



HIBRET BANK SHARE COMPANY
EXTERNAL AUDITORS' AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026



HIBRET BANK SHARE COMPANY
FOR THE YEAR ENDED 30 JUNE 2026

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**HIBRET BANK SHARE COMPANY
FOR THE YEAR ENDED 30 JUNE 2026**

GENERAL INFORMATION

Country of incorporation and domicile

Ethiopia

Nature of business and principal activities

The Bank's principal activity is Commercial Banking

Directors

		Appointment Date
Ato Mesfin Tessema	Chairperson	21-Mar-22
Ato Fasil Asnake	Deputy Chairperson	24-Mar-25
W/ro Samrawit Getamessay (Eng.)	Director	21-Mar-22
Ato Tesfaye Desta (Hibret Insurance S.C. representative)	Director	21-Nov-19
Ato Wondiyie Girma	Director	21-Mar-22
Ato Fisseha Mesfin	Director	24-Mar-25
W/ro Azalech Yirgu	Director	24-Mar-25
Ato Abera Mulat	Director	24-Mar-25
Dr. Mulugeta G/Medhen	Independent Director	24-Mar-25
Ato Worku Lemma	Independent Director	24-Mar-25
Ato Ayalew Asers	Independent Director	6-May-25

Executive management

Negusu Gebreegziabher	Chief Executive Officer	7-Aug-25
Asrat Arega Mengistu	Acting Chief Digital Banking Officer	12-Mar-26
Alfred Bereka Amin	Acting Chief Interest Free Banking Officer	31-Mar-26
Aduugna Mekonnen Abate	Chief Risk & Compliance Officer	6-Aug-20
Alelign Merkebu Mekonnen	Acting Chief Capital Market and M&A Project Management Officer	12-Mar-26
Bizuneh Tariku Abate	Chief Internal Audit Officer	7-Jul-20
Belete Tesfaye Addis	Acting Chief Enterprise Service Officer	12-Mar-26
Dereje Ararsa Gemedo	Acting Chief Credit Officer	12-Mar-26
Dereje Kebede Admassu	Chief Marketing and Strategy Officer	12-Mar-26
Lubaba Damtie Tegegne	Acting Chief People and Culture Officer	7-Apr-26
Nebyat Assefa Woldegiorgis	Acting Chief Information Officer	12-Mar-26
Sani Bochere Boru	Acting Chief Retail Banking Officer	20-Apr-26
Sileshi Tigabue Bayeh	Acting Chief Finance Officer	12-Mar-26
Teshome Gebreab Gebremichael	Acting Chief Trade Finance Officer	12-Mar-26

Registered office

Lideta Sub-city, Woreda 07, House No. New
Ras Abebe Aregay Road
Addis Ababa, Ethiopia
P.O.Box: 19963
Tel: 251 11 465 52 22
Fax: 251 11 465 52 43
Email: hibretBank@ethionet.et
Website: www.hibretBank.com.et

Auditors

HST Audit Limited Liability Partnership,
Public Auditors
P.O. Box 1608
5th Floor, Mina Building, Wollo Sefer
Addis Ababa, Ethiopia

Actuaries

Actserv Actuarial Service (E.A) Ltd
1113 Kayahwe Road, Off Galana Road
Kilimani, Nairobi
P.O.BOX 10472 - 00100
Website: www.actserv.co.ke
Nairobi, Kenya

Principal Bank:

National Bank of Ethiopia



Valuator

KPMG Development Services (Mauritius) Limited
Registered Office C/o Rogers Capital Corporate
Services Limited 3rd Floor,
Rogers House No. 5 President John Kennedy Street
Port Louis, Mauritius

Correspondent banks:

Commerzbank A.G., Frankfurt
Standard Chartered Bank, London
Unicredito Italiano, Milano
Citibank NA, New York
Bank of Africa Mer Rouge, Djibouti
Bank Beirut, UK Limited
Bank of Beirut S.A.L, Lebanon
Oddo BHF Frankfurt, Germany
CAC International Bank, Djibouti
Exim Bank Djibouti
AFREXIM Bank
Zhejiang Chaozhou Commercial Bank, China
Hangzhou
0000032874



Tax identification number

Principal Business Registration

**HIBRET BANK SHARE COMPANY
FOR THE YEAR ENDED 30 JUNE 2026**

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The Commercial Code of Ethiopia requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year. The Directors are also required to ensure that the Bank keeps proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS), the Commercial Code of Ethiopia, and the relevant directives issued by the National Bank of Ethiopia. The Directors are also responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Commercial Code of Ethiopia. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial controls.

The Directors also accept responsibility for:

- i) Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) Selecting suitable accounting policies and applying them consistently; and
- iii) Making accounting estimates and judgements that are reasonable in the circumstances.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

The external auditors are responsible for independently auditing and reporting on the entity's financial statements. The financial statements have been examined by the entity's external auditors and their report presented on pages 5 to 7.

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

The financial statements set out on pages 8 to 67, which have been prepared on the going concern basis were approved by the directors on 28 September 2026 and were signed on their behalf by:

Signed on behalf of the Directors by:


Ato Mesfin Tessema
Chairperson, Board of Directors




Negusu Gebreegziabher
Chief Executive Officer

**HIBRET BANK SHARE COMPANY
FOR THE YEAR ENDED 30 JUNE 2026
DIRECTORS' REPORT**

The Directors have pleasure in submitting their report on the financial statements of Hibret Bank Share Company ("Hibret Bank" or the Bank") for the year ended 30 June 2026.

1. Incorporation

The Bank was incorporated in 1998 and subsequently obtained its certificate to commence business. The Bank is domiciled in Ethiopia where it is incorporated as a share company under the provision of the Licensing and Supervision of the Banking Business Proclamation no. 592/2008(amended proclamation no. 1360/2025) and the commercial Code of Ethiopia. The address of the registered office is set out on page 2.

2. Nature of business

Hibret Bank was incorporated in Ethiopia with interest in the banking industry. The Bank operates in Ethiopia. The Bank's principal activity is commercial banking.

There have been no material changes to the nature of the Bank's business from prior year.

3. Review of Financial Results and activities

The Bank's results for the year ended 30 June 2026 are set out on page 8. The (loss) / profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2026	30 June 2025
	ETB'000	ETB'000
Total income	21,752,284	16,735,923
Total expense	(17,199,571)	(12,232,093)
Net income	4,552,714	4,503,830
Net gain (loss) on foreign exchange	904,453	(3,754,787)
Profit before tax	5,457,167	749,043
Tax (charge) / credit	(1,433,599)	(725,527)
Profit for the year	4,023,568	23,516

4. Share Capital

Authorized

Ordinary shares par value of ETB 1,000

Number of shares

20,000,000 20,000,000

Issued and fully Paid

Ordinary shares (in ETB)

ETB'000	ETB'000
8,166,155	8,120,630

5. Events After the reporting period

The Directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

6. Going Concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Directors believe that the Bank has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The Directors have satisfied themselves that the Bank is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Directors are not aware of any new material changes that may adversely impact the Bank. The Directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Bank.

7. Date of authorization for issue of financial statements

The financial statements have been authorized for issue by the Directors on 28 September 2026 . No authority was given to anyone to amend the financial statements after the date of issue.

8. Acknowledgements

Thanks and appreciation are extended to all of our shareholders, staff, depositors and borrowers for their continued support to the Bank.

The financial statements set out on pages 8 to 67, which have been prepared on the going concern basis, were approved by the Directors on 28 September 2026, and were signed on its behalf by:

Ato Mesfin Tessema
Chairperson, Board of Directors
28 September 2026





HST Audit Limited Liability Partnership
Public Auditors

Ethio-China Avenue; Wollo Sefer
Mina Building 5th Floor
P.O. Box 1608
Addis Ababa, Ethiopia
Tel: + 251 115 527666/67
Fax: +251 115 528384
www.hst-et.com

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF HIBRET BANK SHARE COMPANY Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hibret Bank Share Company (the Bank) set out on pages 8 to 67, which comprise the statement of financial position as at June 30, 2026, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at June 30, 2026, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the provisions of the Commercial Code of Ethiopia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants', International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1, 3 and 4A) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Ethiopia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Ethiopia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Credit risk assessment and determination of expected credit losses on loans and advances

Loans and advances to customers constitutes a significant portion of the Bank's total assets. The estimation of Expected Credit Losses (ECL) on loans and advances requires management judgement in the assumptions that are applied in the models used to calculate ECL.

The policies for estimating ECL are explained in notes 1.9 and 4.3 of the financial statements.

Due to the significant impact of management judgements applied in calculating the ECL, we designate this as a key audit matter in our audit.

The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include:

- The assumptions applied in deriving the probabilities of default (PD), loss given default (LGD) and exposures at default (EAD) for the various segments.
- The judgements made to determine the staging of facilities in line with IFRS 9. In particular, the identification of the Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used. Specific assumptions have been applied by management in determining the staging, PD and LGD for certain segments of the loan record.
- The relevance of forward-looking information used in the models.
- For certain individually assessed loans and advances, judgement is exercised in the consideration of quantitative and qualitative factors.



Partners: Tekeste Gebru; Solomon Gizaw; Getu Alemayehu; Solomon Melaku; Yonas Harun; Thomas Mulugeta

Key Audit Matters (continued)

Credit risk assessment and determination of expected credit losses on loans and advances (continued)

How our audit address the key audit matter

- We obtained the Bank's methodology for determining ECL, including enhancements in the year, and evaluated this against the requirements of IFRS 9.
- We tested how the Bank extract loan status applied in classifying the loans balance into the three stages required by IFRS 9. For a sample of loans, we checked loan status applied in the model. In addition, we assessed the qualitative information applied by the Bank in determining the appropriate staging.
- We obtained an understanding of the basis used to determine the probabilities of default. We tested the completeness and accuracy of the historical data used in derivation of PDs and LGDs and recalculated the same on a sample basis.
- We reviewed the approach used to estimate LGD at each point during the life of the exposure including time to realization and the recovery rate calculations. In addition, for secured facilities, we agreed the collateral values used in the ECL model to internal valuer reports.
- We tested, on a sample basis, the reasonableness of EAD for both on and off-balance sheet exposures.
- For forward-looking information, we assessed the appropriateness of the model, including assumptions applied; we corroborated the data using publicly available information; and assessed the reasonableness of the weightings applied to different scenarios to reflect the impact of current developments.
- We assessed whether the disclosure in the financial statements on the key judgements and assumptions were adequate.

Reliance on Information & Communications Technology (ICT) systems and applications for financial control and reporting

The Bank's financial control, accounting and reporting processes are heavily dependent on complex information and communications technology systems and applications. Specifically, the calculation, recording and financial reporting of financial transactions and balances are significantly dependent on automated processes.

Weaknesses in the design and operating effectiveness of the automated accounting procedures and related IT dependent manual controls could result in material errors in the financial information, which makes this an area of focus.

Our audit focus on information and communications technology systems and applications and controls Over financial reporting included the following areas:

- management of logical access to critical systems including privileged access.
- controls over changes of programs.
- automated application controls for transaction processing, accounting, and financial reporting.

How our audit address the key audit matter

- Evaluated and tested both the design and operational effectiveness of controls ensuring the integrity of IT systems and applications that are pertinent to financial accounting and reporting.
- We also examined specific aspects of IT system security, including the management of logical access and the segregation of duties.
- When we identified deficiencies in either the design or operational effectiveness of controls, we adjusted our audit approach. This involved testing compensating controls or intensifying our detailed testing. These additional measures helped address the deficiencies or provided greater assurance for the audit.
- We verified any manual adjustments made to information produced by IT systems and applications, evaluating their appropriateness. Additionally, we rechecked automated controls and calculations performed by core banking systems and other major applications to confirm that they function correctly and as intended.

