed that Abyssinia Bank has focused on high-yielding products with a multiplier effect on revenue to respond to the impact of the credit limit.

Liquidity levels rose in both absolute and relative terms. Cash and bank balances jumped more than 32pc to 27.94 billion Br, raising the ratio of cash and bank balances to total assets from 11.16pc to 12.6pc. The analyst, Abdulmenan, called this progress “noteworthy but not entirely comforting,” warning that liquidity remains a concern, and that BoA’s executives should keep a vigilant eye on developments.

Annual expenses grew to 22.4 billion Br, with interest on savings alone up by over 30pc to 8.02 billion Br. Observers attributed this increase to a combination of higher deposits and rising



Bekalu Zeleke, President

average savings rates, perhaps influenced by economic conditions and mounting competition.

According to Abraham, inflation and the rising cost of living pushed up expenses, and the Bank plans to leverage digital technology to curb them. Virtual banking has been another investment area, with 35 centres in operation, 15 of which opened during the reporting year.

Bekalu reinforced this view, disclosing that no branch will be opened this year as part of the review of branch models, while the Bank will invest resources in digitisation. According to him, his management’s focus will be on cost reduction and enhancing employee productivity.

Abyssinia Bank’s capital adequacy ratio of 11.4pc sits above the regulatory minimum, providing some comfort. Still, analysts urge the Bank to beef up its capital as a precaution. According to Abraham, BoA has raised capital by more than 15pc each year, a trend he sees is likely to continue. Abyssinia Bank’s paid-up capital rose by 19.4pc to 14.21 billion Br.

Shareholders express a mix of understanding and frustration.

Some are less satisfied. Tesfaye Berhanu, who attended the annual general assembly held in November 2024, in Inter Luxury Hotel, on Marshal Tito Road, had hoped for bigger dividends. He blamed rising expenses, which he believes dampened earnings per share. His sentiment echoed those who feel that, while growth looks good on paper, the bottom line would be stronger if expenses were reined in more aggressively.

Workneh Gashaw, who has held shares for about five years, supported the idea of retaining earnings to build capital and cover provisions. He believes remaining competitive in a shifting market justifies a tighter dividend policy. ■



*Mekonnen Manyazewal
Board Chairperson*



Addis Bank Races Ahead, Yet Trails Industry Peers

■ Profits near doubled as credit risks and capital pressures mount

Addis Bank financial performance in 2023/24

Total Assets	Total Liabilities	Paid-up Capital	Income	Expense	Profit After Tax	Earning per Share
15.4b Br	12.2b Br	2.1b Br	2.4b Br	1.8b Br	413m Br	20.4 Br
22.2pc ↑	22pc ↑	13.8pc ↑	44pc ↑	33pc ↑	85.2pc ↑	58.1pc ↑

Illustrated by Fortune

Source: Addis Bank Annual Report 2023/24

In an industry characterised by tight liquidity, regulatory pressures, and growing credit risks, Addis International Bank (AdIB) posted robust financial results for the 2023/24 fiscal year, marking itself as a standout performer among peers and mid-tier financial institutions.

The Bank's net profit reached 413 million Br, surging by an impressive 85pc compared to the previous year, outpacing the industry's average net profit growth of around 32pc.

According to Aminu Nuru, a financial analyst based in Doha, Qatar, the remarkable increase, driven primarily by the Bank's expansion of loan activities, foreign exchange operations, and digital banking services, proved its strong operational performance amid difficult market conditions.

However, despite its impressive growth, Addis Bank's earnings remain modest compared to those of its competitors in the mid-tier league of the industry. Abay and Berhan banks reported substantially higher profits, 1.5 billion Br and 1.19 billion Br, respectively. Addis Bank's earnings constitute only a fraction of the private banking industry's total profits, which reached 22.2 billion Br, heavily dominated by larger banks such as Awash, Abyssinia, and Dashen.

Addis Bank's total income increased by 44pc, reaching 2.4 billion Br, supported by a 34pc growth in interest income and a 66pc rise in fee and commission income. Bank officials attributed much of this growth to regulatory easing, especially the reduction in foreign exchange surrender requirements from 70pc to 50pc, which allowed banks to retain a larger portion of their foreign exchange earnings.

Hailu Alemu, the founding president of Addis Bank, believes strategic moves made during the fiscal year were instrumental in achieving positive results. He credited the diversification of revenue streams, loan portfolio expansion, strengthening of forex operations, and introduction of innovative digital banking products.

"We expanded our revenue streams by growing our loan book, strengthening our international banking segment, and introducing new digital products that boosted non-interest income," Hailu told *Fortune*.

Despite this optimism, the sustainability of such impressive growth faces challenges.

Loan impairment charges sharply increased by 277pc, signalling growing credit risks. Industry analysts expressed concern that



Hailu Alemu, President

rising impairments, along with ongoing regulatory uncertainties, could potentially impact future profitability. Nonetheless, Hailu remained confident, banking on strategies that include further expansion of the loan portfolio, improved credit risk management, and leveraging favourable forex policies.

Hailu, who graduated in accounting and economics from Addis Abeba University, said the Bank plans to enhance digital banking services further, targeting higher fee-based income streams.

His optimism resonated among bank employees such as Mesfin Sileshi, manager of the AdIB's main branch on Jomo Kenyatta St., near the UNECA headquarters. According to Mesfin, a robust performance in forex generation was helpful despite ongoing constraints related to outstanding bonds held by the state-owned Development Bank of Ethiopia (DBE). He also noted that the floating exchange rate regime presented promising opportunities for the Bank.

Founded in 2012, Addis Bank began operations with an initial equity of 109.4 million Br raised from over 5,309 founding shareholders, including various community savings associations like Edir and farmers' unions. Over the years, its shareholder base expanded, reaching 16,181 by the end of the latest fiscal period.

According to Shimelis Gedlegiorgis, a founding shareholder, immediate profits, though valuable, should be balanced against sustainable performance achieved through effective corporate governance, innovative product development, and robust staff training.





Hailu Alemu (president), Kassahun Bekele (Board Chairperson) and Fantahun Belew (Vice Chairman) at Addis Bank's annual assembly.

"Profitability will come later on," Shimelis told *Fortune*.

The Bank maintained a conservative capital position, evident from a strong capital-to-asset ratio of 20.8pc, positioning it advantageously amidst evolving regulatory requirements. Its total assets grew 22.2pc year-on-year, reaching 15.4 billion Br. While commendable, this figure remains below the industry's average asset growth of 28pc and considerably smaller than mid-tier rivals like Abay Bank (66.4 billion Br) and Oromia Bank (114.6 billion Br). This posed a substantial challenge to Addis Bank in expanding its market share.

Customer confidence appeared strong, evidenced by steady growth in deposits, loans, and profits. Depositors increased notably, totaling nearly 720,000 at fiscal year-end. Deposits grew by approximately 21pc, reaching 11.1 billion Br, fueled by the opening of 24 new branches, bringing the total network to 156 branches nationwide. Analysts acknowledged that this expansion enhanced Addis Bank's market visibility and customer attraction capacity.

AdIB also posted a solid return on equity (RoE) of 21.8pc, demonstrating strong profitability amid industry-wide concerns such as inflation and rising operational costs linked to



PROFITABILITY WILL COME LATER ON.

expansion. However, Addis Bank still trailed behind compared to larger banks like Awash and Abyssinia, which consistently recorded RoEs near 30pc. Its return on assets (RoA) stood at a respectable 2.9pc, demonstrating efficient utilisation of its asset base.

During the past fiscal year, Addis Bank's loans and advances grew by 14.5pc, still below the industry average of approximately 27pc. Nevertheless, the Bank's loan-to-deposit ratio improved to 78pc, an enhancement from the previous year's 82.67pc, displaying more prudent liquidity management. Analysts such as Aminu noted this as a sign that the Bank can comfortably extend further credit while maintaining sound financial practices.

Hailu acknowledged the high concentration risks associated with export-focused lending, constituting 44.2pc of the Bank's

total loan portfolio. He stated the importance of diversification strategies into sectors such as domestic trade, manufacturing, and construction to respond to potential credit risks.

Operational expenses increased notably during the year, with personnel costs rising 32.64pc, driven by branch expansion, wage adjustment, and additional recruitment. An unexpected surge of 128 million Br in expenses for security and janitorial services, outsourced to third-party providers, added to operational costs. Hailu justified these expenditures as essential investments to improve service quality and market competitiveness.

Despite rising expenses, Addis Bank maintained efficient cost management. Interest expenses accounted for roughly 35pc of total costs, helping sustain profitability. Earnings per share (EPS) improved from 12.91 Br to 20.44 Br, though still far below the industry average, signalling a continued need for growth to enhance shareholder value.

"We're working to control operational and administrative expenses to improve overall financial performance and shareholder returns," Hailu told *Fortune*.

Capital adequacy remained one of Addis Bank's most impressive financial strengths, with a ratio previously approaching 30pc, higher than regulatory requirements.

Nonetheless, the Bank faces future challenges about its capital. With current paid-up capital at 2.1 billion Br, Addis Bank remained behind the mandated five billion Birr threshold set for 2026, already surpassed by competitors like Abay Bank.

To address this capital shortfall, Hailu pinned his hope on shareholders' willingness to reinvest dividends, along with ongoing efforts to sell additional shares publicly. Board Chairman Kassahun Bekele echoed this sentiment, encouraging shareholders to prioritise reinvesting dividends to consolidate capital and sustain growth.

According to the analyst Aminu, continuous investment and innovation remain critical as the digital banking segment evolves rapidly.

Hailu concurred, noting that the financial industry is changing rapidly, with new entrants and fintech companies reshaping how consumers interact with financial services.

"To stay competitive, we're investing in digital transformation to streamline operations and improve customer experiences across digital and physical channels," he told *Fortune*. ■



Ahadu Bank Finds a Footing, But Policy Cloud Path to Ambition



Ahadu Bank financial performance in 2023/24

Total Assets	Total Liabilities	Paid-up Capital	Income	Expense	Profit After Tax	Earning per Share
6.4b Br	5.4b Br	1b Br	1.15b Br	1.03b Br	901m Br	48 Br
102.4pc ↑	108.2pc ↑	53.3pc ↑	101.5pc ↑	150.25pc ↑	-	-

Illustrated by: Fortune

Source: Ahadu Bank Annual Report 2023/24

Ahadu Bank, one of the youngest financial institutions in the market, has made a noteworthy recovery from substantial losses during its founding years, posting a net profit of 90.9 million Br in the fiscal year 2023/24. The turnaround came after the Bank absorbed a hefty loss of 193.68 million Br the previous year.

For Sefialem Liben, the Bank's president, the story is not so much about the amount of profit as it is about how it was achieved in the face of several policy changes. The National Bank of Ethiopia's (NBE) lending cap "severely affected new entrants" like Ahadu, constraining their ability to expand loan portfolios. It compelled many in the industry to seek alternative strategies to generate income and control costs.

A strategic shift toward non-lending activities and stringent cost management fueled Ahadu Bank's recovery. Initially, the Bank had focused on aggressive resource mobilisation and loan disbursement, advancing about 800 million Br in loans in the first two months of the fiscal year. The Central Bank's sudden introduction of the credit growth cap forced a recalibration.

"We lobbied the regulators for special consideration while exploring new income streams," said Board Chairperson Anteneh Sebsibie.

Ahadu's net interest income constituted 65pc of its total income (similar to the industry's average for the 10-year beginning in 2012), revealing reliance on interest-bearing activities as the primary revenue source. The Bank also doubled down on financial intermediation and non-financial services, doubling its total income to 1.1 billion Br. Interest on loans and advances, as well as other investments, soared to 371.64 million Br.

Commission and service charges jumped to 679.22 million Br, and gains on foreign exchange dealings surged to 89.06 million Br, a more than a threefold

increase from the previous year.

"The increase in all income items is very laudable," said Abdulmenan Mohammed (PhD), a London-based financial analyst.

The Bank doubled its total assets to 6.42 billion Br, with deposits surging by 129.5pc to 4.66 billion Br. Loans and advances increased by 90pc to 1.76 billion Br, although the loan-to-deposit ratio declined to 37.8pc from 45.6pc. The industry's loan-to-deposit ratio stood at 83.7pc by 2022. While the average loan-to-asset ratio was around 66.2pc, Ahadu Bank's posted 55pc.

Abdulmenan found the ratio "alarmingly low" and cautioned the Bank's executives to do more to increase it substantially.

The President differed. He believes the ratio meets Ahadu's policy and Central Bank's requirements.

Expenses too rose sharply, climbing to over one billion Birr, a 150pc increase. Wage expenses increased by 153.3pc to 489.98 million Br, and other operating expenses went up by 140.7pc to 350.1 million Br. Net interest expenses accounted for 40pc of total expenses, demonstrating the costs associated with the Bank's interest-bearing liabilities. Wages and administrative expenses represented 35pc of total expenses, revealing substantial operating costs related to staffing and administration.

"It's understandable considering the formative stage of the Bank," said Abdulmenan.

The Bank implemented a cost-optimisation strategy, suspending branch expansions.

"Our plan was much bigger," said Sefialem.

Despite the slowdown, Ahadu Bank, nonetheless, opened 29 new branches, bringing its total to 104, where average deposit reaching 44.23 million Br, with profit per employee at approximately 202,312 Br.

One of these branches is on Africa Avenue (Bole neighbourhood), managed by Fikreyesus



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Our plan was much bigger.

Sefialem Liben

President





Anteneh Sebsibie, Board Chairperson and Sefialem Liben, President.

Temesgen. He attributed their success to a favourable location and strong teamwork.

"Serving mostly corporate and SME clients, we've excelled in deposit mobilisation, customer acquisition, and share sales," he told *Fortune*. "Working on our initiatives and inclusivity is our plan for this year."

The Bank's earnings per share (EPS) climbed to 48 Br, a positive gesture for shareholders who had weathered the initial losses.

"The year represents a crucial milestone," said founding shareholder Tsegaye Jifar, who plans to increase his shareholding. "It sets a foundation for future trust in the Bank's capacity to generate sustainable profits."

Tsegaye is pleased with the financial performance and customer service.

"Customer service is plausible as well," he told *Fortune*.

Another founding shareholder, Alemayehu Argaw, voiced contentment with the Bank's performance and hopes it will improve its digital services while positioning ATMs in strategic locations.

"I'm planning to buy more shares," he said.

However, an accumulated loss of 144.26 million Br led to dividends being deferred for shareholders like Tsegaye and Alemayehu.

With over 30 years of experience in the financial industry, including stints at the Central Bank, Bank of Abyssinia, and the Development Bank of Ethiopia (DBE), Sefialem brought a wealth of expertise to his role. Armed with a postgraduate degree in management and business administration from Addis Abeba University, he is keen on steering Ahadu Bank toward growth.

Under Sefialem's management, who took over from founding president Eshetu Fantaye, Ahadu Bank targeted long-term sustainability. Its cash and bank balances doubled to 2.05 billion Br, although these balances to total assets ratio slightly declined to 31.9pc from 32.8pc. According to Abdulmenan, the Bank should use its resource efficiency to generate more income.

Ahadu Bank began its journey three years ago boasting 503 million Br in paid-up capital, mobilised from 9,600 shareholders. It has increased from the previous year by 53.3pc to 1.03 billion Br. Non-distributable reserves of 998 million Br and a capital adequacy ratio of 56.7pc showed that the Bank had more than sufficient capital base.

"We've devised a strategy to increase capital and be competitive," Sefialem told *Fortune*.

According to Sefialem, while the road to meeting the Central Bank's capital threshold requirement is long, a merger is considered a last resort, contingent upon finding a company that shares the Bank's vision.

Ahadu Bank operates near the lower end of the industry, as it contends with giants that boast far greater capital and market share. The state-owned Commercial Bank of Ethiopia (CBE), a behemoth in the industry, posted a net income of 21.06 billion Br, accounting for over 36pc of total net income of 58.37 billion Br. Leading private banks such as Awash and Dashen banks reported net incomes of 8.13 billion Br and 5.07 billion Br, respectively.

Mid-sized competitors further unveil the disparity.

The Cooperative Bank of Oromia (Coop Bank) and United Bank, with net incomes of 2.96 billion Br and 2.92 billion Br, respectively, operate on a scale that grants them extensive branch networks, robust deposit bases, and substantial market sway. Newer banks, such as Tsehay Bank, posted net incomes of 126.14 million Br.

Ahadu Bank's net profit margin was 2.78pc; for every 100 Br in assets, the Bank generated approximately 2.78 Br in net profit, meeting the industry average. The analyst saw this as a modest return that signalled potential issues in asset utilisation and profitability. The asset-to-equity ratio of 6.12 (for every one Birr of equity, the Bank has 6.12 Br in assets) revealed a reliance on debt financing, which could pose risks if not managed prudently. The capital-to-asset ratio, the Bank's assets financed by shareholders' equity, a crucial metric for assessing financial stability and the capacity to absorb potential losses, was 16.34pc, three percentage points higher than the industry's average for the decade.

The Bank has allocated two percent of its total loans as provisions for bad loans, demonstrating a cautious approach to potential credit losses, given the competitive pressures and economic volatility.

There are signs of growth. Year-over-year increases in vital financial indicators show positive trends: total assets increased by 15pc, total loans grew by 12pc, total deposits rose by 18pc, and profit before tax experienced a noteworthy increase of 25pc. According to an analyst, these figures showed that Ahadu Bank is expanding. ■



Amhara Bank Grows Fast with Slow Dividends

■ *The bank surges ahead but leaves shareholders waiting*

Amhara Bank's performance in the financial year 2023/24 is an illustration of how newer entrants in the banking industry are racing to catch up with older competitors, both in market position and public perception.

Within two years of operation, the Bank has amassed a deposit base and total assets that place it near the front of its generation. Analysts attributed this acceleration to an aggressive yet carefully targeted credit approach, active deposit mobilisation, and a branch network that seems to operate more efficiently than its peers. While private banks across the board have been expanding their assets, few fourth-generation financial institutions have matched Amhara Bank's pace on such a scale.

The Bank's shift from a gross loss of 481.7 million Br in the previous year to a net profit of 524.5 million Br last year demonstrated the momentum behind its growth. That swing in profit unveiled a fundamental improvement rather than a mere accounting shift. It was partly driven by rising income, which reached 4.4 billion Br, much of that coming from a 137.1pc surge in interest income, at 3.77 billion Br. Fee and commission income also climbed by 239.8pc to 528.7 million Br.

The Board's Chairman, Gashaw Debebe, praised the turnaround as "a promising new era of growth, innovation, and excellence."

Total assets jumped to 35.2 billion Br, a 24pc uptick that, according to market watchers, sets the Bank apart from peer rivals. Loans and advances expanded by 33pc to nearly 19.9 billion Br, a rise that puts Amhara Bank at the upper end of fourth-generation banks when measured in absolute volume. The deposit base reached 25.06 billion Br this year, a 26.4pc climb, mirroring the Bank's ability to attract savers in a market where deposit competition is fierce.

"Impressive" is how London-based financial analyst Abdulmenan Mohammed (PhD) characterised the performance, commending the Bank's ability to overcome what he called a "huge loss." However, he noted the potential pitfalls of aggressive lending in a climate where prudential limits and industry-wide liquidity fluctuations remain critical concerns. Many new banks initially struggle with high operational overhead and the burden of building a nationwide presence, a challenge Amhara Bank seems to be dealing with caution and ambition.

A key element in Amhara Bank's approach to lending appears to be a cautious position toward risk, supported by its relatively low loan impairment charges. It posted around 78.5 million Br in provisions for loan and asset impairments on a total loan portfolio of 19.92 billion Br, a figure that signalled either conservative underwriting or a preference for lending in safer sectors. At about 0.38pc of total loans, the provision level has drawn praise from analysts but also triggered warnings that venturing into more volatile parts of the economy could test the quality of its assets.

Amhara Bank's overall performance is further boosted by a strong deposit-to-asset ratio of roughly 71pc and a loan-to-deposit ratio of about 79.4pc. This balance provides enough breathing room to keep lending while retaining a sensible liquidity cushion. Despite expanding its loan book substantially, the Bank maintained a level of liquidity that has not severely strained its resources, even though its liquid assets declined by six percentage points to 6.87 billion Br. The liquidity-to-asset ratio was 19.5pc, down from 25.7pc, which Abdulmenan considered acceptable for a young bank converting more of its resources into income-generating assets.

However, the Bank's operating costs remain high.

Total expenses grew by 76pc to almost four billion Birr, with



Gashaw Debebe, Board Chairman and Yohannes Ayalew, President at Amhara Bank's annual assembly.



interest expenses alone more than tripling to 1.35 billion Br, displaying the competitive fight for deposits in a market where new entrants are often forced to pay higher rates to woo depositors. Wage and benefit costs rose by 46.8pc to 1.6 billion Br, while other overhead expenses increased by 45.7pc to 992.1 million Br. According to Aminu Nuru, a Doha-based financial analyst, these rising personnel costs should be concerning.

“This level of spending on personnel expenses is worrying compared to the income,” he said. “Salaries and related expenses are not likely to shrink in the near term for a Bank that already employs 5,191 people.”

The Bank’s cost-to-income ratio could be in line with what might be expected of a two-year-old institution that relies on branch expansion for growth. It has gone well beyond the 120 to 180 branches typical of banks at a similar stage. Each branch has mobilised an average of around 80.8 million Br in deposits, mirroring an active contribution toward the Bank’s overall growth. According to analysts, the next test will be whether these branches can move beyond deposit collection to generate robust fee-based business in trade finance, export-import activities, and digital services, thereby strengthening non-interest income streams.

The management of Amhara Bank declined to comment when repeatedly approached by this newspaper.

Nevertheless, staffing remains a recurring issue. One employee, who asked to remain anonymous because he was not authorised to speak, recalled initial optimism after joining Amhara Bank, in part due to the better salary scale it had offered. But, the enthusiasm has cooled, and talk of wage stagnation and marginal incentives has spread.

“It’s pushing people to look elsewhere,” said the employee, characterising the mood among coworkers.

Such concerns revealed the dilemma of striking a balance between expansion and employee satisfaction. The Bank’s cost structure is partly driven by its quest to establish a national presence. It has 310 branches and aspires to grow further, backed by the largest shareholder base at 141,000; no other bank seems to match.

Its Board Chairman wanted to see the glass half full.

“Through carefully coordinated strategic moves and effective resource management, we have made notable progress,” he told shareholders in his message published in the latest annual report.

Some of these shareholders remain uneasy.

For a Bank that mobilised over 25 billion Br in deposits, through

more than 300 branches, and capital nearing seven billion Birr, a half-billion Birr in profit is a fact not well digested. Its return on investment remained relatively modest compared to older banks posting earnings per share (EPS) over 40pc. Amhara Bank’s EPS rebounded to 8.3pc, which management hailed as a sign that its strategy is paying off.

“Shareholders should demand answers to why a bank that holds all these resources has failed to make profit like the others,” said Aminu.

Those concerns resonated with shareholders eager for dividends, such as Demis Workneh.

“It’s been long overdue,” said Demis.

He recalled buying shares near the Ambassador Theatre-Filwuha area during the founding years. Later, he was told to pick up the share certificates from a branch in Saris Adey Abeba, which he found “a waste of time.”

“I never got the documents,” Demis told *Fortune*, hoping that the Bank’s communication with shareholders improves.

Another shareholder, Nigussie Eshetu, shared these frustrations and called on the board to prioritise engagement with shareholders who want clarity on operations and returns on their investment.

Other shareholders remain optimistic. A shareholder, Atnaf Damtew, tried to buy more shares but was told they were unavailable.

“I hope they will avail it soon,” she told *Fortune*, describing her view of the bank as a long-term opportunity, “at least for founding shareholders.”

Such optimism may echo a broader sentiment that, while returns have been slower to materialise than some shareholders had hoped, the Bank’s rapid growth could bear more returns later.

“Throughout the year, Ethiopia’s banking sector has faced substantial headwinds,” Yohannes Ayalew (PhD), president of the Bank, wrote to shareholders in the annual report. “Liquidity stresses have hindered resource mobilisation efforts and credit deployment capabilities.”

Amhara Bank’s corporate governance had also faced turbulence. Internal disputes led to formal complaints with the National Bank of Ethiopia (NBE) and the Federal Ethics & Anti-Corruption Commission. These disagreements alleged legal and procedural violations by former board members and nominees, triggering leadership changes. Gashaw, a former official with the Ministry of Trade, presides over a largely renewed board, though the appointment of former chairman, Melaku Fenta, was still



pending regulatory approval.

“Amhara Bank faced significant internal management changes, which inevitably affected its business aspirations,” wrote Gashew in the annual report.

The founding president, Henok Kebede, resigned in December 2024 and subsequently moved to run Nib Bank. An interim president, Chanyalew Demissie, served until the appointment of the Bank’s serving chief executive, Yohannes, in September 2024. A former Vice Governor at the central bank with a doctorate from the University of Sussex, Yohannes is credited with steering the Development Bank of Ethiopia (DBE) back toward financial stability before moving into the private sector.

Yohannes and his team focused their energy on risk management, liquidity, and robust asset quality.

The Bank’s paid-up capital rose by 11.6pc to 6.52 billion Br, leaving it with a capital adequacy ratio of about 24pc, comfortably above regulatory standards. It has set its sights on fresh revenue streams such as development financing, capital markets, and Sharia-compliant finance under its Merhaba brand, which accounted for three percent of its deposits. Amhara Bank acquired a 10,579Sqm plot in Lideta District, where it plans to erect its future headquarters.

The investment portfolio, which included bonds with the Treasury and DBE, expanded, growing by 120pc to reach 3.63 billion Br.

Analysts ponder if Amhara Bank could continue to post strong numbers if the macroeconomic environment weakens or competition intensifies.

According to Yohannes, the macroeconomic landscape has been similarly strained with persistent foreign exchange shortages, elevated inflation, unemployment, rising budget deficits, and political tensions. The foreign exchange shortages remain a chronic constraint for banks attempting to finance import-related businesses. Inflation, at nearly 20pc year-on-year (YoY), presented bankers with difficulties in determining loans and deposit rates, prompting them to weigh the trade-offs between attracting depositors and containing their interest expenses.

Amhara Bank’s heavy dependence on interest income — a reported 80pc of its operating income — revealed a traditional model that has so far worked for many banks. Yet, with such a large chunk of revenue coming from lending, the Bank could be vulnerable to future rate adjustments or stricter central bank guidelines. According to industry observers, diversifying into fee-based services, digital platforms, and other product lines is an increasingly common refrain in an industry undergoing slow but steady liberalisation.

Although Amhara Bank has introduced interest-free banking services to compete with specialised Sharia-compliant finance institutions like Hijra and ZamZam, the scale of this segment remains small.

While Amhara Bank’s deposit mobilisation is impressive for its short operating history, it will need to keep up the momentum in an environment where unbanked households, inflationary headwinds, and stiff competition all play a part. It has already pulled in two million customers, a number that far exceeds some of its fourth-generation peers, including Gadaa, Tsedey, Shabelle, and Hijra banks, which have generally posted smaller profits or still glide near breakeven. ■

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DIGITALLY DRIVEN FUTURE READY

Wegagen Bank Reinvents Its Banking Experience

Wegagen Bank is pushing ahead with a digital transformation plan, embedded within its five-year corporate strategy aligned with the broader national digital agenda. Focusing on expanding digital services such as mobile banking and AI-driven lending products, the Bank has launched innovative platforms like Efoyta, a collateral-free digital loan specifically for women-led small businesses overlooked by traditional finance.

Using data analytics to spot trends, including salaried customers' end-of-month liquidity crunches, it introduced the "Wase Prime" payday loan, which has dramatically shortened loan processing from months to mere minutes.

The digital expansion brings security imperatives as nearly a tenth of the Bank's IT budget now fortifies cybersecurity, including a real-time fraud management system and compliance with the global PCI DSS standard. To curb expenses, such as personnel and administration which currently account for 65pc, Wegagen Bank prioritised automation, delivering savings of around 60 million Birr annually, and aims to cut its cost-to-income ratio to below 55pc by 2026.

The Bank is also increasingly reliant on digital agent networks equipped with POS devices and mobile wallets, which last year accounted for a quarter of all new rural customer acquisitions. Its CEO, Aklilu Wubet (PhD) foresees that Wegagen Bank will increase digital channel transactions from 35pc to 50pc by 2026, demonstrating his commitment to reshape traditional banking in the fast-evolving financial sector.

Aklilu (PhD) took the helm of Wegagen Bank in July 22, 2021, stepping out of an interim role to confront an 82pc plunge in profits and restore shareholders' confidence. Confirmed by the National Bank of Ethiopia (NBE) on September 21, 2021, at age 48, he inherited one of the country's first-generation private lenders at a precarious moment.

An Addis Ababa University alumnus, Aklilu holds BA in Economics, Master's in Public Administration and PhD in Public Management and Policy Papers.

His career began at the Commercial Bank of Ethiopia (CBE), where he spent seven years as a junior banker before managing a Wegagen branch in 2005. He then spent roughly a decade as Vice President of Corporate Services at the Bank of Abyssinia (BoA), overseeing IT, E-banking and credit, followed by leadership stints at Nile Insurance and Lion International Bank. He has also lectured in economics and accounting at AAU, Royal University College, and Unity University.

Returning to Wegagen Bank in March 2021 as Vice President of Corporate Services, he became acting president later that year. Under his leadership, Wegagen Bank's paid-up capital surpassed 7 billion Br by mid-2025, comfortably exceeding the National Bank's five billion Birr minimum requirement due in 2026.

