

Annual Report

FY 2025/26



**Empowering Communities,
Transforming Lives!**

Performance Dashboard

FY 2025/26

AS AT 30 JUNE 2026



Balance sheet growth
ETB billion, five years



Profit before tax
ETB billion



Customer accounts
Million accounts



Key ratios
FY2025/26, share of 100%



22.33M+
Wallet users

6.4T
ETB transaction value



3.2M
Customers Account



2.9M
New users in the year

2.3B+
Transaction volume

59.45B
ETB disbursed



698
Branches

42.8K
Agents



765
CRM/ATM machines

368K
Merchants

Eco-Branches
100



COOP VISA CARD

GLOBAL CONVENIENCE, TRUSTED SECURITY
ACCEPTED WORLDWIDE!



✓ Table of Contents



LEADERSHIP

Board Chairperson's Reflections 5 | CEO's Reflections 8

PART 01 Who we are Foundations and context

PAGES 16–40

01	About the Report	16
02	Coopbank at a Glance	18
03	Operating Environment	32
04	Our Strategy	36

PART 02 How we performed Results and delivery

PAGES 41–67

05	Financial Performance Review	41
06	Business Performance	47
07	IFB Performance	51
08	Digital Transformation and Innovation	59

PART 03 How we are run Risk, people and governance

PAGES 68–96

09	Risk Management	68
10	Sustainability Report	74
11	Governance and Leadership	86
12	Ethics, Conduct and Compliance	91
13	Shareholders Structure and Information	95

PART 04 Outlook and accounts Looking ahead and audited results

PAGES 97–213

14	Looking Ahead (Management Outlook)	97
15	Audited Financial Statements	100



Statement of the **BOARD CHAIRPERSON**

224.09

ETB BILLION
Total assets

193.26

ETB BILLION
Total deposits

142

ETB BILLION
Loans and advances

8.11

ETB BILLION
Profit before tax

Dear Shareholders, Customers, Partners and Regulators

It is my great privilege to present Coopbank's Annual Report for the financial year ended June 30, 2026. The year marked another important milestone in our journey toward realizing our vision of becoming a Future-Ready Trillion-Birr Financial Powerhouse, guided by our enduring purpose of Empowering Communities, Transforming Lives.

The 2025/26 financial year unfolded amid a rapidly evolving global economic and geopolitical landscape, characterized by geopolitical tensions, shifting trade dynamics, economic uncertainties, and accelerating technological transformation. These developments continued to influence international markets, investment flows, commodity prices, and financial services.

In Ethiopia, ongoing economic reforms, evolving monetary and foreign exchange frameworks, expanding investment opportunities, and accelerating digital adoption continued to reshape the domestic economic and financial landscape. While these developments created significant opportunities for the banking sector to deepen financial intermediation, expand financial inclusion, and support national economic development, they also reinforced the importance of sound governance, prudent risk management, institutional resilience, and sustainable growth.

During the FY 2025/26 Coopbank continued to strengthen its foundations for long-term sustainability, competitiveness, and stakeholder value creation. The Bank delivered encouraging financial and operational results, with total assets reaching ETB 224.09 billion, total deposits amounting to ETB 193.26 billion, loans and advances reaching ETB 142.00 billion, and profit before depreciation, amortization, provision and tax standing at ETB 11.48 billion. These results reflect the continued confidence of our customers, the commitment of our employees, and the collective efforts of the Board and Management in pursuing the Bank's strategic priorities. At the same time, we recognize that realizing our long-term ambition requires continued improvement in performance, disciplined execution, and the sustained mobilization of the Bank's considerable growth potential.

In an increasingly complex financial environment, effective corporate governance extends beyond regulatory compliance; it is fundamental to institutional integrity, accountability, sound decision-making, and sustainable performance. Hence, the Board remained committed to its responsibility to safeguard the Bank's long-term interests while ensuring that growth is pursued responsibly and sustainably. Throughout the year, we exercised oversight of strategy execution, enterprise risk management, capital adequacy, liquidity, financial resilience, cybersecurity preparedness, regulatory compliance, and organizational capability development.

The Board also maintained a strong focus on the implementation of Coopbank's strategy, Segment-Led Shift at Scale (S³), which provides a strategic framework for strengthening customer centricity, accelerating transformation, enhancing financial strength, and achieving sustainable growth. We recognize that translating strategic ambition into lasting results requires clear accountability, effective oversight, disciplined resource allocation, and consistent execution across the Bank. The progress made during the year provides an important foundation for advancing our Vision.

Digital transformation remained a significant strategic priority. Rapid advances in artificial intelligence, data analytics, automation, cybersecurity, and digital financial ecosystems are fundamentally reshaping the banking industry, customer expectations, and competitive dynamics. Recognizing both the opportunities and the associated risks, the Board continued to support investments in technology modernization, digital infrastructure, data capabilities, cybersecurity, and innovation. These investments are important to strengthen operational resilience, enhance customer experience, improve efficiency, and position Coopbank to compete effectively in an increasingly interconnected financial ecosystem.

The Board also recognizes that financial inclusion and national development remain central to Coopbank's identity and purpose. Through its branch network, digital platforms, agency banking channels, cooperative banking model, agricultural financing initiatives, and support for micro, small, and medium enterprises, the Bank continues to contribute to expanding access to financial services across Ethiopia. By connecting individuals, businesses, cooperatives, and communities to financial opportunities, Coopbank reinforces its role in mobilizing resources, supporting productive economic activities, and contributing to shared prosperity.

Our commitment to sustainable development also remains an important consideration in the Bank's strategic direction. Environmental, Social, and Governance (ESG) considerations increasingly influence institutional resilience, stakeholder expectations, and long-term value creation. Through initiatives such as Eco-Branches, renewable energy adoption, community development, financial literacy, and responsible banking practices, Coopbank continues to advance its commitment to responsible growth and broader socioeconomic impact. The Board remains committed to ensuring that these priorities are integrated into the Bank's governance, strategic decision-making, and long-term development agenda.

Looking ahead, the banking industry will continue to experience profound changes driven by technological innovation, evolving customer behavior, new business models, and intensifying competition from fintechs and digital financial ecosystems. Ethiopia's economic transformation and expanding digital economy offer considerable opportunities for financial sector development, while evolving risks demand continued vigilance and adaptability. The Board remains confident in Coopbank's strategic direction and recognizes that achieving our ambitions will require sustained investment in our people, technology, governance, risk management, and organizational capabilities. Above all, we must continue to translate our strategic priorities into measurable outcomes, stronger financial performance, and lasting value for our stakeholders.

On behalf of the Board of Directors, I extend my sincere appreciation to our shareholders for their continued confidence and support; the National Bank of Ethiopia and other regulators for their guidance; our customers for their trust; our partners for their collaboration; and our Management and employees for their dedication, professionalism, and commitment to the Bank's progress. Their collective contributions remain essential to strengthening Coopbank and advancing its strategic aspirations.

Together, we are building more than a growing financial institution. We are strengthening a bank rooted in cooperative values, committed to responsible growth, and positioned to create lasting value for generations to come. As we continue this journey, the Board remains committed to sound governance, strategic oversight, institutional resilience, and the successful realization of Coopbank's vision of becoming a Future-Ready Trillion-Birr Financial Powerhouse.

Thank you for your continued trust and partnership.

Meskerem Debebe
Chairperson, Board of Directors





“ Banking is increasingly becoming digital, data enabled and ecosystem driven. To remain at the forefront of this transformation, Coopbank continued investing significantly in technology modernization, automation, cybersecurity, data analytics, artificial intelligence readiness, digital channels, and customer experience enhancement.

”

Reflections From
THE CEO

Dear Shareholders and Stakeholders,
FY2025/26 represented another important chapter in Coopbank's transformation journey, shaped by an evolving global economic environment, Ethiopia's ongoing economic reforms, and significant changes in the financial services industry. The global economy demonstrated resilience amid persistent geopolitical tensions, energy-market disruptions, trade uncertainties, inflationary pressures, and rapid technological transformation.

Ethiopia continued to record strong economic growth during FY2025/26, supported by ongoing economic reforms and increased economic activity. GDP growth reached a projected 7.1%, while inflation moderated to around 12%. The external sector also recorded notable progress. Export earnings reached USD 10.7 billion, the highest level in the country's history, driven mainly by coffee and gold. Remittance inflows reached USD 7.9 billion, contributing more than 5% of GDP, while foreign direct investment inflows stood at USD 4.4 billion, representing an 8% increase compared with the preceding year.

Within this operating environment Coopbank delivered growth across key financial indicators during the FY 2025/26. Total Assets reached ETB 224.09 billion, Total Deposits reached ETB 193.26 billion, Loans and Advances stood at ETB 142.00 billion, Total Capital reached ETB 23.62 billion, while Profit before tax reached ETB 8.11 billion. These achievements were driven by disciplined execution, customer trust, operational excellence, and continued expansion of our products, services, and delivery channels.

While the Bank recorded encouraging growth, the current level of performance remains below the scale and pace required to realize our Vision. Significant opportunities remain untapped. Unlocking the Bank's full potential will require greater urgency, sharper execution, accelerated transformation, and sustained focus on delivering superior financial and strategic outcomes.

Through the implementation of our Segment-Led Shift at Scale (S³) strategy, we further strengthened our customer-centric operating model and enhanced our ability to deliver tailored value propositions across our priority segments. Digital transformation remained one of our most important strategic priorities. Banking is increasingly becoming digital, data enabled and ecosystem driven.

To remain at the forefront of this transformation, Coopbank continued investing significantly in technology modernization, automation, cybersecurity, data analytics, artificial intelligence readiness, digital channels, and customer experience enhancement. These investments are strengthening our operational efficiency, improving scalability, reducing service delivery friction, and enabling more personalized customer experiences.

Our digital ecosystem continued to expand significantly during FY2025/26, reinforcing Coopbank's position in digital financial services and financial inclusion. Our flagship digital lending platform, Michu, in partnership with Kifiya, has cumulatively disbursed over ETB 59.45 billion, expanding access to credit for underserved individuals and micro-enterprises. Likewise, the Coopay E-Birr ecosystem continued to gain remarkable momentum, serving more than 22.3 million wallet holders through a network of over 368,700 merchants and 42,800 agents, while facilitating transactions exceeding ETB 6.4 trillion. These transformative platforms, together with our partnership-driven innovations, are democratizing access to financial services, accelerating financial inclusion, and creating seamless digital experiences for customers across Ethiopia. We remain committed to making banking more accessible, convenient, inclusive, and digitally enabled for all Ethiopians while building a future-ready financial ecosystem that supports sustainable economic growth.

To accelerate our digital Transformation Journey, Technology investments continued to play a critical role in supporting financial performance and operational resilience. The Bank continued investing in world-class platforms including Temenos Core Banking, Temenos Infinity, SAP ERP, Huawei Data Centre Infrastructure, Nutanix Hyper-Converged Infrastructure, advanced digital banking solutions, card banking platforms, cybersecurity capabilities, and data analytics infrastructure. These investments are enhancing operational scalability, improving customer experience, strengthening risk management, and supporting long-term competitiveness.

One of our most impactful achievements continues to be our contribution to financial inclusion. Through our extensive branch network, Eco-Branches, Smart Branches, agency banking channels, digital platforms, cooperative banking models, and innovative financial solutions, we are reaching communities that have historically been underserved by the formal financial sector. Financial inclusion is not simply a business opportunity; it is a national development imperative and a core component of our purpose.



Our commitment to innovation also continued to strengthen. Through strategic partnerships, ecosystem development initiatives, digital lending solutions, and technology-enabled financial services, we are building a future-ready institution capable of responding to changing customer needs and emerging market opportunities.

People remain at the heart of our success. During the year, Coopbank maintained a workforce of 7,108 permanent employees supported by 6,221 outsourced personnel, representing a total human capital base of 13,329 employees. We continued investing in leadership development, capability building, succession planning, employee wellbeing, and performance excellence to ensure that our workforce remains equipped to drive the Bank's future growth and transformation. Beyond business performance, we remained committed to creating meaningful social and economic impact. Through agricultural financing, cooperative empowerment, MSME support, community development programs, environmental sustainability initiatives, and responsible banking practices, Coopbank continued contributing to Ethiopia's broader development agenda.

Looking ahead, we remain optimistic about the future. Ethiopia's ongoing economic reforms, expanding digital economy, growing entrepreneurial ecosystem, and increasing financial inclusion present significant opportunities for growth and innovation. Our priorities remain focused on customer centricity, digital leadership, operational excellence, ecosystem development, financial strength, and sustainable growth.

I extend my sincere appreciation to our Board of Directors for their strategic guidance and oversight, our shareholders for their confidence, our customers for their trust, our partners for their collaboration, and our employees for their extraordinary dedication and professionalism.

Together, we are building a stronger, smarter, more innovative, and more inclusive financial institution, one that is well-positioned to shape the future of banking in Ethiopia and realize our Vision and strategic aspirations.

Sincerely,



Deribie Asfaw Hurissa
Chief Executive Officer

Board of Directors



Meskerem Debebe
Chairperson, Board of Directors



Abinet Tareegn
Deputy Chairperson, Board of Directors



Dr. Fikru Deksis
Board Director



Deribie Asfaw
Board Director



Meseret Assefa
Board Director



Jemal Kedir
Board Director



Tegistu Shiferaw
Board Director



Dr. Yeshi Jima
Board Director



Aseffa Sumoro
Board Director



Dejene Dadi
Board Director



Belete Wakbeka
Company Secretariat

C-Suite Management



Deribie Asfaw
Chief Executive Officer (CEO)



Muluneh Aboye
Chief Financial Officer (CFO)



Shimelis Legesse
Chief Information Officer (CIO)



Tadele Tilahun
Chief People Officer (CPO)



Nebil Abdella
Chief, Digital Business Officer



Desalegn Tadesse
Chief Risk, Compliance and Legal Officer



Tafesse Fana
Chief Internal Auditor



Abdi Fekede
Transformation Edge Lead

Senior Management



Lemessa Dhufera
VP, Banking Operations



Yohannes Ambisa
VP, Agri and Cooperative Business Relations



Tahir Kedir
VP, Interest Free Banking



Dine Mohammed
VP, Wholesale Banking



Dereje Wedajo
VP, Credit Management



Anteneh Tadesse
Senior Director of Core Banking,
Infrastructure and Data



Sisay Fikadu
Senior Director of Strategy and Transformation



Geleta Abate
Senior Director of Technology and Innovation



Fikreyohans Lemma
Senior Director, Building Construction
Management and Administration



Tilahun Tesfaye
Senior Director, Financial Management



Jemal Abuna
Senior Director, Talent Acquisition
and Career Pathways



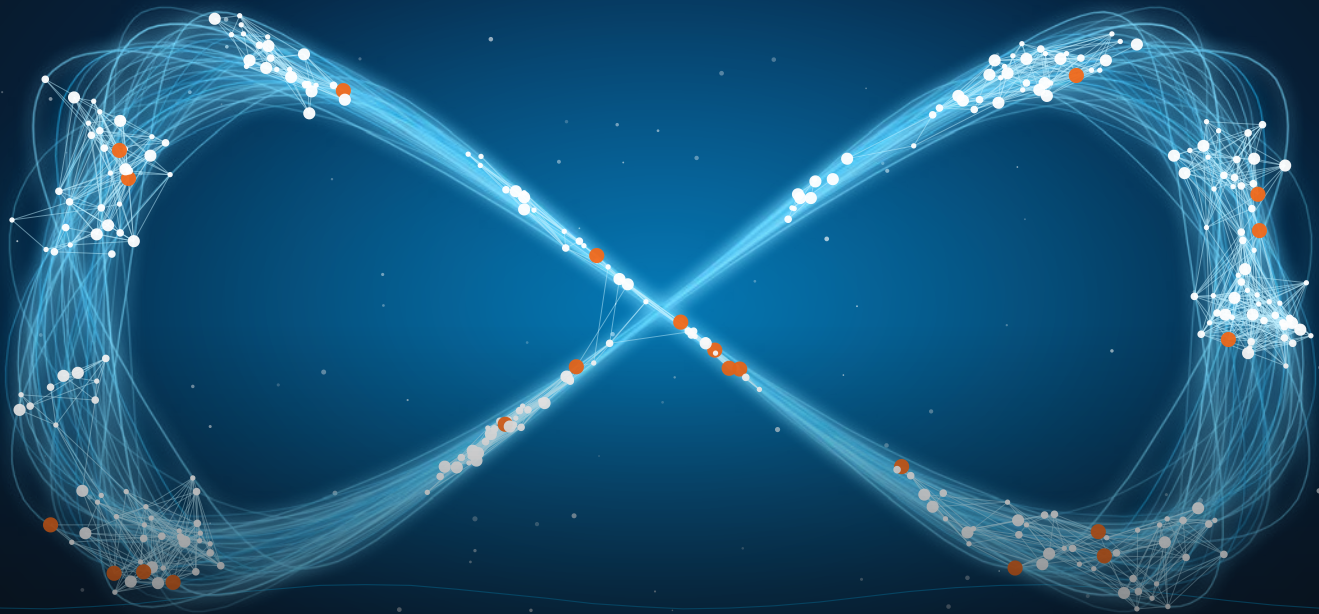
Negasa Dibaba
Senior Director, Facilities Management



Tolera Shula
Senior Director, Marketing

**COOPBANK AMONG
AFRICA'S
TOP 100
BANKS 2025!**

**African
BUSINESS**



SECTION

01

ABOUT THE REPORT

This Annual Report provides a comprehensive overview of Coopbank's financial and non-financial performance during FY2025/26.

FY2025/26

REPORTING PERIOD

Financial

PERFORMANCE OVERVIEW

Non-financial

PERFORMANCE OVERVIEW

This Annual Report provides a comprehensive overview of Coopbank's financial and non-financial performance during FY2025/26. It highlights the Bank's strategic achievements, operational performance, governance practices, sustainability initiatives, and value created for stakeholders while advancing its Vision.

- 1.1 **Reporting Period and Scope:** This report covers the period from 1 July 2025 to 30 June 2026 and includes information on Coopbank's financial performance, business operations, strategic initiatives, governance activities, sustainability- efforts, and stakeholder engagements. It also incorporates significant events and developments relevant to understanding the Bank's performance and outlook.
- 1.2 **Basis of Preparation:** The report has been prepared in accordance with applicable financial reporting standards, regulatory requirements, and industry reporting practices. Information presented is derived from audited financial statements, management reports, and other reliable internal and external sources to ensure transparency, consistency, and accuracy.
- 1.3 **Materiality and Reporting Principles:** The contents of this report are guided by matters considered most significant to Coopbank and its stakeholders. The report focuses on material financial and non-financial issues that influence the Bank's performance, sustainability, long-term growth, and ability to create value.
- 1.4 **Sustainability Reporting Approach:** This section outlines Coopbank's approach to sustainability and responsible banking, including its environmental, social, and governance commitments. It highlights initiatives that support financial inclusion, community development, environmental stewardship, ethical business conduct, and sustainable value creation.

- 1.5 Independent Audit and Assurances:** For the credibility and reliability of disclosed information, the Bank's financial statements are independently audited and subject to established governance and oversight processes. Management and the Board remain accountable for the integrity, completeness, and accuracy of the information presented in this report.
- 1.6 Forward-Looking Statements:** This report contains forward-looking statements regarding Coopbank's strategic priorities, business outlook, growth opportunities, and future performance expectations. These statements are based on current assumptions and expectations and are subject to risks, uncertainties, and changing market conditions that may influence actual outcomes.



SECTION 2

Coopbank at a Glance

02

With a network of **698 branches** across the country, Coopbank serves **15.91 Million customers** in every corner of Ethiopia, making financial services accessible to both urban and rural communities.

IN THIS SECTION

- Who we are
- Our Purpose, Vision, Mission and Values
- Our Establishment
- FY2025/26 at a Glance
- Our Stakeholders
- Our Partners
- Our Business Model and Value Creation
- Our People

Who We Are

698

Branches Nation wide

15.91+

Million Customers Served

29,601

Shareholders

13,329

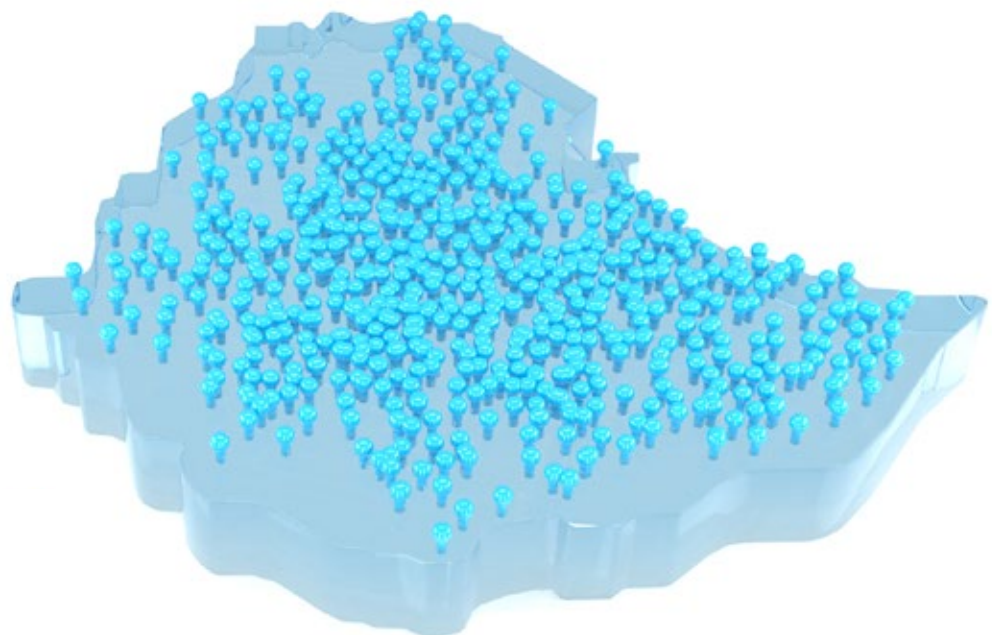
Total human capital base

Ownership: The bank Operates as a private commercial bank founded on cooperative principles and governed by the commercial and banking laws of Ethiopia. Its broad-based ownership includes a total of 29,601 shareholders

Nature of Business: Coopbank is a full-service commercial bank providing a comprehensive range of banking and financial services:

Geographic and Market Presence: With a network of 698 branches across the country, Coopbank serves 15.91 million customers in every corner of Ethiopia, making financial services accessible to both urban and rural communities. Beyond its physical presence, the Bank extends its reach through a wide range of digital banking platforms.

Branch Footprint



PURPOSE

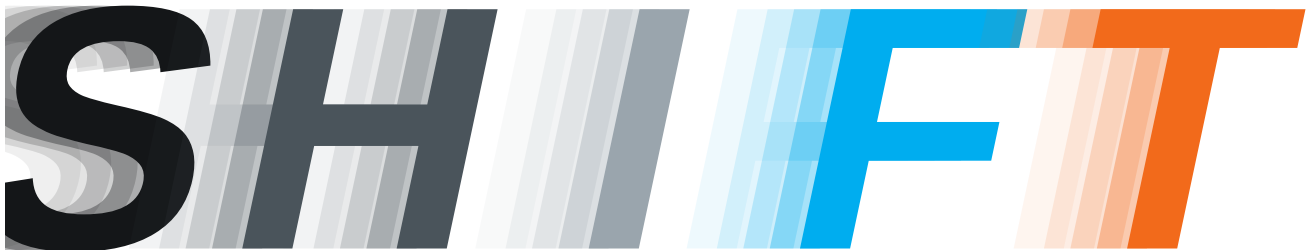
**Empowering
Communities
Transforming Lives**

VISION

**Transforming
Coopbank into a
Trillion-Birr Asset,
Financial
Powerhouse.**

MISSION

**Redefine the
banking experience
to bank smarter and
live better.**

**CORE VALUES****Stewardship**

Acting responsibly and sustainably in managing the Bank's resources, entrusted assets, and stakeholder interests.

**Hospitable**

Creating a welcoming, respectful, and customer-centric environment that values relationships and service excellence.

**Integrity**

Upholding the highest standards of honesty, ethics, transparency, and accountability in all actions and decisions.

**Futuristic**

Embracing innovation, adaptability, and forward-thinking solutions to create long-term value and remain future-ready.

**Teamwork**

Collaborating across functions and levels to achieve shared goals, leveraging collective strengths and mutual respect.

TAGLINE

**Bank Smarter,
Live Better.**

MOTTO

**Empowering
Communities
Transforming Lives**



OUR ESTABLISHMENT

Built on cooperation and inclusive access to finance



Obbo Haile Gebre Lube

The legendary founding father of Coopbank

“

The best way to fight poverty is through cooperation.

OBBO HAILE GEBRE LUBE

Coopbank was founded on the vision of Haile Gebre Lube, who believed that poverty could best be addressed through cooperation and inclusive access to financial services.

Established through a project office in 2002 and commencing operations in March 2005, the Bank was created to serve **farmers, cooperatives, small businesses, and underserved communities** that had limited access to formal banking.

For more than two decades, Coopbank has remained committed to empowering communities, strengthening partnerships, advancing financial inclusion, supporting entrepreneurship and sustainable agriculture, and contributing to Ethiopia's economic development.

Through innovative banking solutions, digital transformation, and inclusive financing models, the Bank has expanded opportunities for millions of Ethiopians while staying true to its enduring purpose: **Empowering Communities, Transforming Lives!**

2002

Project office established

March 2005

Operations commenced

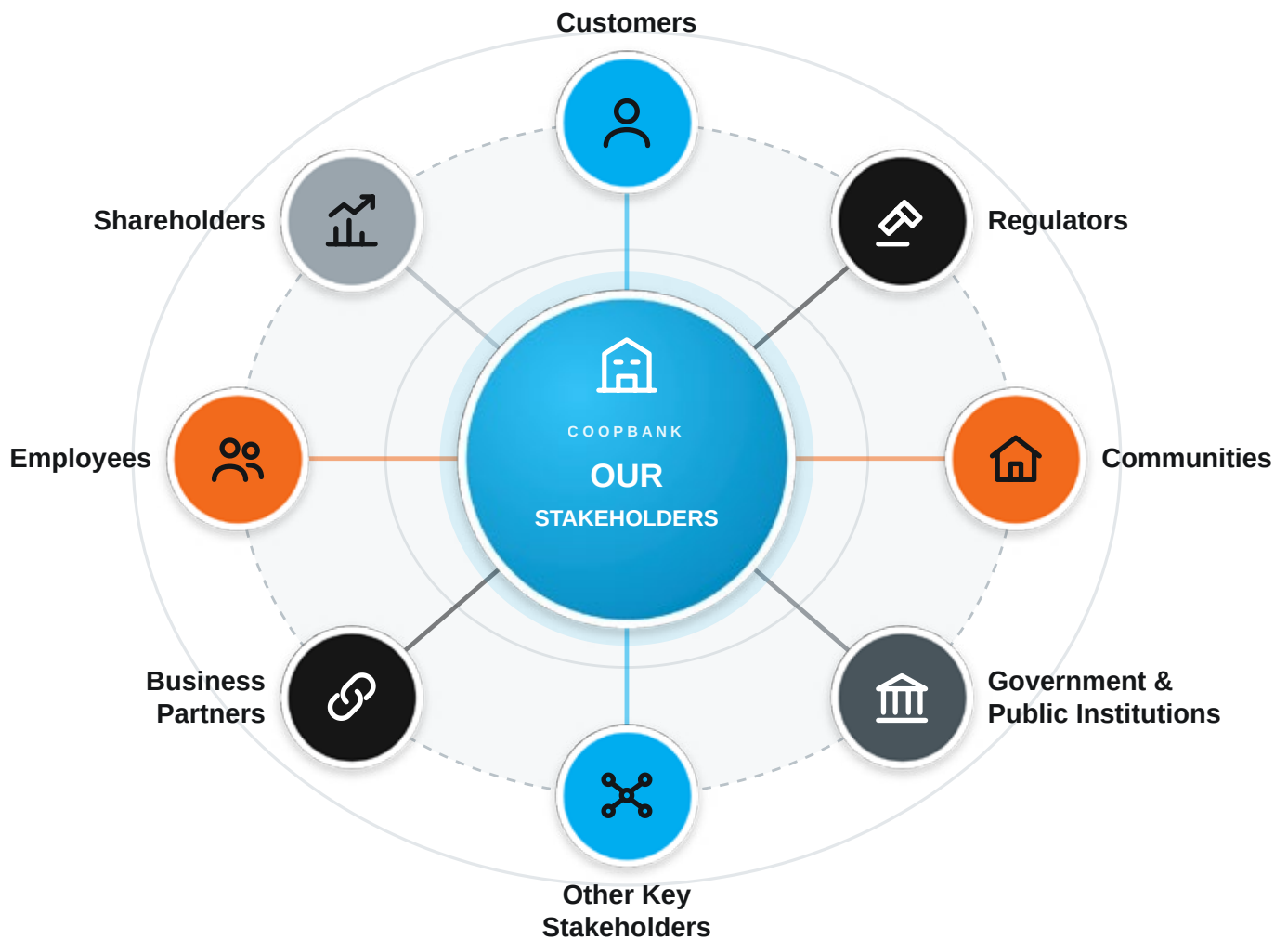
21+ years

Of empowering communities

Empowering Communities, Transforming Lives!

Our Stakeholders

This Annual Report is prepared to provide transparent, relevant, and balanced information to stakeholders who contribute to and are impacted by the Bank's operations, strategy, and long-term value creation. The report addresses the information needs of the following key stakeholder groups.



Our Partners

Coopbank partners with **purpose-aligned institutions, development organizations, and NGOs** to drive community empowerment, foster inclusive growth, and improve livelihoods across the communities it serves.

Through these strategic partnerships, the Bank extends its social and economic impact, promotes financial inclusion, and contributes to sustainable community development.



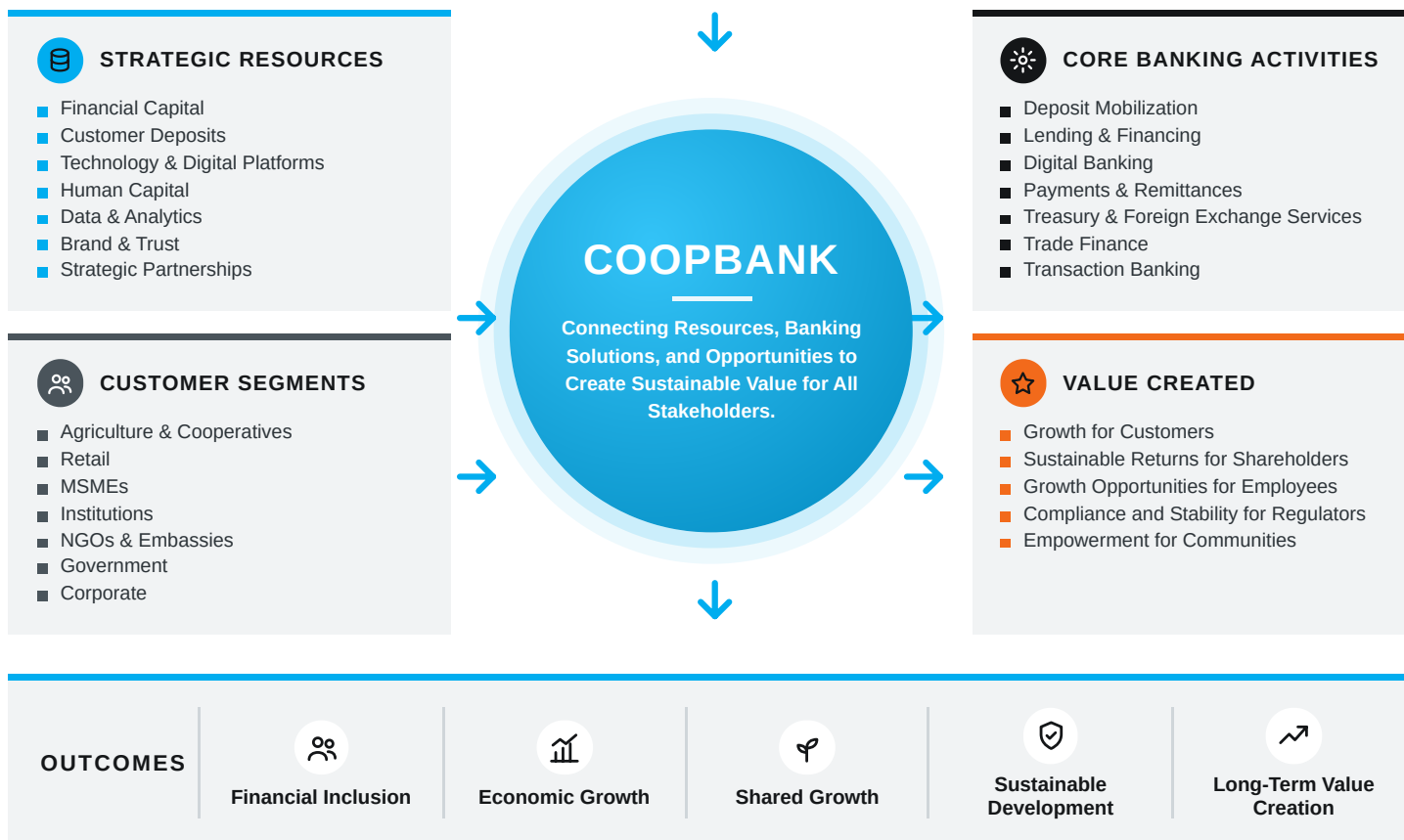
Our Business Model and Value Creation

At Coopbank, value creation is embedded in our purpose of Empowering Communities, Transforming Lives. Our business model is designed to create sustainable economic, social, and financial value by mobilizing resources, enabling financial intermediation, and delivering innovative banking solutions.



COOPBANK VALUE CREATION MODEL

PURPOSE Empowering Communities, Transforming Lives



Our People

7,108

Permanent staff

6,221

Outsourced personnel

13,329

Total workforce

At Coopbank, our people are the foundation of our success and a critical enabler for our Vision realization. We remain committed to building a high-performing, inclusive, and future-ready workforce through continuous learning, leadership development, employee empowerment, and a culture of excellence.

During the reporting period, the Bank invested over ETB 275 million in employee learning and development, with employees averaging 25 training hours each. To deepen ESG knowledge, the Bank leveraged its online learning platform to certify 158 employees in ESG, while advancing plans to make ESG and climate-related training mandatory. The Bank's Learning Management System (LMS) further reinforced responsible and resilient banking through mandatory courses in Ethics and Anti-Corruption, Information Security Awareness, and Operational Risk Management. By investing in talent, performance excellence, and future-ready capabilities, Coopbank is strengthening organizational resilience, accelerating digital transformation, and advancing its ambition of becoming a Future-Ready Financial Powerhouse.



Annual management workshop



Coopbank Back Office Innovative Team



Agricultural Banking Professionals at work

Construction Projects

During the fiscal year, Coopbank continued to advance its construction projects, with progress varying across major developments.

Coopbank Business City: The project remained focused on finalizing major scope, design, and contractual adjustments. Key developments included the completion of one of the two bridges instructed by the City Administration, substantial closure of fencing contracts, and implementation of Riverside Development works.

Adama District Office Building: Construction progressed through key structural activities, including completion of ground-floor vertical concrete works and first-floor slab concreting, alongside completion of formwork and reinforcement of first-floor vertical structures.

Harar Mixed-Use Building: Structural works were substantially completed, establishing the building frame. Progress in architectural finishes, façade works, mechanical, electrical and plumbing (MEP) installations, rooftop works, and external infrastructure are under development.





NBE Governor H.E. Dr. Eyob Tekalign and Delegation Visit Coopbank's Digital Innovations at DX Valley.



MOU signed with UNHCR



MOU signed with Korea International Cooperation Agency



Partnership Agreement Signed with UNDP



Coopbank Showcases Its Operations to African Union Commission Delegation



Coopbank warmly congratulates its corporate customer, Ethiopian Airlines, on its milestone 80th anniversary!



MoU signed with IFC (International Finance Corporation)



Coopbank at the 2nd Ethiopian Digital Payments Conference



Coopbank VISA card Launching Event



MoU signed with MELCA Ethiopia



MoU signed with SASAKAWA AFRICA ASSOCIATION



Lucky winners of Coopbank's Foreign Currency Lottery Program receiving their prizes



OUR AWARDS



Wins Sustainable SME Financier of the Year at the Global SME Finance Forum 2025
it has been named Sustainable SME Financier of the Year at the Global SME Finance Forum 2025 held in Johannesburg, South Africa.

recognized by ControlCase at the 15th Annual Global Conference 2026

for achieving PCI DSS 4.0.1 and ISO 27001 compliance and certification. This recognition reflects Coopbank's strategic commitment to data security, privacy, and global standards of excellence.



recognized as the Best Financial Institution with the Most Innovative Financial Schemes.
This remarkable achievement comes through our Michu, the uncollateralized digital loan, delivered in partnership with Kofiya, empowering MSMEs and driving inclusive growth across the nation.





received a prestigious recognition award at the Addis Ababa City Volunteer Appreciation Forum for its outstanding commitment to Environmental, Social, and Governance (ESG) values in all its operations



recognized as a Trusted Taxpayer by H.E. Prime Minister Abiy Ahmed (Dr.) at the 7th Ethiopian National Taxpayer Recognition



"Excellence in SME Banking" award at the 29th Connected Banking Summit – Innovation & Excellence Awards 2026, organized by the International Centre for Strategic Alliances (ICSA). supporting Micro, Small, and Medium-sized Enterprises (MSMEs) through accessible, sustainable, and innovative financial solutions, powered by digital technology.





Received Recognition of Excellence for outstanding commitment for providing Accessible Financial Services by Supporting and Empowering Farmers



Received the Financial Resilience & Security Pioneer award from Huawei
This achievement reflects our shared vision of building secure, intelligent, and future-ready financial services for a smarter Africa.



Recognized by Mastercard as the Top Performing Farm Pass Partner in Africa – 2025.
This achievement reflects our strategic commitment to transforming agricultural value chains through digital innovation.



Awarded the Bronze Award at the prestigious CIO100 Africa Awards 2025, November 21, 2025, in Nairobi.
places us among Africa's leading tech-driven organizations and highlights our ongoing digital transformation journey.

SECTION

03

OPERATING ENVIRONMENT

FY2025/26 was characterized by improving domestic economic conditions, ongoing macroeconomic reforms, accelerating digital transformation, and an evolving regulatory environment.

3.0%

ESTIMATED GLOBAL GROWTH

7.2%

ETHIOPIA ECONOMIC
GROWTH

USD 10.7 bn

EXPORT EARNINGS

FY2025/26 was characterized by improving domestic economic conditions, ongoing macroeconomic reforms, accelerating digital transformation, and an evolving regulatory environment. While global economic uncertainty persisted, Ethiopia maintained strong growth momentum, creating both opportunities and challenges for the banking sector.

Global Economic Environment

The global economy remained resilient, with growth estimated at approximately 3.0%, supported by moderating inflation and improving economic activity. Although inflation eased and some central banks began reducing policy rates, global interest rates remained relatively high. Commodity prices, foreign exchange markets, and external financing conditions continued to experience volatility due to geopolitical tensions and global financial uncertainties.

Ethiopian Economic Environment

Ethiopia continued to record strong economic growth, scoring at 7.2%, supported by ongoing reforms and increased economic activity. Inflation moderated to around 12%, while reserve money growth declined to 43.0% from 66.4%, and broad money growth slowed to 32.7%. Export earnings increased significantly, reaching USD 10.7 billion, the highest in the country's history, primarily driven by strong performances in the coffee and gold.

Remittance inflows reached USD 7.9 billion, contributing more than 5% of national GDP. Foreign Direct Investment (FDI) inflows also demonstrated positive momentum, reaching USD 4.4 billion during the fiscal year, representing an 8% increase compared to the preceding year.

Banking Industry Environment

The Ethiopian banking industry continued to demonstrate strong growth during FY 2025/26, supported by economic expansion, ongoing financial sector reforms, and increasing adoption of digital financial services. Industry assets reached more than ETB 6.17+ trillion, while total deposits exceeded more than ETB 4.82+ trillion. Interest-Free Banking (IFB) deposits surpassed ETB 563+ billion, reflecting the growing demand for Shariah-compliant financial services. The sector served more than 172+ million customer accounts through a network of over 12,074 branches, further enhancing financial inclusion and access to banking services across the country.