Other Information

The other information comprises the information included in the Annual Report for the year ended 30 June 2026, which includes the Directors' Report as required by the provisions of the Commercial Code of Ethiopia. The other information does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Directors' for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the requirements of the Commercial Code of Ethiopia, and the relevant directives issued by the National Bank of Ethiopia. The Directors are also responsible for such internal control as they determine 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, the Directors are 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 unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' 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, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement 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 risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Commercial Code of Ethiopia and based on our audit, we report as follows:

- (i) Pursuant to Article 349 (1) of the Commercial Code of Ethiopia and based on our reviews of the Board of Directors' report, we have not noted any matter that we may wish to bring to your attention.
- (ii) Pursuant to Article 349 (2) of the Commercial Code of Ethiopia we recommend the financial statements for approval.

The engagement partner on the audit resulting in this independent auditors' report was Solomon Melaku.

Solomon Melaku
Managing Partner
HST Audit Limited Liability Partnership,
Public Auditors
Addis Ababa, Ethiopia
28 September 2026



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

	Notes	30 June 2026 ETB'000	30 June 2025 ETB'000
Interest income	5	16,817,503	12,968,433
Interest expense	6	(8,525,229)	(5,971,827)
Net interest income		8,292,274	6,996,606
Fees and commission income	7	4,406,815	3,265,617
Fees and commission expense	8	(708,108)	(124,073)
Net fees and commission income		3,698,707	3,141,544
Other operating income	9	499,464	227,239
Total operating income		12,490,445	10,365,390
Loan impairment charge	10	(533,526)	(561,155)
Other assets impairment reversal / (charge)	11	(465,985)	252,030
Net operating income		11,490,934	10,056,264
Personnel expenses	12	(4,579,003)	(3,750,859)
Depreciation and amortization	13	(828,691)	(745,835)
Other operating expenses	14	(1,559,029)	(1,078,344)
Net gain (loss) on foreign exchange	14.1	904,453	(3,754,787)
Operating Profit		5,428,665	726,439
Share of net profit of associate accounted for using the equity method	22	28,502	22,604
Profit before income tax		5,457,167	749,043
Income tax expense	15 .1	(1,433,599)	(725,527)
Profit after tax for the year		4,023,568	23,516
Other comprehensive income:			
Items that will not be subsequently reclassified into profit or loss:			
Re-measurement gain (loss) on defined benefits obligations	32	146,483	(130,227)
Re-measurement on equity investments	21	490,885	34,488
Deferred tax liability on remeasurement gain	17	(43,945)	39,068
Total comprehensive income for the year net of taxation		593,423	(56,671)
Total comprehensive (loss) / income for the year		4,616,991	(33,155)
Earning per share			
Basic and diluted earnings per share	18	494.02	3.07

The accounting policies on pages 12 to 30, and the notes on pages 31 to 67, form an integral part of the financial statements.

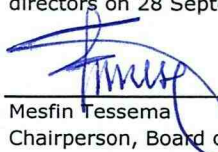


HIBRET BANK SHARE COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2026

		30 June 2026	30 June 2025
	Notes	ETB'000	ETB'000
ASSETS			
Cash and bank balances	19	31,102,128	16,450,674
Loans and advances to customers	20	96,916,818	77,280,767
Investment securities:			
- At fair value through OCI	21	1,172,096	616,175
- At amortized cost	21	9,256,985	8,563,568
Investment in associates	22	169,471	175,584
Other assets	23	5,385,766	4,492,253
Property and equipment	24	4,632,559	4,309,862
Investment property	25	276,792	282,603
Intangible assets	26	150,854	9,521
Right of use of assets - buildings	27	1,557,739	1,736,698
Right of use of assets - land	27	8,499	8,737
Total assets		150,629,706	113,926,442
LIABILITIES			
Deposit from customers	28	110,245,113	82,942,358
Due to financial institutions	29	13,744,690	9,742,616
Current tax liabilities	16	1,126,791	699,636
Other liabilities	30	6,758,879	6,571,826
Borrowings	31	645,735	421,371
Lease liability	27	499,698	581,249
Defined benefit obligation	32	662,923	682,374
Deferred tax liabilities	17	650	2,299
Total liabilities		133,684,478	101,643,730
EQUITY			
Share capital	33	8,166,155	8,120,630
Retained earnings	34	2,118,758	(369,726)
Legal reserve	35	3,903,758	2,897,866
Regulatory risk reserve	36	1,940,235	1,411,043
Other Reserve	37	816,322	222,899
Total equity		16,945,228	12,282,712
Total equity and liabilities		150,629,706	113,926,442

The accounting policies on pages 12 to 30, and the notes on pages 31 to 67, form an integral part of the financial statements.

The financial statements on pages 8 to 67 were approved and authorized for issue by the board of directors on 28 September 2026 and were signed on its behalf by:


 Mesfin Tessema
 Chairperson, Board of Directors


 Negusu Gebreegziabher
 Chief Executive Officer



HIBRET BANK SHARE COMPANY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2026



Balance as at 30 June 2024

Profit for the period

Other comprehensive income:

Total comprehensive income for the year

Issue of shares

Transfer to legal reserve

Transfer of provision in excess of IFRS requirements

Transfer of interest on NPL

Dividend paid

Total contribution by and distribution to owner of the bank recognized directly in equity

Balance as at 30 June 2025

Profit for the period

Other comprehensive income:

Total comprehensive income for the year

Issue of shares

Transfer to legal reserve

Transfer of provision in excess of IFRS requirements

Transfer of interest on NPL

Dividend paid

Total contribution by and distribution to owner of the bank recognized directly in equity

Balance as at 30 June 2026

Notes

The accounting policies on pages 12 to 10, and the notes on pages 31 to 67, form an integral part of the financial statements.

Share capital	Share premium	Regulatory Risk reserve	Other Reserve	Legal reserve	Total Reserves	Retained earnings	Total Equity
ETB'000	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000
7,004,489	4,223	1,023,680	279,570	2,891,987	4,195,237	1,442,818	12,646,767
-	-	-	-	-	-	23,516	23,516
-	-	-	(56,671)	-	(56,671)	-	(56,671)
-	-	-	(56,671)	-	(56,671)	23,516	(33,155)
1,116,141	-	-	-	-	-	-	1,116,141
-	-	-	-	5,879	5,879	(5,879)	-
-	-	-	-	-	-	-	-
-	-	387,363	-	-	387,363	(387,363)	-
-	-	-	-	-	-	-	-
-	(4,223)	-	-	-	-	(1,442,818)	(1,447,041)
1,116,141	(4,223)	387,363	-	5,879	393,242	(1,836,060)	(330,900)
8,120,630	-	1,411,043	222,899	2,897,866	4,531,808	(369,726)	12,282,712
-	-	-	-	-	-	4,023,568	4,023,568
-	-	-	593,423	-	593,423	-	593,423
-	-	-	593,423	-	593,423	4,023,568	4,616,991
45,526	-	-	-	-	-	-	45,526
-	-	-	-	1,005,892	1,005,892	(1,005,892)	-
-	-	(195,259)	-	-	(195,259)	195,259	-
-	-	724,450	-	-	724,450	(724,450)	-
-	-	-	-	-	-	-	-
45,526	-	529,191	-	1,005,892	1,535,083	(1,535,083)	45,526
8,156,155	-	1,940,234	816,322	3,903,758	6,660,314	2,118,758	16,945,228

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HIBRET BANK SHARE COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2026

	Notes	30 June 2026 ETB'000	30 June 2025 ETB'000
Cash flows from operating activities			
Cash used in operations	38	9,816,844	8,335,366
Income tax paid	16	(699,636)	(846,805)
Withholding tax	16	(333)	(2,484)
Advance payment of profit tax	16	(352,069)	-
Defined benefit paid	32	(26,600)	(26,768)
Net cash outflow from operating activities		8,738,206	7,459,309
Cash flows from investing activities			
Decrease / (increase) in investment securities - at amortized cost	21	(758,938)	(1,410,456)
Purchase of property and equipment	24	(718,083)	(454,595)
Investment in associates	22	34,615	(36,376)
Acquisition of right of use of assets	27	(237,614)	(729,368)
Purchase of Intangible Assets	26	(155,337)	(5,652)
Proceeds from sale of property and equipment		(29,262)	(10,578)
Net cash outflow from investing activities		(1,864,619)	(2,647,025)
Cash flows from financing activities			
Interest paid on borrowings		(236,968)	(622,948)
Proceeds from issues of shares	33	45,526	1,116,141
Proceeds from borrowings	31	431,069	203,266
Repayment of borrowings	31	(220,916)	(1,093,770)
Change in lease liability	27	(151,344)	161,881
Dividend paid	34	-	(1,447,041)
Net cash inflow from financing activities		(132,633)	(1,682,471)
Net increase/(decrease) in cash and cash equivalents		6,740,954	3,129,813
Cash and cash equivalents at the beginning of the year		9,872,674	6,742,861
Cash and cash equivalents at the end of the year	19	16,613,628	9,872,674

The accounting policies on pages 12 to 30, and the notes on pages 31 to 67, form an integral part of the financial statements.



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2026

Corporate information

Hibret Bank Share Company ("Hibret Bank or the Bank") is a private commercial bank incorporated and domiciled in Ethiopia.

The Bank was established on 10 September 1998 in accordance with the provisions of the Commercial code of Ethiopia and the Licensing and Supervision of Banking Business Proclamation 1360/2025. The Bank is principally engaged in the provision of commercial banking services.

1. Material accounting policies

The Directors have considered the principles of materiality in IFRS Practice Statement 2 Making Materiality Judgements, and only those accounting policies which are considered material have been presented in these financial statements.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the provisions of the Licensing and Supervision of Banking Business Proclamation and the Commercial Code of Ethiopia. The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (ETB'000), which is the Bank functional currency. These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires directors, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by directors in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the financial statements, are outlined as follows:

Critical judgements in determining the lease term

In determining the lease term, directors considers all facts and circumstances that create an economic incentive to exercise an extension option: or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was not material.

Key sources of estimation uncertainty

Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

The expected credit loss allowance on loans and advances is disclosed in more detail in Notes 10 and 20.2.



1.2 Significant judgements and sources of estimation uncertainty (Continued)

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

All financial instruments are initially recognized at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Bank's financial instruments are carried at fair value. The fair values of quoted financial instruments in active markets are based on current prices with no subjective judgments. If the market for a financial instrument does not exist or is not active including for unlisted securities, the Bank establishes fair value by using valuation techniques.

These include the use of recent arm's-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data. The fair value for the majority of the Bank's financial instruments is based on observable market prices or derived from observable market parameters. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment testing

The Bank reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, directors determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, directors assesses the recoverable amount for the cash generating unit to which the asset belongs.

Expected credit losses on financial assets

The measurement of expected credit losses (ECL) under IFRS 9 involves significant judgement and estimation uncertainty. Management exercises judgement in determining the appropriate methodology, models, assumptions and inputs used to measure ECL, including the identification of significant increases in credit risk, the definition of default, the expected life of financial instruments and the assessment of credit-impaired exposures.

