

ABAY BANK SHARE COMPANY

AUDITOR'S REPORT AND FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2026**



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**TEWODROS AND FIKRE AUDIT
SERVICES PARTNERSHIP
CHARTERED CERTIFIED
ACCOUNTANTS**

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09-21-53-99-99

Addis Ababa Ethiopia

ABAY BANK SHARE COMPANY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026

Directors and Statutory Information

Directors	Title	Appointment date
Ato Tadesse Assefa	Chair person	March 19, 2020
Ato Demes Teshager	Vice Chair person	April 4, 2023
Dr. Amlaku Asres	Member	December 26, 2019
Ato Abraham Ayalew	Member	March 4, 2025
Ato Jembere Workineh	Member	April 24, 2024
W/ro Marta Ayenew	Member	April 4, 2023
Ato Matiyas Getachew	Member	June 5, 2026
Ato Melaku Kebede	Member	June 5, 2026
W/ro Meseret Adugna	Member	June 5, 2026

Executive management

Ato Yehuala Gessese	Chief Executive Officer	August 17, 2015
Ato Abrham Ejigu	Chief Credit Officer	May 27, 2015
Ato Belete Kene	Chief Human Capital Officer	November 13, 2020
Ato Assefa Tefera	Chief Retail Banking Officer	January 04, 2023
Ato Wondifraw Tadesse	Chief Strategy Officer	December 15, 2020
Ato Elias Birhanu	Chief Information Officer	August 25, 2023
Ato Dawit Ayenew	Chief Internal Audit	November 13, 2020
Ato Tsega Mekonen	Chief Risk & Compliance Officer	December 01, 2011
Ato Desalegn Ayalew	Chief Corporate Services Officer	August 25, 2023
W/ro Tsige Ayalew	Chief International Banking Officer	August 25, 2023
Ato Daniel Legesse	Director - Strategy & Innovation	December 05, 2011
Ato Endakmew Getnet	Director - Legal Services	November 11, 2015

Independent auditor

Tewodros and Fikre Audit Services Partnership
Chartered Certified Accountants
Authorised Auditors (ETH)
Addis Ababa
Ethiopia

Principal bankers

Aktif Yatirim Bankasi A.S.
African Export-Import Bank
Bank of Africa
Bank of Beirut, Great Britain
Bank of Beirut, Lebanon
Bank of Beirut, UK Frankfurt
CAC International Bank Djibouti
Commercial Bank of Dubai

Crown Agents Bank
East Africa Bank, Djibouti
EBISA Ecobank, Paris
Equity Bank Kenya Ltd
Exim Bank Djibouti S.A.
FirstRand Bank, South Africa
KCB - Kenya Commercial Bank
NCBA Bank Kenya Plc

HDFC Bank Limited
ODDO BHF SE
United Bank for Africa (UBA)



ABAY BANK SHARE COMPANY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026

Report of Directors

The directors submit their report together with the financial statements for the year ended 30 June 2026, to the shareholders of Abay Bank (the Bank). This report discloses the financial performance and state of affairs of the Bank.

Incorporation and address

Abay Bank was incorporated in July 2010 and registered as a public share holding company in accordance with the banking business proclamation No. 592/2008. The Bank obtained its licence from the National bank of Ethiopia on July 14, 2010 and started its operation on November 4, 2010. The Bank is domiciled in Ethiopia.

Principal activities

The mandate of the Bank is to optimize the stockholder value through sustainable growth and profitability, provide wide range of innovative and customer focused Banking products and services, boost operational excellence by employing state-of-the-art information technology, to be the employer of choice by creating conducive working environment wherein employees achieve their career aspirations.

Results

The Bank's profit for the year ended 30 June 2026 has been transferred to retained earnings. The summarised results are presented below.

	30 June 2026 Birr'000	30 June 2025 Birr'000
Total operating income	13,120,143	10,476,832
Profit / (loss) before tax	6,222,965	4,215,729
Tax (charge) / credit	(1,677,027)	(1,212,624)
Profit / (loss) for the year	4,545,938	3,003,105
Other comprehensive income / (loss) net of taxes	241,022	(27,178)
Total comprehensive income/ (loss) for the year	4,786,961	2,975,927
Basic EPS	524.54	463.81

Directors

The directors who served during the year and up to the date of this report are set out on page 1.



ABAY BANK SHARE COMPANY
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2026

The Directors are responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards and in the manner required by the Commercial Code of Ethiopia of 2021 (proclamation No 1243/2021) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank is required to keep such records as are necessary to:

- a) exhibit clearly and correctly the state of its affairs;
- b) explain its transactions and financial position; and
- c) enable the regulatory body to determine whether the Bank had complied with the provisions of the Banking Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Banking Business Proclamation, Commercial code of 2021 (proclamation No 1243/2021) and the relevant Directives issued by the National Bank of Ethiopia.

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

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

The Directors have made an assessment of the bank's ability to continue as a going concern and nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for atleast the next twelve months from the date of this statement.

Signed on behalf of the Directors by:

Ato Tadesse Assefa

Chairperson of Board of Directors

Yehuala Gessesse

Chief Executive Officer



Partners

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

ABAY BANK SHARE COMPANY

OPINION

We have audited the accompanying financial statements of ABAY BANK SHARE COMPANY which comprise the statement of profit and loss and other comprehensive income for the year ended 30 June 2026, statement of financial position as at 30 June 2026, statement of changing equity and statement of cash flows for the year then ended and summary of material accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of ABAY BANK SHARE COMPANY as at 30 June 2026 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by IASB.

As required by the commercial code of Ethiopia, based on our audit we report as follows:

- i) Pursuant to Article 349 (1) of the Commercial Code of Ethiopia, 2013 E.C and based on our reviews of the board of directors' report, we have not noted any matter that we may wish to bring to your attention.
- ii) Pursuant to article 349 (2) of the commercial code of Ethiopia, 2013 E.C, we recommend the financial statements be approved.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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



Responsibilities of Management and Those charged with Governance for the financial statements

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

In preparing the financial statements management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis for accounting unless management either intends to liquidate the company or to close operations, or has no realistic alternative but to do so.

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

Auditors Responsibility for the Audit of the financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Tewodros and Fikre Audit Services

Partnership

Chartered Certified Accountants

Addis Ababa

September 21, 2026



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ABAY BANK SHARE COMPANY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2026

	Notes	30 June 2026 Birr'000	30 June 2025 Birr'000
Interest income	6	12,003,333	8,785,590
Interest expense	7	(3,388,973)	(2,521,762)
Net interest income		8,614,360	6,263,828
Fee and commission income	8	2,709,456	2,038,082
Fee and commission expense	9	(120,246)	(40,305)
Net Fee and commission income		2,589,210	1,997,777
Net gain on foreign exchange valuation	10	1,513,005	1,873,486
Other operating income	11	403,568	341,741
		1,916,573	2,215,227
Total operating income		13,120,143	10,476,832
Loan impairment charge	12	(268,467)	(138,968)
Other Assets Impairment Charge	13	69,230	(102,184)
Net operating income		12,920,906	10,235,680
Personnel expenses	14	(3,705,599)	(3,198,922)
Depreciation & Amortization of PPE & Intangible assets	24-25	(337,852)	(241,100)
Depreciation expense on right of use asset	22	(548,205)	(440,150)
Interest Expense on lease liability	23	(20,449)	(8,556)
Other operating expenses	15	(2,085,835)	(2,131,223)
Profit before tax		6,222,965	4,215,729
Income tax expense	16 (c)	(1,677,027)	(1,215,866)
Profit After Tax		4,545,938	2,999,863
Other comprehensive income (OCI)			
Items that will not be subsequently reclassified into profit or loss:			
Re-measurement gain/(loss) on defined benefits obligations	31 (c)	(5,710)	(52,498)
Deferred tax asset (liability) on re-measurement gain or loss:	31 (c)	1,713	15,749
Defined benefit obligation re-measurement gain o loss (net of tax)	16 (c)	(3,997)	(36,749)
Items that will be subsequently reclassified into profit or loss:			
Financial assets at FVOCI (equity investment)	19	350,028	13,672
Deferred tax asset (liability) on re-measurement gain or loss:	16 (b)	(105,008)	(4,102)
FVOCI(equity unvestments) re-measurement gain or loss (net of tax)	19	245,019	9,571
		241,022	(27,178)
Total comprehensive income for the period		4,786,961	2,972,685
Basic EPS	33	524.54	463.31
Diluted EPS	33	524.54	463.31

The notes on pages 10 to 60 are an integral part of these financial statements.

ABAY BANK SHARE COMPANY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2026

	Notes	30 June 2026 Birr'000	30 June 2025 Birr'000
ASSETS			
Cash and bank balance	17	33,528,336	25,535,572
Loans and advances and IFB Financing to customers	18	61,152,836	48,648,696
Equity investments at fair value -OCI	19	1,207,237	707,476
Other financial assets	20	14,538,939	10,028,371
Other non Financial assets	21	1,386,204	1,259,183
Right of use assets	22	1,401,160	1,284,844
Property, plant and equipment	24	2,083,325	1,866,703
Intangible Assets-Software	25	234,707	286,849
Construction in progress	26	4,109,858	1,707,503
Non current asset held for sale	27	45,265	20,568
Total assets		119,687,868	91,345,765
LIABILITIES			
Deposits from customers	28	92,739,547	71,914,463
Current income tax liability	16 (b)	790,366	1,229,062
Other Financial liabilities	29	7,448,773	5,039,917
Lease Liabilities	23	430,533	467,340
Non financial liabilities	30	166,010	123,191
Defined benefits obligation	31 (d)	403,799	299,339
Net deferred tax asset/(liabilities)	16 (d)	131,231	63,101
Total liabilities		102,110,260	79,136,414
EQUITY			
Share Capital	32	9,657,286	7,013,373
Share Premium	32	39,288	39,128
Retained earnings	34	3,213,732	2,041,323
OCI-Defined Employee Benefit	31(c)	(115,613)	(111,616)
OCI-Equity Investment	19	575,603	330,584
Legal Reserve	35	3,560,651	2,424,166
Regulatory Risk Reserve	36	646,662	472,394
Total equity and liabilities		17,577,608	12,209,351
		119,687,868	91,345,765

The notes on pages 10 to 60 are an integral part of these financial statements.

The financial statements on page 6 - 9 were approved and authorized for issue by the board of directors on September 18, 2026 were signed on its behalf by:

Ato Tadesse Assefa

Chairperson of Board of Directors

Yehuala Gessesse

Chief Executive Officer



ABAY BANK SHARE COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2026

	Notes	Share Capital Birr'000	Share Premium Birr'000	Retained earnings Birr'000	OCI-Defined Employee Benefit Birr'000	Legal Reserve Birr'000	Regulatory Risk Reserve Birr'000	OCI-Equity Investment Birr'000	TOTAL Birr'000
As at 1 July 2024		6,015,344	39,108	1,052,342	(74,868)	1,674,200	301,230	321,013	9,328,369
Issues of ordinary shares	32	998,029	20						998,049
Profit for the year	34			2,999,863					2,999,863
Dividend paid	34			(1,052,342)					(1,052,342)
Re-measurement on defined benefit plan net of tax	31				(36,749)				(36,749)
OCI Equity investment net of tax	19						171,164	9,571	9,571
Regulatory Risk Reserve	36			(171,164)					
Transfer to legal reserve	35			(749,966)		749,966			
Prior period adjustment	34			(37,410)					(37,410)
As at 30 June 2025		7,013,373	39,128	2,041,323	(111,616)	2,424,166	472,394	330,584	12,209,351
As at 1 July 2025		7,013,373	39,128	2,041,323	(111,616)	2,424,166	472,394	330,584	12,209,351
Issues of ordinary shares	32	2,643,913	160						2,644,073
Profit for the year	34			4,545,938					4,545,938
Dividend paid	34			(2,041,323)					(2,041,323)
Re-measurement on defined benefit plan net of tax	31				(3,997)				(3,997)
OCI Equity investment net of tax	36							245,019	245,019
Regulatory Risk Reserve	36			(174,268)			174,268		
Transfer to legal reserve	35			(1,136,485)		1,136,485			
Prior period tax payment	34			(21,454)					(21,454)
As at 30 June 2026		9,657,286	39,288	3,213,732	(115,613)	3,560,651	646,662	575,603	17,577,608

The notes on pages 10 to 60 are an integral part of these financial statements.



ABAY BANK SHARE COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2026

		30 June 2026	30 June 2025
	Notes	Birr'000	Birr'000
Cash flows from operating activities			
Cash generated from operations	37	17,985,102	17,544,400
Income tax paid	16 (b)	(2,150,531)	(481,704)
Prior period adjustment	34	(21,454)	(37,410)
Net cash (outflow)/inflow from operating activities		15,813,117	17,025,286
Cash flows from investing activities			
Purchase of investment securities	20(a)	(5,197,295)	(2,308,575)
Purchase of equity investments	19	(149,833)	(53,284)
Proceeds from disposal of equity investment	19	100	-
Purchase of construction in progress	26	(2,402,355)	220,608
Purchase of intangible assets	25	(196)	(272,084)
Purchase of property, plant and equipment	24	(507,574)	(553,417)
Proceed from sale of property, plant and equipment	37	1,340	4,110
Purchase of non current assets held for sale	27	(24,697)	(15,763)
Proceed from sale of non current assets held for sale	27	-	5,750
Net cash (outflow)/inflow from investing activities		(8,280,510)	(2,972,655)
Cash flows from financing activities			
Payment of principal portion of lease liabilities	23	(142,593)	(156,928)
Dividend paid	34	(2,041,323)	(1,052,342)
Proceeds from issue of shares	32	2,644,073	998,049
Net cash (outflow)/inflow from financing activities		460,157	(211,221)
Net increase/(decrease) in Cash and bank balances		7,992,765	13,841,410
Cash and bank balance at the beginning of the year	17	25,535,572	11,694,162
Net cash increase/(decrease) during the year		7,992,765	13,841,410
Cash and bank balances at the end of the year	17	33,528,336	25,535,572

The notes on pages 10 to 60 are an integral part of these financial statements.