The competitive landscape of the financial services industry is also undergoing significant transformation. Beyond traditional banking institutions, Telecom operators, fintech companies, payment service providers, and digital financial platforms are increasingly participating in the delivery of financial services. This evolution is reshaping customer expectations and intensifying competition for payments, deposits, lending, and fee-based income streams.

Regulatory and Policy Environment

The National Bank of Ethiopia continued implementing reforms aimed at strengthening financial stability, capital adequacy, liquidity management, and risk governance. Significant foreign exchange reforms expanded banks' participation in the FX market, enhanced trade finance flexibility, and improved foreign currency retention arrangements. Regulatory attention also increased on digital financial services, cybersecurity, operational resilience, and consumer protection.

Opportunities Challenges and Implication

Ethiopia's economic growth, macroeconomic reforms, expanding digital economy, improving foreign exchange environment, and rising financial inclusion continue to create significant opportunities for Coopbank across agricultural finance, cooperative banking, MSME financing, trade finance, foreign currency generation, digital financial services, ecosystem banking, and Interest-Free Banking.

Supported by its extensive branch network, strong cooperative foundation, and growing digital capabilities, the Bank is well positioned to capture these opportunities and expand its market presence.

At the same time, inflationary pressures, foreign exchange volatility, rising funding costs, intensifying competition, and cybersecurity risks continue to challenge profitability, efficiency, and risk management.

In response, Coopbank strengthened its focus on deposit mobilization, foreign currency generation, liquidity and capital optimization, asset quality improvement, and sustainable profitability.



SECTION

04



S³

S Segment-Led

S Shift

S at Scale

OUR STRATEGY

Coopbank is currently implementing its **sixth Corporate Strategy**, which began in the 2023/24 period.

STRATEGIC PILLARS

S

Sustainable Strength

C

Customer & Community

A

Agility & Accuracy

L

Leadership & Learning

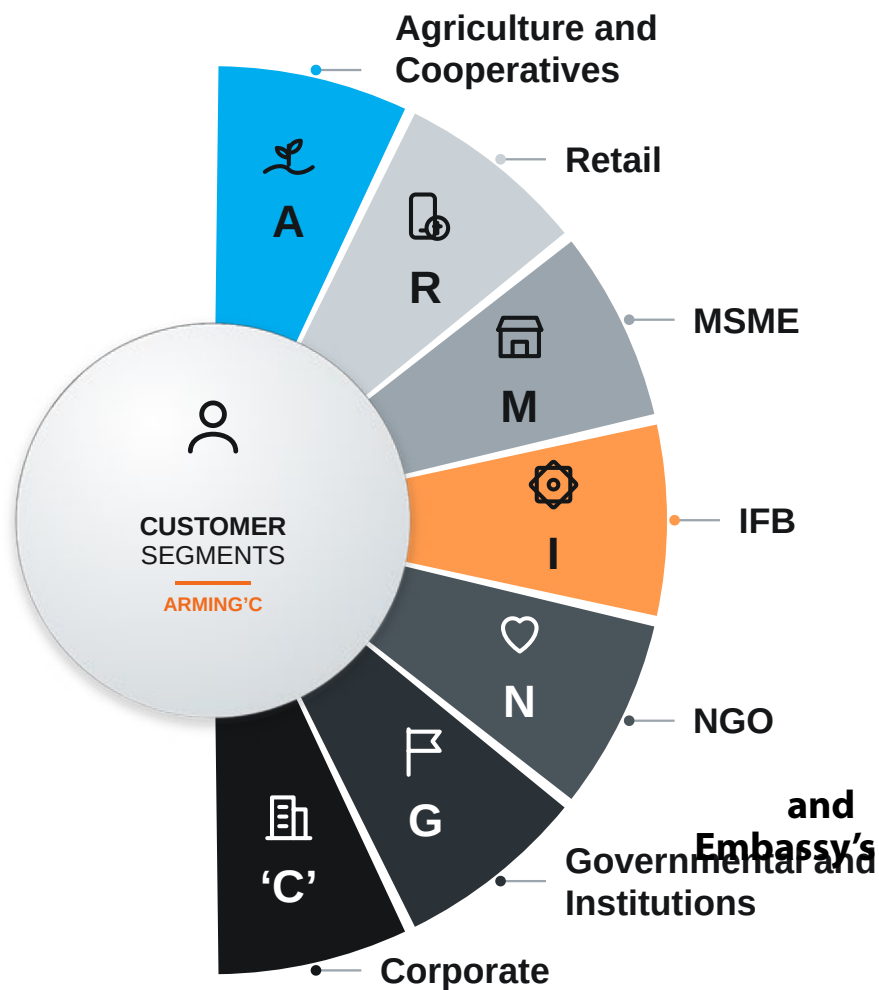
E

Expansion & Ecosystem

Coopbank is currently implementing its sixth Corporate Strategy, covering the period 2023/24 to 2029/30. Named as the “Segment-Led Shift @ Scale” Winning Strategy, it serves as the strategic roadmap for achieving the bank’s Vision and guiding the Bank’s key priorities and transformation initiatives.

The strategy is built around seven customer segments: Agriculture & Cooperatives, Retail, MSMEs, Institutions, NGOs & Embassies, Government, and Corporate (ARMING’C) which enables the Bank to deliver targeted value propositions, deepen customer relationships, accelerate growth, and drive sustainable financial performance at scale.

CUSTOMER SEGMENTS



Strategic Directions

Coopbank's strategic direction is guided by its Vision "Transforming Coopbank into a Future-Ready Trillion-Birr Financial Powerhouse. This represents the Bank's long-term aspiration to become a leading financial institution distinguished by scale, innovation, resilience, customer trust, and sustainable value creation.

Strategic Ambition: Guided by its purpose of Empowering Communities, Transforming Lives, Coopbank aims to become a customer-centric, digitally enabled, financially resilient, and ecosystem-driven financial powerhouse.

Through its Segment-Led Shift @ Scale (S³) strategy, the Bank seeks to accelerate growth, deepen customer relationships, strengthen competitiveness, and expand its impact across communities and markets.

The bank envisioned to redefine the banking experience by providing innovative, accessible, and inclusive financial solutions that enable customers to bank smarter and live better.

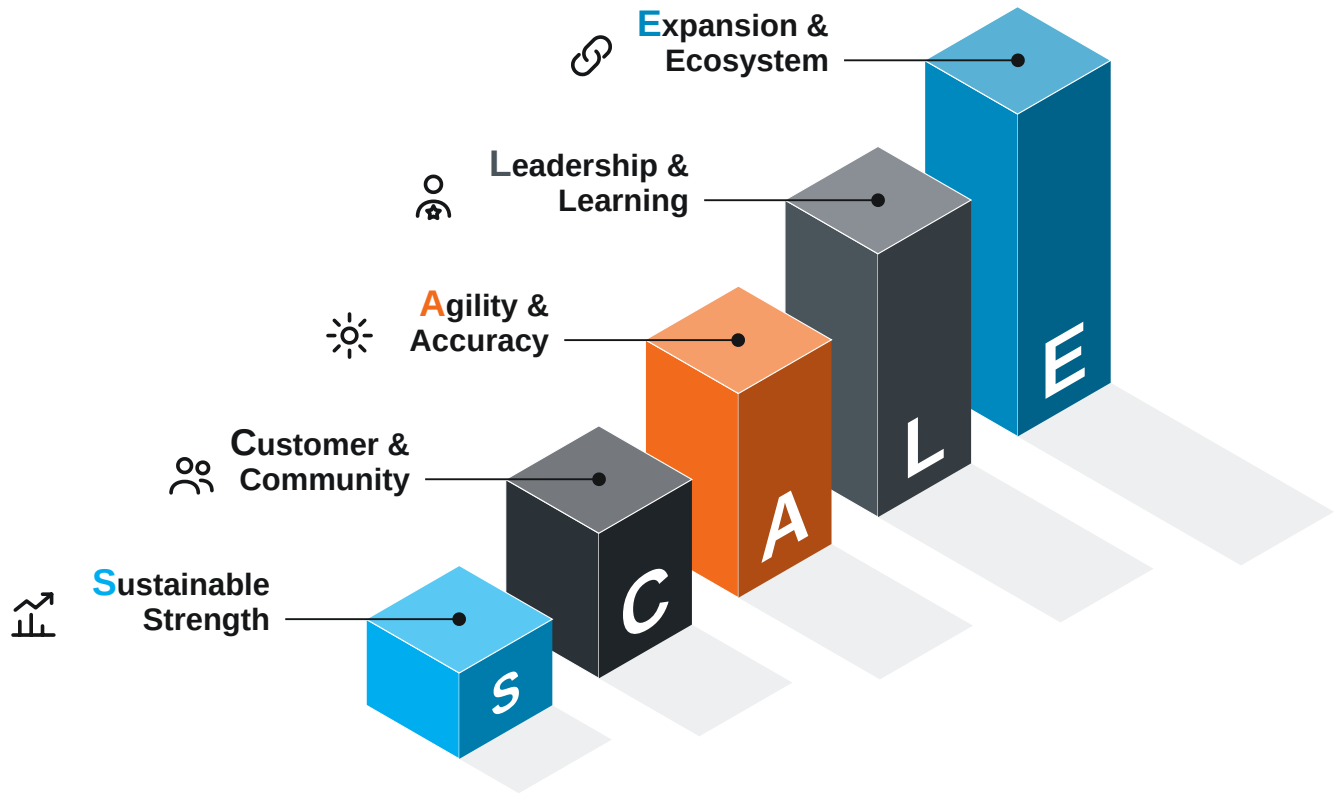
Strategic Themes (Strategic Pillars)

To realize its Vision, Coopbank's strategy is anchored on five interconnected strategic pillars that collectively drive sustainable growth, competitive advantage, organizational transformation, and long-term value creation.



OUR STRATEGIC PILLARS

Building a Future-Ready Financial Powerhouse



S Sustainable Strength

STRATEGIC FOCUSES

- ◆ Sustainable growth
- ◆ Profitability
- ◆ Capital strength
- ◆ Liquidity resilience
- ◆ Sound risk management

WHAT IT MEANS

Building a resilient financial institution through sustainable growth, profitability, capital strength, liquidity resilience, and sound risk management.

INTENDED OUTCOMES

Strong financial performance, sustainable profitability, resilience, and long-term stakeholder value.

C Customer & Community

STRATEGIC FOCUSES

- ◆ Customer relationship deepening
- ◆ Financial inclusion
- ◆ Relevant & accessible solutions
- ◆ Community impact

WHAT IT MEANS

Deepening customer relationships and advancing financial inclusion by delivering relevant, accessible, and impactful financial solutions.

INTENDED OUTCOMES

Expanded customer base, stronger loyalty, increased financial inclusion, and greater community impact.

A Agility & Accuracy

STRATEGIC FOCUSES

- ◆ Technology & data
- ◆ Automation
- ◆ Innovation
- ◆ Smarter decision-making
- ◆ Operational excellence

WHAT IT MEANS

Leveraging technology, data, automation, and innovation to enhance decision-making, customer experience, and operational excellence.

INTENDED OUTCOMES

Digital leadership, improved efficiency, innovation, and superior customer experience.

L Leadership & Learning

STRATEGIC FOCUSES

- ◆ Leadership development
- ◆ Talent management
- ◆ Governance & culture
- ◆ Continuous learning

WHAT IT MEANS

Building a future-ready bank through strong leadership, talent development, governance, culture, and continuous learning.

INTENDED OUTCOMES

High-performing workforce, organizational agility, and execution excellence.

E Expansion & Ecosystem

STRATEGIC FOCUSES

- ◆ Ecosystem partnerships
- ◆ Digital platforms
- ◆ Strategic investments
- ◆ Collaborative business models

WHAT IT MEANS

Creating growth through ecosystem partnerships, digital platforms, strategic investments, and collaborative business models.

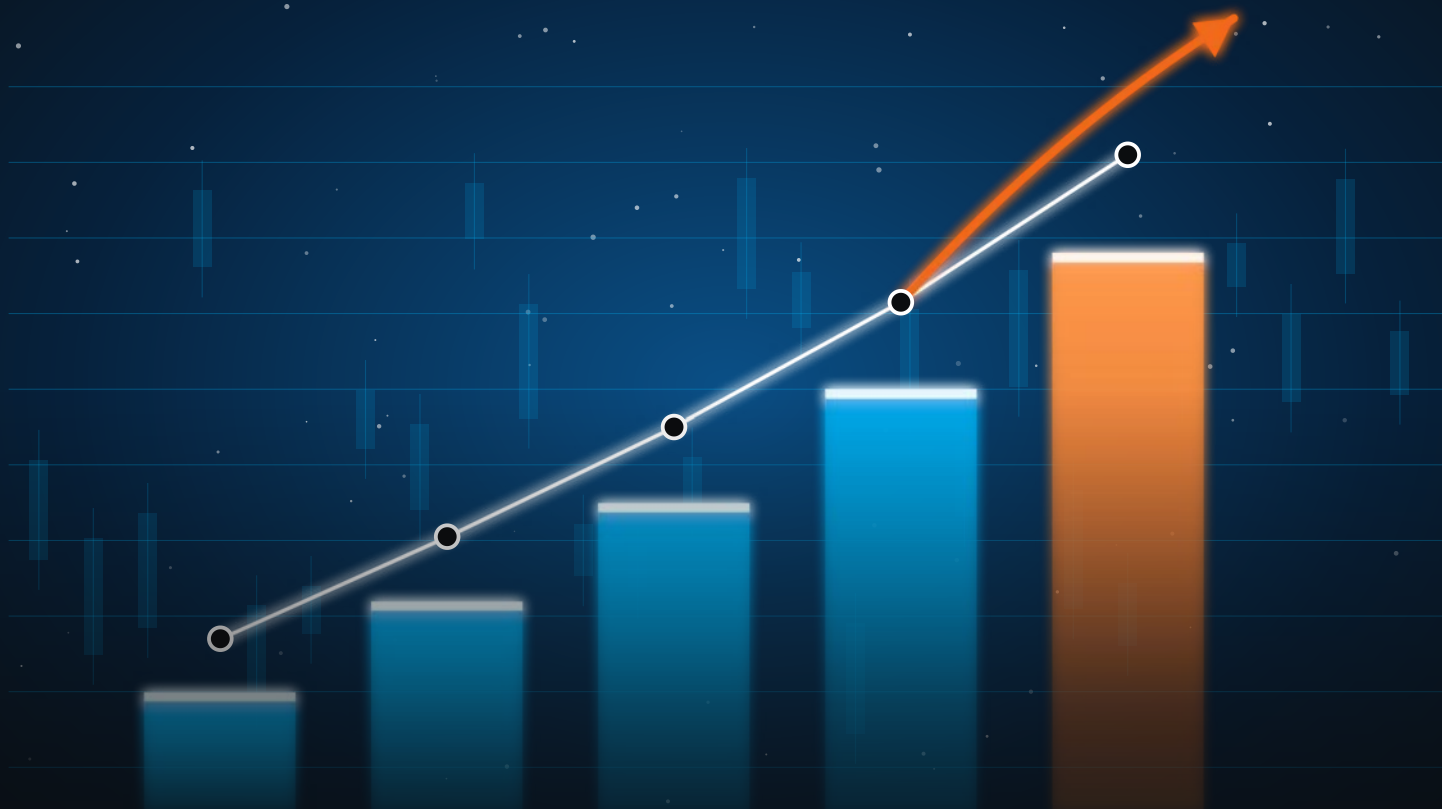
INTENDED OUTCOMES

Diversified revenue streams, expanded market reach, and sustainable growth opportunities.

Strategic Priorities

To accelerate progress toward its Vision and deliver its strategic ambition, Coopbank focuses on the following strategic priorities:

- ⊙ Strengthening financial performance, profitability, capital adequacy, liquidity, and balance sheet resilience.
- ⊙ Deepening customer relationships through the ARMING'C customer segmentation framework.
- ⊙ Expanding financial inclusion and community empowerment initiatives.
- ⊙ Accelerating digital transformation, automation, and data-driven decision-making.
- ⊙ Enhancing customer experience through innovative and accessible financial solutions.
- ⊙ Building future-ready leadership, talent, and organizational capabilities.
- ⊙ Expanding ecosystem partnerships and platform-based banking solutions.
- ⊙ Advancing operational excellence, productivity, and cost efficiency.
- ⊙ Promoting sustainability, responsible banking, and strong governance practices.



SECTION
05

FINANCIAL PERFORMANCE

Funding

FUNDING PERFORMANCE

Loans

LOANS AND ADVANCES

Securities

INVESTMENTS IN
SECURITIES

Coopbank recorded a substantial expansion in scale over the five-year period. Total assets increased from ETB 114.61 billion in FY2022 to ETB 224.09 billion in FY2026, representing a growth of 13.55% year-on-year, supported principally by growth in loans and advances and investments.

“FY2026 represents a marked improvement in headline profitability and operating efficiency after the weaker profitability recorded in FY2024–FY2025”

FIVE-YEAR FINANCIAL PERFORMANCE SNAPSHOT (FY2022 – FY2026)

INDICATORS	2021/22	2022/23	2023/24	2024/25	2025/26	YOY GROWTH
Total assets (ETB bn)	114.61	140.33	139.70	197.35	224.09	13.55%
Loans & advances (ETB bn)	82.70	99.67	95.99	113.47	142.00	25.7%
Total deposit (ETB bn)	96.77	116.25	117.16	175.20	193.26	10.3%
Revenue (ETB bn)	12.05	17.71	17.55	20.01	33.14	65.62%
Profit before tax (ETB bn)	2.84	3.39	2.51	1.98	8.11	309.60%
ROA	2.90%	2.66%	2.40%	1.84%	2.92%	+1.08 pp
ROE	25.13%	22.78%	18.62%	16.61%	29.94%	+13.33 pp
CIR	62.85%	68.15%	73.76%	80.80%	60.14%	-20.66 pp
NIM	7.50%	8.90%	8.50%	9.19%	11.40%	24.05%

FY2026 saw strong growth in revenue, operating income, and profit, with improved efficiency and a reduced cost-to-income ratio of 60.14%.

Funding Performance

Deposit Growth

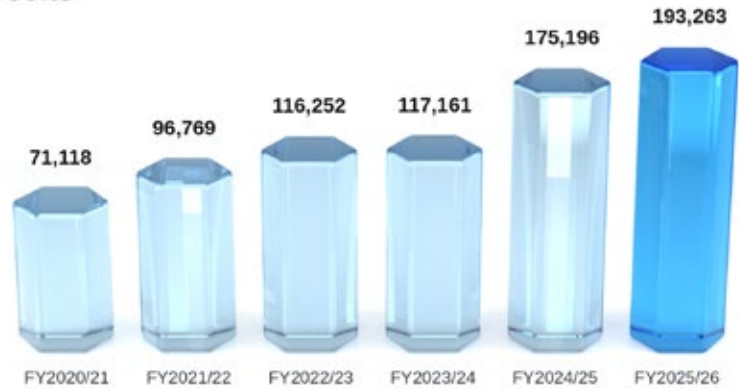
193.26 ETB

Billion Deposits,
FY2025/26

Customer deposits remained the Bank's principal source of funding and continued to demonstrate a growth momentum over the past five years. Deposits increased from ETB 96.77 billion in FY2021/22 to ETB 193.26 billion in FY2025/26.

Total deposits

ETB million



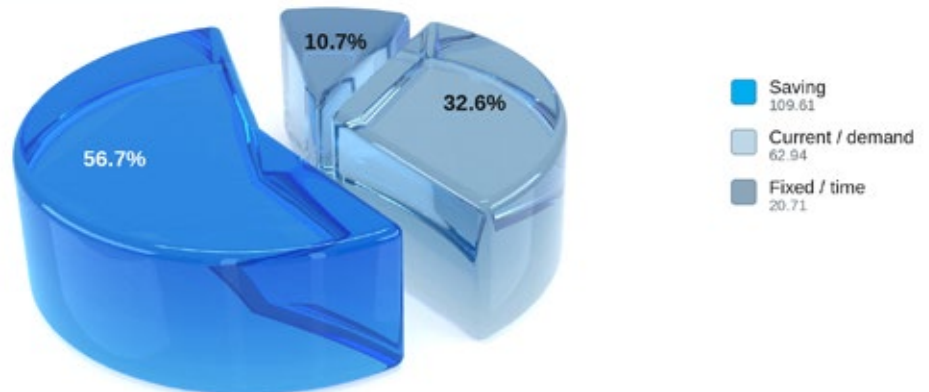
Deposit Mix

56.7%

Saving deposits, share
of total

Deposit structure

FY2025/26, ETB billion, total 193.26



Foreign Currency Mobilisation

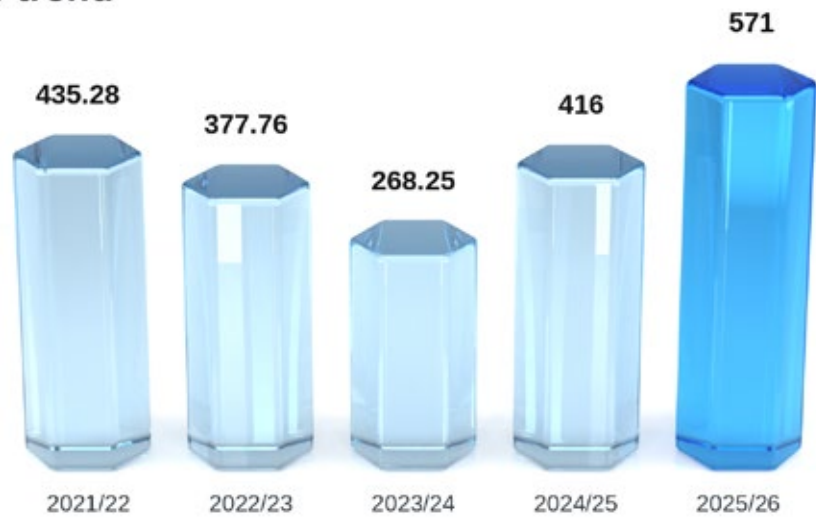
571 USB

Million FCY mobilised in
FY2026

Foreign currency mobilisation increased from USD 415 Million in FY2025 to USD 571 Million in FY2026, representing growth of approximately 37.6%.

FCY earnings trend

USD million



While considering FCY mobilization by source, Export remained the largest contributor, accounting for 54.2% of total foreign currency mobilization, followed by SWIFT transfers at 29.1%. Other sources contributed 10.6%, while Remittance and Purchase accounted for 4.9% and 1.2%, respectively.

SOURCE	AMOUNT (USD MN)	SHARE
Export	309.50	54.2%
SWIFT	166.25	29.1%
Remittance	27.82	4.9%
Purchase	6.78	1.2%
Others	60.60	10.6%
Total	571.00	100.0%

Loans and Advances

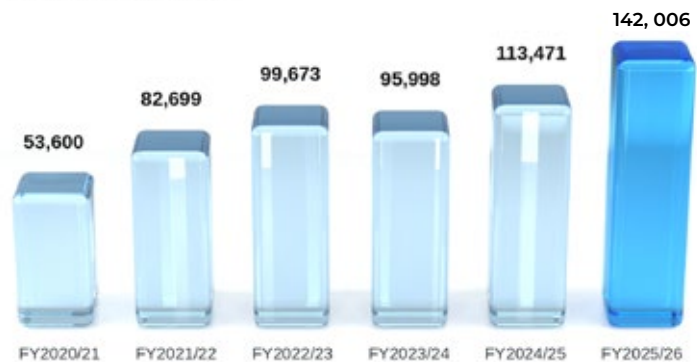
142 ETB

Billion Loans and Advances

Loans and advances increased by 25.7% to ETB 142 billion in FY2025/26. During the fiscal year, the Bank disbursed ETB 42.73 billion in new loans and financing.

Loans and advances trend

ETB million

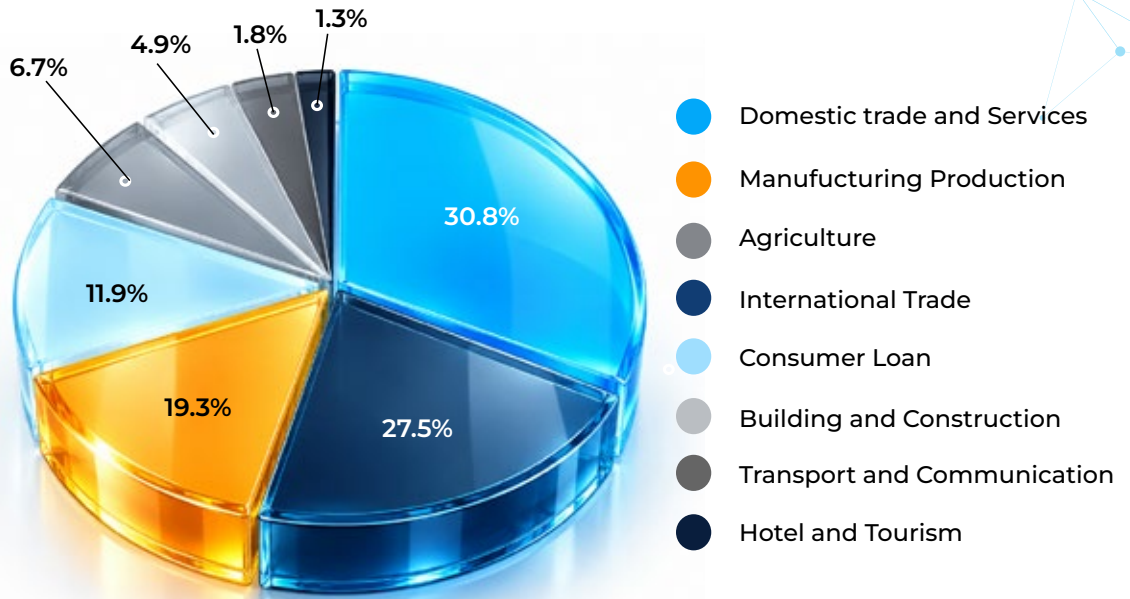


25.7%

Growth

42.73 ETB

Billion New loans and financing Disbursed



Loan and Advance Portfolio by Sector

Investments in Securities

20.82 ETB

Billion Investments in Securities

Investments in securities increased to ETB 20.82 billion in FY2026 from ETB 14.08 billion in FY2025, representing growth of approximately 47.9%. The increase indicates a significant amount allocation of the balance sheet to investment assets alongside the expansion of lending. Investment in Securities includes Treasury Bond, DBE Bond, Treasury bill, Fixed Placements and Government Bond.

Profit before Depreciation, Amortization and Provision

11.48 ETB

Billion

During the Fiscal year 2025/26, the Bank collected a total operating income of ETB 33.13 billion a substantial 70% year-over-year growth compared to the previous fiscal year. On operating expenses side during the year the bank incurred a total of ETB 25.02 billion reflects a 40% year-over-year growth.

Accordingly, the bank's secured a Profit before depreciation, amortization and provision of ETB 11.48 billion, Profit before tax of ETB 8.11 Billion, achieved 309.6% year on year growth.

SECTION

06

BUSINESS GROWTH PERFORMANCE

Expanding access to financial services remains central to Coopbank's purpose of **"Empowering Communities, Transforming Lives."**



Access

EXPANDING FINANCIAL
SERVICES



Communities

EMPOWERED



Lives

TRANSFORMED

Customer Growth

15.91

Million Total Accounts

1.17

Million New Deposit Accounts

Expanding access to financial services remains central to Coopbank's purpose of "Empowering Communities, Transforming Lives." Guided by its commitment to financial inclusion, the Bank continues to extend banking services to underserved and previously unbanked communities through its extensive branch network, digital banking platforms, agency banking services, and cooperative-based outreach initiatives.

During FY2025/26, Coopbank added 1.17 million new deposit accounts, increasing the total number of accounts to 15.91 million, representing a 7.9 percent annual growth.

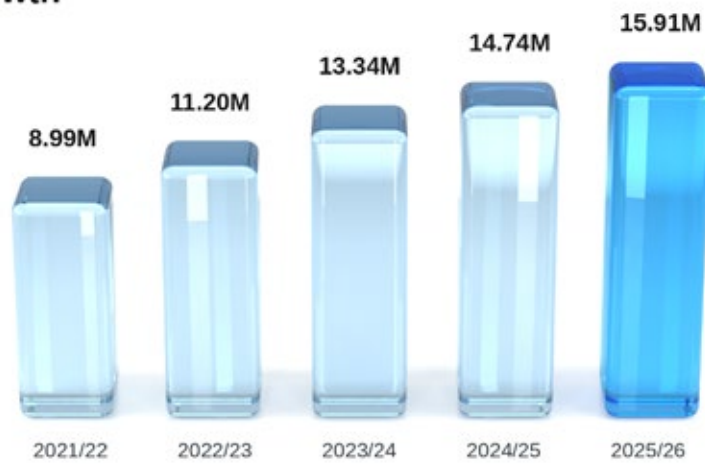
This achievement reflects the continued trust of customers, the effectiveness of the Bank's customer-centric strategy, and the growing adoption of its digital and branch-based banking services. Over the past five years, the Bank's deposit account base has expanded, demonstrating sustained progress in deepening financial inclusion and broadening access to formal financial services.



Million Customers

Customer growth

Million accounts



Beyond customer growth, this expansion strengthens economic participation, savings mobilization, and access to financial services for individuals, cooperatives, MSMEs, farmers, and businesses nationwide. Coopbank views this achievement as a reflection of its broader social impact, remaining committed to expanding digital access, serving underserved communities, empowering lives, and making modern banking accessible to every Ethiopian.

“Coopbank views this achievement not only as a measure of business growth but also as evidence of its broader social impact”

Customer Experience

Coopbank is committed to delivering accessible, convenient, responsive, and customer-centred experiences across its channels. Customer experience is assessed through Customer Satisfaction Score and Net promoter Score providing insights into satisfaction, advocacy, and ease of interaction.

Coopbank views this achievement not only as a measure of business growth but also as evidence of its broader social impact. By continuously enhancing customer onboarding, expanding digital access, and strengthening its presence in underserved communities, the Bank remains committed to empowering communities, transforming lives, and ensuring that modern banking services are accessible to every Ethiopian.

Distribution and Accessibility

698

Branch Network

765

CRM/ATM machines

42.8K

Agents

368K

Merchants

Coopbank continued to strengthen financial accessibility through an integrated physical and digital service delivery model. As of June 30, 2026, the Bank operated 698 branches, including 43 dedicated Interest-Free Banking branches, more than 200 Smart Branches, and over 100 Eco-Branches, ensuring broad service coverage across urban, rural, and underserved communities.

The Bank further enhanced customer convenience through a network of 765 CRM/ATM machines, 42.8 thousand agents, and 368 thousand merchants, creating one of the country's most extensive banking access ecosystems.

Digital channels remained a key driver of accessibility. Together, the Bank's branch network, self-service channels, agency banking, merchant ecosystem, and digital platforms have significantly reduced geographic barriers and expanded access to formal financial services across Ethiopia

SECTION

07

INTEREST-FREE BANKING

Interest-Free Banking (IFB) remains a key growth segment for Cagayan for Cooperative to tngno customer engagement, financial inclusion, and the continuous introduction of Shari'ah-compliant products and services.

Shari'ah-Compliant
Products & Services



Customer
Engagement



Financial
Literacy Initiatives





Shaikh Salih Nur Ahmed
SAC CHAIRPERSON



Ustaz Kamil Shemsu Siraj
SAC DEPUTY CHAIRPERSON



Dr. Kamal Haji Galato
SAC Member



Dr. Mohammed Salih Jamal
SAC Member



Dr. Jibril Qamar Adam
SAC Member



Sheikh Jamal Aliyi
SAC Member

Shari'ah Committee Reflections

In accordance with its Charter, Terms of Reference, NBE directives, and applicable Shari'ah governance requirements, the Shari'ah Advisory Committee of Coopbank provided independent oversight, guidance, and assurance over the Bank's Interest-Free Banking (Coopbank Alhuda) operations throughout the fiscal year ended June 30, 2026.

Its oversight encompassed the Shari'ah compliance of IFB products, services, policies, financing structures, contracts, and operational processes.

30.83 ETB

Billion
IFB Deposits

4.46

Million Customers

43

Dedicated IFB
Branches

The Committee recognizes the growth of Coopbank Alhuda banking, with total interest free deposits standing at ETB 30.83 billion deposits and Number of deposit account holder customers reached 4.46 million as of June 30, 2026, through 43 dedicated IFB branches and service windows across the Bank's entire branch network. Another key milestone was the Committee's review and approval of the Shariah Compliant uncollateralized Digital Finance Product for pilot implementation following a comprehensive Shariah assessment.

To strengthen IFB operational compliance, the Committee conducted surprise branch visits to selected branches assessing operational practices, documentation, customer service, and adherence to Shari'ah requirements while providing practical guidance to branch staff and management. The Committee also underscored the need for continuous professional training, Shariah awareness, specialized Islamic finance expertise, and stronger coordination across IFB-related functions.

Looking ahead, the Committee encourages the Bank to advance digital transformation and expand access to Shariah-compliant financial services aligned with core principles of Shari'ah, fairness, transparency, accountability, risk-sharing, and social responsibility.

Based on its reviews, deliberations, and oversight activities, the Committee has effectively discharged its responsibilities during the reporting period and remains committed to strengthening Shari'ah governance and supporting the sustainable growth of Coopbank IFB.

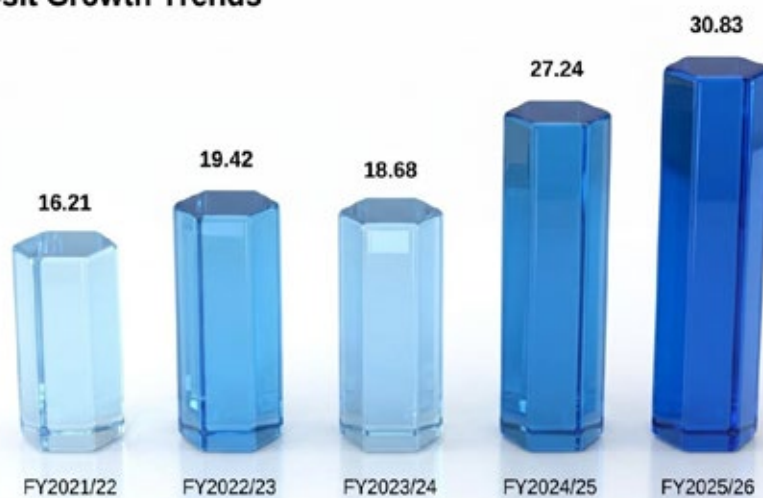
IFB Deposit Performance

Interest-Free Banking (IFB) remains a key growth segment for Coopbank, supported by strong customer engagement, financial literacy initiatives, and the continuous introduction of Shari'ah-compliant products and services. Through tailored solutions and closer collaboration with clients and stakeholders, the Bank continues to strengthen customer relationships, enhance financial inclusion, and expand resource mobilization.

During FY2025/26, IFB deposits accounted for approximately 16% of the Bank's total deposits, highlighting the segment's growing contribution to the Bank's overall performance. The IFB deposit portfolio remained predominantly driven by Wadia Savings Accounts (81%), followed by Wadia Current Accounts (17%), while Mudarabah Investment Accounts contributed the remaining share, reflecting increasing customer interest in profit-sharing investment products.

IFB Deposit Growth Trends

ETB billion



Out of the total IFB deposits of ETB 30.83 billion as of June 30, 2026, Wadia Saving deposits accounted for the largest share at 81.04%, amounting to ETB 24.98 billion. Wadia Current deposits contributed 16.52% (ETB 5.09 billion), while Mudarabah Investment deposits represented 2.46% (ETB 758.32 million). The deposit structure continues to be predominantly driven by Wadia Saving accounts, reflecting a stable and growing IFB deposit base.

IFB Deposit Customer

4.46

Million IFB
deposit Account
holders

361,545

New IFB
Customers

30%+

New Deposit
Accounts

Interest-Free Banking (IFB) continued to play a significant role in Coopbank's financial inclusion agenda by expanding access to Shari'ah-compliant banking services for underserved communities.

During FY2025/26, the Bank onboarded 361,545 new IFB customers, representing over 30% of all new deposit accounts opened during the year.

As a result, the total number of IFB deposit account holders reached 4.46 million as of June 30, 2026, reinforcing Coopbank's leadership position among private commercial banks in the Interest-Free Banking segment.



IFB Financings

5.88 ETB

Billion New IFB financing
Disbursed

12%

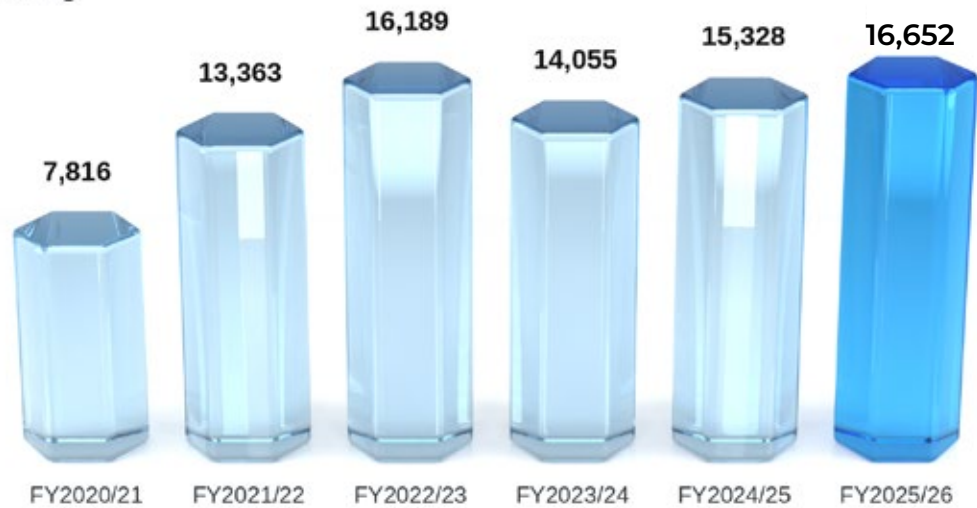
Loan Portfolio

During FY2025/26, Coopbank continued to expand its Interest-Free Banking (IFB) financing activities, reinforcing its commitment to Shari’ah-compliant finance and sustainable economic development.

The Bank disbursed ETB 5.88 billion in new financing during the year, bringing the total IFB financing portfolio to ETB 16.65 billion, equivalent to approximately 12% of the Bank’s total loan portfolio.

IFB financing

ETB million



Financing was primarily directed to Export (32%), Domestic Trade and Services (23%), and Manufacturing and Production (16%), while the remaining sectors accounted for 29%, reflecting a diversified allocation across key economic sectors.

Furthermore, the Bank piloted a Shari’ah-compliant digital uncollateralized financing solution for MSMEs, through which 1,500 customers received financing totalling ETB 89.5 million. Although the platform remains at the pilot stage and is yet to be fully operationalized, it demonstrates the Bank’s commitment to innovative and inclusive IFB financing solutions.



Coopbank Alhuda Financed Companies



IFB Market Expansion

43

Dedicated IFB Branches

In addition to the IFB Window services available across all our branches, we proudly operate a network of 43 dedicated Alhuda branches nationwide. Beyond our extensive physical presence, we provide customers with seamless access to our services through a range of digital platforms, ensuring convenience and accessibility anytime, anywhere. This integrated approach reflects our strong commitment to putting customers at the center of everything we do and delivering banking services that are both accessible and responsive to their needs.



IFB Dedicated Branches

SECTION
08

DIGITAL TRANSFORMATION AND INNOVATION

Core Systems

WORLD CLASS PLATFORMS

Infrastructure

BACK END TECHNOLOGY

Innovation

INNOVATIVE PRODUCTS

Digital transformation remains a cornerstone of Coopbank's Vision and a critical enabler of sustainable growth, operational excellence, and customer-centric innovation.

The Bank continues to invest strategically in advanced technologies, digital channels, and data-driven capabilities.