In March 2025, Wegagen Bank launched Wegagen Capital Investment Bank (WCIB), the first private investment bank licensed by Ethiopia's Capital Market Authority, with 385 million Birr in paid-up capital. Two months earlier, the Bank became the inaugural listing on the Ethiopian Securities Exchange (ESX).

Aklilu (PhD) also championed prudent loan-recovery measures to counter rising impairment charges after branch closures in conflict-affected regions. He advocates balanced openness to foreign competition, favouring joint ventures that transfer technology and skills, while safeguarding domestic banks.

A father of three and respected for his strategic vision and integrity, he spearheaded a digital transformation strategy emphasising mobile and card banking, which he calls "the principal growth engine to deepen savings culture and reduce cash outside the banking system."

Fortune Finance (FF): What is the structure of your digital transformation strategic plan? How do you ensure close collaboration between business units, IT, and risk functions to accelerate digital initiatives and overcome legacy-system constraints?

Aklilu Wubet (PhD): Wegagen Bank's digital transformation strategy is nested under its corporate five-year strategic plan (2021/22–2025/26) and fully aligned with Ethiopia's National Digital Transformation Strategy. The strategy follows a Balanced Scorecard (BSC) framework with key pillars such as Digital Excellence, Customer-Focused Operational Excellence, and Business Growth through Digital Channels.

The Digital Banking Cluster is organised around core verticals like mobile banking, internet banking, digital credit, agent banking, card banking, and digital ecosystem development like E-School and E-Health.

To overcome legacy system constraints and ensure cross-functional collaboration, the bank utilises the Oracle FlexCube Core Banking System, supported by a state-of-the-art data centre. Furthermore, governance is handled via a Digital Transformation Steering Committee with executive oversight, ensuring alignment among business, IT, and risk functions. In addition, dedicated project teams with clearly defined roles are in place to implement each initiative with joint input from relevant units, and middleware integration and process automation are actively prioritised to bridge system gaps.

Q: How are you leveraging big-data platforms or customer-data lakes to generate insights on product usage, churn risk, and personalised offerings? Can you share one example where such insights directly informed a digital product tweak or targeted campaign?

Wegagen Bank is expanding its data analytics capabilities through real-time insights drawn from customer interactions across mobile banking, internet banking, agent networks, and card banking platforms. These data sources feed into our analytics engine, which supports smarter segmentation and product design across our digital ecosystem.

Our digital lending brand, Efoyta, stands as a flagship product shaped heavily by data insights and behavioral intelligence. Our analytics

initiatives are designed to gain deep insights into customer behavior by tracking transactional patterns and segmenting users based on their spending, saving, and borrowing habits. Moreover, account inactivity is proactively monitored to prevent churn through timely nudges and targeted re-engagement strategies. Additionally, tailored product offerings are made using historical usage data, demographic profiles, and digital engagement preferences. These efforts also enable us to predict spikes in demand for services such as bill payments and remittances, allowing for optimal allocation of system resources and agent support.

Efoyta Edget – Women-led MSME Loan (Working Capital): Insights revealed that a high share of active digital customers was women-led micro and small businesses. These customers maintained steady transaction patterns but were underserved by conventional credit due to the lack of collateral. In response, Wegagen launched a digital, collateral-free working capital loan via Efoyta designed to meet their short-term business needs. This intervention helped unlock credit for financially active but previously excluded segments.

Wase Prime – Payday Loan Based on Salary Cycle Analysis: Behavioural analysis showed a notable drop in account transaction activity during the last week of each month among salaried customers, indicating liquidity pressure before payday. This insight led to the creation of “Wase Prime,” our digital payday loan product that provides quick cash flow support until salary deposit. The product is seamlessly integrated within our app and supports auto-repayment on salary day, improving customer convenience and stickiness.

Q: What has been the year-on-year (YoY) growth in mobile transactions value and volume? How do you evaluate the return on investment (RoI) of your mobile banking app enhancements, and what key features have driven the largest increases in transaction uptake?

Wegagen Bank has recorded strong year-on-year growth in both the volume and value of mobile transactions, validating the Bank's recent investments in its mobile platform.

The RoI for mobile banking is evaluated through key performance indicators such as cost per transaction compared to traditional channels, user activation and retention rates, incremental deposit mobilization, cross-sell ratios, and the reduction of branch traffic and operational expenses.

Adoption is driven by user-centric features including seamless onboarding with biometric login, real-time balance updates and notifications, enhanced utility bill payment and mobile top-up functionalities, as well as integration with agent banking to facilitate cash-in and cash-out services.

Q: As you scale digital services, what proportion of your annual IT budget is now allocated to cybersecurity? Can you cite specific measures (e.g., multi-factor authentication, real-time fraud monitoring) you have deployed to maintain customer trust?

As the financial sector undergoes rapid digital transformation, cybersecurity is no longer a support function but rather a pillar of business continuity, customer trust, and regulatory compliance. At Wegagen Bank, this reality has shaped a focused and strategic approach to securing our digital infrastructure.

In recent years, our investment in cybersecurity has become increasingly deliberate. On average, 9.1pc of our annual Information Systems (IT) budget over the past three years has been allocated exclusively to cybersecurity. This figure underscores our commitment to proactively protect customer data, secure digital transactions, and uphold the integrity of our financial services in an evolving threat landscape. Importantly, this allocation excludes spending on digital banking technologies, further emphasising the distinct and critical role cybersecurity plays within our overall IT ecosystem.



Akilu Wubet (PhD), CEO of Wegagen Bank

In alignment with both our institutional strategy and regulatory frameworks, Wegagen Bank has implemented a comprehensive security architecture comprising cutting-edge tools and systems. A real-time Enterprise Fraud Management System has been deployed to proactively detect and block suspicious activities before they can impact customers. This is supported by a fully operational Security Operation Centre (SOC), which functions as a centralised hub for 24/7 threat monitoring, incident response, and cyber intelligence gathering.

To ensure that our network of devices remains secure across all endpoints, we have integrated an advanced Endpoint Detection & Response (EDR) system. This allows the Bank to swiftly identify and contain sophisticated threats targeting user devices. Complementing this is a robust Data Security Tool that ensures data remains protected through encryption and strict access controls.

Our Application Security Monitoring System provides real-time oversight of our critical banking applications, helping to identify vulnerabilities before they can be exploited. Alongside this, comprehensive infrastructure security measures such as network segmentation, next-generation firewalls, and intrusion prevention systems have been put in place to strengthen the core of our digital environment.

These strategic investments culminated in a significant milestone as Wegagen Bank achieved Payment Card Industry Data Security Standard (PCI DSS) compliance as of May 14, 2025. This globally recognised certification affirms the Bank's adherence to rigorous data protection standards and reinforces its dedication to safeguard cardholder information. ►►

Looking ahead, which specific digital banking products or channels do you see as having the greatest potential to further enhance these profitability metrics? Additionally, what timelines have you envisioned for these initiatives to start contributing meaningfully to both top-line and bottom-line growth?

To improve key profitability indicators such as Return on Assets (RoA) and net profit margin, Wegagen Bank is prioritising specific digital channels and products with strong potential to drive both top-line and bottom-line growth.

Loans to over 188,000 customers have been disbursed via Efoyta digital lending platform in particular which targets the underserved “missing middle” segment through fully automated underwriting. Efoyta is expected to meaningfully contribute to revenue growth in 2025/26 financial year through increased interest income and the cross-selling of savings products.

By shifting more transactions to mobile and agent channels, the Bank aims to reduce dependency on physical branches and cut operational overhead. These efficiency gains are projected to begin improving margins and lowering the cost-to-income ratio starting in FY 2024/25.

Upgrades targeting high-value clients such as improved user experiences, additional features, and convenience are expected to boost fee-based income and customer retention, with measurable impact anticipated by the first quarter of 2026.

Collectively, these digital initiatives form a core part of the Bank's strategy to enhance profitability and operational scalability in the coming years.

Q: To what extent has Wegagen Bank rolled out end-to-end digital loan origination platforms (covering application, underwriting, disbursement)? What share of new loans originate via digital channels, and how has this impacted loan processing times and customer satisfaction?

Wegagen Bank has made significant strides in digital lending through the rollout of Efoyta, a fully digital, end-to-end loan origination platform. The platform enables customers to apply for loans via mobile app, with automated underwriting powered by an AI scoring engine that assesses repayment behaviour, transaction history, and mobile usage. Upon approval, disbursement is made instantly and directly to the customer's wallet or bank account.

As of June 2025, more than 180,000 loan accounts have been originated through digital channels, primarily via Efoyta. This is a remarkable achievement compared to the Bank's conventional loan base of around 12,000. In under a year, the platform has disbursed over 3.2 billion Br to more than 187,000 borrowers.

The impact has been profound. Loan processing times have decreased dramatically from one to three months under the manual system to under five minutes digitally. Customer satisfaction with Efoyta remains consistently high, with ratings above 85pc, largely attributed to the platform's speed, transparency, and user-friendly interface

Q: What recent technology investments have you made to enhance efficiency? What measurable savings have they delivered so far?

Wegagen Bank has strategically invested in technologies aimed at streamlining operations to reduce the cost-to-income ratio. Key initiatives include the automation of critical back-office functions such as reconciliation, loan origination, and customer onboarding. In addition, services have been actively migrated to digital platforms, significantly reducing branch traffic and minimising reliance on manual processing. These efforts have yielded measurable results such as loan turnaround time has been reduced by more than 50pc, and we project that the annual operational cost savings of approximately 60 million Br as a direct



outcome of our automation and digital migration initiatives.

Q: How are you integrating advanced data analytics or machine-learning models into your credit-scoring and early-warning systems to reduce non-performing loans?

To enhance asset quality and reduce non-performing loans (NPLs), Wegagen Bank is leveraging advanced data analytics and AI-driven tools in its credit risk management processes. Our digital scoring engine for Efoyta, a digital lending platform, is AI-assisted and continuously evolves by analyzing repayment patterns, demographic profiles, and transaction behaviors.

Currently, the model operates via a one-way API with our Core Banking System (CBS). However, it is being upgraded to a bi-directional API, enabling real-time feedback loops to flag early warning signs such as declining account balances, missed deposits, or unusual usage patterns.

Looking ahead, by July 2026, enhancement of the scoring engine with AI-based behavioral analytics, integration of mobile usage and geolocation data, and historical repayment records drawn from both internal systems and third-party sources is underway. This holistic approach is expected to reduce default rates on new digital loans by at least 30pc and significantly improve collection efficiency through predictive delinquency alerts.

Q: What strategic measures are you taking to recalibrate investments between physical branches and digital channels to optimize deposit mobilization? Furthermore, how are you tracking and measuring changes in deposit origination across channels over the past 12 months?

Wegagen Bank is strategically rebalancing its investment mix between physical branches and digital channels to drive greater efficiency and deposit growth.

We are transitioning from a branch-heavy model to a hybrid approach, where mobile banking, agent banking, smart branches

(Phygital), and Internet banking serve as the primary customer touch points. Our branch expansion plans have been revised to emphasise digital channel adoption, particularly in urban and semi-urban markets. In rural areas, we are leveraging agent banking to extend reach while keeping fixed costs in check. Additionally, we are moving towards smart branches.

To measure impact, we have introduced robust tracking mechanisms that monitor deposit origination by channel which identifies whether a customer's first deposit came through a branch, agent, or mobile platform. Monthly reports now detail channel-wise contributions to overall deposit growth. Notably, our latest dashboard data indicates a 12pc year-on-year increase in deposits through mobile and agent banking, alongside a growing share of wallet from digitally engaged customers.

Q: Agent networks are vital for rural outreach. How have you equipped your agent network with digital tools (POS devices, mobile wallets), and what growth in rural customer acquisition and deposit mobilisation can you attribute to these digital agent initiatives?

Wegagen Bank has prioritised the digital enablement of its agent network as a cornerstone of its rural outreach strategy. All agents are equipped with POS devices fully integrated with the Bank's payment switch system, enabling real-time transactions. Mobile wallet integration allows agents to support key services such as digital onboarding, cash-in and cash-out operations, utility bill payments, and credit repayments.

To ensure consistent service quality, agents undergo digital training through mobile-based learning modules, supplemented by regular refresher sessions.

WHEN YOU AUTOMATE 65PC OF YOUR COST BASE, EFFICIENCY ISN'T A SLOGAN. IT'S YOUR BIGGEST PROFIT LEVER.

These investments have delivered tangible results. Over the past 12 months, more than 25pc of new rural customers have been onboarded through the agent network. Agent banking has proven to be an effective last-mile solution for digital loan repayment, significantly improving collection rates in previously underserved areas.

Q: Can you provide data on the percentage of your customer base actively using mobile and internet banking? How do these adoption rates vary across customer segments? How is that informing your digital product roadmap?

Mobile and Internet banking adoption at Wegagen Bank continues to grow steadily, with usage patterns varying across customer segments. Retail clients in urban centres demonstrate strong uptake of mobile banking, particularly through smartphone apps. Small- and medium-sized enterprises (SMEs) and diaspora customers predominantly rely on Internet banking to manage invoice payments and cross-border fund transfers. Meanwhile, rural customers are increasingly turning to USSD-based mobile banking and agent-assisted platforms due to their accessibility and ease of use.

These insights directly inform our digital product roadmap. Wegagen Bank is developing tiered mobile banking interfaces that offer basic functionality for USSD users and enhanced features for smartphone clients. We are on the verge of introducing QR-based payment options, microloan top-ups, and gamified savings tools to better engage mobile users. On the corporate side, our Internet banking platform is being upgraded

to support bulk payments, payroll processing, and integrated foreign exchange (FX) modules to ensure that the Bank continues to meet the evolving needs of our diverse customer base.

Q: Have you entered into any partnerships or integrations with fintechs via open APIs? If so, which collaborations have yielded the most important increases in customer acquisition, cross-sell rates, or digital transaction volumes?

Wegagen Bank has actively pursued strategic partnerships with fintech firms through open API integrations to accelerate digital innovation and expand financial inclusion. A notable collaboration is with Kifiya Financial Technologies Plc, leading to the co-development of Efoyta, our flagship digital lending platform.

This partnership has enabled end-to-end digital onboarding through seamless eKYC, AI-assisted credit scoring, and the use of alternative data for underwriting. Consequently, the results have been substantial. Through the Efoyta platform, more than 3.2 billion Br has been disbursed digitally, driving significant customer acquisition, particularly among underserved and underbanked segments.

Q: Which digital marketing channels (social media, search, in-app notifications) have you found most effective for promoting new banking products? Can you quantify their contribution to new-customer conversion rates and product take-up in the last year?

Social media has been our most impactful digital marketing channel for promoting new banking products, particularly on platforms such as Facebook, Telegram, and Instagram, where we engage a large and growing base of digitally active customers. These campaigns have been instrumental in driving awareness and adoption, especially for products like Efoyta digital loans and mobile banking services. We have also deployed targeted in-app promotions through our mobile banking app and used ATM screens to advertise services and cross-sell offerings.

Q: Beyond user adoption metrics, how do you quantitatively tie digital banking initiatives to core financial KPIs, such as improvements in cost-to-income ratio, incremental fee income, or reduction in branch operating costs? What targets have you set for these metrics over the next two years?

Wegagen Bank has established clear and quantitative links between its digital banking initiatives and core financial performance indicators. Digital channels have significantly lowered processing costs by as much as 60pc per transaction compared to branch-based operations. The Bank aims to reduce its cost-to-income ratio (CIR) from the current 65pc to below 55pc by the end of the 2025/26 fiscal year, driven by ongoing automation and customer migration to digital platforms.

The expansion of mobile and card-based transactions has contributed to a 20pc year-on-year growth in non-interest income. Looking ahead, the Bank has set a target of achieving 15pc annual growth in fee-based revenue from digital channels, particularly from loan processing fees, card charges, and subscription services.

The shift of routine transactions to mobile and agent banking has reduced in-branch foot traffic, allowing for staff reallocation and lower energy-related and operational expenses. As a result, the Bank projects annual cost savings of 40 million Br to 50 million Br by the 2026 financial year. Currently, approximately 35pc of all transactions are conducted through digital channels. The Bank is targeting an increase this figure to 50pc by 2026, further reducing reliance on physical branches. ■

Awash Bank Flows Steady against Industry Currents



Awash Bank financial performance in 2023/24

Total Assets	Total Liabilities	Paid-up Capital	Income	Expense	Profit After Tax	Earning per Share
282b Br	244b Br	20.3b Br	36.6b Br	25.8b Br	8.6b Br	487 Br
25.9pc ↑	24.4pc ↑	38.6pc ↑	27pc ↑	35pc ↑	24.6pc ↑	15.6pc ↓

Illustrated by: *Fortune*

Source: Awash Bank Annual Report 2023/24



Gure Kumssa, Board Chairman and Tsehay Shiferaw, President at Awash Bank's annual assembly.

Awash International Bank's (AIB) latest financial performance places it squarely at the forefront of the private banking industry. Its 2023/24 results show robust gains in assets, deposits, and profitability, all achieved despite a difficult macroeconomic environment marked by liquidity strains, regulatory pressure, and fast-changing industry dynamics. The Bank appears poised to influence the future contours of private banking, as its directors and executives eye a position among Africa's premier financial institutions by 2030.

Central to its recent success is a substantial increase in paid-up capital, which rose by 38.6pc to 20.33 billion Br. This comfortably exceeds generational peers like Dashen Bank's 12 billion Br and Bank of Abyssinia's 14.2 billion Br. Observers took note when Awash Bank's capital adequacy ratio climbed two percentage points from the previous year to 16.2pc. Capital and non-distributable reserves also grew by 32.5pc to 29.3 billion Br, reinforcing the Bank's capital foundation.

According to Awash's President, Tsehay Shiferaw, who has run

the Bank for the last 15 years, such moves are not incidental but reflect strategic foresight. He attributed the results to a disciplined approach that balanced growth and prudence. Tsehay, a veteran who started his career at the Commercial Bank of Ethiopia (CBE) and graduated from Addis Ababa and Greenwich universities, has led Awash through multiple cycles, each time pushing it further up the industry ladder.

Profit after tax rose by 10.9pc to 8.67 billion Br, representing a modest improvement compared to previous years but, according to Tsehay, a noteworthy success given the credit growth caps imposed by the Central Bank and trying economic conditions.

"It wasn't the same," he told *Fortune*.

Even with a substantial capital injection of five billion Birr in one year, equal to the Central Bank's minimum threshold for commercial banks by 2026, Awash Bank maintained earnings per share (EPS) well above the industry average. Although its EPS declined by 15.6pc during the year, it remained about 17 percentage points above the industry mean of 31.6pc.

Total revenues reached 36.6 billion Br, a hefty 27pc jump from the preceding year. Interest on loans, advances, Central Bank bonds, and other deposits surged by 24.8pc to 27.36 billion Br. Non-interest income sources also saw healthy growth. Fees and commissions rose by 34.9pc to 7.57 billion Br, and foreign exchange gains, rebounding from the previous year's dip, expanded by 37.7pc to 926.88 million Br.

Analysts attributed the remarkable outcome to disciplined lending strategies, prudent credit risk management, and a well-diversified revenue mix in interest income, fees, commissions, and forex dealings. Together, these factors fortified Awash Bank's bottom line against industry-wide strains.

The London-based financial statement analyst Abdulmenan Mohammed (PhD) deemed these accomplishments "impressive," particularly given the National Bank of Ethiopia's (NBE) credit caps, which have forced private banks



IT'S STILL BETTER THAN THE OTHER INVESTMENTS I MADE.

to find alternative revenue streams. Awash Bank's capacity to adapt and boost non-interest earnings demonstrated its regeneration.

Profitability metrics were well against broader industry benchmarks. The Bank's net profit margin on total assets rose to 3.14pc from three percent the previous year, beating an industry average of around 2.8pc. The gain is remarkable given the persistent inflationary pressures, constrained lending environment, and policy shifts buffeting financial institutions. Where many private banks have struggled to maintain margins, resorting to rapid loan issuance at times, Awash Bank's measured approach and careful portfolio management have preserved its profitability. The conservative posture may prove advantageous in the medium term, as rising provisioning across the industry showed that some lenders stretched too far too fast.

However, these gains did not come without a cost.

Total expenses climbed 35pc to 25.8 billion Br. Interest on deposits increased by 22.6pc to 7.43 billion Br, wages and benefits by 47.3pc to 13.39 billion Br, and other operating costs by 38.4pc to 5.05 billion Br. These costs remain a concern, as they account for about 65.3pc of total expenses. This rise in expenses raised concerns among analysts, with Abdulmenan cautioning that executives should remain watchful.

"The growth of expenses over the past years is concerning," said Abdulmenan. "Executives should keep an eye."

While heavy in the short run, such a burden could pay off if Awash Bank successfully leverages human capital and operational improvements. Tsehay sees staff quality as a long-term investment, hoping to develop a more efficient, skilled workforce meeting the Bank's strategic vision of technological advancement. As the financial sector is potentially open to foreign capital and global players, Awash

Bank aspires to ensure it can compete not only on size but also on sophistication, product diversity, and customer experience.

"Awash aims for cost optimisation while maintaining staff priority," he told *Fortune*, noting that the entire industry wrestles with similar payroll pressures.

His strategy focuses on digitisation, investments in efficiency-enhancing technologies, and steady branch expansion, particularly where digital platforms have yet to penetrate. The Bank opened 72 branches during the financial year, bringing its total to 947.

Deposits per branch rose to 245.4 million Br, illustrating that the Bank's extensive branch network yields meaningful returns. This contrasts with historical productivity struggles in the banking industry, where expansions in staffing have not always translated into proportional efficiency gains. Awash Bank's steady improvements hint at a performance-oriented culture that links investment in personnel and infrastructure to tangible outcomes.

Productivity indicators signal progress on this front, too. Profit per employee reached 429,600 Br, surpassing the industry's decade-long average of 79,000 Br and Awash's own figure of 410,000 Br from the previous year.

The Finfine Branch, a standout performer, provides an anecdote that encapsulated Awash Bank's story. The branch outpaced many emerging private banks with a 17

billion Br deposit balance, a 20 billion Br loan portfolio, and a profit of 2.5 billion Br. Its manager, Assefa Bedassa, attributed this success to resource mobilisation, customer base expansion, and strong forex generation. Recognising the branch's unique position as a notable outlet handling trading finances, including transactions on the Ethiopian Commodities Exchange, Assefa said their focus this year entails promoting retail banking, digitisation and human resource development, mirroring the Bank's strategic plan.

The approach may appear traditional, but executives argue it matches the market reality, where branch presence still matters for trust and accessibility. Simultaneously, Awash Bank invested in core banking and omni-channel upgrades, enterprise resource planning modernisation, and interest-free banking.

Tsehay believes these moves will pay dividends as customer expectations rise, competition intensifies, and the market slowly embraces digital solutions.

Credit management remains a critical component of Awash Bank's performance. Provision for impairment of loans and other assets swung to a positive 102.31 million Br from an expense of 242.92 million Br the previous year. Tsehay attributed this turnaround to reduced non-performing loans (NPL); he believes the provision is still one of their main risk management strategies. Rigorous standards, coupled with disciplined lending, helped Awash Bank keep its credit quality intact despite the Central Bank's credit cap.

While interest-driven revenue accounted for about 75pc of total income, Awash Bank's low non-performing loan ratio, below the regulatory threshold of five percent, illustrated its disciplined credit culture. The Bank's cautious stance may, in the long run, yield higher returns relative to competitors who rushed to expand their loan books. The environment has rewarded a measured approach, when liquidity tightens, and the regulatory burden mounts. >>





One of the first-generation private banks, Awash's origins trace back to 1994, when 486 founding shareholders raised an initial 24.6 million Br in equity. It now counts more than 10,000 shareholders.

Among them is longtime shareholder Dawit Gezahegn, who attended the annual general assembly at Skylight Hotel. Although the Bank's earnings per share have dipped, Dawit considers Awash to be outperforming others.

"It's still better than the other investments I made," he told *Fortune*.

He plans to recapitalise his dividend, a decision rooted in his belief that Awash Bank's current challenges are more caused by external factors than internal weaknesses.

According to Tsehay, the trust and confidence of shareholders like Dawit, emphasising the importance of maintaining solid relationships, ensures shareholders' satisfaction.

"It's critical for future growth, making recapitalisation smoother and strengthening the Bank's foundation," he said.

Infrastructural development has not been overlooked. Board Chairperson Gure Kumssa told shareholders about securing a title deed for a 10,500SqM headquarters building site at Ras Mekonnen Avenue, opening a project management office there, and purchasing three branch office buildings. Ongoing construction projects at seven sites in Oromia Regional State and Dire Dawa city demonstrate Awash Bank's resolve to anchor its growth in tangible assets. Owning real estate not only strengthens the Bank's asset base but may also provide stability during times of economic uncertainties.

Total assets expanded by 25.9pc to 282.41 billion Br, surpassing Dashen's 183.72 billion Br and Abyssinia's 222.3 billion Br. Its loans and advances, including interest-free financing,



Tsehay Shiferaw
President



Gure Kumssa
Board Chairperson

rose by 13.8pc to 181.33 billion Br. Abdulmenan praised the executives' ability to expand lending despite the credit caps. Awash Bank ramped up its investment activities as lending slowed to address the impact. Investment in treasury bills (T-bills), maturing in three months, jumped to 15.8 billion Br from 1.4 billion Br a year ago, a portfolio shift which offered the bank liquidity and stable returns when traditional lending options tightened.

Awash Bank's liquidity position improved in absolute terms, though it slipped slightly relative to total assets. Cash and bank balances, excluding investments in T-bills, grew by 16.8pc to 39.06 billion Br—the ratio of cash and bank balances to total assets dipped by one percentage point from 14.9pc. Still, Awash Bank's capital-to-asset ratio of 13.5pc outpaces the industry average of 12pc. The equity multiplier was a robust 7.4, unveiling that the Bank effectively leveraged its capital structure to beef up returns on equity without ignoring prudential norms.

Long-term patterns show that private banks have relied heavily on traditional interest income, posting stable growth from 2013 to 2022. Awash fits this trend but stood apart through its above-average asset turnover and sustained profit margins.

Its capital-to-asset ratio aligns with prudent norms, and its loan-to-deposit ratio, 80.3pc during the financial year, and down seven percentage points from the previous year, offered it a liquidity cushion. Massive deposit mobilisation, which grew by 23.7pc to 225.77 billion Br, outpaced lending growth due to the credit cap. Rather than push beyond prudent limits, Tsehay and his team chose to deploy funds in T-bills and other investments, preparing for a future where flexibility and liquidity could be decisive competitive advantages. ■

Berhan Bank Makes Stunning Comeback With Soaring Profit

■ *Can its growth outpace rising costs, deposit lull?*

ANCY



Berhan Bank financial performance in 2023/24

Total Assets	Total Liabilities	Paid-up Capital	Income	Expense	Profit After Tax	Earning per Share
46.02b Br	39.8b Br	3.45b Br	6.5b Br	5b Br	1.19b Br	350 Br
2.2pc ↑	0.52pc ↓	2.9pc ↑	27.3pc ↑	11pc ↑	134.3pc ↑	124pc ↑

Illustrated by: Fortune

Source: Berhan Bank Annual Report 2023/24

Berhan Bank has staged an impressive turnaround, closing the fiscal year 2023/24 with a sharp increase in profits that vindicated the effectiveness of its new management's strategic decisions. The Bank posted a net profit of 1.19 billion Br, a 134.3pc jump from the previous year, marking a recovery after a period of shareholders' apprehensions and internal upheaval.

The resurgence comes after a challenging start to the year, marked by the resignation of its former President, Girum Tsegaye, over disagreements with the Board of Directors. With five months left in the fiscal year, the Board, chaired by Eligo Legesse, reinstated former Vice President Ermias Tefera as president, a move approved by the National Bank of Ethiopia (NBE).

Ermias focused on making Berhan profitable and improving its return on equity, which had been in decline.

"We implemented a turnaround strategy, boosting profits and reducing non-performing loans," Eligo told shareholders who met at the Millennium Hall, on Africa Avenue (Bole Road), in mid-October.

The strategy paid off, with earnings per share (EPS) rising to 350.33 Br, surpassing the previous year's 15.6pc and exceeding the industry average of 31.6pc.

The London-based financial analyst Abdulmenan Mohammed (PhD) credited management's strategic maneuvers with the growth.

"Such a leap testifies to Berhan's management focus and determination," he told Fortune.

The profit surge was driven by increased revenues from financial and non-financial intermediation activities and a noteworthy reduction in provisions for loans and asset impairments. This was to be a defining factor, shifting from an expense of 311.15 million Br to an income of 66.92 million Br.

"It reflects prudent risk management," said Abdulmenan.

The change boosted profitability and improved the Bank's return on assets (ROA) to 3.28pc from 1.34pc in June 2023.

Total income rose by 27.3pc to 6.5 billion Br, while interest income from loans, advances, and Central Bank bonds

climbed 16.4pc to 5.1 billion Br. Fees and commissions saw a substantial rise, with net revenues surging 73.9pc to 756.72 million Br. Other operating income nearly doubled to 438.26 million Br.

Operating expenses, too, rose substantially by 11pc to five billion Br. Interest expenses grew by 12.5pc to 1.8 billion Br. Wages and benefits shot up 28.7pc to 2.08 billion Br., and combined with administrative expenses, rose from 57.7pc to 62.7pc of total costs, signalling investments in workforce expansion and branch development.

Analysts caution that such increases could impact profitability if not matched by revenue growth. Abdulmenan cautioned that wage costs have surpassed interest expenses, raising questions about expenditure management.