ABAY BANK SHARE COMPANY
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026

1 General information

Abay Bank SC or ("the Bank") is a private commercial bank domiciled in Ethiopia. The Bank was established on 14 July 2010 in accordance with the provisions of the Commercial Code of Ethiopia, 1960 and the Banking Business Proclamation No. 592/2008. The Bank's registered office is at:

Zequala complex,
Jomo Kenyatta Avenue,
Addis Ababa, Ethiopia

The Bank is principally engaged in the provision of a diverse range of commercial banking services.

The Bank's shares were listed on the Ethiopian Securities Exchange (ESX) Main Market on 25 June 2026 under the ticker symbol "ABAYB", and trading in the Bank's shares commenced on the same date.

2 Summary of significant accounting policies

The accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

i) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) as issued by the International Accounting Standards Board (IASB).

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

ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except:

- Financial assets at FVTOCI are measured at fair value
- Prepaid staff benefits are measured at fair value and
- The liability for defined benefit obligation is measured at present value using discount method

iii) Functional and presentation currency

The financial statements are presented in Ethiopian Birr, which is the Bank's functional and presentation currency. Except as otherwise indicated, financial information is presented in thousands of Ethiopian Birr (ETB '000).

iv) Going concern

The financial statements have been prepared on an going concern basis. Management has assessed the Bank's ability to continue as a going concern and has concluded that the Bank has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

v) Use of estimates and judgements

In preparing the financial statements, management has made judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimates are revised and in any future periods affected.

The areas involving the highest degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.



ABAY BANK SHARE COMPANY
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026

2.2 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing exchange rate at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss in the period in which they arise.

The Bank assesses, at each reporting date, whether a foreign currency is exchangeable into the functional currency for the specified purpose. Where exchangeability is lacking, the Bank estimates the spot exchange rate in accordance with IAS 21. The Effects of Changes in Foreign Exchange Rates, using the rate that would have applied in an orderly exchange transaction under the prevailing economic conditions at the measurement date.

2.3 Recognition of income and expenses

Income is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the receipt is being made. Expense is recognized to the extent that it is probable that the economic benefits will flow to other party and the expense can be reliably measured, regardless of when the payment is being made. Income and expenses are recognized on an accrual basis in accordance with the applicable IFRS requirements.

2.3.1 Interest income and expenses

For all financial instruments measured at amortized cost, interest income and expenses are recognized in profit or loss using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or where appropriate, a shorter period, to the gross carrying amount of the financial asset or the amortized cost of the financial liability.

For credit-impaired financial assets, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset.

2.3.2 Fees and commission

Fees and commission income (commission on letters of credit, service charges, guarantees commissions, etc.) are recognized as the related services are performed. Fees and commission expenses are recognized as the related services are received.

2.3.3 Dividend income

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

2.3.4 Foreign exchange revaluation gains or losses

These are gains or losses arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date and are recognized in profit or loss in the period in which they arise.

2.3.5 Income tax

i) Current income tax

Current income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

ii) Deferred tax

Deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are only offset when there is a legally enforceable right to offset current tax liabilities against current tax assets and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.



ABAY BANK SHARE COMPANY
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026

2.4 Financial assets and financial liabilities

i) Recognition and initial measurement

All financial assets are recognized when the Bank becomes a party to a financial asset contract, that is, when it gains a contractual right to receive cash or other financial assets from a contracting party. Financial liabilities are recognized when the Bank enters in to a contractual obligation to deliver cash or other financial asset to a contracting party.

A financial asset or financial liability is recognized initially at fair value. The acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities respectively.

ii) Classification and subsequent measurement

a) Financial assets

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

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

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

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

Business model assessment

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

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

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

- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

Financial assets are reclassified only when the Bank changes its business model for managing financial assets. Such changes are expected to occur very infrequently and are applied prospectively from the reclassification date. Financial liabilities are not reclassified.



ABAY BANK SHARE COMPANY
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

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

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

- Contingent events that would change the amount and timing of cash flows;
- leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).
- Contractual terms that could result in variability in contractual cash flows arising from contingent events and whether such features are consistent with a basic lending arrangement.

b) Financial liabilities

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

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

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

iii) Impairment of financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost are credit impaired. Financial assets are credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 loans and advances. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or
- The disappearance of an active market for a security because of financial difficulties

The bank recognizes loss allowances for expected credit losses (ECL) on the following financial instruments:

- Loans and advances
- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued

No impairment loss is recognized on equity investments.

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

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



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The Bank recognizes 12-month ECL for Stage 1 financial assets and lifetime ECL for Stage 2 and Stage 3 financial assets. Stage 1 loans refers to normal loans including loans that are past due up to 29 days. Stage 2 loans are past due loans between 30 to 89 days and stage 3 loans are those loans that are past due 90 days and above.

Life-time ECL is the ECL that result from all possible default events over the expected life of the financial instrument. 12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

12-month loss allowance is also recognized for financial assets that are determined to have low credit risk and on which credit risk has not increased significantly since their initial recognition.

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

iv) Measurement of ECL

The bank measures ECL on collective basis for portfolio of loans that share similar economic risk characteristics.

ECL is calculated by multiplying probability of default (PD), loss given default (LGD) and exposure at default (EAD). ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. ECL for exposure in stage 2 and stage 3 are calculated by multiplying lifetime PD by LGD and by EAD.

PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. The measurement of ECL incorporates reasonable and supportable forward-looking information, including macroeconomic forecasts where available. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. EAD represents the expected exposure in the event of default.

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

- for financial assets that are not credit-impaired at the reporting date (stage 1, and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- for financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;
- for undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- for financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

v) Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.



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vi) Credit-impaired financial assets

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

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

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

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

A loan that has been renegotiated due to a deterioration in the borrower's condition shall be considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more shall be considered credit-impaired even when the regulatory definition of default is different.

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

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

- for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- for loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- for debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance shall be disclosed and is recognized in the fair value reserve.

viii) Write off

Loans and debt securities are written off when the bank has no reasonable expectations of recovering the financial asset (either partially or in full). This is the case when the bank determines that the borrower does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A written-off constitutes a derecognition event. The bank may apply enforcement activities to financial assets written off. Recoveries resulting from previously written off will result in impairment gains which will be presented in net impairment loss on financial assets in the statement of profit or loss.

ix) Non-integral financial guarantee contracts

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

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

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



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x) Derecognition of financial assets and financial liabilities

a) Financial assets

The Bank shall derecognize a financial asset when:

- The contractual right to the cash flows from the financial asset expires
- It transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI shall be recognized in profit or loss.

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

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

b) Financial liabilities

Financial liabilities are derecognized when contractual obligations are discharged or cancelled, or expire.

xi) Modifications of financial assets and financial liabilities

a) Financial assets

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

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

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

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

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

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

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



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b) Financial liabilities

The Bank shall derecognize a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms shall be recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in profit or loss. Consideration paid shall include non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

xii) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS standards or for gain and losses arising from a group of similar transactions such as in the bank's trading activities.

xiii) Designation at fair value through profit or loss

a) Financial assets

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

b) Financial liabilities

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

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

2.5 Cash and bank balances

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

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

2.6 Property, plant and Equipment

a) Recognition and measurement

The Bank classifies property, plant, and equipment (PPE) as held for use in accordance with IAS 16 unless the asset is classified as investment property under IAS 40 or held for sale or discontinued operations.

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

A small portion of the Bank's PPE(Quara Building located in Gonder Town) is rented out on a short-term basis and is not central to the Bank core operations. This rented portion remains classified as PPE.

b) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that future economic benefits of the expenditure will flow to the bank. Recurring repairs and maintenance are recognized as an expense as incurred.



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c) Depreciation

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of property, plant and equipment. The annual depreciation rates in use are:

Asset class	Estimated useful life	Residual value
	(In years)	(In %)
Buildings	50	5
Motor vehicles	10	5
Furniture and fittings	10 - 20	1
Office equipment	5 - 10	1
Computer and accessories	7	1

The residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date. Changes in the expected useful life, residual values or methods of depreciation are accounted for as changes in accounting estimates.

d) De-recognition

Property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses arising on disposal of an item of property and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the item and are recognized net within 'other operating income' in profit or loss.

2.7 Intangible assets

Intangible assets (software) acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is recognized in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight-line basis over a period of six (6) years from the date that they are available for use.

The amortization method, useful life and the residual value are reviewed at each reporting date and adjusted if appropriate. Changes in the expected useful life, residual value or amortization method are accounted for as changes in accounting estimates. There are no intangible assets with indefinite useful lives.

2.8 Non-current assets held for sale

Reposessed non-financial collaterals acquired by the Bank in settlement of overdue loans and whose carrying amount will be recovered principally through a sale transaction rather than through use and a sale is considered highly probable are classified as non-current assets held for sale. They are measured at the lower of their carrying amount or fair value less costs to sell. Depreciation is not calculated on these assets.

2.9 Impairment of non-financial assets

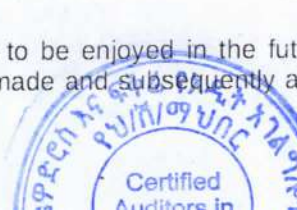
The Bank assesses whether there is an indication that an asset may be impaired. If any indication such as decline in market value of the asset, changes in technology, physical damage, obsolescence, etc. exist, impairment loss will be recognized to ensure that non-financial assets are carried at no more than their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

2.10 Other Non-financial assets

Other non financial assets are payments made in advance for goods to be received or services to be enjoyed in future. They are initially recognized up on occurrence of event or transaction and subsequently canceled when the goods are received or amortized over the period in which the service is to be enjoyed.

a) Prepayment

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



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b) Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and settled when the payment is received. The Bank's other receivables are consists of E-top up, advance payments and other receivables.

2.11 Right of use asset and lease liability

The bank assesses whether a contract is, or contains a lease, at the inception of the contract. In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once the management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of the asset only exists when the Bank has the right to substantially obtain all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

Lease payments included in the measurement of lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, when the bank incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received

A lease liability and corresponding right -of-use asset are recognized at the lease commencement date, for all lease agreements for which the Bank is a lessee, except for short -term leases of 12 months or less, or leases of low value assets. For these leases, the Bank recognizes the lease payments as a depreciation expense in separate line of items in profit or loss statement (note 21) on straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Right of use assets

Right of use assets conveys the right to control the use of an identified asset, for a period of time in exchange for consideration. Right of use assets are recognized at the commencement of the lease contract and is measured at cost less accumulated depreciation and accumulated impairment. Rights of use assets are depreciated over the useful life of the lease term on a straight line basis. Right of use assets are derecognized at the expiration of a lease contract.

The depreciation starts at the commencement date of a lease and the depreciation method and useful life of right of use asset described as follows;

Item	Depreciation method	Useful life
ROUA (Buildings rental)	Straight line	Lease period
Leasehold Land	Straight line	Lease period

The useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change in accounted for prospectively as a change in accounting estimate. Each part of a right-of-use-asset with a cost is significant in relation to the total cost of the asset is depreciated separately.

2.12 Prepaid employee benefit

The bank provides loans to its employee at below-market rate of interest. Under IFRS such loans are recognized at their fair value on the inception date. The fair value of employee loans below market rate are determined as the present value of future cash flow receipts (installment payments) using the prevailing market rate of interest as a discounting factor. The market rate is determined by reference to what the staff members would have been charged to access a similar loan facility from other banks. The market rate is determined by the Ethiopian Bankers Association. The difference between the fair value and the contractual value of employee loans are recognized as prepaid employee benefit and amortized throughout the life of the loan. Accordingly for the year 2025/26, interest rate of 12.04% was used for staff loans.



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2.13 Employee benefits

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

a) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

The Bank contributes to the statutory pension scheme in accordance with the Ethiopian Private Organizations Employees' Pension Proclamation No. 715/2011. Contributions are made at the rate of 7% and 11% by employees and the Bank, respectively.

b) Defined benefit plan

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Where there is no deep market in such corporate bonds or government bonds with appropriate maturities, the Bank applies an appropriate market-based proxy determined by the independent actuary in accordance with IAS 19.

The current and past service cost of the defined benefit plan is recognized in the profit or loss statement. Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

2.14 Provisions

The Bank recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount of provision is determined using the best estimate of the expenditure expected to settle the obligation at the reporting date.

2.15 Contingent liabilities

Letters of credit, guarantees and performance bonds are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities are made by management based on the information available up to the date that the financial statements are approved for issue by the Directors. Contingent liabilities are not recognized in the statement of financial position unless the possibility of an outflow of economic resources becomes probable.

2.16 Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

2.17 Dividends

Dividends are recognised as a liability in the period in which they are declared and approved by the shareholders.

2.18 Share capital and reserves

Ordinary shares are classified as share capital in equity. Any premium received over and above the par value of the shares is classified as share premium.



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3 Significant accounting estimates and judgments

The following are key estimates and judgments that the management has used in the process of applying the bank's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

3.1 Impairment losses on loans and advances

When measuring ECL the bank uses reasonable and supportable forward looking information which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The key inputs in measuring Expected Credit Loss (ECL) are Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). See note 2.4 (iv). All these are estimates and judgments which are highly subjective.

3.2 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All financial instruments are initially recognized at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Bank's financial instruments are carried at fair value. The fair value of quoted financial instruments in active markets are based on current prices with no subjective judgements.