Coopay E-Birr Ecosystem Performance

22.33

Million Users

2.9

Million New wallet Users in the Year

6.4 ETB

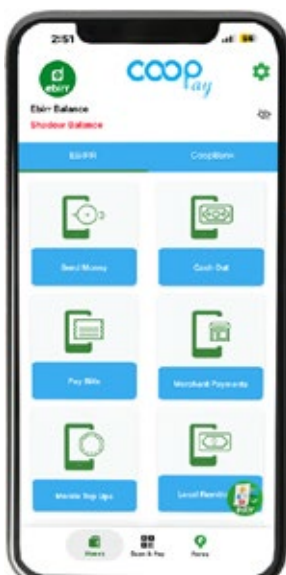
Trillion Transaction Calue

2.3+

Billion Transaction Volume

Coopay E-Birr, Coopbank's integrated digital financial ecosystem developed in partnership with E-Birr Financial Technologies, continued to serve as a key driver of digital transformation, financial inclusion, and ecosystem growth during FY2025/26. The platform onboarded more than 2.9 million new wallet users during the year, increasing its customer base to over 22.33 million users.

Transaction value surpassed ETB 6.4 trillion, while transaction volume exceeded 2.3 billion, demonstrating strong customer adoption and increasing digital engagement across the country. Wallet deposits also exceeded ETB 5 billion, further strengthening the Bank's resource mobilization efforts and digital funding base.



23.5 M+
ACCOUNTS

46K+
AGENTS

6.4
Trillion

405,000+
MERCHANTS

COOP E-BIRR
TRANSACTIONS VALUE

CoopApp Performance

164,008

Retail Customer

48,111

New retail Customers

429

Business

Merchants

CoopApp, the Bank's proprietary mobile banking platform, continued to expand its customer reach and digital service adoption during FY2025/26. Despite being at an early stage of development and still operating below its full potential, the platform onboarded 48,111 new retail customers and 226 new business merchants during the year, increasing the total customer base to 164,008 retail customers and 429 business merchants.

The platform facilitated transactions valued at ETB 29.63 billion, demonstrating growing customer acceptance and increasing utilization of digital banking services.

While CoopApp remains underdeveloped relative to the Bank's broader digital ecosystem, it represents a strategically important platform for strengthening direct customer engagement, expanding digital service delivery, and enhancing the Bank's long-term digital capabilities.

Going forward, the Bank plans to further enhance the platform's functionality, user experience, product offerings, and ecosystem integration to accelerate customer acquisition, transaction growth, and digital value creation in line with its Vision, digital transformation agenda.



29.63 ETB

Billion Transactions Facilitated

Digital Lending

1.25

Million Registered Customer

556K+

Unique Customers Financed

3.17

Million Loan Accounts

59.45

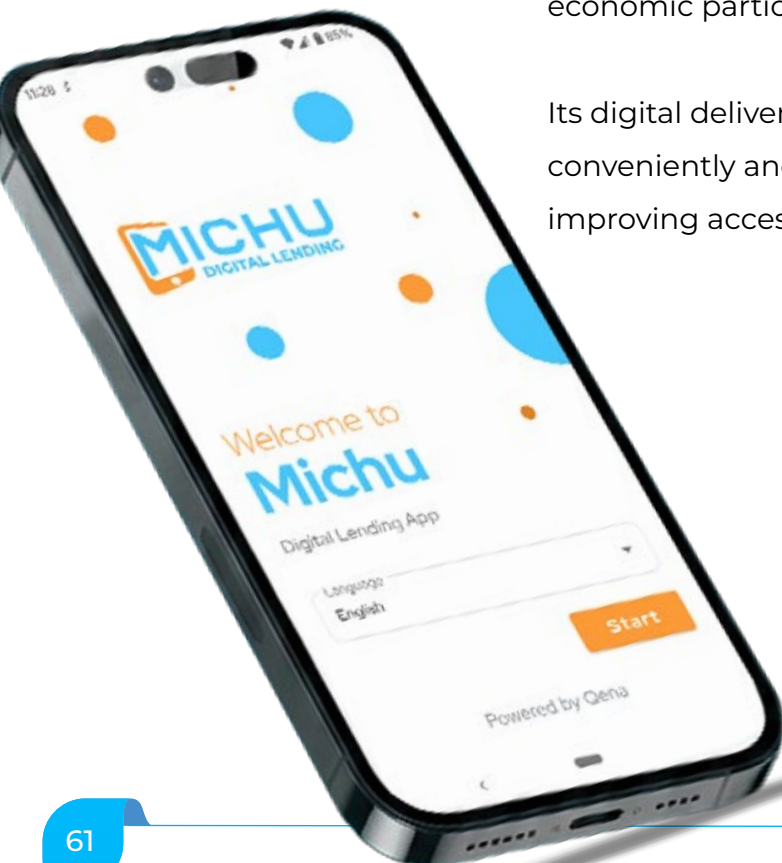
Billion Cumulative Disbursement

Coopbank continued to advance digital financial inclusion through Michu, its AI-powered digital lending platform developed in partnership with Kifiya Financial Technology. The platform provides fast, collateral-free, and data-driven financing solutions to micro, small, and medium enterprises (MSMEs), entrepreneurs, and underserved customer segments. By leveraging advanced analytics and automated credit assessment models, Michu enables rapid loan approvals while supporting prudent risk management and portfolio quality.

During FY2025/26, Michu achieved significant scale and outreach, surpassing 1.25 million registered customers, while more than 556 thousand unique customers accessed financing through the platform. Since inception, Michu has facilitated the creation of over 3.17 million loan accounts and cumulatively disbursed more than ETB 59.45 billion, demonstrating strong customer adoption and growing demand for digital credit services.

The platform continues to expand access to finance for MSMEs and individuals who traditionally face barriers to formal credit, supporting business growth, income generation, and broader economic participation.

Its digital delivery model enables customers to access financing conveniently and efficiently, reducing processing time and improving access across diverse geographic locations.



Digital Agri Performance

567,600+

Farmers Reached

1,120+

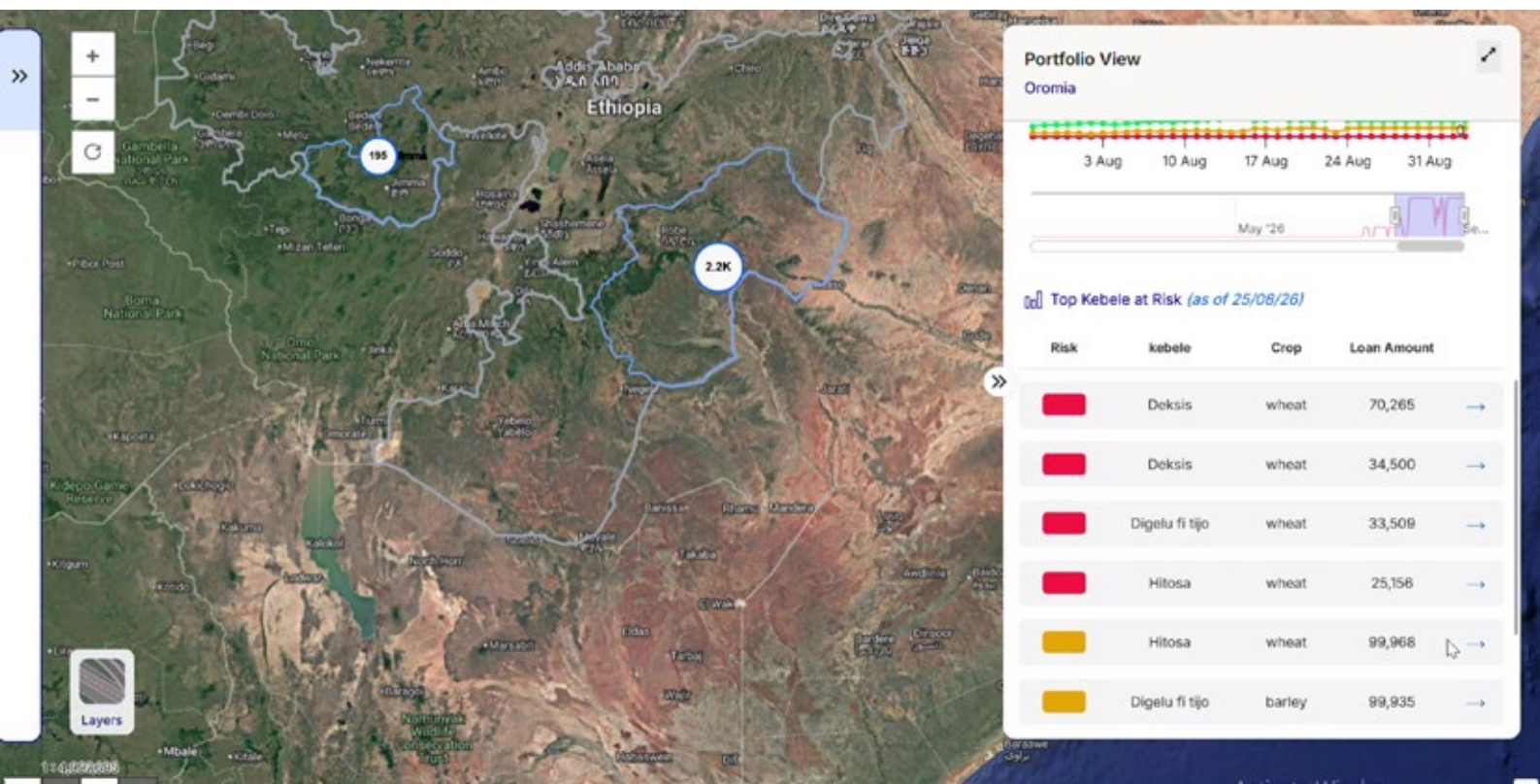
Primary Cooperatives

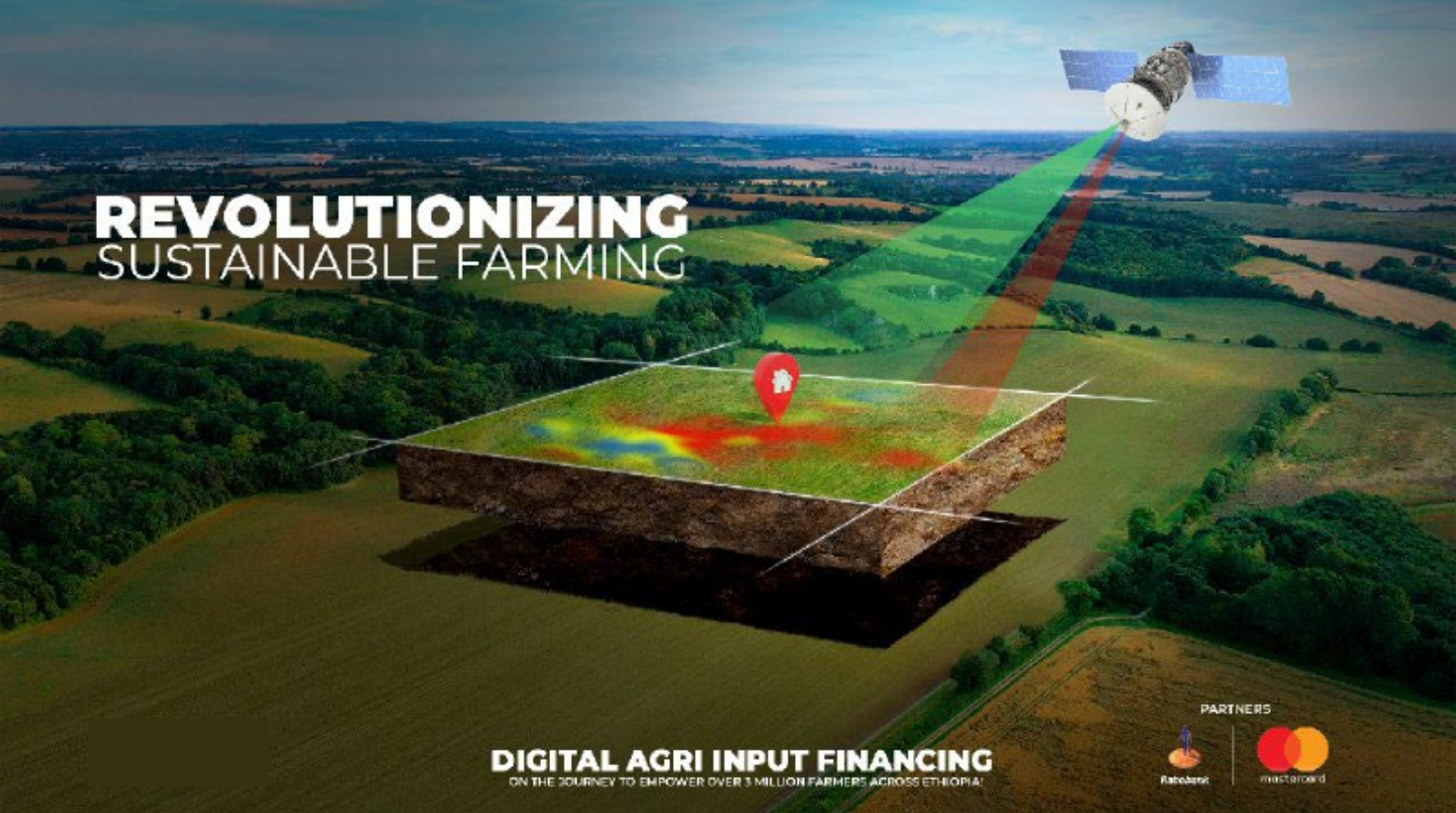
Agriculture remains at the heart of Ethiopia's economy and communities, and Coopbank continues to play a pioneering role in transforming the sector through innovative digital solutions.

During FY 2025/26, the Bank significantly expanded its Digital Agriculture Ecosystem, leveraging SACCO Link and FarmPass platforms to connect farmers, cooperatives, buyers, aggregators, and providers within a seamless and inclusive digital marketplace.

Through SACCO Link, Coopbank continued to transform cooperative financial institutions by integrating SACCOs into the formal financial system and connecting them with modern banking and digital financial services. During the year, the Bank onboarded 60 SACCOs and integrated 20 SACCOs into the platform, mobilizing more than ETB 600 million in deposits. The initiative connected over 50,000 individual members and more than 2,000 primary cooperatives, expanding access to digital payments, savings services, and financial inclusion.

To enhance institutional capacity and promote sustainable cooperative development, the Bank provided financial literacy, governance, and market access training to 2,500 participants. In addition, over 2,200 members were linked to the SACCOPAY service, while more than ETB 10 million in deposits were mobilized through the application since its launch.





60

SACCOs
Onboarded

1.2+

Billion
Farmpass Transactions

The Bank also accelerated the growth of FarmPass, its flagship digital agriculture ecosystem platform designed to connect farmers, cooperatives, aggregators, buyers, and agricultural input and service providers. FarmPass enables the digitization of farmer profiles, cooperative operations, and agricultural transactions, creating digital footprints for participants across the value chain.

During the reporting period, the platform connected more than 567,600 farmers and over 1,120 primary cooperatives, facilitating transactions exceeding ETB 1.2 billion. The platform supported a broad range of agricultural value chains, including coffee, wheat, barley, beans, honey, dairy, poultry, and livestock fattening, improving market access, transparency, productivity, and financial inclusion for rural communities.

These achievements demonstrate Coopbank's commitment to leveraging digital innovation to modernize agricultural value chains, strengthen cooperative institutions, and expand financial inclusion. More than technology platforms, SACCO Link and FarmPass are strategic enablers of rural transformation, empowering farmers and cooperatives with access to finance, markets, information, and digital services.



Card Banking Performance

1.13

Million Card Portfolio

During FY2025/26, Coopbank continued to expand its card banking infrastructure and payment ecosystem, strengthening customer access and convenience across the country. Reinforcing its position as a digitally innovative financial institution, Coopbank has built and operationalized a world-class card banking production Persona office.

765

CRM/ATM Machines

By June 2026, through its 765 CRM/ATM machines and 1,402 POS terminals, while deploying over 135,000 QR codes to support cashless transactions. The Bank produced 323,355 cards, and maintained a card portfolio of 1.13 million cards, of which 525,492 were active. Supported by a 90% CRM uptime, the Bank processed significant volumes of deposits, withdrawals, on-us, and off-us transactions through its expanding self-service channels. In line with its commitment to providing world-class banking services, Coopbank also offers international payment solutions through Visa and Mastercard, enabling customers to conduct secure cross-border transactions and access global payment networks.

These achievements demonstrate the Bank's commitment to advancing digital financial inclusion, enhancing customer experience, and accelerating its transformation into a future-ready, digitally enabled financial powerhouse.

Our Smart Branches

200

Smart Branches

Coopbank continues to transform the banking experience through its expanding network of more than 200 Smart Branches, reinforcing its commitment to digital innovation, customer convenience, and operational excellence. Designed to provide a seamless and technology-enabled banking environment, Smart Branches integrate digital and self-service capabilities that enable customers to access banking services efficiently while reducing reliance on traditional paper-based processes.

Beyond enhancing customer experience, Smart Branches support the Bank's sustainability agenda by promoting paperless transactions, improving resource efficiency, and reducing environmental impact.

The initiative reflects Coopbank's broader vision of building a future-ready and digitally enabled financial institution, while advancing its purpose of Empowering Communities, Transforming Lives through innovative, accessible, and sustainable banking solutions



COOPBANK SMART BRANCH
WHERE SMART BANKING MEETS SUSTAINABILITY



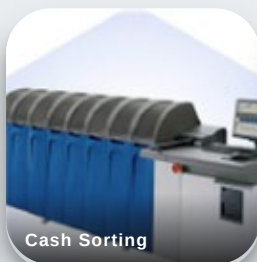
TECHNOLOGY & INNOVATION

The platforms and products powering Coopbank

1 OUR WORLD CLASS CORE SYSTEMS



2 BACK END TECHNOLOGY INFRASTRUCTURE



3 OUR INNOVATIVE PRODUCTS





SECTION
09

RISK MANAGEMENT

The Bank adopts an **integrated risk management approach**, supported by clear business ownership, robust governance, policies and processes, Board oversight, and continuous monitoring of the evolving risk landscape.

IN THIS SECTION

- The Bank's Risk Management Framework
- Risk Culture
- Risk Appetite
- Risk Governance
- Management of Key Risk Types

The Bank's Risk Management Framework

The Board-approved Risk Appetite Framework (RAF) supports the achievement of the Bank's strategic objectives by promoting proactive, risk-aware decision-making and ensuring that significant financial and non-financial risks are identified, assessed, quantified, managed, and reported within approved risk appetite limits. This ensures that risks and opportunities are managed consistently, effectively, and in a timely manner while safeguarding the Bank against excessive and undesirable risks.

Risk Culture

The Bank is committed to fostering and maintaining a strong risk culture, with the Board responsible for setting the appropriate tone from the top. Senior Management is responsible for communicating and demonstrating the expected values and standards relating to risk-taking, thereby promoting a culture of integrity and strong ethical conduct.

“The Bank adopts a three-lines-of-defense model for risk management”

The first line comprises functions that introduce risk to the Bank through revenue-generating activities or by providing operational support to such activities. This line is responsible for owning and managing the risks arising from the Bank's operations.

The second line consists of independent control functions, led by the Bank's Chief Risk, Compliance and Legal Officer (CRCLO). These functions oversee and challenge the risk management practices and activities of the first line and provide assurance to the Board.

The third line is the Bank's Internal Audit function, which independently assesses and provides assurance to the Board on the effectiveness of risk management and controls implemented by the first and second lines. This line is led by the Bank's Chief Internal Auditor (CIA).

Risk Appetite

The Risk Appetite Framework operationalizes the Bank's risk-taking thresholds by establishing a structured approach for cascading the Risk Appetite Statement (RAS) across the Bank's business units. This enables the Bank to balance growth opportunities with appropriate risk mitigation measures while fostering a strong risk-aware culture.

The RAS typically comprises qualitative principles, quantitative limits, and early-warning thresholds. The RAS is reviewed and approved by the Board when significant triggers arise, such as changes in strategy, regulatory requirements, or other material developments.

Risk Monitoring and Escalation Framework

The Board has ultimate responsibility for overseeing risk management across the Bank and is supported in this role by the Board Risk and Compliance Committee, and Asset and Liability Committee (ALCO).

The Board Risk and Compliance Committee provides strategic direction on risk matters, reviews the Bank's risk profile, and ensures alignment with the Board-approved risk appetite.

The Bank's Asset and Liability Committee (ALCO) focuses on balance sheet optimization, liquidity, market risk, credit risk, and capital planning.

These committees provide a structured framework and direction for managing risks and monitoring the effectiveness of internal controls.

The Board receives regular reporting on principal risk types, including quarter-on-quarter changes in the Bank's risk profile, key internal and external risk drivers, and management's remediation actions in relation to the approved risk appetite. This enables the Board to make timely and informed decisions.

Risk Governance

Management of Key Risk Types

For effective management, the Bank classifies its principal risks into financial and non-financial risks. Financial risks comprise credit, liquidity and funding, solvency, and market risks, including foreign exchange and interest rate risks. Non-financial risks comprise operational, information technology (IT), and cyber security risks.

Credit Risk

Credit risk is a significant risk for the Bank given the credit portfolio's substantial share of total assets and its potential impact on asset quality and profitability.

The Bank manages credit risk through its Credit Policy, and Credit Risk Key Risk indicators (KRI) specified in RAF, ensuring that credit exposures are originated and managed within approved risk appetite and aligned with strategic objectives, from individual transactions to portfolio level.

Liquidity and Funding Risk

Liquidity risk is managed through a structured framework designed to ensure adequate funding is available to meet the Bank's obligations under both normal and stressed conditions. Cash-flow forecasting is performed by the Treasury Management Department with oversight from the Asset Liability Management function.

The Bank manages liquidity through day-to-day funding and cash-flow monitoring, maintenance of adequate liquid-asset buffers, monitoring of regulatory and internal liquidity ratios, diversification of funding sources and maturities, and regular liquidity stress testing and scenario analysis. These measures help the Bank identify potential liquidity pressures early, assess contingency funding needs, and maintain resilience against deposit withdrawals, market disruptions, and other adverse conditions.

Solvency and Capital Adequacy Risk

Maintaining adequate capital is essential to Coopbank's ability to absorb losses, protect depositors, pursue its strategic objectives, and remain resilient under both normal and stressed conditions. During the reporting period, the Bank strengthened solvency risk monitoring by incorporating Risk-Weighted Asset (RWA) Density and Risk-Bearing Capacity Utilization into its risk indicators, providing broader insights into capital adequacy, loss-absorption capacity, and compliance with the approved risk appetite. The Bank also developed a capital plan to guide strategic decision-making and maintain adequate capital buffers under normal and adverse conditions. The plan aligns with regulatory expectations and translates projected business and risk exposures into risk-weighted assets and movements across capital tiers, while maintaining prudent safety margins.

Market Risk

The Bank manages market risk through a structured framework of policy-driven limits, monitoring tools, risk measurement, and stress-testing techniques designed to identify, assess, and mitigate exposures arising from foreign exchange, interest rate, and other market-related movements. Policies and procedures are reviewed regularly by the Risk Management Department and are subject to appropriate governance and approval by the Board's Risk Committee.

Operational Risk

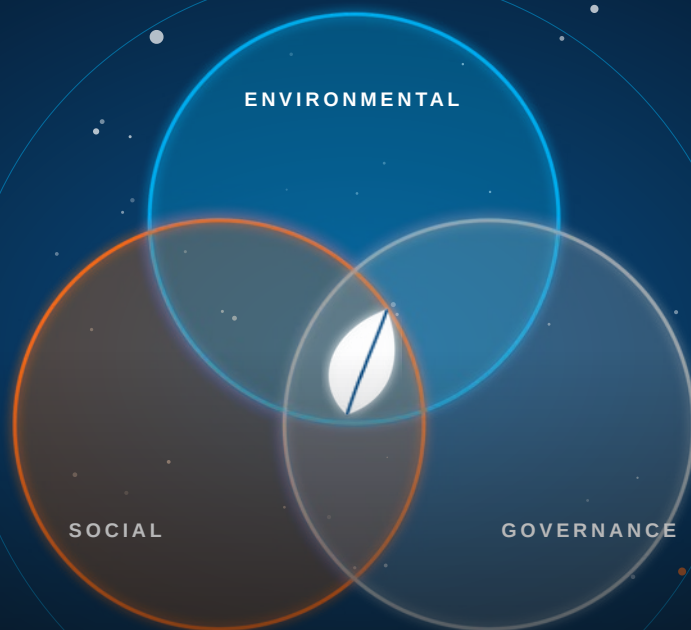
Operational risk refers to the potential for loss or adverse impact arising from failures in internal processes, people, systems, infrastructure, or external events. The Bank manages operational risk through a structured framework for identification, assessment, monitoring, control, and reporting, with shared responsibility across business units. To strengthen forward-looking monitoring, the Bank has enhanced its KRI framework with Strategic and Operational KRIs covering operational losses, control failures, transaction processing, digital banking, customer complaints, cash exposures, suspense accounts, and near-miss events, supporting timely escalation and management action.

Technology and Cybersecurity Risk

Coopbank manages technology and cybersecurity risks through a structured framework addressing information security, access controls, system monitoring, incident management, business continuity, and disaster recovery. These risks encompass potential losses or adverse impacts arising from technology failures, cybersecurity threats, data integrity breaches, system availability disruptions, infrastructure weaknesses, and digital financial services. During the reporting period, the Bank strengthened its Key Risk Indicator (KRI) framework by incorporating strategic and operational indicators covering cybersecurity control effectiveness, endpoint security, unsupported systems, critical system availability, Core Banking System (CBS) uptime, ATM and mobile banking availability, and network failures.

Climate Risk Management

Coopbank recognizes climate-related risks and opportunities as an integral part of its broader risk management approach and is progressively strengthening its Risk Management Framework to incorporate climate and sustainability considerations into risk identification, assessment, monitoring, and decision-making. The Bank's Risk Management Policy provides a basis for addressing these risks within its enterprise risk management approach. Through partnerships with UNDP's Insurance and Risk Finance Facility (IRFF) and Financial Resilience in Agriculture (FRA) program, alongside Oromia Insurance S.C., the Bank is advancing climate-risk analytics, institutional capacity, and insurance-based risk-transfer solutions, including credit-linked climate insurance. These initiatives support climate resilience and the progressive integration of climate-related considerations into lending and risk management decisions.



SECTION

10

ESG

Coopbank's purpose, **"Empowering Communities, Transforming Lives,"** is the foundation of its strategy and business model, guiding how the Bank serves communities, allocates capital, innovates, manages risk, and creates long-term value.

IN THIS SECTION

● Sustainability at Coopbank

● Climate Action

CONTRIBUTING TO SDGs

1

5

8

9

13

17

Sustainability at Coopbank

Coopbank's purpose, "Empowering Communities, Transforming Lives," is the foundation of its strategy and business model, guiding how the Bank serves communities, allocates capital, innovates, manages risk, and creates long-term value. Through this purpose, the Bank advances financial inclusion, socio-economic empowerment, and sustainable development, creating productive economic opportunities for individuals, businesses, and communities.

Sustainability is integral to how Coopbank operates and creates value, embedded across its strategy, governance, operations, products, and services to advance inclusive growth, climate-resilient agriculture, environmental stewardship, resilient communities, and sustainable national development.

Sustainability Alignment with Corporate Strategy

Coopbank recognizes sustainability as an important enabler of its long-term corporate Strategy and is progressively embedding sustainability considerations across its SCALE strategic pillars.

Sustainable Financial Strength provides a key foundation by strengthening the integration of ESG considerations into risk management, financing decisions, asset quality, operational efficiency, and long-term business resilience, supporting sustainable profitability and value creation.

Customer & Community advances financial inclusion and responsible finance; Agility & Accuracy supports digital innovation, data-driven decision-making, and resource efficiency; Leadership & Learning builds sustainability awareness, leadership accountability, and future-ready capabilities; and Expansion & Ecosystem creates opportunities to scale sustainable finance and impact through partnerships and innovative business models.

Through this approach, Coopbank is progressively developing the awareness, capabilities, systems, and partnerships needed to embed sustainability into the way it manages risk, serves customers, operates its business, and pursues long-term growth.

Partnership and Signatory

Coopbank strengthens its sustainability journey through global and African partnerships and commitments, including its membership in the United Nations Global Compact (UNGC) and the Africa Business Leaders Coalition (ABLC). These memberships reinforce responsible business practices across the Bank's strategy and operations and support its contribution to the UN Sustainable Development Goals (SDGs), particularly in climate resilience, gender equality, inclusive growth, and responsible finance.

Through the UNGC's Ten Principles, Coopbank reinforces its commitment to human rights, labour, environmental responsibility, and anti-corruption, while strengthening practices in whistleblowing, AML, fraud risk management, data privacy, and cybersecurity.

Through its participation in the ABLC, the Bank engages with African business leaders and stakeholders to promote climate resilience, inclusive economic growth, gender equality, social inclusion, and green innovation.

Together, these commitments strengthen the Bank's sustainability capabilities, promote knowledge sharing and collaboration, and support its contribution to Africa's evolving sustainable finance landscape, advancing its purpose of "Empowering Communities, Transforming Lives" through responsible banking.

Partnership for sustainable Financing

Strategic partnerships strengthen Coopbank's sustainability journey by leveraging its cooperative heritage, sector expertise, technology, innovation, and partner networks to scale sustainable finance and development impact. The Bank collaborates with DFIs, NGOs, and other partners across green financial systems, climate finance, financial inclusion, climate-smart agriculture, technology, and financial literacy. Key collaborations include UNDP on climate-resilient agricultural finance, climate risk analytics, credit-linked agricultural insurance, capacity building, and climate finance mobilization, and EIB on Greening Financial Systems (GFS) technical assistance and capacity building to strengthen climate-risk and environmental-impact assessment, monitoring and reporting, and climate action financing.

Climate Action

Coopbank is translating its climate commitment into practical action across its operations, financing activities, and community engagement. Through renewable energy, low-carbon mobility, digitalization, resource efficiency, sustainable financing, and nature-based initiatives, the Bank is progressively reducing its environmental footprint, strengthening resilience, and supporting the transition toward a low-carbon and climate-resilient economy.

GHG Emissions

Coopbank is strengthening its low-carbon transition through initiatives that reduce reliance on fossil fuels and support Ethiopia's climate ambitions. During the financial year, the Bank recorded 429.73 tCO₂e of Scope 1 GHG emissions, primarily from its fleet, generators, and other operational activities. This baseline supports improved emissions management and the Bank's efforts to progressively reduce its operational carbon footprint.

Renewable Energy

1,076.88 MWh

Generated Renewable Energy

Coopbank is expanding the use of renewable energy across its operations. The Bank has transitioned more than 135 branches to solar-powered energy systems, generating 680.4 MWh of renewable energy. Its Eco-Branches, designed using recyclable containers and powered by solar and wind energy, generated an additional 396.48 MWh. Cumulatively, these initiatives generated 1,076.88 MWh of renewable energy, reducing reliance on fossil fuels while strengthening operational resilience and supporting cleaner banking infrastructure.

Digitalization and Resource Efficiency

Coopbank is harnessing digital innovation and resource-efficiency measures to reduce paper use, resource consumption, waste, and operational inefficiencies. The Bank's digital transformation has enabled more than 80% of total transaction volume to be processed digitally during the financial year, significantly reducing reliance on paper-based processes and physical branch visits while improving service efficiency and customer convenience. Complementing this progress, more than 200 Smart Branches incorporate paperless, QR-enabled, and pad-based service processes, further advancing resource efficiency and delivering a more convenient and seamless customer experience.

The Coop-stream platform digitizes lending from origination to approval, while ERP and digital communication streamline invoices, purchase orders, HR records, and financial statements, reducing manual processing and paper use. SACCO-Link extends these benefits to cooperatives, SACCOs, and microfinance institutions through digital records, real-time data synchronization, transactions, and integrated reporting. We also promote responsible water use across our operations.



Low-Carbon Mobility

7%

Electric Vehicles

Coopbank is progressively transitioning toward cleaner and more efficient mobility. During the reporting period, electric vehicles represented 7% of the Bank's fleet, while 68 fuel-based vehicles were disposed of, marking an important step in reducing fossil-fuel dependence and the environmental footprint of transportation. This transition supports the Bank's broader efforts to improve operational efficiency, strengthen resilience, and contribute to a low-carbon future.

Coopbank is extending its climate action beyond its direct operations through nature-based initiatives and sustainable financing. During the financial year, employees planted 10,000 trees, supporting ecosystem restoration, biodiversity conservation, and climate resilience.

Biodiversity and Nature

The Bank has also signed a carbon credit agreement with the Oromia Coffee Producers' Union and ACORN to support forest conservation and sustainable land management while enabling farmers to benefit from carbon credits generated through forest protection and restoration. The initiative connects environmental conservation with rural livelihoods, economic development, and food security, while contributing to carbon sequestration and a more climate-resilient and low-carbon economy.

“During the financial year, employees planted 10,000 trees, supporting ecosystem restoration, biodiversity conservation, and climate resilience”



Financial Inclusion, Access to Finance and Financial

80%

women, youth and
disabled of Michu
users

Coopbank continues to advance financial inclusion and economic opportunity for underserved communities, smallholder farmers, MSMEs, youth, women, and informal businesses through physical outreach, digital innovation, tailored financing solutions, and financial capability development. The Bank strengthens access to formal financial services through innovative branch models, digital banking platforms, self-service channels, and ecosystem-based solutions that extend banking services to underserved and rural communities.

By promoting convenient, affordable, and inclusive financial services, Coopbank supports greater participation in the formal financial system while fostering inclusive economic growth through targeted support for farmers, cooperatives, and other underserved segments. These efforts are further reinforced through financial literacy and awareness initiatives that enhance financial capability and contribute to sustainable financial inclusion.

Through Michu, the Bank's AI-powered, uncollateralized digital lending platform, access to finance is expanding across diverse customer segments. Notably, more than 80% of Michu users are women, youth and disabled demonstrating the platform's contribution to expanding access to finance among underserved and economically active customer segments. Tailored solutions, including Michu Wabi, Guya, Kiyya, Mizan and Agri-Loan, address the distinct financing needs of MSMEs, informal businesses, women entrepreneurs, IFB customers, and smallholder farmers, helping broaden access to finance and support inclusive economic participation.

Eco-Branches

100

Eco-Branches

267,000+

Customers served

2.22+ ETB

Billion
Deposits mobilised

Driven by its sustainability agenda and financial inclusion strategic priorities, Coopbank continued to expand its presence in underserved, unbanked, and underbanked communities across Ethiopia. Through the deployment of more than 100 solar-powered and renewable container-based Eco-Branches, the Bank is extending access to modern financial services in areas where conventional banking infrastructure remains limited.

The Bank is strategically serving communities in areas where access to formal banking services remains limited. Collectively, these Eco-Branches served more than 267,000 customers and mobilized ETB 2.22+ billion in deposits, demonstrating their growing contribution to both customer outreach and resource mobilization.

“More than financial service delivery points, Coopbank's Eco-Branches serve as symbols of community transformation, economic empowerment, and sustainable development”

By leveraging renewable energy solutions and innovative branch models, the Bank is enhancing accessibility, promoting environmental sustainability, and supporting inclusive economic participation. These initiatives reinforce Coopbank's commitment to Empowering Communities, Transforming Lives, while ensuring that the benefits of formal financial services reach every corner of the country.

ECO-BRANCH



SELF
POWERED



CONNECTING
VILLAGES



BRINGING FINANCES
TO DOORSTEPS

POWERED BY NATURE
DRIVEN BY INCLUSIVE BANKING

609
Call Center

FOLLOW US ON



Corporate Social Responsibility

77.96 ETB

MILLION

Community investment

Coopbank extends its contribution to shared prosperity beyond financial services through targeted community investments. During the reporting period, the Bank invested ETB 77.96 million through donations, sponsorships, and community contributions supporting humanitarian relief, health, food security, education, infrastructure, and community welfare. These efforts strengthen community resilience, social well-being, and more inclusive and sustainable communities, particularly for vulnerable and displaced populations, underprivileged students, and grassroots initiatives.

Diversity, Equity and Inclusion

21%

Female Employees

6.8

YEARS

Average employee

73%

Permanent employees under 35

At Coopbank, we value DEI as drivers of innovation, performance, and service excellence. Our HCM policy promotes a fair, inclusive, and discrimination-free workplace, applying merit-based and equitable practices across recruitment, development, promotion, compensation, and the employee lifecycle. As at the close of the reporting period, Coopbank's workforce comprised 13,329 employees, including permanent and outsourced staff, with 7,108 permanent employees. Female employees represented 21% of the total workforce, while women represented 8% of middle management and 11.2% of line managers. The Bank continues to strengthen women's representation and create opportunities for greater diversity across leadership levels.

Our permanent workforce combines experience, youthful energy, and institutional knowledge. With an average employee tenure of 6.8 years, the Bank maintains an experienced and stable core workforce that supports operational continuity, while 73% of permanent employees are under 35, creating a dynamic workforce that brings together youthful perspectives and seasoned experience. This balance strengthens the Bank's ability to remain innovative, knowledgeable, and adaptable to the evolving needs of its diverse customers.

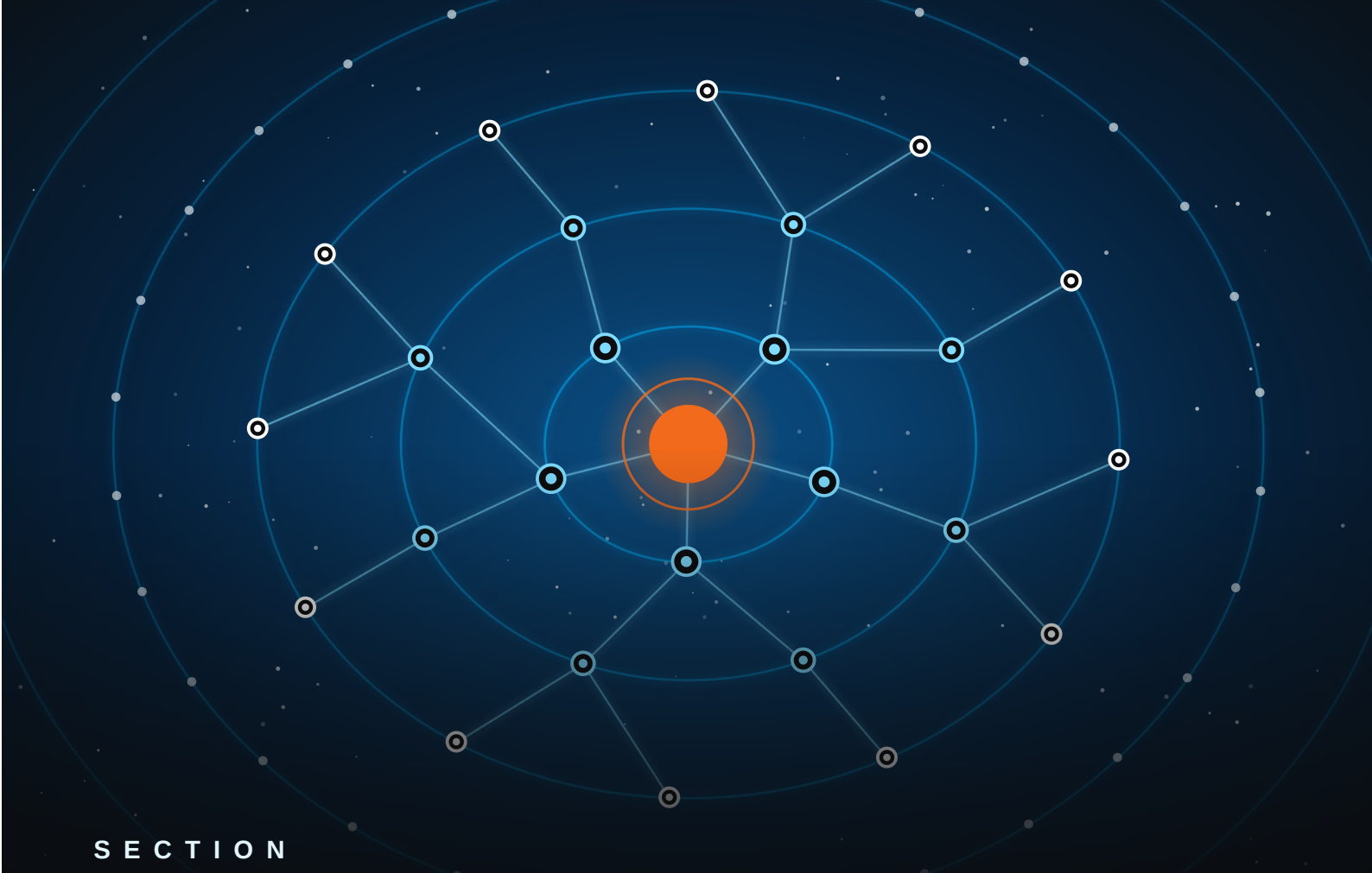
The Bank also brings together a multidisciplinary pool of expertise spanning finance, economics, banking, law, technology, agriculture, engineering, environmental science, statistics, governance, health, and other fields, strengthening collaboration, innovation, and integrated decision-making. In support of agricultural transformation and more inclusive and sustainable rural development, Coopbank has recruited 100+ agricultural professionals to advance climate-smart agriculture and strengthen services for farmers and rural communities.