"Balancing operational expansion with revenue growth will be crucial for maintaining profitability," he said.

Ermias concurred that the expenses were part of a deliberate strategy. He acknowledged that the Bank's biggest expense should be interest-related but disclosed that hiring non-clerical staff full-time instead of outsourcing contributed to higher costs, including benefits.

"It's company policy and part of our corporate social responsibility," he told Fortune.

Although Berhan Bank saw costs climb, executives followed a cost-containment strategy. The asset growth appeared somewhat restrained, with total assets inching up by only 2.2pc to 46.02 billion Br. During the fiscal year, outstanding loans and advances grew by a modest 6.8pc, hitting 29.2 billion Br, well below the lending cap established by regulatory authorities.

Berhan Bank's capital base strengthened, with paid-up capital growing by 2.9pc to 3.45 billion Br, contributing to the rise in EPS. The Bank maintained non-distributable reserves of 4.62 billion Br and a capital adequacy ratio of 15.8pc, nearly double the regulatory minimum.

Its capital-to-asset ratio increased from 11.16pc to 13.5pc, conforming with the industry average. The bolstered capitalisation improved the Bank's resilience against economic shocks and met regulatory capital adequacy requirements, positioning it favourably for further growth. ►►

Incorporated in 2009 with 97 million Br in paid-up capital raised from 12,000 shareholders, Berhan Bank has grown over the years. The equity base has expanded to 18,000, including shareholders like Yared Sisay, who bought shares for his children to secure a long-term asset. While he observed that Berhan Bank had been lagging behind its peers, he sees recent improvements in management and cost optimisation as promising.

"They've a lot of work to do," he told *Fortune*. "But I'm happy now."

Yared urged the Bank's executives to focus on building an asset portfolio, including constructing a headquarters on recently acquired land. He attributed the streamlined annual report to progress and a move away from unnecessary expenditures.

However, its asset-to-equity ratio declined from 8.96 to 7.41, revealing a strategic move towards reduced leverage and improved equity levels. It surpasses the industry's average leverage ratio of 7.8 times. Industry analysts attribute the

65pc to 73pc of total income, signalling a continued focus on lending as the primary revenue driver.

Loan growth at Berhan was 6.79pc, aligning with the executives' strategic focus on credit expansion, though it lags behind the industry's 37.2pc increase in 2022. Deposit mobilisation rose by 9.09pc, unveiling strong customer confidence but again falling short of the industry's average annual increase of 28.9pc. Despite this, Berhan Bank's deposit per branch reached 96.2 million Br, surpassing the industry's average of 79.8 million Br, indicating strong branch-level performance.

The Bank expanded its network with 17 new branches, bringing the total to 383.

Berhan Bank's profit per employee nearly doubled, rising from 91,959 Br to 197,903 Br. The productivity improvement outpaces the industry's average of 76,000 Br, demonstrating effective workforce management and operational efficiency.

One notable branch is the Megenagna location at Marathon



**Ermias Tefera,
President
and Eligo
Legesse, Board
Chairperson.**

drop to the executives' focus on financial stability, providing a stronger equity buffer against potential losses.

The Bank's net profit margin on total assets soared from 1.13pc to 2.58pc, marking a 128pc increase. This contrasted well with the private banking industry's average return on average assets (RoAA) of 2.6pc between 2013 and 2022, which had dipped to 2.4pc in 2022.

Berhan Bank's profitability growth revealed effective asset utilisation and operational efficiency, given the industry's recent focus on income from foreign exchange operations over asset-heavy lending.

Nonetheless, its net interest income as a share of total income declined slightly from 54.31pc to 50.77pc, unveiling a diversification of income streams and reduced reliance on traditional interest income. The industry has seen an increasing dependence on interest income, accounting for

Mall, managed by Habtamu Dita. The branch caters to high-net-worth customers, such as pharmaceutical manufacturers, and benefits from policies that provide domestic manufacturers with up to 55pc of foreign currency payments for inputs.

"We've also focused on customer retention," Habtamu told *Fortune*.

Promoted to a cluster manager, he noted dramatic improvements in communications between branch offices and the head office, enhancing client service efficiency.

However, Berhan Bank's year-on-year growth presented a mixed yet optimistic picture.

Total assets grew modestly by 2.17pc to 46.02 billion Br, a cautious expansion compared to the industry's substantial annual growth rate of 20pc to 25pc. However, the Bank's



profit before tax surged by 149.12pc, a sharp divergence from the industry's steady but less dramatic profit trajectory.

The substantial increase is attributed to both revenue growth and stringent cost containment measures.

The loan-to-asset ratio increased from 60.71pc to 63.45pc, approaching the industry's average of 66.2pc, signalling a growing emphasis on lending as a primary income source and efficient asset utilisation.

As more deposits require more interest expense, Ermias believes they were modest in deposit mobilisation while focusing on short-term profits.

"It was a deliberate action," he told Fortune. "We focused on quality."

A seasoned banker, Ermias has held several key positions in the industry. He was a chief inspector at Awash Bank and headed the credit division of the state-owned Commercial Bank of Ethiopia (CBE), where he began his career. He also had stints with Enat and Abyssinia banks. With an economics degree from Addis Abeba University and a postgraduate degree in business administration from the International Leadership Institute, Ermias worked as a private consultant before assuming the leadership



//
It's company policy and part of our corporate social responsibility.

Ermias Tefera
President

position at Berhan Bank.

Under his watch, the Bank's loan-to-deposit ratio slightly decreased from 80.95pc to 79.24pc, improving liquidity and reflecting conservative lending practices, while the industry's ratio stood higher at 83.7pc.

Despite the improvements, Abdulmenan advised that the executives should be concerned about the stagnation in deposits at around 37.4 billion Br from 33.7 billion Br.

"It should seriously concern the executives," Abdulmenan said.

Berhan Bank's investments in government bills and bonds dipped 5.3pc to 3.6 billion Br, representing 7.8pc of its assets. Liquidity improved as cash and bank balances rose by 29.8pc to 4.84 billion Br, pushing the cash-to-assets ratio up to 10.5pc from 8.3pc.

Though Berhan Bank's liquidity increase is promising, analysts recommend careful monitoring given the stagnation in deposits. The Bank's focus on strengthening its capital base, diversifying income, and enhancing operational efficiency has improved its financial health. Its performance last year showed a deliberate and effective response to industry challenges such as high loan-to-deposit ratios and increased provisioning for non-performing loans. ■

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Bunna Bank's Asset Surge, Credit Jump Cloak Profit Squeeze During Inflation Strain



Bunna Bank financial performance in 2023/24

Total Assets	Total Liabilities	Paid-up Capital	Income	Expense	Profit After Tax	Earning per Share
54b Br	47.4b Br	4.8b Br	8b Br	7b Br	740m Br	161 Br
17.5pc ↑	19pc ↑	12.8pc ↑	20pc ↑	34pc ↑	23pc ↓	32pc ↓

Illustrated by Fortune

Source: Bunna Bank Annual Report 2023/24

Bunna Bank, in its 15th year of operation, has posted noteworthy gains in deposits and total assets in the 2023/24 financial year while revealing mounting challenges in profitability, an outcome that illustrated the increasingly competitive and inflation-affected banking industry.

The Bank's total assets climbed by 17.5pc to 54.53 billion Br, and deposits rose by 20pc to 43.87 billion Br. Analysts praised these advances as signs that Bunna Bank was effectively expanding its market presence. Yet, its profit before tax fell, uncovering the difficulties in sustaining margins when funding costs rise and broader macroeconomic fluctuations persist.

Earnings per share (EPS) painted a less rosy picture, too. They have dropped over the past three years, going from 341.22 Br in 2022 to 238.44 Br in 2023 and then down to 161.57 Br last year.

"This should be worrying," said Aminu Nuru, a financial analyst based in Doha, Qatar.

He believes consistent declines in EPS are signals that the Bank's profitability issues could persist.

However, not all shareholders seem troubled by the downward trend. A founding shareholder, Tesfaye Fente, believes the focus should be on the Bank's sustainability rather than share earnings.

"It's a Bank with strong potential, lower staff turnover, and stable management," Tesfaye told *Fortune*. "When reserves are held, and investments are made, short-term pressures on profitability might not necessarily harm the institution over the long run."

He attributed some of his optimism to the stability of the Bank's management team.

Since Bunna Bank was incorporated 14 years ago with 175 million Br in paid-up capital raised from around 8,000 shareholders, Mulugeta Alemayehu, president of the Bank, has become only its fourth president. His tenure began in 2018, after a stint at the state-owned Commercial Bank of Ethiopia (CBE), and he has since overseen Bunna's capital growth and strategic decisions.

Under Mulugeta's stewardship, who graduated from Addis Abeba University in accounting and business administration and previously served CBE as a vice president, Bunna's paid-up capital grew by 12.8pc to 4.8 billion Br last year alone. The Capital Adequacy Ratio (CAR) for the same period was 14.44pc, exceeding the regulatory requirement.

However, the strain on profitability emerged in the Bank's returns on assets. Bunna Bank's net profit of 730.4 million Br translated into a return on total assets of a mere 1.34pc, showing that while the balance sheet has grown, the conversion of these assets into

earnings has not kept pace. Compounding this pressure is the Bank's heavy reliance on interest income, which accounted for 84.6pc of total earnings, leaving Bunna Bank particularly exposed to the rising deposit expenses that made up 40.6pc of its total operating costs.

The surge in fixed-time deposits, which saw interest on such accounts rise sharply, has been a major driver of these higher funding expenses. Fixed-time deposits more than doubled, going from 2.07 billion Br to 4.25 billion Br, driving interest expenses on these deposits up to 793 million Br.

Bunna Bank's senior executives acknowledge these pressures.

"Some expenses are permanent," said Mulugeta, referring to staff salary adjustments and other recurring costs. "And human capital is an asset."

Consistent with trends in the wider industry, wages and benefits for employees steadily climbed. Nearly half of its operating expenses were dedicated to personnel and administrative costs, substantial investments in human capital and operational support. While this rise reflected a commitment to retaining talent, it also squeezed margins. The Bank's total operating income grew by 8.3pc to 5.15 billion Br from the previous year, but this did not prevent a 31.6pc drop in gross profit to 930 million Br. Net profit, too, slipped by 23pc to 730.4 million Br during the same period.

Mulugeta attributed the pressure on interest income to the credit growth cap Central Bank regulators imposed on the industry.

Given that interest income made up 84.6pc of total income, any constraint on lending directly affects the Bank's earnings power. Though its revenue rose 20pc from the previous fiscal year to reach 8.03 billion Br, the interplay of higher deposit costs, regulatory credit growth restrictions, and personnel expenses has cut deeply into the bottom line. Mulugeta conceded that the annual pay increases for staff have a lasting impact on the Bank's cost structure.

While Bunna Bank has been relatively measured in branch expansion — adding 2.8pc more branches to 474 and expanding its permanent workforce by 72 employees (a 1.8pc rise) to 4,172 — the incremental costs still proved substantial in an environment of rising operating expenses.

"We've consolidated some branches for efficiency," Mulugeta said, echoing the focus on rethinking the Bank's branch-centric approach and streamlining operations.

However, the Bank generated considerable returns on its human capital, serving as a critical benchmark for assessing workforce

productivity, yielding an average of 175,000 Br. Total deposits mobilised by an average branch reached 92.5 million Br.

Zena Assefa, a branch manager at Bunna Bank's headquarters on Africa Avenue (Bole Road), observed that the liquidity crunch, coupled with shifting policy mandates, were a challenge last year. Yet, he maintained that his branch surpassed foreign exchange generation and deposit mobilisation targets.

"The proximity to the headquarters and its location has made our branch convenient for corporate customers," Zena told *Fortune*.

According to Zena, partnering with fintech firms is a key objective in the new fiscal year, and he expects the Bank's digital transformation strategy to propel further growth. Mulugeta reinforced this view, crediting ongoing partnerships with fintech companies such as Kifiya, Kacha, and Telebirr with accelerating digital transformation.

"Local partnership is vital to solve corporate issues," he told *Fortune*.

Mulugeta and his senior executives' approach to credit risk management has so far been successful. The non-performing loan (NPL) ratio was at 3.84pc, below the five percent regulatory threshold set by the National Bank of Ethiopia (NBE). With loans and advances of 38.87 billion Br, the Bank strongly focused on lending. Still, its overall leverage was high, indicated by an asset-to-equity ratio of 7.72, which boosted any potential earnings downturn if asset quality weakened.

Bunna Bank's capital-to-asset ratio of around 13pc remained comfortably above the minimum standards required by regulators, though it was not as high as some of its peers.

Bunna Bank remains a relatively smaller player when measured against major financial institutions. The state-owned Commercial Bank of Ethiopia (CBE) reported asset growth of nearly 48pc and boasted a massive deposit share that dwarfs Bunna's. Awash Bank, another leading private bank, maintained a wider retail and corporate reach, translating into stronger deposit mobilisation. Dashen Bank and the Bank of Abyssinia, among the larger private banks, pursued more aggressive lending strategies and have broader footprints,



Mulugeta Alemayehu
President



Alemayehu Sewagegn
Board Chairperson

**It's a Bank
with strong
potential, lower
staff turnover,
and stable
management.**

enabling them to generate higher lending volumes and foreign exchange business.

Bunna Bank, by contrast, has adopted a more conservative posture in its foreign currency operations, mirroring its narrower capital base and smaller branch network.

Its loan-to-deposit ratio has drawn attention to its potential risk implications. At 102.8pc — loans of 38.1 billion Br against 37.1 billion Birr in deposits — the ratio raised the eyebrows of industry analysts. Such a high ratio can constrain a Bank's ability to meet withdrawal demands and force it to tap costlier borrowing sources.

"This ratio is a crude indicator," said Mulugeta. "If the deposit structure is stable, the ratio may not be as alarming as it appears."

According to the President, three-quarters of the total deposits are savings accounts, and historically, this has shown steady behaviour.

However, Aminu cautioned that relying on more expensive funding avenues and the possibility of liquidity bottlenecks cannot be ignored.

Bunna Bank's loan book was heavily concentrated in international trade, with about 41.5pc allocated to import and export financing. The remaining portfolio was spread across domestic trade and services (18pc), building and construction (12.1pc), industry (7.1pc), and other sectors (21.3pc).

According to Aminu, the Bank's dependence on global trade could expose it to volatility from currency fluctuations and shifts in international demand.

Mulugeta acknowledged the importance of diversification but voiced confidence that his team's case-by-case management approach to clients would keep credit quality in check.

"We're looking into it," he told *Fortune*.

The Bank's Board Chairman, Alemayehu Sewagegn, guided it toward a five-year strategic plan focused on digital, human resources, and information technology. Shareholders were told that these plans would include policies targeting customer protection. Mulugeta backed this vision. He believes Bunna Bank's tagline — "Bank of Visionaries" — stands for a service approach that is both customer-centric and value-based. ■





CBE's Profit Soars as Costs Climb, Capital Cushion Thins

The performance of the Commercial Bank of Ethiopia (CBE) in the 2023/24 financial year was one of impressive growth interwoven with deep-seated issues. Marked by substantial increases in profits, assets, and customer numbers, CBE provided a snapshot of a financial institution that is both a powerhouse and a potential point of vulnerability.

As the largest lender, the state-owned CBE continued to command nearly half of the banking industry's assets and deposits. Even as its market share fell slightly compared to previous years, the Bank's total assets and deposits still accounted for 47.9pc and 47.1pc of the industry, respectively, while its capital comprised 24.2pc of the industry's aggregate.

Since its incorporation in 1942, CBE has been the anchor of the financial infrastructure. Over the past year, its performance demonstrated a finely tuned operation that resulted in robust returns even in a constrained economic environment.

However, behind the impressive figures lie structural issues that analysts say call for comprehensive reforms, not only within the Bank itself but also across the wider industry. CBE's iconic and imposing 48-storey headquarters on Ras Desta Damtew St., may symbolise the Bank's might, but experts believe that the real focus should be on strengthening the balance sheet, ensuring prudent risk management, and improving governance transparency.

The Bank reported a profit of 22.02 billion Br, a 26.2pc rise over the previous year. The increase was driven by net interest and non-interest incomes. Net interest income surged by 34.2pc to reach 56.55 billion Br, even as interest expenses dipped by 2.6pc to 44.49 billion Br. This was despite an 11.6pc rise in deposits, bringing the total to 1.176 trillion Br.

Industry observers see such a tilt in the income statement as a strategic focus on lowering deposit mobilisation costs or a deliberate repricing of legacy liabilities. Nonetheless, the trend has raised questions about whether these gains can be maintained over the long term.

Non-interest income grew by 22.9pc to 34.1 billion Br. However, it is partially offset by a substantial decline in forex gains, which dropped by one-third to 2.21 billion Br. The reduction in forex income revealed either a tightening of foreign exchange availability or a more conservative approach in booking such gains, signalling a notable shift in the Bank's revenue composition.

Analysts caution that beneath the headline numbers, however, are several issues that could undermine long-term stability. Operational costs continue to climb amid an ever-growing staff base that now exceeds 48,000 permanent and 33,000 temporary employees. Total operating expenses rose by 14pc to 110.8 billion Br. Salaries and benefits saw a 17pc uptick, reaching 35.26 billion Br, while other operating expenses spiked by 65.4pc to 21.52 billion Br.

These jumps were partly driven by a 3.17 billion Br contribution



Abie Sano, President

to the newly mandated deposit insurance fund and an increase of 4.31 billion Br in miscellaneous costs. Analysts like Abdulmenan Mohammed (PhD), a finance expert based in London, warn that these rising costs could signal the start of a more expensive compliance and operational environment. He also noted that inflationary pressures might soon add further strain on the Bank's already stretched resources.

CBE's total assets grew by 9.9pc to 1.44 trillion Br, a slowdown from the previous year's robust 19.1pc increase, largely due to the tighter monetary policy from the National Bank of Ethiopia (NBE).

Loans, advances, and bond holdings increased by 10.8pc to 1.19 trillion Br, while deposits climbed by 11.6pc. CBE expanded its customer base substantially by adding 1.3 million new account holders, bringing the total number of customers to 7.3 million.

Over the year, the Bank disbursed more than 218 billion Br in loans, with 90.8pc of that amount going to the private sector. A key indicator of the Bank's aggressive lending strategy is its loan-to-deposit ratio. One measure of this ratio stood at 101.2pc, an improvement from the previous year's 111pc. However, other reports have placed the ratio at 91.2pc, still much higher than the industry average of around 64pc.

These figures illustrated how tightly the Bank is leveraging its funding sources to maintain aggressive lending. This practice can

boost returns but leaves little room for error if a wave of withdrawals or a downturn in economic conditions occurs.

CBE's capital and non-distributable reserves increased by 16.4pc to 72.47 billion Br. Despite this growth, the reserves still account for over five percent of total assets, unveiling a vulnerability in its capital structure. The Bank's capital buffers are reported at 6.1pc of total assets, a level that lags behind international standards and falls short of the domestic industry's average of 8.4pc. The thin cushion is further emphasised by the Bank's asset-to-equity ratio, which was 16.3 times, revealing the considerable leverage that has been employed.

Liquidity remains another area of concern.

Although cash and cash equivalents grew by 4.8pc to 193.54 billion Br, their share of total assets and deposits decreased slightly to 13.47pc and 14.2pc, respectively. The contraction in relative liquidity has raised alarms among analysts like Abdulmenan, who warn that the Bank's financial flexibility could be jeopardised if a few of its largest depositors were to withdraw their funds suddenly.

A recent report from the NBE disclosed that while CBE's capital adequacy ratio of 22.03pc is above the regulatory minimum, its liquidity position might fall short of the required threshold under stress conditions.

Adding to these concerns is CBE's heavy reliance on external liabilities. A notable case was the 100.58 billion Br loan from the Central Bank, which underlined CBE's structural dependency on state support.

The Bank's investments, particularly those extended to state-owned enterprises and supported by government guarantees, are increasingly vulnerable as public debt climbs and fiscal space tightens.

"CBE's capital position requires targeted policy and regulatory attention in the event of unfavorable circumstances," said Abdulmenan.

His caution echoed broader worries about the risk inherent in a bank that has long been considered a pillar of stability.

CBE's profitability metrics offer a mixed picture.

Its return on assets (RoA) increased modestly from 1.80pc to 1.94pc, revealing that it is generating slightly more profit for each unit of asset deployed. Return on equity (RoE) also improved, rising to 32.8pc, growing by 2.8 percentage points over the previous year.

However, despite these gains, the Bank's net profit margin remains low at 1.53pc, which is modest by international standards. The slim margin uncovered that administrative and operating expenses continue to weigh heavily on the bottom line, even as total earnings have grown by more than 20pc.

The Bank's evolution over the decades has not been limited to financial metrics alone. It has been a pioneer in introducing banking services to the market, such as ATMs, money transfer services, and even interest-free banking in the 1990s.

Since assuming office in March 2020, Abie Sano, president of the Bank, has overseen a period marked by robust top-line metrics, cautious capital buildup, and tactical debt leveraging.

Abie, who completed his undergraduate studies in



Ahmed Shide
Board Chairperson

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Even the most technologically advanced banks worldwide facing similar incidents have often been less successful in recovering their funds.

accounting at Addis Ababa University and pursued postgraduate studies in business administration at the University of London, has steered the CBE through trying economic times while ensuring steady growth.

With a network of 1,942 branches spread across the country and correspondent relationships with 38 foreign banks, CBE plays a crucial role in the financial sector. Its outsized market share entails that any significant distress within its operations would have far-reaching implications for the entire financial system. This interconnectedness makes it a bellwether for the stability of the banking industry and the broader economy.

A system glitch in March 2024 led to unauthorised withdrawals that could have undermined depositor confidence. CBE disclosed that 99.4pc of the 801.4 million Br involved in the affected transactions had been recovered by the year's end.

"It's a significant achievement for CBE," said Abie. "Even the most technologically advanced banks worldwide facing similar incidents have often been less successful in recovering their funds."

The episode not only uncovered the Bank's technological vulnerabilities but also demonstrated its swift ability to manage and mitigate risks.

Despite these recovery efforts, the broader picture remains nuanced. CBE's expansive growth was manifested in its continued dominance in the banking industry.

However, the Bank's aggressive expansion and reliance on public sector projects have not come without risks. Past overexposure to public projects has, at times, placed it under considerable stress. A year ago, impairment losses on loans and advances had surged dramatically — by 8.7 times — raising concerns about the quality of its credit portfolio.

Although this year's 19pc increase in provisioning, amounting to 9.5 billion Br, appears more moderate, some analysts fear that it could still be masking underlying issues with non-performing loans. In an environment where year-on-year inflation reached 20pc and foreign currency shortages remain a persistent issue, any deterioration in credit quality could exacerbate liquidity problems.

The Bank's strategy of relying heavily on deposits, accounting for over 80pc of its funding, provides some insulation from external borrowing pressures. However, this strength also means that a large portion of its resources is tied up in loans.

The Bank's capital adequacy also remains an area of vulnerability. Although it contributed 22.5pc to the industry's total capital of 277.8 billion Br, its own capital buffers, at 6.1pc of total assets, fall short of international benchmarks and the domestic industry average of 8.4pc. This thin capital cushion, coupled with an asset-to-equity ratio of 16.3 times, revealed a considerable level of leverage that could expose the Bank to heightened losses in the event of an economic downturn.

These structural challenges occur at a time when the broader economy is gripped by persistent inflation and severe foreign currency shortages. Such conditions escalate the risk of credit quality deterioration and further liquidity constraints. ■

Boom & Bind

Banks' Credit Engine Revs as the Road Narrows

The banking industry entered the current financial year both sturdy and unsettled. Profits were strong, loan books looked clean and capital buffers respectable. Yet, shallow financial depth, stubborn inflation, and heavy government exposure to budget deficit darkened the horizon. The credit engine was revving; whether it powers growth or overheats would depend on deft regulation, disciplined fiscal policy, and the banks' ability to adapt faster than risks accumulate.

Commercial banks survived the financial year 2023/24 with their engines roaring and warning lights glowing on the dash. Their profits were cushioned by growing capital, at least on paper, several edging to the regulatory bar set for next year.

However, the industry is hurtling down a narrow and uneven road. Credit reached only a slice of the economy, inflation eats away at real returns and the government's heavy borrowing ties lenders ever more tightly to public sector fortunes.

Inside the humid boardrooms on Ras Abebe Aregay St., in a district a.k.a the Wall Street of Addis Abeba, executives leaf through spreadsheets that chart a dramatic climb. A system that three decades ago was little more than a state storefront now counts 32 financial institutions shepherding trillions of Birr in assets and close to 100 million deposit accounts.

The industry's assets of 3.28 trillion Br at the end of June 2024, was up 15pc in a year and equal to almost 30pc of gross domestic product. Deposits reached 2.5 trillion Br, while outstanding loans and bonds topped 2.2 trillion Br.

The heft is concentrated. The state owned Commercial Bank of Ethiopia (CBE) alone holds 48pc of assets and 47pc of deposits, massed that anchors the system but also pins its stability to one institution. At the other extreme is another state-owned policy bank, the Development Bank of Ethiopia (DBE). It was saddled with a development mandate, non performing loans (NPLs) above 30pc.

Even after the recent growth spurt, the financial depth remains thin. Domestic credit to the private sector sat near 18pc of GDP, well below Kenya's 32pc and South Africa's 68pc. Formal finance funded less than one-fifth of output even after a decade long branch building drive that produced 12,426 outlets by June 2024 and cut the population to branch ratio to roughly one to 8,800.

Age explains part of the gap. Fourteen of today's 30 private commercial banks were licensed after 2019. They are sprinting from a standing start. Amhara Bank opened 542 branches in two years and tripled deposits to 52 billion Br; Goh Betoach and Ahadu banks followed a similar trajectory but remained in the red. Assets at newcomer Tsehay Bank ballooned more than 300pc last year, yet its return on assets barely scraped 0.8pc.

However, branch expansion has reshaped access to money. Deposit growth fuels loan growth that ran at 22pc in 2023/24, more than twice the pace of nominal GDP. Net interest income still did the heavy lifting, providing roughly 75pc of revenue. Staff costs absorbed an average 45pc of expenses, interest 30pc, and administration 15pc.

Fees, driven by mobile wallets, agency banking, and diaspora remittances, contributed the remaining quarter, a slice that was growing fast.

Industry net profit before tax exceeded 30 billion Br last year, an 18pc margin that translated to an average 1.9pc return on assets (RoA). Behind the average lies a gulf. CBE and private sector pioneer Awash each delivered returns around two percent, while efficiency specialist Zemen Bank topped three percent. A dozen new or interest free banks logged RoAs below 0.5pc and in some cases outright losses as they poured money into bricks, mortar,

and marketing.

The leaders are easy to spot. CBE, with 1.1 trillion Br in assets, earned about 20 billion Br — roughly a 30pc margin — while keeping its loan to asset ratio near 50pc and its loan to deposit ratio close to 80pc. Awash Bank posted almost seven billion Birr in net profit, a 25pc margin, and 2.8pc RoA; its leaner cost base delivered about 580,000 Br of profit for every employee and 270 million Br of deposits a branch.

Dashen and Abyssinia banks follow with net margins of 22pc and 17pc, respectively, and RoAs near 2.5pc. Zemen, though smaller, punches above its weight with a 30pc margin, 3.5pc RoA and deposit productivity north of 400 million Br a branch.

A broad middle — 10 banks including Nib International, Hibret, Wegagen, Cooperative Bank of Oromia and Lion — clustered around margins in the high teens and returns between 1.5pc and 2.2pc. Assets and deposits at these lenders grew 20pc to 30pc a year, in line with the market, but cost ratios often topped 60pc of income.

Non performing loans average a manageable three percent to four percent and provisioning a skimpy one percent to two percent of gross loans.

THE INDUSTRY'S CREDIT ENGINE IS REVVING HARD, BUT THE CLUTCH IS DELICATE. TOO MUCH ACCELERATION WITHOUT FRESH CAPITAL COULD OVERHEAT THE SYSTEM, AND TOO LITTLE LENDING COULD STALL THE RECOVERY.

At the tail sat the newcomers. Amhara Bank's ended slightly in the red in its first operational year in 2022/23, although recovered into the profit zone the following year. Siinqee, Tsehay and a quartet of interest free lenders, such as ZamZam, Hijra, Shabelle and Rammis, earned meager profits or small losses while their assets and deposits leapt more than 200pc.

Performance matters beyond the boardroom politics. Credit growth is oxygen for private investment; last year, the banks lent at more than twice the pace of GDP. At the same time, the Treasury leans on banks to plug the budget gap.

Lenders held almost 400 billion Br in government securities, about four percent of GDP. Although these holdings now account for roughly one-fifth of total banking assets, capital offered some comfort.

The industry's total equity neared 296 billion Br, about nine percent of assets and a shade above Basel's eight percent floor. New banks such as Siinqee and Tsehay carried buffers north of 30pc. Yet, leverage was creeping. Awash, Abyssinia and CBE run asset to equity multiples of 15 plus. In a downturn, those thin slices of loss absorbing capital could vanish fast.

The system wide NPL ratio sliding to 3.6pc last year, asset quality looked benign for now. Its best mark in half a decade; provision charges averaged 1.5pc of loan books. The outlier remains the DBE.

Inflation, stuck close to 20pc year-on-year (YoY) last year, threatened those numbers on two fronts. It eroded real margins for savers and lenders while squeezing borrowers whose costs rise faster than capped lending rates. A regulatory ceiling pinned deposit rates at seven percent, a spread that fattened bank profits today but could spark a backlash if savers tire of negative real yields.