The Bank's ECL models incorporate key credit risk parameters, including Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). Management applies judgement in estimating these parameters using historical loss experience, current conditions and reasonable and supportable forward-looking information.

The determination of ECL also requires management to incorporate forward-looking macroeconomic information and probability-weighted economic scenarios. Significant judgement is applied in selecting the relevant economic scenarios, determining their probability weightings and assessing the relationship between macroeconomic variables and credit losses.

Useful lives of property and equipment

directors assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on Bank replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Defined benefit plans

The cost of the defined benefit pension plan (severance pay) and the present value of these defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Uncertain tax positions

Significant judgment is required in determining the Bank's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Impairment of non-financial assets

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

HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2026

1.3 Recognition of income and expenses

Income is measured as the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of taxes or duty.

Income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled for performing its services for a customer. Income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Bank recognizes income when it has fulfilled its obligation and the right to receive the related sum as assured.

Income comprises the fair value of the consideration received or receivable in the ordinary course of the Bank's activities. Income is recognized when it is probable that the economic benefits associated with a transaction will flow to the bank and the amount of income, and associated costs incurred or to be incurred can be measured reliably.

The Bank, earns income from interest on loans given for domestic trade and services, import, export, building and construction, manufacturing, agriculture and personal loans. Other incomes includes margins on letter of credits and performance guarantees.

Interest income and expense

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

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

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

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 (letter of credit fees, letter of guarantee issued fees, etc.) are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

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

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.

Foreign exchange revaluation gains or losses

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

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



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2026

1.4 Translation of foreign currencies

Foreign currency transactions

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 financial statements are in Ethiopian Birr (ETB), which is the Bank's functional and presentation currency.

A foreign currency transaction is recorded, on initial recognition in Ethiopian Birr, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the Bank receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the Bank initially recognized the non-monetary item arising on payment or receipt of the advance consideration. If there are multiple payments or receipts in advance, Bank determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise. When a gain or loss on a non-monetary item is recognized to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognized to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Ethiopian Birr by applying to the foreign currency amount the exchange rate between the Ethiopian Birr and the foreign currency at the date of the cash flow.

1.5 Impairment of assets

The Bank assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the Bank also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill acquired in a business combination for impairment annually.

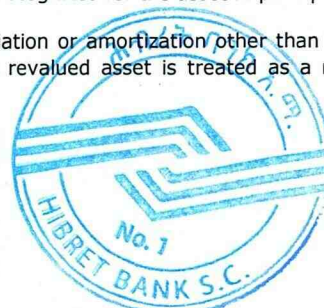
If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization other than goodwill is recognized immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2026

1.6 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

The Bank operates defined contribution plans;

Pension scheme in line with the provisions of Ethiopia pension of private organizations employee's proclamation 1268/2022. Funding under the scheme is 7% and 11% by employees and the Bank respectively;

Defined benefit plan

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognized immediately to the extent that the benefits are already vested, and are otherwise amortized on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial year, any cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognized in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognized. Actuarial gains and losses are recognized in the year in which they arise, in other comprehensive income. Gains or losses on the curtailment or settlement of a defined benefit plan is recognized when the Bank is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognized as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In profit or loss, the expense relating to a defined benefit plan is presented as the net of the amount recognized for a reimbursement. The amount recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognized actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Termination benefits

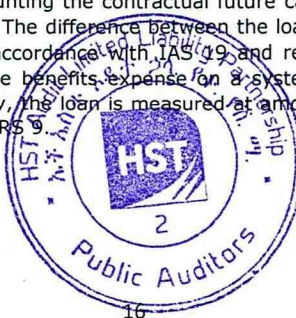
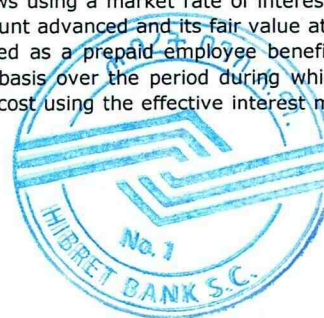
Termination benefits are payable to executive directors when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either: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

Profit-sharing and bonus plans

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

Staff loans at discounted rates

Loans granted to employees at concessionary or below-market interest rates are initially recognised at fair value in accordance with IFRS 9. The fair value is determined by discounting the contractual future cash flows using a market rate of interest for a similar loan with comparable terms and credit risk. The difference between the loan amount advanced and its fair value at initial recognition is treated as an employee benefit in accordance with IAS 19 and recognised as a prepaid employee benefit. The prepaid employee benefit is amortised to employee benefits expense on a systematic basis over the period during which the employees render the related service. Subsequently, the loan is measured at amortised cost using the effective interest method and is subject to the impairment requirements of IFRS 9.



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2026

1.7 Tax

Current tax assets and liabilities

Taxes for current and prior periods, to the extent unpaid, are recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. A deferred tax asset is not recognized when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax asset is recognized for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

- a transaction or event which is recognized, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.8 Earning per share

The Bank presents basic and diluted Earnings Per Share (EPS) 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the effects of all diluted potential ordinary shares.

1.9 Financial instruments

Financial instruments held by the Bank are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Bank, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortized cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2026

1.9 Financial instruments (Continued)

Financial assets which are debt instruments: (continued)

- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortized cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial Liabilities

- Amortized cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 4 Financial instruments and risk directors presents the financial instruments held by the Bank based on their specific classifications.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI):

To determine whether a financial asset should be classified as measured at amortized cost or FVOCI, an entity assesses whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding – i.e. the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL, unless it is an equity instrument for which an entity may apply the OCI election.

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. The definition of principal reflects the economics of the financial asset from the perspective of the current holder. This means that an entity assesses the asset’s contractual cash flow characteristics by comparing the contractual cash flows to the amount that it actually invested. “Interest” is defined as consideration for the time value of money, 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 a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considered the contractual terms of its financial assets. The Bank, through the Credit, Finance and Treasury departments will from time to time review the contractual terms of existing instruments and also review contractual terms of new products the Bank develops or invests in going forward. This includes assessing whether the financial asset contained 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 shall consider:

- contingent events that would change the amount and timing of cash flows.
- leverage features;
- prepayment and extension terms;
- terms that limit the Banks’s claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Contractual features that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, give rise to contractual cash flows that do not meet the SPPI criterion.

The prevailing rates are generally based on a regulator’s rate and include a discretionary spread (Margin). In these cases, the Bank will assess whether the discretionary feature is consistent with the SPPI criterion by considering a number of factors, including whether:



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2026

1.9 Financial instruments (Continued)

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI): (Continued)

- the borrowers are able to prepay the loans without significant penalties;
- the market competition ensures that interest rates are consistent between banks; and
- any regulatory or customer protection framework is in place that requires banks to treat customers fairly.

Some of the Bank's loans may contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount. The prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

Loans receivable at amortized cost

Classification

Loans and advances to customers (note 20) are classified as financial assets subsequently measured at amortized cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Bank's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans and advances to customers are recognized when the Bank becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortized cost. The amortized cost is the amount recognized on the loan initially, minus principal repayments, plus cumulative amortization (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in interest income (note 5).

The application of the effective interest method to calculate interest income on a loan and advance to customers is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortized cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortized cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortized cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The Bank recognizes a loss allowance for expected credit losses on all loans and advances measured at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Bank measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2026

1.9 Financial instruments (Continued)

Impairment (Continued)

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Bank considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring. An impairment gain or loss is recognized for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in profit or loss as a movement in credit loss allowance (note 10).

Measurement of expected credit losses

ECLs are probability-weighted estimate of credit losses and have been measured as follows:

- Financial assets that are not credit impaired at the reporting date: the present value of all cash shortfalls - i.e. the difference between the cash flow due to the entity in accordance with the contract and the cash flows that the bank expects to receive.
- Financial assets that are credit-impaired at the reporting date; the difference between the gross carrying amount and the present value of estimated future cash flow.
- Undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the bank if the commitment is drawn down and the cash flows that the bank expects to receive; and
- Financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover. An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:
 - significant financial difficulty of the issuer or the borrower.
 - a breach of contract – e.g. a default or past-due event;
 - a lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty that the lender would not otherwise consider.
 - it becomes probable that the borrower will enter bankruptcy or other financial reorganization.
 - the disappearance of an active market for that financial asset because of financial difficulties; or
 - the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

For purposes of IFRS 9 there will generally be no difference between credit impaired and non-performing financial loans as defined by the regulator.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

$$ECL = PD \times LGD \times EAD$$

In applying the IFRS 9 impairment requirements, an entity needs to follow one of the approaches below:

- The general approach
- The simplified approach

The Simplified Approach:

The simplified approach is applied for trade receivables or contract assets resulting from transactions in the scope of IFRS 15 Revenue from customer contracts or lease receivables resulting from transactions in the scope of IFRS 16 Leases. The Bank has therefore applied the general approach.

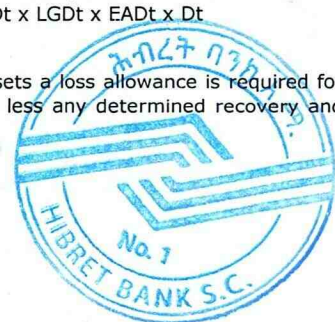
The General Approach:

Under the general approach, at each reporting date, an entity recognizes a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. Essentially, an entity must make the following assessment at each reporting date:

Stage 1 – For credit exposures where there have not been significant increases in credit risk since initial recognition, an entity is required to provide for 12-month ECLs, i.e., the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date (12-month ECL as per formula below). $ECL_{12m} = PD_{12m} \times LGD_{12m} \times EAD_{12m} \times D_{12m}$

Stage 2 – For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime (LT) ECLs, i.e. ECLs that result from all possible default events over the expected life of a financial instrument (ECL LT as per formula below). $ECL_{LT} = LTST = 1 \times PD_t \times LGD_t \times EAD_t \times D_t$

Stage 3 – For credit exposures that are credit impaired and in default. Similar to stage 2 assets a loss allowance is required for lifetime ECLs. However, the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate.



1.9 Financial instruments (Continued)

Where: D – discounting factor and t – time

The table below shows the link between the regulator risk classifications and the IFRS 9 stage allocation for assets for banking subsidiaries in the Group:

National Banks Guidelines Days past due Stage allocation

National Bank of Ethiopia Guidelines	Days past due	Stage allocation
Pass	0-30	1
Special mention	31-90	2
Substandard	91-180	3
Doubtful	181-365	4
Loss	Over 365 or uncollectable	5

The Bank writes off a loans and debt securities when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the Bank recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information. Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the Bank has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The Bank regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Details of credit risk related to loans and advances are included in the specific notes and the financial instruments and risk directors (note 4).

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition. Any gains or losses arising on the derecognition of a loan receivable is included in profit or loss in derecognition gains (losses) on financial assets at amortized cost.

Classification

Other assets, excluding, when applicable prepayments, are classified as financial assets subsequently measured at amortized cost (note 23).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Bank's business model is to collect the contractual cash flows on other assets.



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
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1.9 Financial instruments (Continued)

Recognition and measurement

Other assets are recognized when the Bank becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortized cost.

The amortized cost is the amount recognized on the receivable initially, minus principal repayments, plus cumulative amortization (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Bank recognizes a loss allowance for expected credit losses on other assets, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Bank measures the loss allowance for other assets which do not contain a significant financing component at an amount equal to lifetime expected credit losses (lifetime ECL). The loss allowance for all other assets is measured at lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on these receivables has not increased significantly since initial recognition, then the loss allowance for those receivables is measured at 12 month expected credit losses (12 month ECL). Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL to other assets which do have a significant financing component, the Bank considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a receivable being credit impaired at the reporting date or of an actual default occurring.