Occupational Health, Safety and Employee Well-being

Coopbank supports work-life balance and family well-being through maternity and paternity leave, with 542 employees accessing 18,598.5 days of parental leave during the reporting period. The Bank also provides employee-focused loan protection, including loan write-off support for eligible outstanding staff loans in the event of an employee's death while in active service, helping ease the financial burden on affected families.

Employee Engagement & Human Rights

Coopbank promotes employee voice, rights, and well-being through engagement and grievance mechanisms, with an average employee engagement score of 63%. During the reporting period, 36 formal employee complaints were recorded, of which 78% were resolved on the spot. The Bank also fosters connection and belonging through initiatives such as the Coopbank Soccer League, DX-Valley, Innovation Hubs, staff lounges, and break areas, while the Coopbank Trade Union, through a Collective Bargaining Agreement, supports employee representation, fair treatment, and employee benefits in line with fundamental labour principles, including freedom of association, collective bargaining, non-discrimination, and the elimination of forced and child labour.



SECTION

11

GOVERNANCE AND LEADERSHIP

As a shareholder-owned company, the governance structure of the bank is led by the **General Assembly of Shareholders**, which elects the **Board of Directors**.

IN THIS SECTION

- Corporate Governance Framework
- 10.2 Board of Directors
- 10.3 Board Committees
- 10.4 Executive Management Members

Corporate Governance Framework

As a shareholder-owned company, the governance structure of the bank is led by the General Assembly of Shareholders, which elects the Board of Directors. The Board provides strategic direction and oversight through its specialized Board Committees, while the Chief Executive Officer (CEO) and Executive Management Team are responsible for the day-to-day management and execution of the Bank's strategy.

The Chief Risk, Compliance and Legal Officer provide independent oversight of the Bank's risk management, regulatory compliance, and legal governance frameworks, ensuring that risks are effectively identified, monitored, and managed in line with regulatory requirements and the Bank's risk appetite.

The Chief Internal Auditor provides independent assurance on the adequacy and effectiveness of internal controls, governance processes, and risk management practices, supporting accountability, operational effectiveness, and continuous improvement across the Bank.



Board of Directors

10

Board Members

30%

Women

The Bank's Board of Directors composition reflects its commitment to diversity, independence, and effective governance. The Board comprises 10 members, bringing together a broad mix of professional expertise, industry experience, and perspectives that strengthen strategic oversight and decision-making.

Women represent 30% of the Board, including the Chairperson, while independent directors account for 20%, enhancing objectivity, accountability, and balanced governance. This diverse composition supports effective stewardship, long-term sustainability, and value creation for stakeholders.



Meskerem Debebe W/Mariam **Chairperson**

A distinguished public finance and governance leader with extensive experience in fiscal administration, institutional leadership, and public sector management. She has been serving on the Board since December 2024 and currently serves as Chairperson. Holding an MBA and a BA in Accounting, she currently serves as State Minister at the Ministry. Her extensive leadership and governance experience strengthen the Board's strategic oversight, accountability, and commitment to sustainable institutional performance.



Abinet Tarekegn Gurmu **Deputy Chairperson**

An accomplished cooperative sector executive and development economist, he has been serving on the Board since December 2024 and currently serves as Deputy Chairperson. Holding an MSc in Development Economics, an MA in Cooperative Management, and a BSc in Rural Development and Agricultural Extension, he currently serves as General Manager of the Oromia Agricultural Cooperative Federation (OACF).



Dr. Fikru Deksis Sadesso:

Director

A senior economic analyst and development professional with extensive experience in economic analysis, public policy, and institutional governance. He has been serving on the Board since December 2018 and served as Board Chairperson from December 2018 to December 2024. Holding a PhD in Agriculture and an MSc in Forestry, he currently serves as Senior Economic Analyst at the Embassy of the United Arab Emirates to Ethiopia.14:37



Deribie Asfaw Hurissa

Director

A distinguished banking executive with more than two decades of leadership experience in the Ethiopian banking industry, holding MBA in International Business and BA in Economics, he has been serving as CEO of Coopbank since December 2015 and as a member of the Board since December 2024. He previously served as Vice President, Customers Account and Transaction Service, at the Commercial Bank of Ethiopia. Under his leadership, Coopbank has achieved strong growth in its financial performance, market share and value to stakeholders.



Meseret Aseffa Godana

Director

An experienced public sector leader with a strong background in governance and institutional development, she has been serving on the Board since December 2024. Holding MA in Project Management and a BA in Management, she currently serves as Head of the Oromia Land Administration and Use Bureau.



Jemal Kedir Gelgelu

Director

An experienced cooperative development and institutional transformation leader, he has been serving on the Board since December 2024. Holding an MSc in International Trade and Economics and an MA in Leadership and Change Management, he currently serves as Head of the Oromia Cooperative Promotion Agency (OCPA).



Tegistu Shiferaw Tadesse

Director

A prominent corporate leader within financial sector and expertise in insurance operations, risk management, and corporate leadership, he has been serving on the Board since December 2024. Holding a BA in Business Administration and Information Systems, he currently serves as Chief Executive Officer of Oromia Insurance Company S.C.



Dr. Yeshe Jima Tafa

Independent Director

An academic researcher and public policy specialist, development practitioner, she has been serving on the Board as an Independent Director since December 2024. Holding a PhD and an MA in Development Studies, she currently serves as Head of the Oromia Trade Bureau.



Assefa Sumoro G/Mariam

Independent Director

A senior international finance and capital markets professional, he has been serving on the Board as an Independent Director since December 2024. Holding an MSc in Finance and Development and an MA in Development Economics, he currently serves as Senior Capital Market Advisor at the Ethiopian Capital Market Authority.



Dejene Dadi Dika

Director

A cooperative business and agribusiness executive, he has been serving on the Board since December 2024. Holding MBA and MSc in International Trade and Economics, he currently serves as General Manager of the Oromia Coffee Farmers' Cooperative Union.

Board Committees

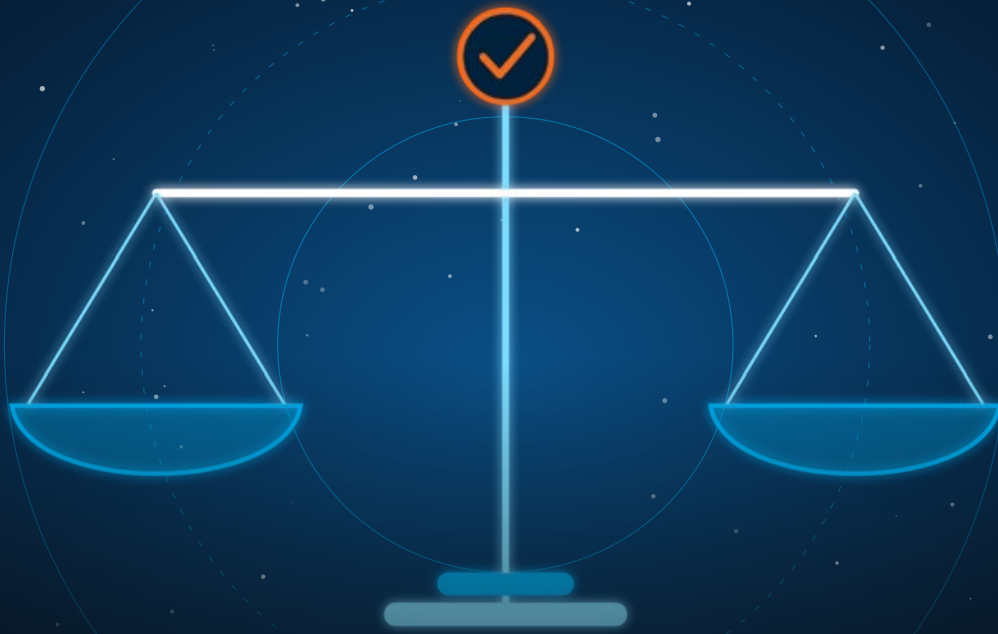
The Board of Directors carries out its oversight responsibilities through Board Committees established in accordance with the National Bank of Ethiopia (NBE) Corporate Governance Directive No. SBB/91/2024.

Audit Committee: The Audit Committee assists the Board in overseeing financial reporting, internal controls, internal and external audit functions, and regulatory compliance. The Committee comprised board members the Committee comprised Dejene Dadi (Chairperson), Meskerem Debebe (Member), and Dr. Yeshe Jima (Member).

Risk Management and Compliance Committee: The Risk Management and Compliance Committee oversees the Bank's enterprise risk management, regulatory compliance, and governance practices. The Committee comprised board members named obbo Tegistu Shiferaw (Chairperson), obbo Assefa Sumoro (Member), and obbo Deribie Asfaw (Member).

Nomination and Remuneration Committee: The Nomination and Remuneration Committee supports the Board in matters relating to Board and Senior Management, succession planning, performance evaluation, and remuneration governance. The Committee comprised board members named Dr. Fikru Deksis (Chairperson), Adde Meseret Aseffa (Member), Obbo Tegistu Shiferaw (Member), and Jemal Kedir (Member).

Credit Committee: The Credit Committee provides oversight of the Bank's credit governance, practices, portfolio quality, and credit risk management. The Committee comprised board members named Obbo Assefa Sumoro (Chairperson), Obbo Abinet Tarekegn (Member), Obbo Deribie Asfaw (Member), and Dr. Fikru Deksis (Member).



ETHICS, CONDUCTS AND COMPLIANCE

Coopbank is committed to conducting its business with the **highest standards of ethics, integrity, professionalism, and regulatory compliance**, recognizing these principles as fundamental to responsible banking, stakeholder trust, and long-term sustainability.

Responsible Banking

A FUNDAMENTAL PRINCIPLE

Stakeholder Trust

A FUNDAMENTAL PRINCIPLE

Sustainability

LONG-TERM, A FUNDAMENTAL PRINCIPLE

Coopbank is committed to conducting its business with the highest standards of ethics, integrity, professionalism, and regulatory compliance, recognizing these principles as fundamental to responsible banking, stakeholder trust, and long-term sustainability.

The Bank has established comprehensive policies, procedures, and governance frameworks that promote ethical behavior, transparency, accountability, and compliance with applicable laws, regulations, and internal standards across all operations. Governance and oversight of ethics, anti-corruption, compliance, AML/CFT/CPF, data privacy, and information security are provided through dedicated organizational structures.

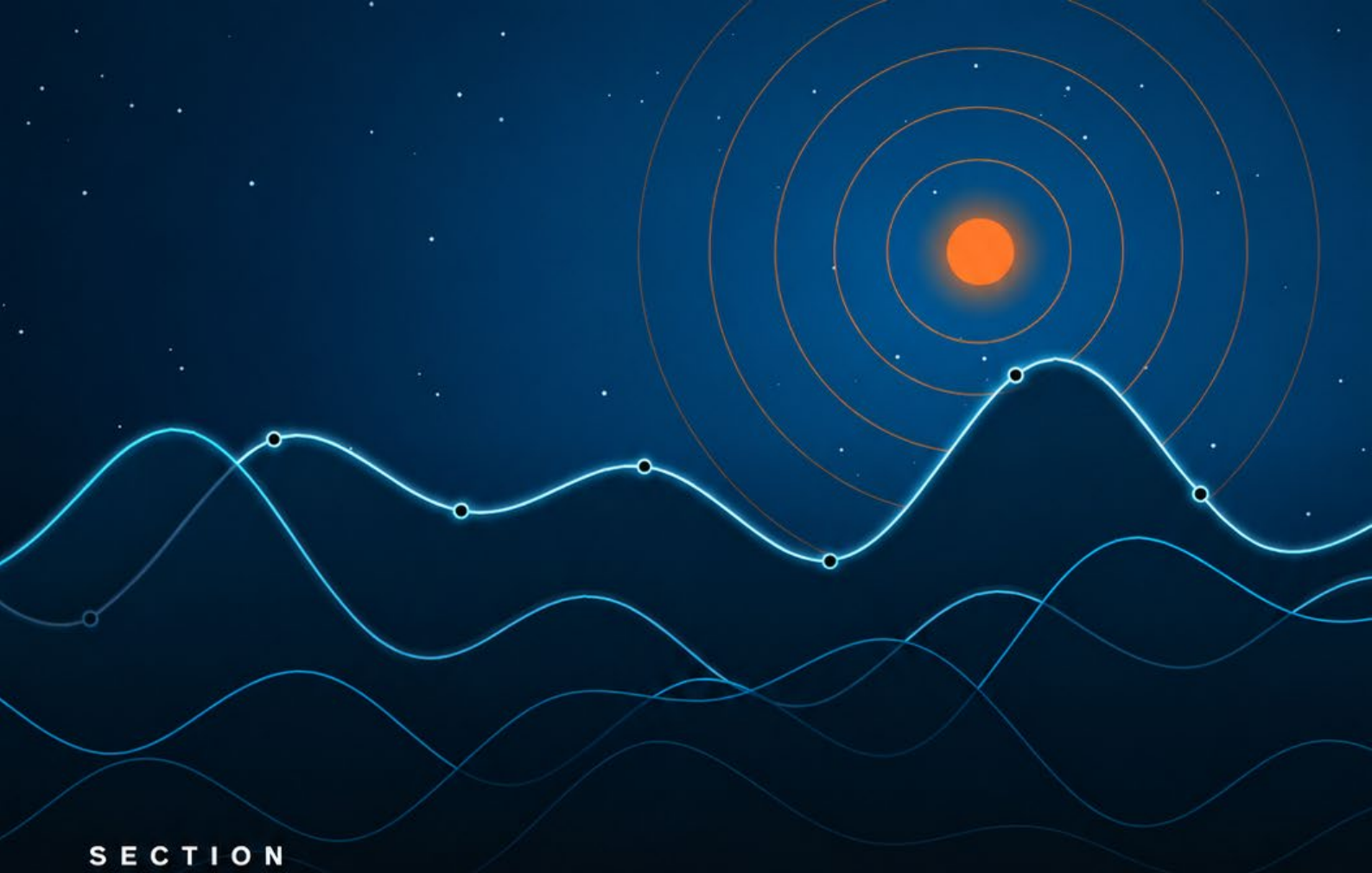
These functions work closely with management and business units to strengthen a culture of integrity, responsible conduct, and proactive risk management throughout the Bank. The Bank reinforces ethical conduct through mandatory training, continuous awareness programs, clear reporting mechanisms, and an Anonymous Digital Whistleblowing Channel that enables employees, customers, and other stakeholders to confidentially report suspected misconduct without fear of retaliation.

Coopbank also maintains a robust AML/CFT/CPF framework supported by risk-based customer due diligence, sanctions and PEP screening, transaction monitoring, automated controls, and collaboration with relevant authorities, reflecting its zero-risk appetite for non-compliance and financial crime.

In addition, data privacy, cybersecurity, and information security remain integral components of the Bank's governance and risk management framework.

Through strong security controls, employee awareness initiatives, continuous monitoring, and internationally recognized certifications, including PCI DSS v4.0.1 Level 1 and ISO/IEC 27001:2022, Coopbank continues to strengthen information security governance, protect customer and organizational data, enhance operational resilience, and maintain trusted digital financial services.

Together, these measures support a strong compliance culture, safeguard stakeholder interests, and reinforce the Bank's commitment to sustainable and responsible banking.



SECTION

12

SHAREHOLDER INFORMATION



IN THIS SECTION

- Awards and Recognition
- Investor Relations and Contact Information

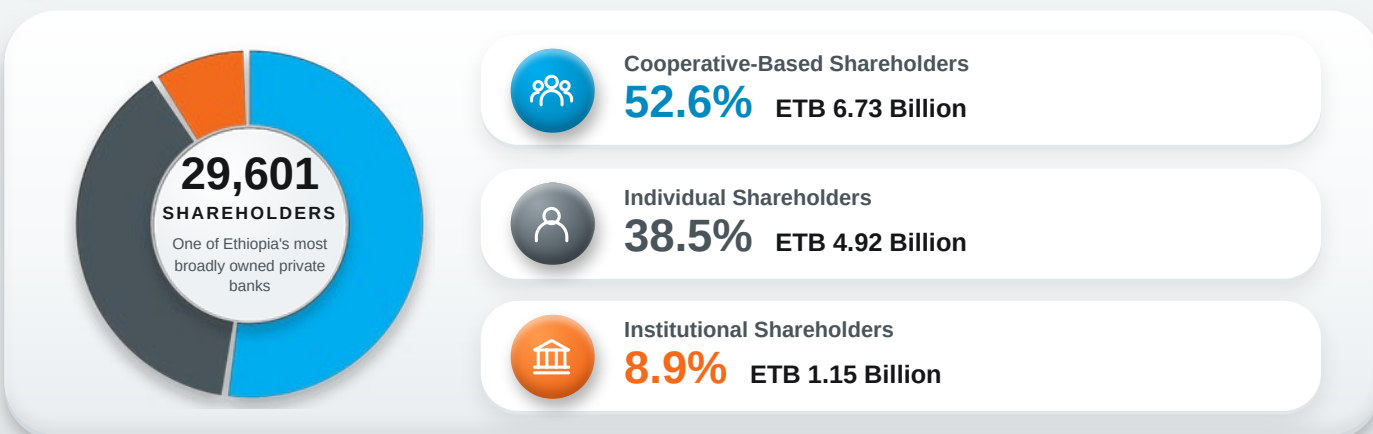


SHAREHOLDERS STRUCTURE AND INFORMATION

As of 30 June 2026

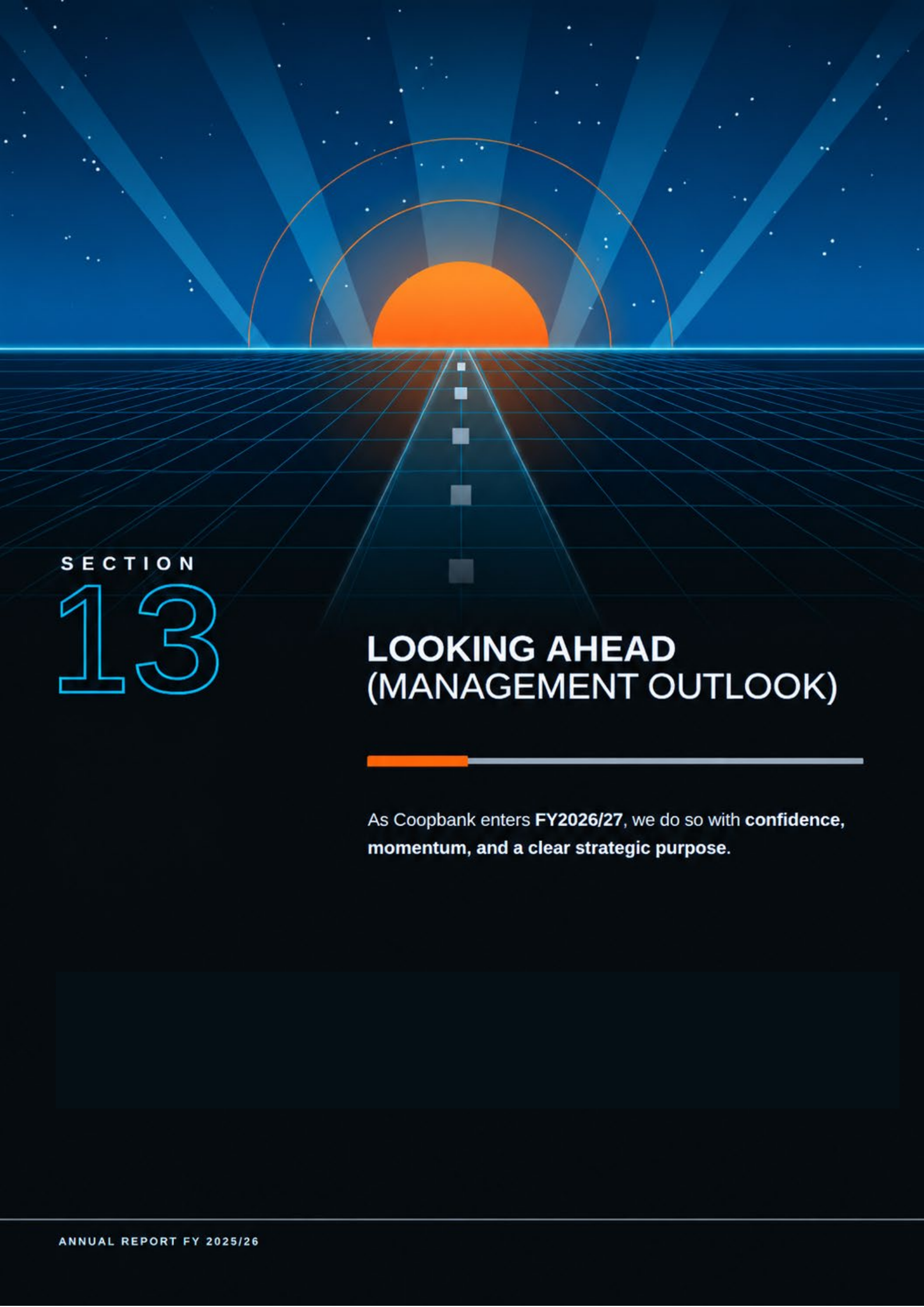


1 PAID-UP CAPITAL COMPOSITION



2 SHAREHOLDER CATEGORY

Shareholder Category	Number of Shareholders	Paid-up Capital (ETB)	Share of Paid-up Capital (%)
Cooperative-Based Shareholders	7,272	6,727,995,600	52.6
Individual Shareholders	22,161	4,922,897,500	38.5
Institutional Shareholders	168	1,149,106,900	8.9
Total	29,601	12,800,000,000	100.0



SECTION

13

LOOKING AHEAD (MANAGEMENT OUTLOOK)

As Coopbank enters **FY2026/27**, we do so with **confidence, momentum, and a clear strategic purpose.**

Looking Ahead

As Coopbank enters FY2026/27, we do so with confidence, momentum, and a clear strategic purpose. The achievements recorded during FY2025/26 have strengthened the Bank's financial foundation, improved institutional resilience, and reinforced our position as one of Ethiopia's leading private financial institutions.

FY2026/27 represents a pivotal phase in our transformation journey. The Bank will continue to prioritize sustainable balance sheet growth, profitability enhancement, foreign currency generation, operational excellence, and customer-centric innovation.

Strategic emphasis will be placed on strengthening deposit mobilization, improving asset quality, accelerating non-funded income growth, optimizing capital allocation, and enhancing productivity through data-driven decision-making and technology-enabled operations. Through the continued execution of the Segment-Led Shift at Scale (S³) strategy and the ARMING'C customer segment, Coopbank will deepen relationships across key economic sectors while expanding access to inclusive and innovative financial solutions.

Digital transformation will remain a key enabler of future growth and competitiveness. The Bank will continue investing in advanced technologies, digital platforms, analytics, automation, cybersecurity, and ecosystem partnerships to enhance customer experience, improve operational efficiency, and unlock new growth opportunities. These investments will support Coopbank's ambition to build a more agile, intelligent, and digitally enabled institution capable of responding effectively to evolving customer needs and market dynamics.

We are dedicated to creating sustainable value for shareholders through profitable growth and prudent financial management; empowering customers through accessible, innovative, and inclusive financial services; investing in our employees through capability development and leadership excellence; supporting communities through financial inclusion and economic empowerment; and upholding the highest standards of governance, integrity, transparency, and responsible banking.



Looking beyond FY2026/27, we continue to serve as our strategic compass. Guided by our purpose of Empowering Communities, Transforming Lives, Coopbank is building a stronger, smarter, and more resilient institution anchored on sustainable growth, customer centricity, digital leadership, financial strength, organizational maturity, ecosystem development, and responsible banking.

By leveraging our cooperative heritage, nationwide presence, growing digital capabilities, and talented workforce, we are positioning Coopbank to capture emerging opportunities, contribute meaningfully to Ethiopia's socioeconomic development, and create enduring value for generations to come.

With a strong foundation, a clear vision, and an unwavering commitment to excellence, Coopbank remains confident in its ability to shape the future of banking and realize its aspiration of becoming a Future-Ready Trillion-Birr Financial Powerhouse by 2030.



SECTION

14

AUDITED FINANCIAL STATEMENTS

TABLE OF CONTENTS

01	Directors, Professional Advisors and Registered Office	2
02	Correspondent Bank	3
03	Directors' Report	4
04	Statement of Directors' Responsibilities	5
05	Independent Auditor's Report	6
06	Statement of Profit or Loss and Other Comprehensive Income	8
07	Statement of Financial Position	9
08	Statement of Changes in Equity	10
09	Statement of Cash Flow	11
10	Notes to the Financial Statements	12-111

Directors, professional advisers and registered office For the year ended 30 June 2026

Company Registration Number LBB/008/2004

Directors

Ad.Meskerem Debebe	Chairperson	25-Mar-2025
Ob.Abinet Tarekegn	Deputy chairperson	25-Mar-2025
Dr Fikru Deksis	Director	25-Mar-2025
Ob.Deribie Asfaw	Director	25-Mar-2025
Ad.Meseret Assefa	Director	25-Mar-2025
Ob.Jemal Kedir	Director	25-Mar-2025
Ob.Dejene Dadi	Director	25-Mar-2025
Ob.Tegistu Shiheraw	Director	25-Mar-2025
Ob.Assefa Sumoro	Director	25-Mar-2025
Dr.Yeshi Jima	Director	04-Jun-2025
Ob.Dereje Wedajo	Board secretary	16-Nov-2024

Executive management

Ob.Deribie Asfaw	Chief Executive Officer	14-Dec-2015
Ob. Aman Semir	Chief Transformation and Strategy Officer	1-May-2016
Ob. Desalegn Tadesse	Chief Risk, Compliance, and Legal Officer	1-May-2016
Ob. Tafesse Fana	Chief Internal Audit Officer	27-May-2016
Ob. Muluneh Aboye	Chief Finance Officer	16-Mar-2022
Ob. Tadele Tilahun	Chief People Officer	16-May-2022
Ob. Shimelis Legesse	Chief Information Officer	15-Dec-2022
Ob. Abdi Fekede	A/Chief Operating Officer	01-Oct-2024
Ob. Fikreyohans Lemma	Senior Director, Building construction Management & Administration	21-Oct-2024

Independent auditor

Kokeb & Melkamu Audit Service LLP
Chartered Certified Accountants /UK/ and Authorized Auditors (Ethiopia)
P.O Box 33645
Telephone:+251-11-616-69-56
Fax:251-11-552-26-88
kokmelk@gmail.com
Addis Ababa, Ethiopia

Corporate Registered Office

Cooperative Bank of Oromia S.C
Bole Rwanda, Coop Transitional HQ Building
P.O Box 16936
Telephone: +251-11-515-02-29
E-Mail: coopbank@ethionet.et
Website: www.coopbankoromia.com.et
Addis Ababa, Ethiopia

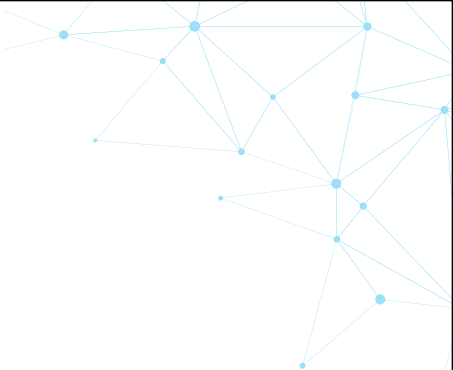
Company Secretary

Obbo Belete Wakbeka

Principal bankers

National Bank of Ethiopia





For the year ended 30 June 2026

Correspondent Banks

Name	Address
Mashreq Bank PSC	New York, USA
Bank of China Limited	Beijing, China
Commerzbank AG	Frankfurt am Main, Germany
DZ BANK AG Deutsche	Frankfurt am Main, Germany
UniCredit SPA	Rome, Italy
Bank of Beirut SAL	Beirut, Lebanon
Bank of Beirut (UK) Ltd	London, United Kingdom
Aktif Yatirim Bankasi AS	Istanbul, Turkey
Bank of Africa-Mer Rouge	Djibouti, Djibouti
CAC International Bank	Djibouti, Djibouti
East Africa Bank	Djibouti, Djibouti
Ecobank Kenya Limited	Nairobi, Kenya
Equity Bank. (Kenya) Limited	Nairobi, Kenya
Exim Bank (Djibouti). S A	Djibouti, Djibouti
KCB Bank Kenya Limited	Nairobi, Kenya
CITIBANK	New York, USA



The Directors' Report

For the year ended 30 June 2026

The Directors' Report

The Directors submit their report together with the financial statements for the period ended 30 June 2026, to the shareholders of Cooperative Bank of Oromia Share Company ("CBO or the Bank"). This report discloses the financial performance and the state of affairs of the Bank.

Incorporation and Address

Cooperative Bank of Oromia Share Company hereinafter may be called CBO or the Bank was established in Ethiopia in 2004 in accordance with the Commercial Code of Ethiopia of 1960 (which was later replaced by the Commercial Code of Ethiopia Procurement No. 1243/2021) and licensed by the National Bank of Ethiopia to engage in banking services in accordance with the Banking Business Proclamation No. 84/1994 (as amended by Proclamation No.1360/2025). The Bank commenced operations in 2005 and is domiciled in Ethiopia.

Principal activities

The bank is principally engaged in redefining the banking experience through innovative financial products that allow customers to bank smarter and live better

Operating Results

The Bank's results for the year ended 30 June 2026, are set out on the statement of profit or loss and other comprehensive income. The profit for the year has been transferred to Retained Earnings, Legal Reserve, and Risk Reserve. The high-level summarized results are presented below.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Revenue (Interest, commission operating income & etc)	30,146,111	20,011,568
Profit before tax	8,114,026	1,980,152
Income tax expense	(1,969,183)	(415,440)
Profit for the year	6,144,843	1,564,712
Other comprehensive income / (loss) net of taxes	8,884	59,270
Total comprehensive income / (loss) for the year	6,153,727	1,623,982



Adde Meskerem Debebe

Chairperson of the Board of Directors
Addis Ababa, Ethiopia



Statement of Directors' Responsibilities

For the year ended 30 June 2026

Statement of the Director's Responsibilities

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in conformity with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the Commercial Code of Ethiopia 2021, the directives issued by the National Bank of Ethiopia and Internal control as the Directors determine 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:

- Exhibit clearly and correctly the state of its affairs;
- Explain its transactions and financial position; and
- Enable the Accounting and Audit Board of Ethiopia to determine whether the Bank has complied with the provisions of the financial reporting proclamation and directives issued for the implementation of the proclamation.

The Bank's directors accept responsibility for the annual financial statements, which have been prepared in accordance with the International Financial Reporting Standards, using appropriate accounting policies supported by reasonable and prudent judgements and estimates.

The directors believe the financial statements give a true and fair view of the bank's financial position and its profit or loss for the reporting year.

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

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

Signed on behalf of the Directors by:



Adde Meskerem Debebe
Chairperson of the Board of Directors
12 October 2026



Deribie Asfaw
CEO
12 October 2026



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Certified Accountants (UK) & Authorized Auditors/ ወርረረደድ ሕዛውንታገሱ (ዩኤ) እና የተረቀደላቸው ሶዲተር

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF COOPERATIVE BANK OF OROMIA (S.C.)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cooperative Bank of Oromia (S.C.) as at June 30, 2026, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

We have audited the financial statements of the Bank, which comprise the Statement of Financial Position as at June 30, 2026, and the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Based on the report of the Bank's Sharia Advisory Council, we note that the activities of the Interest-Free Banking Division have been conducted in accordance with Sharia principles and are compliant with the applicable directives of the National Bank of Ethiopia.

Basis for Opinion

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards and the Banking Business Proclamation No. 1360/2025, and directives and circulars issued by the National Bank of Ethiopia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



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Certified Accountants (UK) & Authorized Auditors/ ሞረቴሪድ ሕክምና (ዩኤ) እና የተረቀቀው ለዲፔት

Key Audit Matters

IFRS 9 was considered a key audit matter due to the subjectivity in determining whether the significant loans meet the criteria for non-impairment classification, the complexity of credit risk assessment, and the potential impact on loan loss provisions, profitability, and capital adequacy ratios. We found that management's assessment was supported by reasonable assumptions; however, the Bank remains sensitive to future changes in credit quality and earnings performance, requiring ongoing monitoring.

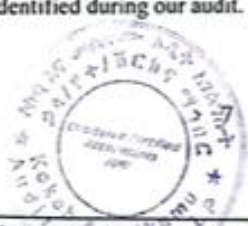
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, whether the financial statements are properly prepared in accordance with IFRS, and the relevant provisions of the Commercial Code of Ethiopia Proclamation No.1243/2021, the Banking Business Proclamation No. 1360/2025, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, and not a guarantee that an audit conducted in accordance with ISA(s) will always detect a material 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 based on these financial statements.

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

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

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



+251-11-616-69-56 +251-911-20-37-76 33645, Addis Ababa, Ethiopia E-mail: kokmelk@gmail.com

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Kokeb & Melkamu Audit Service Limited Liability Partnership

Certified Accountants (UK) & Authorized Auditors/ ሜሪተሪዶድ ሕዝባዊ ገንዘብ (የኢ) ስና የተረፉላቸው ሶዲተር

Report on Other Legal and Regulatory Requirements

1. We have no comment to make on the report of your Board of Directors insofar as it relates to the financial statements and pursuant to Article 349 (1, 2, & 3) of the Commercial Code of Ethiopia Proclamation No.1243/2021. We recommend the approval of the financial statements.
2. The Bank's Board of Directors, after deducting tax, legal reserve, and other deductions, has recommended to the General Assembly of Shareholders that Birr 3,351,195,676.72 be distributed as dividend payments. As the proposed dividends are subject to shareholder approval, we have no reservations about the proposal.

Kokeb & Melkamu

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

Addis Ababa

October 12, 2026



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	5	22,589,727	15,605,470
Interest Expense	6	(7,404,388)	(5,362,169)
Net interest income		15,185,339	10,243,301
Fees and Commission Income	7	5,604,624	2,691,309
Fees and Commission Expense	7	(759,520)	(657,793)
Net Fees and Commission Income		4,845,103	2,033,515
Other operating income	8	1,951,761	1,714,790
Gain/Net loss on Foreign Exchange	7.1	2,996,556	(530,947)
Total Operating Income		24,978,758	13,460,659
Loan and other asset impairment	9	(1,997,542)	(705,566)
Net Operating Income		22,981,216	12,755,092
Personnel Expenses	10	(7,452,772)	(5,553,321)
Amortization of Intangible Assets	19	(338,605)	(93,782)
Depreciation of Property, Plant, & Equipment	20	(1,025,477)	(696,321)
Other operating Expenses	11	(6,050,337)	(4,431,516)
Total Operating Expense		(14,867,190)	(10,774,941)
Profit Before Tax		8,114,026	1,980,152
Income Tax Expense	12a	(1,969,183)	(415,440)
Profit for The Year		6,144,843	1,564,712
Other comprehensive income (OCI) net of income tax			
Items that will not be subsequently reclassified into profit or loss:			
Re-measurement gain/loss on retirement benefits obligations	25	(149,913)	(38,174)
Deferred tax (liability)/asset on remeasurement gain or loss	12d	71,705	28,634
Revaluation gain-equity investment	16	124,417	98,300
Deferred tax (liability)/asset on remeasurement gain or loss		(37,325)	(29,490)
Net effect of gain/loss		8,884	59,270
Total comprehensive income for the period		6,153,727	1,623,982
Basic earnings per share (Birr)	28	50	14

The notes on pages [13] to [113] are an integral part of these financial statements.



Statement of Financial Position For the year ended 30 June 2026

		30 June 2026	30 June 2025
	Notes	Birr'000	Birr'000
ASSETS			
Cash and Balances with Banks	13	30,382,153	41,926,074
Loans and Advances to Customers	14	124,969,013	98,143,433
Interest-free Financing	15	16,651,923	15,328,042
Investment Securities:			
▪ Financial Asset at fair value through OCI	16	981,390	482,760
▪ Financial Assets at Amortized cost	17	27,501,062	14,081,294
Other assets and Prepayments	18	9,707,538	15,357,575
Right-of-Use Assets	20b	2,387,483	2,799,553
Intangible Assets	19	636,118	660,984
Property, Plant and Equipment	20	10,526,826	8,057,163
Non-Current Asset Held for Sale	20a	347,830	544,310
Total Assets		224,091,336	197,381,188
LIABILITIES			
Deposits From Customers (Conv)	21	160,604,275	146,748,610
Interest-Free Banking Deposit	21	30,832,202	27,245,690
Due to Other Banks	22	1,826,377	1,201,247
Borrowing from NBE	23	-	-
Current Tax Liabilities	12c	1,562,139	396,034
Lease Liabilities	20b	429,483	473,821
Other Liabilities	24	4,227,710	3,312,135
Retirement Benefit Obligation	25	597,856	358,840
Net Deferred Tax Liability	12f	393,037	184,832
Total Liabilities		200,473,078	179,921,209
EQUITY			
Share Capital	26	12,800,000	11,865,240
Share Premium	27	8,672	8,672
Retained Earnings	29	3,351,196	1,044,291
Legal Reserve	30	4,572,566	3,116,351
Regulatory Risk Reserve	31	2,881,893	1,421,491
Donated capital	32	3,932	3,932
Total equity		23,618,258	17,459,978
Total liabilities and equity		224,091,336	197,381,188

The notes on pages [13] to [113] are an integral part of these financial statements.

The financial statements were approved and authorized for issue by the board of directors on October 12, 2026 and were signed on its behalf by:

Addes Meskerem Debebe
Chairperson of the Board of Directors

Deribie Asfaw
CEO



Statement of Change in Equity For the year ended 30 June 2026

		Share capital	Share premium	Retained earnings	Legal reserve	Donated capital	Risk Reserve	Total
	Notes	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 1 July 2024		11,160,763	8,672	850,085	2,810,049	3,932	1,110,632	15,944,133
Profit for the period	28			1,564,712				1,564,712
Suspended Interest Income	5			126,944	-	-	(126,944)	-
Reversal of RRR (Loan provision)				(339,503)			339,503	-
Fair value gain-Equity investment	16						98,300	98,300
Total comprehensive income for the period		11,160,763	8,672	2,202,239	2,810,049	3,932	1,421,491	17,607,146
Dividend Capitalized	26	504,372	-	-	-	-	-	504,372
Capitalized in Cash	26	200,106	-	-	-	-	-	200,106
Dividend Paid		-		(850,086)	-	-	-	(850,086)
Director's share of profit	24	-	-	(1,560)	-	-	-	(1,560)
Transfer to legal reserve		-	-	(306,302)	306,302	-	-	-
		704,478	-	(1,157,948)	306,302	-	-	(147,168)
As at 30 June 2025		11,865,240	8,672	1,044,291	3,116,352	3,932	1,421,491	17,459,978
As at 01 July 2025		11,865,240	8,672	1,044,291	3,116,352	3,932	1,421,491	17,459,978
Profit for the period	28			6,144,843				6,144,843
Suspended Interest Income	5			(1,015,998)	-	-	1,015,998	-
Reversal of RRR (Loan provision)				(319,987)			319,987	-
Fair value gain-Equity investment	16						124,417	124,417
Total comprehensive income for the period		11,865,240	8,672	5,853,150	3,116,352	3,932	2,881,893	23,729,238
Dividend Capitalized	26	644,938	-	-	-	-	-	644,938
Capitalized in Cash	26	289,822	-	-	-	-	-	289,822
Dividend Paid		-		(1,044,291)	-	-	-	(1,044,291)
Director's share of profit	24	-	-	(1,449)	-	-	-	(1,449)
Transfer to legal reserve		-	-	(1,456,214)	1,456,214	-	-	-
		934,760	-	(2,501,954)	1,456,214	-	-	(110,980)
As at 30 June 2026		12,800,000	8,672	3,351,196	4,572,566	3,932	2,881,893	23,618,258

The notes on pages [13] to [113] are an integral part of these financial statements.