Liquidity appears ample — the industry loan to deposit ratio was 88pc — but stress lurks beneath the surface. Abyssinia advanced 92pc of deposits, while ZamZam deployed barely a third. A shallow interbank market pushed over stretched lenders toward overnight lines from CBE.

Federal authorities announced a deposit insurance scheme in 2021. However, it remains on the drawing board and under funded.

The digital expansion brings promise and peril. Telebirr notched its 40 millionth user in March, and Dashen bank owned wallet *Amole* processed an estimated 320 billion Br last year, lifting fee income and trimming cash handling costs. A mid tier lender can now buy a 200,000 dollar server cluster that does the work of 50 branches. But each new channel widens the attack surface.

Cyber fraud incidents are climbing worldwide, and Ethiopian banks are compelled to harden defenses fast.

The swelling pile of government paper ties bank fortunes more tightly to fiscal policy. A debt restructuring or spike in yields would slice into earnings and eat at capital. The National Bank's credit ceilings, designed to curb inflation, sometimes pushed healthy borrowers toward off balance sheet financing, a shift that could haunt lenders if macro conditions stall.

External pressures are building. The Birr's managed float, launched last August under a 3.4 billion dollar International Monetary Fund (IMF) program, narrowed the parallel market premium but devalued the currency by about 170pc. A further slide would inflate Birr's value of banks' foreign currency assets yet could inflate import bills and knock borrowers' repayment capacity.

Capital market reforms are stirring. In March, the Ethiopian Capital Market Authority (ECMA) issued the first two investment banking licenses, to arms of CBE and Wegagen Bank. A domestic securities exchange is set to open this year. Over time, that could offer companies an alternative to bank loans and supply banks with new funding channels, though markets of that sort take years to deepen.

The banking industry could double again if loans and deposits keep growing 15pc to 20pc a year. In a rosy scenario, inflation cools, exports rise and GDP growth tops six percent, lifting credit to GDP past 30pc and trimming the cost to income ratio to about 45pc. In a tougher world, currency weakness and fiscal strain keep liquidity tight, compress spreads, and drag returns below 1.5pc, forcing thinly capitalised newcomers into mergers.

Regulators are unlikely to leave the outcome to chance. Analysts expect the Central Bank to raise the capital to asset minimum to 10pc and impose a counter cyclical buffer. Banks that raise equity early will gain both resilience and market share when the next shock hits. Foreign competition looms as well, bringing cheaper funding and narrower spreads.

Technology may tip the balance, with software rather than bricks sorting winners from laggards. The same tools will sharpen credit scoring, widen reach through agents, and cut fraud losses, if banks learn to wield them.

The banking industry has traveled a remarkable distance in short order, shifting from a state led apparatus to a crowded and fast growing marketplace. The boardrooms on Ras Abebe Aregay St. now hum with real competition. Executives know the margin for error has narrowed. Regulation will tighten and foreign rivals will arrive and inflation will not wait.

The industry's credit engine is revving hard, but the clutch is delicate. Too much acceleration without fresh capital could overheat the system, and too little lending could stall the recovery. ■

In a Town Built on Beer, Heineken Ethiopia Bottles Hope

Rabia Yasin had long measured wellbeing by the handful. On most seasons, her husband's small plot at the edge of Bedele, a town 260Km west of Addis Abeba, in Oromia Regional State, produced enough grain to fill the family's pantry, but never enough to sell.

She tried growing pepper and cabbage outside the mud-brick house they rent near the Bedele Brewery, one of three bottling plants of Heineken Ethiopia. The extra cash, she says, "was never enough to support six children."

When managers at Heineken Ethiopia announced a new community program few months back, the 38-year-old saw a path out of subsistence. She and 10 neighbours received five cows paid for by the company.

"The cows are pregnant," she said, her voice rising above the hum of delivery trucks. "And we expect them to give birth soon."

When that happens, Rabia and her neighbours hope to sell milk and earn a steady income.

The donation is part of a 39 million Br package of social-investment projects Heineken has begun rolling out in Bedele town. Executives say the plan combines



philanthropic instinct with hard-headed business logic. Lifting the fortunes of residents who live close-by the plant could enhance local connection, support a micro-suppliers network, and burnish the Dutch brewer's local brand.

"We bought five cows and 300 chickens for the farmers as part of our commitment to social responsibility," Bart De Keninck, Managing Director, told a small crowd that gathered outside the brewery gates for the launch in July 2025.

He wore a green cap bearing the company's red star. Nearby, Rabia's eldest son stroked the flank of a Holstein he hopes will freshen within weeks.

The livestock program was designed and costed in partnership with Jimma University, 90Km south. The line item: seven million Birr.

"Our University implemented the project and determined the best ways to utilise the funds," said Jamal Abafita (PhD), the University's president.

Researchers helped pick hardy breeds, source vaccines, and train the beneficiaries on feed formulation. According to Jamal, the site will double as a research-and-development center, allowing agronomy students to monitor weight gain and mastitis rates.

Rabia's neighbour, Birhane Abdisa, has staked her hopes on poultry rather than dairy. The 41-year-old widow joined a co-op of 10 households that received 300-day-old chicks, heat lamps, and crates of starter feed. For years, she scraped by selling vegetables from her garden after her husband died.

"This is a new beginning," she said while sprinkling grain into a makeshift brooder behind her shack. "If the chickens grow well and start laying eggs, I can sell them and use the money to feed my children and send them to school."

Heineken Ethiopia's outreach in Bedele extends beyond barns and brooders. The company has laid the foundation stone for 30 low-cost homes under its flagship "Derash" housing scheme, pledging 32 million Br and signing a memorandum with the Bedele City Administration.

A cement mixer stood where eucalyptus trees once grew; the brewery says the two-bedroom units, slated for handover during the Ethiopian

Christmas, would go to families living "in uninhabitable conditions," with priority for those nearby factory fences.

"We're part of the city and the community," De Keninck said at the groundbreaking. "We want to grow with them, which is why we invest."

Derash already counts more than 200 houses built or renovated in Addis Abeba and Harar.

According to Fekadu Beshah, Heineken Ethiopia's Manager for Sustainability External and Government Affairs, the housing drive is meant to "benefit the communities where we operate." For de Keninck, who signed off on the budget, the gratification is personal.

"This is the most rewarding part of my

"WE CAN'T SOLVE EVERY PROBLEM, BUT WE CAN SHARE SOME RISK."

job," he said. "Helping people in need and witnessing their smiles and gratitude is the most beautiful thing."

Local officials are equally pleased. Bedele's Mayor, Tsegaye Teshome, calls the brewery his town's economic anchor. It is not without reason as 27pc of the town's revenue last year came from the brewery.

"They're a major taxpayer and a strong partner," he said, noting that Heineken Ethiopia last year paid 144 million Br to Bedele's coffers, in addition to the 14 billion Br paid to the federal treasury in a form of corporate tax.

Shareholders in Amsterdam have so far supported the initiative in part because emerging market units drove much of the Group's volume growth last year. Bedele Brewery, opened in 1993 and acquired by Heineken in 2011, produces Bedele Regular and Special, Waliya and Sofi Malt. The plant has a capacity of 1.5 million hectoliters a year and employs more than 400 people.

From his office in the town hall, a one-story building painted the color of ripe mangoes, the Mayor cited other contributions from the Brewery. Modern hospital rooms for mothers and children, electric hookups extended to homes on the plant's perimeter, start-up funds for youth-run community club and car-

wash bays are all supported by Heineken Ethiopia.

The company's investment in sport has carried its brand onto the soccer pitch. In 2018, weekend joggers led by Lelisa Tesfaye revived football sessions at the now-defunct Bedele City Sports Club stadium. What began with a borrowed ball has grown to more than 50 members, including teachers, mechanics, and brewery technicians, who scrimmage three times a week.

"We just wanted to stay fit and connected," Lelisa said, leaning on a goal post before practice.

During the handover and launch event of Derash, Heineken Ethiopia delivered four footballs, 26 jerseys and shorts, and two pairs of goalkeeper gloves.

"This support came at the perfect time," he said, flashing a grin. "It motivates us. We're preparing for the Oromia Clubs Championship, and this gives us a boost."

Corporate-led aid projects across rural Ethiopia are not new, but economists say their reach can be shallow when not backed by steady revenue streams or training. Heineken's Bedele push groups, 22 households in Siddisa Kebele into two micro-enterprises, seeding them with a combined seven million Birr in livestock and working capital.

Extension agents from Jimma University track bookkeeping, milk yields, and chick mortality for at least a year. The goal, said the University's President, is to create proof points that small-scale farmers can graduate into commercial suppliers.

Inside Rabia Yasin's compound, the cows were tethered under a corrugated-iron awning. Rabia has already penned a rough business plan. She wants to sell half the milk in town, keep half for yogurt, rear female calves to expand the herd, and fatten males for market.

"I was always a house-wife," she said, wrapping a scarf tighter around her shoulders. "Now maybe I can become a business-woman."

Her six children listen, wide-eyed. The prospects depend on more than livestock. Bedele's dirt lanes turn to mud in the rainy season, raising transport costs. Rabia's husband still relies on erratic fertiliser deliveries. And with Ethiopia's year-on-year (YoY) inflation near 20pc, feed prices could eat into margins.

Heineken Ethiopia's CEO conceded the obstacles but said his company will keep footing part of the bill.

"We can't solve every problem," he said, "but we can share some risk." ■





Coop Bank Battles Profit Slump as Digital Vision Encounters Economic Headwinds

Cooperative Bank of Oromia financial performance in 2023/24

Total Assets	Total Liabilities	Income	Expense	Profit After Tax	Earning per Share
139.6b Br	123.7b Br	19.03b Br	16.52b Br	1.6b Br	15 Br
0.5pc ↓	1.3pc ↓	7.4pc ↑	15.4pc ↑	38.4pc ↓	50pc ↓

Illustrated by: Fortune

Source: Cooperative Bank of Oromia Annual Report 2023/24

Cooperative Bank of Oromia (Coop Bank) finished a demanding year in 2023/24, holding on to moderate profitability and widening its presence, manifestations of the Bank's strengths and recent struggles. Around 30pc of its branches in Oromia and Amhara regional states operated below capacity due to security and economic difficulties, yet shareholders appeared to understand the external constraints.

Management attributed the decline to sluggish income growth that failed to keep up with overall expenses, though total revenue still reached 19.03 billion Br, a 7.5pc rise over the previous period. Interest income climbed by 15pc to 14.6 billion Br, but revenue from Murabaha financing slid by 17.9pc to 1.24 billion Br, signs of tougher competition in Sharia-compliant banking. Fees and commissions fell by 8.2pc to 1.78 billion Br, while foreign exchange gains dropped by 21.2pc to 1.49 billion Br. (258.35 million dollars), revealing broad strains on export receipts and remittances that have strained every bank's foreign currency business.

Private lenders see parallel headwinds, but Coop Bank's reliance on a smaller slice of forex operations reinforces the need to diversify revenue sources or enhance trade finance. Yet, foreign exchange losses dropped by 35.2pc to 1.27 billion Br, softening the impact of reduced income.

According to Coop Bank's President, Deribie Asfaw, despite multiple setbacks, it was a relief not to suffer losses in a period when costs soared and some revenue streams faltered.

"It's good that we haven't incurred a loss," he told *Fortune*.

However, after tax, Coop Bank's profit sank by 38pc to 1.62 billion Br, cutting earnings per share (EPS) to 15 Br, down by half from the previous year. Analysts such as London-based Abdulmenan Mohammed (PhD) warned that the steady profit drop over several years should be taken seriously.

Close inspection shows interest on fixed-time deposits soared by 89.3pc to 1.87 billion Br, although these deposits increased by almost 20pc, a result of the Bank's higher rate offerings.

"The massive expansion of interest expense ought to have been due to increased rates offered to time deposits," said Abdulmenan.

Net interest expenses account for 32.81pc of outlays, which is a slight cushion compared with the 41pc or more seen elsewhere. Still, Abdulmenan cautioned that if lending stagnates, that advantage could fade.

Provisions for loan impairments dropped 40pc to 582.84 million Br, though Deribie said the expense remains substantial. Total expenses jumped by 15.35pc to 16.52 billion Br, with interest costs alone surging by 34.9pc to 5.42 billion Br despite limited deposit growth.

Coop Bank's fourth president since its incorporation in 2005, Deribie focused heavily on digital expansion as a new frontier for deposit mobilisation, convinced it would restore momentum. Indeed, Coop Bank's digital transformation stood out, headlined by Coopay and Michu 2.0, which have expanded transaction volumes and polished its public image.

Deribie, who spent part of his career at the state-owned Commercial Bank of Ethiopia (CBE), rising to vice president before joining Coop Bank in 2016, believes Coop Bank made a concerted effort to enhance convenience by expanding both physical branches and digital touchpoints, culminating in 758 locations. The Bank boasts millions of Coopay-Ebirr users and agents who handled 489.5 million transactions worth 1.36 trillion Br over the year. It launched Dx Valley 2.0, an incubation centre designed to nurture startup ideas and develop advanced digital systems. It upgraded its Michu 2.0 digital lending platform, which disbursed 4.3 billion Br in loans to more than 112,000 accounts.

The focus on digital solutions positioned Coop Bank to benefit from an evolving payment culture, though it also exposed the Bank to cybersecurity threats that have grown system-wide. Management says it invests in security measures, mindful that criminal actors probe for loopholes in digital platforms.



Deribie Asfaw, President

Although competition in digital products is fierce, Deribie urged collaboration with other banks, believing they can share a larger pie together. He expects further growth from shifting to a paperless system incorporating online credit processing and automated back-office operations. According to Deribie, these changes have replaced inefficiencies with technology-driven progress.

"We're on recovery," he told *Fortune*.

Despite its technological ambitions, Coop Bank's total assets dipped by 0.5pc to 139.7 billion Br, an unusual move in the banking industry, known for continual expansion. Its paid-up capital rose by 11.6pc to 11.2 billion Br, not only raising its capital adequacy ratio from 12.5pc to 14.6pc. It also puts Coop Bank ahead of the average 9.25 billion Br capital among the country's 32 banks.

Abinet Tarekn is the general manager of the Oromia Agricultural Cooperative Federation, commanding a membership of over three million and with a large share in Coop Bank. He attributed trimmed dividends last year to liquidity constraints. Still, he believed the Bank's technological focus could strengthen rural outreach. He remains optimistic that Coop Bank's broadened digital offerings will boost confidence among grassroots communities.

"We're hopeful," he told *Fortune*.

At the shareholders' meeting in Adama (Nazareth), executives pitched a strategy to improve results by enhancing digital services, widening rural financial inclusion, and capitalising on eco-friendly initiatives such as renewable energy and green financing.

"Shareholders' understanding was beyond our expectations," Deribie told *Fortune*, recognising that local security concerns and a broader economic slowdown impacted profitability.

The Bank wants to maintain its position in Murabaha financing and fortify the digital ecosystem to improve efficiency and customer satisfaction.

Coop Bank opened an interim headquarters on Africa Avenue (Bole Road) and obtained lease rights to a 47,816sqm plot near Filwaha and Friendship Park. Board Chairperson Fikru Deksisa (PhD) disclosed plans for a major building underway, with a separate Financial District Tower project in progress, with the final schematic design approved and the tender for launching construction works issued.

However, financial investments dropped by 16.2pc to 7.93 billion Br, even as Coop Bank's liquidity levels rose. Cash and bank balances climbed by 9.8pc to 17.29 billion Br, raising the ratio of these balances to total assets from 11.2pc to 12.4pc. The reduced asset partly came from a 3.7pc fall in loans, advances, and interest-free financing to 96 billion Br. Deposits edged up by 0.8pc to 117.15 billion Br, lowering the loan-to-deposit ratio from 85.7pc to 83pc.

However, Coop Bank remained active in lending without overextending. Analysts disagree on whether the Bank's prudence will shield it from defaults in a turbulent market or restrict its growth if conditions stabilise and competitors get bolder in seeking profitable borrowers.

Other private lenders have been growing their loan-to-deposit ratios and total assets, but Coop Bank has attained some impressive milestones in deposit



Fikru Deksisa
Board Chairperson

mobilisation, a bigger customer base, and digital advancement. Nevertheless, its net profit margin on total assets was 1.80pc, below the 2.4pc reported by several private banks. That gap uncovered a missed opportunity to translate Coop Bank's 139.69 billion Br in assets into profits at levels more in line with peers that sometimes reach margins above 2.6pc.

Coop Bank's capital-to-asset ratio, at 7.99pc, remains below the industry's average of 13.5pc, signalling a greater reliance on liabilities to propel growth. An asset-to-equity ratio of 12.51, well above the industry's recent average of about 7.8, proved heavier leverage. Analysts like Abdulmenan saw this as risky, while others say the Bank's willingness to deploy capital aggressively might yield rewards if it can allocate resources effectively.

Deposit mobilisation remains a Coop Bank's strength. Each of its 758 branches commands an average of 154.54 million Br in deposits, placing it between the average of 79.8 million Br seen at private banks in 2022 and the more recent system-wide figure of nearly 200 million Br a branch. The Bank introduced 20 new branches in the last fiscal year, with about three-quarters located in rural and semi-urban areas.

Managing the branch of Finfine on Africa Avenue, Meseret Haile saw solid performance in areas such as real-time gross settlement and cash availability. While most shareholders are cooperatives and farmers' unions, her branch also caters to corporate and retail clients in an upscale part of Addis Abeba.

"The year with economic constraints was challenging for exporters," she told *Fortune*.

This prompted her to focus on small and medium enterprises and retail lending, especially through digital products like Michu and Dx Valley.

More than 15 million accounts proved Coop Bank's penetration in rural and semi-urban areas, where private banks have historically been less active. Yet, over 60pc of its deposits are held in savings accounts, raising the risk of swift withdrawals if economic sentiment sours.

Interest income currently accounts for 45.41pc of Coop's total revenue, trailing the 65pc to 73pc range that many private banks earn from lending. According to the financial analyst, Coop Bank might want to sharpen its credit strategies or expand fee-based products to drive revenue. Its loan portfolio decreased by 2.46pc to 99.40 billion Br, mirroring a cautious approach that also showed up in private banks, albeit less dramatically.

Wages, benefits and other operating expenses went up by 21pc to 8.92 billion Br, eroding gains from other areas. Costs tied to branches, salaries, and inflation are pressing down on margins. Industry-wide, these expenses have grown alongside expansion, and Coop Bank was no exception, though its wages, benefits and administrative costs make up 37.77pc of total expenses, slightly below the 41pc to 45pc many private banks report.

Executives, shareholders, and analysts seem to concur that the path forward depends on tighter cost control, more efficient revenue generation, and continued innovation in the digital realm, all while contending with the volatile undercurrents of the broader economy. ■

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*It's good
that we
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incurred
a loss.*

Dashen Bank Bets on Treasury Moves to Sail Through Economic Strains



Dashen Bank financial performance in 2023/24

Total Assets	Total Liabilities	Paid-up Capital	Income	Expense	Profit After Tax	Earning per Share
183.7b Br	159.7b Br	12b Br	23.5b Br	17.2b Br	4.88b Br	433 Br
26.9pc ↑	27.3pc ↑	29pc ↑	33.5pc ↑	33.3pc ↑	37pc ↑	2pc ↓

Illustrated by Fortune

Source: Dashen Bank Annual Report 2023/24

Dashen Bank's performance last year represented a marked rebound in its foreign exchange dealings, complemented by considerable revenue and asset growth. It has also capitalised on strategic investments and treasury adjustments to reverse previous forex losses, achieving a net gain of 129.34 million Br in foreign exchange operations, transforming a loss of 342.9 million Br registered the previous year.

"Shareholders should be delighted with such performance in the face of adverse business conditions," said Abdulmenan Mohammed (PhD), a financial statement analyst based in London.

A keen and close observer of the financial sector for two decades, Abdulmenan echoed how banks operate in an economy experiencing inflationary pressures and foreign exchange shortages, which impact loan portfolios and operational costs. The National Bank of Ethiopia (NBE) has imposed policies to curb inflation, including a 14pc cap on credit growth and an increase in the emergency lending facility rate by two percentage points to 18pc. These policies have constrained banks' lending capacities and earnings potential, pressuring financial institutions to seek alternative revenue streams.

Despite these headwinds, Dashen Bank reported a net profit of 4.88 billion Br for the last fiscal year, marking a substantial 37pc increase over the previous year and building on a prior year's growth of 22.8pc. Its total revenue surged by year-on-year growth of 33.8pc to 23.5 billion Br. Interest income from loans, advances, and government securities rose by 30pc to 17.44 billion Br. While interest income from loans and advances grew modestly by 1.27pc to 15.39 billion Br, interest income from Treasury bills, government bonds, and deposits soared by 55.3pc to 2.05 billion Br.

Dashen Bank's ability to achieve substantial net income is believed to reflect effective risk management and operational efficiencies.

Analysts attributed this shift to a carefully recalibrated approach within its treasury, which optimised overnight foreign investments and strategically managed forex allocations.

"It was a deliberate action," Asfaw Alemu, president of Dashen Bank, told *Fortune*. "The Treasury wing undertook this major assignment."

According to the analysts, this shift reveals a strategic choice toward investing in government securities to offset limitations on credit growth.

Asfaw concurred.



Asfaw Alemu
President



Dula Mekonnen
Board Chairperson

"Our strategy centred on income diversification and operational efficiency has been instrumental in navigating adverse business conditions," he told *Fortune*, speaking from Washington DC, where he attended the IMF-World Bank summit last week. "We've focused on market enhancement, cost optimisation, and improving customer experience."

An economist by training graduating from Addis Ababa University and the University of Ghana, Asfaw has been with Dashen Bank for nearly two decades, serving as president for 10 years. Under his management, the Bank's total assets expanded by 26.9pc to 183.72 billion Br. He serves on the boards of Nyala Insurance, EthSwitch, and DebreMarkos University and is the Deputy President of the Ethiopian Bankers' Association (EBA). His extensive career began as a project officer at the Development Bank of Ethiopia (DBE), a state-owned policy bank, advancing through roles at Wegagen Bank as vice president for Credit & Risk Management, and later working in finance and business development at Unity University.

Under his watch, liquidity improved markedly, with cash, bank balances, and short-term Treasury bills (T-bills) increasing by 48.7pc to 19.79 billion Br. Investments in three-month T-bills increased by 301.9pc to 6.35 billion Br, and fixed-time deposits surged by 443.9pc, enhancing interest income from these sources.

"We worked hard to manage it properly," said Asfaw.

The Bank's total loans and advances increased by 14pc to 114.28 billion Br, although this represented a slowdown from the prior year's 28.5pc growth due to the Central Bank's lending restrictions.

The Bank mobilised 145.86 billion Br in deposits, a 26.9pc

However, the loan-to-deposit ratio dropped from 87.2pc to 78.75pc due to policy caps on credit growth, signalling a more conservative lending approach under regulatory constraints. Dashen Bank's return on assets (RoA) increased to 2.7pc, and its return on equity (RoE) rose to 20.4pc, both up by two percentage points from the previous year.

Its strategy of diversifying income sources and focusing on non-interest income, such as fees and commissions, which increased by 29.8pc to 4.75 billion Br, has paid off in boosting its financial performance.

However, Dashen Bank's earnings per share (EPS) experienced a slight dip due to capital expansion efforts. The EPS dropped by one percentage point to 43.3pc, down from last year's 44.2 Br. Asfaw sees this as a temporary dilution, a natural outcome of raising capital, and believes that further capitalisation will be made to enhance future profitability. The Bank increased its paid-up capital by 28.4pc to 12 billion Br, not only achieving a capital adequacy ratio of 15.6pc, but also nearly double the regulatory minimum.

Abdulmenan believes Dashen Bank's strong capital position provides a cushion for absorbing potential losses and supports future growth initiatives.

Dashen's income profile positioned it as the second-largest among the private banks, facing intense competition from peers such as Awash International Bank (AIB) and the Bank of Abyssinia (BoA). Its net income of 5.07 billion Br in the 2023/24 fiscal year accounted for approximately 8.69pc of the industry's total net income of 58.3 billion Br. The state-owned Commercial Bank of Ethiopia (CBE) posted a net income of 21.06 billion Br, and the AIB posted 8.13 billion Br. BoA generated 4.01 billion Br, and Cooperative Bank of Oromia (Coop Bank) earned 2.96 billion Br.

The close competition among top-tier private banks compelled Asfaw and his senior executives to review strategic initiatives to maintain and enhance their position.

Operational challenges also persist, including managing rising expenses and improving customer service. Total expenses amounted to 17.2 billion Br, with interest expenses on deposits growing by 30pc to 5.28 billion Br, driven by intensified efforts to mobilise deposits and offer competitive rates to retain customers. Wages and benefits rose by 37.8pc to 6.53 billion Br, and other

operating expenses surged by 45.3pc to 4.3 billion Br.

The Bank's impairment losses on loans and other assets increased by 17pc to 703.07 million Br. The rise is partly attributed to loans disbursed in conflict-affected areas, signalling stringent credit risk assessment and management. According to Abdulmenan, the rising costs in wages, operations, and impairments warrant close attention from the Bank's senior executives.

"While these expenses have risen, we view them as necessary investments in human capital and infrastructure to support future growth and competitiveness," said Asfaw.

He argued that employees are Dashen's greatest assets, advocating for salaries and benefits aligned with productivity metrics such as the branch-to-employee ratio. With a nationwide network of 882 branches and a workforce of 18,555, Asfaw believes Dashen's pay philosophy is central to its retention strategy, keeping the Bank competitive.

"Wage adjustment is reasonable with the inflation," said Asfaw, justifying the rise in employee expenses in light of the economic climate.

Dashen Bank's largest district, East Addis Abeba, oversees 82 branches. Located in a prime area on Namibia Street (Bole Medhanealem), it caters to high-net-worth clients and exporters. According to its District Director, Wubshet Deribe, branches under his supervision focused on loan interest and foreign exchange allocations, areas of high demand among their clientele. He observed that the recent market-based economic liberalisation presented challenges and opportunities for the District.

"It's a double-edged sword," Wubshet said.

Dashen was one of the first banks to hold its annual general assembly at the Millennium Hall on Airport Road in mid-October. Incorporated in 1995 with a modest paid-up capital of 14.9 million Br equity raised from 11 founding shareholders, it has expanded over the years to a shareholder base exceeding 4,932.

Among these long-term shareholders is Girma Desalegn, who bought shares 15 years ago while working with Equatorial Business Group (EBG). Girma hoped to see Dashen further specialise in a specific business sector as it raises additional capital. He expressed satisfaction with the Bank's "solid performance," noting its robust profit growth and liquidity in a



▶ demanding economic environment.

Board Chairperson Dulla Mekonnen concurred. According to him, the Bank has met its commitments to customers despite conflicts, forex shortages, supply chain disruptions, and price hikes in global trade.

"Heightened competition and macroeconomic issues left the industry with limited resources," he told shareholders.

Branch managers, such as Tiruneh Getahun, noted the hardwork required in acquiring new clients and adapting to market uncertainties.

"We need to focus on attracting new clients with active transaction accounts and enhancing retention strategies," said Tiruneh, speaking of the importance of improving fund transfer efficiency and leveraging the Bank's successful record in tracking real-time gross settlement (RTGS).

Dashen Bank's senior management acknowledged these concerns and conceded that enhancing customer service culture and operational efficiency are critical strategic priorities.

"We plan to implement branch optimisation," Asfaw told *Fortune*. "We'll invest in technological assets to enhance operational efficiency and customer experience."

According to the President, Dashen Bank has

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**We worked
hard to
manage it
properly.**

recognised the need to adapt to the evolving financial sector, which includes potential competition from digital disruptors and foreign banks. The anticipated liberalisation of the financial sector for foreign capital could introduce additional competition, pressuring Dashen to innovate and improve service quality.

"We must prioritise innovation, operational efficiency, and customer service enhancement to maintain our market position and drive future growth," Asfaw told *Fortune*. ■



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Enat Bank Expansion Bid Strains Profitability Due to Surging Costs

■ *The Bank's robust balance sheet growth and digital leap faced tight lending*



Enat Bank financial performance in 2023/24

Total Assets	Total Liabilities	Paid-up Capital	Income	Expense	Profit After Tax	Earning per Share
27.2b Br	23b Br	3b Br	4.2b Br	3.5b Br	555m Br	201 Br
19.2pc ↑	1.3pc ↑	20pc ↑	27.2pc ↑	34.6pc ↑	2.1pc ↑	15.8pc ↓

Illustrated by: Fortune

Source: Enat Bank Annual Report 2023/24

Enat Bank closed its 2023/24 financial year with considerable growth in assets, deposits, and equity, yet it found its profitability under pressure as expenses climbed and took a bite out of margins.

The Bank's balance sheet strength was evident in its total assets, which rose to 27.2 billion Br, seeing a 19.2pc growth, fueled by a solid balance sheet expansion that signalled healthy market confidence. Deposits climbed by 17.7pc to 21 billion Br, a sign that depositors maintained confidence in the Bank's capacity to safeguard their funds. However, deposits across the private banking spectrum climbed by 30pc.

Despite improved income streams leading to revenues jumping by 28.9pc to 4.29 billion Br, these gains did not translate into robust profit growth. Pre-tax earnings slid by 1.36pc to 714 million Br, while net profit inched ahead by just 2.1pc to 555 million Br. The borderline increase in net profit coincided with a slight dip in the net profit margin, which went to 12.94pc from 13.04pc a year earlier. Rising costs, particularly operating and personnel expenses, constrained the benefits of higher income.