Definition of default

For purposes of internal credit risk directors purposes, the Bank consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full.

Write off policy

The Bank writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Bank recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Credit risk

Details of credit risk are included in the other assets note (note 23) and the financial instruments and risk management (note 4).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of other assets is included in profit or loss in the derecognition gains (losses) on financial assets at amortized cost line item.

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 21.

They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the Bank may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income.

The designation as at fair value through other comprehensive income is never made on investments which are either held for trading or contingent consideration in a business combination.



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
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1.9 Financial instruments (Continued)

Recognition and measurement

Investments in equity instruments are recognized when the Bank becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognized in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognized either in profit or loss or in other comprehensive income (and accumulated in equity in the reserve for valuation of investments), depending on their classification. Details of the valuation policies and processes are presented in note 21.

Dividends received on equity investments are recognized in profit or loss when the Bank's right to received the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in other operating income (note 9).

Impairment

Investments in equity instruments are not subject to impairment provisions.

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

The gains or losses which accumulated in equity in the reserve for valuation of investments for equity investments at fair value through other comprehensive income are not reclassified to profit or loss on derecognition. Instead, the cumulative amount is transferred directly to retained earnings.

Borrowings

Classification

Borrowings (note 31) are classified as financial liabilities subsequently measured at amortized cost.

Recognition and measurement

Borrowings and loans from related parties are recognized when the Bank becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss.

Borrowings expose the Bank to liquidity risk and interest rate risk. Refer to note 4 for details of risk exposure and management thereof.

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Other liabilities

Classification

Other liabilities (note 30), excluding amounts received in advance, are classified as financial liabilities subsequently measured at amortized cost.

Recognition and measurement

They are recognized when the Bank becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Other liabilities expose the Bank to liquidity risk and possibly to interest rate risk. Refer to note 4 for details of risk exposure and management thereof.



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
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1.9 Financial instruments (Continued) (Continued)

Trade and other payables denominated in foreign currencies

When liabilities are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Ethiopian Birr equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognized in profit or loss.

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 4).

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the bank are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the revenue recognition policies. Refer to note for details of financial guarantee contracts.

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 stated at carrying amount which is deemed to be fair value. Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. For the purposes of the cash flow statement, cash and cash equivalents exclude cash and restricted balances with For the purposes of the cash flow statement, cash and cash equivalents exclude cash and restricted balances with National Bank of Ethiopia.

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Derecognition

Financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Reclassification

Financial assets

The Bank only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
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1.10 Investment in associate

An associate is an entity over which the Bank has significant influence and which is neither a subsidiary nor a joint arrangement. 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. It generally accompanies a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method, except when the investment is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the Statement of Financial Position at cost adjusted for post acquisition changes in the Bank's share of net assets of the associate, less any impairment losses.

The Bank's share of post-acquisition profit or loss is recognized in profit or loss, and its share of movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the Bank's interest in that associate, including any other unsecured receivables, are recognized only to the extent that the bank has incurred a legal or constructive obligation to make payments on behalf of the associate. Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognized immediately in profit or loss.

Profits or losses on transactions between the Bank and an associate are eliminated to the extent of the Bank's interest therein. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Bank.

When the Bank reduces its level of significant influence or loses significant influence, the Bank proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognized in profit or loss as part of the gain or loss on disposal.

1.11 Property, plant and equipment

Property, plant and equipment are tangible assets which the Bank holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognized as an asset 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.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalization of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate. Property, plant and equipment is subsequently stated at cost less accumulated depreciation and impairment losses.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalized if it is probable that future economic benefits associated with the expenditure will flow to equipment are capitalized if it is probable that future economic benefits associated with the expenditure will flow to the Bank and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognized. Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by directors. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Bank. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognized.



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2026

1.11 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item Depreciation	Method	Average useful life in years	Residual Value
Buildings	Straight line	50	5%
Motor vehicles	Straight line	15	5%
Computer equipment (Short lived)	Straight line	6	1%
Computer equipment (Medium lived)	Straight line	10	1%
Office equipment (Short lived)	Straight line	5	1%
Crates and boxes (Medium lived)	Straight line	10	1%
Furniture and fittings (Short lived)	Straight line	5	1%
Furniture and fittings (Medium lived)	Straight line	10	1%
Furniture and fittings (Long lived)	Straight line	20	1%

The depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each year is recognized in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognized immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognized.

1.12 Investment property

Investment property is recognized as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the bank, and the cost of the investment property can be measured reliably. Investment property is initially recognized at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognized in the carrying amount of the investment property, the carrying amount of the replaced part is derecognized.

Cost model

Investment property is carried at cost less depreciation less any accumulated impairment losses. Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property.

The useful live of investment property have been assessed as follows:

Item Depreciation	Method	years	Residual Value
Buildings	Straight line	50	5%

Fair value

The fair value of the investment property is disclosed in the note to the financial statements, determined using appropriate valuation techniques and significant assumptions.

1.13 Intangible assets

An intangible asset is recognized when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably. Intangible assets are initially recognized at cost.

Expenditure on research (or on the research phase of an internal project) is recognized as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognized when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2026

1.13 Intangible assets (continued)

Intangible assets are carried at cost less any accumulated amortization and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortization is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortization is provided on a straight line basis over their useful life.

The amortization period and the amortization method for intangible assets are reviewed every period-end. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortized over its useful life. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognized as intangible assets.

Item	Depreciation method	Average useful life
Software	Straight line	6

1.14 Leases

The Bank assesses whether a contract is, or contains a lease, at the inception of the contract. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, directors determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once directors has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Bank has the right to substantially obtain all of the economic benefits from the use of the asset as well as the right to direct the use of the asset. In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

The Bank as a lessee

A lease liability and corresponding right-of-use asset are recognized at the lease commencement date, for all lease agreements for which the Bank is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Bank recognizes the lease payments as an operating expense (note 14) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist). However as an exception to the preceding paragraph, the Bank has elected not to separate the non-lease components for leases of land and buildings. Details of leasing arrangements where the Bank is a lessee are presented in note 27 Leases (Bank as lessee).

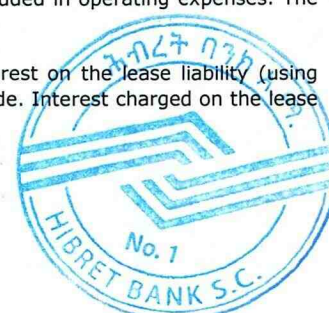
Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Bank under residual value guarantees;
- the exercise price of purchase options, if the Bank is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognized as an expense in the period incurred and are included in operating expenses. The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using incremental borrowing rate) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
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1.14 Leases (continued)

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Bank will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

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

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

When the Bank incurs an obligation for the costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognized in the Statement of Financial Position in Provisions. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

The useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately. The depreciation charge for each year is recognized in profit or loss unless it is included in the carrying amount of another asset.

The Bank as a lessor

Operating leases

Lease payments from operating leases are recognized on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits from the use of the underlying asset are diminished.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.



HIBRET BANK SHARE COMPANY
ACCOUNTING POLICIES
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1.14 Leases (continued)

Finance leases

Amounts due from lessees are recognized from commencement date at an amount equal to the Bank net investment in the lease. They are presented as lease receivables on the statement of financial position.

The interest rate implicit in the lease is used to measure the net investment in the lease. If the interest rate implicit in a sublease cannot be readily determined for a sublease, then the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) is used to measure the net investment in the sublease.

The interest rate implicit in the lease is defined in a manner which causes the initial direct costs to be included in the initial measurement of the net investment in the lease.

Lease payments included in the measurement of the net investment in the lease comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives payable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be receivable by the Bank from the lessee, a party related to the lessee or a third party unrelated to the Bank under residual value guarantees (to the extent of third parties, this amount is only included if the party is financially capable of discharging the obligations under the guarantee);
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the option;
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The Bank recognizes finance income over the lease term, based on a pattern that reflects a constant periodic rate of return on the net investment in the lease.

The Bank applies the impairment provisions of IFRS 9 to lease receivables. Refer to the accounting policy for trade and other receivables as lease receivables are impaired on a consistent basis with that accounting policy.

1.15 Non-current assets (or disposal groups) held for sale and discontinued operations

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

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) 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 (or disposal group), 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 (or disposal group) is recognized at the date of derecognition.

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

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

1.16 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

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

Ordinary shares are recognized at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognized as a liability in the Bank in which they are declared.



1.17 Interest free banking

Murabaha

Murabaha is an Islamic financing transaction which represents an agreement whereby the Bank buys a commodity/good and sells it to counterparty (customer) based on a promise received from that counterparty to buy the commodity according to specific terms and conditions. The selling price comprises of the cost of the commodity/goods and a pre-agreed profit margin. It is treated as financing receivables. Financing receivables are non-derivative financial assets with fixed or It is treated as financing receivables. Financing receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The profit is quantifiable and contractually determined at the commencement of the contract. Murabaha Income (profit) is recognized as it accrues over the life of the contract using the effective profit method (EPRM) on the principal balance outstanding. These products are carried at amortized cost less impairment.

1.18 Provisions and contingencies

Provisions are recognized when:

- the Bank has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are not recognized for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognized and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognized in business combinations that are recognized separately are subsequently measured at the higher of:

- the amount that would be recognized as a provision; and
- the amount initially recognized less cumulative amortization.

Contingent assets and contingent liabilities are not recognized. Contingencies are disclosed in note 41.

1.19 Non-Financial instruments

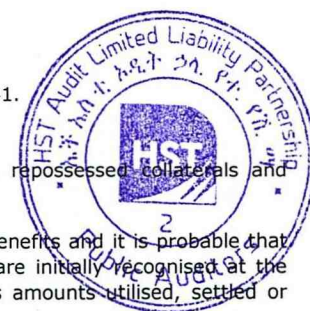
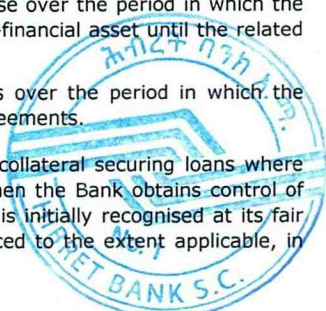
Non-financial assets comprise prepaid staff assets, advances, inventories, other prepayments, repossessed collaterals and prepaid rent.

Non-financial assets are recognised when the Bank has obtained control of the related economic benefits and it is probable that future economic benefits will flow to the Bank and the amount can be measured reliably. They are initially recognised at the amount paid or the amount recoverable, as applicable, and subsequently measured at cost less amounts utilised, settled or impairment losses, where applicable.

Prepaid staff assets represent the unamortised employee benefit arising from loans provided to employees at favourable or below-market terms. The benefit is initially recognised based on the difference between the amount advanced and the

- fair value of the loan, where applicable, and is recognised as an employee benefit expense over the period in which the related employee services are received. The unamortised balance is recognised as a non-financial asset until the related employee benefit is recognised in profit or loss.
- amounts paid in advance are recognised as assets and are recognised in profit or loss over the period in which the related goods or services are received or consumed in accordance with the underlying agreements.

repossessed collateral represents assets obtained by the Bank through enforcement of collateral securing loans where customers have defaulted on their contractual obligations. The assets are recognised when the Bank obtains control of the collateral and the applicable recognition criteria are met. The repossessed collateral is initially recognised at its fair value at the date of repossession. The related loan receivable is derecognised, or reduced to the extent applicable, in accordance with the requirements of IFRS 9.