		30 June 2026	30 June 2025
	Notes	Birr'000	Birr'000
Cash Flows from Operating Activities			
Cash Generated from Operations	33	9,993,002	37,135,761
Directors Allowance	34c	(1,560)	(1,630)
Profit Tax Paid	12c	(593,593)	(706,081)
Defined Benefit Paid	25a	(28,534)	(23,383)
Net Cash (outflow)/inflow from Operating Activities		9,369,315	36,404,667
Cash Flows from Investing Activities			
Purchase/ collection of NBE bills and bonds	17	(12,421,548)	(6,509,260)
Purchase of equity investments	16	(373,741)	(36,285)
Purchase of property, plant, and equipment	20	(4,028,612)	(2,353,862)
Right-of-use assets	20b	(544,755)	(565,930)
Purchase of Intangible Asset	19	(313,739)	(151,719)
Net Cash (outflow)/inflow from Investing Activities		(17,682,395)	(9,617,056)
Cash Flows from Financing Activities			
Payment of Lease liabilities	20b	(124,752)	(40,527)
Settlement of NBE borrowings	23	-	(2,500,000)
Dividend Paid	26	(399,353)	(345,714)
Proceeds from issues of shares	26	289,822	200,106
Net Cash (outflow)/inflow from Financing Activities		(234,283)	(2,686,135)
Net Increase/decrease) in Cash and Cash equivalents		(8,547,363)	24,101,476
Cash and cash equivalents at the beginning of the year	13	41,926,073	17,295,475
Effects of exchange rate movement on cash and cash equivalents	7	(2,996,556)	530,947
Cash and Cash Equivalents at the end of the year	13	30,382,153	41,926,073

The notes on pages [13] to [113] are an integral part of these financial statements.



Notes

1. General Information about Reporting Entity

Cooperative Bank of Oromia SC ("CBO or the Bank") is a private commercial bank domiciled in Ethiopia. The Bank was established on 24 October 2004 in accordance with the provisions of the Commercial Code of Ethiopia of 1960 (which was later replaced by the Commercial Code of Ethiopia of 1243/2021) and licensed by the National Bank of Ethiopia to engage in banking services in accordance with the Banking Business Proclamation No. 84/1994 (as amended by Proclamation No. 1360/2025).

Vision 'Leading the way in financial inclusion, sustainability, and community empowerment for a brighter future'.

2. Summary of Significant Accounting Policies

2.1 Introduction to the summary of significant accounting policies

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

2.2 Basis of preparation

The financial statements for the year ended June 30, 2026 (the Financial Statements) have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Additional information required by the national regulations is included where appropriate.

The financial statements comprise;

- Statement of Profit or Loss and Other Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements

2.2.1 Statement of compliance

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise their judgment in applying the bank's accounting policies. Changes in assumptions may significantly impact the financial statements in the period the assumptions changed. Directors believe that the underlying assumptions are appropriate and that the bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.2.5.

2.2.2 Basis of measurement

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



Notes to Financial Statements
For the year ended 30 June 2026

1. Equity instruments are designated at fair value through other comprehensive income.
2. Non-current assets held for sale are measured at the lower of their carrying amounts and fair value less cost of disposal; and
3. The liability for defined benefit obligations is recognized at the present value of the defined benefit obligation, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

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

2.2.3 Going concern

The bank has adequate resources to continue in operation for the near future. For this reason, the management continues to adopt the going concern assumption in preparing the financial statements. The current credit facilities and adequate resources of the Bank provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.2.4 Comparatives

Except as otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

2.2.5 Estimates and Assumptions uncertainties

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

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

2.2.5.1 Judgements

In applying the bank's accounting policies, the directors made the judgments which have the most significant effect on the amounts recognized in the financial statements.

Estimates where management has applied judgments are:

- Impairment losses /Allowance for financial instruments;
- Defined benefit plan; key actuarial assumptions;
- Useful lives of tangible and Intangible assets;
- Valuation of unquoted equities;
- Litigation claims provisions and contingencies;
- Determination of income taxes



Notes to Financial Statements

For the year ended 30 June 2026

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances.

Estimates and the underlying assumptions and judgements are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

2.2.6 Classification and Impairment of Financial Assets

The classification of financial assets includes the assessment of the business model within which the assets are held and the assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

The impairment of financial instruments includes the assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses (ECL).

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g., the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4(c)(viii) which also sets out key sensitivities of the ECL to changes in these elements.

Several significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for a significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgments and estimates made by the Bank in the above areas is set out in Note 2.2.5.

2.3 Changes in accounting policies and disclosures

I. New standards, amendments, and interpretations effectively and adopted during the year

The Bank has adopted the following new and amended IFRS Accounting Standards that are effective for annual reporting periods beginning on or after 1 July 2025. The adoption of these amendments has been considered in preparing the Bank's financial statements for the year ended 30 June 2026.

New Standards or amendments	Effective Date
Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments	January 1, 2026
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity	January 1, 2026



Notes to Financial Statements
For the year ended 30 June 2026

▪ **Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments**

The amendments clarify certain requirements relating to the classification and measurement of financial assets and liabilities under IFRS 9 and introduce related disclosure requirements under IFRS 7. The amendments address, among other matters, the assessment of contractual cash flow characteristics, including financial assets with contingent features, and introduce additional disclosure requirements relating to certain financial instruments.

The Bank has assessed the impact of these amendments on its financial instruments and related disclosures and has applied the applicable requirements in preparing the financial statements for the year ended 30 June 2026.

▪ **Annual Improvements to IFRS Accounting Standards—Volume 11**

The Annual Improvements to IFRS Accounting Standards—Volume 11 contain narrow amendments and clarifications to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7. The amendments are intended primarily to clarify wording, correct unintended consequences and improve consistency in the application of the Standards.

The bank has not yet applied to prepare these financial statements for the year ended 30 June 2026.

▪ **Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity**

The amendments to IFRS 9 and IFRS 7 address accounting and disclosure issues arising from contracts for electricity that depend on nature-related factors, such as solar and wind generation. The amendments clarify the application of the own-use requirements and hedge accounting requirements under IFRS 9 and introduce additional disclosure requirements under IFRS 7.

The Bank has assessed the applicability of these amendments to its activities and contractual arrangements. Based on the assessment, the amendments do not have a material impact on the Bank's financial statements for the year ended 30 June 2026.

II. New Standards, amendments, interpretations issued but not yet effective.

The following new or amended IFRS Accounting Standards have been issued but are not yet effective for the Bank's financial statements for the year ended 30 June 2026. The Bank has not early adopted these requirements and is currently assessing their potential impact on its financial statements.

New Standards or amendments	Effective Date
IFRS 18 – Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19 – Subsidiaries without Public Accountability: Disclosures	January 1, 2027
Amendments to IAS 21 – Translation to a Hyperinflationary Presentation Currency	January 1, 2027

▪ **IFRS 18 – Presentation and Disclosure in Financial Statements**

IFRS 18 replaces IAS 1 Presentation of Financial Statements and introduces new requirements for the presentation and disclosure of financial performance. The Standard introduces defined subtotals in the statement of profit or loss, including operating profit and profit before financing and income taxes, and establishes requirements relating to



Notes to Financial Statements
For the year ended 30 June 2026

management-defined performance measures and the aggregation and disaggregation of information.

IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The Bank is assessing the implications of IFRS 18, including the potential impact on the presentation of its financial statements, disclosures, reporting processes and related systems.

▪ **IFRS 19 – Subsidiaries without Public Accountability: Disclosures**

IFRS 19 permits eligible subsidiaries without public accountability to apply reduced disclosure requirements while applying other IFRS Accounting Standards for recognition, measurement and presentation. The Standard is effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.

The Bank will assess the applicability of IFRS 19 based on its reporting structure and whether the relevant eligibility criteria are met.

▪ **Amendments to IAS 21 – Translation to a Hyperinflationary Presentation Currency**

These amendments provide accounting requirements for entities that have a presentation currency that is subject to hyperinflation and address the translation of financial statements into a hyperinflationary presentation currency.

The amendments are effective for annual reporting periods beginning on or after 1 January 2027. The Bank will assess their applicability based on the nature of its foreign operations and presentation currency requirements.

2.4 Foreign Currency Translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.



2.5 Financial instruments – recognition and measurement

2.5.1 Financial assets

Initial recognition and measurement

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

I. Financial asset measured at amortized cost

The Bank measures 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.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

II. Financial assets measured at fair value through other comprehensive income

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

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

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

III. Financial instruments measured at fair value through profit or loss

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

Business model assessment

The Bank assesses 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;



Notes to Financial Statements
For the year ended 30 June 2026

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

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

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

For this assessment, 'principal' is 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. periodic reset of interest rates).

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is considered for the time value of money, credit risk, other basic lending risks, and costs associated with the principal amount outstanding.

Debt instruments measured at amortized cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for the collection of contractual cash flows, where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these instruments is recognized in interest income using the effective interest rate method. The



Notes to Financial Statements

For the year ended 30 June 2026

effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition, transaction costs, and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

- i) Are held for trading purposes;
- ii) Are held as part of a portfolio managed on a fair value basis; or
- iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the Statement of Financial Position, with transaction costs recognized immediately in the Statement of Profit or Loss and Other Comprehensive Income as part of Non-interest income. Realized and unrealized gains and losses are recognized as part of Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Debt instruments designated at FVTPL

Financial assets classified in this category are those that have been designated by the Bank upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial assets for which a reliable estimate of fair value can be obtained.

Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets designated at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments

Equity instruments are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL); or
- Elected at fair value through other comprehensive income (FVOCI)

Equity instruments measured at FVTPL

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognized immediately in the Statement of profit or loss and other comprehensive income as part of Non-interest income. After initial recognition, the changes in fair value are recognized as part of non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments measured at FVOCI

At initial recognition, there is an irrevocable option for the Bank to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments for strategic or



Notes to Financial Statements

For the year ended 30 June 2026

longer-term investment purposes. This election is made on an instrument-by-instrument basis and is not available to equity instruments that are held for trading purposes.

Gains and losses on these instruments, including when derecognized/sold, are recorded in OCI and are not subsequently reclassified to the Statement of Profit or Loss and Other Comprehensive Income. As such, there is no specific impairment requirement. Dividends received are recorded in Interest income in the Statement of Profit or Loss and Other Comprehensive Income. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the Statement of Profit or Loss and Other Comprehensive Income on sale of the security.

Reclassifications

If the business model under which the bank holds financial assets changes, the financial assets affected are reclassified.

The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the bank.

During the current financial year and previous accounting period, there was no change in the business model under which the bank holds financial assets. Therefore, no reclassifications were made.

Derecognition of Financial Assets

The bank derecognizes a financial asset when:

- The contractual right to the cash flows from the financial asset expires, or
- It transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred;
- Bank neither transfers nor retains all of the risks and rewards of ownership substantial, 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.

2.5.2 Financial Liabilities

A. Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The bank's financial liabilities include customers' deposits, margin held on letters of credit, and other liabilities. Interest expenditure is recognized in interest and similar expenses.



B. Subsequent measurement

Financial instruments issued by the bank, that are not designated at fair value through profit or loss but are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in the bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate (EIR). Amortized cost is calculated by considering any discount or premium on the issue and costs that are an integral part of the EIR.

The bank's financial liabilities carried at amortized cost comprise customer deposits, margin held on letters of credit, and other liabilities.

C. Derecognition of Financial Liabilities

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

2.5.3 Modifications of Financial Assets and Financial Liabilities

I. Financial Assets

If the terms of a financial asset are modified, the Bank evaluates 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 are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognized, then impairment of the asset was measured using the pre-modification interest rate.

II. Financial Liabilities

The Bank derecognizes 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 is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

2.5.4 Offsetting

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position when, and only when, the Bank has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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



2.5.5 Amortized Cost Measurement

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

2.5.6 Fair Value Measurement 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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

There is no active market or observable prices except for the foreign currency market to measure the Bank's financial assets or financial liabilities at fair value. The Fair value of financial assets and financial liabilities is determined at each reporting date for disclosure in financial statement.

2.5.7 Impairment of financial assets

The impairment charge in the Profit or Loss Statement includes the change in expected credit losses and including those arising from fraud. Expected credit losses are recognized for loans and advances to customers, other financial assets held at amortized cost, financial assets measured at fair value through other comprehensive income, and certain loan commitments and financial guarantee contracts.

Expected credit losses are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default, adjusted to consider a range of possible future economic scenarios, and applying this to the estimated exposure of the bank at the point of default after considering the value of any collateral held, repayments, or other mitigates of loss and including the impact of discounting using the effective interest rate.

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

The bank shall recognize loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments; loans and advances to banks and customers.
- Lease receivables.
- Financial guarantee contracts issued
- Loan commitments issued.

No impairment loss shall be recognized on equity investments.



Notes to Financial Statements
For the year ended 30 June 2026

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

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

Lifetime ECL is the ECL that results 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, and those that are credit-impaired are referred to as Stage 3, financial instruments.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in note 2.2.5.

I. Measurement of ECL

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

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

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

For undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the bank, if the commitment is drawn down, and the cash flows that the Bank expects to receive. and

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

II. Restructured/Renegotiated loans:

Renegotiated loans or advances refer to loans that have been refinanced, rescheduled, rolled over, or otherwise modified at favorable terms and conditions for the borrower because of weaknesses in the borrower's financial condition or ability to repay.

Non-Performing Loans are restructured when the result of analysis on the obligor's financial capacity indicates the need to modify/change the original terms and conditions of the loan contract in order to recover the outstanding loan. As per the Bank's loan management procedure, any NPL (defaulted loan) is worked out and restructured by taking either of the following changes or combined options.

- Extension of the repayment period with the consent of the concerned parties (borrower and guarantor);
- Changing the form of the loan fully or partially (e.g., overdraft to a term loan);
- Requesting additional collateral or a change of collateral;



Notes to Financial Statements
For the year ended 30 June 2026

- Cross-collateralizing multiple loans;
- Including additional covenants;
- Arranging transfer of loans from one borrower to another borrower upon request by the borrower, based on the mutual agreement of both the borrower and the would-be buyer of the loan, when an acceptable agreement is submitted to the Bank and a new buyer of the loan is deemed to be better than the actual customer;
- Persuading owners, shareholders, and directors/managers of borrowers to enter into a personal guarantee contract with the Bank;
- 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. Once a non-performing loan has been restructured, it does not remain in the same category of loan status as prior to the restructuring. However, the status (category) is turned to “substandard), without prejudice to the standard definition of substandard when:
 - Renegotiated term loans equivalent to all past-due interest is paid by the borrower in cash at the time of renegotiation, and the following payments are made by the borrower on a consistent and timely basis in accordance with the restructured terms of the loan or advance.
 - Loans with monthly or quarterly installment payments, at least 3(three) consecutive repayments.
 - Loans with semi-annual installment repayments, at least 2 (two) installments.
 - Loans with annual installment repayments, at least one repayment.
 - Renegotiated non-performing overdraft facilities equivalent to all past-due interest is paid by the borrower in cash at the time of renegotiation, and the account shows at a minimum:
 - A nil balance at least once
 - A turnover rate of once the approved limit is reached.

III. Credit-impaired financial assets

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

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract, such as a default or past-due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- 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



Notes to Financial Statements
For the year ended 30 June 2026

impairment. In addition, a retail loan that is overdue for 90 days or more shall be considered credit-impaired even when the regulatory definition of default is different.

IV. Default but not impaired loans:

According to the NBE's directive No. SBB/90/2024, non-performing (defaulted) loan refers to loans or advances whose credit quality has deteriorated such that full collection of principal and/or interest in accordance with the contractual terms and conditions is in question. Loans with a pre-established repayment program are non-performing (impaired) when principal and/or interest is due or uncollectible for 90 consecutive days or more.

Overdrafts and other advances that do not have a pre-established repayment program are non-performing (defaulted) when

- The debt remains outstanding for 90 consecutive days or more beyond the scheduled payment date or maturity
- The debt exceeds the borrower's approved limit for 90 consecutive days or more.
- Interest is due and uncollected for 90 consecutive days or more.
- For overdrafts,
- The account has been inactive for 90 consecutive days or more or
- Deposits are insufficient to cover the interest capitalized during 90 consecutive days or
- The account fails to show a debit balance of 5% or less from the approved limit at least once over 360 days preceding the date of loan review
- While managing credit risk, default is considered to have occurred with regard to a particular obligor when either or both of the following two events have occurred.

Loans secured by cash or cash substitute guarantees and/or sources of payment that are enough to cover the carrying value are deemed default but not impaired, which means, with no losses incurred.

V. Write-off

Loans and debt securities shall be written off (either partially or in full) when there is no reasonable expectation of recovering the amount in its entirety or a portion thereof. This assessment shall be carried out at the individual asset level.

The Bank determines the write-off of a loan or group of loans demonstrating non-recoverability. This determination is made after performing an analysis of the financial conditions from the date of default and the likelihood of recovering such loans.

As per the credit procedure, a loan is written off when the Bank exhausts all means to recover the outstanding loan. It is uncertain to know how long it will take to get a court verdict on the litigation to recover the outstanding amount of defaulted loans from other attachable properties registered in the name of the defaulters. Therefore, the Bank does not consider a specific time limit for write-offs. Defaulted loans are written off immediately after exhausting all means to recover the loan.

After having fully exhausted all possible means for the recovery of loans and advances and after ascertaining that the property held as collateral does not cover the loan in full; and after having ascertained that there is no other attachable property to cover the remaining balance fully or partially, the recovery area shall compile evidence to support that the loan or part of the loan it proposes to write-off is unrecoverable.



Notes to Financial Statements

For the year ended 30 June 2026

Loan write-offs can be initiated for the following reasons:

- Absence of attachable property;
- Insolvency of the borrower;
- Declaration of bankruptcy of the borrower by a court;
- Higher Cost of Recovery than the Realizable Value of the Property;
- Defects in Documentation – if the Bank has no legal ground to sue the borrower because of defects in the contract;
- Court decision; and
- Statute limitations.

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

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

VI. 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 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.

2.5.8 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, where the bank has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The bank has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.5.9 Impairment losses on loans and advances

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, changes in individual customers' circumstances, structural changes within industries that alter competitive positions, and other external factors such as legal and regulatory requirements.

Impairment is measured for all accounts identified as non-performing. All relevant considerations that have a bearing on the expected future cash flows are considered which



Notes to Financial Statements

For the year ended 30 June 2026

include but not limited to, future business prospects for the customer, realizable value of securities, the bank's position relative to other claimants, and the existence of any court injunctions placed by the borrower. Subjective judgments are made in this cash flow determination process in value and timing and may vary from one person to another and team to team. Judgments may also change with time as the latest information becomes available.

The bank reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. Judgment by the directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about several factors, and actual results may differ, resulting in future changes in the allowance.

The following are key estimations that the directors have 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:

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario.

When measuring ECL, the Bank uses reasonable and supportive forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

- I. **Probability of Default (PD):** Probability of default (PD) estimates the possibility of a loan facility moving from the performing status (stage 1) to the non-performing status (stage 3). For impairment purposes, the PD parameter is estimated using a transition matrix multiplication approach that estimates the movement of loan amounts from one bucket to the next between two subsequent time periods.
- II. **The Loss Given Default (LGD):** is a measure of how much (in the form of a percentage) the bank is expected to lose if default events occur. This can be estimated using either collateral, in instances where the customer has collateral against the debt instrument that they have undertaken with the bank, or an analysis of the historical cash collections after the default event, for cases where the debt instrument is not secured.
- III. **Exposure at Default (EAD):** EAD modelling estimates annual outstanding exposure on each loan facility over the remaining lifetime from the reporting period. The EAD for each period is calculated based on the contractual cash flows of each loan account using the reducing balance method.
The exposure at default assumed by management is the mid-year EAD for facilities with monthly and quarterly repayment schedules. This is to reflect the assumption of uniform distribution of default events throughout the year. For semi-annual and annual repayment schedules, exposure at default will be assumed by management to be the reporting date EAD.
- IV. **Significant Increase in Credit Risk (SICR):** SICR is based on migration from stage 1 to stage 2. As per the bank's loan listing classification, these are loans that experience migration from "Pass" to "Special Mention" because of arrears of over 30 days past due.



2.5.10 Statement of prudential Adjustments-On-Balance Sheet Exposures

Provisions under prudential guidelines are determined using the time-based provisioning regime prescribed by the Revised National Bank of Ethiopia (NBE) Prudential Guidelines. This is at variance with the expected credit loss model required by IFRS 9. As a result of the differences in the methodology/provision regime, there will be variances in the impairment allowances required under the two methodologies.

Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, Banks would be required to comply with the following:

- a. Provisions for loans recognized in the profit or loss account should be determined based on the requirements of IFRS.

However, the IFRS provision should be compared with provisions determined under prudential guidelines, and the expected impact/changes in general reserves should be treated as follows:

- Prudential Provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the retained earnings account to a “regulatory risk reserve”
- b. Prudential Provisions are less than IFRS provisions; IFRS-determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the retained earnings account.

The Bank has complied with the following minimum prudential provision percentages requirements of the directives against the outstanding principal amount of each loan or advance, classified in accordance with the criteria for the classification of loans or advances as laid out under Article 6 of this Directive No. SBB/90/2024:

Classification Category		Minimum Prudential Provision
7.3.1	“Pass”	1%
7.3.2	“Special Mention”	3%
7.3.3	“Sub-standard”	20%
7.3.4	“Doubtful”	50%
7.3.5	“Loss”	100%

2.5.11 Prudential Provisioning Requirements for Off-balance Sheet Exposures

All banks shall maintain a Provision for Loan Losses Account, which is created by charges to provision expense in the profit and loss statement and shall be maintained at a level adequate to absorb potential losses from off-balance sheet exposures, including letter of credit (such as sight or acceptance letter of credit), guarantee (such as performance bond or bid bond guarantees) and commitment to loan or advance.

All banks shall maintain the prudential provisions against the total off-balance sheet exposure (amount of cash margin or value of eligible collateral shall not be deducted while computing such exposure value for provisioning purposes).

Banks shall maintain the following minimum prudential general provision percentages against the total off-balance sheet exposure amount:



Notes to Financial Statements
For the year ended 30 June 2026

Guarantee;

- Guarantee with no counter guarantee: 2%
- Guarantee with counter guarantee by foreign bank or foreign insurance company with an A rating as per sub-article 2.5.3 of this Directive: 1%
- Commitment to provide loan and advances: 2%
- Letter of credit: 2%
- Other off-balance sheet exposures: 2%

2.6 Cash and cash equivalents

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

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

2.7 Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

2.8 Debt Securities

Government securities and coupons, and corporate bonds are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss. They are measured at amortized cost-plus accrued interest.

2.9 Property, Plant and Equipment

2.9.1 Recognition and measurement

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such a cost includes the cost of replacing part of the property, plant, and equipment if the recognition criteria are met.

When significant parts of property, plant, and equipment are required to be replaced at intervals, the bank recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other minor repair and maintenance costs are recognized or expensed in Profit or Loss as incurred.

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

Property and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or at the expiration of a lease contract for right-of-use assets. Gains or losses are determined by comparing the net proceeds from disposal with the carrying amount of the items.

Gains and losses arising on disposal of an item of property and with the carrying amount of the item and are recognized within 'other operating income' in profit or loss.

The Bank does not have property, plant, and equipment or real assets pledged as collateral.



Notes to Financial Statements
For the year ended 30 June 2026

2.9.2 Depreciation

Depreciation is recognized in the income statement on a straight-line basis to write down the cost of items of property and equipment to their residual values over the estimated useful lives.

The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

Asset class	Depreciation rate (years)	Residual values (%)
Buildings	50	5%
Motor vehicles	10	5%
Computer and data storage	7	1%
Furniture & fittings	10-20	1%
Equipment	5-10	1%

The Bank commences depreciation when the asset is available for use and ceases at the earlier of the date that the asset is derecognized or classified as held for sale in accordance with IFRS 5. Capital work-in-progress is not depreciated as these assets are not yet available for use. Upon completion, it is transferred to the relevant asset category. Freehold land is not depreciated.

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.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, or value in use.

Minor repairs and maintenance costs are expensed as incurred.

2.9.3 De-recognition

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included within other operating income in the income statement in the period the asset is derecognized.

2.10 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite life are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.



Notes to Financial Statements

For the year ended 30 June 2026

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Unless otherwise, all other expenditure is expensed as incurred.

The amortization expenses on intangible assets with finite life are presented as a separate item in the Profit or Loss.

Amortization is recognized in the income statement on a straight-line basis calculated over the estimated useful life of the intangible assets, from the date that it is available for use, since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The Bank's intangible assets have the following estimated useful lives:

- Computer software-----6 years
- Core application software-----6 years
- Intangibles-contract based-----contract period

The useful lives of the assets are reviewed annually for any changes in circumstances. The assets are tested annually for impairment or at such time where there is an impairment trigger, or changes in circumstances indicate that their carrying value may not be recoverable.

Costs associated with maintaining intangible asset programmed are recognized as an expense as incurred. However, expenditure that enhances or extends the benefits of the asset beyond their original specification and life is recognized as a capital improvement and added to the original cost of the intangible asset/software. Internally generated intangibles, excluding capitalized development costs, are not capitalized, and the related expenditure is reflected in Profit or Loss in the period in which the expenditure is incurred.

2.11 Investment Property

Investment property is property held either to earn rental income, capital appreciation, or both, and is not intended to be sold in the normal course of business. All investment properties are recognized at cost less accumulated depreciation and cumulative impairment losses.

When the use of a property changes such that it is reclassified as property, plant, and equipment, its carrying value at the date of reclassification becomes its cost for subsequent accounting.

2.12 Non-Current Assets Held for Sale

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

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



Notes to Financial Statements

For the year ended 30 June 2026

Non-current assets are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal bank classified as held for sale continue to be recognized.

Collateral valuation

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

To the extent possible, the bank uses active market data for valuing financial assets held as collateral. Other financial assets, which do not have a readily determinable market value, are valued using models.

Reposessed collateral

Reposessed collateral represents financial and non-financial assets acquired by the bank in settlement of overdue loans.

The bank's policy is to determine whether a reposessed asset is best used for its internal operations or should be sold.

Assets determined to be used for internal operations are initially recognized at the lower of their reposessed value or the carrying value of the original secured asset and included in the relevant assets depending on the nature and the bank's intention in respect of recovery of these assets, and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets.

Assets that are determined to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the bank's policy.

2.13 Leases

I. Bank as a Lessee

At commencement or on modification of a contract containing a lease component, the bank allocates consideration on the contract to each lease component on the basis of its relative stand-alone price. However, for the lease of branches and office premises, the bank has elected not to separate non-lease components and accounts for lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use (ROU) asset and a lease liability at the commencement date of a lease. The ROU asset is initially measured at cost, comprising the initial amount of the lease liability, lease payments made at or before commencement, any initial direct costs, and an estimate of restoration obligations. Subsequently, ROU assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for lease modifications. Depreciation is charged on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities are initially measured at the present value of future lease payments, discounted using the interest rate implicit in the lease or, if not readily determinable, the Bank's incremental borrowing rate. Lease payments include fixed payments, in-substance fixed payments, variable lease payments linked to an index or rate, expected payments under residual value guarantees, and amounts payable under purchase, renewal, or termination options that the Bank is reasonably certain to exercise. Lease liabilities are subsequently measured at amortized cost using the effective interest method and



Notes to Financial Statements
For the year ended 30 June 2026

remeasured when lease terms or payment assumptions change, with corresponding adjustments to ROU assets.

The Bank applies exemptions for short-term leases (12 months or less) and leases of low-value assets, recognizing lease payments as expenses on a straight-line basis over the lease term. Non-lease components are not separated from lease components for premises leases.

ROU assets are presented within "Property and Equipment" and lease liabilities within "Other Liabilities" in the statement of financial position. Restoration costs, where required under lease agreements, are recognized as part of the ROU asset and provided for as liabilities.

II. Bank as a Lessor

At inception or on modification of a contract containing a lease component, the bank allocates the consideration in the contract to each lease component based on its relative stand-alone selling prices.

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

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

The bank applies the derecognition and impairment requirements in IFRS 16 to the net investment in the lease. The bank regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

2.14 Investment in associates

Associates are all entities over which the Bank has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. This is generally the case where the Bank holds between 20% and less than 50% of the voting rights of the entity. In assessing the existence of significant influence, the Bank considers, among other parameters, whether there is;

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in the policy-making process and material transactions between the investor and the investee;
- Provision of essential technical information by the investor to the investee

Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Bank's share of the post-acquisition profits or losses of the investee in profit or loss, and the Bank's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Bank recognizes its share of any changes, when applicable, in the statement of change in equity.



Notes to Financial Statements

For the year ended 30 June 2026

When the Bank's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Bank does not recognize further losses, unless it has incurred an obligation or made payments on behalf of the other entity.

Unrealized gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Bank.

In certain instances, the requirement that significant influence arises from a 20% or more investments can be invalidated where an entity can demonstrate that it does not have significant influence, or there is a demonstrable presence of significant influence in an investment of less than 20% based on the above assessment criteria.

Investment in associates is accounted for using the equity method of accounting. The initial investment is recognized at the cost of acquisition, and any share of profit or loss from the investment is reflected as changes in the value of the investment.

2.15 Other assets

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

I. Prepayments

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 service is to be enjoyed.

II. Other receivables

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

III. Inventory

For the Bank, inventories would normally comprise materials and supplies not directly used at the time of their purchase, such as stationery and printing materials, uniforms, CPO, passbooks, office supplies, and other general supplies.

The cost of inventories of items that are ordinarily interchangeable and have not been produced and segregated for specific projects is determined by using the first-in, first-out (FIFO) or weighted average cost formula. The Bank uses the FIFO method for measuring its inventories. The cost of inventory is recognized as an expense when the inventory is used.

2.16 Impairment of Non-financial assets

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



Notes to Financial Statements

For the year ended 30 June 2026

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such an indication exists, the bank estimates the assets or the CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss in respect of cash-generating units and are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the profit or loss.

2.17 Deposits from Banks and Customers

Deposits and borrowings are the Bank's sources of debt funding. These liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

2.18 Provisions

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

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

2.19 Employee Benefits

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



I. Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement when they are due in respect of service rendered before the end of the reporting period.

Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

The Bank operates two defined contribution plans.

- **Pension scheme** in line with the provisions of the Ethiopian Private Organization Employees' Pension Proclamation No. 1268/2022. Funding under the scheme is 7% and 11% by employees and the Bank, respectively.
- **Provident fund contribution**, funding under this scheme is 8% and 12% by employees and the bank, respectively, based on the employees' salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

II. Defined Benefit Plan

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

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

The cost of the defined benefit pension plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, and future pension increases.

The current service cost of the defined benefit plan, recognized in the Profit or Loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments, and settlements. Post-service costs are recognized immediately in Profit or Loss.

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

III. Retirement Benefits

The bank has a comprehensive remuneration system based on HR policy. It combines a fixed salary that reflects the individual's role and level of responsibility, along with other benefits. According to the Law, in case of unjustified dismissal, employers are obligated to pay their employees compensation based on the years of service.



IV. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

V. Profit-sharing and Bonus plans

The bank recognizes a liability and expenses for bonuses and profit-sharing. The bank recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Share Capital (Paid up capital)

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

2.21 Legal Reserve

The legal reserve is a statutory reserve required by the regulators. The Bank has to transfer annually 25% of its annual net profit as a legal reserve until such reserve equals its capital. When the legal reserve equals the capital of the Bank, the amount to be transferred to the legal reserve shall be 10% of the annual net profit. See NBE Directive No. SBB/4/95.

2.22 Government Grants

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

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

2.23 Earnings per Share

The Bank presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the bank by the weighted average number of shares outstanding during the period.

2.24 Recognition of Income and Expenses

Interest income and expense for all interest-bearing financial instruments are recognized within "interest income" and "interest expense" in the consolidated and separate income statements using the effective interest method.

Interest income and expenses are recognized in the profit or loss statement when it is probable that economic benefits will flow to or from the bank in accordance with contractual terms. This recognition occurs provided that the amounts can be reliably measured, regardless of when the cash is actually received or paid.



Notes to Financial Statements

For the year ended 30 June 2026

The bank generates income from a diverse range of sources. Key contributors include interest on loans and advances to customers, service charges, and commissions. Additionally, the bank earns interest from deposits with local and correspondent banks, as well as from various investments in NBE (National Bank of Ethiopia) bills and equity. Other income sources encompass foreign currency transactions, dividends, rental income, and miscellaneous income.

2.24.1 Net Interest

A. Effective interest rate

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the bank estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows (payments or receipts) over the expected life of a financial instrument to either the gross carrying amount of the financial asset or the amortized cost of the financial liability. This method ensures that the interest income or expense reflects the actual cost or return over the instrument's life.

In calculating the effective interest rate, all transaction costs, as well as any fees and points paid or received that are integral to the financial instrument, are considered. Transaction costs include incremental costs directly attributable to acquiring or issuing a financial asset or liability. This comprehensive approach captures the true economic cost or return associated with the financial instrument.

For all government bills, bonds, and interest-bearing financial assets measured at amortized cost, interest income or expense is recorded using the Effective Interest Rate (EIR). The carrying amount of the government bills and bonds is adjusted if the bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest Income' for financial assets and 'Interest expense' for financial liabilities.

B. Amortized cost and gross carrying amount

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

The gross carrying amount of a financial asset' represents the amortized cost before considering any expected credit loss allowances. This is essentially the unadjusted value of the asset, reflecting the initial measurement plus or minus adjustments for principal



Notes to Financial Statements
For the year ended 30 June 2026

repayments and cumulative amortization, but without reductions for credit losses. It provides a starting point for assessing the asset's value before incorporating credit risk adjustments.

C. Calculation of interest income and expense

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

For financial assets that become credit-impaired after initial recognition, interest income is calculated using the effective interest rate applied to the amortized cost of the asset. If the asset later recovers and is no longer credit-impaired, the calculation of interest income switches back to a gross basis. However, for financial assets that were credit-impaired at the time of initial recognition, the interest income calculation remains on an amortized cost basis, even if the credit risk improves.

2.24.2 Fees and commission income, and expense

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income (commission on foreign transactions, advising commission, extension commission) are recognized as the related services performed.

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

Other fees and commission expenses related to transactions and service fees are expensed as the services are received.

In determining the disaggregation of fees and commissions, the bank has considered how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. It has been determined that the above disaggregation by product type provides useful information that does not aggregate items that have substantially different characteristics and is not too detailed.

2.24.3 Interest paid on borrowings and deposits

Interest paid on borrowings and deposits is calculated on a 365-day' basis in a year and recognized on an accrual basis. Interest on lease liabilities is accounted for as per IFRS 16 Leases.

2.24.4 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.

2.24.5 Rental Income

Rental income in respect of operating leases is accounted for on a straight-line basis over the lease terms on ongoing leases.



2.24.6 Foreign exchange revaluation gains or losses

These are gains and losses arising from settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. This amount is recognized in the Profit or Loss, and it is further broken down into realized and unrealized portions.

The monetary assets and liabilities include financial assets within cash and cash equivalents and foreign currency deposits.

2.25 Income Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

I. Current income tax

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

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. The directors periodically evaluate positions taken in tax returns regarding situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

II. Deferred tax

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

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



Notes to Financial Statements

For the year ended 30 June 2026

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

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

In determining the amount of current and deferred tax, the bank considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the bank to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

2.26 Related Parties

This relates to transactions entered between the bank and its related parties.

2.27 Fair Value Measurement

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

- Disclosures for valuation methods, significant estimates, and assumptions Note 2.2.5 and Note 3.7.1
- Quantitative disclosures of fair value measurement hierarchy Note 3.7.1
- Financial instruments (including those carried at amortized cost) Note 3.7.1

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

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

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data with respect to similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the consolidated statement of financial position.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers, is determined using a present value model based on contractually agreed cash flows, considering credit quality, liquidity, and costs.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.



Notes to Financial Statements

For the year ended 30 June 2026

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

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

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

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

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

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

For fair value disclosures, the bank has determined classes of assets and liabilities based on the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3. Significant Accounting Judgement, Assumption, and Estimation

3.1 Expected Credit Loss Measurement

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs, and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discounts unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognized during the period, and write-offs of allowances related to assets that were written off.



A. Inputs, Assumptions, and Techniques used for estimating impairment

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition, as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the bank.
- If a SICR since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- POCI financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

B. Significant Increase in Credit Risk

The bank continuously monitors all assets subject to ECL. To determine whether an instrument or a portfolio of instruments is subject to 12-month and Lifetime ECL, the bank assesses whether there has been a significant increase in credit risk since initial recognition.

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 bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met.

The quantitative criteria are based on either absolute or relative changes in credit quality. In both cases, the bank is expected to specify the percentage change for either 12-month or lifetime PDs in comparison to the corresponding 12-month or lifetime PDs as calculated at origination, respectively, that would indicate a significant increase in credit risk since origination.



I. Forward Transitions: Days Past Due

Transition from Stage 1 to Stage 2 is based on the 30-day past due presumption.

Stage	Days Past Due
1	0 – 29
2	30 – 89
3	90+

II. Forward Transitions: Watch list & Restructure

The bank classifies accounts that are included on their watch list or have been restructured as Stage 2 if the significant driver for the account being a watch-listed or restructured is due to a significant increase in credit risk.

III. Forward transitions: Classification

In addition to the days past due, the bank classifies accounts as either 'Performing', 'Substandard', 'Doubtful', or 'Loss'.

This classification is considered together with days past due in determining the stage classification. The table below summarizes the account classification and days past due.

Classification	Days Past Due
Performing (Current + Watch list)	0 – 89
Substandard	90- 179
Doubtful	180 – 360
Loss	365+

The internal rating systems described above focus more on credit-quality mapping from the inception of the lending.

Current: Relates to assets classified as "Investment Grade" (no evident weakness).

Watch list: Relates to items for which there is evidence of a weakness in the financial or operating condition of the obligor that requires management's close attention.

Substandard: There is a well-defined weakness in the financial or operating condition of the obligor that jeopardizes the timely repayment of its obligations.

Doubtful: There are all of the weaknesses that are normally seen in a substandard credit, with the additional characteristic that these weaknesses make full repayment unlikely.

Loss: These assets are considered uncollectible and of such little value that they should be fully written off.

A backstop is applied, and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.



C. Credit Risk Grades and Exposure

The Bank manages its credit risk exposure by assigning each facility a credit risk grade at the time of initial recognition and updating it through continuous monitoring. These grades reflect the likelihood of default and are determined through a combination of quantitative measures (such as financial ratios, repayment history, and sectoral performance) and qualitative judgment (including management assessment, industry outlook, and borrower behavior).

The grading framework is designed to capture the fact that the risk of default does not increase linearly but rather escalates exponentially as financial health deteriorates. For instance, the difference in creditworthiness between a grade Pass and Special Mention may be relatively modest, whereas the difference between Substandard and Doubtful can indicate a significant deterioration in repayment capacity.

Every exposure is subject to ongoing monitoring, which includes:

- Review of audited financial statements, management accounts, and projections,
- Analysis of gross profit margins, leverage, and debt service capacity,
- Consideration of sectoral or macroeconomic changes (e.g., political, regulatory, technological),
- Internal behavioural data such as repayment patterns, limit utilization, and requests for restructuring,
- Cross-checks with external credit reference agencies and other available market information.

This continuous monitoring helps the Bank to detect early signs of weakness and to take remedial actions in time.

D. Generating the term structure of PD

Credit risk grades are a primary input into determining the term PD structure for exposures. The bank collects performance and default information about its credit risk exposures, analyzed by product and borrower, and 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.

E. 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.



Notes to Financial Statements

For the year ended 30 June 2026

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 from 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 return 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 can identify 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 transferred directly from the 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).

F. 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 because 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.



Notes to Financial Statements
For the year ended 30 June 2026

- 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 aligns with that applied by the bank for regulatory capital purposes.