Administrative expenses, combined with personnel costs, accounted for a substantial slice of total expenses, with staff-related expenditures alone accounting for 28.5pc of the Bank's outflows. Although this ratio is much lower than the industry average, the pressure on Enat Bank's bottom line appeared more pronounced this year than in the preceding period, featuring a 73pc profit growth.

This time around, the profit after tax marked a slowdown even though it still performed better than some of its competitors. Global Bank, for instance, saw its profits dip by 10pc, while Berhan Bank soared with a 132pc profit surge. Shareholders at Enat Bank felt the brunt of these results. Earnings per share slid from 239 Br to 201 Br, equating to a 20.1pc return on shares, noticeably lower than the industry average of 31.6pc.

Enat Bank's President, Ermias Andarge (PhD), attributed the year's modest profit growth to the



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It's what keeps us up at night.

Ermias Andarge (PhD)
President



Aster Solomon
Board Chairperson

confluence of a capital injection strategy and an ambitious branch expansion effort. According to him, the Central Bank's policies restricted lending, reducing the pace of loan growth and tempering interest income. Loan growth in the private sector averaged 27pc, outpacing Enat Bank's 14.1pc.

Liquidity remained at comfortable levels, with cash and bank balances reaching 5.26 billion Br, up by 19.2pc, placing the liquidity-to-assets ratio at 19.3pc. Yet, the Bank's loan-to-deposit ratio eased to 81.3pc from 83.8pc the previous year, showing a bit of caution in extending credit as the National Bank of Ethiopia (NBE) imposed regulatory ceilings of 14pc, which it improved by four percentage points recently.

However, interest income from loans and investments rose by 30.5pc to reach three billion Birr. Service charges and commissions gained 26.8pc to 778.79 million Br. Foreign exchange and other sources of operating income went up 22.5pc, leading to a total of 4.3 billion Br in overall income.

Ermias said export, remittance, and foreign direct investment contributed immensely to foreign exchange gains.

"We plan to expound on this," he told Fortune.

Along with revenue, Enat Bank's total assets climbed by 19.2pc to 27.22 billion Br, an expansion that some industry watchers find impressive against the backdrop of a tight monetary climate. As of June 2024, private banks collectively had 3.3 trillion Br in total assets, posting an annualised growth of 28pc.

"It's evident that deposit mobilisation, forex generation, and other key metrics are in a healthy growth," Ermias said. "We plan to continue that."

Despite these positive signs on the revenue side, the surge in costs overshadowed the benefits.

Interest payments on savings registered a 34.3pc jump to 1.84 billion Br, surpassing the growth in income. Competition for deposits is fierce across the banking industry, and analysts observe that Enat Bank likely found itself in a position to offer more attractive rates to hold on to and attract depositors. The increase in interest expenses transpired even

though deposits expanded by a more tempered 17.6pc, reaching 21 billion Br.

According to analysts, the disparity is a sign of the difficult balance Enat Bank's executives maintained between drawing in fresh capital and protecting profit margins.

The Bank opened 51 new branches this year, raising its total to 201. Interest-free banking services, offered under the Ummi brand, now operate in 190 of these branches. The expansion of physical locations is a sign of Enat's broader strategy, but it also comes with operational costs. The expansion of the workforce added to the Bank's cost pressures. Staff numbers rose by 24pc, totalling 1,930 employees, pushing salary and benefits up 50.4pc to over one billion Birr.

Other operating expenses expanded by 56.2pc to 634 million Br. These expenditures weigh on the Bank's profitability and spark questions about whether Enat Bank can rein in costs moving forward. Abdulmenan Mohammed (PhD), a financial analyst based in London, cautioned that if these expenses remain unchecked, the Bank may face long-term risks to its bottom line.

The President concurred. He disclosed plans to tame the speed of branch expansion and invest more in digital services as a strategic cost-control measure.

"We plan to lower administrative costs," he told *Fortune*.

Another notable item in Enat Bank's ledger was the reduction of its loan impairment provisions by 41.3pc, down to 87.6 million Br. While this helped the Bank's short-term earnings, observers cautioned that such a decline in reserves might leave Enat more vulnerable if the economy takes a turn for the worse or unforeseen credit defaults rise. Ermias disclosed that Enat Bank plans to reduce its non-performing loans (NPLs) in tandem with the lower provisioning level.

Ermias has been a president since December 2020 and brings extensive experience to Enat Bank. He holds academic credentials from Addis Ababa, Greenwich, and Key West universities, and was a deputy president in charge of corporate services since Enat's founding 12 years ago. He spent 15 years in various roles at the Bank of Abyssinia (BoA). A third president since Enat Bank's incorporation, he sees digital banking as the future.

Under his stewardship, Enat Bank is integrating new technologies, forging partnerships in electronic payment gateways, and introducing solutions such as the Maleifya Digital Lending Platform, M-Pesa integration, and Arif POS services. In the past year, it processed 1.2 million digital transactions, and Ermias believes this move to digital platforms will help Enat grow.

"Everyone is a rookie in the digital realm, which levels the playing field for us," he told *Fortune*.

One staff member, a branch manager turned operations officer, has witnessed Enat Bank's move toward digitisation firsthand. Muleta Nigussie was transferred to the Netsanet Mengistu branch in Addis Ababa after managing a branch in Jimma. He sees the Bank's pursuit of digital solutions as vital in an era when customers increasingly prefer to transact online.

"That's the future of banking," he said.

Enat's board of directors, chaired by Aster Solomon, is looking toward several looming changes in the banking industry. The newly introduced floating exchange rate regime, the advent of a capital market, and the potential opening of the financial sector to foreign capital may ignite competition and innovation. However, Aster sees them as catalysts for growth. She believes these developments will support Enat Bank's expansion, improve liquidity conditions, and help it achieve objectives like erecting a new headquarters.

Incorporated over a decade ago with 135.5 million Br in equity raised from around 8,000 shareholders, Enat Bank has carved out

a mission to empower women entrepreneurs through targeted products and services. Launched by 11 women promoters, including Meaza Ashenafi, the former Supreme Court President, the Bank stands out for its focus on women financial inclusion.

"It's our unique value," said Ermias, arguing that this characteristic sets the Bank apart.

Enat Bank's paid-up capital grew to three billion Birr, a growth of 18.1pc, lower almost by half of the industry's average. However, it needs an additional two billion Br to meet the regulatory minimum requirement of five billion Br by 2026.

"We'll be focusing on capital expansion," Ermias told *Fortune*. "It's what keeps us up at night. But, we are hopeful."

Nonetheless, Enat Bank's capital adequacy ratio (CAR) was a comfortable 21.18pc, well above the threshold set by regulators, signalling that it has sufficient loss-absorbing capacity if loan defaults rise unexpectedly. It retains adequate liquidity, with cash and bank balances making up 24.6pc of deposits, providing a crucial safety net should economic conditions deteriorate and depositors suddenly need their funds. But, Enat Bank is heavily reliant on deposits for over 90pc of its liabilities, which could become a vulnerability if market dynamics shift and deposit competition intensifies.

However, the Bank remains well-capitalised overall, with a total equity of 4.21 billion Br — up by 17.7pc — and a capital-to-asset ratio of 15.5pc.

Although it remains smaller than some of its peers, Enat Bank has a loyal customer base that believes in gender empowerment. It has partnered with international organisations such as the MasterCard Foundation to fortify its resources and widen its outreach to women.

However, founding shareholder Yohannes Meshesha sees further room for growth, particularly in the area of expanding services to women-owned businesses. Also a shareholder at Hibret Bank and acknowledged Enat Bank's relatively modest size, Yohannes is convinced the Bank's distinct social role will keep attracting customers. He conceded that the economic climate may be bumpy, with regulatory policies restricting lending and financial institutions competing for a limited pool of deposits. He is also convinced that Enat Bank's management can seize opportunities if they refine their cost controls and customer acquisition strategies.

"They've to buckle up," he told *Fortune*.

The Bank's efficiency metrics painted a mixed picture. Its asset turnover rate, measuring how effectively the bank generates revenue from its assets, improved to 15.77pc from 14.61pc. But, return on equity (RoE) inched down to 13.18pc from 13.25pc, and return on assets (RoA) stayed around 2.04pc. The equity multiplier, a gauge of leverage, rose to 6.46 from 6.38, revealing the Bank is leaning a bit more toward external funding sources. Loans and advances comprised 62.7pc of total assets, leaving the door open for more proactive lending if conditions become favourable.

Enat Bank's income composition relied heavily on net interest income, which accounted for 27.1pc of total revenue, a steady performance compared to the previous year, with interest expenses comprising 51.4pc of total costs. This ratio uncovers the ongoing struggle in the banking industry to manage costs associated with higher deposit rates amid tightening monetary policies. The Bank's loan-loss provisioning dropped to 0.46pc of total loans from 0.94pc the year before, either representing an improved loan portfolio or a more aggressive posture with reduced safeguards for potential defaults. ■





Global Bank Races for Growth, But Rising Costs Cast a Long Shadow

Global Bank financial performance in 2023/24

Total Assets	Total Liabilities	Paid-up Capital	Income	Expense	Profit After Tax	Earning per Share
24.1b Br	20.6b Br	2.48b Br	4.11b Br	3.08b Br	486m Br	219 Br
28pc ↑	29.5pc ↑	22pc ↑	37pc ↑	39pc ↑	10pc ↓	25pc ↓

Illustrated by: Fortune

Source: Global Bank Annual Report 2023/24

Global Bank (Ethiopia) ended its 2023/24 fiscal year by treading a narrow line between robust expansion and caution. It displayed a balance of deposit, asset, and lending growth while wrestling with mounting operational costs and heightened provisioning to guard against credit risk in a volatile economic environment. The Bank, formerly Debut Global Bank, also responded to regulatory demands, moving forward with an ambitious rebranding effort.

Private lenders expanded in the broader banking industry, where the state-owned Commercial Bank of Ethiopia (CBE) continues to dominate, posting a 48pc rise in assets and similar growth in deposits. Their total assets grew by 28pc and deposits by nearly 30pc to 18.2 billion Br.

But Global Bank found itself somewhere in the middle, achieving a 28pc rise in total assets, matching the private sector average, yet it stood out by boosting profit before tax by 48pc.

The Bank's net profit margin rose to 25pc from 23.13pc the previous year; about a quarter of each Birr earned goes straight to its bottom line. Management seems to have balanced higher operational costs against revenue gains, though an added note of caution comes from the Bank's provision expenses, which surged 226pc, a potential marker of future concerns given the unpredictable economic backdrop.

However, senior executives proudly touted loans and advances, jumping to 15 billion Br, up by 15pc over the previous year. International trade accounted for 37.3pc of the total loan and advance portfolio, while domestic trade services captured 35pc. Construction followed with 9.6pc.

Yet, such progression is punctuated by reminders of inherent risk. The loan-to-deposit ratio declined from 95.88pc to 86.23pc, showing improved liquidity management but remaining above the industry mean of 60.2pc. Analysts note the National Bank of Ethiopia's (NBE) view that ratios north of 85pc leave lenders vulnerable to liquidity shocks. Global Bank's President, Tesfaye Boru (PhD), countered that the Bank has pulled back from the more difficult territory.

"A one percent jump from the recommended level is not that concerning when we have come a long way from previous years," he told Fortune. "Liquidity is in a good position now. It's visible in the trends."



There is no other justification. Last year's tax has distortions.

Tesfaye Boru (PhD)
President



Bikila Hurissa (PhD)
Board Chairperson

Over two billion Birr in loans were extended in the last fiscal year, an achievement that executives attributed to a customer-centric approach in retail and corporate banking. The Bank's overall deposit base was reinforced by a 54pc jump in foreign currency mobilisation, reaching 98.7 million dollars. Total revenue expanded by 37pc, supported by net operating income that climbed from 1.8 billion Br to 2.4 billion Br, a 28.5pc improvement.

Return on Assets (ROA) was 2.01pc, while Return on Equity (ROE) was 13.62pc, demonstrating some measure of efficiency despite industry-wide profitability headwinds.

Yet, the Bank's profit after tax retreated by 10pc to 499 million Br, an outcome that drew the attention of analysts who cite a 39pc uptick in expenses. The cost base soared to 3.08 billion Br, with interest payments consuming 53pc, wages and benefits 26pc, and other general expenses 21pc. Part of these higher operational costs was deployed to branch expansion — 73 new branches in one year — and a corresponding jump in staff headcount to accommodate the growth. The number of newly hired staff rose 39pc.

Tesfaye disclosed that the Bank recruited seven security personnel, among other staffers, for each branch, driving up personnel expenses. He is looking to cut costs by integrating technology into more operations.

"We're exploring ways to substitute some duties with tech-driven solutions," he said.

Tesfaye, who holds a doctorate in business leadership from the University of South Africa, said most senior management will be PhD holders in the coming years, a move he believes will enhance Global Bank's competitive edge. After graduating from Addis Ababa University in economics, management, and business administration, Tesfaye began his career at Hibret Bank as a loan officer, eventually serving in various capacities at Abyssinia and Zemen banks. When he joined Global Bank as vice president, he took the helm in 2019 and ushered in a rebranding from Debut Global Bank to Global Bank (Ethiopia.)

He now should prove that Global Bank's expansion strategy can deliver sustainable returns. Shareholders will watch whether the Bank can hold onto a 25pc net profit margin or if elevated operating costs weigh more heavily on future earnings. The growth spurt in staff numbers is intended to support

branch expansion and customer service, but those costs quickly eat into profits unless revenue per employee keeps pace.

The rebranding initiative, including a name change and a visual overhaul, is designed to appeal to a broader customer base, including the diaspora. While it has arguably enhanced brand recognition, some market watchers wonder if it will be enough to stand out in an increasingly crowded marketplace.

The Bank's growing network now includes four dedicated branches for Interest-Free Banking (IFB), which collectively mobilised 281 million Br in deposits. These operations remain small but meaningful, especially as there is considerable interest in the market for Sharia-compliant banking services. Analysts point out that the Bank's financials do not break out specific IFB performance measures, making it hard to gauge its exact influence on the bottom line.

"We're just starting," Tesfaye said.

The Bank considers human capital investment essential to facing competition from an anticipated influx of foreign banks.

"Investing in our people is the best way to compete in today's globalised banking environment," he said.

For the finance analyst Aminu Nuru, who is based in Doha, the hiring spree weighed on the Bank's profit.

"Operational costs, including opening new branches and depreciation of right-of-use assets, do not come cheap," he told *Fortune*.

But, the President stated that deferred tax adjustments accounted for much of the decline.

"It's due to tax, not operation," he said, noting that profit before tax hit 757 million Br, which is considered a more accurate indicator of the Bank's underlying performance.

"It's the true indicator of our performance," Tesfaye said. "It's better if we take that."

Complications emerged in how earnings per share (EPS) were calculated. The Bank reported a 14pc increase in EPS to 332 Br, even though net profit fell, after using profit before tax for the computation instead of net profit.

"It's the same as the net profit case," Tesfaye said in his team's defence. "There is no other justification. Last year's tax has distortions."

However, Aminu argued that an accurate calculation based on net profit should bring EPS down to 219 Br. According to Aminu and other analysts, shareholders may feel misled by the absence of explicit disclosures.

Ayalew Asres, a partner at Tafesse, Shisema & Ayalew Certified Audit Partnership, Global Bank's auditor, conceded that upon enquiry from *Fortune*, an oversight was detected after the financials were printed but communicated to management before the general assembly convened.

"We've sent out a correction letter," he told *Fortune*. "The Bank was made aware of the discrepancy."

Still, the lack of clarity has fueled concerns over transparency.

Global Bank is about halfway toward meeting the National Bank of Ethiopia's (NBE) mandatory five-billion-Birr capital requirement, an effort Tesfaye feels confident in meeting. Global Bank's capital adequacy ratio (CAR) was 16pc, double the regulatory threshold. Subscribed capital reached 3.5 billion Br, while its paid-up capital rose by 22pc, although lower than the industry's 30pc average, as faster asset growth pulled its capital-to-asset ratio down from 15.67pc to 14.76pc.

Higher reliance on deposit funding can magnify returns but also expose the Bank to unexpected market shifts. The Central Bank has not wavered on raising capital requirements, compelling smaller banks to consolidate or take on strategic investors.

Tesfaye seems undeterred.

"We're optimistic," he said.

The President is counting on existing shareholders to raise contributions while welcoming new investors.

Shareholders attending Global Bank's recent general assembly expressed guarded optimism. Some lauded management for balancing expansion with risk controls, pointing to the improved liquidity ratio and robust deposit growth as proof of solid planning.

A major shareholder, Tewodros Shiferaw, plans to reinvest dividends, drawing confidence from what he views as a sustainable growth path.

"Most of us are investing for our retirement," Tewodros told *Fortune*, adding that innovative financial products to draw in new customers and shareholders are essential. "Banking is a dynamic ground. Management should be able to keep up."

Others remain uneasy about the cost structure and the intense capital requirements lurking ahead.

The Bank's technology push is designed to optimise efficiency and expand its reach, according to the Board Chairperson, Bikila Hurissa (PhD). He believes partnerships, such as one with Kacha Digital Finance, introduced micro-saving and lending products and promoted financial inclusion.

"We adopted technology and digital banking initiatives, incorporating international best practices to enhance our competitiveness," he told shareholders, noting that the Bank is looking to engage in new financial activities driven by the capital market.

The Bank introduced a self-service digital banking centre, serving 72,346 cardholders and more than 616,000 card transactions worth 683.96 million Br. Global Bank also announced the rollout of a 24/7 Smart Banking Centre.

The Mexico Premium Branch provides one of the more distinctive anecdotes of Global Bank's evolving strategy. Staffed entirely by women, it has exceeded its deposit targets and, through improved service, helped reactivate dormant customer accounts.

"It's a pilot, and we showed that it worked," said branch manager Yodit Getachew, who emphasised what she described a "win-win" for the Bank and customers.

Despite the lukewarm broader economy, she remains enthusiastic.

"This year, we aim to further reactivate inactive customers through better customer service and tailored product offerings," she told *Fortune*.

Liquidity constraints and credit risk have been recurring themes for the banking industry as authorities respond to inflationary pressures with shifts in monetary policy. Industry observers attributed the Central Bank's loan growth cap of 18pc and a desire to maintain higher liquid reserves influencing the Bank's executives' choice to curb an overly aggressive lending agenda.

"The loan book is still growing, but it seems the Bank wants to maintain some breathing space," said the analyst.

Their decision may, however, curb interest income if demand for loans picks up faster than anticipated.

Global Bank's future also depends on macroeconomic forces largely beyond its executives' control, including Birr's volatility, double-digit inflation rate, and the overall pace of economic growth. The Bank's higher provisioning for potential bad loans could be an early signal that management is bracing for more turbulence.

Yet, Tesfaye exudes confidence.

"Investing in people, technology, and market reach is not only a cost," he said. "It's the basis for long-term survival." ■





Hibret Exhibits Growing Balance Sheet, Thinner Margins, a Precarious Credit Surge

Hibret Bank ended its 2023/24 financial year with a strong performance, reporting total assets of 96.58 billion Br, an increase of 16.95pc from the previous year. However, for analysts following the industry, this pace fell below the private banking industry's average growth of around 28pc, a gap that displayed the Bank's stable position and the intense competition shaping the expanding industry.

Lenders across the board have been racing to expand through new branches, digital innovations, and intensified lending, while also focusing on capital buffers and diverse revenue sources. Against this backdrop, Hibret Bank stood out for its asset gains and resource mobilisation, although it has also faced higher costs and industry-wide constraints.

The Bank's deposit base grew to 74.65 billion Br, growing by 15.66pc from the previous year, demonstrating its ability to attract funds. However, it was short of the average 30pc surge seen among private banks, yet still a sizable gain. Savings comprised 45.48pc of total deposits, with demand and time deposits accounting for 33.13pc and 21.39pc, respectively.

Management's willingness to accept greater lending risks while pushing deposit growth represented a manifold strategy, mixing expansion with caution.

Aminu Nuru, a finance analyst based in Doha, argued that Hibret Bank's performance should be viewed in the context of the National Bank of Ethiopia's (NBE) ongoing monetary tightening. The Central Bank's push to curb inflation by restricting credit growth and increasing emergency lending rates has limited private banks' capacity to expand. Mandatory investments in Treasury (T-bill) and Development Bank of Ethiopia (DBE) bonds further squeezed liquidity, reducing the scope for credit growth and affecting trade finance activities.

Though Hibret Bank generated 203.61 million dollars in foreign exchange earnings, the analysts observed that the hard currency shortage and falling export and remittance inflows presented a major hurdle for the industry.

Hibret Bank recorded a total revenue of 13.23 billion Br, a 28.11pc increase, largely driven by higher interest income. However, expenses jumped 39.63pc, with interest costs alone growing 37.81pc. Wage and staff benefit expenses also climbed, expanding the Bank's workforce to 9,440. Although these measures build the Bank's capabilities for long-term growth, they pressured margins in the short run. Pre-tax profit edged up only 0.74pc to 3.08 billion Br, when most private banks enjoyed 32pc growth, revealing a tension between expansion and cost control.

Yet, the net profit margin of 23.29pc displayed that the Bank can convert almost a quarter of its earnings into bottom-line returns, a sign of operational efficiency. The challenge lies in curbing

operating costs, which accounted for around 41pc of all expenses. Its asset turnover ratio of 13.7pc could reveal an unutilised potential. Much of this gap might result from a labour-intensive operating model in which personnel and administrative costs absorb a large chunk of total expenses.

The coming period will likely test whether Hibret can translate its bigger balance sheet into stronger earnings without exposing itself to undue risk, especially if inflationary pressures and foreign exchange constraints persist. Analysts caution that unchecked wage increases, staff benefits, and administrative outlay could weigh down future earnings if revenue does not keep pace.

"Narrowing profit margins may persist if operating expenses keep rising at a faster pace than revenues," said Aminu.

Vice President Sisay Molla was concerned about the higher workforce costs. According to him, earlier branch expansions, along with the regulatory mandate for broader reach, required hiring and investments in employee development.

"These steps control costs while maintaining high service standards and supporting staff growth," he told *Fortune*.

During the reporting year, it opened 26 new outlets — eight in Addis Abeba and 18 in regional towns — bringing the Bank's total branch count to 499.

According to Sisay, optimising staff allocation, introducing more automation, and providing performance-based incentives could moderate expense growth over time. Analysts believe continued vigilance will be needed to balance investments in service quality with the bottom line.

Hibret Bank's return on equity (RoE) stood at 24.4pc; shareholders earned roughly 24 cents on each Birr invested.

Long-time shareholder Minas Takele, who has held a stake in the Bank for over a decade, praised Hibret Bank's performance given the year's

economic realities.

"They should embrace efficient workflow," he told *Fortune*, urging executives to focus on loan management, a key indicator of a Bank's health.

Hibret Bank introduced the Prepaid Hibir MasterCard service with MasterCard, an initiative that executives hope will improve foreign currency access from international travellers. Mobile banking transactions hit 44.07 billion Br, signalling a rising preference for digital banking channels.

The Bank remains focused on technological fronts. According to Sisay, digital transformation is essential for streamlining processes, cutting operating expenses, and attracting customers, especially as the industry embraces digitalisation. He attributed Hibret Bank's strong in-house IT team to a competitive edge that allows it to

THEY SHOULD EMBRACE EFFICIENT WORKFLOW.



develop solutions quickly, implement new banking technologies, and stay ahead of market trends.

"By ramping up digital services, Hibret Bank strengthened customer engagement and enhanced profitability through lower overhead," said Sisay.

While some observers worry about credit risk and liquidity, the Bank reinforced its capital by issuing two billion Birr in fresh shares, lifting paid-up capital to seven billion Birr. Total equity reached 12.65 billion Br, mirroring a trend among private lenders to enlarge their paid-up capital, with some estimates placing the industry-wide jump at around 30pc. An asset-to-equity ratio of 7.64 times unveiled an assertive strategy of funding asset expansion through borrowing, though analysts do not see an immediate cause for alarm at that level. They view this as a sign of growing confidence in the Bank's performance, as well as a safeguard against the volatility of changing times.

The change was also seen in the composition of the senior management team.

Following the departure of Melaku Kebede, who served for nearly four years as Hibret Bank's president, where he spent two decades, the Board has nominated a new president. Under Chairperson Samrawit Getamesay, the Board submitted the nomination of Tsigereda Tesfaye, a senior vice president for business and operations, to the National Bank of Ethiopia (NBE) last month. If approved, Tsigereda would become the third woman to head a bank currently, and Hibret Bank would be the only Bank led by a female board chairperson and president.

Tsigereda has 30 years of banking experience, having previously worked for the now-defunct Construction & Business Bank (CBB) and Dashen Bank before joining Hibret Bank in 2004. She advanced through credit and risk management roles, becoming senior vice president. Since August 2024, she has served as acting president, ensuring continuity as the board formalised its choice.

As operations manager, she is credited for pushing the Bank to diversify revenue streams, including interest-free banking (IFB). It released a separate financial statement for IFB operations, a rare approach in the industry. Sisay credited a knowledgeable Sharia advisory committee for ensuring these services meet faith-based requirements, attracting a dedicated clientele. Partnerships with other financial institutions and Islamic organisations further expanded its IFB offerings.

Loans and advances grew from 58.8 billion Br to 67.4 billion Br, a 14.5pc increase that stayed within regulatory caps. However, analysts say this lifted Hibret Bank's loan-to-deposit ratio to 92.28pc, surpassing the 85pc norm many banks target. A higher ratio can boost interest income, which accounts for around 83pc

of Hibret Bank's -about credit quality if economic conditions worsen. Observers say carefully monitoring macroeconomic shifts is essential for safeguarding the bank's loan portfolio.

Net operating income rose from 7.075 billion Br to 8.026 billion Br, a growth Sisay characterised as evidence of solid revenue generation.

Despite this progress, net income after tax dropped by two hundred million Birr to 2.3 billion Br, mainly because of higher impairment charges, which soared from 103 million Br to 496 million Br. According to Sisay, Hibret Bank will tighten its follow-up on borrowers to ensure they remain in business and repay their loans. While it has sustained year-on-year (YoY) growth in net operating profit, Sisay attributed the slight dip to strategic outlays meant to boost the Bank's long-term competitiveness.

"We acquired assets with high depreciation values and invested in our employees," he told *Fortune*. "These measures would position Hibret to keep pace with industry demands."

Sisay disclosed that boosting fee-based services and diversifying sources of revenue are top priorities. Improving digital banking to reduce costs and expand the customer base is also on the agenda, as is streamlining loan reviews to lower non-performing loans (NPLs). Analysts say the surge in impairment charges implies the Bank should remain cautious, but Sisay argued that the NPL ratio of 2.8pc is a level well below regulatory thresholds.

"We continue to aim for levels below the National Bank's standards and implement various strategies, which have consistently demonstrated the strong capability of our Bank," he said.

Concerns emerged around the loan-to-deposit ratio (LDR), which was 92pc, far higher than the industry's average of less than 85pc.

"Addressing these will require a strategic shift in liquidity management and funding sources," said Aminu.

Sisay, placing Hibret Bank's LDR closer to 88pc, argued that the management followed a conservative approach where deposits surpass loans, ensuring a healthy liquidity level and avoiding frequent external borrowing. He disclosed that the Bank's Asset Liability Management Committee closely tracks liquidity and focuses on meeting mandatory reserve levels set by the central bank.

"We've got a contingency management plan in place, outlining strategies for accessing additional liquidity during periods of stress," he told *Fortune*. "Effective liquidity management underpins client trust and ensures obligations are met promptly." ■





Hijra Bank's Leap of Faith in Soaring Profits Soar as the Industry Tests Newcomers

Hijra Bank financial performance in 2023/24

Total Assets	Total Liabilities	Income	Expense	Profit After Tax	Earning per Share
8.1b Br	6.6b Br	708m Br	615m Br	100.5m Br	74 Br
32pc ↑	34pc ↑	67pc ↑	60pc ↑	331pc ↑	196pc ↑

Illustrated by Fortune

Source: Hijra Bank Annual Report 2023/24

Hijra Bank's year-end financial report for last year reveals a noteworthy leap in profitability, with a net profit climbing more than four times its previous year's record. Industry observers, aware that a relatively small baseline can inflate year-on-year gains, nevertheless see evidence of progress in cost containment and resource mobilisation.

In its financial year 2023/24, Hijra Bank posted a profit after tax of a little over 100 million Br. Its net profit margin on total assets reached 1.23pc, up from 0.37pc, a mark of rising efficiency. Despite trailing the longer-standing industry benchmark of closer to 2.4pc or 2.6pc in return on average assets, its performance represents the promise and the problems confronting a newcomer working within fast-evolving regulatory constraints.

According to Dawit Keno, the bank's president, financial inclusion in the interest-free banking sector is an untapped market, a factor that helped drive the Bank's 29.5pc deposit growth. He believes Hijra has built trust in rural enclaves by offering Sharia-compliant services and promoting awareness in communities that had not used banking channels. Dawit attributed the Bank's profitability to its short-term financing offerings and disciplined cost optimisation, even as the credit cap introduced by regulators forced his management to innovate to sustain growth.

Hijra's assets reached 8.182 billion Br, a jump of over 30pc that surpassed many competitors, no small feat in an environment where tighter monetary policy and rising interest rates have forced banks to refine their lending strategies.

Hijra Bank expanded its loan book to 3.38 billion Br, about 42pc of total assets. While this loan-to-asset ratio remains conservative relative to some established private banks that operate closer to two-thirds, it showed its executives' appetite for balanced risk. Deposits rose by nearly 30pc to 6.279 billion Br, lifting the loan-to-deposit ratio to below 54pc, a moderate size considering the Bank's capacity to deploy more funds into loans once regulations allow.