There are no financial instruments currently measured at fair value except equity investments and prepaid employee benefits. If the market for a financial instrument does not exist, a degree of judgment is required to establish fair values. Such judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.3 Defined benefit plans

The present value of the defined benefit obligation is determined using an actuarial valuation. The actuarial valuation involves making various assumptions about discount rates, future salary increases, employee turnover, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty, and changes in these assumptions could materially affect the carrying amount of the defined benefit obligation.

As there is no deep market for high-quality corporate bonds or government bonds with appropriate maturities in Ethiopia, the discount rate is determined using an appropriate market-based proxy recommended by the independent actuary in accordance with IAS 19.

3.4 Property, plant and equipment

Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values may vary depending on a number of factors. In reassessing asset lives and residual values, factors such as technological innovation, product life cycles, maintenance programs and future market conditions are taken into account which involves extensive subjective judgment which may have significant impact on financial statements.

3.5 Taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax provisions in the period in which such determination is made.

4 New Standards, Amendments and interpretations issued during the year

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

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

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

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The Bank assessed the impact of the amendments in relation to its foreign currency transactions and balances. Based on this assessment, management concluded that the amendments did not have a material impact on the Bank's financial statements, as the foreign currencies relevant to the Bank's operations were considered exchangeable for the purposes of IAS 21 at the reporting date.

b. New Standards, amendments, interpretations issued but not adopted.

New Standards or Amendments	Date	
	Effective	Publication
IFRS 9 and IFRS 7 – Classification and Measurement (Amendments)	1-Jan-26	1-May-24
IFRS 18 – Presentation and Disclosure in Financial Statements	1-Jan-27	Apr-24
IFRS 19 – Subsidiaries without Public Accountability: Disclosures	1-Jan-27	May-24
IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information	1-Jul-27	Jun-23
IFRS S2 – Climate-related Disclosures	1-Jul-27	Jun-23

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

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

5 Financial risk management

5.1 Introduction

The Bank is exposed to various types of financial risks, the most important of which are credit risk, liquidity risk and market risk. The Bank's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Bank's financial performance.

5.1.1 Risk management structure

The Board of Directors has the overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established various committees, which are responsible for monitoring the Bank's risk in their specified areas. The Senior Management is responsible for developing and implementing the Bank's risk management policies and procedures. The risk and compliance department is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank and reports to the Board regarding risk management issues. Asset Liability Committee (ALCO) is responsible for managing the Bank's financial assets and financial liabilities and the overall financial performance.

5.1.2 Risk measurement and reporting systems

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

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



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5.1.3 Risk mitigation

The Bank employs various mitigation techniques to reduce its risk to the level acceptable. It uses Board approved risk tolerance limit as a risk limit control. This risk tolerance limit is composed of risk limit by sector, by credit product, by maturity, by geography and risk grade. The Bank also apply the limits imposed by National Bank of Ethiopia such as single borrower limit, related party limit, off balance sheet exposure limit, liquidity requirement, capital adequacy, etc.

In addition, the Bank has established an appropriate risk management environment, sound credit, liquidity and capital management policies and strategies.

5.2 Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank's main income generating activity is lending to customers and therefore credit risk is the principal risk. Exposure to credit risk is managed through periodic analysis of the ability of borrowers and potential borrowers to determine their capacity to meet principal and interest thereon, and restructuring such limits as appropriate. Exposure to credit risk is also mitigated, in part, by obtaining collateral, commercial and personal guarantees. Credit risk arises principally from loans and advances to customers, investment securities, placements with banks, loan commitments and financial guarantee contracts.

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

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

5.2.1 Management of credit risk

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

5.2.2 Credit quality analysis

An analysis of the Bank's credit risk exposure per class of financial assets without taking into account the effects of any collateral or other credit enhancements is provided on the following table:

Loans and advances and IFB Financing to customers

	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	30 June 2026 Birr'000	30 June 2025 Birr'000
Stage 1	53,466,424			53,466,424	44,318,249
Stage 2		6,374,244		6,374,244	3,514,032
Stage 3			2,275,507	2,275,507	1,511,288
Total gross exposure	53,466,424	6,374,244	2,275,507	62,116,176	49,343,569
Loss allowance	(177,695)	(58,767)	(726,878)	(963,340)	(694,873)
Net carrying amount	53,288,729	6,315,478	1,548,629	61,152,836	48,648,696

Off balance sheet items

	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	30 June 2026 Birr'000	30 June 2025 Birr'000
Stage 1	7,859,242			7,859,242	6,966,453
Stage 2					
Stage 3					
Total gross exposure	7,859,242			7,859,242	6,966,453
Loss allowance	(11,899)			(11,899)	(11,129)
Net carrying amount	7,847,343			7,847,343	6,955,324

The off balance sheet items include Loan commitments of Revolving credit facilities and Overdraft facilities (Unutilized Amounts), Letter of Credit and Financial Guarantee.

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Loans and Advance and IFB Financing By Product

	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	30 June 2026 Birr'000	30 June 2025 Birr'000
Addvance against Import Bills	-	-	-	-	-
Merchandise	281,944	-	-	281,944	403,745
Overdraft	6,044,126	-	74,946	6,119,073	6,055,127
Pre-Shipment	9,013,962	205,288	444,117	9,663,366	8,485,641
Term Loan	38,126,391	6,168,956	1,756,444	46,051,792	34,399,058
Grand Total	53,466,424	6,374,244	2,275,507	62,116,176	49,343,569

Sectoral Credit Distribution

The bank focuses on the diversification of its lending portfolio by setting sectoral limits to ensure that its is not negatively impacted by a large exposure default.

The Bank monitors credit risk by sectorial distribution against its own risk concentration limit. An analysis of concentrations of credit risk at 30 June 2026 is give below.

Sectors	Conventional Banking Birr'000	Interest Free Banking Birr'000	Grand Total Birr'000
Agriculture	873,798	44,674	918,471
Construction and Building	11,881,349	633,386	12,514,735
Consumer Loan	6,557,010	43,632	6,600,642
Domestic Trade Services	8,405,719	453,215	8,858,934
Export and Import	20,759,591	1,284,720	22,044,311
Hotel and Tourism	948,205	-	948,205
Manufacturing and Industry	4,610,947	181,210	4,792,157
Transport and Communication	5,231,653	207,068	5,438,721
Total gross exposure	59,268,271	2,847,905	62,116,176
Less - ECL Loss allowance	(944,340)	(19,000)	(963,340)
Net	58,323,931	2,828,905	61,152,836

The Bank monitors credit risk by sectorial distribution against its own risk concentration limit. An analysis of concentrations of credit risk at 30 June 2025 is give below.

Sectors	Conv'l Banking Birr'000	Interest Free Banking Birr'000	Grand Total Birr'000
Agriculture	418,183	39,180	457,363
Construction and Building	8,666,352	287,694	8,954,045
Consumer Loan	4,919,124	26,966	4,946,091
Domestic Trade Services	6,850,741	237,492	7,088,234
Export and Import	17,034,044	977,306	18,011,350
Hotel and Tourism	843,924	-	843,924
Manufacturing and Industry	4,337,763	325,268	4,663,031
Transport and Communication	4,117,976	261,555	4,379,531
Total gross exposure	47,188,108	2,155,461	49,343,569
- Loss allowance	(684,966)	(9,908)	(694,873)
Net	46,503,142	2,145,554	48,648,696



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Credit concentrations by regions

The below table summarizes the credit concentrations by regions as of June 30, 2026, and June 30, 2025. It provides an overview of the distribution of credit in various regions across different stages of credit risk classification.

Regions	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	30 June 2026 Birr'000	30 June 2025 Birr'000
Addis Ababa	34,454,586	4,695,256	1,532,884	40,682,726	33,227,860
Afar	23,902	5,900	2,141	31,943	28,172
Amhara	15,224,619	1,257,412	297,552	16,779,583	12,797,946
Benishangul	297,295	16,726	6,309	320,329	94,542
Central Ethiopia	110,702	22,315	5,087	138,104	143,892
Diredawa	327,119	-	5,492	332,611	190,420
Gambella	230,394	15,581	21	245,995	46,632
Harar	19,526	-	-	19,526	14,706
Oromia	1,049,619	170,316	38,267	1,258,202	990,375
Sidama	375,376	38,291	26,764	440,432	296,341
Somalia	31,331	-	-	31,331	32,630
South Ethiopia	243,322	83,874	2,602	329,798	239,889
South West Ethiopia Region	267,777	-	7,483	275,260	110,872
Tigray	810,856	68,574	350,905	1,230,336	1,129,293
Grand Total	53,466,424	6,374,244	2,275,507	62,116,176	49,343,569

Loans and advances and IFB Financing to customers by risk grade

The following table summarizes the risk category of loan and advances to customers during the year.

Risk grade	30 June 2026 Birr'000	30 June 2025 Birr'000
1	6,356,485	4,729,415
2	34,218,851	27,731,945
3	12,891,089	11,856,888
4	6,374,244	3,514,032
5	454,488	364,358
6	641,574	444,559
7	1,179,445	702,372
8	-	-
Total gross exposure	62,116,176	49,343,569
Loss allowance	(963,340)	(694,873)
Net carrying amount	61,152,836	48,648,696

5.2.3 Collateral on loans and advances and IFB Financing

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For credit-impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.



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Collateral Concentration by sector

Sector	Building Birr'000	Machinery Birr'000	Truck Birr'000	Others Birr'000	30 June 2026 Birr'000	30 June 2025 Birr'000
Agriculture	453,426	147,660	97,333	652,935	1,351,354	783,231
Construction and Building	12,306,352	5,014,118	5,732,681	4,726,367	27,779,518	20,860,415
Consumer Loan	11,638,197	-	109,752	2,375,393	14,123,343	10,727,254
Domestic Trade Services	15,493,076	-	426,421	1,451,614	17,371,111	13,881,434
Export and Import	25,278,980	13,640	1,703,359	1,016,499	28,012,479	18,823,127
Hotel and Tourism	1,767,460	-	37,954	10,200	1,815,613	1,712,182
Manufacturing and Industry	4,829,409	-	1,420,135	199,350	6,448,893	6,392,248
Transport and Communication	1,296,725	420,490	2,770	11,015,331	12,735,316	10,516,398
Total	73,063,626	5,595,908	9,530,405	21,447,689	109,637,628	83,696,292
- Loss allowance					(963,340)	(694,873)
Net					108,674,288	83,001,418

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

5.2.4 Amounts arising from ECL

i) Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 2.4

ii) Significant increase in credit risk

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

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

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

iii) Credit risk grades

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

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



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a) Term loan exposures

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

- Data from credit reference agencies, press articles, changes in external credit ratings
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
- Internally collected data on customer behavior – e.g. utilization of credit card facilities
- Affordability metrics

b) Overdraft exposures

- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Utilization of the granted limit
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions

Grade	Score	Risk implications
1	≥ 85%	Bankable
2	70-84%	Bankable
3	60-69.9%	Bankable
4	50-59.9%	Bankable
5	40-49.9%	Bankable
6	30-39.9%	Not bankable
7	25-29.9%	Not bankable
8	< 25%	Not bankable

The term bankable indicates that the borrower's loan request is feasible and acceptable by the Bank, after passing through rigorous business and risk analysis.

The grading parameters are mainly five that encompass sub-parameters allotted with score from 100 points.

Parameter	Weight
Financial Risk/Strength of Financial Management System	35%
Business/industry Risk	10%
Management Risk	15%
Account performance Risk	25%
Customer Relationship Risk	15%

In order to classify the outstanding loans according to the risk grade of debtor, the following assumptions are used because of the fact that loans are not regularly graded except at the initial stage of the credit assessment.

- Consumer loans (including staff loans) are assigned grade 1 because of the fact that such loans are regularly repaid from salary account without any delinquency and arrears.

All loans and advances assumed to be graded as follows.

- All Pass consumer loans are assigned with risk grade 1.
- All Pass status loans & advances with exceptions of consumer loan are assigned with risk grade 2.
- All Special Mention status loans & advances are assigned with risk grade 3
- All Sub-Standard status loans & advances are assigned with risk grade 4
- All Doubtful status loans & advances are assigned with risk grade 5.
- All Loss status loans & advances are assigned with risk grade 6.
- All financial guarantees are assigned with risk grade 1

The bank hasn't any outstanding loans & advances with grade 7 & 8.



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iv) Generating the term structure of PD

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

v) Determining whether credit risk has increased significantly

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

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

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

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

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

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

vi) Definition of default

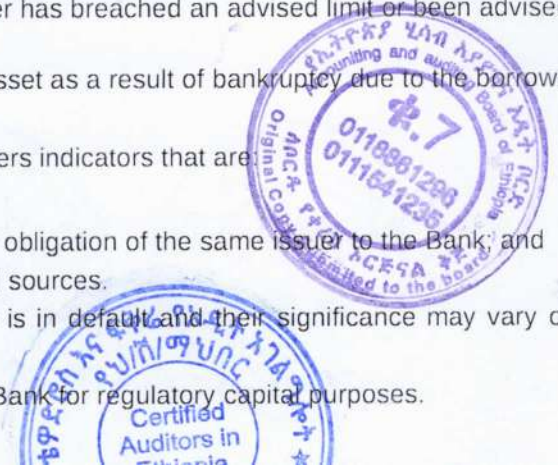
The Bank considers a financial asset to be in default when:

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

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

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

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



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vii) Forward-looking information incorporated in the ECL models

The FLI model incorporates forward-looking macroeconomic conditions through portfolio-specific adjustments developed for four clusters of statistically comparable economic sectors. These adjustments provide a common industry reference for member banks, subject to each bank's approved IFRS 9 governance, validation and management judgement.

For each cluster, three macroeconomic scenarios are modelled: base, upside and downside. The scenarios are developed from Fitch Ratings forecasts and scenario-specific assumptions. Probability weights are derived from the historical distribution of cluster-level NPL ratios over ten semi-annual observations from December 2021 to June 2026.