2 Change in Accounting Policies

The Financial statements have been prepared in accordance with the International Financial Reporting standard on A basis consistent with the prior year. There is no change in accounting policy because of new or revised standards.

3 New Standards, amendments, interpretations

3.1 New Standards, amendments, interpretations issued but not yet effective

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year. There is no change in accounting policy because of new or revised standards.

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18, replaces IAS 1 presentation of financial statement, sets out significant new requirements for how financial statements are presented, with particular focus on:

The statement of profit or loss, including requirements for mandatory sub-totals to be presented. IFRS 18 introduces requirements for items of income and expense to be classified into one of five categories in the statement of profit or loss. This classification results in certain sub-totals being presented, such as the sum of all items of income and expense in the operating category comprising the new mandatory 'operating profit or loss' sub-total.

Aggregation and disaggregation of information, including the introduction of overall principles for how information should be aggregated and disaggregated in financial statements.

Disclosures related to management-defined performance measures (MPMs), which are measures of financial performance based on a total or sub-total required by IFRS Accounting Standards with adjustments made (e.g. 'adjusted profit or loss'). Entities will be required to disclose MPMs in the financial statements with disclosures, including reconciliations of MPMs to the nearest total or sub-total calculated in accordance with IFRS Accounting Standards.

IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 with earlier application permitted.

IFRS Sustainability Standards issued by ISSB but are not yet effective

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

IFRS 19 Subsidiaries without Public Accountability:

This is a new standard which may be applied by subsidiaries which do not have public accountability. It is a disclosure only standard and provides for reduced disclosures for qualifying subsidiaries to apply, while still remaining compliant with the recognition, measurement and presentation requirements of IFRS accounting standards. The reduced disclosures provided in IFRS 19 may be applied by the subsidiary in their consolidated, separate or individual financial statements, provided that the ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS accounting standards. A subsidiary has public accountability, and may not apply IFRS 19, if its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market, or if it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

The effective date of the amendment is for years beginning on or after 1 January, 2027.

Amendments to IAS 21 – Translation to a Hyperinflationary Presentation Currency

The amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates provide guidance on how an entity should translate financial statements when its presentation currency is hyperinflationary, while its functional currency is not hyperinflationary.

The amendments clarify the translation requirements in situations where an entity presents its financial statements in a currency that is subject to hyperinflation. They are intended to improve consistency in the application of IAS 21 and provide clearer guidance on the appropriate translation approach.

The amendments are effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

4 Financial risk management

4.1 Introduction

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk. It is also subject to country risk and various operating risks.

4.1.1 Risk management structure

Risk management is one component of all core banking processes of the Bank. In its day-to-day activities the Bank is exposed to various types of Banking risks, the most important of which are credit risk, liquidity risk, foreign exchange risk, interest rate risk and operational risk. The Bank has established a comprehensive risk management system in line with internationally accepted risk management principles and best practices with the necessary adoption to suit its core business activity.

The Bank's risk management and control is based on the following key principles:

- The Board of Directors approves the risk management policies of the Bank and ensures their implementation.
- The management is responsible for implementing the policies in a manner that limits risks associated with each risk exposure.
- Appropriate and effective internal control exists to safeguard assets and to ensure compliance with relevant laws, regulations and institutional policies.
- The risk management and monitoring is supported by a management information system that supplies timely and consolidated reports on the financial conditions, operating performance and risk exposure of the Bank.

The Independent Risk Management and Compliance Department is established to review compliance with the approved risk management policies and various risk related committees are established which are responsible for the implementation of the risk management policies.

4.1.2 Risk measurement and reporting systems

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

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

4.1.3 Risk mitigation

Risk controls and mitigants, identified and approved for the Bank, are documented for existing and new processes and systems.

The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently audited as part of the review process.

4.2 Financial instruments by category

Categories of financial assets

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

	Notes	At fair value through OCI ETB'000	At amortized cost ETB'000	Total ETB'000
30-Jun-26				
Cash and bank balances	19	-	31,102,128	31,102,128
Loans and advances to customers	20	-	96,916,818	96,916,818
Investment securities:				
- At fair value through OCI	21	1,172,096	-	1,172,096
- At amortized cost	21	-	9,256,985	9,256,985
Other assets	23	-	2,673,352	2,673,352
Total financial assets		1,172,096	139,949,283	141,121,379
30-Jun-25				
Cash and bank balances	19	-	16,450,674	16,450,674
Loans and advances to customers	20	-	77,280,767	77,280,767
Investment securities:				
- At fair value through OCI	21	616,175	-	616,175
- At amortized cost	21	-	8,563,568	8,563,568
Other assets	23	-	2,928,048	2,928,048
Total financial assets		616,175	105,223,057	105,839,232

4 Financial risk management (continued)

4.3 Credit risk

Credit risk is the probability that a counterparty of the Bank will not meet its obligations in accordance with agreed terms and conditions which may lead to financial loss. The Bank is exposed to credit risk due to activities such as loans and advances, loan commitments arising from lending activities, credit enhancement provided such as financial guarantees and letter of credit.

The Bank adopts a conservative approach to credit risk.

Management of credit risk

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

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

(a) Probability of Default

This is the probability that an obligor or counterparty will default over a given period, usually one year. This can be calculated on portfolio by portfolio basis or collectively depending on availability of historical data.

(b) Loss Given Default

Loss Given Default is defined as the portion of the loan determined to be irrecoverable at the time of loan default (1 – recovery rate). Our methods for estimating LGD includes both quantitative and qualitative factors.

(c) Exposure at Default

This represents the amount that is outstanding at the point of default. Its estimation includes the drawn amount and expected utilization of the undrawn commitment at default.

Credit related commitments risks

The Bank holds collateral against loans and receivables to customers in the form of bank guarantees and property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Maximum exposure to credit risk before collateral held or credit enhancements

(a) Types of credit exposure

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

	Notes	30 June 2026 ETB'000	30 June 2025 ETB'000
Cash and bank balances	19	31,102,128	16,450,674
Loans and advances to customers	20	96,916,818	77,280,767
Investment securities:			
- At fair value through OCI	21	1,172,096	616,175
- At amortized cost	21	9,256,985	8,563,568
Other assets	23	2,673,352	2,928,048
		<u>141,121,379</u>	<u>105,839,232</u>
Credit risk exposures relating to off balance sheets are as follows:			
Loan commitments	42	2,802,192	1,356,103
Letter of credit and other credit related obligations	41	31,485,159	13,459,640
		<u>34,287,351</u>	<u>14,815,743</u>
Total maximum exposure		<u>175,408,730</u>	<u>120,654,975</u>



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

4 Financial risk management (continued)

4.3 Credit risk (continued)

(b) Types of collateral or credit enhancement

The table below shows the Bank's maximum exposure to credit risk which is represented by the net carrying amounts of loans(per sector) in the statement of financial position and the fair value of collaterals and credit enhancements held at 30 June 2026 and 30 June 2025 respectively.

30 June 2026	Notes	Collaterals held			
		Maximum exposure to credit risk ETB'000	Secured against properties ETB'000	Others ETB'000	Total ETB'000
Import		17,904,088	20,978,739	-	20,978,739
Manufacturing		13,902,564	16,455,424	-	16,455,424
Export		15,118,406	14,311,973	-	14,311,973
Domestic trade and service		12,461,714	20,061,107	-	20,061,107
Building construction		10,963,767	15,253,094	-	15,253,094
Transport		14,435,102	12,073,852	-	12,073,852
Interest free financing - Murabaha		7,209,850	6,665,008	-	6,665,008
Staff loan		2,239,273	5,900,043	-	5,900,043
Hotel and tourism		1,289,845	3,548,310	-	3,548,310
Diaspora housing loan		889,750	1,663,326	-	1,663,326
Personal loans		1,944,290	2,438,835	-	2,438,835
Health services		415,432	877,240	-	877,240
Merchandise loans		20,732	-	504,268	504,268
Mines power and water resource		220,220	347,709	-	347,709
Agriculture		228,952	408,704	-	408,704
Advance against import bills		250,836	-	132,326	132,326
	20	99,494,821	120,983,366	636,594	121,619,960

30 June 2025	Notes	Collaterals held			
		Maximum exposure to credit risk ETB'000	Secured against properties ETB'000	Others ETB'000	Total ETB'000
Import		14,735,513	18,888,234	-	18,888,234
Manufacturing		14,262,158	17,765,051	-	17,765,051
Export		11,505,102	10,623,837	-	10,623,837
Domestic trade and service		9,053,868	12,012,892	-	12,012,892
Building construction		7,116,759	19,425,141	-	19,425,141
Transport		9,153,471	8,406,777	-	8,406,777
Interest free financing - Murabaha		6,628,984	6,602,386	-	6,602,386
Staff loan		3,376,375	5,094,926	-	5,094,926
Hotel and tourism		1,248,235	4,296,143	-	4,296,143
Diaspora housing loan		1,015,188	1,933,104	-	1,933,104
Personal loans		572,738	2,053,986	-	2,053,986
Health services		362,186	1,694,137	-	1,694,137
Merchandise loans		24,998	-	91,841	91,841
Mines power and water resource		16,301	15,000	-	15,000
Agriculture		241,037	455,520	-	455,520
Advance against import bills		12,330	-	-	-
	20	79,325,244	109,267,133	91,841	109,358,974

(c) Assets obtained by taking possession of collateral

Details of assets obtained by the Bank during the year by taking possession of collaterals held as security against loans and receivables at the year end are shown below.

	30 June 2026 ETB'000	30 June 2025 ETB'000
Properties	302,719	180,665

The Bank's policy is to pursue timely realization of the collateral in a timely manner. The Bank does not generally use the non-cash collateral for its own operations.



4 Financial risk management (continued)

4.3 Credit risk (continued)

Maximum exposure to credit risk before collateral held or credit enhancements (continued)

(c) Assets obtained by taking possession of collateral (continued)

i) Loan and advances to corporate customers

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. Staff loans are secured to the extent of the employee's continued employment in the Bank. The Bank may take collateral in the form of a first charge over real estate, liens and guarantees.

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

ii) Investment Securities designated as at FVTPL

As at 30 June 2026 and 30 June 2025, the Bank had no exposure to credit risk of the investment securities designated as at FVTPL.