G. Incorporation of Forward-Looking Information 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/Product	Macroeconomic factors
Cluster 1 Agriculture Consumer Loans 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



Notes to Financial Statements
For the year ended 30 June 2026

Cluster 3 Building and Construction Hotel and Tourism Manufacturing and Production Industry Real Estate 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 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

The economic scenarios used included the following key indicators for Ethiopia:

Indicator	30 June 2024	30 June 2025	30 June 2026
CPI inflation, 2010=100, eop	944.06	1,067.39	1,195.49
CPI inflation, 2010=100, avg	964.37	1,126.78	1,276.05
Total debt service, LCU	98,864,143,238.50	195,771,067,238.50	315,190,348,840.00
Total debt service, USD	1,462,645,000.00	1,688,140,000.00	2,070,855,000.00
Total debt service/cap, USD	11.23	12.59	15.09
Use of IMF credit, LCU	173,964,221,650.00	353,471,027,200.00	450,363,006,000.00
Use of IMF credit, USD	1,703,500,000.00	2,485,000,000.00	2,724,000,000.00
Use of IMF credit/cap, USD	13.01	18.56	19.86
Total govt debt, LCU	4,831,770,464,500.00	7,092,427,370,000.00	8,528,988,000,000.00
Total govt debt, USD	56,080,000,000.00	50,175,000,000.00	51,610,000,000.00
Total govt debt/cap, USD	430.98	374.98	376.30
G&S exp, LCU	613,920,500,000.00	700,861,500,000.00	803,019,500,000.00
G&S exp, USD	9,217,423,625.91	6,657,107,085.73	5,297,772,455.20
G&S imp, LCU	1,301,269,500,000.00	1,484,423,500,000.00	1,687,460,000,000.00
G&S imp, USD	19,542,132,908.57	14,098,507,326.53	11,140,321,059.81
G&S bal, LCU	(823,414,009,200.00)	(1,212,724,966,200.00)	(1,746,386,743,750.00)
G&S bal, USD	(12,017,000,000.00)	(11,171,000,000.00)	(11,409,500,000.00)
Transport & comms nom GVA, LCU	348,182,000,000.00	418,931,000,000.00	509,268,000,000.00
Transport & comms nom GVA, USD	5,192,643,198.76	3,957,960,610.67	3,348,856,134.01
Finance, public sector nom GVA, LCU	1,775,622,500,000.00	2,095,806,500,000.00	2,360,882,500,000.00
Finance, public sector nom GVA, USD	26,168,338,725.35	20,136,675,500.51	15,542,266,542.42
Trade, accom & food nom GVA, LCU	1,600,576,000,000.00	1,916,969,500,000.00	2,137,322,500,000.00
Trade, accom & food nom GVA, USD	23,490,796,639.02	18,429,095,861.54	14,079,757,030.59
Utilities nom GVA, % GDP	0.58	0.51	0.47
Budget bal, LCU	(227,042,000,000.00)	(239,859,500,000.00)	(349,953,000,000.00)
Budget bal, USD	(3,435,244,620.89)	(2,301,468,805.79)	(2,261,925,703.65)



Notes to Financial Statements
For the year ended 30 June 2026

Indicator	30 June 2024	30 June 2025	30 June 2026
Goods imp, LCU	1,229,003,419,800.00	2,250,866,360,800.00	3,495,783,871,000.00
Goods imp, USD	17,475,000,000.00	20,221,000,000.00	22,839,000,000.00
Goods exp, LCU	325,231,662,650.00	771,227,727,650.00	1,315,885,537,750.00
Goods exp, USD	4,525,500,000.00	6,697,500,000.00	8,595,500,000.00
Trade, goods bal, LCU	(903,799,057,650.00)	(1,479,638,633,150.00)	(2,179,898,333,250.00)
Trade, goods bal, USD	(12,950,000,000.00)	(13,523,500,000.00)	(14,243,500,000.00)
STER, Economic Growth	20.00	10.00	15.00
Services imp, LCU	435,786,095,400.00	636,996,178,900.00	938,076,939,750.00
Services imp, USD	6,569,500,000.00	5,712,500,000.00	6,156,000,000.00
Services exp, LCU	516,129,843,200.00	903,868,545,200.00	1,371,588,529,250.00
Services exp, USD	7,502,000,000.00	8,064,500,000.00	8,990,000,000.00
Current account bal, USD	(4,373,000,000.00)	(3,110,000,000.00)	(3,055,000,000.00)
Trade, services bal, LCU	80,343,747,800.00	266,872,366,300.00	433,511,589,500.00
Trade, services bal, USD	932,500,000.00	2,352,000,000.00	2,834,000,000.00
Broad money (% GDP) - Sovereign Score	19.08	17.55	17.25
Import cover months	1.44	2.18	2.58
Real GDP, USD (PPP) constant 2010	260,680,512,077.75	280,868,102,602.44	302,764,565,715.09
Nominal GDP, LCU	10,237,224,000,000.00	12,810,021,000,000.00	15,166,203,500,000.00
Nominal GDP/cap, USD	1,159.33	908.50	728.29
Nominal GDP, USD	151,010,901,098.90	121,238,539,526.41	99,893,205,131.98
Nominal GDP, USD (PPP)	413,416,542,668.29	457,383,695,022.40	501,069,643,065.37
Real GDP, LCU (2010 prices)	1,115,869,000,000.00	1,202,284,000,000.00	1,296,014,000,000.00
Real GDP, USD (2010 prices)	77,439,276,593.38	83,436,320,230.96	89,941,011,547.86
Real GDP/cap, LCU	8,556.40	8,984.95	9,444.27
Real GDP/cap, USD (2010 prices)	593.80	623.54	655.42
Private final cons, LCU	8,153,314,500,000.00	10,338,613,000,000.00	12,286,377,500,000.00
Private final cons/cap, LCU	62,421.74	77,214.05	89,479.24
Private final cons, USD	120,076,607,802.49	97,695,959,562.89	80,936,930,712.52
Private final cons/cap, USD	921.75	732.03	590.10
Private final cons, LCU (2010 prices)	809,576,500,000.00	868,142,000,000.00	912,745,000,000.00
Private final cons, USD (2010 prices)	56,183,134,854.54	60,247,473,906.28	63,342,840,883.86
Private final cons/cap, LCU (2010 prices)	6,207.14	6,488.81	6,652.41
Govt final cons, LCU	600,553,500,000.00	693,678,500,000.00	788,168,500,000.00
Govt final cons/cap, LCU	4,602.20	5,182.44	5,741.47
Govt final cons, USD	8,981,237,742.55	6,598,424,767.44	5,201,128,032.45
Govt final cons/cap, USD	69.01	49.46	37.93
Govt final cons, LCU (2010 prices)	91,139,000,000.00	96,639,000,000.00	100,024,500,000.00
Govt final cons, USD (2010 prices)	6,324,880,635.13	6,706,570,619.59	6,941,518,154.56
Govt final cons/cap, LCU (2010 prices)	698.78	722.42	729.06
Savings, LCU	2,259,646,500,000.00	2,813,748,000,000.00	2,727,280,000,000.00
Savings/cap, LCU	17,268.51	21,049.14	19,880.61
Lending rate, %, avg	14.63	14.75	13.69
Lending rate, %, eop	14.75	14.75	12.63



Notes to Financial Statements
For the year ended 30 June 2026

Indicator	30 June 2024	30 June 2025	30 June 2026
M1, LCU	584,105,000,000.00	660,745,000,000.00	747,570,000,000.00
M1, LCU	584,105,000,000.00	660,745,000,000.00	747,570,000,000.00
M2, LCU	1,932,335,000,000.00	2,247,120,000,000.00	2,613,620,000,000.00
M2, LCU	1,932,335,000,000.00	2,247,120,000,000.00	2,613,620,000,000.00
Total employment	38,138,900.00	39,189,350.00	48,031,600.00
Total revenue, LCU	802,382,500,000.00	1,229,344,000,000.00	1,839,128,000,000.00
Total revenue, USD	11,941,431,529.32	11,047,662,877.19	12,048,698,830.78
Total expend, LCU	1,029,424,500,000.00	1,469,203,000,000.00	2,189,081,000,000.00
Total expend, USD	15,376,676,150.21	13,349,128,070.26	14,310,623,945.93
Current expend, LCU	617,737,500,000.00	860,970,500,000.00	1,256,472,000,000.00
Current expend, USD	9,287,824,333.17	7,813,575,989.52	8,228,997,676.21
Capex, LCU	411,687,500,000.00	608,233,500,000.00	932,609,000,000.00
Capex, USD	6,088,857,870.21	5,535,561,746.63	6,081,626,858.21
Budget bal, LCU	(227,042,000,000.00)	(239,859,500,000.00)	(349,953,000,000.00)
Budget bal, USD	(3,435,244,620.89)	(2,301,468,805.79)	(2,261,925,703.65)
LCU/USD, avg	68.60	110.50	151.87
LCU/USD, eop	90.98	140.81	165.33
Nominal Effective Exchange Rate Index	29.94	19.38	13.34
Real effective exchange rate index	172.76	126.17	96.29
Political Risk Index	59.37	59.44	58.57
Central bank policy rate, %, eop	11.00	15.00	15.50

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.

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

Summary of scenario weightings			
Scenario	Base	Downturn (downside)	Optimistic (upside)
Cluster 1	90.00%	0.00%	10.00%
Cluster 2	80.00%	10.00%	10.00%
Cluster 3	70.00%	10.00%	20.00%
Cluster 4	70.00%	10.00%	20.00%

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



Notes to Financial Statements
For the year ended 30 June 2026

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.

H. Modified Financial Assets

The contractual terms of a loan may be modified for many of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be 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, if 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.

Forbearance is a qualitative indicator of a significant increase in credit risk, and an expectation of forbearance may constitute evidence that exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period 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.



I. Inputs for ECL Measurement

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

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

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

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

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.

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 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 considering 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.



Notes to Financial Statements
For the year ended 30 June 2026

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

- Instrument type;
- Credit risk grading;
- Collateral type; LTV ratio for retail mortgages;
- Date of initial recognition;
- Remaining term to maturity;
- Industry; and
- Geographic location of the borrower.

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

J. Loss Allowance

The following tables show reconciliations of loans and advances to customers at amortized cost (on balance sheet exposures) as of 30 June 2026.

2026	In Birr'000			
Loans and advances to customers at amortized cost (on balance sheet exposures)	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 July 2025	1,163,754	44,715	2,231,455	3,439,924
Transfer to stage 1 (12 months ECL)	676,558	(14,396)	(662,162)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	(52,239)	75,234	(22,995)	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(32,296)	(9,309)	41,605	-
Net re-measurement of loss allowance	(314,127)	55,669	1,967,806	1,709,349
New financial assets originated or purchased	379,976	14,673	124,751	519,400
Financial assets derecognized	(188,907)	(8,498)	(209,310)	(406,715)
Balance as at 30 June 2026	1,632,720	158,089	3,471,150	5,261,958
2025	In Birr'000			
Loans and advances to customers at amortized cost (on balance sheet exposures)	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 July 2024	857,013	71,831	2,182,613	3,111,456
Transfer to stage 1 (12 months ECL)	494,831	(31,393)	(463,437)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	(4,526)	41,841	(37,315)	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(23,556)	(7,823)	31,378	-
Net re-measurement of loss allowance	(429,525)	(6,443)	1,122,206	686,238
New financial assets originated or purchased	417,331	4,576	146,289	568,196
Financial assets derecognized	(147,814)	(27,873)	(750,279)	(925,966)
Balance as at 30 June 2025	1,163,754	44,715	2,231,455	3,439,924

During the year, impairment charges across sectors showed mixed results. While clusters such as Agriculture, Manufacturing, and Building & Construction experienced higher provisions in line with increased credit activity and portfolio growth, the Export, Import, and Merchandise sectors recorded notable reversals. This improvement was largely attributable to favorable



Notes to Financial Statements
For the year ended 30 June 2026

macroeconomic conditions, as reflected in declining sector risk indicators (FLI), coupled with improved repayment behavior.

The increase in the total loss allowance demonstrates the Bank's cautious stance toward credit risk, while the reversals in some portfolios underline improvements in asset quality and a supportive economic environment.

2026	In Birr'000			
Emergency Overdraft Letter of Credit and financial guarantee contracts (off balance sheet exposures)	Stage 1	Stage 2	Stage 3	Total
Balance as at 31 July 2025	690	0.1	5,953	6,643
Transfer to stage 1 (12 months ECL)	6,667	-	(6,667)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	(0.5)	0.5	-	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(8.1)	-	8.1	-
Net re-measurement of loss allowance	(6,616)	-	8,033	11,417
New financial assets originated or purchased	17,880	-	146	18,026
Financial assets derecognized	(151)	-	(2,511)	(2,662)
Balance as at 30 June 2026	18,461	0.6	14,963	33,424

2025	In Birr'000			
Emergency Overdraft Letter of Credit and financial guarantee contracts (off balance sheet exposures)	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 July 2024	264	-	4,164	4,428
Transfer to stage 1 (12 months ECL)	1,325	-	(1,325)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	(0.1)	0.1	-	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(1.6)	-	1.6	-
Net re-measurement of loss allowance	(1,315)	-	3,584	2,268
New financial assets originated or purchased	448	-	29	477
Financial assets derecognized	(30)	-	(499)	(530)
Balance as at 30 June 2025	690	0.1	5,953	6,644

The following table provides a reconciliation for 30 June 2026, between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument, and the 'impairment losses on financial instruments' line item in the consolidated statement of profit or loss and other comprehensive income.



Notes to Financial Statements
For the year ended 30 June 2026

2026 <i>In Birr'000</i>				
Other financial assets (debt instruments)	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Balance as at 1 July 2025	1,825	165	622,109	624,099
Net remeasurement of loss allowance	25,019	1,306	(7,463)	20,402
New financial assets originated or purchased	-	-	-	-
Balance as at 30 June 2026	26,844	1,471	614,646	642,961

2025 <i>In Birr'000</i>				
Other financial assets (debt instruments)	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Balance as at 1 July 2024	697	363	304,229	305,289
Net re measurement of loss allowance	1,128	(198)	317,880	318,810
New financial assets originated or purchased	-	-	-	-
Balance as at 30 June 2025	1,825	165	622,109	624,099

The following table provides a reconciliation between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument, and the 'impairment losses on financial instruments' line item in the consolidated statement of profit or loss and other comprehensive income.

2026 <i>In Birr'000</i>				
	Loans and advances to customers at amortized cost	Investment securities (debt instruments)	Other financial assets	Total charge/(cr edit)
Net remeasurement of loss allowance	1,709,349	1,306	(7,463)	1,703,191
New financial assets originated or purchased	519,400	-	-	519,400
Financial assets derecognized	(406,715)	-	-	(406,715)
Amounts directly written off during the year	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Balance as at 30 June 2026	1,822,034	1,306	(7,463)	1,815,876



In Birr'000

2025	Loans and advances to customers at amortized cost	Investment securities (debt instruments)	Other financial assets	Total charge/(credit)
Net re-measurement of loss allowance	686,238	(198)	317,880	1,003,920
New financial assets originated or purchased	520,133	-	-	520,133
Financial assets derecognized	(925,966)	-	-	(925,966)
Amounts directly written off during the year	-	-	-	
Recoveries of amounts previously written off	-	-	-	
Balance as at 30 June 2025	328,468	(198)	317,880	646,150

3.1.1 Credit-related commitments

These instruments' main purpose is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans.

Documentary and commercial letters of credit – which are written undertakings by the bank on behalf of a customer authorizing a third party to draw drafts on the bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees, or letters of credit. Regarding credit risk on commitments to extend credit, the bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The bank monitors the term to maturity of credit commitments because longer-term ones have more credit risk than shorter-term ones.

4. Financial Risk Management

The Bank is exposed to credit, liquidity, market, and capital risks arising from its financial instruments. This note presents the Bank's exposure to and management of these risks.

4.1 Credit Risk

Credit risk represents the Bank's largest risk exposure and is the risk of financial loss arising from a customer, counterparty, or issuer failing to meet contractual obligations. It primarily arises from loans and advances, placements with other banks, debt securities, and off-balance-sheet exposures such as guarantees and letters of credit.

i. Maximum exposure to credit risk before collateral held or other credit enhancement

The Bank's maximum exposure to credit risk at 30 June 2026 and 30 June 2025 is represented by the net carrying amounts in the statement of financial position.



Notes to Financial Statements
For the year ended 30 June 2026

	Notes	30 June 2026 Birr'000	30 June 2025 Birr'000
Cash and balances with banks(net)	13	30,382,153	41,926,074
Loans and advances to customers(net)	14&15	141,620,936	113,471,475
Investment securities			
-Financial asset at fair value through OCI	16	981,390	482,760
-Financial assets at Amortized cost	17	27,501,062	14,081,293
Other assets(net)	18	4,996,265	10,169,248
Total financial asset(net)		205,480,266	180,130,850
Off-balance sheet items is as follows:			
Loan commitments	36	970,041	617,621
Guarantees	35b	794,608	663,761
Letter of Credit	35b	6,334,231	8,832,085
Total OBS items		8,098,880	10,113,467
Total		213,579,146	190,244,317

The Bank has established robust risk management practices to assess and mitigate credit risk to assess and mitigate credit risk.

ii. Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Bank by taking possession of collaterals held as security against loans and advances to customers at the year-end are shown below.

	30 June 2026 Birr'000	30 June 2025 Birr'000
Acquired;	347,829	544,310
	347,829	544,310

The Bank's policy is to realize collateral promptly and generally does not use non-cash collateral in its operations. As most repossessed assets relate to real estate and may be subject to market volatility, the Bank monitors their concentration and ensures timely disposal or transfer to PPE in accordance with regulatory requirements, thereby minimizing holding risks.

iii. Credit Concentration by Economic Sector

The Bank's loan portfolio is broadly diversified across sectors, while exposures remain concentrated in certain key sectors. Accordingly, the Bank monitors and analyses credit risk concentration by sector, as presented below as of the reporting date.



Notes to Financial Statements
For the year ended 30 June 2026

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Agriculture	9,106,596	9,423,993
Manufacturing	24,468,489	20,045,228
Export	24,300,901	17,242,642
Merchandise	609,394	725,370
Import	9,129,856	8,670,393
Domestic trade and service	44,822,763	31,537,799
Building and construction	5,398,030	4,217,988
Consumer	13,269,934	10,691,324
Murabaha-Agriculture	358,306	169,058
Murabaha-Manufacturing	2,435,449	4,078,582
Murabaha-Export	5,433,113	3,503,089
Murabaha-Import	942,932	1,140,618
Murabaha-Domestic trade and service	5,033,677	4,543,870
Murabaha-Building and construction	1,714,988	1,428,341
Murabaha-Consumer	1,083,182	814,537
Total	147,995,428	118,232,831

The loan portfolio is diversified across economic sectors, with the largest exposures concentrated in Domestic Trade and Services, Manufacturing, Export, Consumer Loans, Agriculture, and Import. This reflects the Bank's broad economic support while maintaining sectoral limits and diversification in line with regulatory requirements and risk appetite.

iv. Credit Concentrations by Social Sector

The bank monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at 30 June 2026, and June 30, 2025. The bank concentrates all its financial assets in Ethiopia.

30 June 2026	Public Enterprise	Cooperative	Private	Others
	Birr'000	Birr'000	Birr'000	Birr'000
Cash and balances with banks	13,649,772	-	16,733,547	-
Loans and advances to customers	1,547,723	14,106,602	132,341,127	-
Investment securities:				
Financial asset at FVOCI	-	-	981,390	-
Financial assets at Amortized cost	12,139,328	-	4,269,708	-
Other assets:	-	-	5,644,336	-
Total	27,336,824	14,106,602	159,970,108	-
30 June 2025	Public Enterprise	Cooperative	Private	Others
	Birr'000	Birr'000	Birr'000	Birr'000
Cash and balances with banks	15,536,963	-	26,390,936	-
Loans and advances to customers	1,139,931	9,822,328	107,270,572	-
Investment securities:				
Financial asset at FVOCI	-	-	482,760	-
Financial assets at Amortized cost	12,157,420	-	1,924,039	-
Other assets:	-	-	10,798,000	-
Total	28,834,314	9,822,328	146,866,306	-



Notes to Financial Statements
For the year ended 30 June 2026

v. Term Loan Exposures

Term loans constitute a significant portion of the loan book, particularly financing long-term investments in manufacturing, exports, and infrastructure. Credit risk is monitored through periodic customer reviews covering audited financial statements and management accounts, profitability and leverage, debt service capacity, covenant compliance, business and regulatory developments, and forward-looking projections and stress testing.

Facility	30 June 2026	30 June 2025
	Birr'000	Birr'000
Conventional	91,430,302	77,751,313
IFB Financing	16,757,412	12,270,335
Total	108,187,714	90,021,648

vi. Overdraft Exposures

Overdrafts, which provide short-term liquidity to customers, are assessed and monitored based on repayment and overdue status, limit utilization, extension or restructuring requests, and sensitivity to market and economic conditions.

Facility	30 June 2026	30 June 2025
	Birr'000	Birr'000
Conventional	39,675,661	24,803,424
IFB Financing	132,053	3,407,759
Total	39,807,714	28,211,183

These instruments ensure funds are available to customers as required. Guarantees and standby letters of credit carry credit risk similar to loans, while documentary and commercial letters of credit generally carry lower risk due to underlying collateral. Credit commitments expose the Bank to potential loss on unused amounts, which is mitigated through credit conditions and ongoing monitoring of commitment maturity.

vii. Off-Balance Sheet Exposure Concentration

In addition to on-balance-sheet loans and advances, the Bank is exposed to credit risk through loan commitments, financial guarantees, and letters of credit, which support customer financing and trade activities and may give rise to credit, counterparty, and settlement risks. The maximum credit risk exposure represents the full amount the Bank could potentially be required to pay, as presented in the table below.

Commitments and Guarantees	30 June 2026	30 June 2025
	Birr'000	Birr'000
Loan commitments	970,041	617,620
Guarantees	794,608	663,761
Letters of credit	6,334,231	8,832,085
Total	8,098,880	10,113,466

Commitments and guarantees, while not immediately recognized as liabilities, represent potential exposures that may crystallize under adverse conditions. The Bank closely monitors these exposures and applies early-warning indicators to ensure they remain within the approved risk appetite.



viii. Loan and Advances by Credit Quality (Per NBE Guidelines)

The quality of the Bank's loan Portfolio-Principal, as measured by the National Bank of Ethiopia's impairment guidelines, is presented below;

Classification/status	Range	30 June 2026	30 June 2025
		Birr'000	Birr'000
Pass/Current/Performing	From 1 to 29 days	118,135,685	110,233,827
Special Mention	From 1 to 29 days	3,536,955	1,322,696
Substandard	From 90 to 179 days	2,979,216	2,610,467
Doubtful	From 180 to 360 days	2,375,558	1,746,612
Loss	Over 360 days	2,427,890	2,319,229
Total		129,455,303	118,232,831

The above figures represent the Bank's gross credit risk exposure before considering collateral and other credit enhancements, reflecting the maximum potential exposure at the reporting date. The Bank mitigates this exposure through credit review processes, collateral management, and established risk governance practices.

ix. Credit quality analysis

The following table presents the credit quality of financial assets measured at amortized cost, FVOCI debt investments, and available-for-sale debt assets, with amounts generally representing gross carrying amounts unless otherwise stated.

The Bank continuously monitors the credit quality of its loan portfolio and other financial assets to identify and address deterioration at an early stage. Credit risk is assessed and managed under the IFRS 9 Expected Credit Loss (ECL) framework, which classifies exposures into three stages:

- Stage 1 (Pass): Assets with no significant increase in credit risk since origination. These are performing exposures with low risk of default.
- Stage 2 (Special Mention): Assets that have experienced a significant increase in credit risk since initial recognition but are not yet credit impaired.
- Stage 3 (Non-performing): Credit-impaired assets, which include substandard, doubtful, and loss categories.

The tables below present the Bank's credit quality analysis, including gross exposures for loans and advances and other off-balance-sheet exposures, related loss allowances, and net carrying amounts.

a. Loans and advances

Loans and advances to customers at amortized cost in Br '000					
2026	Stage 1	Stage 2	Stage 3	Total	2025
Stage 1 – Pass	133,038,390	-	-	133,038,390	110,233,827
Stage 2 – Special mention	-	3,268,561	-	3,268,561	1,322,696
Stage 3 - Non-performing	-	-	11,688,477	11,688,477	6,676,308
Total gross exposure	133,038,390	3,268,561	11,688,477	147,995,428	118,232,831
Loss allowance	(1,632,720)	(158,089)	(3,471,151)	(5,261,958)	(3,439,924)
Net carrying amount	131,405,670	3,110,472	8,217,326	142,733,470	114,792,907



Notes to Financial Statements
For the year ended 30 June 2026

2025	Stage 1	Stage 2	Stage 3	Total	Total
Stage 1 – Pass	110,233,827	-	-	110,233,827	85,732,373
Stage 2 – Special mention	-	1,322,696	-	1,322,696	5,511,254
Stage 3 - Non-performing	-	-	6,676,308	6,676,308	8,772,417
Total gross exposure	110,233,827	1,322,696	6,676,308	118,232,831	100,016,045
Loss allowance	(1,163,754)	(44,715)	(2,231,455)	(3,439,924)	(3,111,456)
Net carrying amount	109,070,073	1,277,981	4,444,853	114,792,907	96,904,589

- Asset quality: Stage 2 exposures declined, indicating an improvement in overall portfolio quality.
 - Non-performing loans: Stage 3 exposures declined slightly, supported by recovery efforts, restructuring, and strengthened underwriting standards.
 - Loss allowances: ECL allowances increased in line with gross exposure growth, while the coverage ratio remained broadly stable, reflecting prudent provisioning.
 - Credit risk management: The Bank applies a forward-looking approach incorporating borrower information and macroeconomic conditions, supported by continuous monitoring and early-warning indicators.
- NPL position: Although the NPL ratio remains slightly above the NBE's 5% regulatory threshold, management continues to implement measures to reduce non-performing exposures and strengthen portfolio quality.

b. Other financial assets (debt instruments)

Other financial assets (debt instruments) in Br '000				
2026		Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	30,383,319	(1,167)	30,382,153
Investment securities (debt instruments)	12 Month ECL	27,502,533	(1,471)	27,501,062
Other receivables and financial assets	12 Month ECL	5,644,336	(648,071)	4,996,265
Emergency staff loans		1,594,920	(8,121)	1,586,799
Totals		65,125,108	(658,829)	64,466,279
2025		Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	41,927,898	(1,825)	41,926,073
Investment securities (debt instruments)	12 Month ECL	14,081,459	(165)	14,081,294
Other receivables and financial assets	12 Month ECL	10,798,000	(628,753)	10,169,248
Emergency staff loans		1,113,575	(6,006)	1,107,569
Totals		67,920,933	(636,749)	67,284,184

- Gross exposure: Other financial assets increased significantly, mainly due to substantial growth in cash and balances with banks and investment securities, reflecting changes in the Bank's liquidity and investment portfolio.
- Loss allowances: Total ECL allowances decreased, primarily due to lower allowances for other receivables and financial assets despite higher gross exposure, indicating improved



Notes to Financial Statements
For the year ended 30 June 2026

credit quality. Allowances for cash and balances with banks and investment securities increased in line with their respective exposure growth.

4.1.1 Management of Credit risk and Collateral Held and their financial effect

In assessing credit risk, the Bank considers the obligor's character, repayment capacity, financial position, credit history, current and prospective exposures, and expected recovery in the event of default, including collateral and other sources of recovery. The Bank's credit exposure comprises corporate and retail loans and receivables, with lending decisions primarily based on quantitative and qualitative assessment of repayment capacity, supported by appropriate collateral based on the borrower's risk profile and facility type.

Customer creditworthiness remains the primary indicator of credit quality, while collateral provides additional security. The Bank generally requires corporate borrowers to provide collateral, while staff loans are secured through continued employment. Acceptable collateral may include first-ranking charges over real estate, liens, guarantees, cash, shares, and NBE bills. Collateral is not sold or re-pledged unless default occurs, and its adequacy is periodically reviewed in accordance with the Bank's credit policies and procedures.

For impaired loans, collateral is appraised as an input to impairment measurement. Property valuations are performed in accordance with the Bank's valuation manual, generally by in-house engineers, using comparable properties of similar size and location. Other collateral, including shares, cash, and NBE bills, is generally recognized at carrying value where the cost of determining fair value is not considered to outweigh the benefit.

Under the Bank's credit procedures, buildings and other real property held as collateral are generally revalued every five years, or earlier when specified conditions arise.

- If a sudden price decline of the property held as collateral is ascertained or suspected.
- When a report is received evidencing that the property held as collateral has sustained damages or master plan changes that affect the value of the collateral.
- When noticeable construction is added to the collateral held.
- When the Bank decides to foreclose the collateral.

The following table sets out the principal types of collateral held against different types of financial assets.

Nature of securities in respect of loans and advances;

30 June 2026	Secured against real estate	Machinery	Vehicles	Other
	Birr'000	Birr'000	Birr'000	Birr'000
Agriculture	2,282,870	45,441	463,850	5,146,913
Manufacturing	7,435,503	328,550	393,277	14,580,056
Export	5,149,459	185,386	295,134	6,899,897
Merchandise	26,931	-	49,154	1,569,661
Import	5,860,828	35,900	134,878	3,240,368
DTS	23,191,051	718,567	3,947,400	11,673,654
Building and Con.	3,909,944	40,895	410,251	7,342,773
Consumer	9,727,966	322,775	2,613,270	1,278,886
	57,584,551	1,677,515	8,307,214	51,732,206



Notes to Financial Statements
For the year ended 30 June 2026

30 June 2025	Secured against real estate	Machinery	Vehicles	Other
	Birr'000	Birr'000	Birr'000	Birr'000
Agriculture	1,923,963	38,297	390,925	4,337,727
Manufacturing	6,266,510	276,896	331,447	12,287,813
Export	4,339,873	156,240	248,734	5,815,111
Merchandise	22,697	-	41,426	1,322,882
Import	4,939,402	30,256	113,673	2,730,924
DTS	19,545,007	605,596	3,326,799	9,838,349
Building and Con.	3,295,232	34,465	345,752	6,188,359
Consumer	8,198,557	272,029	2,202,418	1,077,822
	48,531,240	1,413,780	7,001,173	43,598,987

As shown in the table above, collateral securing the Bank's loans is valued at the time of initial loan approval. In credit assessment, the collateral coverage ratio is considered separately from clean lending. A borrower may pledge one collateral for multiple loans, multiple collaterals for a single loan, or different types of collateral across loans.

4.2 Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its maturing financial obligations as they fall due, at a reasonable cost and within an acceptable timeframe. It arises primarily from mismatches between the maturities of assets and liabilities, sudden withdrawals of deposits, or limited access to funding markets. This risk is inherent in the banking business, as the Bank typically engages in maturity transformation—funding long-term assets with short-term liabilities.

In both normal and stressed circumstances, liquidity risk may occur when funding for illiquid asset positions is unavailable, available only at unreasonably high costs, or available only under restrictive terms. Failure to manage this risk effectively could expose the Bank to financial loss and reputational damage.

The Bank manages liquidity risk on both a short-term and medium-term basis. In the short term, the focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits, and wholesale funding where required. In the medium-term, the focus is on ensuring the statement of financial position remains structurally sound.

Responsibility for liquidity risk management rests with the Asset and Liability Committee (ALCO), which oversees the overall framework and ensures compliance with internal policies and regulatory requirements. The Bank's primary objective is to maintain sufficient liquidity buffers to meet obligations to depositors, lenders, and other stakeholders, while also supporting the Bank's growth strategy and profitability.

i. Maturity Analysis of Financial Liabilities

The Bank monitors the contractual maturity profile of its financial liabilities on an ongoing basis. The following table presents an analysis of the Bank's financial liabilities and significant off-balance sheet commitments, based on the remaining period to contractual maturity as at the reporting date. The amounts represent undiscounted cash flows that are expected to be settled in the future.



Notes to Financial Statements
For the year ended 30 June 2026

This maturity analysis highlights that a significant portion of the Bank's liabilities is concentrated in short-term customer deposits, which is common in the banking sector. To mitigate rollover risk, the Bank relies on its diversified funding base, its portfolio of liquid assets, and its established contingency funding arrangements.

30 June 2026	0-30 days	31-90 days	91-180 days	181-365 day	Over 1 year
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Deposits from cust..	65,719,722	5,469,822	6,829,959	5,400,859	108,016,116
Due to other banks	165,504	-	-	-	-
Other liabilities	2,431,559	571,132	-	-	16,527
Total F/Liabilities	68,316,785	6,040,954	6,829,959	5,400,859	109,693,516
Loan commitments	970,410	-	-	-	-
Guarantees	139,200	250,000	179,500	225,908	-
Letters of credit	845,701	4,667,990	820,541	-	-
Total Off Bal.sheet	1,955,311	4,917,990	1,000,041	225,908	-

30 June 2025	0-30 days	31-90 days	91-180 days	181-365 day	Over 1 year
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Deposits from cust.	66,845,619	5,838,790	5,205,949	1,700,024	94,403,918
Due to other banks	398,827	-	100,000	300,000	402,420
Other liabilities	585,639	62,764	-	-	339,280
Total F/Liabilities	67,830,085	5,901,555	5,305,949	2,000,024	95,145,618
Loan commitments	617,620	-	-	-	-
Guarantees	106,000	177,250	124,000	249,311	7,200
Letters of credit	17,701	943,836	11,902	5,114,885	2,743,762
Total Off Balance Sheet	741,321	1,121,086	135,902	5,364,196	2,750,962

Liquidity risk is the risk of being unable to fund assets at appropriate maturities and rates or to realize assets at a reasonable price and within an appropriate timeframe. The Bank maintains a diversified funding base comprising deposits and other liabilities, supporting funding flexibility, reducing reliance on individual funding sources, and managing funding costs. Liquidity risk is continuously assessed by monitoring funding requirements and changes against the Bank's strategic objectives and liquidity management framework.

ii. Financial assets pledged as collateral

The bank pledged Treasury bonds worth 1,944 million birr (2025;1,1231 million), as collateral for its NBE Issue Account facility or Cash that the bank carries in its value on behalf of the NBE.

iii. Management of Liquidity Risk

Liquidity risk is managed through a structured framework to ensure adequate funding is available to meet obligations when due. The Banks liquidity management process includes day-to-day cash-flow monitoring, maintaining a buffer of high-quality liquid assets, monitoring liquidity ratios against internal and NBE requirements, diversifying funding sources and maturities, and managing funding concentration. Prudent liquidity management ensures sufficient liquidity and funding under normal and adverse conditions while minimizing financial and reputational risks.



4.3 Market Risk

Market risk is the possibility that movements in market prices—including interest rates, foreign exchange rates, and other financial variables—will adversely impact the fair value or future cash flows of financial instruments held by the Bank. Such risks arise mainly from open positions in interest rate and foreign currency instruments, which are subject to both general market volatility and specific economic events.

The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing the return on risk. Overall responsibility for managing market risk rests with the Bank's Risk Management and the Board's Risk Committee.

The Bank's objective in managing market risk is not to eliminate exposure—since some level of risk is inherent in banking—but to manage and control market exposures within acceptable limits while optimizing return on risk. Responsibility for oversight of market risk rests with the Board's Risk Committee, while day-to-day management is carried out by the Risk Management Department, working closely with the Treasury and Trade service department.

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

1. Interest rate risk

Interest rate risk is the risk that a financial instrument's value will be affected by changes in market interest rates.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The Bank's exposure to the risk of changes in market interest rates relates primarily to the Bank's obligations and financial assets with floating interest rates. The bank is also exposed on fixed rate financial assets and financial liabilities. The Bank's investment portfolio comprises Treasury bills, Treasury Bonds, DBE Bond, and cash deposits.

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

30 June 2026	Fixed Interest	Non-Interest bearing	Total
	Birr'000	Birr'000	Birr'000
Assets			
Cash and balances with banks	11,101,290	19,280,863	30,382,153
Loans and advances to customers	124,969,013	-	124,969,013
Interest free banking		16,651,923	16,651,923
Investment securities	-		
Financial asset at FVOCI		981,390	981,390
Financial assets at Amortized cost	27,501,062	-	27,501,062
Other assets	-	4,996,265	4,996,265



Notes to Financial Statements
For the year ended 30 June 2026

30 June 2026	Fixed Interest	Non-Interest bearing	Total
Total	163,571,365	41,910,441	205,481,806
Liabilities			
Deposits from customers	103,001,922	88,434,555	191,436,477
Due to other banks	1,660,874	165,504	1,826,378
Other liabilities	-	3,019,218	3,019,218
Total	104,662,796	91,619,277	196,282,073
30 June 2025	Fixed Interest	Non-interest bearing	Total
	Birr'000	Birr'000	Birr'000
Assets			
Cash and balances with banks	21,206,683	20,719,390	41,926,073
Loans and advances to customers	98,143,433	-	98,143,433
Interest free banking		15,328,042	15,328,042
Investment securities	-		
Financial asset at FVOCI		482,760	482,760
Financial assets at Amortized cost	14,081,293	-	14,081,293
Other assets	-	10,169,248	10,169,248
Total	133,431,409	46,699,439	180,130,848
Liabilities			
Deposits from customers	85,317,365	88,676,935	173,994,301
Due to other banks	946,949	254,298	1,201,247
Other liabilities	-	987,683	987,683
Total	86,264,314	89,918,917	176,183,231

Compared to June 2025, fixed-interest assets increased significantly in June 2026, reflecting higher investment in interest-bearing loans and advances. This led to greater exposure to market rate fluctuations. However, the growth in non-interest-bearing liabilities (mainly deposits) provides a natural buffer, reducing mismatch risk.

II. Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The bank is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The Bank's foreign currency bank accounts act as a natural hedge for these transactions. Management has set up a policy to manage the bank's foreign exchange risk against its functional currency.

The Bank's foreign currency-denominated assets and liability accounts may result in a translational gain/loss depending on the net open position and direction of the exchange rate movement. To control the risk, the net position in each foreign currency is managed on a daily basis.



Notes to Financial Statements
For the year ended 30 June 2026

The various foreign currencies to which the Bank is exposed are summarized below;

Foreign currency denominated balances	30 June 2026	30 June 2025
	Birr'000	Birr'000
I. On B/S FCY Asset		
USD	58,664	159,805
EURO	11,117	13,941
GBP	1,270	2,565
DIRAHM	8,676	632
RIYAL	3,734	506
CAD	11	1.5
JPY	130,160	-
Total	213,632	177,450
II. On B/S FCY Liabilities		
USD	53,612	43,614
EURO	6,083	4,009
GBP	745	1,721
Total	60,440	49,344

Sensitivity analysis for foreign exchange risk

The currency risk sensitivity analysis illustrates the potential impact of changes in exchange rates on the fair value and future cash flows of financial instruments. The table below summarizes the impact of a 10% increase or decrease in exchange rates on equity and profit or loss arising from the Bank's foreign currency-denominated borrowings and cash and bank balances.

Currency	Currency Name	30 June 2026 (Birr'000)		30 June 2025 (Birr'000)	
		+10%	-10%	+10%	-10%
USD	US Dollar	5,866.38	(5,866)	15,980.54	(15,981)
EUR	Euro	1,112	(1,112)	1,394	(1,394)
GBP	Pound Sterling	127	(127)	256	(256)
AED	UAE Dirham	868	(868)	63	(63)
SAR	Saudi Riyal	373	(373)	51	(51)
CAD	Canadian Dollar	1	(1)	0	0
JPY	Japanese Yen	13,016	(13,016)	-	-

The sensitivity analysis illustrates the estimated impact on profit or loss arising from a 10% appreciation or depreciation of each foreign currency against the Ethiopian Birr, with all other variables held constant.



III. Management of Market Risk

The Bank manages market risk through a structured framework of policy limits, risk monitoring, measurement, and stress-testing covering foreign exchange, interest rate, and other market exposures. Policies and procedures are regularly reviewed by the Risk Management

Department and approved through appropriate Board governance. The Bank monitors market risk against approved risk appetite and regulatory requirements, supported by enhanced Strategic and Operational KRIs covering FX open positions, single-currency and counterparty exposures, foreign currency asset-to-liability positions, Δ NII/Tier 1 Capital, and Δ EVE/Tier 1 Capital. These indicators support timely identification, escalation, and management of emerging market risks.

4.4 Capital Adequacy and Solvency Risk

Capital adequacy and solvency risk is the risk that the Bank may not maintain sufficient quantity or quality of capital to absorb unexpected losses, meet regulatory requirements, support strategic objectives, or remain a going concern. It also includes the risk of inefficient capital allocation, resulting in capital levels that are not appropriately aligned with the risks undertaken and returns generated.

The Bank manages capital in accordance with National Bank of Ethiopia (NBE) requirements, applicable Ethiopian banking laws, and relevant Basel principles. Its capital management framework seeks to maintain adequate capital relative to the Bank's risk profile, support sustainable growth, absorb losses under normal and adverse conditions, and preserve stakeholder confidence. The Bank maintains appropriate levels of paid-up capital and reserves and manages capital accumulation and distributions in accordance with regulatory requirements.