The Bank relies heavily on net interest income, which makes up 64.9pc of total revenue. That concentration echoes industry-wide norms, where conventional lending products remain the principal driver of bank profits.

Fee-based services contributed 203.4 million Br to the Bank's



Dawit Keno, President

THE CREDIT CAP REQUIRED US TO ADOPT INNOVATIVE SOLUTIONS TO SUSTAIN GROWTH WITHIN REGULATORY CONSTRAINTS.

bottom line and, together with new digital initiatives, could help diversify revenue streams in the coming years. Its interest expense is roughly 18.4pc of total costs, well below the 40pc-plus range standard in many rival banks, unveiling that wage, benefit and administrative costs remain Hijra's main expenditures. More than 80pc of total expenses go toward day-to-day operational outlays, with personnel costs alone consuming 374 million Br, or 61pc of operating costs.

Inflationary pressures notwithstanding, the Bank's cost-to-income ratio was 86.8pc, revealing room for improvement. Yet, its management is pressing ahead. Operating expenses jumped by 60pc to 615 million Br as the Bank scaled up its workforce to 1,635 employees, a 32pc increase.

Branch expansion has been a key driver behind the hiring spree. Hijra now operates 100 branches, 77 of them outside Addis Abeba, as part of an effort to capture unbanked segments and spur deposit growth. A newly launched Sharia-compliant mobile wallet, "HalalPay" is viewed by executives as another milestone in the Bank's quest for a broader customer base. Dawit believes bridging knowledge gaps— among employees and clients — is essential.

"If staff are well-versed in technology and Sharia-compliant





Abduslam Kemal, Board Chairperson

finance," he argues, "they can bolster customer awareness and retention."

Nesredin Mohammed manages a branch near Olympia where he sees an opportunity to lure more exporters, though he also saw regional instability as a constraint on expansion.

Hijra's ability to carve out market space while keeping non-performing loans contained at around three percent of its financing portfolio is no small achievement. Nevertheless, it faces the same pressures as all newer banks, which are wary of growing too fast or extending credit too aggressively. Shareholders keeping an eye on efficiency also note that Hijra's profit per employee was above 61,000 Br, below the industry's average.

Mohammed Ali, one of Hijra's founding shareholders, believes the bank has opened vital pathways for large portions of the unbanked population to access financial services based on Islamic principles. He hopes branch expansion will continue, with a parallel focus on educating potential customers.

Deposit per branch — 62.79 million Br — is also modest compared to the nearly 200 million Br average across the banking industry. However, the industry-wide figure is skewed by larger banks with deeper urban footprints. Hijra Bank's executives say many new accounts are sourced from rural communities that were traditionally excluded from banking because of faith-based concerns over conventional interest-bearing products.

While its financing portfolio grew by 13pc, Hijra relies heavily on Murabaha, a sales contract in which the Bank purchases an asset and resells it to the customer with a profit margin. Dawit acknowledged that critics see Murabaha's near-total dominance in the financing portfolio as a potential constraint on innovation. However, he argued that it is a safer choice for a financial institution at this stage. Hijra began piloting Musharaka arrangements with two customers this year and plans to expand.

In a Musharaka structure, the bank and the customer jointly invest in a venture and share profits and losses. Dawit conceded that it carries a higher risk.

"We'll keep on expanding it," he told *Fortune*. "It's high risk but advantageous."

According to Aminu Nuru, a finance expert based in Doha, Qatar, Islamic banks typically wrestle with lower earnings per share (EPS) due to profit-and-loss sharing models, narrower investment opportunities, and higher compliance costs. Yet Hijra Bank has bucked this trend. Its EPS climbed from 24.92 Br to 73.84 Br, a jump he finds particularly impressive considering the constraints of Islamic finance. ZamZam Bank, which entered the market a year earlier, reported an EPS of 5.94 Br.

"Hijra hints at the upside potential of Islamic banking when supported by the right balance of deposit mobilisation and operational efficiency," said Aminu.

Dawit attributed much of Hijra Bank's asset growth, which rose 32pc to 8.18 billion Br, to a remarkable 605pc increase in financial assets and a 308pc surge in non-financial assets. While regulatory ceilings on loan growth limited its expansion to 13pc, Hijra's operating income shot up 67pc, reaching 708 million Br. Financing and investment income accounted for 459.9 million Br, about 65pc of total income.

Fee and commission income comprised another 203.4 million Br, while foreign exchange valuation gains brought in 10 million Br.

Hijra's underlying ratios tell the story of a bank that is growing steadily but still staying cautious. Its Return on Assets (ROA) was 1.2pc, while its Return on Equity (ROE) sat at 6.5pc. Cash reserves reached 2.5 billion Br, including 1.73 billion Br deposited with local banks, demonstrating Hijra's liquidity strength. But, it also unveiled the Bank has not fully utilised available resources. Aminu believes tapping borrowing limits or allocating more capital toward financing could fuel additional growth.

Dawit concurred but insisted that deposit mobilisation had to come first.

"The Bank focused on cultivating a deposit culture in communities new to formal finance," he said. "Awareness campaigns conducted last year have started to bear fruit, making it possible now to consider more expansion in lending products."

Dawit, an alumnus of Addis Abeba University, served as vice president for resource and credit management at the state-owned Commercial Bank of Ethiopia (CBE) before helping to found Hijra Bank four years ago, with a subscribed capital of 1.3 billion Br. In the latest reporting period, the Bank's paid-up capital rose by 17pc to 1.49 billion Br, translating to a capital-to-asset ratio of around 18pc, higher than the 13.5pc average often seen among private banks.

The industry's aggregate capital has topped 290 billion Br, with private banks claiming two-thirds of that share, while the average capital is five times larger than Hijra's. According to financial analysts, the healthy buffer is a precaution against potential shocks in a climate where year-on-year (YoY) inflation, still exceeding 19pc, undermines the real value of lending rates and savings. Yet, Hijra's asset-to-equity ratio was around 5.29, beneath the market average of roughly 7.8.

"Hijra can afford to leverage its capital further, provided it maintains sufficient stability in provisioning and adheres to regulatory parameters," said Aminu.

Equity reached 1.54 billion Br, supported by robust shareholder participation that Dawit sees as critical to meeting future regulatory targets. The Bank's capital adequacy ratio (CAR) was 37.8pc, well above the required minimum, a sign of strong capitalisation but also a marker of untapped leverage. About 36pc of Hijra's total assets sit in cash or bank balances, a conservative position that buttresses liquidity but may weigh on returns.

The National Bank of Ethiopia's (NBE) directive to raise the minimum capital requirement to five billion Birr, however, looms on the horizon as a litmus test of Hijra's staying power.

"The credit cap required us to adopt innovative solutions to sustain growth within regulatory constraints," Dawit said.

According to the Board Chairman, Abduslam Kemal, Hijra will concentrate on meeting that threshold while pursuing further branch growth and digital platforms to improve service delivery. Failure to meet the requirement could force a merger, reshaping Hijra's operations as it has begun to hit its stride.

Nevertheless, Dawit remains confident. He credited the Bank's 13,000-plus shareholders who have pledged to recapitalise within the year, and he welcomed the possibility of new shareholders in the Middle East, provided they share Hijra's commitment to Islamic finance. ■




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Traditional Finance Dines in State While Crypto Waits for the Desert

A decade ago, Bitcoin and Ethereum lingered on the fringes of finance, curiosities traded by hobbyists and techno-utopians. Today, their combined market value stretches into the trillions of dollars, and their ascent has ignited a fresh argument.

Will digital tokens replace traditional assets or simply sit beside them?

Signs of displacement are hard to miss. Young and tech-savvy savers, who grew up doubting banks and questioning financial orthodoxy, now funnel much of their extra cash not into blue-chip stocks or municipal bonds but into coins and tokens that can soar, or crash, in a single day.

Some retail investors have liquidated mutual-fund holdings and scaled back pension contributions to chase the promise of untamed returns in crypto markets that never sleep. The appeal is obvious.

Crypto may be “the wild paper note of the 21st century” that is mistrusted and volatile. It is, however, potentially essential to a financial system that increasingly prizes flexibility as much as security.

Around-the-clock trading, decentralised platforms that skip the middleman and yields that, at least on good days, dwarf anything on offer at the local branch.

Nonetheless, history warns against counting out older forms of wealth.

In the early 1800s, Britain and much of Europe still measured fortunes in gold and silver coins. Commerce, though, was beginning to move faster than coin could follow. Hundreds of private banks started issuing paper notes, each a promise to pay the bearer coin on demand.

People treated those notes warily. A bank failure could render them worthless overnight. Notes, traded at discounts, tied to the perceived health of the issuer. They were, in short, a speculative adjunct to “real” money.

Industrialisation changed the calculation. Manufacturers needed credit lines, merchants needed working capital and labourers wages that moved quickly from hand to hand. Paper notes, risky or not, became indispensable.

Governments responded by tightening the rules. Britain's Bank Charter Act of 1844 effectively barred newcomers from printing money and made the Bank of England the sole legal issuer. Standardisation and regulation gradually turned the suspect slip of paper into the cornerstone of modern finance.

Crypto may be following a similar arc. It is still perceived as risky, occasionally reckless. The collapse of trading platforms, most infamously FTX, reminded investors how fragile digital infrastructure can be.

Price swings remain violent. A tweet or regulatory rumour can shift billions of dollars in minutes. Many governments have yet to spell out precise rules, and the absence of clear oversight keeps cautious money on the sidelines.

Even so, institutional doors are opening. Exchange-traded funds tied to Bitcoin now trade on major bourses. Asset





managers pitch crypto allocations as a way to diversify portfolios that are otherwise heavy in bonds and big tech stocks.

Central banks from China to the Bahamas have launched or tested their respective digital currencies, hoping to marry the speed of crypto with the stability of state backing. The European Union's new MiCA rulebook and a patchwork of U.S. court decisions point to an eventual, if bumpy, regulatory landing.

Traditional finance has begun to borrow the technology itself. Major banks use private blockchains to settle trades more quickly; insurers experiment with smart contracts that pay out automatically when certain conditions are met. These adoptions do not hand victory to crypto-currencies, but they indicate that blockchain, crypto's underlying software, is likely to mesh with, not overthrow, existing structures.

For now, the balance of global wealth remains overwhelmingly in conventional instruments. Stocks, bonds, and property dwarf digital assets in sheer size. Pension funds, insurers, and sovereign-wealth managers, which together steer tens of trillions of dollars, still see crypto as a speculative garnish rather than the main course. They may value liquidity, but they demand predictability even more, and crypto's short history is littered with days when predictability vanished.

Retail investors, too, often treat digital coins as a complement rather than a replacement. A small slice of Bitcoin might sit next to a basket of dividend-paying shares or an index-fund

position built for retirement. The goal is diversification, not revolution.

Data from multiple brokerage platforms show that even at the height of the recent crypto boom, the average household kept only a single-digit percentage of its net worth in digital assets.

The uneven spread of regulation also limits how far crypto can go.

INDUSTRIALISATION CHANGED THE CALCULATION.

In the United States, the Securities & Exchange Commission has sued several exchanges and token issuers, arguing that many offerings are unregistered securities. China has banned most public crypto trading outright. Europe's MiCA framework sets licensing standards for providers

and capital requirements for stable-coin operators but leaves taxation to national capitals, guaranteeing a patchwork of fiscal rules.

Volatility remains another worry. A currency, to serve as currency, needs relative price stability. Bitcoin has swung from under 4,000 dollars in early 2020 to over 60,000 dollars two years later and back below 30,000 dollars last year.

Advocates claim that newer coins designed for payment stable coins peg their value to the dollar or the euro, but those pegs have broken during market stress. Investors have not forgotten the swift collapse of TerraUSD, once promoted as a frictionless settlement token and then worth almost nothing in the space of a week.

Yet, the parallels with 19th-century paper money are striking. ▶▶

Then, as now, commerce demanded quicker and lighter tools than metal could supply. Paper notes met that need and survived by submitting to oversight.

Crypto offers frictionless cross-border transfers, programmable contracts, and platforms that operate without clerks or vaults. To move from side bet to systemically important money, crypto will likely have to accept a similar trade-off. More regulation, not less, is needed in exchange for broader trust.

Some crypto enthusiasts see regulation as a betrayal of the founding ideal that is currency free of state control. But market history is generous in its lessons. Widespread acceptance follows, not precedes, legal clarity. The moment governments set clear boundaries around note issuance in the 1800s, public confidence rose and the paper note's network effect took hold.

Something comparable could happen in digital finance if lawmakers fix guardrails around stable-coin reserves, custodial standards, and disclosure rules.

Sceptics counter that crypto lacks a central source of value. Paper notes were at least promises backed by gold or, later, by the taxing power of the state. Crypto's value is set entirely by supply and demand.

This could be seen as a fair point. But, modern fiat money, too, floats without metal backing, and its worth rests on collective faith in the issuer. It is what Yuval Harari described as money not being an objective reality but a "shared story of fiction that only works because people collectively believe in it."

If enough people, and enough institutions, decide that a digital token is a reliable store of value or a convenient medium of exchange, the absence of physical backing may matter less than the network that sustains it.

Even if that threshold is crossed, displacement is unlikely to be total. The history of finance is one of layering, not replacement. Bank notes did not kill coin; they live side by side. Credit cards did not end cash; they coexist. Exchange-traded funds did not wipe out mutual funds; both thrived.

A regulated slice of crypto may integrate with portfolios and payment systems, while high-risk tokens persist on the speculative fringe, much as penny stocks occupy a corner of the equity market.

Investors, ever opportunistic, will decide allocation by appetite for risk and time horizon. A young professional might devote five percent of savings to crypto, hoping for equity-like returns with bond-like diversification benefits. A pension fund charged with paying retirees in 2050 may cap exposure at a fraction of a percent, treating digital tokens as venture capital, possible upside, and acceptable to lose. The story will shift with each regulatory headline and technological breakthrough.

The path ahead looks less like a duel and more like a merger fought over terms. Crypto's brightest future may lie not in overthrowing the banks but in supplying them next set of tools, while traditional finance supplies the scale, oversight, and legal machinery that crypto lacks. The speculative frenzy will ebb and flow, as it did with railroad bonds in the 19th Century and internet stocks at the turn of this century.

Over time, the practical uses fast settlement, programmable contracts, efficient cross-border payments



are likely to matter more.

Back in the 1840s the Bank of England's new monopoly on note issuance seemed heavy-handed to some bankers, but the reform brought order to a chaotic market, built public trust, and powered Britain's industrial expansion. Crypto faces its own version of that crossroads.

If digital assets accept the yoke of standardisation, they may join the core of global finance. If not, they risk remaining an exotic garnish. Tasty when times are good, indigestible when panic strikes. Either way, investors will keep testing both sides of the menu.

For now, the main course remains stocks, bonds, and bricks-and-mortar property. But, crypto, the wild paper note of our era, has earned a seat at the table, and its influence will grow or shrink as regulators draw the lines and markets vote with billions of dollars every day. ■

■ *Mohammed N. Khalifa is an expert in finance.*



Lion Bank's Profit Roars, but Can It Claw Its Way to the Top?

Lion Bank financial performance in 2023/24

Total Assets	Total Liabilities	Paid-up Capital	Income	Expense	Profit After Tax	Earning per Share
43b Br	37b Br	3.1b	5.6b Br	4.7b Br	788m Br	281.5 Br
22.8pc ↑	19.3pc ↑	19pc ↑	33pc ↑	34pc ↑	61pc ↑	50pc ↑

Illustrated by Fortune

Source: Lion Bank Annual Report 2023/24

Lion International Bank's comeback after a difficult stretch during the civil war in the northern part of the country, was remarkable, posting a net profit rise of 61pc from the previous year. Its earnings per share (EPS) also jumped by 10 percentage points to 28.1pc, from 187.28 Br to 281.52 Br.

Its results for the financial year 2023/24 showed a 2.19pc net profit margin on total assets, reflecting what industry analysts described as a measured posture.

Incorporated in 2006 with a paid-up capital of 108.2 million Br, the Bank struggled when more than half its branches in the Tigray Regional State, an area heavily affected by the militarised conflict, were affected.

Daniel Tekeste, the Bank's fifth president in charge since 2022, recalled how the two years since 2020 have pushed Lion Bank into survival mode.

"We moved the Bank from recovery to growth," he told *Fortune*

. "It's a joint effort of reopened branches and the new strategy."

Daniel attributed the reported results to diversification in locations, product lines, and value propositions. He also credited much of the recent gains to robust deposit mobilisation, which raised total assets by 22.8pc to 43.03 billion Br, deposits by 30.4pc to 35.62 billion Br (mirroring the broader industry), and loans and advances by 14.13pc to 30.46 billion Br. Around 75pc of the Bank's loan portfolio supported exports, imports, and domestic trade. Including bonds and Treasury bills (T-bills), total outstanding loans reached 33.4 billion Br, a 13pc jump from June 2023. Its growth reached 14pc year-on-year (YoY), almost half the private-banking average, though management disclosed a 14.14pc hike in provisions for bad loans.

Abdulmenan Mohammed (PhD), the London-based financial analyst, praised the deposit growth but observed that the loan-to-deposit ratio fell by 12.1 percentage points from 97.7pc, partly due to a lending cap by the National Bank of Ethiopia (NBE).

Daniel remained hopeful that diligent collection efforts would free up additional capacity for fresh lending.

"Resource mobilisation and collection require equal effort," he said.

Nonetheless, a degree of caution coloured the Bank's positive figures. Regulators at the Central Bank compelled lenders to label all loans in Tigray Regional State as "doubtful," requiring a 50pc provision, despite their current status.

"If it's a healthy loan, a higher provision is natural," Daniel told *Fortune*

, disclosing that the Bank complied to manage potential downside risk.

Lion Bank reversed provisions for loans and asset impairments, which boosted profitability. Interest income rose by 7.4pc to 4.48 billion Br, fees and commissions soared to 313.33 million Br (a rise of 74.6pc), and other operating income jumped by 41.4pc to 421.56 million Br. Foreign exchange dealings turned from a loss to a 31.77 billion Br profit.

"It showed that executives worked hard to enhance loan performance," said Abdulmenan, praising the 367.17 million Br reversal of loan impairments.

Daniel believes in an old industry maxim: "You know if a loan will likely be repaid when it is disbursed."

Daniel studied undergraduate business management and completed post-graduate studies in business administration, at Addis Ababa University. He embarked on a career in finance after joining the state-owned

Commercial Bank of Ethiopia (CBE) in 2003 as a junior officer. Subsequently, he was assigned to lead a team for credit risk management. After a decade with the state-owned financial behemoth, he joined Lion Bank in late 2014.

Liquidity appears solid at Lion Bank, which held 6.35 billion Br in cash and balances at other banks, alongside 2.71 billion Br in T-bill investments. Daniel viewed this as a prudent hedge against shocks, consistent with the Bank's reluctance to take on excessive risk. The economy still faces potential pitfalls, as the cost of living remains high.

On the cost front, expenses soared to 4.7 billion Br, a trend consistent with what is observed across the industry. Interest expenses climbed by 9.1pc to 2.15 billion Br, wages and staff benefits surged by 72pc to 1.64 billion Br, and other operating costs saw an increase of 58.5pc to 889.11 million Br. Loans represented 70.76pc of Lion Bank's assets, unveiling its reliance on lending to generate interest income. The net interest expense

THOSE WERE YEARS OF SURVIVAL.

Daniel Tekeste, President

**Daniel Tekeste,
President, and
Alem Asfaw, Board
Chairperson.**



was nearly half the operating costs, which calls for cheaper funds. The 35.6 billion Br deposit base translated to an average of 116.41 million Br a branch, which may climb if digital platforms relieve the Bank's dependence on bricks-and-mortar expansion.

Personnel and administrative expenses account for over half of total costs, leaving profit per employee at 147,740 Br, half the amount some of its peers achieved. Analysts believe digitisation could lift this metric, as technology allows the Bank to serve more clients without proportionate increases in headcount. Telecom-led payment solutions are gaining traction, potentially diverting deposits from banks. Regulators encourage banks to reach underserved rural markets, which can raise overhead unless balanced by online services that reduce physical footprints.

The Bank added 310,000 accounts over the past year, pushing its customer base above two million. Digital channels grew as well, with 998,000 customers now using mobile, card, or internet banking.

While the President pledged to reduce the cost of funds by expanding digitisation and consolidating branches, he also defended growing staff spending.

"Those were years of survival," he said. "We established a strong structure and needed to align human resources to bear its weight."

Lion Bank recorded 788.17 million Br in net profit during the financial year, adding 18 branches to its network of 306. Full-fledged interest-free banking branches were added in preferred areas while expanding to all regional states.

Medhane Kidane manages a branch in Yeka District. He has been running the branch for three years and attributed its boosted performance to teamwork and communication.

"We planned to utilise resources, attract new ones, and retain them," he told *Fortune*.

According to Lion Bank's Board Chairperson, Alem Asfaw, the School Pay, SACCO systems, and the Aleqnta Micro Credit service,

as well as partnerships with Ethio telecom, Safaricom, and Santimpay, made financial services more accessible. Daniel called technology "fundamental" and disclosed plans to roll out a new product in April.

The Bank's paid-up capital rose by 16.3pc to 3.06 billion Br, though the capital adequacy ratio slipped from 11.8pc, dropping by 0.6 percentage points. Its asset-to-equity ratio was 8.45, which fuelled an 18.47pc return on equity. It also maintained a capital buffer of 11.83pc relative to total assets, in line with regulators' heightened focus on capital adequacy. Private banks average 6.7 billion Br in paid-up capital, revealing Lion Bank's lag behind but planned to catch up by 2028. Shareholders intend to boost capital to 10 billion Br over the next few years, partly in response to regulatory pressure.

"We took a lot of hits," said longtime shareholder, Yonathan Tesfayohannes. "I don't possess expertise but I would appreciate increased returns."

Yonathan is also apprehensive of potential discussions about mergers and acquisitions of smaller banks, signalling a climate of possible consolidation in the industry.

The private banking industry's total assets increased by 28pc last year to 3.3 trillion Br, while Lion Bank's assets grew by 21pc. The CBE remained a heavyweight, recently reporting a 47.9pc jump in total assets, maintaining a dominant share of the industry's capital. Yet, private banks such as Awash, Dashen, Abyssinia, Wegagen and Zemen have made strides, raising equity and widening their loan books. As competition ramps up, both from established giants and from smaller and nimble entrants, Lion Bank's executives emphasised that lessons from the crisis have not been forgotten.

Daniel hopes that healthy capital buffer, diversified loan book, and a renewed push into areas like e-banking will position the Bank to thrive, even if risks continue to surface. ■



Nib Bank Sees Year of Reckoning

■ It experienced liquidity crises, management overhaul, and a bid for redemption



Nib International Bank financial performance in 2023/24

Total Assets	Total Liabilities	Income	Expense	Profit After Tax	Earning per Share
67b Br	56.6b Br	10.8b Br	9.6b Br	957.9m Br	70 Br
12pc ↓	16.8pc ↓	21.3pc ↑	39.1pc ↑	36.4pc ↓	50pc ↓

Illustrated by *Fortune*

Source: Nib International Bank Annual Report 2023/24

Nib International Bank's (NIB) financial results for the 2023/24 fiscal year painted a picture of a financial institution determined to steady its footing despite difficult economic conditions. In an industry long regarded for strong growth and profitability, NIB's recent performance displayed a year marked by resource constraints, corporate governance reforms, and an ambitious desire to refocus on core strengths.

Yet, despite NIB's setbacks, its directors, executives, and shareholders showed optimism that the steps now underway will help restore depositors' confidence, improve liquidity, and eventually deliver steadier profits from a year that has been all but flattering.

The Bank's total assets decreased by 12pc to 67 billion Br, signalling pressure on a balance sheet that had once tracked consistently with the broader industry's expansion. Its deposit base contracted by 24.1pc to 45.1 billion Br, contrasting with the trend observed at many other private banks, where deposit mobilisation has generally held up despite inflationary headwinds. Over the last decade, private banks have seen moderate to robust deposit growth, which they have channelled into new loans.

At NIB, these pillars weakened during the year as the Bank scrambled to replace outflows with external financing, demonstrated by borrowings that jumped by over 105pc. The growing reliance on external funds has come with added costs, creating what executives recognise as a short-term measure they hope to ease as more stable deposits return.

Abdulmenan Mohammed (PhD), a finance analyst based in London, has called for a strategic overhaul to reverse the downward trend, as this decline has likely unsettled shareholders. "The performance ought to be disappointing, if not shocking," he said.

However, the newly appointed President of NIB, Henok Kebede, remained optimistic that the Bank's strategic realignment, from attracting longer-term deposits to streamlining its credit portfolio, will improve the situation. Executives see technology as key to regaining a competitive edge and drawing new accounts.

"The customer base has now been significantly increased," Henok told *Fortune*.

However, liquidity remained an ongoing concern. Cash and bank balances dropped by 48pc to 6.27 billion Br, while the liquid assets-to-total-assets ratio slipped to 9.4pc from 15.7pc. Executives conceded that the loan-to-deposit ratio of 109.2pc was higher than the Bank's internal threshold, and above the previous year's 89.8pc. The heavy borrowings, which more than doubled to 5.33 billion Br, unveiled the liquidity pressures.

According to the President, NIB is now in the process of settling overdue commitments, including borrowings, and expects the ratio to fall closer to industry norms. Across the private banking industry, the loan-to-deposit ratio generally stayed closer to 80pc. While NIB's total outstanding loans and advances declined by about nine percent to 48.47 billion Br, the majority remain concentrated in the construction and manufacturing sectors.

Analysts saw the aggressively pursued lending activities as a double-edged sword. While they may have presented opportunities, they can also pose heightened risks if an industry-specific slowdown arises.

NIB executives remain confident that a system is in place to manage credit risk, pointing to ongoing monitoring and a commitment to allocate loans to reliable borrowers who can generate the needed liquidity. According to the President, the Bank's lending approach is built around partnering with borrowers who can generate steady cash flow. He believes these strategic partnerships can reinforce liquidity.

"NIB's internal risk appetite allows it to maintain a balanced approach to sectoral exposure," Henok told *Fortune*.

Profitability metrics uncover the strain.

Net profit declined by 49.6pc to 957.9 million Br, positioning Nib behind newer players such as Berhan Bank, which posted 1.19 billion Br, and Abay Bank's 1.5 billion Br. Return on Equity (RoE) fell from 27.7pc to 14.1pc, while Return on Assets (RoA) slipped by one percentage point to 1.7pc. Most private banks have shown consistent double-digit asset growth and improved profits over the past decade. NIB, however, experienced a contraction in its net profit margin on total assets to 1.43pc, signalling a noted



departure from this industry-wide trend.

The Bank's dependence on interest income, which accounted for almost 89pc of overall earnings, also revealed a concerning issue. There is less of a buffer from non-interest-based revenue sources, which many other banks leveraged to diversify their income. The environment dissuades some depositors from parking large sums in bank accounts, but NIB has felt the effects more directly than many of its peers.

Executives say that they recognise depositor confidence needs rebuilding. Indeed, NIB has been susceptible to negative real interest rates, as inflation was about 19.9pc year-on-year (YoY).

Despite the difficulties, NIB increased its paid-up capital to 7.6 billion Br, raising its capital-to-asset ratio to 15.47pc, compared with 11.53pc a year earlier. This injection offers a stronger cushion against systemic shocks and positions NIB to meet regulatory requirements comfortably. The Bank's executives see this development as a foundation for restoring stability.

Some cost control measures appear to be paying off, although higher administrative outlays, attributable to governance changes and operational adjustments, raised total costs.

Private lenders have increasingly outpaced state-owned competitors in loan disbursements in the broader banking industry, expanding their networks and product offerings to attract deposits and borrowers. NIB remains among the sizable credit providers, holding a loan portfolio of 49.2 billion Br, yet its deposits per branch trail the industry average.

With deposits per branch at about 102 million Br, Henok says the Bank will focus on digital banking enhancements, including partnerships with fintech providers, to give customers more efficient and innovative banking experiences. Though the total branch count remains at 441, some offices were relocated to more visible or accessible areas, and three conventional branches were converted to full-fledged interest-free banking services in response to shifting market preferences. One was reverted to a conventional branch for the same reason.

According to Gizachew Abebaw, manager of the Bank's premium branch at the Head Office, on Dejach Wolde Michael St., the Bank has undergone changes since March, spurred by a leadership team intent on identifying and catering to high-value clients. He acknowledged that recent governance issues, widely covered in local media, briefly unsettled some customers.

"They paused for a moment," he said, describing a period when operational disruptions forced many to re-evaluate their banking

options. "But it was temporary."

The premium branch, overseen by Gizachew, offers specialised services to top-tier clients, including on-site service deliveries for large transactions. He reported robust progress in resource mobilisation, digitisation initiatives, and foreign exchange investments, attributing these as indicators of the Bank's ongoing recovery.

"We're on an upward trajectory," Gizachew said.

He is confident that NIB Bank's renewed focus on high-value account holders will reinforce its position in the industry.

His senior executives have introduced a 120-day liquidity recovery plan designed to revitalise deposit flows, refine governance structures, and tighten costs. The President attributed much of the pressure to surges in the cost of funds, prompting the Bank to focus on rebalancing its deposit mix. The aim was to secure more stable sources by attracting new customers willing to maintain deposits for longer periods.

According to Henok, these efforts have already led to a substantial expansion of the customer base, which he hopes will stabilise the deposit profile over time.