Historical credit risk performance is represented by cluster-level NPL ratios calculated as aggregate Stage 3 outstanding balances divided by aggregate total gross loan balances. Macroeconomic inputs comprise historical Ethiopian data and forward-looking projections from Fitch Ratings, an independent external provider.

The macroeconomic variables are screened using an absolute correlation threshold of 50% which is statistical best practice, followed by assessments of economic plausibility and multicollinearity. Variables meeting both the quantitative and qualitative criteria are retained for the modelling process.

Principal Component Analysis is applied to the selected variables to derive a composite macroeconomic index for each cluster and mitigate multicollinearity. The relationship between the composite index and historical cluster-level NPL ratios is then modelled to quantify credit risk sensitivity and derive probability-weighted macroeconomic adjustment factors.

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

Sector	Macroeconomic factor(s)
Cluster 1 Agriculture, Consumer loans, Overdraft, Interest free financing	Import cover months Current account bal, USD G&S bal, USD Nominal Effective Exchange Rate Index CPI inflation, 2010=100, eop Trade, goods bal, USD Goods imp, USD
Cluster 2 Domestic Trade Services, Mining and energy, Transport, Health, Merchandise Financial services	CPI inflation, 2010=100, eop Import cover months Services exp, LCU Current account bal, USD Capex, LCU Total revenue, LCU
Cluster 3 Building and Construction, Hotel and tourism, Manufacturing and production, Industry, Realstate, Housing and construction	Import cover months G&S imp, LCU Private final cons, LCU Budget bal, USD Services imp, USD Trade, goods bal, USD
Cluster 4 Export, Import, Advance against import bills, International trade	Nominal Effective Exchange Rate Index Use of IMF credit/cap, USD Total revenue, USD Capex, USD Total expend, USD LCU/USD, eop Total govt debt, LCU



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Indicator	30-Jun-24	30-Jun-25	30-Jun-26
CPI inflation, 2010=100, eop	944	1,067	1,195
CPI inflation, 2010=100, avg	964	1,127	1,276
Total debt service, LCU	98,864,143,239	195,771,067,239	315,190,348,840
Total debt service, USD	1,462,645,000	1,688,140,000	2,070,855,000
Total debt service/cap, USD	11	13	15
Use of IMF credit, LCU	173,964,221,650	353,471,027,200	450,363,006,000
Use of IMF credit, USD	1,703,500,000	2,485,000,000	2,724,000,000
Use of IMF credit/cap, USD	13	19	20
Total govt debt, LCU	4,831,770,464,500	7,092,427,370,000	8,528,988,000,000
Total govt debt, USD	56,080,000,000	50,175,000,000	51,610,000,000
Total govt debt/cap, USD	431	375	376
G&S exp, LCU	613,920,500,000	700,861,500,000	803,019,500,000
G&S exp, USD	9,217,423,626	6,657,107,086	5,297,772,455
G&S imp, LCU	1,301,269,500,000	1,484,423,500,000	1,687,460,000,000
G&S imp, USD	19,542,132,909	14,098,507,327	11,140,321,060
G&S bal, LCU	(823,414,009,200)	(1,212,724,966,200)	(1,746,386,743,750)
G&S bal, USD	(12,017,000,000)	(11,171,000,000)	(11,409,500,000)
Transport & comms nom GVA, LCU	348,182,000,000	418,931,000,000	509,268,000,000
Transport & comms nom GVA, USD	5,192,643,199	3,957,960,611	3,348,856,134
Finance, public sector nom GVA, LCU	1,775,622,500,000	2,095,806,500,000	2,360,882,500,000
Finance, public sector nom GVA, USD	26,168,338,725	20,136,675,501	15,542,266,542
Trade, accom & food nom GVA, LCU	1,600,576,000,000	1,916,969,500,000	2,137,322,500,000
Trade, accom & food nom GVA, USD	23,490,796,639	18,429,095,862	14,079,757,031
Utilities nom GVA, % GDP	1	1	0
Budget bal, LCU	(227,042,000,000)	(239,859,500,000)	(349,953,000,000)
Budget bal, USD	(3,435,244,621)	(2,301,468,806)	(2,261,925,704)
Goods imp, LCU	1,229,003,419,800	2,250,866,360,800	3,495,783,871,000
Goods imp, USD	17,475,000,000	20,221,000,000	22,839,000,000
Goods exp, LCU	325,231,662,650	771,227,727,650	1,315,885,537,750
Goods exp, USD	4,525,500,000	6,697,500,000	8,595,500,000
Trade, goods bal, LCU	(903,799,054,650)	(1,479,638,633,150)	(2,179,898,333,250)
Trade, goods bal, USD	(12,950,000,000)	(13,523,500,000)	(14,243,500,000)
STER, Economic Growth	20	10	15
Services imp, LCU	435,786,095,400	636,996,178,900	938,076,939,750
Services imp, USD	6,569,500,000	5,712,500,000	6,156,000,000
Services exp, LCU	516,129,843,200	903,868,545,200	1,371,588,529,250
Services exp, USD	7,502,000,000	8,064,500,000	8,990,000,000
Current account bal, USD	(4,373,000,000)	(3,110,000,000)	(3,055,000,000)
Trade, services bal, LCU	80,343,747,800	266,872,366,300	433,511,589,500
Trade, services bal, USD	932,500,000	2,352,000,000	2,834,000,000
Broad money (% GDP) - Sovereign Scorecard	19	18	17
Import cover months	1	2	3
Real GDP, USD (PPP) constant 2010	260,680,512,078	280,868,102,602	302,764,565,715
Nominal GDP, LCU	10,237,224,000,000	12,810,021,000,000	15,166,203,500,000
Nominal GDP/cap, USD	1,159	909	728
Nominal GDP, USD	151,010,901,099	121,238,539,526	99,893,205,132
Nominal GDP, USD (PPP)	413,416,542,668	457,383,695,022	501,069,643,065



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Indicator	30-Jun-24	30-Jun-25	30-Jun-26
Real GDP, LCU (2010 prices)	1,115,869,000,000	1,202,284,000,000	1,296,014,000,000
Real GDP, USD (2010 prices)	77,439,276,593	83,436,320,231	89,941,011,548
Real GDP/cap, LCU	8,556	8,985	9,444
Real GDP/cap, USD (2010 prices)	594	624	655
Private final cons, LCU	8,153,314,500,000	10,338,613,000,000	12,286,377,500,000
Private final cons/cap, LCU	62,422	77,214	89,479
Private final cons, USD	120,076,607,802	97,695,959,563	80,936,930,713
Private final cons/cap, USD	922	732	590
Private final cons, LCU (2010 prices)	809,576,500,000	868,142,000,000	912,745,000,000
Private final cons, USD (2010 prices)	56,183,134,855	60,247,473,906	63,342,840,884
Private final cons/cap, LCU (2010 prices)	6,207	6,489	6,652
Govt final cons, LCU	600,553,500,000	693,678,500,000	788,168,500,000
Govt final cons/cap, LCU	4,602	5,182	5,741
Govt final cons, USD	8,981,237,743	6,598,424,767	5,201,128,032
Govt final cons/cap, USD	69	49	38
Govt final cons, LCU (2010 prices)	91,139,000,000	96,639,000,000	100,024,500,000
Govt final cons, USD (2010 prices)	6,324,880,635	6,706,570,620	6,941,518,155
Govt final cons/cap, LCU (2010 prices)	699	722	729
Savings, LCU	2,259,646,500,000	2,813,748,000,000	2,727,280,000,000
Savings/cap, LCU	17,269	21,049	19,881
Lending rate, %, avg	15	15	14
Lending rate, %, eop	15	15	13
M1, LCU	584,105,000,000	660,745,000,000	747,570,000,000
M1, LCU	584,105,000,000	660,745,000,000	747,570,000,000
M2, LCU	1,932,335,000,000	2,247,120,000,000	2,613,620,000,000
M2, LCU	1,932,335,000,000	2,247,120,000,000	2,613,620,000,000
Total employment	38,138,900	39,189,350	48,031,600
Total revenue, LCU	802,382,500,000	1,229,344,000,000	1,839,128,000,000
Total revenue, USD	11,941,431,529	11,047,662,877	12,048,698,831
Total expend, LCU	1,029,424,500,000	1,469,203,000,000	2,189,081,000,000
Total expend, USD	15,376,676,150	13,349,128,070	14,310,623,946
Current expend, LCU	617,737,500,000	860,970,500,000	1,256,472,000,000
Current expend, USD	9,287,824,333	7,813,575,990	8,228,997,676
Capex, LCU	411,687,500,000	608,233,500,000	932,609,000,000
Capex, USD	6,088,857,870	5,535,561,747	6,081,626,858
Budget bal, LCU	(227,042,000,000)	(239,859,500,000)	(349,953,000,000)
Budget bal, USD	(3,435,244,621)	(2,301,468,806)	(2,261,925,704)
LCU/USD, avg	69	111	152
LCU/USD, eop	91	141	165
Nominal Effective Exchange Rate Index	30	19	13
Real effective exchange rate index	173	126	96
Political Risk Index	59	59	59
Central bank policy rate, %, eop	11	15	16

The relationship between the selected macroeconomic indicators and cluster-level credit risk was estimated using ten semi-annual observations from December 2021 to June 2026. Credit risk was represented by cluster-level NPL ratios, calculated as aggregate Stage 3 outstanding balances divided by aggregate total gross loan balances, and the estimated relationships were used to derive the forward-looking macroeconomic adjustments for each cluster



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As presented in the EBA FLI Report, the scenario weights derived from the data provided, for each cluster are summarised below:

Summary of Scenario Weightings			
Scenario	Base	Downturn (downside)	Optimistic (upside)
Cluster 1	90%	0%	10%
Cluster 2	80%	10%	10%
Cluster 3	70%	10%	20%
Cluster 4	70%	10%	20%

Other forward-looking matters not explicitly captured within the modelled scenarios, including regulatory, legislative, political and other emerging developments, should be assessed by each member bank based on its specific portfolio characteristics and operating environment. Where such matters are considered material to credit risk, the member bank should incorporate an appropriate management overlay through its approved IFRS 9 governance and validation processes. The relevance of these considerations and any related overlays should be reviewed at each reporting date and updated where necessary

viii) Modified financial assets

The contractual terms of a financial asset may be modified for a variety of reasons, including changes in market conditions, customer retention strategies, or financial difficulties experienced by the borrower. Depending on the nature and extent of the modification, the Bank assesses whether the modification results in derecognition of the original financial asset in accordance with IFRS 9. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out.

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

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

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

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

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

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



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ix) Measurement of ECL

Expected Credit Losses (ECL) are measured using a probability-weighted approach that reflects the present value of expected cash shortfalls over the expected life of the financial instrument. The key inputs into the measurement of ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

Loss Given Default (LGD) represents the proportion of the exposure that is expected to be lost if a borrower defaults, after considering recoveries from collateral, guarantees and other credit enhancements. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

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

The Bank incorporates reasonable and supportable forward-looking information, including macroeconomic forecasts and multiple economic scenarios, into the estimation of Expected Credit Losses. The final ECL represents the probability-weighted outcome of these scenarios.

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

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

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

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

- | | | | |
|------------------------|-----------------------------------|----------------------------------|--------------------------------|
| ◦ instrument type; | ◦ collateral type; | ◦ industry; and | ◦ date of initial recognition; |
| ◦ credit risk grading; | ◦ LTV ratio for retail mortgages; | ◦ Geo. location of the borrower. | ◦ remaining term to maturity; |

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



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5.2.5 Reconciliation of total gross carrying amounts

The following table summarizes the movement of total gross carrying amount of loan and advances during the year ended 30 June 2026.

Reconciliation of total gross carrying amounts	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	30 June 2026 Birr'000
Balance at 1 July	44,318,249	3,514,032	1,511,288	49,343,569
Transfer to 12 months ECL	1,612,743	(1,473,091)	(139,652)	0
Transfer to Lifetime ECL not credit impaired	(4,292,476)	4,322,196	(29,720)	0
Transfer to Lifetime ECL credit impaired	(892,552)	(212,396)	1,104,947	-
Net remeasurement of Loss allowance	(2,604,793)	(623,610)	182,275	(3,046,128)
Net financial assets originated or purchased	29,018,709	1,718,830	82,047	30,819,586
Financial assets derecognised	(13,696,044)	(867,558)	(437,250)	(15,000,852)
Balance at 30 June 2026	53,463,837	6,378,403	2,273,935	62,116,176

The following table summarizes the movement of total gross carrying amount of loan and advances during the year ended 30 June 2025.

	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	30 June 2025 Birr'000
Balance at 1 July	39,051,947	1,956,531	1,210,642	42,219,120
Transfer to 12 months ECL	830,191	(655,521)	(174,670)	-
Transfer to Lifetime ECL not credit impaired	(2,361,856)	2,407,155	(45,299)	0
Transfer to Lifetime ECL credit impaired	(612,963)	(242,588)	855,551	-
Net remeasurement of Loss allowance	(1,696,100)	(356,395)	103,464	(1,949,031)
Net financial assets originated or purchased	22,127,437	958,345	50,742	23,136,524
Financial assets derecognised	(13,020,407)	(553,494)	(489,142)	(14,063,043)
Balance at 30 June 2025	44,318,249	3,514,032	1,511,288	49,343,569

5.2.6 Loss allowance

a) Loss allowance movement

The following table summarizes the movement of the loss allowance of loan and advances during the current year.