The Bank conducts regular forward-looking capital adequacy and solvency assessments based on its risk profile, business strategy, financial projections, regulatory requirements, and stress-testing results. These assessments consider projected capital levels, risk-weighted assets, capital consumption, earnings capacity, and capital distributions. Where additional capital is required, management undertakes appropriate capital planning and proposes capital-raising measures through the established governance process.

The Bank's capital management framework is designed to maintain a strong and resilient capital base that:

- Protects depositors and creditors and absorbs unexpected and stressed losses;
- Remains commensurate with the Bank's risk profile, business activities, and regulatory requirements;
- Supports strategic objectives and sustainable business growth;
- Provides adequate capacity to withstand adverse conditions and maintain going-concern status;
- Promotes confidence in the Bank's financial strength and solvency; and
- Enables efficient allocation of capital to activities that generate sustainable risk-adjusted returns.

Accordingly, the Bank's key capital management objectives are to maintain regulatory compliance and adequate capital buffers, optimize capital allocation and utilization based on risk and capital



Notes to Financial Statements
For the year ended 30 June 2026

consumption, balance growth with risk-taking and capital strength, and generate sustainable risk-adjusted returns while preserving long-term financial resilience.

i. Capital Adequacy Ratio (CAR)

In accordance with the Licensing and Supervision of Banking Business Directive No. SBB/84/2022 issued by the National Bank of Ethiopia (NBE), the Bank is required to maintain a minimum capital-to-risk-weighted-assets ratio of 8% at all times, with risk-weighted assets determined in accordance with the applicable regulatory requirements.

The capital adequacy ratio (CAR) is calculated as the Bank's regulatory capital base divided by its risk-weighted assets. Regulatory capital comprises paid-up capital, retained earnings, legal reserve, and other reserves approved by the NBE.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Capital		
Paid-up capital	12,800,000	11,865,240
Retained earnings	-	-
Capital reserves	3,932	3,932
Share Premium	8,672	8,672
Regulator risk reserve	-	-
Legal reserve	4,572,566	3,116,351
	17,385,170	14,994,196
Risk-weighted assets		
Risk-weighted balance for on-balance sheet items	169,120,255	152,152,640
Credit equivalents for off-balance Items	23,916,328	17,041,780
Total risk-weighted assets	193,036,583	169,194,420
 Risk-weighted Capital Adequacy Ratio (CAR)	9.00%	8.86%
Minimum required capital	8.00%	8.00%

Retained earnings represent the portion of the Bank's net profit remaining after transfers to legal and regulatory reserves. Subject to approval by the General Assembly, the balance may be distributed as dividends. Once declared, dividends are reclassified from retained earnings to dividends payable in the subsequent financial year.

The Regulatory Risk Reserve is a non-distributable reserve established to address differences between IFRS requirements and NBE regulatory requirements. It represents an appropriation of retained earnings and is therefore excluded from regulatory capital for CAR measurement.

ii. Capital Planning

Capital planning is integrated with the Bank's strategic planning, risk appetite, financial planning and business growth processes.

The Bank assesses its projected capital position under base-case and adverse scenarios and considers the potential impact of changes in profitability, credit quality, risk-weighted assets, market conditions and other material risk drivers.



Notes to Financial Statements
For the year ended 30 June 2026

The Bank continues to strengthen its capital-management framework in line with applicable National Bank of Ethiopia requirements and its transition toward Basel II/III.

4.5 Operational Risk

Operational risk is the risk of direct or indirect loss or adverse impact arising from inadequate or failed internal processes, people, systems, or infrastructure, or from external events, including legal, regulatory, and compliance-related matters. It is inherent in all aspects of the Bank's operations and therefore requires effective management across all business lines.

The Bank manages operational risk through a structured framework for identification, assessment, monitoring, control, and reporting, with business units responsible for managing risks within their areas under the Bank's overall governance framework. To strengthen forward-looking monitoring and early identification of emerging risks, the Bank has enhanced its Strategic and Operational KRI framework covering operational losses, control failures, transaction processing, digital banking, customer complaints, cash exposures, suspense accounts, and near-miss events. These indicators support timely escalation, management action, and oversight of the Bank's operational risk profile.

4.6 Information Technology and Cyber Risk

Information Technology and Cyber Risk is the risk of loss or adverse impact arising from weaknesses or failures in information technology, cybersecurity, data integrity, system availability, infrastructure, and digital financial services. As technology becomes increasingly embedded in the Bank's operations and service delivery, effective management of these risks is essential to maintaining operational resilience, protecting information assets, and ensuring continuity of critical banking services.

The Bank manages technology and cyber risks through a structured framework covering governance, information security, access controls, system monitoring, cybersecurity, incident management, business continuity, and disaster recovery, with shared responsibility across relevant business and technology functions and independent oversight by the Risk Management function. To strengthen forward-looking monitoring and early identification of emerging risks, the Bank has enhanced its Strategic and Operational KRI framework covering cybersecurity control effectiveness, endpoint security compliance, unsupported system exposure, critical banking systems availability, CBS uptime, ATM and mobile banking availability, and core network failures. These indicators support timely escalation, corrective action, and management oversight as the Bank's digital channels and technology-enabled services continue to expand.

5. Accounting Valuation, and Measurement

5.1. Fair Value of Financial Assets and Liabilities

Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value, it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation, or a distressed sale.



Notes to Financial Statements
For the year ended 30 June 2026

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

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

5.2. Valuation Models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflects market data obtained from independent sources; unobservable inputs reflect the bank's market assumptions. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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



Notes to Financial Statements
For the year ended 30 June 2026

5.3. Fair value measurement

Financial instruments are classified in the statement of financial position in accordance with their legal form and The Bank's classification of its financial assets is summarized in the table below;

30 June 2026	Notes	Assets at fair value through OCI	Financial assets at amortized cost	Total
		Birr'000	Birr'000	Birr'000
Cash and balances with banks	13		30,383,319	30,383,319
Loans and advances customers	14 & 15		146,882,894	146,882,894
Investment securities		-		-
-Financial asset at fair value through OCI	16	981,390		981,390
-Financial assets at Amortized cost	17		27,502,533	27,502,533
Other assets	18	-	5,644,336	5,644,336
Total financial asset		981,390	210,413,082	211,394,472

30-Jun-25	Notes	Assets at fair value through OCI	Financial assets at amortized cost	Total
		Birr'000	Birr'000	Birr'000
Cash and balances with banks	15		41,927,898	41,927,898
Loans and advances to customers	16		117,132,108	117,132,108
Investment securities		-		-
-Financial asset at fair value through OCI	17	482,760		482,760
-Financial assets at Amortized cost	17		14,081,459	14,081,459
Other assets	18	-	10,798,000	10,798,000
Total financial asset		482,760	183,939,465	184,422,225

The majority of the bank's financial assets are in the form of loans and advances to customers, suggesting that lending is a core activity for the bank.

5.4. Financial instruments not measured at fair value - Fair value hierarchy

The following table summarizes the carrying amounts of financial assets and liabilities at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.



Notes to Financial Statements
For the year ended 30 June 2026

	30 June 2026 Carrying amount Birr'000	30 June 2025 Carrying amount Birr'000
Financial assets		
Cash and balances with banks	30,382,153	41,926,074
Loans and advances to customers	124,969,013	98,143,433
Interest-free financing	16,651,923	15,328,042
Investment securities	-	-
Equity Investment	-	-
Amortized Cost	27,501,062	14,081,293
Other asset	4,996,265	10,169,248
Total	204,500,416	179,648,091
Financial liabilities		
Deposits from customers	191,436,477	173,994,300
Due to other banks	1,826,377	1,201,247
Other liabilities	3,019,218	987,683
Total	196,282,072	176,183,230

5.5. Fair Value Methods and Assumptions

I. Loans and advances to customers

Loans and advances to customers are carried at amortized cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

II. Cash

The carrying amount of cash and balances with banks is a reasonable approximation of fair value.

III. Deposit from banks, due to customers and other deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

IV. Other Assets

The bulk of these financial assets have short-term (less than 12 months) maturities, and their amounts are a reasonable approximation of fair value.



V. Other Liabilities

The carrying amount of financial liabilities in other liabilities is a reasonable approximation of fair value because these are short-term in nature with a maturity of less than one year.

VI. Offsetting Financial Assets and Financial Liabilities

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



Interest Free Banking Statement of Profit or Loss
For the year ended 30 June 2026

6

	30 June 2026 Birr'000	30 June 2025 Birr'000
Income		
Income derived from trade financing	1,191,110	1,007,950
Charges & commissions- local	46,270	33,670
Charges & commissions-foreign	0.00	3,150
Gain on foreign Exchange	30	30
Total IFB Commission Income	233,700	580,590
Total Service Charges & commissions	1,471,110	1,625,390
Other income	-	-
Total distributable income	-	-
IFB Profit Income-Adjustments	-	-
Total income	1,471,110	1,625,390
Expenses		
Staff salaries and benefits	76,120	43,280
Sharia Advisory Committee fee (if any)	3,390	4,190
Administrative and General expense	23,680	18,240
Other expense/Mud Profit Expense	233,350	178,400
Operating income before tax and provisions	1,134,570	1,620,310
Impairment losses on financing, investment, Ijarah financing and others	200,100	-
Total net income before tax	934,470	1,381,280
Business profit tax Payable	280,340	414,384
Net income after tax & provisions	654,130	966,896



Interest Free Banking Statement of Financial Position
For the year ended 30 June 2026

	30 June 2026 Birr'000	30 June 2025 Birr'000
ASSET		
Cash on hand	1,029,080	1,162,570
Receivables	884,840	3,302,770
Murabaha financing	12,880,800	11,400,030
Qard (goodly loans)	3,177,670	3,584,020
Less provisions	(518,770)	(318,671)
Other assets	14,208,000	8,146,790
Total Assets	31,661,620	27,277,510
LIABILITY		
Current account (Amana Demand Deposit)	5,092,880	3,967,100
Saving accounts (Wadi'a Saving Deposit)	20,395,720	18,057,630
Profit tax payable	-	-
Payable to a charity org. for penalty collected	11,850	19,910
Accumulated profit share on trade	70	4,110
Other payables	-	-
Unrestricted investment deposit	5,343,600	5,220,960
Profit equalization reserve	17,570	5,930
Investment risk reserve	5,740	1,870
Other liabilities	-	-
Suspense inter-branch accounts	794,190	-
Total liabilities	31,661,620	27,277,510
EQUITY		
Owners' Equity	-	-
Liabilities and Owners' Equity	31,661,620	27,277,510



Notes to Financial Statements
For the year ended 30 June 2026

	30 June 2026	30 June 2025
	Birr'000	Birr'000
5 Interest income		
Loans and advances to customers	15,984,018	12,977,942
Interest Income from Michu loan	2,546,717	1,665,048
Suspended Interest Income	1,451,425	(126,944)
National Bank of Ethiopia bills and bonds	1,526,354	452,912
Interest inc. Invest. from DBE Bond	234,856	191,458
Open Market Operation (OMO)	60,000	6,904
Inter-Bank Money Market	130,433	137,827
Due from other banks	494,568	300,323
Interest Income from FCY Placement	161,356	-
	22,589,727	15,605,470

Michu is the first digital lending platform launched by the Bank. It's designed to provide uncollateralized loans to Micro, Small, and Medium Enterprises (MSMEs), as well as individuals. These loans are primarily uncollateralized and digital lending platforms, enabling access to credit for underserved segments without traditional security requirements.

Suspended interest income or loss is the income and or loss that recognized from Interest suspended in the previous years and regularized in the current year is compared with the current year stage 3 loans interest income recognized net of impairment losses. Then the difference between the two is transferred to "Regulatory Risk Reserve".

Interest income from DBE Bond represents earnings from the bank's investment in bonds issued by the Development Bank of Ethiopia (DBE), contributing both to national development goals and to the bank's overall interest income.

Interest income from Open Market Operations (OMO) arises from short-term investments—typically with two-week maturities—in government securities offered by the National Bank of Ethiopia as part of its liquidity and monetary policy operations. These investments yield an interest rate of approximately 15%.

Interest income from Due from other banks represents earnings generated from interest-bearing deposits or placements held with other domestic (641.7 million) or foreign banks (3.2 million). These are typically short-term, low-risk investments that provide liquidity management while earning interest at agreed-upon rates, based on prevailing interbank or market rates.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
6 Interest expense		
Interest Exp. on Saving Deposits	4,127,424	3,216,035
Interest Exp. on Fixed Time Deposits	2,910,460	2,030,601
Interest Exp. on Borrowings	366,504	115,533
	7,404,388	5,362,169

Interest expense represents the cost of funds for the bank; this expense is a direct reflection of our bank's liability management, specifically the interest paid on conventional deposits and borrowings.



	30 June 2026	30 June 2025
	Birr'000	Birr'000
7 Net Fee and commission income		
Fee and commission income		
Foreign currency transactions	4,331,242	1,928,587
Letter of guarantee	409,922	253,670
Loan processing-commitment fee	346,824	250,102
Profit Income Murabaha Finance	46,275	36,817
Other commission	470,360	222,132
	5,604,624	2,691,309
Fee and commission expense		
External Agent Commission Expense	542,038	478,466
ATM Commission Expense	217,482	179,327
	759,520	657,793
Net Fee and commission income	4,845,103	2,033,515

Loan processing-commitment fees are charges levied by financial institutions when they process a loan application or commit to providing a loan.

Profit Income Murabaha Finance represents a specific financial product offered by the Bank, Coop Alhuda. It would involve the Bank purchasing an asset and then selling it to a customer at a markup, with the profit going to profit income. The Bank has determined that profit income from Murabaha Finance is material to its financial statements and has therefore been presented separately in the income statement.

'Other commission' income is detailed as follows: Commission on ATM Off Us; 83.3 million, Ft To NBE Charge; 138 million, Billing Credit Information; 8.5 million, Commission from E-TOP; 45.5 million, RTGS Commission Charge; 35.6 million, ATM Card Processing Charge; 35.4 million, and other commission; 163 million.

External Agent Commission Expense is a type of commission expense that a Bank incurs when it pays a commission to an external agent for services rendered. These agents are typically independent contractors or third-party organizations that help the Bank sell its products or services.

Fees and commissions, which are an integral part of the effective interest rate, form part of net interest income shown in note 2.24.2. Fees and commissions relating to services performed.

In determining the disaggregation of fees and commissions, the bank has considered how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It has been determined that the above disaggregation by product type provides useful information that does not aggregate items that have substantially different characteristics and is not too detailed.



Notes to Financial Statements
For the year ended 30 June 2026

	30 June 2026 Birr'000	30 June 2025 Birr'000
7.1 Gain or loss on foreign exchange Income		
Gain on foreign currency transactions	5,762,553	18,727,291
Loss on foreign exchange transactions	2,765,997	19,258,239
Net foreign exchange Loss	2,996,556	(530,947)

Foreign exchange gains generated during the year exceeded foreign exchange losses, resulting in a positive net foreign exchange contribution to the Bank's financial performance. The current-year result reflects a substantial improvement from the loss recorded in the previous year and demonstrates the Bank's improved ability to manage and respond to movements in the foreign exchange market.

	30 June 2026 Birr'000	30 June 2025 Birr'000
8 Other operating income		
Income from murabaha financing	1,424,811	1,587,670
Dividend income	43,527	34,097
Gain on disposal of property, plant, and equipment	144,819	10,720
Other income	322,317	62,494
Rental income	16,276	19,672
Telephone, postage, and money bags	11	137
	1,951,761	1,714,790

Dividend income comprises returns from the bank's equity investments. During the reporting period, the bank received Birr 24.1 million from Oromia Insurance Company, Birr 15.7 million from EthSwitch and Birr 3.6 million from PSS.

Rental income is the income that the bank generated/earned from acquired assets and some portion of its fixed assets occupied for its own operational purpose, rather than income generated from Investment Property. Currently, the Bank does not have fixed assets that are separately classified as 'Investment property'.

The bank rental income is generated from various regions, including Oromia Region and Addis Ababa City. In 2026, we collected 13.5 million Birr from Oromia, 2.7 million Birr from Addis Ababa. While in 2025, the bank had collected 11.7 million Birr from Oromia, 7.8 million Birr from Addis Ababa.

	30 June 2026 Birr'000	30 June 2025 Birr'000
9 Impairment charge		
Impairment charge for the year	1,997,542	705,566
	1,997,542	705,566

On the face of SPLOCI, impairment loss comprises charges on all financial assets, including loans, advances, other assets, and off-balance sheet exposures. This year the impairment



Notes to Financial Statements
For the year ended 30 June 2026

loss related to off-balance sheet items has been presented together with the impairment loss on loans and other assets, as disclosed in the reconciliation below.

	30 June 2026 Birr'000	30 June 2025 Birr'000
9.1 Impairment Reconciliation-Expense		
Provision as per Prudential		
Loan and Advances and Other assets- Prudential	2,454,667	1,045,069
The Net impact/ or the difference between IFRS and Prudential	(457,124)	(339,503)
	1,997,542	705,566
Impairment Reconciliation - Accumulative/payable		
i. Provision as per Prudential		
Loan and Advances	4,851,998	3,177,175
Other Asset (including off-balance sheet)	1,517,793	1,232,995
Sub total	6,369,791	4,410,170
ii. Expected Credit Loss (ECL) as per IFRS		
Loan and Advances	5,261,958	3,439,924
Other Asset(including Off-balance sheet)	(650,708)	630,743
	5,912,666	4,070,668
Net impact(i-ii)	(457,124)	339,503

National Bank of Ethiopia states by its Directive No.SBB/90/2024 "Asset Classification and Provisioning Directive' Article 11.2 'Where the annual (audited financial statements) expected credit losses determined using applicable International Financial Reporting Standards are lower than minimum prudential provisions determined as per this Directive (under sub-article 7.3), the difference shall be treated as an appropriation from retained earnings and placed in a non-distributable reserve.

	30 June 2026 Birr'000	30 June 2025 Birr'000
10 Personnel expenses		
Salaries and wages	3,732,393	2,657,696
Staff allowances	333,884	322,597
Staff Award	-	6,783
Pension costs – Defined contribution plan	408,327	289,798
Pension costs – Defined Benefit plan	267,550	118,828
Prepaid staff expenses	(74,814)	64,496
Training and Education	275,989	215,641
Fuel and Representation Allowance	1,880,250	1,574,073
Other staff expenses	629,193	303,409
	7,452,772	5,553,321

Fuel and Representation Allowance is a type of allowance provided to employees to cover the costs associated with fuel for transportation and representing the Bank at various managerial positions.

Other staff expense relates to Medical Expense; 123.9 million (2025;82.3 million), Uniform expense; 3.3 million (2025;3.2 million), Contractual staff expense;2.9 million (2025;1.5 million), and Accrued leave expense; 496.8 million (2025; -108.1 million).



Notes to Financial Statements
For the year ended 30 June 2026

	30 June 2026	30 June 2025
	Birr'000	Birr'000
11 Operating expenses		
Advertisement and publicity	156,363	162,093
Amortization of leasehold	13,748	8,264
Audit fee	1,173	667
Bank charges	3,860	663
Board of directors' remuneration	1,201	1,340
Cleaning	1,773	2,575
Donations	53,000	32,005
Entertainment	7,079	12,907
Promotional Gift Items	319	9,153
Fuel	83,550	93,193
Insurance	83,059	70,445
Internet	751,676	535,695
Legal and professional fee	5,632	3,735
Movable Collateral Registry	5,845	7,609
Other operating expense	136,139	134,996
Outsource Service Expense	615,665	726,643
Profit Expense Mud Investment	233,350	178,401
Service Level Agreement	269,854	165,894
Penalty	17,340	22,870
Tax paid on Tax audit	9,929	51,260
Per diem	26,243	33,461
Rent	937,278	754,057
Finance Cost of rent	15,668	15,298
Repair and maintenance	644,667	280,032
Stationeries	90,369	120,227
General Supply Stock Expense	72,790	117,255
Subscription and membership fee	600,351	191,317
Taxes	6,000	6,696
Telephone and postage	3,291	2,569
Transportation	142,146	89,911
General Assembly	27,787	25,306
Water and electricity	29,127	24,262
Consulting fee	471,689	145,562
Workshop and Conference	70,484	48,998
Deposit Insurance	461,892	356,157
	6,050,337	4,431,516

Outsource Service Expense represents the costs of payroll incurred by the Bank for hiring an external entity/agent to perform various HR related services, security guards, sanitation/cleaners, messengers, etc.

Workshop and conference expenses are vital for maintaining competitiveness, ensuring regulatory compliance, driving strategic initiatives, and fostering professional development. Promotional gift item previously it was presented under 'Entertainment'

Profit Expense Mudarabaha Investment represents an expense for Mudarabah profit distribution for Mudarabah Account holders.

Deposit Insurance expense is the expense that banks are required to pay 3 percent of the average deposit of the four quarters outstanding to the depositary fund company. These



Notes to Financial Statements
For the year ended 30 June 2026

premiums are a necessary expense to ensure the protection of depositors' funds and maintain financial stability.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
12 Company income and deferred tax		
12a Current income tax		
Company income tax	1,754,181	396,790
Deferred income tax/(credit) to profit or loss	208,205	18,650
Total charge to profit or loss	1,962,386	415,440
Total tax in the statement of comprehensive income	1,962,386	415,440

The computation of the Bank's income tax expense and deferred tax was carried out in accordance with the Finance Act, IFRS standards, IAS 12 Income tax, and other relevant tax laws. The changes made by the new act were incorporated in the Bank's tax computation, and it is believed by the management of the Bank that there is no uncertainty over its Income and Deferred tax treatment that relevant tax authorities may disagree with.1000

12b Reconciliation of effective tax to statutory tax

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

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Profit before tax	8,114,026	1,980,152
Add: Disallowed expenses		
Entertainment	7,079	12,907
Promotional Gift Items	319	6,076
Donation	-	5
Legal provision	(39,030)	61,442
General Assembly	11,474	25,306
Penalty	17,340	22,870
Tax paid on Tax audit	9,929	51,260
Property Tax	6,000	6,696
Accrued Leave	97,714	(119,727)
Award	-	-
Branch Inauguration	-	-
Prepaid staff expense	46,935	64,496
Loss on foreign exchange transactions	-	530,947
Finance Cost /Int. Exp. on Lease Liability	15,668	15,298
Severance pay	239,016	95,445
Provision for loans and advances as per IFRS	1,997,542	705,566
Depreciation for accounting purposes	1,026,111	696,301
Amortization for accounting purposes	338,605	93,782
Total disallowable expenses	3,774,703	2,268,673



Notes to Financial Statements
For the year ended 30 June 2026

Less: Allowable expenses

Depreciation and amortization for tax purpose	2,279,212	1,107,056
Provision for loans and advances for tax NBE 80%	1,839,298	836,055
Interest income taxed at source foreign	-	-
Dividend income is taxed at source	43,527	34,097
Interest on Nostro Accounts	327	290
Interest income taxed at source-NBE Bills	1,821,211	651,274
Interest income taxed at source-Local Deposit	35,226	297,419
Total allowable expenses	6,018,801	2,926,192
Taxable profit	5,869,928	1,322,633
Current tax at 30%	1,760,978	396,790

The bank has paid out unused accrued leave to employees who were terminated this year. This resulted in a reduction of the bank's accrued leave liability. Because the bank did not recognize any additional expenses related to this. Instead, the bank recognized the reversal as income.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
12c Current income tax liability		
Balance at the beginning of the year	396,034	706,081
Charge for the year:	1,760,978	396,790
Income tax expense	(396,034)	(706,081)
Payment during the year	(1,281)	(756)
Current Income tax Liability	1,759,698	396,034
Advance Corpor Income Tax Payment	(197,559)	-
Net Current Income Tax liability	1,562,139	396,034

The current income tax liability represents the estimated amount of income tax payable to the tax authorities for the current reporting period.

Advance corporate income tax payments represent amounts paid by the Bank during the tax year in accordance with the advance income tax payment requirements under the Income Tax (Amendment) Proclamation No. 1395/2025.

12d Deferred income tax

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences.

The following table shows deferred tax recorded in the statement of financial position and charges recorded in the income tax expense.



Notes to Financial Statements
For the year ended 30 June 2026

	30 June 2026 Birr'000	30 June 2025 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	71,705	28,634
To be recovered within 12 months	29,314	(3,475)
	101,019	25,159

The movement in the Bank's deferred income tax assets and liabilities during the year is summarized as follows:

I. Deferred Tax Asset

Particular	30-Jun-2026 Birr'000	30-Jun-2025 Birr'000
Deferred tax (liability) asset brought forward	166,192	141,033
Severance pay - carrying amount	267,550	118,828
Accrued Leave-carrying amount	109,252	-
Severance pay - tax base-paid	40,072	34,965
Severance pay temporary difference	336,730	83,863
Deferred tax Asset - Birr of the above line @ 30%	101,019	25,159
Deferred tax Asset	267,211	166,192

II. Deferred Tax Liability

Particular	30-Jun-2026 Birr'000	30-Jun-2025 Birr'000
a. PPE		
Deferred tax (liability) asset brought forward	267,750	253,431
Add: Temporary difference	271,898	14,319
Sub total	539,648	267,750
Fixed asset - carrying amount Accounting base	8,695,498	6,404,789
Fixed assets - tax base	6,896,671	5,512,289
	1,798,827	892,500
Deferred tax liability - Birr @ 30%	539,648	267,750
b. Equity Investment		
Deferred tax (liability) asset brought forward	83,274	53,784
Add: Temporary difference	37,325	29,490
Deferred tax liability as at June 30,2025,2026	120,599	83,274
Equity Investment-Fair Value	981,389	482,760
Equity Investment-Carrying Amount	579,392	205,179
	401,998	277,581



Notes to Financial Statements
For the year ended 30 June 2026

Deferred tax liability - Birr @ 30%	120,599	83,274
Total Additional DTL(a+b)	309,223	43,809
Total DTL	660,247	351,024

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

Deferred income tax assets/(liabilities):	At 1 July 2025	Prior Year Adjustment	Credit/(charge) to P/L	30 June 2026
	Birr'000		Birr'000	Birr'000
Property, plant and equipment	(267,750)	-	(271,898)	(539,648)
Unrealized fair value gain (loss) on Equity Investment	(83,274)		(37,325)	(120,599)
Accrued leave provision	58,540	-	29,314	87,854
Post-employment benefit obl.	107,652	-	71,705	179,357
Net total deferred tax assets & liabilities	(184,832)	-	(208,205)	(393,037)
12e Total deferred tax assets	166,192			267,211
12f Total deferred tax liab.	(267,750)			(660,248)
Deferred income tax assets/(liabilities):	At 1 July 2024	Cr.(charge) to PL	Cr.(charge) equity	30 June 2025
	Birr'000	Birr'000	Birr'000	Birr'000
Property, plant and equipment	(253,431)	-	(14,319)	(267,750)
Unrealized fair value gain (loss) on Equity Investment	(53,784)		(29,490)	(83,274)
Accrued leave provision	62,014	-	(3,475)	58,540
Post-employment benefit obl.	79,018	-	28,634	107,652
Total deferred tax assets/(liabilities)	(166,183)	-	(18,650)	(184,832)
Total deferred tax assets	141,033			166,192
12f Total deferred tax liab.	(253,431)			(351,024)

The Bank's net deferred tax position moved from a liability of Birr 184.8 million to a liability of Birr 393 million. This increase was primarily driven by additional temporary differences on property, plant, and equipment, as well as further unrealized fair value losses on equity investments. On the other hand, deferred tax assets increased mainly due to higher recognition of post-employment benefit obligations.

The Bank continues to monitor the recoverability of deferred tax assets, particularly those arising from employee benefit obligations and provisions, and remains confident that sufficient taxable profits will be generated in the future to realize these assets.



Notes to Financial Statements
For the year ended 30 June 2026

	30 June 2026	30 June 2025
	Birr'000	Birr'000
13 Cash and cash equivalents		
Cash on hand	5,632,257	5,184,253
Deposits with local banks	999,526	358,113
Deposits with foreign banks	10,101,764	20,848,570
	16,733,547	26,390,936
Reserve with National Bank of Ethiopia	13,550,000	12,200,000
Balance held with National Bank of Ethiopia	99,772	3,336,963
Gross Total	30,383,319	41,927,898
Less: Loss allowances	(1,167)	(1,825)
	30,382,153	41,926,073

Cash and cash equivalents for the preparation of the statement of cash flows excludes cash collaterals-margin held for letters of credit.

Reserve/Cash held with National Bank of Ethiopia represents the cash ratio and other non-interest-earning current accounts and is based on the value of deposits as adjusted for National Bank's requirements. At 30 June 2026 and 30 June 2025, the cash reserve requirement was 10%, on average in every calendar month. This Reserve, the Mandatory cash reserve, is not available for use in the Bank's day-to-day operations.

'Balance held with National Bank of Ethiopia' represents the bank's balance it maintains in various accounts at the National Bank, such as the 'Payment and Settlement account with NBE'(2025; 89.7 million) and the 'Issue account with NBE'(2025; 10 million). These funds are vital for a bank's daily operations, enabling it to manage its liquidity and facilitate transactions with other financial institutions.

We have reclassified local deposits and treasury bills maturing in three months as cash and bank balances, and the remaining as investment securities.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
13a Cash and cash equivalents -current		
Cash in hand	5,632,257	5,184,253
Deposits with local banks	999,526	358,113
Deposits with foreign banks	10,101,764	20,848,570
Balance held with National Bank of Ethiopia	99,772	3,336,963
	16,833,319	29,727,898

Reserve with National Bank of Ethiopia or the mandatory cash deposit held with the National Bank of Ethiopia, since its non-current or not used in the Bank's day-to-day operation.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
14 Loans and advances to customers		
Agriculture	9,107,494	9,424,870
Manufacturing	24,465,506	19,828,255
Export	24,299,053	17,322,075
Merchandise	609,394	724,396
Import	9,130,953	8,715,604
Domestic trade and service	45,136,657	31,599,106



Notes to Financial Statements
For the year ended 30 June 2026

Building and construction	4,977,640	4,173,680
Staff loans	12,154,550	9,640,187
Gross amount	129,881,248	101,428,175
Impairment charge		
Stage 1 12-month ECL	(1,514,789)	(1,050,467)
Stage 2 Lifetime ECL	(153,591)	(35,784)
Stage 3 Lifetime ECL	(3,243,855)	(1,977,782)
Suspended Int.IFRS Adjustment	-	(220,709)
Net Conventional Loan Balance	124,969,013	98,143,433

Staff loans are financial arrangements where the bank provides loans to its employees and employees of different institutions and diasporas. These loans include personal/consumer loans, mortgage/housing loans, vehicle loans, and emergency loans. All other types of staff loans, with the exception of emergence loans-zero interest rate, have preferential, below-market-rate interest rates. and its initial and subsequent measurement takes place accordingly, see note 18.

Suspended Int.IFRS Adjustment represents Loss impairment for suspended interest income in a Stage 3 asset (an asset that is considered to be credit-impaired) involves assessing the expected credit losses (ECL) associated with the asset.

Maturity analysis	30 June 2026 Birr'000	30 June 2025 Birr'000
Within 3 Months	9,977,475	7,776,521
3 months to 1 year	36,676,138	28,646,146
1 Year up to 2 years	8,347,155	6,519,602
2 Years up to 3 years	11,252,288	8,788,676
3 years up to 5 years	22,113,410	17,271,828
> 5 years	41,514,782	32,425,402
	129,881,248	101,428,175

14a Impairment allowance on loans and advances to customers

The Bank assesses its loan portfolio for expected credit losses (ECL) in line with the requirements of IFRS 9 – Financial Instruments. The allowance for impairment losses reflects the Bank's best estimate of losses that may arise from credit exposures, based on forward-looking information, historical default experience, and credit risk assessments performed on both conventional and Interest-Free Banking (IFB) financing products.

A reconciliation of the allowance for impairment losses by stage is presented below:

i. By class/stage

	As at 30 June 2026 Birr'000	Charge for the year Birr'000	As at 30 June 2025 Birr'000
Specific allowance for impairment			
- Stage 1 12-month ECL	1,632,720	468,965	1,163,754
- Stage 2 Lifetime ECL	158,089	113,374	44,715
- Stage 3 Lifetime ECL	3,471,151	1,239,696	2,231,455
Total impairment allowance	5,261,959	1,822,035	3,439,924



Notes to Financial Statements
For the year ended 30 June 2026

During the year ended 30 June 2026, the total impairment allowance for loans and advances to customers increased to Birr 5.28 billion (2025: Birr 3.44 billion), representing an increase of Birr 1.82 billion. The increase was primarily driven by higher impairment allowances across all stages, particularly Stage 3 exposures, where the allowance increased by Birr 1,239 million, reflecting increased credit-impaired exposures and higher expected credit losses. Stage 1 impairment allowance also increased by Birr 468.9 million, mainly due to changes in loan exposures and updated probability of default and loss given default estimates. Stage 2 impairment allowance increased by Birr 113.4 million, reflecting an increase in exposures subject to significant increases in credit risk. Overall, the movement in the impairment allowance reflects changes in the Bank's loan portfolio, credit risk profile, and updated forward-looking expected credit loss estimates during the year.

ii. By sector

	As at 30 June 2026	Charge for the 2026	As at 30 June 2025	Charge for the year	As at 30 June 2024
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Agriculture	471,798	167,769	304,029	52,152	251,877
Manufacturing	648,964	(85,135)	734,099	417,835	316,264
Export	669,622	25,821	643,801	(222,476)	866,276
Merchandise	13,040	7,290	5,750	(22,530)	28,280
Import	532,714	163,935	368,779	(49,226)	418,005
DTS	2,580,996	1,397,224	1,183,771	103,679	1,080,093
Building and Con.	92,405	23,084	69,321	29,811	39,510
Staff loans	252,420	122,046	130,375	19,223	111,152
	5,261,959	1,822,035	3,439,924	328,468	3,111,456

The reversals in impairment for Export, Import, and Merchandise sector primarily due to the positive macroeconomic shift found in 2026 and a stronger Cluster 4 FLI outlook. This contrasts with the prior year when elevated risks required higher provisioning.

iii. By type of lending

	As at 30 June 2026	Charge for the year	As at 30 June 2025	Charge for the year	As at 30 June 2024
Term Loan	3,660,510	1,081,286	2,579,224	460,625	2,118,599
Overdraft	1,601,450	740,749	860,701	(132,156)	992,857
	5,261,959	1,822,035	3,439,924	328,468	3,111,456

Dominance of Term Loan Impairment: The majority of the increase in impairment charges is attributable to term loans because the Bank's credit portfolio is more on term loan.

There has been a consistent rise in impairment charges over the past three years. Unlike in previous periods, however, the bank demonstrated strong performance this year in enhancing asset quality, resulting in a more optimal impairment loss level. In addition, overdrafts recorded a significant reversal, largely driven by favorable macroeconomic conditions.

The Bank continues to apply rigorous credit risk assessment and monitoring processes, supported by stress testing and scenario analysis, to ensure that expected losses are adequately captured in the allowance. Management remains confident that the impairment allowance



Notes to Financial Statements
For the year ended 30 June 2026

recognized is appropriate and reflects the credit risk profile of the Bank's loan portfolio as at the reporting date.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
15 Interest free Financing		
Agriculture –IFB	358,306	162,437
Manufacturing –IFB	2,435,449	3,281,911
Export –IFB	5,433,113	4,821,098
Import-IFB	942,932	1,098,489
Domestic trade and service –IFB	5,033,677	3,761,847
Building and construction –IFB	1,714,988	1,681,558
Others-IFB	1,083,182	896,593
	17,001,646	15,703,933
Less Collective Impairment		
- Stage 1 12-month ECL	(117,931)	(113,287)
- Stage 2 Lifetime ECL	(4,497)	(8,931)
- Stage 3 Lifetime ECL	(227,296)	(253,674)
Net Interest free Financing	16,651,922	15,328,042

Maturity analysis

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Within 3 Months	1,357,687	1,254,057
3 months up to 1 year	5,724,350	5,287,418
1 Year up to 2 years	2,731,883	2,523,362
2 Years up to 3 years	1,544,947	1,427,023
3 years up to 5 years	3,636,678	3,359,095
> 5 years	2,006,102	1,852,979
	17,001,646	15,703,933

	30 June 2026	30 June 2025
	Birr'000	Birr'000
16 Investment securities		
Equity Investments	482,760	348,175
Additional for the year	373,741	36,285
Adjustment	472	-
Revaluation gain or loss	124,417	98,300
	981,390	482,760

Incremental equity investment includes an additional investment made in an existing equity via reinvesting dividends and or through subscription and investing in a new company /new investment.

During the year ending 30 June 2026, the bank made several strategic investments. It reinvested Birr 3.6 million in Premium Switch Solutions (PSS) S.C, 15.7 million in EthSwitch S.C and 24.1 million in Oromia Insurance Company S.C., invested an additional Birr 8.9 million in the Ethiopian Securities Exchange, and committed Birr 323.8 million toward a newly established investment bank currently under formation by the bank itself. In total, the bank's



Notes to Financial Statements
For the year ended 30 June 2026

investments amounted to Birr 373.7 million during the period, significantly higher than the Birr 36.2 million invested in the previous year.

16a. The following are the equity investments of the Bank as at 30 June 2026:

30 June 2026 Birr'000				
Investee Company	Percentage holding	Cost	Revaluation gain/loss	Total
Oromia Insurance Company S.C	5.73%	113,827	28,280	142,107
Gutu Oromia S.C	17.68%	3,500	695	4,195
Elemtu Integrated Milk Industry S.C	3.70%	5,000	985	5,985
EthSwitch S.C	2.05%	60,903	326,161	387,064
Orologo Prefabricated Factory plc	20%	15,000	-	15,000
Premium Switch Solution(PSS) S.C	1.32%	6,627	16,606	23,233
Bomjoj Meat Industry S.C	0.51%	1,722	203	1,925
Melba Printing and Publishing S.C	2.53%	10,000	30,941	40,941
Ethiopian Securities Exchange S.C	3.28%	38,963	(1,874)	37,089
Coop Investment Bank		323,850	-	323,850
		579,392	401,997	981,390

30 June 2025 Birr'000				
Investee Company	Percentage holding	Cost	Revaluation gain/loss	Total
Oromia Insurance Company S.C	5.44%	89,707	30,768	120,475
Gutu Oromia S.C	17.68%	3,500	669	4,169
Elemtu Integrated Milk Industry S.C	7.16%	5,000	8,978	13,978
EthSwitch S.C	1.76%	45,182	192,144	237,326
Orologo Prefabricated Factory plc	20%	15,000	-	15,000
Premium Switch Solution(PSS) S.C	1.51%	5,540	7,113	12,653
Bomjoj Meat Industry S.C.	0.53%	1,722	(104)	1,618
Melba Printing and Publishing S.C	2.53%	10,000	38,241	48,241
Ethiopian Securities Exchange S.C	3.22%	30,000	(700)	29,300
		205,651	277,108	482,760

The Bank holds equity investments in EthSwitch S.C of 2.05%, Premium Switch Solutions(PSS) 1.32%, Oromia Insurance Company S.C 5.73%, Gutu Oromia Business 17.68%, Elemtu Integrated Milk Industry 3.7%, Bomjoj Meat Industry S.C 0.51%, Melba Printing and Publishing S.C 2.53%, and Ethiopian Securities Exchange 3.28%. These investments are unquoted equity securities measured at fair value through Other comprehensive income (FVOCI).

Equity instruments are instruments that meet the definition of equity from the holder's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Equity instruments are measured at FVTPL. However, on initial recognition of an equity investment that is not held for trading, the bank may irrevocably elect for strategic or long-term investment reasons to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. On the adoption of the standard, the bank designated all of its equity instruments as FVTOCI. Gains and losses on these instruments, including when derecognized/ sold are recorded in OCI and are not subsequently reclassified to the PL.



Notes to Financial Statements

For the year ended 30 June 2026

This fair valuation service is carried out annually by independent valuator PWC, using IFRS 13 Fair value Measurement; principal assumptions and approach. The Bank has used valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. They have applied level II inputs in determining fair values for the Bank's equity investments.