The past fiscal year also saw the Bank's Earnings per Share (EPS) halved to 70 Br. The decline can be attributed to a combination of lower profitability and the capital boost that spread earnings more thinly across shares.

However, provisions for loan and other asset impairments rose to 401.8 million Br from 104 million Br, revealing more cautious risk assessments. Wage expenses and operating costs climbed considerably as well. Interest expenses reached 4.44 billion Br, a 36.6pc rise, while wages and benefits increased by 15.5pc to 2.91 billion Br. Other operating expenses jumped to 1.76 billion Br, 67.6pc growth.

Costs expanded faster than revenues, hitting 9.6 billion Br and reducing net profits. Losses from foreign exchange dealings more than doubled, reaching 256.25 million Br, and penalty expenses soared to 140.25 million Br from a mere 3.9 million Br the previous year.

A further complication came from a prior year adjustment of over one billion Birr, surpassing last year's net profit and pushing retained earnings into negative territory at 378.17 million Br. The adjustment was attributed to several factors, including the application of incorrect exchange rates on a Letter of Credit (LC) payment, an expanded severance pay reserve calculation, unrecorded fees for MasterCard and VisaCard services, and an



exchange rate regime shift that affected a dollar payment.

This revelation led to an overstatement of earlier earnings and dividends, making dividend payments for shareholders unattainable in the current year. Analysts expressed concern about the scale of these adjustments and called for careful review to ensure that the Bank's financial statements accurately reflect its standing.

"Management should provide an adequate explanation for this," said Abdulmenan.

According to Henok, improved controls and oversight are in place, arguing that many of these additional outlays are tied to cleaning up legacy issues and making the Bank more efficient in the long run.

The President stated that NIB's capital structure is still robust, with a capital adequacy ratio of 19.8pc, more than double the regulatory minimum. While current standards are being met, he wants to strengthen capital further for the Bank to respond to unanticipated shocks and continue expanding. He also sees balancing the push to grow capital with preserving shareholder returns as important.

Incorporated 25 years ago with a paid-up capital of 27.6 million Br raised from 717 founding shareholders, NIB increased its paid-up capital by 26pc to 7.6 billion Br. Its capital adequacy ratio (CAR) stood at 19.8pc, more than twice the regulatory minimum. According to Henok, while the capital structure meets acceptable standards, it needs further strengthening to establish a strong capital base.

"We're working to further strengthen capital base without compromising the returns to the shareholders," he said.

Shareholders convened at Millennium Hall, where they learned that dividend payouts would not be possible this year, were disappointed. The news arrived at a time when NIB was restructuring its corporate governance and senior management team, following the departure of more than a dozen senior staff and directors. A new board chaired by Shisema Shewaneka briefly appointed Emebet Melese (PhD) as president; she later moved to the Development Bank of Ethiopia (DBE), the state policy bank, making way for Henok to take the helm two months ago.

Henok brings two decades of industry experience, having served at the state-owned Commercial Bank of Ethiopia (CBE), Dashen Bank, and as founding president of Amhara Bank, where he spent two years. A graduate of management and international business studies from Addis Abeba and Greenwich universities, he took the reigns at NIB at a moment when the Central Bank's tight monetary policy influences borrowing costs and pushes banks to compete more aggressively for deposits.

For longtime shareholders like Nigussie Ambo, who has held shares for over a decade and has not attended the annual meeting, the situation was disheartening, especially since no dividends were declared this year.

"I held a negative view," he told *Fortune*, speaking of his absence.



Henok Kebede
President



Shisema Shewaneka
Board Chairperson

He recalled signing forms related to the capital market initiative and learning the news about the Bank's earnings shortfalls. Although he worried that the departure of experienced staff could affect the Bank's future, he remained hopeful that fresh leadership and employees would be willing to undertake the hard work required to restore the Bank's reputation.

"I don't expect an immediate solution," he said. "I believe NIB can return to its former glory, provided the new team is willing to dedicate themselves to the necessary hard work."

Another shareholder, Haimanot Tessema (MD), who has held shares for seven years, attributed the dividend loss to "historical mismanagement."

"Our dividends went away to mask the mismanagement of the previous leadership and their associates," he said.

He called the new board and executives to ensure qualified professionals fill key roles and that strict oversight prevents past mistakes from resurfacing. The management team acknowledged these concerns and pledged a thorough review of prior practices while promising a merit-based approach, prioritising stability and sustainable growth. Henok disclosed that risk management structures have been upgraded, credit policies refined, and international best practices more closely followed. He revealed plans for revenue diversification, potentially through capital market ventures that allow for expanded product lines.

According to Henok, NIB has increased interest income by 20.9pc to 9.65 billion Br, primarily from loans and treasury investments. Fee and commission income rose to 713.34 million Br (11.4pc growth), helping total income climb by 21.3pc to 10.8 billion Br.

"We're diversifying income sources through product diversification and capitalising on the new capital market to balance our revenue portfolio," he told *Fortune*.

More banks are seen increasingly broadening income streams beyond interest earnings in the face of foreign exchange constraints and tightening local credit markets.

Some analysts see positive signs in NIB's liquidity recovery plan, capital growth, and management overhaul. They believe the Bank will move toward greater stability if it can attract reliable depositors and methodically reduce high-cost borrowings. However, the concurrent growth of private banks, combined with evolving regulatory changes, may test Henok and his team's ability to maintain a competitive edge. Still, analysts believe the Bank's stronger capital position, combined with a refocused strategy, has the potential to boost its resilience against external shocks.

Whether NIB can regain the traction lost in 2023/24 will depend on its directors and executives ability to reinforce liquidity buffers, manage credit risk in their core lending segments, and reclaim the confidence of depositors at a time when all banks are trying to defend their franchises in a difficult market. ■

Oromia Bank's Expansion Brings Big Plans, Bigger Costs, Shrinking Profits



Oromia Bank financial performance in 2023/24

Total Assets	Total Liabilities	Income	Expense	Profit After Tax	Earning per Share
68b Br	58.4b Br	9.5b Br	8.5b Br	840m Br	142 Br
4pc ↑	2.9pc ↑	15pc ↑	35pc ↑	46.7pc ↓	56pc ↓

Illustrated by Fortune

Source: Oromia Bank Annual Report 2023/24

Oromia Bank entered its 2023/24 financial year with cautious optimism but delivered a mixed performance as moderate asset growth and deposit gains were tempered by a steep decline in profitability. The Bank's leadership, led by Teferi Mekonnen, attributed much of the strain on the balance sheet to fast-paced branch expansion and human capital investments. These steps, intended to extend the Bank's footprint across urban and remote areas, led to higher costs that pressed down on margins and overall earnings.

Incorporated in 2008 with a paid-up capital of 91 million Br raised from around 5,000 shareholders, Oromia Bank emerged as a third-generation financial institution and quickly earned a reputation for pushing the envelope in rural banking. Over the past decade and a half, the Bank has scaled up to a paid-up capital of 6.5 billion Br, posting a 21pc increase year-on-year. The expansion helped raise the Bank's capital-to-asset ratio by nearly one percentage point to 14.07pc, demonstrating stronger capital buffers even as asset growth softened.

Nonetheless, management's aggressive push to open branches was based on assumptions that were no longer aligned with market realities, where digital banking is becoming a mainstay rather than a niche offering.

President of the Bank, Teferi, recalled how a similar expansion strategy 15 years ago stirred a seismic shift in the financial sector. The number of bank branches nationwide soared from 634 to nearly 15,000, fueled mainly by banks seeking to capture underserved rural populations. While that approach helped mainstream finance for many Ethiopians, Teferi believes the environment has changed. According to him, digital banking's rapid uptake has made brick-and-mortar expansion less appealing, even though the Bank's board of directors remained keen on preserving Oromia Bank's founding mission of bringing banking services to remote areas.



It was a wrong strategy.

Teferi Mekonnen
President

Board Chairperson Assefa Seme, a medical doctor by training, defended the Bank's expansionary policy. He believes opening branches spreads deposit concentration risks by diversifying the customer base.

"If deposits come from various regions, the Bank is less reliant on a handful of large depositors," he told shareholders.

However, the Bank's moderate deposit growth revealed that new branches did not scale to the extent executives had envisioned. Even with a broader reach, the Bank's deposit per branch fell from 107.91 million Br to 98.12 million Br. Nonetheless, Assefa stood firm on the idea that a wider reach can insulate the Bank from regional economic shocks, especially in a country where the rural population remains underbanked.

For the President, the Board of Directors is "the boss," pushing for an aggressive branch rollout despite his reservations. The result was a sharp increase in operational expenses and personnel costs, in particular, ballooned 35pc to 8.5 billion Br. Wages, benefits, and administrative overhead took up over half of the Bank's total expenses, up from 53pc the previous year. Personnel costs alone jumped from 2.33 billion Br to 3.16 billion Br, a rise that Teferi said had a direct impact on net profit—some of the new outlets generated low returns and drained resources.

"It was a wrong strategy," he conceded. "Inefficient and unproductive branches were opened."

Although Oromia Bank's senior executives tried to moderate the pace of expansion, branch openings continued, bringing a five percent increase in permanent staff and a 13pc bump in temporary employees. Still, Teferi insisted that the motivation behind these branches was a desire to honour the Bank's founding ideals. Across the banking industry, by contrast, employee growth was 2.9pc, while industry-wide income grew 18.4pc. Oromia Bank found itself with a swelling headcount and decelerating income growth, a combination that whittled away its productivity levels.



Profit per employee halved to 129,290 Br, down from 254,000 Br the previous year, signalling an urgent need to boost efficiency and revenue per staff member.

Internal performance metrics at the branch level have varied. At one of Oromia Bank's oldest branches, the Abinet Branch, managed by eight-year veteran employee Tiwliwork Tulu, the past year was one of "hiccups," owing to an uncertain environment that slowed business for distributor and trader clients operating in rural areas. While her branch performed relatively better, Tiwliwork said the key to achieving better performance is expanding the customer base among retail clients, savings and credit cooperatives, and local unions.

"Tapping into these segments can offset weaknesses in larger commercial lending, which has been overshadowed by risk assessments in a slowing economy," she said.

The Bank's overall revenue grew by 15pc to 9.5 billion Br, but surging costs overshadowed this uptick. Net income dropped 46.7pc to 840.9 million Br, yielding a considerable decline in Earnings per Share (EPS) to 14.2pc, less than half the industry average. According to Oromia Bank's executives, while interest income climbed to 7.19 billion Br, marking a solid 21pc expansion, it was not enough to counteract the rising tide of personnel and operational expenses. Interest expenses, meanwhile, nearly reached three billion Birr, up from 2.3 billion Br, further straining profitability.

For Teferi, the Bank's immediate emphasis is on curtailing costs and recalibrating operational structures. He plans to downgrade or merge poorly performing branches, suspend new openings, and freeze further hiring. Although this may feel like a shift away from Oromia Bank's longstanding strategy, Teferi believes it is a necessary measure to stem losses and stabilise the bottom line. He hopes that closing unproductive branches and curbing overhead costs will restore confidence.

"We'll refine and reshape ourselves," he said, disclosing cost cuts and productivity enhancements as top priorities for the coming year.

Digital transformation has become a game changer in the Bank's recalibration plan. The rollout of the OrooDigital app attracted 2.9 million users, boosting the Bank's digital customer base by 47pc. The Bank is also investing in a Tier III data centre and robust disaster recovery facilities, with Teferi framing these investments as "indispensable for modern banking services." He disclosed the Bank's goal of channelling more transactions through mobile and

online platforms, reducing the need for physical branches and saving overhead costs in the long run.

Analysts say this pivot is long overdue.

Amiru Nuru, a finance expert based in Doha, Qatar, urged Oromia Bank's executives to "shift their focus from branch-heavy expansion to technology-driven growth." He believes adopting technology could enhance operational efficiency and customer experience and address liquidity risks while revitalising the Bank's Interest-Free Banking (IFB) segment, which logged a 30pc dip in profit this year. According to the analyst, digital channels are more cost-effective and offer better outreach to customers who prefer convenience over face-to-face transactions.

Oromia Bank's deposit base rose by a notable margin this year, although the growth did not keep pace with the industry's average. Deposits increased 3.97pc to 56.42 billion Br, while the industry recorded 15.2pc growth. Its loans and advances grew by a mere 3.5pc to 43.71 billion Br, a sharp contrast to the 15.5pc expansion seen across the industry. The smaller appetite for credit possibly reflects the Bank's cautious position amid economic uncertainties and the increased pressure on capital.

Despite the modest growth, the loan-to-deposit ratio climbed to 79.61pc, well above the industry average of about 70pc.

Shareholders who attended the annual general assembly at the Millennium Hall voiced their discontent with the Bank's performance and strategy. Given last year's tepid results, several shareholders demanded immediate steps to recover profitability, from cost controls to more balanced loan portfolios.

One of them, 11-year shareholder Ashenafi Zeberga, left the meeting midway, citing frustration over how the Bank allocated its loans.

"I didn't like what I was hearing," he told *Fortune*.

He contended that "it's better to spread out the loan than put all eggs in one basket," a critique that resonated with concerns about large borrowers posing a concentrated risk. Another shareholder, Challa Tufa, insisted that Oromia Bank contain costs and finish constructing its new headquarters, near the Goma Quteba area, currently around 31.33pc complete, without further delays. His fury manifested shareholders' growing weary of initiatives that do not yield measurable returns.

"They better stop disappointing shareholders," he told *Fortune*.

However, Oromia Bank's performance was part of a broader trend in the industry. While many private banks have posted moderate ▶▶

deposit growth, they face mounting competition from legacy institutions and new entrants, leading to narrower margins. Elevated inflation further complicated the equation by pushing real interest rates into negative territory. Financial analysts cautioned that these conditions will challenge even the most stable banks and push the industry toward diversified revenue streams.

Oromia Bank's fee and commission income remains relatively small, at 1.5 billion Br, representing around two percent of revenue. Foreign exchange earnings declined, producing 327 million dollars, a 12pc drop from the previous year.

The Bank's capital-to-asset ratio — at 14.07pc — signalled its commitment to maintaining a buffer against unforeseen shocks.

"We heavily invest in assets," Teferi told *Fortune*.

He referred to an approach that has historically served Oromia Bank well by enabling it to meet the five billion Birr minimum capital requirement well ahead of schedule. But overall asset growth has stagnated, inching up 4.06pc to 68.07 billion Br, compared to an industry average of 15.2pc. The asset-to-equity ratio slipped slightly to 7.11, down from 7.56, a modest rebalancing between equity and total assets.

Nonetheless, Oromia Bank has done better than many of its peers. Its non-performing loans (NPL) ratio was 2.3pc, comfortably below the industry average of 3.9pc and well within the regulatory threshold of five percent. Teferi attributed this to "prudent credit management and an aggressive loan collection culture," efforts that have become a priority in an economy where cash circulation has grown tight. Although cost containment and digital transformation remain at the top of Teferi's mind,



Assefa Seme
Board Chairperson

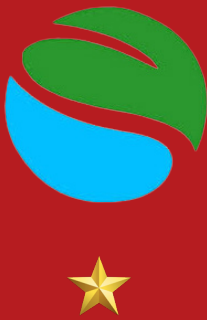
he says he will not compromise on underwriting standards, credit monitoring, and collection practices. He viewed these elements as part of the Bank's foundation, particularly given its legacy of reaching less-banked communities that often face volatile economic circumstances.

The President's immediate goal is to make the Bank leaner, more agile, and digitally focused so that it can weather potential liquidity shocks without sacrificing profitability.

Teferi's professional journey traces back to the state-owned Commercial Bank of Ethiopia (CBE), where he cut his teeth as a junior officer and relationship manager. He spent two years at Wegagen Bank before joining Oromia Bank as a vice president 14 years ago. During his five-year tenure as President, he has presided over rapid capital growth and major operational shifts. But, with the Bank's net profit sliding to about 1.01 billion Br this year, nearly half what it was in the previous year, Teferi and his team face a defining moment. One of his top concerns remains the shrinking net profit margin on total assets, which fell from 2.41pc to 1.24pc, revealing trends that while the Bank has assets in place, it is not converting them into profit as efficiently as before.

Such diminished profitability may explain why the Bank's push to expand beyond core lending is gaining urgency. Net interest income accounted for the largest share of revenue — 48.2pc — but it is inching lower each year. Aminu wanted that if this continues to trend downward, fees, commissions, and other non-interest income streams will need to compensate, or the Bank risks falling short of the returns demanded by shareholders, who were vocal about what they said were "pilling up needless expenditures." ■





Sidama Bank's Bold Start into Commercial Banking Meets a Tough Reality

■ *The former microfinance institution doubles assets and quadruples deposits but struggles with rising costs and shrinking profits.*



Sidama Bank entered the competitive banking industry in 2022, emerging from microfinance roots with ample capital, limited infrastructure, and ambitious plans to carve a niche among established private banks. Two financial years later, the Bank presents an unusual contrast. It has exhibited rapid asset growth paired with declining profitability, a challenging puzzle facing its President, Tadesse Hatiya, and the board of directors.

The broader banking industry has expanded considerably, keeping pace with the country's growing GDP. Private banks collectively reported total assets of 3.3 trillion Br by June 2024, marking a 28pc increase from the previous year. Deposits grew by 30pc to 2.3 trillion Br, boosted by expanding money supply. While the state-owned Commercial Bank of Ethiopia (CBE) maintains dominance, accounting for over one trillion Birr in assets, it is the numerous private banks that shape the competitive environment.

Sidama Bank is one of the smaller financial institutions, trying to overcome intense competition in a market of 30 commercial banks and approximately 12,000 branches nationwide.

Despite its newcomer status, the Bank has aggressively grown its assets and deposits. Its total assets nearly doubled to 2.62 billion Br in the fiscal year ending June 30, 2024, up from 1.32 billion Br the previous year. Deposits expanded dramatically, from 299 million Br to 1.22 billion Br, signalling growing confidence from customers. Loans surged by 97pc, while cash and cash equivalents climbed 79pc.

Yet, financial analysts see behind these impressive numbers a concerning reality. Increasing operational costs, notably salaries, benefits, and expenses tied to branch expansion, have squeezed

profitability.

Tadesse acknowledged these concerns and noted that salary revision was necessary when evolving to a bank.

"We're focusing on microcredit lending with full force," he told *Fortune*, confident that the Bank's determination to diversify income sources.

Interest income, the Bank's primary revenue driver, climbed by 78pc to 270.8 million Br, while other income grew by 21pc to 73.9 million Br. Total revenue reached 348.6 million Br, up 26pc.

However, profitability sharply declined. Net profit fell by nearly half to 27.1 million Br due to surging costs. Wages and benefits alone jumped by 65pc, totalling 155.9 million Br, as the Bank expanded to 39 branches (adding eight) and grew its workforce to 700 employees. Operating expenses climbed to 319.2 million Br, a 50.7pc jump, consuming 91.5pc of the net operating income.

Financial analysts such as Aminu Nuru depicted Sidama Bank's main challenge tersely: "The Bank faces challenges in profitability, mainly in controlling its costs."

The sharp increase in expenditures drastically affected its key performance metrics. Earnings per share (EPS) dropped enormously, from 15.6 Br to 3.3 Br, largely due to diluted share values following the new shares issued. Return on Equity (RoE) plummeted to 2.49pc, exhibiting a nearly four percentage point drop, and Return on Assets (RoA) dropped from 4.05pc to 1.04pc, numbers industry observers say should alarm shareholders.

Tadesse attributed rising costs to necessary regulatory compliance and aggressive growth strategies. According to him, Sidama Bank has been actively working to improve efficiencies, manage costs, ►►

and adjust interest rates.

"We're working on guarantees, collaterals, and cost minimisation," he told *Fortune*.

However, the Bank's liquidity situation has improved substantially. The loan-to-deposit ratio, once alarmingly high at 246pc, moderated to 90.8pc, although still high compared to the industry average of below 70pc, indicating better balance sheet management. However, liabilities ballooned by 209pc to 1.53 billion Br due to increasing deposits and borrowings. Demand deposits alone surged dramatically, unveiling greater public trust but also adding pressure through higher interest costs.

Currently, 65pc of Sidama Bank's loans focus on housing, viewed generally as low-risk. Aminu, a financial analyst based in Doha, Qatar, cautioned that this strategy might expose the Bank to sector-specific risks and urged greater diversification.

The President concurred. Tadesse noted the Bank's prudent credit management, maintaining non-performing loans (NPLs) at 2.96pc, well below the industry's 5.6pc average. Expansion into export sectors, especially coffee, aligns with the Bank's strategic direction.

"We plan to expand into the export sector," Tadesse explained. "We're just getting started."

A graduate of Addis Abeba and Greenwich universities, Tadesse previously held roles at the CBE, the Development Bank of Ethiopia (DBE), and Berhan Bank. For him, meeting the minimum capital requirement is also a personal goal.

"It's what I would like to accomplish during my tenure, more than anything else," he said.

Sidama Bank began operations with an initial paid-up capital of 574 million Br raised from 1,998 shareholders. By 2024, its capital has doubled, contributed by 2,400 shareholders. The Bank targets a capital base of five billion Birr before 2030 to comply with central bank regulations. Its Board Chairman, Abraham Mareshalo, urged shareholders to invest further, stating that insufficient capital limited partnerships with international remittance institutions.

Sidama Bank's transition from microfinance to a commercial bank mirrors industry-wide shifts seen in Siinqee, Tsedey, Omo, Somali and Addis microfinance institutions. Initially founded in 1994 as Sidama Rural Women's Credit & Saving Scheme, serving women entrepreneurs in Bensa Wereda, funded by Irish Aid, it evolved through major structural and capital growth. Four years later, it evolved into a microfinance with a registered capital of 200,000 Br.

Its equity in 2023/24 already constitutes 42pc of its total assets, a substantial buffer, yet it still needs to quadruple its capital base. The Sidama Regional State, owning 70pc of the shares, pledged further investment, along with coffee cooperatives and exporters, demonstrating strong regional support.

Shareholder Zerihun Kamiso, of Paradise Hotel in Hawassa, expressed confidence, praising the Bank's efficient loan approval processes and robust market strategies.

"They're off to a good start," he said.



Tadesse Hatiya
President

Nonetheless, fourth-generation banks like Sidama have faced regulatory headwinds, notably credit growth caps. Despite these limitations, Sidama Bank's net loans grew by 90pc to 1.17 billion Br. However, increased expenses from expanding branches, recruiting aggressively, and adopting a new core banking platform strained profitability. The Bank's cost-to-income ratio soared to 103pc, considerably above the industry average of around 55pc and far higher than top performers like Awash Bank.

While Sidama Bank maintained an asset-to-equity ratio of 2.4, half the industry's conservative standard, it consequently suffered lower returns. Its cautious financial leverage meant that even an 11.8pc asset productivity, nearly matching peer competitors like Amhara Bank, translated to a low RoE. Competitors such as Hijra Bank, which began operations around the same time, achieved much higher returns.

Sidama Bank's deposit mobilisation remains robust, with an average of 31 million Br per branch, although it is much lower than established banks like Dashen. Its deposit composition favours low-cost savings and demand accounts, helping reduce interest expenses but increasing the risk of deposit runoff during instability.

For Aneley Bogale, who joined Sidama Bank after moving from Global (Ethiopia) Bank, the strategic approach to customer outreach and operations is key. She manages the Menehariya Branch in Hawassa City, where she leads a team of 21 and is responsible for cultivating a banking culture, coaching staff, and managing daily operations.

"We had a focused and targeted strategy," she told *Fortune*, noting that convincing new customers of the Bank's business focus, rather than its regional affiliation, was a challenge. Nevertheless, the branch successfully increased lending to SMEs and community institutions such as "Edir" and "Equb."

"We had to find opportunities and work around that," she said.

To manage liquidity risks, Sidama Bank maintained substantial cash reserves and Treasury bills (T-bills). Analysts attribute high inflation, negative real interest rates, and ongoing currency depreciation to be critical for careful asset-liability management.

Sidama Bank has embarked on a 10-year strategic plan prioritising digital adoption, operational efficiency, partnerships, and diversification of income streams. Initiatives include expanding mobile banking and trade finance services targeted at southern Ethiopia's vital coffee and horticulture sectors. Beyond USSD and ATM services, Tadesse disclosed, Sidama Bank is preparing to launch an omni-channel platform with digital lending capabilities. It has also partnered with EthSwitch and Telebirr to broaden its outreach.

According to Aminu, success will depend on effective execution and cost control. However, Sidama Bank's equity structure supports potential consolidation moves. It can pursue rapid scale through potential mergers or carve out a focused niche in regional agribusiness finance, leveraging local market insights. ■

“
They're
off to
a good
start.”



Siinqee Bank Accelerates Growth, Struggles to Convert Scale into Profit

■ *The Bank's meteoric rise tests its balance between growth and prudence*

Siinqee Bank has burst confidently from microfinance trenches into the competitive commercial banking industry, posting an impressive profit surge that outshone many peers. Its net profit jumped by 82.7pc during the financial year ending June 30, 2024, displaying a rapid growth trajectory that few of its generational counterparts could match.

Nevertheless, while its deposit base grew explosively, Siinqee Bank's lending operations faced substantial limitations, mainly due to the National Bank of Ethiopia's (NBE) regulatory credit growth ceiling. This has turned what could have been an expansive lending opportunity into a delicate liquidity balancing act.

"We're dominating interbank and open market operations now," said founding President Neway Megersa, pointing to how Siinqee has adapted creatively to these lending constraints.

The Bank is increasing its activities in the emerging money markets, turning policy-induced constraints into new revenue streams.

Deposits nearly doubled from the previous year, reaching a substantial 46.8 billion Br. This surpassed the 37.5 billion Br mobilised by Tsedey Bank, a direct competitor in the same generational bracket. Yet, Siinqee Bank's loan portfolio did

not keep pace with this deposit growth, increasing only by 12.3pc to 27.73 billion Br. By contrast, Tsedey's loan book stood substantially higher at 43.1 billion Br.

Siinqee Bank allocated roughly 38pc of its new loans to agriculture, a performance that is in line with its original microfinance mission. According to its Board Chairperson, Tolessa Gedefa, this aligns with Siinqee's broader mission of inclusive finance. Though Tsedey Bank reached over one million microfinance clients during the same year, Siinqee served a substantial 200,000 during the same year, demonstrating its continued commitment to smaller-scale financing.

Despite these challenges, Siinqee Bank experienced remarkable scale growth. Total assets increased by more than 72pc year-over-year (YoY), reaching 59.7 billion Br. The Bank's extensive network now includes 544 branches, second only to the Cooperative Bank of Oromia, and boasts 6.25 million depositors, making it increasingly important in the financial sector.

However, beneath these impressive headline numbers, the Bank's conservative lending approach has stifled capital productivity. Its loan-to-deposit ratio fell sharply from 96.9pc to 55.1pc, well below industry averages of 70pc to 80pc.

Siinqee Bank's board of directors



Industry analysts say this represents an underuse of available resources, potentially affecting long-term profitability.

Neway acknowledged these limitations but spoke of the strategic decision to shift towards bonds and treasury securities during lending restrictions.

Interest income rose sharply by 56.1pc, totalling 5.01 billion Br, reflecting a strategic shift toward treasury securities. Bond holdings increased from zero to 2.12 billion Br, and treasury bills climbed dramatically to 6.8 billion Br from 1.34 billion Br the previous year.

Siinqee Bank increased its cash and cash equivalents to 15.34 billion Br, representing nearly 26pc of its total assets, up from 20.7pc the previous year. While this buffer helped Neway and his team manage liquidity risks, analysts warn that the strategy might undermine profitability unless the Bank strategically deploys these funds.

However, profits benefited notably from its expanded scale. Gross profit rose to 677 million Br, up 85pc, while after-tax profits climbed to 520 million Br.

"It's a windfall likely to please shareholders," said Abdulmenan Mohammed (PhD), the London-based financial analyst.

Return on equity (RoE) improved to 7.75pc, and return on assets (RoA) reached 1.43pc, marking substantial growth from the previous year. However, these figures remain far behind those of industry leaders.

Siinqee Bank's capital-heavy yet profit-light profile is evident. It recorded a net margin of 9.2pc and asset turnover of 9.4pc, coupled with a high equity multiplier of 6.65 times, resulting in a relatively modest return on equity of under six percent. According to industry analysts, this pointed to leverage, rather than operational efficiency, as primarily responsible for its improved profitability.

Siinqee Bank notably allocated considerable loans to major projects such as Belema Resort, Ovid Real Estate, Kegna Beverages, and Kegna Agricultural Machineries. However, the overall slow growth in loans pulled the crucial loan-to-deposit ratio, leading experts to state concerns of idle capital.

Operational efficiency remains another challenge. Personnel costs now account for 43.5pc of total expenses, with administrative overheads adding another 21.2pc. Together, these consume nearly two-thirds of the Bank's cost structure,

which could pose vulnerabilities if revenue growth slows. Profit per employee stood modestly at over 53,000 Br, uncovering productivity issues despite a 21pc increase in staffing.

Abdulmenan raised particular concerns over rapidly rising wage costs and operating expenses.

Neway defended the rise in wages and benefit adjustments as necessary during Siinqee Bank's critical transition period from microfinance to commercial banking. He remained optimistic that expenses would stabilise as the Bank matures.

Impairment losses on non-loan assets notably surged to 135.7 million Br from eight million Br previously, although impairment losses on loans improved, dropping from 205.9 million Br to 135.1 million Br.