	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	30 June 2026 Birr'000
Balance at 1 July, 2025	201,237	34,008	459,628	694,873
Transfer to 12 months ECL	28,514	(10,072)	(18,442)	-
Transfer to Lifetime ECL not credit impaired	(23,529)	26,507	(2,978)	-
Transfer to Lifetime ECL credit impaired	(4,214)	(2,268)	6,482	-
Net remeasurement of Loss allowance	(46,272)	9,794	337,855	301,377
Net financial assets originated or purchased	106,126	13,391	11,080	130,596
Financial assets derecognised	(84,168)	(12,593)	(66,746)	(163,507)
Balance at 30 June 2026	177,695	58,767	726,878	963,340

The increase in Expected Credit Loss (ECL) during the year was mainly driven by the growth in total credit exposure. The increase in exposure resulted in a corresponding increase in the expected credit loss allowance recognized by the Bank.



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The following table summarizes the movement of the loss allowance of loan and advances during the year ended 30 June 2025.

	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	30 June 2025 Birr'000
Balance at 1 July, 2024	188,574	13,377	353,955	555,906
Transfer to 12 months ECL	24,952	(3,344)	(21,608)	-
Transfer to Lifetime ECL not credit impaired	(9,703)	14,233	(4,530)	-
Transfer to Lifetime ECL credit impaired	(3,643)	(2,177)	5,821	-
Net remeasurement of Loss allowance	(38,721)	5,536	234,687	201,502
Net financial assets originated or purchased	115,716	10,413	5,935	132,064
Financial assets derecognised	(75,936)	(4,028)	(114,633)	(194,598)
Balance at 30 June 2025	201,237	34,008	459,628	694,873

b) Loss allowance by sector and banking services

Sector	Conv'nal Banking Birr'000	Interest Free Banking Birr'000	30 June 2026 Birr'000	30 June 2025 Birr'000
Agriculture	35,263	360	35,623	30,255
Construction and Build.	165,996	1,725	167,721	144,915
Consumer Loan	16,712	55	16,766	20,527
Domestic Trade Services	179,917	8,379	188,296	121,576
Export and Import	449,700	3,024	452,723	322,164
Hotel and Tourism	4,828	-	4,828	3,916
Manufacturing & Ind.	58,947	1,070	60,017	13,766
Transport and Comm'n	32,977	4,388	37,365	37,755
	944,340	19,000	963,340	694,873

c) Loss allowance by risk grade

The following table summarizes the risk category of loan and advances impairment during the year.

Risk grade	30 June 2026 Birr'000	30 June 2025 Birr'000
1	2,992	5,749
2	126,412	143,256
3	48,290	52,232
4	58,767	34,008
5	108,740	50,429
6	138,786	106,431
7	479,352	302,767
8	-	-
Total gross exposure	963,340	694,873



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d) Loss allowance by type of loan and advance products and regions

The following table summarizes the loss allowance of loan and advances by type of products during the current and previous years.

	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	30 June 2026 Birr'000	30 June 2025 Birr'000
Agriculture	3,263	1,536	30,824	35,623	30,255
Construction and Build.	20,582	12,397	134,742	167,721	144,915
Consumer Loan	2,992	1,523	12,251	16,766	20,527
Domestic Trade Services	57,768	9,216	121,312	188,296	121,576
Export and Import	61,840	23,686	367,198	452,723	322,164
Hotel and Tourism	1,458	502	2,868	4,828	3,916
Manufacturing & Ind.	19,681	5,885	34,451	60,017	13,766
Transport and Comm'n	10,109	4,023	23,232	37,365	37,755
Grand Total	177,695	58,767	726,878	963,340	694,873

The following table presents the loss allowance for loans and advances by region for the current and comparative fiscal year. It provides a regional breakdown of the Bank's expected credit losses, enabling comparison of loss allowance levels and movements across regions and highlighting changes in credit risk exposure during the reporting periods.

Regions	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	30 June 2026 Birr'000	30 June 2025 Birr'000
Addis Ababa	115,153	43,019	558,113	716,285	539,750
Afar	53	44	779	876	527
Amhara	50,171	11,858	34,285	96,313	90,152
Benishangul	577	191	2,386	3,154	3,023
Central Ethiopia	273	213	509	995	521
Diredawa	1,324	-	549	1,873	878
Gambella	508	132	21	661	144
Harar	80	-	-	80	65
Oromia	2,428	1,548	10,650	14,625	12,912
Sidama	908	378	19,385	20,671	25,256
Somalia	48	-	-	48	94
South Ethiopia	824	607	260	1,691	1,406
South West Ethiopia	517	-	748	1,265	333
Tigray	4,832	778	99,192	104,802	19,812
Grand Total	177,695	58,767	726,878	963,340	694,873

5.2.7 Guarantees and commitments

The following table summarizes the risk category of off balance sheet items which include Loan commitments of Revolving credit facilities and Overdraft facilities (Unutilized Amounts), Letter of Credit LC and Financial Guarantee for the year ended 30 June 2025 and 30 June 2026.

Risk grade	30 June 2026 Birr'000	30 June 2025 Birr'000
1	5,557,407	5,421,121
2	931,028	553,364
3	1,370,807	991,968
Total gross exposure	7,859,242	6,966,453
Loss allowance	(11,899)	(11,129)
Net carrying amount	7,847,343	6,955,324



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The following table summarizes the risk categories and loss allowances for off-balance-sheet items, including unutilized amounts of revolving credit and overdraft facilities, letters of credit (LCs), and financial guarantees, as at 30 June 2025 and 30 June 2026.

Risk grade	30 June 2026	30 June 2025
	Birr'000	Birr'000
1	452	511
2	5,690	5,737
3	5,757	4,881
Total Loss allowance	11,899	11,129

The following table summarizes the movement of the Loan commitments, Lc commitments and financial guarantee contracts provision expense (off balance sheet exposures) during the year.

	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	30 June 2026 Birr'000
Balance at 1 July 2025	11,129	-	-	11,129
Transfer to 12 months ECL	-	-	-	-
Transfer to Lifetime ECL not credit impaired	-	-	-	-
Transfer to Lifetime ECL credit impaired	-	-	-	-
Net remeasurement of Loss allowance	968	-	-	968
Net financial assets originated or purchased	6,529	-	-	6,529
Financial assets derecognised	(6,727)	-	-	(6,727)
Balance at 30 June 2026	11,899	-	-	11,899

The following table summarizes the movement of the Loan commitments and financial guarantee contracts provision expense (off balance sheet exposures) for the year ended 30-June-2025.

	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	30 June 2025 Birr'000
Balance at 1 July 2024	12,079	-	-	12,079
Transfer to 12 months ECL	-	-	-	-
Transfer to Lifetime ECL not credit impaired	-	-	-	-
Transfer to Lifetime ECL credit impaired	(514)	-	514	-
Net remeasurement of Loss allowance	(383)	-	(514)	(897)
Net financial assets originated or purchased	5,500	-	-	5,500
Financial assets derecognised	(5,554)	-	-	(5,554)
Balance at 30 June 2025	11,129	-	-	11,129

5.3 Liquidity risk

Liquidity risk is the risk that the Bank, though solvent either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due or can secure them only at excessive costs. The bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.



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5.3.1 Management of liquidity risk

Liquidity risk arises because of the possibility that the bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cashflows under both normal and stress circumstances.

The Bank's daily liquidity position is monitored against internal limits and regulatory requirements. Regular liquidity stress testing is performed under a range of institution-specific and market-wide scenarios to ensure that sufficient liquidity is maintained under both normal and stressed conditions. The key measures used by the Bank to manage liquidity risk include the ratio of net liquid assets to net current liabilities and contractual maturity gap analysis.

The Bank monitors compliance with internal liquidity limits and the minimum liquidity requirements prescribed by the National Bank of Ethiopia (NBE). The ratio of net liquid assets to net current liabilities at the reporting date and during the year was as follows:

Ratio of net liquid assets to net current liabilities	30 June 2026	30 June 2025
At Close of the year	38.10%	23.27%
Average for the year	30.82%	20.41%
Maximum for the year	38.10%	23.27%
Minimum for the year	22.14%	17.83%

5.3.2 Maturity analysis of financial asset and liabilities

The table below presents the Bank's liquidity risk as at 30 June 2026, categorized into relevant maturity groupings based on contractual maturity date. Financial assets and financial liabilities are classified into maturity groupings based on their remaining contractual maturities at the reporting date.

	0-30 days Birr'000	31-90 days Birr'000	91-180 days Birr'000	181-365 days Birr'000	Over 1 year Birr'000	30 June 2026 Birr'000
Financial Assets						
Cash and bank bal.	18,343,608	788,706.26	746,457	997,257	12,652,307	33,528,336
Loans & advances.	2,700,434	1,846,931	6,201,076	7,463,030	42,940,465	61,152,836
Equity investments	-	-	-	-	1,207,237	1,207,237
Other financial Assets	157,872	95,820	175,937	342,924	13,739,795	14,512,348
Total Fin. Assets (a)	21,201,914	2,731,457	7,123,471	8,804,112	70,539,803	110,400,757
Financial Liabilities						
Deposits from customers	1,098,927	2,984,658	6,754,422	11,805,193	67,970,947	90,614,145
Deposits from other banks	577,598	1,047,804	500,000	-	-	2,125,402
Other financial liabilities	1,519,675	2,509,362	127,436	202,606	3,089,695	7,448,773
Total fin. liabilities (b)	3,196,200	6,541,823	7,381,858	12,007,799	71,060,641	100,188,321
NET Mismatch (a - b)	18,005,714	(3,810,366)	(258,387)	(3,203,687)	(520,838)	10,212,436
Cumulative Mismatch	18,005,714	14,195,348	13,936,961	10,733,274	10,212,436	20,424,872

The cash flows presented in the table above are the undiscounted amounts to be settled in the future. The analysis shows that the Bank will not be exposed to liquidity risk in the future. The maturity analysis has been prepared in accordance with the contractual maturity requirements of IFRS 7 and the relevant liquidity reporting requirements of the National Bank of Ethiopia (NBE).



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5.3.3 Contractual maturity profile of credit exposures

The following table presents the contractual maturity profile of the Bank's loans and advances to customers and off-balance sheet credit exposures as at 30 June 2026 and 30 June 2025. The exposures are classified into maturity groupings based on their remaining contractual maturities.

(a) Loans and advances to customers

Particulars	Below 1 year Birr'000	1-3 years Birr'000	Over 3 years Birr'000	30 June 2026 Birr'000	30 June 2025 Birr'000
Total gross exposure	18,724,274	9,079,427	34,312,475	62,116,176	49,343,569
Less - Loss allowance	(511,903)	(165,354)	(286,083)	(963,340)	(694,873)
Net Carrying Amount	18,212,372	8,914,072	34,026,392	61,152,836	48,648,696

(b) Off-balance sheet credit exposures

Particulars	Below 1 year Birr'000	1-3 years Birr'000	Over 3 years Birr'000	30 June 2026 Birr'000	30 June 2025 Birr'000
Financial guarantees	959,163	54,800	-	1,013,963	976,287
Loan commitments	2,301,835	-	-	2,301,835	1,545,331
Letter of credit	4,543,444	-	-	4,543,444	4,444,834
Total financial assets	7,804,442	54,800	-	7,859,242	6,966,453
Less - Loss allowance	(11,872)	(27)	-	(11,899)	(11,129)
Net exposure	7,792,570	54,773	-	7,847,343	6,955,324

5.4 Market risk

Market risk is the risk of loss that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities.

i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in foreign exchange rates. The Bank is exposed to exchange rate risks to the extent of balances and transactions denominated in currencies other than Ethiopian Birr. Management has set limits to manage the Bank's foreign exchange risk against its functional currency.

The table below summarizes the Bank's exposure to foreign currency-denominated financial assets and liabilities as at 30 June 2026.

	USD Birr'000	GBP Birr'000	EUR Birr'000	AED Birr'000	ZAR Birr'000	Grand Total Birr'000
Financial Assets:						
Cash and bank bal.	5,027,468	48,322	844,846	32,813	3,458	5,956,906
Other assets	-	-	-	-	-	-
Total	5,027,468	48,322	844,846	32,813	3,458	5,956,906
Financial Liabilities:						
Deposit from customer	6,828,809	25,194	183,725	-	-	7,037,728
Other liabilities	-	-	-	-	-	-
Total	6,828,809	25,194	183,725	-	-	7,037,728
Net exposure	(1,801,341)	23,127	661,120	32,813	3,458	(1,080,822)



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The table below summarizes the Bank's exposure to foreign currency-denominated financial assets and liabilities as at 30 June 2025.

	USD Birr'000	GBP Birr'000	EUR Birr'000	AED Birr'000	ZAR Birr'000	Grand Total Birr'000
Financial Assets:						
Cash and bank bal.	13,406,339	29,624	286,550	21,644	2,784.03	13,746,942
Other financial assets	-	-	-	-	-	-
Total	13,406,339	29,624	286,550	21,644	2,784.03	13,746,942
Financial Liabilities:						
Deposit from customer	8,313,775	517	138,326	-	-	8,452,619
Other financial liabilities	-	-	-	-	-	-
Total	8,313,775	517	138,326	-	-	8,452,619
Net exposure	5,092,564	29,107	148,224	21,644	2,784.03	5,294,323

ii) Foreign exchange risk sensitivity analysis

The Bank measures the sensitivity of profit or loss to reasonably possible changes in foreign exchange rates. The analysis below shows the effect on profit before tax of a 10% strengthening or weakening of the Ethiopian Birr against the Bank's significant foreign currency exposures, with all other variables held constant.