Amounts arising from ECL

i) Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 1.9.

ii) Significant increase in credit risk

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

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

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

iii) Credit risk grades

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

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

Term loan exposures

- Information obtained during periodic review of customer files - e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance
- Date from credit reference agencies, press articles, changes in external credit ratings
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
- Internally collected data on customer behavior e.g. utilization of credit card facilities
- Affordability methods



4 Financial risk management (continued)

4.3 Credit risk (continued)

Amounts arising from ECL

Overdraft exposures

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

iv) Generating the term structure of PD

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

v) Determining whether credit risk has increased significantly

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

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

As a backstop, the Bank considers that a significant increase in credit risk occurs on later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

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

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

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

vi) Definition of default

The Bank considers a financial asset to be default when:

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

vii) Indicators of default

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

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

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



4 Financial risk management (continued)**4.3 Credit risk (continued)****Amounts arising from ECL****viii) Incorporation of forward-looking information**

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)	Macro economic factors						
Agriculture, Personal loans and Staff loan	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
Domestic Trade and Services	CPI inflation, 2010=100, eop	Import cover months	Services exp, LCU	Current account bal, USD	Capex, LCU	Total revenue, LCU	
Building and Construction, Manufacturing, and production	Import cover months	G&S imp, LCU	Private final cons, LCU	Budget bal, USD	Services imp, USD	Trade, goods bal, USD	
Export and Import	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



HIBRET BANK SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2026

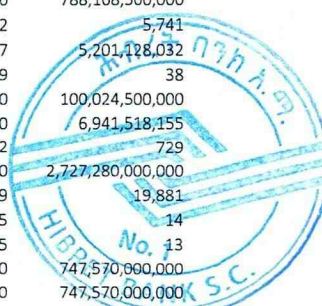
4 Financial risk management (continued)

4.3 Credit risk (continued)
Amounts arising from ECL (continued)
viii) Incorporation of forward-looking information (continued)

Macro Economic Information

The economic scenarios used as at 30 June 2026 included the following key indicators for Ethiopia for the years 2024 to 2026:

Macro-economic factor	2024	2025	2026
CPI inflation, 2010=100, eop	944	1,067	1,195
CPI inflation, 2010=100, avg	964	1,127	1,276
Total debt service, LCU	98,864,143,239	195,771,067,239	315,190,348,840
Total debt service, USD	1,462,645,000	1,688,140,000	2,070,855,000
Total debt service/cap, USD	11	13	15
Use of IMF credit, LCU	173,964,221,650	353,471,027,200	450,363,006,000
Use of IMF credit, USD	1,703,500,000	2,485,000,000	2,724,000,000
Use of IMF credit/cap, USD	13	19	20
Total govt debt, LCU	4,831,770,464,500	7,092,427,370,000	8,528,988,000,000
Total govt debt, USD	56,080,000,000	50,175,000,000	51,610,000,000
Total govt debt/cap, USD	431	375	376
G&S exp, LCU	613,920,500,000	700,861,500,000	803,019,500,000
G&S exp, USD	9,217,423,626	6,657,107,086	5,297,772,455
G&S imp, LCU	1,301,269,500,000	1,484,423,500,000	1,687,460,000,000
G&S imp, USD	19,542,132,909	14,098,507,327	11,140,321,060
G&S bal, LCU	(823,414,009,200)	(1,212,724,966,200)	(1,746,386,743,750)
G&S bal, USD	(12,017,000,000)	(11,171,000,000)	(11,409,500,000)
Transport & comms nom GVA, LCU	348,182,000,000	418,931,000,000	509,268,000,000
Transport & comms nom GVA, USD	5,192,643,199	3,957,960,611	3,348,856,134
Finance, public sector nom GVA, LCU	1,775,622,500,000	2,095,806,500,000	2,360,882,500,000
Finance, public sector nom GVA, USD	26,168,338,725	20,136,675,501	15,542,266,542
Trade, accom & food nom GVA, LCU	1,600,576,000,000	1,916,969,500,000	2,137,322,500,000
Trade, accom & food nom GVA, USD	23,490,796,639	18,429,095,862	14,079,757,031
Utilities nom GVA, % GDP	1	1	0
Budget bal, LCU	(227,042,000,000)	(239,859,500,000)	(349,953,000,000)
Budget bal, USD	(3,435,244,621)	(2,301,468,806)	(2,261,925,704)
Goods imp, LCU	1,229,003,419,800	2,250,866,360,800	3,495,783,871,000
Goods imp, USD	17,475,000,000	20,221,000,000	22,839,000,000
Goods exp, LCU	325,231,662,650	771,227,727,650	1,315,885,537,750
Goods exp, USD	4,525,500,000	6,697,500,000	8,595,500,000
Trade, goods bal, LCU	(903,799,057,650)	(1,479,638,633,150)	(2,179,898,333,250)
Trade, goods bal, USD	(12,950,000,000)	(13,523,500,000)	(14,243,500,000)
STER, Economic Growth	20	10	15
Services imp, LCU	435,786,095,400	636,996,178,900	938,076,939,750
Services imp, USD	6,569,500,000	5,712,500,000	6,156,000,000
Services exp, LCU	516,129,843,200	903,868,545,200	1,371,588,529,250
Services exp, USD	7,502,000,000	8,064,500,000	8,990,000,000
Current account bal, USD	(4,373,000,000)	(3,110,000,000)	(3,055,000,000)
Trade, services bal, LCU	80,343,747,800	266,872,366,300	433,511,589,500
Trade, services bal, USD	932,500,000	2,352,000,000	2,834,000,000
Broad money (% GDP) - Sovereign Scorecard	19	18	17
Import cover months	1	2	3
Real GDP, USD (PPP) constant 2010	260,680,512,078	280,868,102,602	302,764,565,715
Nominal GDP, LCU	10,237,224,000,000	12,810,021,000,000	15,166,203,500,000
Nominal GDP/cap, USD	1,159	909	728
Nominal GDP, USD	151,010,901,099	121,238,539,526	99,893,205,132
Nominal GDP, USD (PPP)	413,416,542,668	457,383,695,022	501,069,643,065
Real GDP, LCU (2010 prices)	1,115,869,000,000	1,202,284,000,000	1,296,014,000,000
Real GDP, USD (2010 prices)	77,439,276,593	83,436,320,231	89,941,011,548
Real GDP/cap, LCU	8,556	8,985	9,444
Real GDP/cap, USD (2010 prices)	594	624	655
Private final cons, LCU	8,153,314,500,000	10,338,613,000,000	12,286,377,500,000
Private final cons/cap, LCU	62,422	77,214	89,479
Private final cons, USD	120,076,607,802	97,695,959,563	80,936,930,713
Private final cons/cap, USD	922	732	590
Private final cons, LCU (2010 prices)	809,576,500,000	868,142,000,000	912,745,000,000
Private final cons, USD (2010 prices)	56,183,134,855	60,247,473,906	63,342,840,884
Private final cons/cap, LCU (2010 prices)	6,207	6,489	6,652
Govt final cons, LCU	600,553,500,000	693,678,500,000	788,168,500,000
Govt final cons/cap, LCU	4,602	5,182	5,741
Govt final cons, USD	8,981,237,743	6,598,424,767	5,201,128,032
Govt final cons/cap, USD	69	49	38
Govt final cons, LCU (2010 prices)	91,139,000,000	96,639,000,000	100,024,500,000
Govt final cons, USD (2010 prices)	6,324,880,635	6,706,570,620	6,941,518,155
Govt final cons/cap, LCU (2010 prices)	699	722	729
Savings, LCU	2,259,646,500,000	2,813,748,000,000	2,727,280,000,000
Savings/cap, LCU	17,269	21,049	19,881
Lending rate, %, avg	15	15	14
Lending rate, %, eop	15	15	13
M1, LCU	584,105,000,000	660,745,000,000	747,570,000,000
M1, LCU	584,105,000,000	660,745,000,000	747,570,000,000
M2, LCU	1,932,335,000,000	2,247,120,000,000	2,613,620,000,000



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

4 Financial risk management (continued)

4.3 Credit risk (continued)

M2, LCU	1,932,335,000,000	2,247,120,000,000	2,613,620,000,000
Total employment	38,138,900	39,189,350	48,031,600
Total revenue, LCU	802,382,500,000	1,229,344,000,000	1,839,128,000,000
Total revenue, USD	11,941,431,529	11,047,662,877	12,048,698,831
Total expend, LCU	1,029,424,500,000	1,469,203,000,000	2,189,081,000,000
Total expend, USD	15,376,676,150	13,349,128,070	14,310,623,946
Current expend, LCU	617,737,500,000	860,970,500,000	1,256,472,000,000
Current expend, USD	9,287,824,333	7,813,575,990	8,228,997,676
Capex, LCU	411,687,500,000	608,233,500,000	932,609,000,000
Capex, USD	6,088,857,870	5,535,561,747	6,081,626,858
Budget bal, LCU	(227,042,000,000)	(239,859,500,000)	(349,953,000,000)
Budget bal, USD	(3,435,244,621)	(2,301,468,806)	(2,261,925,704)
LCU/USD, avg	69	111	152
LCU/USD, eop	91	141	165
Nominal Effective Exchange Rate Index	30	19	13
Real effective exchange rate index	173	126	96
Political Risk Index	59	59	59
Central bank policy rate, %, eop	11	15	16

Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analyzing semi-annual historical data over the past 5 years.

Scenario probability weightings

As at June 2026	Upside	Median/ Central	Downside
Cluster 1	0.00%	90.00%	10.00%
Cluster 2	10.00%	80.00%	10.00%
Cluster 3	10.00%	70.00%	20.00%
Cluster 4	10.00%	70.00%	20.00%

As at June 2025	Upside	Median/ Central	Downside
Cluster 1	6.67%	73.3%	20.00%
Cluster 2	13.33%	73.3%	13.33%
Cluster 3	13.33%	66.7%	20.00%
Cluster 4	13.33%	66.7%	20.00%

Amounts arising from ECL

ix) Modified financial assets

The contractual terms of a loan may be modified for a number of reason, 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 at fair value in accordance with the accounting policy set out.

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

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

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

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

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

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

HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

4 Financial risk management (continued)

4.3 Credit risk (continued)

x) Measurement of ECL

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

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

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

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'. LGD is the magnitude of the likely loss if there is a default. The Bank estimated 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 a 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.

x) Measurement of ECL (Continued)

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 including 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 effective but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Amounts arising from ECL

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

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

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

xi) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Loans and advances to customers (on balance sheet exposures)

30 June 2026

	Stage 1 ETB'000	Stage 2 ETB'000	Stage 3 ETB'000	Total ETB'000
Balance as at 1 July 2025	209,339	36,108	1,799,030	2,044,477
Transfer to stage 1 (12 months ECL)	72,817	-	-	72,817
Transfer to stage 2 (Lifetime ECL not credit impaired)	-	14,621	-	14,621
Transfer to stage 3 (Lifetime ECL credit impaired)	-	-	446,087	446,087
Balance as at 30 June 2026	282,156	50,729	2,245,117	2,578,003

HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

4 Financial risk management (continued)

4.3 Credit risk (continued)

	Stage 1	Stage 2	Stage 3	Total
30 June 2025	ETB'000	ETB'000	ETB'000	ETB'000
Balance as at 1 July 2024	283,213	144,754	1,055,355	1,483,322
Transfer to stage 1 (12 months ECL)	(73,874)	-	-	(73,874)
Transfer to stage 2 (Lifetime ECL not credit impaired)	-	(108,645)	-	(108,645)
Transfer to stage 3 (Lifetime ECL credit impaired)	-	-	743,674	743,674
Balance as at 30 June 2025	209,339	36,108	1,799,030	2,044,477

Financial Assets

	Bank Balance	Bills and Bonds	Financial Asset	Total
	ETB'000	ETB'000	ETB'000	ETB'000
Balance as at 1 July 2025	78,941	-	54,716	133,657
Net remeasurement of loss allowance	(77,593)	485	90,741	13,632
Balance as at 30 June 2026	1,348	485	145,457	147,289
Balance as at 1 July 2024	63,381	361	54,716	118,458
Net remeasurement of loss allowance	15,561	(361)	-	15,200
Balance as at 30 June 2025	78,941	-	54,716	133,657

xii) Statement of prudential adjustments

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

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

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

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

- Prudential provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve (retained earnings) account to a "regulatory risk reserve".
- Prudential provisions is 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 general reserve account.