Analysts warn that the sharp rise in impairment losses on non-loan assets should signal deeper balance sheet vulnerabilities. Auditors have also raised concerns over asset quality, particularly citing unresolved IT migration balances totalling 1.56 billion Br within "Other Assets," now totalling 12.4 billion Br, a dramatic 550pc increase. This issue resulted in a qualified audit opinion, casting doubts over internal controls and risk oversight.

According to Neway, the difficulties of transitioning from microfinance include the Bank having cleared considerable "microfinance baggage" and structural deficiencies and writing off remaining problematic loans.

"It was not a green field," Neway said, recalling the transition period from microfinance institutions.

He disclosed that the team has done commendable work in clearing out bad loans and structural deficiencies.

"It's cleared up now," he said.

Neway disclosed that the Bank's sharp annual deposit growth, from five billion Br to 23 billion Br and 46.8 billion Br since then, is evidence of strong forward momentum.

"We don't even want to remember last year's numbers," said Neway confidently. "You should see what's coming."

Savings deposits rose notably, marking a 64pc increase to 25.63 billion Br, making up 54.7pc of total deposits. Demand deposits accounted for nearly all of the remainder, at 44.9pc, with fixed-time deposits marginal at 0.4pc. Siinqee's international banking operations generated 49.85 million dollars in foreign





Neway Megersa, President

currency, a 334pc increase from the prior year, though constrained by limited correspondent banking access and a stubborn parallel market.

Securing government accounts also provided Siinqee Bank with vital stability. Of the 49 institutions within Oromia Regional State, 11 transferred their accounts to the bank.

"We've crawled on our knees to get these accounts," Neway told *Fortune*, hoping more state institutions would soon follow suit.

The Bank traces its origins to the mid-1990s, when it was incorporated as a savings and credit institution and evolved into Oromia Microfinance Institution. It became a fully fledged commercial bank in April 2022. The transition, spearheaded by Neway, previously a board chairman, was complex but rewarding.

"It's hard and messy," Neway recalled. "But, it's worth it."

Neway, an economics graduate from Mekelle University with postgraduate degrees from Addis Abeba University, began his banking career at Nib Bank and later served at Oromia Bank, where he worked in strategic management and business development for eight years under Abie Sano, now president of Commercial Bank of Ethiopia (CBE). He also played an instrumental role in launching several regional enterprises under the "Oromo Economic Revolution."

According to Bogale Feleke, a board director, the difficulties faced during the transition were particularly in meeting regulatory standards and sourcing qualified personnel. He urged regulators to provide special consideration to newly transitioned banks.

Siinqee Bank's paid-up capital rose modestly by 2.9pc to eight billion Birr, impressive given the regulatory requirement of five billion Birr by 2026, a goal many veteran banks still struggle to meet. Neway acknowledged that the current capital suffices operationally but might limit aggressive growth once regulatory constraints ease.

"I've explained it to shareholders," he said, noting

plans to raise subscribed capital in the coming year.

About 70pc of Siinqee Bank's shares are held by public companies under the Oromia Regional State.

The Bank's asset growth remained robust, with total assets expanding by over 72pc to nearly 60 billion Br. Notable investments include renovating its headquarters on Tito Street and financing a 15-storey building near the Damu Hotel on Africa Avenue (Bole Road). Premium branches opened within the Oromia Regional Government compound, and new branches emerged across strategic locations such as the Sheger City Administration. Sub-branches were also launched in Sebeta, Holeta, Sululta, Lege Tafo, Sendafa, Dukem, and Asella.

The Bank's branch network grew by 77 during the year, reaching 544. Its workforce increased by 21pc to 9,760 employees.

One of these staff members is Aschalew Tesfaye, manager of the Ali Birra Branch near the Sar Bet area. He and his team focused on customer service and deposit growth. Despite initial market penetration challenges, Aschalew credited digital banking solutions with easing transactions and appealing to younger, tech-savvy customers.

"Digital tools have helped ease transaction congestion and build customer loyalty, especially with younger, tech-savvy clients that expect real-time banking," Aschalew told *Fortune*.

Siinqee Bank's growing digital capabilities, including adopting Oracle FLEXCUBE core banking and integrating with mobile platforms like TeleBirr, demonstrated an investment in infrastructure. Mobile banking users more than doubled to nearly 282,000, and interest-free banking through Siinqee's IHSAN grew by over 100pc.

"We're done with digital advancement," Neway stated confidently. "It doesn't get better than this."

Yet, digital growth alone does not guarantee profitability, particularly amid narrowing industry margins.

Siinqee Bank plans to establish an investment bank and enter the emerging capital market. However, its domestic focus limits its foreign currency base primarily to remittances, constraining income diversification. Its rapid deposit growth and grassroots base, particularly in the Oromia Regional State, present a robust foundation. However, maintaining this trajectory requires addressing lending diversification, balance sheet transparency, and enhancing operational efficiency. Without such strategic shifts, analysts warn, Siinqee Bank risks remaining a high-growth yet modestly profitable financial institution amid evolving regulatory pressures and growing industry competition. ■



Tolesa Gedefa
Board Chairperson

//
You
should
see what's
coming.



Wegagen Bank Rises from the Brim as It Sails Economic Crosswinds



Wegagen Bank financial performance in 2023/24

Total Assets	Total Liabilities	Paid-up Capital	Income	Expense	Profit After Tax	Earning per Share
65.7b Br	56.5b Br	5b Br	9.8b Br	7.5b Br	1.6b Br	368 Br
22.8pc ↑	21.5pc ↑	27.1pc ↑	40pc ↑	29.3pc ↑	99.8pc ↑	62pc ↑

Illustrated by: Fortune

Source: Wegagen Bank Annual Report 2023/24

Wegagen Bank has staged a remarkable turnaround by nearly doubling its net profit and boosting earnings per share (EPS) in the fiscal year 2023/24. The resurgence proved the Bank's resilience after arduous years of political instability, as well as foreign currency shortages and commodity price volatility.

It posted a net profit of 1.6 billion Br, rewarding shareholders with 36.9pc EPS, an impressive 14.2 percentage points increase from the previous year, while the industry average hovered around 38.4pc.

The increase in profitability comes despite an environment where many banks face heightened pressures on margins and asset quality. Wegagen Bank's ability to expand its loan book, whilst maintaining healthy deposit growth, is attributed to a carefully managed liquidity strategy and an appetite for risk that has so far been rewarded. Analysts see central to this growth the Bank's leverage, with an equity multiplier of 7.14; for every Birr of equity, the Bank controls over seven Birr in assets. While moderate by international standards, this level of leverage proved Wegagen's effective use of assets to fuel growth.

"We devised strategies to enhance operations and create value for shareholders despite macroeconomic fluctuations," said Board Chairperson Abdishu Hussien.

The Bank focused on loan collections and optimised fund management to ensure liquidity, a critical move as the National Bank of Ethiopia (NBE) imposed a regulatory credit cap. Income surged by 40pc to 9.8 billion Br, reflecting balanced growth in financial and non-financial intermediation. Interest income from loans, treasury instruments, and savings climbed 32.5pc to 7.18 billion Br, with 93pc derived from loans and advances.

According to Abdulmenan Mohammed (PhD), a London-based financial analyst, achieving such growth is phenomenal considering the credit cap. Non-interest income also saw substantial gains. Fees and commission income soared 56.2pc to 2.15 billion Br, while gains on foreign exchange dealings skyrocketed 232pc to 354.52 million Br.

"It's a remarkable improvement," said Abdulmenan.

Despite the impressive recovery, Wegagen Bank's executives

face the pressing task of curbing rising operating costs and addressing asset quality concerns to sustain growth as escalating costs tempered positive revenue growth. Operating expenses rose 29.3pc to 7.5 billion Br, while interest paid on deposits increased 20.9pc to 2.38 billion Br. Employee wages and benefits grew 31.1pc to 3.2 billion Br, an industry-wide trend of competitive talent acquisition and inflationary pressures.

Other operating expenses surged 66.8pc to 1.28 billion Br, which warrants close attention to ensure long-term benefits.

Provisions for impaired loans also rose slightly by 1.5pc to 269.3 million Br, but provisions for impaired assets increased 25pc to 410.8 million Br, pointing to potential asset quality concerns. Maintaining a provision of 739.12 million Br over two years revealed underlying risks in the asset portfolio.

"These provisions reveal the need for vigilant credit risk management to prevent future impairments from eroding profitability," Abdulmenan observed.

Wegagen Bank's President, Aklilu Wubet (PhD), attributed the rise in operating costs to necessary investments in human resources and compliance with International Financial Reporting Standards (IFRS). He defended the increased provisions as crucial measures to respond to future risks.

"We're resilient," he told *Fortune*.

Resilient Wegagen Bank was, with its total assets growing by 22.9pc to 65.73 billion Br. It disbursed loans and advances of 43.3 billion Br, an increase of 13pc, and mobilised deposits of 52.13 billion Br, up 21.8pc. The loan-to-deposit ratio dropped to 83.1pc from 89.48pc the previous year, partly due to the credit cap and deposit expansion. Return on average assets stood at 2.7pc, while return on average equity was 19.9pc, compared to last year's 1.7pc and 22pc, respectively.

The Bank also bolstered its liquidity position, increasing liquid assets by 44.8pc to 13.12 billion Br and raising its liquid assets ratio from 16.9pc to 20pc. Such profit growth denotes effective cost management and a higher return on the assets and equity deployed in the business.

"This strong position provides a buffer against market volatility," Aklilu told *Fortune*. "But, it also presents an opportunity to deploy excess liquidity into higher-yield investments." ▶▶

Under Aklilu's leadership, Wegagen Bank's capital adequacy ratio increased to 16.9pc, twice the regulatory minimum, unveiling a robust capital base to absorb future shocks or pursue growth initiatives. With undergraduate studies in accounting, economics, and business management and a doctorate in banking policy, Aklilu's career spans roles at the state-owned Commercial Bank of Ethiopia (CBE), Bank of Abyssinia, Anbessa Bank, and Nile Insurance. He was appointed President in February 2022, the seventh CEO since its incorporation in 1997.

Wegagen was established by 16 founding shareholders who raised an initial capital of 30 million Br. It has expanded its network to 436 branches. Temesgen Berhe manages one of the oldest branches near Mesqel Square, where she credits the re-engagement of dormant accounts and attracting new customers as critical successes. She also attributed open communication between staff and executives to empowering the workforce.

"We adhered to the KYC [know your customers] requirements set by the central bank," Temesgen said, planning to expand digital services and integrate members of savings and credit

cooperatives into the Bank's customer base.

Shareholders' confidence remains high, too.

Mulu Bisrat is among the 11,883 shareholders who praised the executives for steering the Bank away from "negative narratives" and reclaiming the institution's strength. He expressed satisfaction with the Bank's progress and plans to buy more shares.

"It's reached a new height," he told *Fortune*.

Despite its achievements, the Bank operates in a highly competitive environment where the CBE outpaces it more than tenfold, amassing a staggering net income of 21 billion Br. Awash Bank also stands far ahead, achieving a net income of 8.1 billion Br. However, with a net income of 1.7 billion Br, Wegagen finds itself among mid-tier performers in the banking industry, positioned between United and Anbessa banks.

Wegagen Bank also trails behind private commercial banks like Dashen Bank and Bank of Abyssinia, which reported net incomes of five billion Birr and four billion Birr, respectively.



These banks have demonstrated greater profitability through customer acquisition strategies and digital transformation efforts. According to industry analysts, Wegagen Bank's performance reveals an area where its market strategy might require recalibration to maintain relevance. They urged operational efficiencies as a focal point; Wegagen may need to embrace digital finance and customer-centric models to keep pace.

Wegagen's capital adequacy ratio was 13.9pc, illustrating its executives' conservative approach to financing assets, higher than the industry's average of around 12pc. With equity growing at 33pc year-on-year, the Bank appears to be building a solid foundation to steer through a high-inflation environment and increasing credit risk. Its loan-to-asset ratio of 65.9pc unveiled an aggressive posturing on credit expansion—the loan-to-deposit ratio of nearly 90pc signalled efficient utilisation of deposits but uncovered narrow excess liquidity.

In an economic environment of tightening monetary policy and

rising interest rates, any slowdown in deposit growth or spike in loan defaults could pressure liquidity.

Net interest income remains the bedrock of Wegagen Bank's earnings, but the net profit margin relative to total assets is modest at 1.9pc. While Wegagen Bank has managed asset quality well thus far, according to Abdulmenan, this remains a critical focus as risks persist. With robust growth, where total assets in the industry expanded by 20pc and 25pc annually over the past decade, Wegagen Bank's high loan-to-deposit ratio and expanding loan book may position it as a major player in the banking industry.

However, the analyst warned that it could expose Wegagen Bank to systemic risks. While its turnaround could be commendable, sustaining this momentum demands vigilance in credit risk management and liquidity.

"Such a strategy requires sharp risk management, particularly as non-performing loans become a growing concern," said Abdulmenan. ■



ZamZam Bank's Profit Soars, But High Liquidity Looms Large

■ *The interest-free banking pioneer saw its profit surge during evolving strategy*



ZamZam Bank financial performance in 2023/24

Total Assets	Total Liabilities	Paid-up Capital	Income	Expense	Profit After Tax
9.3b Br	7.3b Br	2b Br	857.8m Br	710.1m Br	110.3m Br
36pc ↑	37.7pc ↑	20.6pc ↑	93pc ↑	42pc ↑	-

Illustrated by Fortune

Source: ZamZam Bank Annual Report 2023/24

ZamZam Bank demonstrated measured growth and cautious risk management, placing it in a strong position within the niche Sharia-compliant market it pioneered as a fully-fledged interest-free financial institution. Its balanced lending strategy, robust capital buffers, and artificial intelligence (AI) initiatives mark it as a promising prospect. Nonetheless, analysts say managing liquidity pressures, curbing rising operational costs, and adapting strategically to rapidly evolving industry benchmarks remains critical for sustaining future growth and stability.

Incorporated in 2021, ZamZam Bank recently turned a corner by posting a net profit of 110.31 million Br, reversing previous losses and outperforming competitors in the emerging Sharia-compliant banking industry. Its closest competitor, Hijra Bank, trailed by nearly 10 million Br. ZamZam Bank's net profit margin reached 17.22pc of total income, and income from financing and investments accounted for 71.7pc of operating revenue, a sign that growing customer acceptance of its Sharia-compliant banking model.

However, ZamZam's earnings per share (EPS) stood at 5.94pc, below the minimum savings interest rate.

According to financial analysts, Sharia-compliant banks experience lower EPS, are influenced by profit-and-loss sharing models, have limited investment avenues, and higher compliance expenses.

Nonetheless, ZamZam attracted 1.9 billion Br in additional deposits, bringing its total to 6.9 billion Br during the fiscal year 2023/24. Yet, rapid deposit growth led to its interest-free financing to savings ratio dropping substantially to 67.4pc from the previous year's 87.15pc, slightly exceeding the industry average of 60.6pc recorded at the end of June 2023, indicative of careful yet assertive lending practices.

Abdulmenan Mohammed (PhD), a financial analyst based in London, cautioned against such a sharp decline, stating that it deserves management's attention.

ZamZam's Vice President for Corporate Services, Kindie Abebe, attributed Central Bank's regulatory credit growth cap targeting inflation control to the impact on newly formed banks.

"The ratio was lower because of the cap despite excess funds," said Kindie.

Asset quality metrics show ZamZam's cautious lending strategy. Its provisions for bad loans were only 0.87pc of total financing, notably below the industry's average non-performing loan (NPLs)

ratio of 3.6pc and comfortably beneath the regulatory cap of five percent.

However, its liquidity position presented mixed results. The Bank experienced a surge in foreign currency mobilisation, acquiring 30.47 million dollars during the year. Yet, total liabilities rose by 38pc, resulting in a liabilities-to-assets ratio of around 77pc, revealing potential liquidity pressures under adverse market conditions. Despite this, a healthy ratio of liquid assets — 40pc of total assets — demonstrated adequate capacity to manage deposit fluctuations.

The Bank's total assets rose by 36pc to 9.38 billion Br, a notable deposit mobilisation and growth in its financing portfolio.

Capital adequacy remains a strong point for ZamZam Bank, reaching 35pc, far above the eight percent minimum mandated by regulators. Abdulmenan noted ZamZam held excess liquidity, calling for efficient asset utilisation.

Kindie conceded that making productive use of assets through capital formation, technological improvements, capacity building, and strategic partnerships remains a core focus.

ZamZam Bank's paid-up capital increased by 20.6pc, reaching 2.05 billion Br, but a far cry from the National Bank of Ethiopia's (NBE) requirement of five billion Birr, with a deadline in June 2026. However, its capital positions it more resiliently than many competitors in the banking industry, whose combined capital totals 277.8 billion Br. ZamZam's capital-to-asset ratio of 21.86pc exceeded industry benchmarks, providing a safety buffer against potential volatility.

ZamZam's stronger capital position could provide greater flexibility in technological investments, customer acquisition, and operational improvements. Industry-wide trends show deposit growth at 30pc, average loan expansion at 27pc, and net profit growth at 32pc, revealing ZamZam's long-term success depends on balancing prudent expansion and risk management.

According to Kindie, additional constraints, such as the absence of an interest-free banking money market platform, were notable.

"We're focusing on short-term investments like forex dealings while looking for additional opportunities like Musharaka services," he told *Fortune*.

ZamZam's revenues grew substantially during the financial year, increasing by 92pc to 857 million Br. Income from financing and investment rose by 75.6pc to 618.14 million Br, while other operating income surged by a whopping 157.5pc to 239.73 million Br. The profit distributed to Mudarabah depositors grew by 27.9pc ▶▶



Melika Bedri, President and Nassir Dino (PhD), Board Chairperson.

to 10.32 million Br, yet accounted for only 1.7pc of total financing income.

Abdulmenan attributed this strong performance largely to substantial increases in financing income and extremely low costs associated with deposit mobilisation, citing them as major contributors to profitability.

“This is the smallest fraction of the proportion of interest conventional banks pay to mobilise deposits to interest income,” he told *Fortune*. “The substantial low level profit shared to Mudarabah depositors hugely contributed to the improved profit performance.”

Despite revenue growth, ZamZam’s rising overheads remain an issue, jumping by 42pc from the previous year. Wages and administrative expenses grew by 38.3pc, consuming 86.2pc of total costs at 659.4 million Br. They translated to an elevated cost-to-income ratio of 83pc. Provisions for asset impairments jumped by 73.3pc to 40.41 million Br, leading analysts to urge ZamZam’s executives to prioritise controlling these costs to enhance efficiency.

According to Abdulmenan, the management should monitor expanding expenses closely.

Kindie pointed to risk management improvements, focusing on high-risk accounts and regulatory compliance. He stated that 1,437 staff training was ongoing and noted limited understanding among the public of Islamic banking concepts. He also cited partnerships with international organisations for capacity building as beneficial.

With a population exceeding 100 million, having a substantial Muslim demographic, Ethiopia represents a largely untapped and promising market for Sharia-compliant banking, ZamZam Bank seized this opportunity as a pioneer, under the leadership of its inaugural president, Melika Bedri. Her background in economics from Addis Abeba University and a postgraduate degree in business administration from the Open University in London, coupled with her tenure as Chief Financial Officer (CFO) at the state-owned Commercial Bank of Ethiopia (CBE), positioned her to drive the Bank’s growth in this emerging segment.

ZamZam led in total assets and capital accumulation in the Sharia-compliant niche market,

though its direct competitor, Hijra Bank, has shown larger percentage gains in profitability and faster branch expansion.

ZamZam Bank expanded its branch network to 84 locations, but the industry trend increasingly favours digital banking over physical branch expansion. ZamZam’s strategy balances both, but maintaining branches alongside expensive digital transformations will test its financial resilience. According to Nasir Dino (PhD), the board chairperson, the recent land acquisition in Lideta District for the new headquarters demonstrates a continued commitment to a physical presence, according to Nasir Dino (PhD), board chairperson.

“Preparations for construction are underway,” Nassir told shareholders. “It’ll enhance operational efficiency and solidify our corporate image.”

At ZamZam’s first branch, Alif, opened in 2021, Branch Manager Hussien Kebede prioritised deposit mobilisation, forex generation, and expanding the customer base during the financial year. He conceded challenges from regulatory credit caps to economic slowdowns but remained optimistic about digital advancements, particularly the mandatory Fayda digital ID system. ZamZam has already launched a Sharia-compliant digital financing solution, Ansar, using artificial intelligence (AI) to serve individual and small business customers.

“This consolidates our leadership in interest-free digital finance,” Hussien told *Fortune*.

The service requires only an account with ZamZam, a business license, and personal documents.

Customer satisfaction remains strong. Hussamudin Seifu, part-owner of My Wish Enterprise, praised ZamZam’s efficiency and customer-oriented operations, especially in loan and letters-of-credit (LC) processing. Comparing older banks to “sleeping giants,” Hussamudin praised ZamZam’s managers for their agile approach.

“They’re running the bank as a business,” he said.

Although holding shares in another bank, he exclusively uses ZamZam’s services.

“This is the best service I’ve seen in my 18 years in business,” he told *Fortune*. “ZamZam could further expand its customer base and double its deposits.” ■

“
The ratio
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of the cap
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funds.”



In the Shadow of Giants, Zemen Bank Bucks the Trend



Zemen Bank financial performance in 2023/24

Total Assets	Total Liabilities	Paid-up Capital	Income	Expense	Profit After Tax	Earning per Share
59.2b Br	46.9b Br	7.45b Br	7.77b Br	4.45b Br	2.39b Br	376 Br
23.9pc ↑	19.4pc ↑	49.1pc ↑	35.3pc ↑	37.3pc ↑	32pc ↑	12.5pc ↓

Illustrated by Fortune

Source: Zemen Bank Annual Report 2023/24

Zemen Bank, a relatively young player in the banking industry, has once again punched above its weight. A second-tier financial institution, it posted a net income of 2.5 billion Br for the 2023/24 fiscal year, ranking seventh among 28 private commercial banks. Its performance surpassed the industry's average net income of 1.9 billion Br. The Bank's achievement is particularly notable given the intense concentration of profitability within a few top banks, which uncovers structural asymmetries in the banking industry.

The state-owned Commercial Bank of Ethiopia (CBE) leads, constituting 36pc of the industry's 58.36 billion Br net income posted by all banks except the Development Bank of Ethiopia (DBE).

Despite operating in the shadows of such financial behemoths, Zemen Bank's executives have demonstrated strategic acumen. The Bank's profit surged by 32pc over the previous year, netting 2.39 billion Br, outperforming generational peers like Berhan Bank, which recorded half that profit.

"Policies and directives by the central bank have had significant impacts on the banking business," said Enye Bemir, Zemen's board chairwoman. "But the minimum capital requirement helps to strengthen financial stability."

Zemen's paid-up capital increased by 49.1pc to 7.45 billion Br, bringing its capital adequacy ratio to 25.9pc. However, earnings per share (EPS) declined by 12.5pc to 376 Br – further sliding down from 430 Br a year ago - due to recapitalisation. Despite this, Zemen's share earnings (37.6pc) remain higher than the industry average of 31.6pc. Two years ago, the Bank had posted a 45.5pc EPS.

Though reflective of Zemen's emphasis on capitalisation, according to the financial expert, the downward EPS trend with a 79 Br decline in two years may demand a review of its capital policy to align with shareholder expectations for returns.

Dereje disagreed. With plans to raise capital, he strongly believes that risk management should be at the core of bankers' strategy for sustainability, responding to policy changes, and becoming competitive with foreign banks.

"Building strong capital is a priority," said Dereje.

Shareholders have resolved to raise capital to 15 billion Br, more than double the threshold the regulatory bank set for July 2026. Incorporated in 2008 with 2,800 shareholders, Zemen Bank began as a one-branch operation. Over the years, it has expanded to 128 branches and 1,800 staff.

The National Bank of Ethiopia's (NBE) regulatory measures to curb inflation — down to 19.9pc in June 2024 from 30.4pc the previous year — introduced operational difficulties like foreign exchange shortages and tightening monetary policy. Zemen Bank appears to have overcome these constraints by capitalising on lowering forex surrender, which provided opportunities to increase income from related services.

"Timely and proper use of available resources was key to achieving the results," said Zemen's President, Dereje Zebene. "Managing our credit portfolio and forex allocations were part of the strategy."

The London-based financial statement analyst Abdulmenan Mohammed (PhD) finds the expansion in interest income particularly striking, given the Central Bank's lending cap. He attributed Zemen Bank's likely adjustment of lending rates and focus on moderate credit expansion to offset regulatory restrictions.

Revenue growth at Zemen showed a robust 35.3pc rise during the year. Interest on loans, advances, and central bank bonds increased by 33.9pc to 5.35 billion Br, while fees and commission income rose by 49.5pc to 1.98 billion Br. Foreign exchange gains contributed an additional 319.1 million Br, marking an 18.3pc increase. These gains outpaced some first-generation banks, such as Dashen Bank. It registered forex gains of 129.34 million Br during the same period.

Zemen's cost structure also saw increases. Interest expenses rose by 25.3pc to 1.71 billion Br, and wage and operational expenses swelled by nearly half, reaching 1.42 billion Br and 1.02 billion Br, respectively. However, Zemen Bank is among the industry outliers for spending less on wages and administrative expenses than its interest expenses. So did the provision for loans and other assets impairment increase markedly by 87.7pc, reaching 266.03 million Br.

"Although the figure in absolute terms is reasonable, management should keep an eye on the growth rate of this expense," cautioned Abdulmenan.

Zemen's President concurred, stating that the provision is meant to keep the Bank away from risk.

"It doesn't mean that all impaired loans were not paid," he said.

Dereje brings 25 years of experience from first-generation banks such as Wegagen and Awash banks. Under his watch, Zemen's total assets grew by 23.9pc to 59.2 billion Br. Its return on assets (RoA) is 4.47pc, surpassing the five-year average by 0.14 percentage points, while its return on equity (RoE) reached



27pc, 3.4 percentage points lower than the five-year average.

Total loans and advances increased by 13.5pc to 35.6 billion Br, while total deposits rose 43.6 billion Br, jumping by 17.6pc, bringing the Bank's loan-to-deposit ratio to a more conservative 74.8pc, down from 84.65pc a year earlier.

"The reduction aligns with the central bank's credit cap directive," Dereje told *Fortune*.

The Central Bank's tight monetary policy drive, which caps loan growth at 14pc, has impacted commercial banks, restricting credit issuance and pulling down loan-deposit ratios across the banking industry. Zemen Bank also expanded its income-generating investments, with holdings in Treasury bills (T-bill), bonds, and other securities rising by 45pc to 5.24 billion Br.

"The reallocation demonstrates Zemen Bank's adaptability in offsetting income limitations imposed by the credit cap through strategic investment in secure and yield-generating assets," said Abdulmenan.

Cash and cash equivalents surged by 56.7pc to 13.96 billion Br, resulting in a higher liquidity-to-asset ratio of 23.6pc, up from 18.6pc. While this liquidity buffer helps stability, Abudelmanan urged that Zemen could benefit from redirecting some liquid resources toward higher-yielding investments.

Within the limited window, Zemen Bank made selective investments in the Ethiopian Securities Exchange (ESX), EthSwitch, and the insurance industry while upgrading IT systems and boosting human resource capacity.

One of the Bank's long-serving employees, Seble

Tilahun, manages a branch at Meskel Flower, primarily serving corporate clients. She believes her branch achieved commendable performance in deposits, foreign currency, and loans.

"Despite the industry-wide liquidity issues and policy changes, our branch and the Bank remained strong," Seble told *Fortune*. "Immediate actions were taken."

Shareholder and former board director Emanu Getu (Prof.) expressed contentment with the Bank's performance in profits, forex management, and customer service.

"It's outpaced its generational peers," he said.

He recommends the management to revise long-term strategic plans to stay updated on changing trends.

"It's not business as usual anymore," Emanu added.

Zemen Bank's latest report is consistent with its historical records. Two years ago, the Bank reported a 22.3pc profit increase, reaching 1.81 billion Br, outpacing the average profit of 15 private commercial banks by 400 million Br. Return on equity stood at 24.3pc, and return on assets at 4.3pc, both comfortably above industry averages of 19.8pc and 2.4pc, respectively.

While first-generation larger banks like Awash, Abyssinia, and Dashen continue to dominate in size and market share, Zemen Bank's achievements illustrated that smaller banks could compete effectively through operational efficiency and profitability.

"All things considered, we did really good," Dereje told *Fortune*. ■

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Bank of Abyssinia's New Gift to the Industry

Branch *with* Cafe

Bank of Abyssinia's Branch with Café demonstrates the strategy that has been enacted through the implementation of its vision regarding technology as the bank is recognized for introducing modern banking technologies and providing a uniquely exceptional services by creating an ideal setting where individuals can efficiently manage their technology-enabled banking services while enjoying special café services.

The goal is to offer a friendly service, enhance our customers' experience, and provide insights on banking technology, and also when customers come to the café:

- * While enjoying café service in a pleasant environment, they can manage their banking activities through digital services and options like self-service banking technologies like ITM.
- * This unique café service will serve as a canter that fosters a lively environment where customers can carry out banking transactions, work remotely including holding business meetings, and interact with colleagues and friends.
- * In this special café cash transactions will no longer exist, and all transactions will be carried out through mobile banking using technology-based tablets.
- * Our bank's customers who make use of smart payment options (debit and credit cards) will enjoy a special offer.



We support Ethiopia's agriculture with reliable
Crop Insurance!

Our coverage protects against:

- Unpredictable Weather Conditions
- Crop Diseases and Pests
- Natural Disasters

Protect Your Harvest with Awash Insurance!