	At 30 June 2026			At 30 June 2025		
Description	Carrying Amount Birr'000	10% Depreciation Birr'000	10% Appreciation Birr'000	Carrying Amount Birr'000	10% Depreciation Birr'000	10% Appreciation Birr'000
Assets						
USD	5,027,468	(502,747)	502,747	13,406,339	(1,340,634)	1,340,634
GBP	48,322	(4,832)	4,832	29,624	(2,962)	2,962
EUR	844,846	(84,485)	84,485	286,550	(28,655)	28,655
AED	32,813	(3,281)	3,281	21,644	(2,164)	2,164
ZAR	3,458	(346)	346	2,784	(278)	278
	5,956,906	(595,691)	595,691	13,746,942	(1,374,694)	1,374,694
Liabilities						
USD	6,828,809	682,881	(682,881)	8,313,775	831,378	(831,378)
GBP	25,194	2,519	(2,519)	517	52	(52)
EUR	183,725	18,373	(18,373)	138,326	13,833	(13,833)
AED	-	-	-	-	-	-
ZAR	-	-	-	-	-	-
	7,037,728	703,773	(703,773)	8,452,619	845,262	(845,262)
Total (Dec.)/inc. effect on gross profit	12,994,634	108,082	(108,082)	22,199,561	(529,432)	529,432

At 30 June 2026 if the Birr had weakened/strengthened by 10% against the major trading currencies, with all other variables held constant, profit before tax would have been lower/higher 108.08 million Birr.

iii) Interest rate risk

Interest rate is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. Interest margin may decrease as a result of such changes but may increase losses in the event that unexpected movement arises. The Bank closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of financial assets and liabilities carried on the statement of financial position.

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Sensitivity analysis for interest rate risk

Sensitivity analysis of interest rate risk measures the impact of interest rate fluctuation on profitability of the Bank with all other variables held constant. The following table summarizes the sensitivity of profit due to increase or decrease in interest rate by 10% on interest bearing financial assets and liabilities. The sensitivity is measured based on the assumption that there is parallel shift in the yield curve.

	Carrying Amount	10% Increase	10% Decrease
Interest Bearing assets			
Loans and advance to customers at amortized cost	62,116,176	6,211,618	(6,211,618)
Time deposit	2,307,356	230,736	(230,736)
Total Interest Bearing assets	64,423,532	6,442,353	(6,442,353)
Interest Bearing liabilities			
Deposits from customers	86,284,939	8,628,494	(8,628,494)
Fixed time deposit	6,454,608	645,461	(645,461)
Total Interest Bearing Liabilities	92,739,547	9,273,955	(9,273,955)
Net interest income increase/decrease	(28,316,015)	(2,831,602)	2,831,602

If interest rate had increased/decreased by 10% against interest bearing assets and liabilities, 'with all other variables held constant, profit before tax would have been lower/higher by 2,831.60 million Birr respectively.

5.5 Capital management

The Bank's objectives when managing capital are to comply with the capital requirements prescribed by the National Bank of Ethiopia, safeguard its ability to continue as a going concern, maintain a strong capital base, promote investor, depositor and market confidence, and support the sustainable growth of the Bank.

Minimum capital requirement

In accordance with National Bank of Ethiopia Directive No. SBB/78/2021, all commercial banks were required to increase their minimum paid-up capital to Birr 5 billion by 30 June 2026. The Bank complied with this requirement ahead of the regulatory deadline and had paid-up capital of Birr 9.66 billion as at 30 June 2026.

Capital adequacy ratio

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

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Primary capital		
Share capital	9,657,286	7,013,373
Share premium	39,288	39,128
Legal reserve	3,560,651	2,424,166
	13,257,225	9,476,667
Supplementary capital		
OCI-Equity Investment	575,603	330,584
OCI-Defined Employee Benefit	(115,613)	(111,616)
Regulatory risk reserve	646,662	472,394
	1,106,651	691,361
Total Capital	14,363,876	10,168,029
Total risk weighted assets	84,314,043	67,281,362
Primary Capital to RWA Ratio	15.72%	14.09%
Total Capital to RWA Ratio	17.04%	15.11%
Minimum required capital ratio	8.00%	8.00%
Excess /(Short-fall)	9.04%	7.11%



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The Bank has satisfied both the NBE requirement of a capital adequacy ratio of 8% and the capital management policy's stated internal risk exposure limit of 10%.

6 Interest income

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Loans and advances to customers	10,306,258	7,729,264
Treasury Bills	10,875	2,270
Treasury Bond	442,209	352,221
Government Bonds	105,153	87,086
Time deposits	555,357	360,383
Interbank money market [†]	391,469	235,955
Open market operations [†]	192,012	18,411
	12,003,333	8,785,590

7 Interest expense

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Deposits from customers	2,823,225	2,123,960
Deposits from cooperatives and other Banks	385,011	358,233
Deposits from public agencies	180,737	37,944
Inter bank money market	-	1,625
	3,388,973	2,521,762

8 Fee and commission income

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Commission income Local	506,263	480,610
Commission income Foreign	271,743	408,652
Service charges Local	132,306	66,104
Service charges Foreign	1,579,063	1,039,538
Processing fees	220,081	43,178
	2,709,456	2,038,082

9 Fee and commission expense

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Legal Fees	84	36
Manucipality Fees	10,781	7,458
Membership fee	11,190	1,379
License Fees	60,334	1,081
Correspondent Charges	6,774	5,055
Motor Vehicles Inspection & Circulation Fees	632	512
Bank Charges & Commissions	6,249	5,224
Ethswitch Remote-on us charge	14,527	14,757
Swift charge	9,675	4,803
	120,246	40,305



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10 Net gain on foreign exchange translation

Gain on Foreign Exchange Valuation
 Loss on Foreign Exchange Valuation

30 June 2026	30 June 2025
Birr'000	Birr'000
4,523,292	5,180,985
(3,010,287)	(3,307,499)
1,513,005	1,873,486

11 Other operating income

Rental income
 Gain on disposal of properties
 Penalty Charge Income
 Dividend earned
 Income from murabaha & musharaka financing
 Other income

30 June 2026	30 June 2025
Birr'000	Birr'000
4,009	222
71	1,801
10,774	7,866
53,971	53,192
298,974	194,850
35,769	83,810
403,568	341,741

12 Loan impairment charge

Loan impairment charge

30 June 2026	30 June 2025
Birr'000	Birr'000
268,467	138,968
268,467	138,968

13 Impairment losses on other assets/liabilities

Impairment losses on other assets
 Impairment losses on Treasury Bill
 Impairment losses on Cash & bank Balance

30 June 2026	30 June 2025
Birr'000	Birr'000
(69,309)	101,369
45	140
34	675
(69,230)	102,184

14 Personnel expenses

Staff Salaries
 Staff allowances
 Pension costs – Defined Employee Benefit
 Defined Employee Benefit
 Other staff expenses

30 June 2026	30 June 2025
Birr'000	Birr'000
2,030,833	1,601,787
878,380	813,299
223,423	176,148
109,857	60,822
463,106	546,866
3,705,599	3,198,922



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NOTE TO THE FINANCIAL STATEMENTS
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15 Other operating expenses

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Advertisement & publicity	183,085	80,253
Donations	28,734	41,216
Audit fees	1,878	1,035
Consultancy fee	22,050	2,167
Directors' related expenses	2,430	2,430
Entertainment	1,241	927
Event organization expense	472	23
Fuel and lubricants	42,880	35,744
Insurance	216,767	164,545
IT support	485,821	380,906
Loss on Desposal of Assets	4,168	439
Office supplies	139,238	133,527
Other Operating expenses	25,649	12,789
Perdiem administration	13,821	9,919
Repairs and maintenance	87,124	23,576
Security, Messengers & Janitors expenses	437,592	375,043
General assembly	8,382	5,313
Meeting accomodation	22,293	7,143
Fund transfer fees and expenses	12,719	7,491
Staff loan - Amortisation	8,196	34,358
Sundries	6,442	7,130
Telephone expenses	77,575	53,331
Provision Expense for Off Balance sheet exposure	(26,025)	512,476
Provision expense on Court Case	(21,215)	20,065
Sponsorship expense	17,397	4,578
Transport and fuel	20,039	16,947
Utilities	15,356	9,450
Wages for non-permanent employees.	4,772	3,874
Write-off expense	51,470	131,425
IFB Profit Expense	195,484	53,103
	2,085,835	2,131,223

16 Company income and deferred tax liability

a) Reconciliation of effective tax to statutory tax

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



ABAY BANK SHARE COMPANY
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	30 June 2026 Birr'000	30 June 2025 Birr'000
IFRS accounting profit	6,222,965	4,215,729
Add: Disallowed expenses		
Entertainment	1,241	927
Donations & Contributions	10,366	-
Penalties	12,552	1,493
Sponsorship	7,453	2,383
Property tax and sunderies expense	3,636	70
Award/Gifts	4,284	1,896
Sport expense	1,184	1,056
Current service cost, past service cost and interest	109,857	60,822
Impairment on financial assets	78	815
Provision expense on Court Case	(21,215)	20,065
Depreciation & Amortization expense of PPE and Intangible assets for accounting purpose	337,852	241,100
Impairment on Loans and Advances as per IFRS	268,467	138,968
Interest expense on Lease liability	20,449	8,556
Depreciation Expense - ROUA	548,205	440,150
Amortisation Leasehold Land	(1,345)	(233)
Other benefit	-	71,339
Prepaid staff expense	8,196	34,358
Additional interest income recognized on employee benefit	122,153	106,019
Accrued-Leave expenses (Total Leave expense -Current year Accrued Leave)	98,183	79,477
Loss on Disposal of property, plant and equipments (As per TAX)	4,097	1,190
Off balance sheet provision expense (As per IFRS)	(26,025)	532,540
Other receivable impairment expense	(69,309)	101,369
Loan & Advance and Other Asset Write-Off	51,470	131,425
Sub total	1,491,829	1,975,785
Less: Tax exempted income and allowed expenses		
Depreciation & Amortization expense of PPE for tax purpose	446,490	320,450
80% of NBE provision on loans	228,972	106,699
80% of Other receivable asset impairment	29,082	(56,831)
80% of off balance sheet provision	47,949	447,791
Interest income taxed at source- local deposit	-	200,673
Interest Earned on Correspondent Banks	-	159,710
Interest income taxed at source- Treasury Bill	10,875	2,270
Interest Earned on Treasury Bonds	442,209	352,221
Interest income taxed at source- Government Bond	105,153	87,086
Suspended interest taxed in previous periods	77,669	-
Dividend income taxed at source	51,402	53,192
Net Gain or loss on Disposal of property, plant and equipments (As per IFRS)	2,597	1,361
Defind employee benefit paid as per tax base	11,107	6,029
Accrued-Leave expenses as per tax base	8,870	5,701
Quara & Hara Building Rent Income	4,009	222
Office rent amortization expense as per tax base	541,804	461,399
Sub total	2,008,188	2,147,973
Taxable profit	5,706,607	4,043,541
Current tax @30%	1,711,982	1,213,062
Add: Rental income tax	211	29
Add; 10% Interest Income tax on foreign deposit	-	15,971
Current income tax	1,712,193	1,229,062



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b) Current income tax liability	30 June 2026 Birr'000	30 June 2025 Birr'000
Balance at the beginning of the year	1,229,062	481,704
Prior year over /under paid	-	-
Payment during the year	(1,229,062)	(481,704)
Current year profit tax	1,712,193	1,229,062
Advance profit tax paid	(921,469)	-
Withholding tax paid	(358)	-
Balance at the end of the year	790,366	1,229,062

c) Income tax expense	30 June 2026 Birr'000	30 June 2025 Birr'000
Current income tax	1,712,193	1,229,062
Deferred tax expense/(income) - profit or loss	(35,166)	(13,196)
Total charge to profit or loss	1,677,027	1,215,866
Deferred tax expense/(income) - OCI	103,295	(11,648)
Total tax in statement of comprehensive income	1,780,322	1,204,219

d) **Deferred tax assets or liabilities**
Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss ("P/L), in equity and other comprehensive income are attributable to the following items:

Description	1 July, 2025 Birr'000	Credit (charge) to P/L Birr'000	Credit (charge) to OCI Birr'000	30 June 2026 Birr'000
Deferred Tax Assets				
Provision for accrued leave	67,102	26,762	-	93,864
Right of use liability	-	129,160	-	129,160
Post-employment benefit obligation	89,802	29,625	1,713	121,140
	156,904	185,547	1,713	344,163
Deferred Tax Liabilities				
Unrealized fair value (gain)/loss on equity invest.	(141,679)	-	(105,008)	(246,687)
Right use of asset	-	(116,919)	-	(116,919)
PPE & Intangible assets	(78,326)	(33,462)	-	(111,788)
	(220,005)	(150,381)	(105,008)	(475,394)
Total net deferred tax assets/(liabilities)	(63,101)	35,166	(103,295)	(131,231)

Description	1 July, 2024 Birr'000	Credit (charge) to P/L Birr'000	Credit (charge) to OCI Birr'000	30 June 2025 Birr'000
Deferred Tax Assets				
Provision for accrued leave	44,969	22,133	-	67,102
Post-employment benefit obligation	57,614	16,438	15,749	89,802
	102,583	38,571	15,749	156,904
Deferred Tax Liabilities				
Unrealized fair value (gain)/loss on equity invest.	(137,577)	-	(4,102)	(141,679)
PPE & Intangible assets	(52,951)	(25,375)	-	(78,326)
	(190,528)	(25,375)	(4,102)	(220,005)
Total net deferred tax assets/(liabilities)	(87,945)	13,196	11,648	(63,101)



ABAY BANK SHARE COMPANY
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17 Cash and bank balance

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Local currency cash on hand	1,911,118	1,931,340
Foreign currency cash on hand	90,440	129,990
Balance held with National Bank of Ethiopia	17,779,409	9,351,115
Deposits with local banks	629,436	507,323
Deposits with foreign banks	13,119,115	13,616,952
Less: Expected credit loss allowance on cash and bank balance	(1,182)	(1,148)
	33,528,336	25,535,572
Maturity analysis		
Current	20,876,029	19,432,676
Non Current	12,652,307	6,102,895
	33,528,336	25,535,571

Balances with the National Bank of Ethiopia include statutory reserve deposits of Birr 17.44 billion (FY 2025: Birr 8.69 billion) maintained in accordance with National Bank of Ethiopia directives. This reserve represents 10% of eligible customer deposits and are maintained to satisfy regulatory reserve requirements. The reserve requirement is adjusted as customer deposit balances change.