IFRS 13 defines three valuation techniques: The Market approach, Income approach and the Cost approach. There are various valuation methods under each technique and the appropriateness of the technique and method to use is pegged on reliability and availability of information. We have used the market approach to value the Bank's investee Companies. This was influenced by readily available market information of comparable companies to the investee companies being valued.

Unlike to other investments, a significant increment was observed in Et-Switch 's investment fair value, As evidenced in its annual reports (<https://ethswitch.com/annual-report/>), the company, Eth-switch, has demonstrated impressive financial growth across various key performance indicators (KPIs) over the years. This consistent growth suggests a significant increase in the company's fair value, potentially doubling year-over-year. As a result, the investment's fair value is now more than 100% higher than its original investment cost.

The Bank holds a 20% equity interest in Orologo Prefabricated Factory plc, which qualifies as an investment in an associate under IAS 28 and is accounted for using the equity method. Although the Bank has significant influence over the associate through its shareholding and board representation, it does not control the operations of the associate. For the current year (2026; nil), no share of profits or losses has been recognized, as the associate did not generate material earnings attributable to the Bank. Additionally, no transactions occurred between the Bank and the associate, and no dividends were declared or received during the year. Summarized financial information for the associate has not been presented as the associate is immaterial to the bank and is a company that exists in operational difficulty.

17	Amortized Cost:	30 June 2026	30 June 2025
		Birr'000	Birr'000
	Renaissance Dam	28,724	27,124
	Treasury bills	3,411,817	-
	Treasury Bond	8,822,991	8,193,859
	DBE Bond	3,287,613	2,955,543
	Deposits with local banks	4,269,708	1,924,039
	Interbank Money Market	-	980,894
	Fixed Time Placements FCY	7,681,679	-
	Gross amount	27,502,533	14,081,459
	Less: Loss allowances	(1,471)	(165)
		27,501,062	14,081,293
	Maturity analysis	30 June 2026	30 June 2025
		Birr'000	Birr'000
	Current	7,681,525	1,924,039
	Non-Current	19,821,007	12,157,420
		27,502,533	14,081,459



Notes to Financial Statements
For the year ended 30 June 2026

These bonds and bills are categorized as amounts held at amortized cost and carried at amortized cost. The weighted average effective interest on government securities at 9% and auction base respectively.

Interbank money market investments comprise short-term placements with other banks for liquidity management purposes. The balance of Birr 980.9 million as at 30 June 2025 was fully settled during the year, resulting in no outstanding balance as at 30 June 2026.

The bank pledged Treasury bonds worth 1,944.09 million birr, as collateral for its NBE Issue Account facility or currency that the bank carries in its value on behalf of the NBE.

18 Other assets	30 June 2026	30 June 2025
	Birr'000	Birr'000
Financial assets		
Unclassified effects of transfers – Foreign	1,477,525	2,764,231
Unclassified effects of transfers – Local	357,137	58,165
ATM settlement receivables	118,332	56,837
Money transfer agents	29,109	16,117
Advance on murabaha	29,210	119,490
COOPay Receivable	225,394	119,795
Account receivable	2,838,702	5,419,866
Insurance Claims	488,331	-
Telebirr Receivable	80,596	2,243,499
Gross amount	5,644,336	10,798,000
Less: Specific impairment allowance	(648,071)	(628,753)
	4,996,265	10,169,248
Non-financial assets		
Fixed asset in store	-	1
Prepaid staff expense	1,103,758	1,111,606
Prepayment for new branch opening	86,819	104,877
Prepayments	2,823,012	3,255,842
Printing and stationery items	226,136	274,132
General supplies	340,019	247,121
Sundry receivables	-	26
Balance Check Line	131,527	194,722
Gross amount	4,711,272	5,188,328
Net Financial and Non-financial asset	9,707,537	15,357,575
Maturity analysis	30 June 2026	30 June 2025
	Birr'000	Birr'000
Current	9,251,850	14,874,721
Non-Current	1,103,758	1,111,607
	10,355,608	15,986,328

The Prepaid Staff Asset reflects the staff loan (see note 14,) difference between the Bank's provides to its employees, by offering loans and advances at rates lower than the Market Interest rate. This benefit is recorded as a prepaid asset on the bank's balance sheet. And Over time, using the below effective interest rate, the prepaid asset is amortized (spread out) over the loan term, reflecting the gradual use of the loan subsidy.

The market rates are the rates that a walk-in customer can get for the same type of loan in different banks in Ethiopia. The interest rate was derived by computing the weighted average



Notes to Financial Statements
For the year ended 30 June 2026

interest rate of loans with similar characteristics to the staff loans and the bank's share of the market. The interest rate of 13.04% was applied as the market interest rate for the types staff loans apart from housing loans which the banks have agreed to be 12% (the rate CBE gives out similar housing loans).

Prepayment represents the advance payment made to vendors for various assets and service level agreements before they are delivered and or installed. The majority of items included in this category, prepayment account, are computer and data storage, Furniture and fitting, office and other equipment, and IT related service level agreement and others. These prepayment service-level agreements are being amortized as of service delivered and other items will be converted into PPE or its appropriate accounts when its transaction or process is completed accordingly.

'Printing and stationery items represent the costs associated with office supplies, printing services, and other general items used in the day-to-day operations of a bank. These assets are not held for sale but rather to use them in the supply of services. The Bank treats printing and stationery items directly expensing when they're used/issued, without applying complex inventory valuation methods, the LCNRV test. This is because these items are generally and typically consumed quickly, and their individual item value is relatively low.

Balance Check Line represents a temporary or control account automatically created by the system when debit and credit entries do not match, representing an abnormal balance.

18a Impairment allowance on other assets

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Balance at the beginning of the year	628,753	308,658
Charge for the year	19,318	320,095
Balance at the end of the year	648,071	628,753

30 June 26

				Birr'000	Birr'000
				Exposure as at June 30.2026	ECL
Financial Asset	Bucket	Historical loss rates	LGD		
Receivables	0-30	1.24%	10%	2,433,762	3,024
	31-90	12.23%	10.0%	271,278	3,318
	91-180	38.14%	10.0%	655,843	25,018
	181 - 1 year	85.41%	10.0%	74,145	6,333
	Above 1 year	100%	100%	576,953	576,953
ECL				4,011,980	614,646



30 June 25

				Birr'000	Birr'000
Financial Asset	Bucket	Historical loss rates	LGD	Exposure as at June 30.2025	ECL
Receivables	0-30	0.95%	10%	1,230,180	1,1710
	31-90	8.27%	10%	368,986	3,053
	91-180	22.28%	10%	256,897	5,724
	181 - 1 year	85.41%	10%	57,405	4,903
	Above 1 year	100%	100%	607,259	607,259
ECL				2,520,727	622,109

Receivables aging is a process used to analyze the age of outstanding suspense accounts. It helps businesses assess the quality of their receivables and identify potential risks of non-payment. The historical loss rate is a key factor in estimating the impairment loss for receivables. It represents the percentage of past-due receivables that have been written off as uncollectible in previous periods. the total estimated impairment loss is 20.8 million, based on the historical loss rates for each age category (30 June 2025: 320 million).

The above table only shows the receivable aging and other types of impairment loss. we present the result in total with that of receivables.

19 Intangible Assets: Computer Software

	Birr'000
Cost:	
As at 30 June 2024	755,455
As at 1 July 2024	755,455
Acquisitions	151,719
Internal development	-
As at 30 June 2025	907,174
As at 1 July 2025	907,174
Acquisitions	313,739
Internal development	-
As at 30 June 2026	1,220,913
Accumulated amortization	
As at 1 June 2024	152,408
As at 1 July 2024	152,408
Amortization for the year	93,782
As at 30 June 2025	246,190
As at 1 July 2025	246,190
Amortization for the year	338,605
As at 30 June 2026	584,795
Net book value	
As at 30 June 2025	660,984
As at 30 June 2026	636,118

Intangible assets relate to software that includes banking and other related software.

The bank acquired additional intangible assets worth 313.7 million Birr from worldwide branded software vendors during the reporting period. The bank conducted impairment testing for all intangible assets and found no indications of impairment.



Notes to Financial Statements
For the year ended 30 June 2026

The amortization expense recognized within non-interest expense for the year ended 30 June 2026 was Br. 338.6 million (2025: Br. 93.3 million). The Bank has intangible assets that are fully amortized worth of Br. 100.3 million but provide economic benefit to the entity.

	Building	Motor vehicles	Office furniture, fittings & equipment	Computer equipment	Construction in progress	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
20 Property, plant and equipment						
Cost:						
As at 1 July 2024	392,418	1,708,551	2,073,966	2,436,730	1,298,376	7,910,040
Additions	14,832	214,347	337,518	772,182	1,014,983	2,353,862
Disposals	(3,621)	-	(11,767)	(12,530)	-	(27,917)
Reclassification	-	(351)	(136,179)	83,544	-	(52,986)
Transfer to Non-Asset Held to Sale	-	-	(7,308)	(4,021)	-	(11,328)
As at 30 June 2025	403,629	1,922,547	2,256,231	3,275,905	2,313,359	10,171,671
As at 1 July 2025	403,629	1,922,547	2,256,231	3,275,905	2,313,359	10,171,671
Additions	1,339,973	414,949	393,865	1,725,737	154,088	4,028,612
Disposals	-	(49,702)	(116,984)	(14,159)	-	(180,845)
Reclassification	-	(38,830)	(123,460)	(311,424)	-	(473,715)
Transfer to Non-Asset Held to Sale	-	-	-	-	-	-
As at 30 June 2026	1,743,601	2,248,964	2,409,652	4,676,060	2,467,447	13,545,724
Accumulated depreciation						
As at 1 July 2024	(19,994)	(432,705)	(502,660)	(485,830)	-	(1,441,189)
Charge for the year	(8,237)	(156,568)	(204,844)	(326,672)	-	(696,321)
Disposals	-	-	7,134	7,025	-	14,159
Transfer to Non-Asset Held to Sale	-	-	5,215	3,628	-	8,843
As at 30 June 2025	(28,231)	(589,273)	(695,154)	(801,849)	-	(2,114,508)
As at 1 July 2025	(28,231)	(589,273)	(695,154)	(801,849)	-	(2,114,508)
Charge for the year	(24,341)	(202,315)	(233,018)	(565,803)	-	(1,025,477)
Disposals	-	45,542	65,763	9,781	-	121,086
As at 30 June 2026	(52,572)	(746,047)	(862,409)	(1,357,871)	-	(3,018,898)
Net book value						
As at 30 June 2025	375,397	1,333,274	1,561,076	2,474,056	2,313,359	8,057,163
As at 30 June 2026	1,691,029	1,502,917	1,547,243	3,318,189	2,467,447	10,526,825

Impairment; upon impairment review, the net book value of property, plant and equipment do not exceed its recoverable value as at the end of the reporting period. Thus, the management is of the opinion that allowance for impairment is not required.

Construction in progress represents directly attributable costs related to projects and construction of buildings at Adama, Harar, Ambo, Shashamene, Jimma, and Kilole.



Notes to Financial Statements
For the year ended 30 June 2026

Construction in progress includes all direct and indirect expenditures incurred during construction, such as materials, labor, and architectural fees. The asset is not yet in service, and therefore, no depreciation is recorded on it.

20a Non-current assets held for sale

	30 June 2026	30 June 2025
	Birr'000	Birr'000
At 1 July 2025	544,310	424,199
Additional Acquisitions	86,395	219,480
Disposal/sale-Acquired	(280,789)	(100,261)
Transfer from PPE	-	2,653
Disposals from NCAHFS-PPE	(2,087)	(1,761)
Non-current asset held for sale at 30 June 2026	347,829	544,310

The Bank took over collateral of some defaulters and classified it as a non-current asset held for sale, as the Bank had no intention to make use of the property for administrative purposes. Management initiated a plan to dispose of these assets to willing buyers and expects to have completed the transaction before the end of the next financial period.

The Bank determines the fair value for its non-current assets held for sale using the market approach by observable prices from comparable transactions involving similar properties in the market. This included an analysis of recent sales data from the market, as well as listings of similar assets. Different considerations are taken into account, such as differences in location, condition, and quality between the comparable assets and the properties held for sale.

The bank's management committed to a plan to sell some assets kept under this category for more than a year. The Bank sold non-current assets held for sale during the year Br. 282.8 million and the remaining assets in this Bank are presented for auction at least once a year.

There is no cumulative income or expenses in OCI relating to assets held for sale.

20b Right-of-use asset and financial lease liability

The Bank leases various properties(buildings) and space for ATM deployment and office purposes and measures under IFRS 16 Lease agreements. The lease terms are between two and 10 years, and the majority of these lease contracts run for a period of 5 and 7 years. Some leases include an option to renew the lease for an additional period at the end of the contract term at the market rate. The renewal term and lease rentals cannot be reliably estimated before the end of a contract. The Bank recognizes a lease liability at the present value of the lease payments that are not paid at that date.

The Bank practices the Incremental Borrowing Rate (IBR) as its a crucial concept in IFRS 16. It's the interest rate a lessee would have to pay to borrow funds to finance an asset similar to the lease's right-of-use (ROU) asset over a similar term and in a similar economic



Notes to Financial Statements
For the year ended 30 June 2026

environment. The rates used to compute the present values of building lease liabilities as at 30 June 2026 were 7%. The adjustments occurred due to changes in the Incremental borrowing rate (IBR).

Information about leases for which the Bank is a lease is presented below:

A. Right -of use asset:

	Land Lease hold	ATM	Office Building	Total
Balance at June 2024	296,802	42,354	2,656,787	2,995,943
As at 1 July 2024	296,802	42,354	2,656,787	2,995,943
Depreciation/Amortization	(8,264)	(22,220)	(731,837)	(762,321)
Additions	13,010	15,953	536,967	565,930
Balance at June 2025	301,548	36,087	2,461,917	2,799,553
As at 1 July 2025	301,548	36,087	2,461,917	2,799,553
Depreciation/Amortization	(19,547)	(19,901)	(917,377)	(956,824)
Additions	14,251	10,652	519,852	544,755
Balance at June 2026	296,252	26,839	2,064,392	2,387,483

The Bank leases land for the construction of its own office buildings. The land leases typically run for a period of between 60 years and 80 years with majority of the contracts running for a period of 60 and 70 years. These leases include an option to renew the lease.

B. Lease Liability

	ATM	Office Building	Total
Balance at June 2024	17,819	482,079	499,899
As at 1 July 2024	17,819	482,079	499,899
Finance cost	(5,813)	(9,485)	(15,298)
Additions	5,813	23,936	29,749
Payment	-	(40,527)	(40,527)
Balance at June 2025	17,819	456,002	473,823
Balance at July 2025	17,819	456,002	473,823
Finance cost	(729)	(14,939)	(15,668)
Additions	(34)	96,115	96,081
Payment	(2,005)	(122,747)	(124,752)
Balance at June 2026	15,052	414,431	429,483

Maturity Analysis-Contractual undiscounted cash flows

The Bank leases various properties(buildings) under IFRS 16 Lease agreements. The lease terms are between two and five years, and the majority of these lease agreements are renewable at the end of each lease period at the market rate.



Notes to Financial Statements
For the year ended 30 June 2026

	30 June 2026		30 June 2025	
	Birr'000		Birr'000	
	Right use of asset	Lease liabilities	Right use of asset	Lease liabilities
Within one year	375,870	226,792	474,430	12,000
After 1 but within 2 years	497,701	66,965	352,549	28,854
After 2 but within 5 years	1,071,590	134,829	1,498,886	405,160
After 5 years	442,323	897	473,687	27,808
Total	2,387,483	429,483	2,799,553	473,822

Maturity analysis is also used for subsequent measurements of the right-of-use asset and lease liability.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
21 Deposits from customers		
Demand deposits	57,602,353	61,431,245
Savings deposits	83,046,096	71,792,613
Time deposits	19,953,987	13,522,344
Mobile money savings	1,839	2,408
Conventional Deposit	160,604,275	146,748,610
Wadiah demand deposits	5,103,863	3,973,412
Wadiah savings deposits	24,970,020	22,611,304
Wadia time deposits	758,320	660,974
Alhuda Deposit	30,832,202	27,245,690
	191,436,477	173,994,301

Demand deposits represent customers' deposits that do not earn interest and are payable immediately upon request. The weighted average effective interest rate on Savings deposits as at 30 June 2026 was 7% (2025: 7%). The weighted average effective interest rate on Time deposits as at 30 June 2026 was 13.45% (2025: 12.75%)

Maturity analysis

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Current	62,708,054	65,407,065
Non-Current	128,728,423	108,587,236
	191,436,477	173,994,301

	30 June 2026	30 June 2025
	Birr'000	Birr'000
22 Due to other banks		
Demand deposits	165,504	254,298
Saving deposits	1,660,874	946,949
	1,826,378	1,201,247

30 June 2026	30 June 2025
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Notes to Financial Statements
For the year ended 30 June 2026

23 Borrowing

	Birr'000	Birr'000
Borrowing from NBE	-	-
	-	-

The Bank has successfully settled its borrowing from NBE, and no new borrowing arrangements with the NBE were entered into after the reporting date.

24 Other liabilities

	30 June 2026 Birr'000	30 June 2025 Birr'000
Financial liabilities		
ATM settlement payable	407,497	198,253
CTS Settlement account	1,288	995
Dividend payables	317,443	3,958
Blocked accounts	15,078	13,264
Exchange payable	253,689	58,806
Provision for Fidelity Risk	1,245	1,322
Money transfer agent	1,752,138	84,465
Cash payment order payable	269,391	300,603
Board of directors' remuneration payable	1,449	1,571
Staff payables	-	324,457
	3,019,218	987,683

Blocked accounts represent customer accounts on which the court has given an order to be frozen pending the end of litigation.

Provision for Fidelity risk is to cover a loss of property or money as a direct result of a fraudulent act by the employee. NBE requires banks through Directive No.SBB/66/2018 assists a fidelity or appropriate provision for such risk is a minimum standard that banks have to meet to commence operation in a new or relocated branch, sub-branch, upgraded branch, or downgraded branch.

Non-financial liabilities

Defined contribution liabilities	26,719	18,835
Stamp duty charges	10,028	10,934
Withholding tax payable	8,495	6,994
Interest Tax on Deposits	50,949	21,403
Other tax payable	199,950	147,161
Deferred Income Guarantee Commission	104,527	62,552
Deferred Income LC Commission	62,998	431,985
Deferred Income- IFB	23,313	7,804
Accrued Leave Payable	205,253	87,013
Sundry payables	250,108	1,274,218
Retentions	254,304	235,639
IFB Penalty/Charity Payable	11,846	19,915
	1,208,493	2,324,452
Gross amount	4,227,711	3,312,136



Notes to Financial Statements
For the year ended 30 June 2026

Maturity analysis

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Current	3,744,967	1,179,022
Non-Current	482,744	2,133,114
	4,227,711	3,312,136

Other Tax payable includes tax on capital gains tax, value-added taxes(VAT), Income tax, Reversal VAT, Technical and related taxes on savings deposits, interest paid, and withholding taxes.

Other Payable/Sundry payables include Overdrawn Nostro, Other Bank Special Clearances, Loan Related Charge Payable, Retentions, Court cases, and other miscellaneous liabilities.

Retentions represent a specified percentage of the total contract value and are held back until the contractor fully completes the project and/or a specific warranty period has passed and relating to the ODBP purchased.

IFB Penalty/Charity Payable represents the amounts collected or set aside under Interest-Free Banking (IFB) operations due to non-compliance with Sharia principles (e.g., late payment penalties or impermissible income). These amounts are not recognized as income but are instead held as a liability to be disbursed for charitable purposes in accordance with Sharia guidelines.

The bank has assumed that Loan processing fees are non-refundable, even if the loan is not ultimately approved or disbursed, as they represent service fees for the evaluation and processing of loan applications. These fees are not contingent upon the loan disbursement and therefore differ in nature from other commission-based income items, such as guarantee and letter of credit (LC) commissions.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Retirement benefit obligations		
Defined benefits liabilities:		
▪ Severance pay (note 25a)	597,856	358,840
Liability in the statement of F/position	597,856	358,840
Profit or Loss charge included in personnel expenses:		
▪ Severance pay (note 25a)	117,637	80,654
Total defined benefit expenses	117,637	80,654
Re-measurements for:		
▪ Severance pay (note 25a)	149,913	38,174
	149,913	38,174

The Profit or Loss charge included within personnel expenses includes current service cost, interest cost, and past service costs on the defined benefit schemes.

Maturity analysis

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Current	117,637	80,654
Non-Current	480,219	278,186
	597,856	358,840



25a Severance pay

The Bank operates an unfunded severance pay plan for its employees who have served the Bank for 5 years or above and are below the retirement age (i.e. have not met the requirement to access the pension fund). The final pay-out is determined by reference to the 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.

The purpose of the valuation is to update the Bank's liabilities since the previous valuation in respect of benefits provided to employees on leaving the Bank.

To assess the liabilities of the Bank, an attempt is made as far as possible to arrive at realistic long-term assumptions. A number of factors are considered, which are interrelated, often to such an extent that individual elements cannot be considered in isolation. It's calculated annually by independent actuaries, ActSev actuaries & consultants, using the projected unit credit method. The duration of the liabilities, on which the assumptions have been set, was calculated to be 6 years on the current valuation assumptions and data.

The severance benefits are based on statutory severance benefits in Ethiopia. The statutory severance benefits are set out in Labour Proclamation No. 1156/2019. See note 2.19:

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
A Liability recognized in the financial position	597,856	358,840

The past service liability (the liability which has accrued in respect of service to the valuation date for the current employees) for the active members is calculated by projecting all expected future cash flows based on service to the valuation date and discounting these at the assumed discount rate allowing for possible reasons of exit from the Bank, such as retirement and death.

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. Therefore not included any assets in the valuation.

	30 June 2026 Birr'000	30 June 2025 Birr'000
B Amount recognized in the profit or loss		
Current service cost	64,857	27,589
Interest cost	52,780	53,065
	117,637	80,654

The Current Service Cost represents the cost of one additional period of service for current eligible employees.

The Interest Cost reflects the reducing discounting period from one year to the next (i.e. the unwinding of the discount rate over time). This is restated for actual benefit payments.



Notes to Financial Statements
For the year ended 30 June 2026

C Amount recognized in other comprehensive income:

Actuarial (Gains)/Losses on demographic assumptions		
Actuarial (Gains)/Losses on economic assumptions	149,913	50,038
Actuarial (Gains)/Losses on experience	-	(11,864)
	149,913	38,174

Actuarial gains and losses arise when actual experience differs from the assumptions made at the previous valuation (e.g. salary increases higher than those assumed will lead to an actuarial loss).

The total loss to be recognized for the year ending 30 June 2026 was calculated to be ETB 149,913 as shown in the table above.

D Change in the present value of the defined benefit obligation

The table below sets out the reconciliation of the liability to be recognized in the Statement of Financial Position;

	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	358,840	263,394
Current service cost	64,857	27,589
Interest cost	52,780	53,065
Bank Paid Benefits	(28,534)	(23,383)
Re-measurement (gains)/ losses	149,913	38,174
At the end of the year	597,856	358,840

The significant actuarial assumptions were as follows:

Valuation assumptions can be split into two broad groups, namely 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).

A Financial Assumption Long Term Average

	30 June 2026 Birr'000	30 June 2025 Birr'000
Discount Rate	15.50%	14.00%
Long-term salary increases	13.50%	14.20%

IAS19 requires that the discount rate be set based on the yields of appropriate term high-quality corporate bonds. If no deep market in such bonds is available, accounting standards require that the yield on government bonds of appropriate term be applied in the setting of this assumption.

In Ethiopia, there is neither a deep market in corporate nor government bonds. The interpolated yield of the 5-year and 6-year Treasury Bond yields is 11.78% p.a.

The country risk premium is the additional return that investors demand to compensate for the risk of investing in a particular country, over and above the risk-free rate (typically



Notes to Financial Statements
For the year ended 30 June 2026

the yield on a government bond from a stable, developed country like the United States).

We have obtained the country risk premium for Kenya and Ethiopia from Damodaran Online, which is a widely used source for relative risk premia. The relative country risk premia for Kenya and Ethiopia (relative to the USA) are as follows: As of July 2026, Kenya's and Ethiopia's country risk premia were as follows:

Ethiopia Country Risk Premium	Kenya Country Risk Premium	Difference
9.49%	13.15%	3.66%

Combining the country risk premium and the yields on Kenyan government bonds results in a set of discount rates that are based on Kenyan bonds but adjusted to allow for the relative differences in risk and inflation between the two countries.

The resulting discount rate was rounded to the nearest 0.1%.

B. Mortality in Service

In general, benefits will decrease or cease when the individual dies. In our projections of benefits it is thus essential to take account of the mortality of the employees. Mortality is normally expressed as the probability of death within the next year for an individual of a specific age. Different mortality rates are thus set for each age group (higher rates for older people) and this set of rates is referred to as a mortality table. Different mortality tables can be used for males and females, as appropriate.

The mortality table used for the current employees was DHS 2016 tables as published by the CSA (Central Statistics Agency) of Ethiopia. Based on our knowledge of the region mortality, we believe that this table is suitable for use in this valuation. Since the rates are provided in 5-year bands, we applied the rate provided per band as the mortality rate for the age in the middle of each band and interpolated linearly for rates in between these ages.

For ages over 47 we have assumed that mortality will be in line with the SA85/90 mortality tables. Sample rates are shown in Schedule C.

These rates combined are approximately summarized as follows:

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



C. Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 15% at the youngest ages, falling with increasing age to 2.5% at age 45.

The sensitivity of the main results to changes in the principal assumptions, Discount, and Salary Increase rate has been calculated. The changes in the Defined Benefit Obligation are reflected below;

Impact on defined benefit obligation			Impact on defined benefit obligation	
30 June 2026			30 June 2025	
Change in assumption	Impact of an increase	Impact of a decrease	Impact of an increase	Impact of a decrease
	Birr'000	Birr'000	Birr'000	Birr'000
Discount rate;1%	572,179	626,292	337,913	381,262

Impact on current service cost			Impact on current service cost	
30 June 2026			30 June 2025	
Change in assumption	Impact of an increase	Impact of a decrease	Impact of an increase	Impact of a decrease
	Birr'000	Birr'000	Birr'000	Birr'000
Salary increase:1 %	624,109	573,910	381,020	337,770

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

D. Projected/Budgeted Movements

D1. The tables below summarize the expected disclosure elements for the year ending 30 June 2026 for budgeting purposes:

	30 June 2026 ETB'000
Projected Defined Benefit Obligation	
Defined Benefit Obligation at the beginning of the period	597,856
Current Service Cost (excluding interest)	68,543
Actuarial (gain)/loss	(14,016)
Benefit payments	(43,883)
Interest Cost	94,579
Expected Defined Benefit Obligation at the end of the period	703,079



Notes to Financial Statements
For the year ended 30 June 2026

D2. The related expected expense to be recognized in the Profit & Loss for the next year is estimated to be as follows:

	30 June 2026 ETB'000
Projected amount in Profit & Loss	
Gross service cost	68,543
Interest Cost on DBO	94,579
Projected expense/(income) to be recognized	163,122

D3. The projected benefit payments for the next 5 years have been estimated as follows:

Projected benefit payments	ETB'000
Year ending 30 June 2027	(43,883)
Year ending 30 June 2028	(53,713)
Year ending 30 June 2029	(65,717)
Year ending 30 June 2030	(67,888)
Year ending 30 June 2031	(67,063)
Total projected benefit payments over 5 years	(298,264)

The increasing amounts of projected payments suggest that the cost of providing DBO benefits is rising, potentially due to factors such as increased life expectancy, higher salaries, higher inflation rate, discount rate, or changes in investment returns. The substantial total projected payments indicate a significant financial burden on the Bank.

26 Share Capital	30 June 2026 Birr'000	30 June 2025 Birr'000
Authorized:		
Ordinary shares-par value of Birr 100 each	13,000,000	13,000,000
Issued and fully paid:		
Ordinary shares- par value of Birr 100 each	12,800,000	11,865,240
Reconciliation;		
Beginning	11,865,240	11,160,763
Number of shares purchased by Cash	289,822	200,106
Number of shares purchased by Dividend	644,938	504,372
Number of shares outstanding as at the end of the period	12,800,000	11,865,240
27 Share Premium	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	8,672	8,672
Addition, during the year	-	-
	8,672	8,672



Notes to Financial Statements
For the year ended 30 June 2026

28 Earnings per share

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

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Profit attributable to shareholders	6,144,843	1,564,712
Weighted av. No. of ordinary shares in issue	124,051	114,664
Basic & diluted earnings per share (Birr)	50	14

Weighted average number of ordinary shares in issue It represents the average number of ordinary shares outstanding during a specific period, taking into account any changes in the number of shares due to events like share splits, share dividends, or share repurchases.

Diluted EPS is a financial metric that calculates a company's earnings per share assuming that all dilutive securities, the bank has no such securities, there is no dilution effect, and the basic EPS will remain unchanged, its basic EPS and diluted EPS will be the same. Since there are no dilutive securities to consider, the weighted average ordinary shares outstanding will remain the same, and the resulting EPS will accurately reflect the bank's earnings per share.

29 Retained Earnings

	30 June 2026	30 June 2025
	Birr'000	Birr'000
At the beginning of the year	1,044,291	850,086
Profit/ (Loss) for the year	6,144,843	1,564,712
Director's share of profit	(1,449)	(1,560)
Transfer to Legal reserve	(1,456,214)	(306,302)
Transfer to Regulatory Risk reserve	(1,335,985)	(212,559)
Transfer to Dividend payable	(1,044,291)	(850,086)
At the end of the year	3,351,196	1,044,291

Retained earnings represent the accumulated net profits of the Bank after accounting for all mandatory deductions in line with the regulatory/directives of the NBE and IFRS standards, and it is the portion available for distribution to shareholders as dividends, subject to approval by the General Assembly. Once dividends are formally declared by shareholders at the General Assembly, the respective amount is reclassified from retained earnings to dividend payable, with settlement taking place in the subsequent financial period.

30 Legal Reserve

	30 June 2026	30 June 2025
	Birr'000	Birr'000
At the beginning of the year	3,116,351	2,810,049
Transfer from profit or loss	1,456,214	306,302
At the end of the year	4,572,566	3,116,351



Notes to Financial Statements
For the year ended 30 June 2026

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

	30 June 2026	30 June 2025
	Birr'000	Birr'000
31 Regulatory Risk Reserve		
At the beginning of the year	1,421,491	1,110,632
Transfer from Retained Earnings	1,335,985	212,559
Revaluation Gain-Equity Investment	124,417	98,300
At the end of the year	2,881,893	1,421,491

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

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

Interest suspended in the previous years and regularized in the current year is compared with the current year stage 3 loans interest income recognized net of impairment losses. The difference between the two is transferred to the "regulatory risk reserve".

Where Revaluation gain on an equity investment 30 June 2026; 124.4 million (2025;98.3 million) occurs when the fair value of the investment increases above its carrying amount (the cost at which it was initially recorded). This gain is recognized in equity rather than as income.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
32 Donated Capital		
At the beginning of the year	3,932	3,932
	3,932	3,932

The bank received a capital reserve in the form of a donation from the Regional Government of Oromia during its establishment, with no restrictions on its utilization. This donation was provided in support of the bank's mission to serve the rural population, particularly farmers, cooperatives, unions, small businesses, and communities that have been excluded from financial services.



Notes to Financial Statements
For the year ended 30 June 2026

		30 June 2026	30 June 2025
	Notes	Birr'000	Birr'000
33 Cash generated from operating activities			
Profit before income tax		8,114,026	1,980,152
Adjustments for non-cash items:			
Net gain/(loss) on foreign exchange			
Depreciation of property, plant, and equipment	20	1,025,477	696,321
Amortization of intangible assets	19	338,605	93,782
Net gain/Loss on disposal of PPE(net)	8	(144,819)	(10,720)
Impairment on loans and receivables	9	1,997,542	705,566
Deferred Tax	12	208,205	18,650
Suspended Interest Income	5	(1,451,425)	(212,559)
Amortization of Right-Use Asset	20b	956,824	762,321
Dividend income	5	(43,527)	(34,097)
Adjustment on property, plant, and Equipment	20	412,387	55,471
Interest on lease liability	11	15,668	15,298
Retirement benefit obligations	25	267,550	118,828
Changes in working capital:			
-Decrease/(increase) in restricted cash		3,237,190	
-Decrease/ (Increase) in loans and advances	14	(28,453,073)	(16,527,077)
-Decrease/ (Increase) in interest-free financing	15	(1,297,712)	(1,253,283)
-Decrease/ (Increase) in other assets	18	5,630,720	(8,182,280)
-Decrease/ (Increase) NCAHFS	20a	196,480	(120,111)
-Decrease/Increase in Customers' deposits	21	17,442,177	58,343,913
-Decrease/Increase due to other banks	22	625,131	(309,773)
-Increase/ (Decrease) in other liabilities	24	915,575	995,357
		9,993,002	37,135,761

34. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or if one party controls both. The definition includes Influential shareholders; Cooperative-unions, primary cooperatives, federations, and Individual persons/or private companies and Associates, as well as key management personnel.

A related party transaction is a transfer of resources, services or obligations between a reporting entity or the bank in our case and a related party, regardless of whether a price is charged. CBO is largely owned by cooperatives with primary cooperatives having 19.7%(30, June 2025:19.6%), Cooperatives union 27.6%(30, June 2025:28.5%), Cooperatives federation 4.6%(30 June 2025:4.6%), and Non-cooperatives; organizations and associations 9.7%(30 June 2025:9.8%) and individuals 38.5%(30 June 2025:37.5%). The bank has entered into a number of transactions with related parties as at 30 June 2026.

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



34a Transactions with related parties

	2026		
	Term- Outstanding	OD-Utilized	Secured Value
	Birr'000	Birr'000	Birr'000
Chief Executives & BoD	189,650	103,730	251,876
Cooperative Union	1,775,770	700,649	1,316,039
Federation	309,488	1,029	277,650
Individuals, Influential sh.holder	2,453,081	227,150	681,607
	4,727,989	1,032,558	2,527,172
	2025		
	Term- Outstanding	OD-Utilized	Secured Value
	Birr'000	Birr'000	Birr'000
Executive Management	189,650	99,590	219,649
Cooperative Union	1,134,540	662,949	798,054
Individuals, Influential sh.holder	2,169,746	63,020	1,267,898
	3,493,935	825,559	2,285,601

As part of its compensation and benefits arrangements, the Bank has extended loans and advances to its key management personnel at preferential interest rates ranging from 0% to 9.5%. To safeguard against credit risk, 75.9% of these loans are secured by collateral, primarily residential houses and motor vehicles. The repayment performance of these loans is assessed as normal/performing, with all contractual payments made on schedule.

For other related parties—including cooperative unions, individual shareholders, and private company shareholders—the Bank has not granted any preferential or favorable treatment. All loans and advances extended to these parties are subject to the Bank's standard underwriting criteria, carry market interest rates between 10% and 21.5%, and follow repayment schedules aligned with the nature of the underlying business, typically on a quarterly to annual basis. These exposures are also classified as performing or pass. The loans are collateralized by a combination of various assets: Commercial building, Factory, Motor Vehicle, Inventories, Warehouse, and the financed project itself. No bank's share is pledged as collateral.

This year Primary Cooperatives and Federations are not considered related parties of the Bank.

This year, Primary Cooperatives and Federations are not considered related parties of the Bank bank's share is pledged as collateral. It should be noted that the mortgage loan granted to some of the Board of Directors was provided before the issuance of the Commercial Code Proclamation No. 1243/2021.



34b Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management for is shown below.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Salaries and other short-term employee benefits	60,425	46,373
Defined Benefit Obligations	9,923	7,980
Defined contribution plan	5,055	4,065
	75,403	58,418

Compensation of the Bank's key management personnel includes salaries and in kind/non-cash benefits. Breakdown of short-term employee benefits: This could include salaries, allowances, bonuses, allowances, and other short-term perks.

34c Board of Directors Remuneration

The Bank provides monthly allowances and an annual remuneration fee for each member of the Bank's Board of Directors of the bank per the prevailing Directive of the National Bank of Ethiopia.

	30 June 2026	30 June 2025
	Birr'000	Birr'000
Board of directors' remuneration	1,449	1,560
Transportation allowance	1,201	1,340
	2,650	2,900

The board of directors' remuneration is calculated and paid based on the percentage of attendance the meeting or participation on the board of directors meeting relating to governing the bank as of the governing policy, whereas the transportation allowance is paid straight-forward monthly.

All such transactions with all related parties are conducted on an arm 's-length basis and are subject to the same rigorous underwriting standards, pricing policies, and approval procedures as those applied to non-related parties.

35. Contingent liabilities

Litigation is inherent to the banking industry, and the Bank has established formal protocols and legal processes for addressing legal claims. In determining whether provisions or disclosures are required, the Directors rely on the best legal expertise's opinion and or information and assess the probability of an adverse outcome. Based on legal counsel's guidance, cases are categorized as Probable, Possible, or Remote: provisions are recognized



Notes to Financial Statements
For the year ended 30 June 2026

for probable cases, disclosures are made for possible cases, and no action is required for remote cases. This structured approach ensures that the Bank's financial statements appropriately and transparently reflect potential legal exposures.

35a. Claims and litigation

The Bank is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The maximum potential exposure of the Bank to these legal cases as at 30 June 2026, is Birr 344.1 million and as at June 30, 2025, was Birr 816.8 million. A provision has been recognized in the financial statements totaling Birr 11 million as at 30 June 2026, and Birr 62.4 million as at June 30, 2025.

The bank had several unresolved legal and tax claims arising in the ordinary course of business at the year-end. The unresolved tax claims and legal disputes are individually evaluated at the year-end for potential losses to the bank. Where necessary, the directors seek independent legal advice on the significant unresolved tax claims and legal matters. Based on the information available at the approval of these financial statements, the directors believe the ultimate resolution of the unresolved tax claims and legal proceedings will not have a material effect on the bank's operations.

35b Contingent Assets

The Bank is a party to numerous legal actions initiated by the Bank against different organizations, current and former employees of the Bank, and individuals arising from its normal business operations. The matter has been referred to the court and, having received legal advice, the directors believe that a favorable outcome is probable. The maximum amount expected from these cases as at 30 June 2026 is birr 302.9 million, and as at June 30, 2025, is birr 92.6 million. However, this has not been recognized as a receivable at the year-end as receipt of the amount is dependent on the outcome of the court processes.

35c. Guarantees and Letters of Credit

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lending. Even though these obligations may not be recognized on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank.

The Bank conducts business involving performance bonds and guarantees. These instruments are given as 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, these instruments' cash requirements are expected to be below their nominal amounts.



Notes to Financial Statements
For the year ended 30 June 2026

The table below summarizes the amount of contingent liabilities for the accounts of customers:

Particular	30 June 2026	30 June 2025
	Birr'000	Birr'000
Guarantees issued	794,608	663,761
Letters of Credit	6,334,231	8,832,085
Total	7,128,839	9,495,846

Guarantees are generally written by a bank to support the performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

Letters of credit commit the Bank to make payment to third parties, on production of documents which are subsequently reimbursed by customers.

"Herewith presented guarantee types are limited to exposures or guarantees that have a financial asset nature. These include guarantees for supplier credit and customs duties." and net of LC margin, Letter of Credit and their impairment assessment is conducted as per IFRS standard requirement and the bank's business model.

36 Commitments

Loan Commitments are legally binding agreements between a lender and a borrower that outline the terms and conditions under which the lender will provide a loan to the borrower.

The Bank has commitments (for undrawn overdrafts and loans approved but not yet disbursed) of Br. 970.04 million, Br. 617.2 million, and Br. 3,212 million, not provided for in these financial statements as of 30 June 2026, 30 June 2025, and 30 June 2026, respectively.

The Bank confirms that, apart from these loan commitments, it does not have any other significant commitments that would require disclosure at the reporting date.

37 Events after the reporting period

The Bank has evaluated subsequent events occurring after the reporting date up to the date when the financial statements were authorized for issue. Based on this review, no material events have occurred that would require adjustment to, or disclosure in, these financial statements. Any non-adjusting events that arose after the reporting date have been assessed and, where relevant, appropriate disclosures have been made to ensure transparency.

38 Date of Authorization

These financial statements are authorized for issue by the Board of Directors of the Bank on October 12, 2026.



Corporate Information

Key details about
Cooperative Bank of Oromia S.C. (Coopbank)



Registered Name

Cooperative Bank of Oromia S.C. (Coopbank)



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