Loss allowance

Expected credit loss allowance on cash and bank balance

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Balance held with National Bank of Ethiopia	889	468
Deposits with foreign & local banks	293	681
Total ECL loss allowance	1,182	1,148

18 Loans and advances to customers

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Agriculture	918,471	457,363
Construction and Building	12,514,735	8,954,045
Consumer Loan	6,600,642	4,946,090
Domestic Trade Services	8,858,934	7,088,234
Export and Import	22,044,311	18,011,350
Hotel and Tourism	948,205	843,924
Manufacturing and Industry	4,792,157	4,663,031
Transport and Communication	5,438,721	4,379,531
Total gross exposure	62,116,176	49,343,569
Less - ECL Loss allowance	(963,340)	(694,873)
	61,152,836	48,648,696
Maturity analysis		
Current	18,212,372	16,336,628
Non Current	42,940,465	32,312,068
	61,152,836	48,648,696

The carrying amount of consumer loans has been retrospectively adjusted to separately present the unamortized prepaid employee benefit arising from concessional loans. Accordingly, the comparative figures have been restated to reclassify the unamortized employee benefit from Loans and Advances to Prepaid Employee Benefit, with no impact on total assets, profit or equity.



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19 Equity investments designated at fair value through other comprehensive income (FVOCI)

	Opening Balance	Addition of the Year	Disposal of the Year	FV - OCI of the Period	FV as at 30 June 2026	FV as at 30 June 2025
Equity investments	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Abay Insurance S.C	56,321	7,223	-	(2,562)	60,982	56,321
Abay Industries S.C	64,236	102,569	-	29,420	196,226	64,236
Addis-Africa Int. Conv. & Exh. Center	1,191	-	-	3	1,194	1,191
Dessie Hidassie Building S.C	100	0	(100)	-	-	100
Ethiswitch S.C	559,894	38,547	-	323,974	922,416	559,894
Tsedey Bank S.C	20,900	-	-	(556)	20,344	20,900
Ethiopian Security Exchange	4,833	1,494	-	(252)	6,075	4,833
	707,476	149,833	(100)	350,028	1,207,237	707,476

During the year, the Bank derecognized its equity investment in Dessie Hidassie Building S.C following the commencement of the investee company's liquidation process. Accordingly, the carrying amount of the investment was recovered from the investee company and the investment was derecognized from the Bank's financial statements.

	30 June 2026 Birr'000	30 June 2025 Birr'000
Movement in the FVOCI reserve		
At the beginning of the year	330,584	321,013
Net fair value gain/(loss) recognised in other comprehensive income	245,019	9,571
At the end of the year	575,603	330,584

The fair values of the Bank's equity investments were determined by an independent valuation specialist, KPMG. The fair value of the Bank's equity investments is determined using Level II inputs, primarily based on observable market data, including valuation multiples such as Enterprise Value to EBITDA (EV/EBITDA) and Price to Book Value (P/BV) derived from comparable publicly traded companies, together with financial information obtained from the respective investee companies, including EBITDA, book value and other relevant financial and market information.

The fair value of certain equity investments of the Bank is determined using Level 3 inputs, primarily comprising significant unobservable inputs. Under the cost approach, Net Asset Value (NAV) and the underlying financial information of the investee companies are used to determine the fair value of these investments.

20 Other Financial assets

a) Investment Securities

	30 June 2026 Birr'000	30 June 2025 Birr'000
Fixed Time Deposits (FTDs)	2,307,356	720,395
Treasury Bills, Open Market Operations (OMO) and Interbank Money Market Placements	3,807,715	501,352
Treasury bond	5,112,185	5,058,036
Government Bond	1,357,616	1,107,794
	12,584,872	7,387,577
Less ECL loss allowance on investment securities	(438)	(394)
	12,584,434	7,387,183



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ECL Loss Allowance Reconciliation

Balance at the beginning of the year
 Charge for the year
 Balance at the end of the year

30 June 2026	30 June 2025
Birr'000	Birr'000
394	254
44	140
438	394

b) Other receivables

Receivable from money transfer agents
 Staff receiveable
 Other receivables
 Less: ECL Loss Allowance on other receivables

30 June 2026	30 June 2025
Birr'000	Birr'000
83,044	91,117
4,448	30,876
1,921,130	2,642,621
(54,117)	(123,426)
1,954,505	2,641,188
14,538,939	10,028,371

Total Other Financial Assets

Maturity analysis

Current
 Non Current

30 June 2026	30 June 2025
Birr'000	Birr'000
772,553	1,244,714
13,739,795	8,783,657
14,538,939	10,028,371

ECL Loss Allowance on Other Receivables Reconciliation

Balance at the beginning of the year
 Charge for the year
 Recoveries / Reversal of impairment
 Balance at the end of the year

30 June 2026	30 June 2025
Birr'000	Birr'000
123,426	97,842
-	25,584
(69,309)	-
54,117	123,426

21 Other Non-financial assets

Prepayments
 Inventory in stock
 Prepaid employee benefit
 Other receivable

30 June 2026	30 June 2025
Birr'000	Birr'000
400,517	218,330
425,966	418,008
558,435	621,670
1,286	1,175
1,386,204	1,259,183

Total other Non Financial Assets

The prepaid employee benefit represents the unamortized portion of the fair value adjustment arising from staff loans granted at below-market interest rates. The fair value adjustment is recognized as an employee benefit at initial recognition and subsequently amortized to employee benefit expense over the expected service period of the employees using the effective interest method.

Comparative information has been restated to fully recognize the unamortized prepaid employee benefit arising from concessional staff loans. In prior years, only the annual movement in the prepaid employee benefit was presented. During the current year, the Bank reclassified the unamortized balance from Loans and Advances to Prepaid Employee Benefit in accordance with its accounting policy, and the comparative figures have been restated accordingly.



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22 Right of Use Asset

The Bank applied two discount rates for measuring Right-of-Use Assets in accordance with IFRS 16: a 6% rate, reflecting the Bank's Weighted Average Cost of Capital, was maintained for existing lease contracts, while a revised 7% rate was applied to new lease contracts entered into during the current reporting period.

	30 June 2026 Birr'000	30 June 2025 Birr'000
Right-of-use assets balance – As at July 1	1,284,844	1,180,648
Add: ROUA addition	588,271	474,981
Add: Lease liability addition	85,337	69,365
Add (Less): Depreciation expense of the year	(548,205)	(440,150)
Leass: ROUA adjustment during the year	(9,086)	-
Total	1,401,160	1,284,844

	30 June 2026 Birr'000	30 June 2025 Birr'000
Breakdown of right of use asset		
Office Rent	1,348,129	1,233,526
Land	53,031	51,318
Total Right of use asset	1,401,160	1,284,844

23 Lease liabilities

In accordance with IFRS 16 – Leases, the Bank determines the discount rate used to measure lease liabilities based on the rate applicable at the commencement of each lease. For existing lease contracts, the Bank continues to apply the discount rates established at the respective lease commencement dates, including the 6% rate applied to leases for which this rate was determined at commencement.

For new lease contracts entered into during the current reporting period, the Bank applied a discount rate of 7%, reflecting the Bank's prevailing incremental borrowing conditions at the respective lease commencement dates. The use of different discount rates for lease contracts commencing in different periods is consistent with IFRS 16, as the discount rate is determined at the lease commencement date and is not subsequently revised unless a reassessment or lease modification requires remeasurement in accordance with IFRS 16.

	30 June 2026 Birr'000	30 June 2025 Birr'000
Lease Liabilities Balance		
Lease liabilities balance – As at July 1	467,340	615,713
Add/(Less): Lease liability addition during the year	85,337	87,907
Add: Current year interest expense on lease liability	20,449	8,556
Less: Lease liability paid during the year	(119,521)	(244,837)
Add/(Less): Lease adjustment during the year	(23,072)	-
Total	430,533	467,340

	30 June 2026 Birr'000	30 June 2025 Birr'000
Breakdown of Lease Liabilities		
Office Rent	389,168	424,347
Land	41,364	42,993
Total lease liability	430,533	467,340



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NOTE TO THE FINANCIAL STATEMENTS
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24 Property, plant and equipment

Figures in Ethiopian Birr thousand

	Buildings	Motor Vehicles	Furniture & Fittings	Office Equipment	Computer & Accessories	Total Birr'000
Cost:						
As at 1 July 2024	165,988	499,244	331,755	668,010	502,696	2,167,692
Additions	-	21,855	74,344	134,009	323,209	553,417
Disposals	(74,813)	(1,003)	(3,480)	(8,849)	(3,642)	(91,787)
Prior period adjustment	-	-	-	-	-	-
As at 30 June 2025	91,175	520,096	402,620	793,169	822,262	2,629,323
As at 1 July 2025	91,175	520,096	402,620	793,169	822,262	2,629,323
Additions	210,656	111,078	65,131	83,449	37,261	507,574
Disposals	-	(275)	(12,550)	(4,179)	(3,955)	(20,960)
Prior period adjustment	-	-	-	-	-	-
As at 30 June 2026	301,831	630,899	455,200	872,439	855,568	3,115,937
Accumulated depreciation:						
As at 1 July 2024	7,569	119,944	76,713	136,316	213,683	554,225
Charge for the year	3,154	46,000	29,297	80,162	67,480	226,093
Disposals	(3,474)	(953)	(1,643)	(8,451)	(3,178)	(17,699)
Prior Year Adjustment	-	-	-	-	-	-
As at 30 June 2025	7,249	164,992	104,368	208,026	277,985	762,619
As at 30 June 2025	7,249	164,992	104,368	208,026	277,985	762,619
Charge for the year	2,807	51,851	34,770	90,728	105,359	285,515
Disposals	-	(132)	(7,710)	(3,960)	(3,721)	(15,523)
Prior period adjustment	-	-	-	-	-	-
As at 30 June 2026	10,056	216,712	131,427	294,794	379,623	1,032,612
Net book value:						
As at 30 June 2025	83,926	355,105	298,252	585,143	544,277	1,866,703
As at 30 June 2026	291,775	414,188	323,773	577,645	475,945	2,083,325

25 Intangible Assets

Description

30 June 2026
Birr'000

30 June 2025
Birr'000

Cost:

As at 1 July 2025

Additions

30 June 2026

368,870

96,786

196

272,084

369,066

368,870



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Accumulated amortization

As at 1 July 2025

Charge for the year

30 June 2026

Net book value:

As at 30 June 2026

30 June 2026	30 June 2025
Birr'000	Birr'000
82,021	67,014
52,337	15,007
134,358	82,021
234,707	286,849

During the year, the bank purchased Cheque point software and an HSM PL license, both of which meet the recognition criteria for intangible assets under IAS 38 and support real-time transactions processed through the national payment system as well as transactions excuted via POS and ATMs. Both assets are expected to provide economic benefits over a useful life of six years.

26 Construction in progress

As at 1 July 2025

Add : Addition of the year

Less : Reclassified to addyance payment

Construction in progress ending balance

30 June 2026	30 June 2025
Birr'000	Birr'000
1,707,503	1,928,111
2,402,355	512,249
-	(732,857)
4,109,858	1,707,503

27 Non current asset held for sale

Movement during the year

Opening balance

Additions (New foreclosures)

Disposal during the year

Balance at the end of the year

30 June 2026	30 June 2025
Birr'000	Birr'000
20,568	7,351
24,697	15,763
-	(2,546)
45,265	20,568

Disposal proceeds and gain/(loss) on disposal

Carrying amount of asset disposed

Proceed from disposal

Gain/(loss) on disposal

30 June 2026	30 June 2025
Birr'000	Birr'000
-	2,546
-	5,750
-	3,204

Certain assets classified as non-current assets held for sale have remained outstanding for more than twelve months due to circumstances beyond the Bank's control. The disposal of one asset was delayed due to security-related circumstances, while the other asset has been sold but the legal ownership transfer to the buyer remains pending. Management remains committed to completing the respective disposal processes and continues to take the necessary actions to do so. Accordingly, these assets continue to be classified as held for sale in accordance with the exception to the twelve-month requirement under IFRS 5.

28 Deposits from customers

Demand deposits

Savings deposits

Fixed Time deposit

Maturity analysis

Current

Non Current

30 June 2026	30 June 2025
Birr'000	Birr'000
33,563,078	27,252,435
52,721,861	39,693,202
6,454,608	4,968,826
92,739,547	71,914,463
24,768,601	19,715,041
67,970,947	52,199,422
92,739,547	71,914,463



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29 Other Financial liabilities

	30 June 2026 Birr'000	30 June 2025 Birr'000
Audit fee payables	1,409	1,035
Borrowing from DBE	461,565	216,043
Cash payment order payable	222,939	252,558
Customers payables	1,189,893	551,936
Provision for bonus	250,000	231,624
Deferred guarantee income	2,814	1,209
Directors share of profit payable	1,350	1,350
Dividend payables	26,890	61,405
Exchange commission payable	119,341	45,779
Foreign transfers payables	564,723	272,185
Impairment Financial Gurantee	486,855	447,687
Impairment on L/C	227	66,250
Provision - on Overdraft Facility	5,701	4,647
Provision - on Revolving Facility	5,747	5,970
Long Outstanding payables	171,178	131,600
Margin Held Accounts	2,560,182	2,270,274
Refund payable	477	15
Shareholders payables	-	1
Staff leave payables	312,879	223,673
Cash indemnity allowance	59,310	48,360
Sundry payables	1,005,293	206,316
	7,448,773	5,039,917
Maturity analysis		
Current	4,359,079	3,508,980
Non Current	3,089,695	1,530,937
	7,448,773	5,039,917

As of 30 June 2026, the Bank had a dividend payable balance of Birr 26.89 million. The balance represents dividends that were duly declared and approved by the General Assembly in prior periods but remained unpaid and unclaimed by the respective shareholders as of the reporting date.

The sundry payables account comprises various outstanding liabilities arising in the normal course of the Bank's operations. The Sundry Payables account comprises Interest Payable – Borrowings, Blocking Inwards, Document Authentication Charge Payable, Telephone Payable, Credit Settlement GL for Staff Loans, Other Payables, Unclaimed Off-us Commission Payable, and IBMM Platform Fee Payable. These balances represent various outstanding operational and settlement obligations of the Bank.

Reconciliation of contract liabilities (Deferred guarantee income)

	30 June 2026 Birr'000	30 June 2025 Birr'000
Balance at 1 July 2025	1,209	1,513
Deferred guarantee income recognized during the year	(1,209)	(1,513)
Deferred guarantee income during the year	2,814	1,209
Balance at 30 June 2026	2,814	1,209

The table above presents the opening and closing balances of deferred guarantee income. During the year ended 30 June 2026, the Bank recognized Birr 1.21 million from the opening balance of deferred guarantee income as income, in respect of performance obligations satisfied during the reporting period.



ABAY BANK SHARE COMPANY
NOTE TO THE FINANCIAL STATEMENTS
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30 Non-financial liabilities

	30 June 2026 Birr'000	30 June 2025 Birr'000
Stamp duty payable	4,822	1,861
Tax payables	125,909	77,594
Pension payable	14,404	10,614
Provisions	-	21,215
Other payables	20,875	11,907
	166,010	123,191

31 Defined Employee Benefit Obligation

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

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
a) Amount recognized in the profit or loss		
Current service cost	63,015	21,460
Interest on net liability	46,842	39,362
Past service cost	-	-
Total expense recognized	109,857	60,822

The movements recognized under other comprehensive income (OCI) for the year ended 30 June 2026 are

	30 June 2026 Birr'000	30 June 2025 Birr'000
b) Amount recognized in other comprehensive income:		
Actuarial (Gains)/Losses on economic assumptions	11,045	55,205
Actuarial (Gains)/Losses on experience	(5,335)	(2,707)
Total expense included in OCI	5,710	52,498

c) Reconciliation of Defined Benefit Obligation Reserve Recognized in OCI

	30 June 2026 Birr'000	30 June 2025 Birr'000
Balance at the beginning of the year	(111,616)	(74,868)
Actuarial (losses)/gains arising from changes in financial assumptions	(11,045)	(55,205)
Actuarial gains/(losses) arising from experience adjustments	5,335	2,707
Deferred tax recognized on actuarial remeasurements	1,713	15,749
Balance at the end of the year	(115,613)	(111,616)



ABAY BANK SHARE COMPANY
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d) Net defined benefit liability

The below table summarizes the key movements in the net defined benefit liability during the period, including changes in the present value of the defined benefit obligation, plan assets, and the effect of the asset ceiling.

Description	Opening Balance	Movement During Period	Closing Balance
(i) Plan Assets	-	-	-
(ii) Present Value of the DBO Net of Benefits Paid During the Year	(299,339)	(104,460)	(403,799)
(iii) Effect of the Asset Ceiling	-	-	-
Net Defined Benefit Liability	(299,339)	(104,460)	(403,799)

There are no separate assets held which are creditor remote and are held in the name of a separate legal entity to the Bank set aside to fund the Benefits. Thus, the Bank have therefore not included any assets in the valuation.

Sensitivity of the Defined Benefit Obligation (DBO) to Changes in Key Assumptions

The table below provides a sensitivity analysis showing how changes in the key actuarial assumptions impact the valuation of the defined benefit obligation. The principal assumptions used in the valuation are listed, and the corresponding effects on the Defined Benefit Obligation are presented.

Particulars	Scenario -				
	Scenario - 1	2	Scenario - 3	Scenario - 4	Scenario - 5
	Base Discount Rate increased by 1%	Salary Rate increased by 1%	Discount Rate decreased by 1%	Salary Rate Decreased by 1%	Mortality Increased by 10%
Discount Rate	17.25%	18.25%	17.25%	16.25%	17.25%
Salary increases	15.25%	13.15%	14.15%	13.15%	12.15%
Demographic assumptions	No Change	No Change	No Change	No Change	No Change
Net liability at start of period	299,339	299,339	299,339	299,339	299,339
Net expense recognised in P & I	109,857	109,857	109,857	109,857	109,857
Net expense recognised in the OCI	5,710	(40,765)	62,213	62,258	(41,298)
Company Paid Benefits	(11,107)	(11,107)	(11,107)	(11,107)	(11,107)
Net liability at end of period	403,799	357,324	460,302	460,346	356,791
% Change	-	-11.51%	13.99%	14.00%	-11.64%

Reconciliation of Defined Benefit Obligation

The table below outlines the development of the Defined Benefit Obligation that the Bank will reflect in its financial statements for the year ended 30 June 2026.

Particulars	30 June 2026 Birr'000	30 June 2025 Birr'000
Defined Benefit Obligation at the beginning of the period	299,339	192,048
Current Service Cost (excluding interest)	63,015	21,460
Interest Cost	46,842	39,362
Benefits Paid	(11,107)	(6,029)
Actuarial (Gains)/Losses on economic assumptions	11,045	55,205
Actuarial (Gains)/Losses on experience	(5,335)	(2,707)
Defined benefit obligation at the end of the period	403,799	299,339



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Summary of Key Financial and Demographic Assumptions

Financial assumptions are those that affect the amount of the benefit payments (e.g. increases in salary and the discount rate) while demographic assumptions are those that affect the expected timing of the benefit payments (e.g. resignation or mortality rates).

The key financial assumptions applied in the valuation, compared to those applied in the previous valuation are summarized as follows:

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Actuarial Assumptions		
Discount rate	17.25%	14.40%
Future salary increase	15.25%	12.20%
Mortality table – Male	DHS 2016	DHS 2016
Mortality table – Female	DHS 2016	DHS 2016
Weighted average duration	12.83 years	12.00 years

32 Share capital

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Authorized:		
Ordinary shares of Birr 1000 each	12,000,000	12,000,000
Issued and fully paid:		
Ordinary shares of Birr 1000 each	9,657,286	7,013,373
Share premium	39,288	39,128
	9,696,574	7,052,501

The Bank's shareholding is broadly diversified among individual shareholders, farmers' cooperative associations, private companies, and other institutional investors, reflecting a wide and balanced ownership structure.

33 Earnings per share

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

Weighted average number of shares is computed based on the number of days to year end the shares were held by the Bank from the payment date for the piad up capital.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Profit after tax	4,545,938	2,999,863
Weighted average number of ordinary shares in issue	8,666	6,475
Basic earnings per share (Birr)	524.54	463.31

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2026), hence the basic and diluted earnings per share have the same value.



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34 Retained earnings

	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	2,041,323	1,052,342
Dividend paid	(2,041,323)	(1,052,342)
Carried forward		
Profit/ (Loss) for the year	4,545,938	2,999,863
Legal reserve	(1,136,485)	(749,966)
Regulatory risk reserve	(174,268)	(171,164)
Prior period tax payment	(21,454)	(37,410)
At the end of the year	3,213,732	2,041,323

35 Legal reserve

	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	2,424,166	1,674,200
Legal reserve transferred during the period	1,136,485	749,966
At the end of the year	3,560,651	2,424,166

The NBE Directive No. SBB/4/95 requires the Bank to transfer annually 25% of its annual net profit to its legal reserve account until such account equals its capital. When the legal reserve account equals the capital of the Bank, the amount to be transferred to the legal reserve account will be 10% (ten percent) of the annual net profit.

36 Regulatory risk reserve

	30 June 2026 Birr'000	30 June 2025 Birr'000
Balance brought forward*		178,002
Loan impairment		
As per IFRS 9	963,340	694,873
As per NBE directive requirement	979,612	693,397
	16,272	(1,477)
On other assets		
As per IFRS 9	54,117	123,426
As per NBE directive requirement	159,779	123,426
	105,662	-
Off balance sheet		
Off balance sheet provision as per IFRS	498,530	524,555
Off balance sheet provision as per NBE	631,755	571,818
	133,225	47,263
Suspended interest		
Opening balance	248,606	124,705
Addition of the year	142,897	123,901
	391,503	248,606
Regulatory risk reserve ending balance	646,662	472,394

* The balance carried forward of the previous year amounting Birr 178.00 million represents the amount identified in the total regulatory risk reserve balance as at 30 June 2024 which is reclassified to each class of regulatory risk reserve items during the current financial year.

The Regulatory risk reserve is a non-distributable reserve required by the regulation of National Bank of Ethiopia to be kept for impairment losses on loans and other receivables in excess of IFRS 9 charges. When the loan loss impairment determined using the NBE guidelines is higher than loss impairment determined under IFRS 9 model, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the bank.



ABAY BANK SHARE COMPANY
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Where the loss impairment determined using the NBE guidelines is less than the loan loss impairment determined using under IFRS 9 model, the difference is transferred from regulatory risk reserve to the retained earnings to the extent of non-distributable reserve previously recognized. Moreover, according to NBE directives interest income on impaired loans are not distributable to shareholders of the bank. The amount net-off tax is transferred to regulatory risk reserve.

37 Cash generated from operating activities

	Notes	30 June 2026 Birr'000	30 June 2025 Birr'000
Profit before tax		6,222,965	4,215,729
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	24	285,515	226,093
Amortization of intangible assets	25	52,337	15,007
Gain/(Loss) on disposal of property, plant and equipment	37	4,097	(1,361)
Impairment on loans and advances	12	268,467	138,968
Interest expense on lease liability	23	20,449	8,556
Other staff expenses	14	-	71,339
Impairment on other receivable, NBE bill and Treasury Bill	13	69,230	(102,184)
Employee benefit obligations	31(b)	(5,710)	(52,498)
Gain/(Loss) on disposal of non current asset held for sale	11	-	(3,204)
Prior period adjustment			
Changes in working capital:			
-Decrease/ (Increase) in loans and advances	18	(12,772,607)	(8,246,557)
-Decrease/ (Increase) in other financial asset	20(b)	617,140	(797,914)
-Decrease/ (Increase) in Other Non Financial assets	21	(127,021)	703,497
-Decrease/ (Increase) in Right of use assets	22	(30,979)	(104,196)
-Increase/ (Decrease) in deposits from customers	28	20,825,084	19,288,403
-Increase/ (Decrease) in Other Financial liabilities	29	2,408,856	2,010,256
-Increase/ (Decrease) in Defined benefits obligation	31(c)	104,460	107,291
-Increase/ (Decrease) in Non financial liabilities	30	42,819	67,175
		17,985,102	17,544,400

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Cost of Property, plant and equipments sold	20,960	16,974
Accumulated depreciation of property, plant and equipment sold	(15,523)	(14,225)
Gain/(loss) on sale of property, plant and equipment	(4,097)	1,361
Proceed of property, plant and equipment sold	1,340	4,110

38 Related party transactions

The Bank enters into transactions with its related parties in the normal course of business and on terms applicable to such transactions. The following table summarizes the Bank's related party transactions for the years ended 30 June 2026 and 30 June 2025.

a) Loans and Advances to Related Parties

	30 June 2026 Birr'000	30 June 2025 Birr'000
Outstanding Loans to Related Directors	104,012	98,950
Outstanding Loans to Executive Management	222,352	206,758
	326,364	305,708

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b) Key management compensation

Key management includes members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management during the year is detailed below. There is no sales or purchase of goods and services occurred between the Bank and key management personnel as at 30 June 2026.

	30 June 2026 Birr'000	30 June 2025 Birr'000
Compensation of Key Management Personnel (Salaries, Allowances, Bonuses)	52,212	37,688
Directors' Share of Annual Profit	1,350	1,350
Directors' Annual Sitting Allowance	1,080	1,080
Total Compensation	54,642	40,118

c) Shareholdings of Key Management Personnel and Directors

The Bank discloses the direct shareholding interests of its Directors and key management personnel in accordance with the applicable disclosure requirements of the Ethiopian Capital Market Authority (ECMA). The amounts represent the value of shares directly held by Directors and key management personnel in the Bank as at 30 June 2026.

	30 June 2026 Birr'000	30 June 2025 Birr'000
Key Management personnel	13,641	9,562
Directors	6,039	4,761
	19,680	14,323

39 Contingent liabilities

i) Guarantees and letters of credit

The Bank conducts business involving performance bonds and guarantees. These instruments are given as a security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

The table below summarizes the mount of contingent liabilities for the account of customers:

	30 June 2026 Birr'000	30 June 2025 Birr'000
Guarantees issued and outstanding	1,013,963	976,287
Letters of credit net-off margin held	4,543,444	4,444,834
	5,557,407	5,421,121

ii) Loan and advance commitments

The bank has outstanding loan and advance commitments, not provided for in these financial statements, which are summarized as follows:

Unutilized overdraft facility

	30 June 2026 Birr'000	30 June 2025 Birr'000
Overdraft Facility Limit	7,737,050	7,090,021
Utilized Overdraft Amount	6,119,073	6,055,127
Unutilized Overdraft Amount	1,686,085	1,165,693
Overdraft Loan Impairment	(51,031)	(29,062)



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Unutilized revolving facility

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Revolving Facility Limit	10,132,925	9,036,429
Utilized Revolving Facility Amount	9,075,648	8,343,436
Unutilized Revolving Facility Amount	1,057,278	692,993
Revolving Facility Loan Impairment	(246,138)	(206,232)

40 Comparative Figures

Some of the previous year figures have been reclassified to make them comparable with current year presentation.

41 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Bank as at 30 June 2026 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