During the year ended 30 June 2026, ETB -195,259 is transferred amount to the regulatory risk reserve. This amount represents the difference between the provisions for credit and other known losses as determined under the NBE Directives, and the impairment reserve as determined in line with IFRS 9 as at year end.

	Current Year Addition	30 June 2026	30 June 2025
	ETB'000	ETB'000	ETB'000
Total impairment on loans and advances based on accounting policies	533,526	2,578,003	2,044,477
Total impairment on off balance sheet balances based on accounting policies	452,353	452,353	-
	985,879	3,030,356	2,044,477.00
Total impairment on loans and advances based on NBE Directives	374,821	3,045,409	2,670,588
Total impairment on off balance sheet balances based on NBE Directives	415,799	690,921	275,122
	790,620	3,736,330	2,945,710
Transfer to regulatory risk reserve	(195,259)	1,158,327	901,233

In accordance with the requirements of IFRS, the Bank recognizes interest income on the carrying amount of loans net of impairment losses, on an accrual basis, using the effective interest rate (EIR) method. However, pursuant to the directives of the National Bank of Ethiopia, interest income on impaired exposures is required to be derecognized, with particular attention given to exposures with a higher number of days past due (for example, more than 90 days past due).

	30 June 2026	30 June 2025
	ETB'000	ETB'000
Opening balance	1,411,043	1,023,680
Transfer of provision in excess of IFRS requirements	(195,259)	387,363
Transfer of interest on NPL	724,450	-
Total regulatory risk reserve balance	1,940,234	1,411,043

HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

4 Financial risk management (continued)

4.3 Credit risk (continued)

Other financial assets (debt instruments)

(i) Gross loans and receivables to customers per sector is analyzed as follows:

	30 June 2026 ETB'000	30 June 2025 ETB'000
Import	17,904,088	14,735,513
Export	15,118,406	11,505,102
Manufacturing	14,435,102	9,153,471
Domestic trade and service	13,902,564	14,262,158
Building construction	12,461,714	9,053,868
Transport	10,963,767	7,116,759
Interest free banking - Murabaha banking	7,209,850	6,628,984
Staff loans	2,239,273	3,376,375
Hotel and tourism	1,289,845	1,248,235
Mines power and water resource	1,944,290	572,738
Personal loans	889,750	1,015,188
Personal	415,432	362,186
Health services	250,836	12,330
Agriculture	228,952	241,037
Advance against import bills	220,220	16,301
Advance against import bills	20,732	24,998
	99,494,821	79,325,244

(ii) Gross loans and receivables to customers per National Bank of Ethiopia's impairment guidelines is analyzed as follows:

	30 June 2026 ETB'000	30 June 2025 ETB'000
Pass	85,159,431	70,218,619
Special mention	9,100,658	3,755,112
Substandard	228,518	249,876
Doubtful	223,778	1,064,506
Loss	4,782,436	4,037,130
	99,494,821	79,325,244

The above table represents a worse case scenario of credit risk exposure of the Bank as at the reporting dates without taking account of any collateral held or other credit enhancements attached. The exposures are based on net carrying amounts as reported in the statement of financial position.

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

The balance shown above are before accrual of interest receivables and IFRS 9 measurement.

The following table sets out information about the credit quality of financial assets, measured at amortized cost, FVOCI debit instrument and available for sale debt assets. Unless specifically indicated, for financial assets, the amounts in the table represents gross carrying amount.

The loss allowance for loans and advances to customers also includes the loss allowance for loan commitments and financial guaranties contracts.

Loans and advances to customers at amortized cost

	Stage 1 ETB'000	Stage 2 ETB'000	Stage 3 ETB'000	30 June 2026 ETB'000	30 June 2025 ETB'000
Stage 1 - Pass	85,159,431	-	-	85,159,431	70,218,619
Stage 2 - Special mention	-	9,100,658	-	9,100,658	3,755,112
Stage 3 - Non performing	-	-	5,234,732	5,234,732	5,351,513
Total gross exposure	85,159,431	9,100,658	5,234,732	99,494,821	79,325,244
Loss allowance	(282,156)	(50,729)	(2,245,117)	(2,578,003)	(2,044,477)
Net carrying amount	84,877,275	9,049,929	2,989,615	96,916,818	77,280,767

Total gross exposure
Loss allowance
Net carrying amount

	30 June 2026 ETB'000	30 June 2025 ETB'000
	99,494,821	79,325,244
	(2,578,003)	(2,044,477)
	96,916,818	77,280,767



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

4 Financial risk management (continued)

4.4 Liquidity risk

Other financial assets

30 June 2026		Gross exposure	Loss allowance	Net carrying amount
	Notes	ETB'000	ETB'000	ETB'000
Cash and balances with banks	19	31,103,476	(1,348)	31,102,128
Investment securities (debt instruments)	21	9,257,470	(485)	9,256,985
Other financial assets	23	2,673,352	(145,457)	2,527,896
Totals		43,034,298	(147,289)	42,887,009

30 June 2025

Cash and balances with banks	19	16,529,616	(78,941)	16,450,674
Investment securities (debt instruments)	21	8,563,568	-	8,563,568
Other financial assets	23	2,928,048	(54,716)	2,873,332
Totals		28,021,232	(133,657)	27,887,574

Commitments and Guarantees

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount of the bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

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

4.4.1 Management of liquidity risk

Liquidity risk arises in the general funding activities of the Bank and the management of positions. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Bank has a reasonable funding base. Funds are raised mainly from customers' deposits.

An asset and liability management committee is responsible for managing funding mismatches and attaining the desired level of liquidity in the manner described in the risk management policy.

4.4.2 Maturity analysis of financial liabilities

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

30 June 2026	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year	Total
	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000
Deposit from customers	27,530,290	11,083,862	16,823,426	26,810,097	27,997,438	110,245,113
Due to financial institutions	2,631,735	3,605,179	3,728,104	2,723,036	1,056,636	13,744,690
Other liabilities	692,763	485,816	765,629	313,600	567,678	2,825,487
Borrowings	-	-	-	114,210	531,525	645,735
Lease liabilities	-	238	69	779	606,326	607,412
Total financial liabilities	30,854,788	15,175,096	21,317,229	29,961,723	30,759,603	128,068,437

30 June 2025	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year	Total
	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000
Deposit from customers	17,004,662	9,265,031	15,756,761	18,710,148	22,205,756	82,942,358
Due to financial institutions	1,147,928	2,780,683	2,877,934	1,977,870	958,201	9,742,616
Other liabilities	298,299	36,157	67,795	230,504	2,317,531	2,950,286
Borrowings	-	-	-	41,882	379,490	421,371
Lease liabilities	14,427	55,402	79,295	95,314	472,563	717,001
Total financial liabilities	18,465,316	12,137,273	18,781,786	21,055,717	26,333,541	96,773,633

4 Financial risk management (continued)**4.5 Market risk**

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

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

4.5.1 Management of market risk

The main objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Market risk is monitored by the risk management department regularly, to identify any adverse movement in the underlying variables.

(i) Interest rate risk

Interest rate risk is a risk resulting from changes in interest rates. It is the probability that the rising and falling of interest rates will adversely affect the Bank's interest margin or the value of its net worth. The Bank often revises its lending rate across segments of the credit portfolio based on the changes in the cost of funds, reserve requirements and the perceived risk in each credit portfolio segment to keep the overall profitability.

The asset and liability management committee is responsible for managing rate sensitive assets and liabilities and the effects of rate, volume and mix changes in order to preserve and optimize the interest return. The Bank has the discretion of setting and revising interest rates but it is required to notify the National Bank of Ethiopia of any such changes accompanied by Board approvals.

30 June 2026	Notes	Interest Bearing ETB'000	Non-interest bearing ETB'000	Total ETB'000
Assets				
Cash and bank balances	19	5,572,055	25,530,073	31,102,128
Loans and advances to customers	20	89,706,968	-	89,706,968
Interest free banking	20	-	7,209,850	7,209,850
Investment securities				
- At fair value	21	-	1,172,096	1,172,096
- At amortized cost	21	9,256,985	-	9,256,985
Other assets	23	-	2,673,352	2,673,352
Total		104,536,008	36,585,372	141,121,380
Liabilities				
Deposit from conventional banking	28	103,430,255	-	103,430,255
Deposit from interest free banking	28	-	6,814,858	6,814,858
Due to financial institutions	29	13,744,690	-	13,744,690
Other liabilities	30	-	2,825,487	2,825,487
Borrowings	31	645,735	-	645,735
Lease liability	27	499,698	-	499,698
Total		118,320,377	9,640,345	127,960,723

30 June 2025

Assets				
Cash and bank balances	19	3,021,068	13,429,607	16,450,674
Loans and advances to customers	20	70,651,782	-	70,651,782
Interest free banking	20	-	6,628,984	6,628,984
Investment securities				
- At fair value	21	-	616,175	616,175
- At amortized cost	21	8,563,568	-	8,563,568
Other assets	23	-	2,928,048	2,928,048
Total		82,236,418	23,602,814	105,839,232
Liabilities				
Deposit from conventional banking	28	77,373,484	-	77,373,484
Deposit from interest free banking	28	-	5,568,873	5,568,873
Due to financial institutions	29	9,742,616	-	9,742,616
Other liabilities	30	-	2,950,286	2,950,286
Borrowings	31	421,371	-	421,371
Lease liability	27	581,249	-	581,249
Total		88,118,720	8,519,160	96,637,880



4 Financial risk management (continued)**4.5.1 Management of market risk (continued)****(ii) Foreign exchange risk**

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

The Bank is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The Bank's foreign currency bank accounts act as a natural hedge for these transactions. Management has set up a policy to manage the Bank's foreign exchange risk against its functional currency.

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

Foreign currency denominated balances

30 June 2026	USD 000	GBP 000	EURO 000	YEN 000	OTHER FCY 000	Total 000
Financial assets						
Cash and bank balances	25,349	387	20,638	1,709	57	48,141
Financial liabilities						
Deposit from customers	27,619	433	2,765	607	-	31,424
Other liabilities	-	-	-	-	-	-
	27,619	433	2,765	607	-	31,424
Net foreign currency denominated balances	(2,269)	(46)	17,873	1,102	57	16,717
Exchange rate as at 30 June 2026	159.4226	209.1639	189.3255	1.0273	57.6552	

30 June 2025	USD 000	GBP 000	EURO 000	YEN 000	OTHER FCY 000	Total 000
Financial assets						
Cash and bank balances	26,409	171	3,087	9,515	40	39,222
Financial liabilities						
Deposit from customers	29,263	254	1,933	5,138	-	36,588
Other liabilities	3,509	1	81	-	-	3,590
	32,772	254	2,014	5,138	-	40,178
Net foreign currency denominated balances	(6,363)	(83)	1,073	4,376	40	(957)
Exchange rate as at 30 June 2025	133.5221	175.7490	153.5027	0.9258	49.3466	

Other foreign currencies comprise AED, SEK and CAD. For presentation purposes, the balances denominated in these currencies were translated into ETB using an average exchange rate derived from the applicable exchange rates for the respective currencies.

iii) Sensitivity analysis for foreign exchange risk

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

Effect of 10% increase in USD on profit or loss
Effect of 10% decrease in USD on profit or loss

Effect of 10% increase in GBP on profit or loss
Effect of 10% decrease in GBP on profit or loss

Effect of 10% increase in EURO on profit or loss
Effect of 10% decrease in EURO on profit or loss

Effect of 10% increase in YEN on profit or loss
Effect of 10% decrease in YEN on profit or loss

Effect of 10% increase in other currencies on profit or loss
Effect of 10% decrease in other currencies on profit or loss

30 June 2026 **30 June 2025**
ETB'000 **ETB'000**

(36,181) (84,964)
36,181 84,964

(955) (1,454)
955 1,454

338,377 16,466
(338,377) (16,466)

113 405
(113) (405)

331 199
(331) (199)



4 Financial risk management (continued)

4.6 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the banks processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the bank's operations and are faced by all business entities.

The bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall bank standards for the management of operational risk in the following areas:

- a) Requirements for appropriate segregation of duties, including the independent authorization of transactions
- b) Requirements for the reconciliation and monitoring of transactions,
- c) Compliance with regulatory and other legal requirements ,
- d) Documentation of controls and procedures ,
- e) Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified,
- f) Requirements for the reporting of operational losses and proposed remedial action,
- g) Development of contingency plans,
- h) Training and professional development,
- i) Ethical and business standards ,
- j) Risk mitigation, including insurance where this is effective.

Compliance with bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the bank.

4.7 Capital management

The Bank's objectives when managing capital are:

- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders.
- To maintain a strong capital base to support the current and future development needs of the business.
- To comply with the capital requirements set by the National Bank of Ethiopia (NBE).

4.7.1 Regulatory capital

'Capital adequacy and use of regulatory capital are monitored by management employing techniques based on the guidelines developed by the National Bank of Ethiopia for supervisory purposes. The required information is filed with the National Bank of Ethiopia on a monthly basis.

'With effect from 12 April 2021, as per SBB/78/2021, the National Bank of Ethiopia requires that:

- a) The minimum paid up capital required to obtain a Banking business license shall be ETB 5 Billion (which was 500 million before this directive), which shall be fully paid in cash and deposited in a Bank in the name and to the account of the Bank under establishment. For existing Banks, whose paid up capital is below ETB 5 Billion shall raise their paid-up capital to the said amount by 30 June 2026. The Bank has passed the target set by the NBE.
- b) The Bank at a minimum maintains a capital to risk weighted assets ratio of 8% at all times.

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

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

There have been no material changes in the Bank's management of capital during the period.

4.7.2 Capital adequacy ratio

According to the Licensing & Supervision of Banking Business Directive No SBB/78/2021 of the National Bank of Ethiopia, the Bank has to maintain capital to risk weighted assets ratio of 8% at all times.

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

Capital includes share capital, share premium and legal reserve to be approved by the National Bank of Ethiopia.

HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

4 Financial risk management (continued)
4.7.2 Capital adequacy ratio (Continued)

	30 June 2026	30 June 2025
	ETB'000	ETB'000
Capital		
Share capital	8,166,155	8,120,630
Legal reserve	3,903,758	2,897,866
	12,069,913	11,018,496
Risk weighted assets		
On balance sheet items		
Claims on domestic and foreign banks		
- Less than 1 year	2,683,339	1,374,683
Loans and advances to customers - secured	96,916,818	77,280,767
Investment securities		
- At fair value	1,172,096	616,175
- Investment in associate	169,471	175,584
Property, plant and equipment	4,632,559	4,309,862
Other assets	5,385,766	4,492,253
Investment property	276,792	282,603
	111,236,841	88,531,926
Off balance sheet items		
Commercial Letter of credit (Net)	4,726,207	1,211,894
Guarantees	3,927,063	3,700,085
Undrawn Loan Balance	1,401,096	678,051
	10,054,365	5,590,031
	121,291,207	94,121,957
Total Risk weighted Assets (RWA)		
Risk-weighted Capital Adequacy Ratio (CAR)	9.95%	11.71%
Tier 1 CAR Minimum required CAR	8.00%	8.00%
Above the required limit	1.95%	3.71%

Anti-Money Laundering and Combating Terrorist Financing

The Bank has established an Anti-Money Laundering (AML) Combating Terrorist Financing function (CTF) and Fraud detecting program under Chief, Risk and Compliance Function Officer. The unit is established at division level and is fully dedicated to handle all the AML/CTF reviews, processes and activities according to the requirement of Provision and Suppression of Money Laundering and Terrorist Financing Proclamation #780/2013 and Financial Center's directives on the Financial AML and CTF Compliance (FIC Directives #001/2014).

4.8 Fair value of financial assets and liabilities

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

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

4.8.1 Valuation Models

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are 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: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

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

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

HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

4 Financial risk management (continued)

4.8.2 Financial instruments 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.

		Carrying amount ETB'000	Level 1 ETB'000	Level 2 ETB'000	Level 3 ETB'000	Total ETB'000
30 June 2026						
Financial assets						
Investments at fair value	Note 21	1,172,096	-	1,172,096	-	1,172,096
		1,172,096	-	1,172,096	-	1,172,096
30 June 2025						
Financial assets						
Investments at fair value	Note 21	616,175	-	616,175	-	616,175
		616,175	-	616,175	-	616,175

4.9.3 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.

		30 June 2026		30 June 2025	
		Carrying amount Birr'000	Amortized Cost Birr'000	Carrying amount Birr'000	Amortized Cost Birr'000
Financial assets					
Cash and balances with banks	19	31,102,128	31,102,128	16,450,674	16,450,674
Loans and advances to customers	20	96,916,818	96,916,818	77,280,767	77,280,767
Investment at amortized cost	21	9,256,985	9,256,985	8,563,568	8,563,568
Other assets	23	2,673,352	2,673,352	2,928,048	2,928,048
Total		139,949,283	139,949,283	105,223,057	105,223,057
Financial liabilities					
Deposits from other banks	29	13,744,690	13,744,690	9,742,616	9,742,616
Deposits from customers	28	110,245,113	110,245,113	82,942,358	82,942,358
Other liabilities	30	2,825,487	2,825,487	2,950,286	2,950,286
Borrowings	31	645,735	645,735	421,371	421,371
Lease liabilities	27	499,698	499,698	581,249	581,249
Total		127,960,723	127,960,723	96,637,881	96,637,881

4.9.4 Valuation technique using significant unobservable inputs - Level 3

Except for equity investments classified at fair value through other comprehensive income (FVOCI), the Bank has no financial assets that are measured at fair value subsequent to initial recognition.

4.9.5 Transfers between the fair value hierarchy categories

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

4.10 Offsetting financial assets and financial liabilities

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



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

		30 June 2026 ETB'000	30 June 2025 ETB'000
5	Interest income		
	Interest on loans and advances to customers	15,427,856	11,929,799
	Interest on Investment securities-National Bank of Ethiopia bills	810,876	669,677
	Interest on deposit with Banks	578,771	368,957
		<u>16,817,503</u>	<u>12,968,433</u>
6	Interest expense		
	Interest on fixed time deposits	5,587,498	3,245,752
	Interest on saving deposit	2,700,764	2,103,126
	Interest on borrowings	236,968	622,948
		<u>8,525,229</u>	<u>5,971,827</u>
7	Fees and commission income		
	Service charges	1,821,494	1,685,147
	Letters of credit commission and fees	730,429	421,147
	Other commissions - IFB	634,480	458,452
	Other commissions	573,738	324,584
	Letters of guarantees issued fees	333,760	269,783
	Service charges - IFB	290,212	94,605
	Letters of credit commission and fees - IFB	20,486	10,049
	Cash payment orders	2,181	1,768
	Cash payment orders - IFB	33	-
	Money transfer commission	3	82
		<u>4,406,815</u>	<u>3,265,617</u>
8	Fees and commission expense		
	Correspondent charges	532,841	12,620
	Card banking services	137,216	87,035
	Bank service charges	38,051	24,418
		<u>708,108</u>	<u>124,073</u>
	Net fees and commission income	<u>3,698,707</u>	<u>3,141,544</u>
9	Other operating income		
	Other income	238,424	67,936
	Dividend income	94,846	79,089
	Swift income	70,289	25,280
	Rental income	64,650	39,554
	Gain on disposal of properties	29,799	13,677
	Other income - IFB	1,456	1,702
		<u>499,464</u>	<u>227,239</u>
10	Loan impairment reversal /charge /		
	Loans and receivables - charge for the year	533,526	561,155
		<u>533,526</u>	<u>561,155</u>
11	Other asset impairment reversal /charge /		
	Reversal/(Charge) for the year-Bank balance	77,593	(15,561)
	Charge for the year- T-Bill and Bonds	(485)	-
	Charge for the year- other assets	(90,741)	-
	Reversal/(Charge) for the year-Lc guarante comittment	(452,353)	267,591
		<u>(465,985)</u>	<u>252,030</u>
12	Personnel expenses (Salaries and benefits)		
	Short term employee benefits:		
	Salaries	2,616,258	2,354,345
	Other staff expenses	665,008	304,616
	Staff allowances	831,091	685,572
		<u>4,112,357</u>	<u>3,344,533</u>
	Pension costs:		
	Defined contribution plan	313,014	281,097
	Defined benefit plans	153,632	125,229
		<u>4,579,003</u>	<u>3,750,859</u>



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

13	Depreciation, amortization and Impairment losses	30 June 2026	30 June 2025
	Depreciation	ETB'000	ETB'000
	Property and equipment	392,064	340,527
	Investment property on cost model	5,811	5,797
		397,875	346,324
	Amortization		
	Right of use of assets	416,811	397,674
	Intangible assets	14,004	1,837
		430,816	399,511
	Total Depreciation, amortization and Impairment		
	Amortization	430,816	399,511
	Depreciation	397,875	346,324
		828,691	745,835
14	Other operating expenses		
	Insurance	302,790	252,204
	IT and other related expenses	313,051	137,156
	Advertisement and publicity	161,680	35,635
	Maintenance and repair	104,831	81,710
	Sundries	115,853	52,604
	Fuel and lubricants	73,736	53,810
	Interest on lease liability	69,793	54,581
	Stationery and printing	67,299	77,826
	Communications	53,832	37,118
	Utility	50,427	35,885
	ATM shared costs	34,022	30,029
	Per diems	33,278	12,477
	Transportation	28,311	11,830
	Representation allowance	32,632	35,796
	Entertainment	27,434	21,776
	Consultancy fee	17,124	30,266
	Donation and contribution	11,780	63,332
	Swift charges	11,611	8,442
	Cleaning supplies	11,466	9,838
	Cheque books	10,989	4,752
	License and inspection fees	7,305	6,259
	Wages	5,821	5,438
	Audit fees	3,561	2,506
	Legal	3,156	1,227
	Membership subscription	2,280	1,664
	Directors Remuneration	1,650	1,400
	Revenue stamps	1,336	105
	Directors' transport allowance	1,326	1,091
	Amortization of prepaid operating lease	119	778
	Loss on disposal of old assets	536	85
	Rent	-	10,722
		1,559,029	1,078,344
14 .1	Foreign Currency transactions		
	Net (gain) loss on foreign exchange	(904,453)	3,754,787
		(904,453)	3,754,787
15	Tax Expense		
15 .1	Current income tax		
	Current profit Tax	1,479,193	696,901
	Deferred income tax/(credit) to profit or loss (note 17)	(45,594)	28,625
	Total charge to profit or loss	1,433,599	725,527



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

15 Tax Expense (Continued)

15.2 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 ETB'000	30 June 2025 ETB'000
Profit before tax	5,457,167	749,043
Tax calculated at statutory tax rate of 30 %	1,637,150	224,713

Tax effect of adjustments on taxable income

Provision per IFRS 9	160,058	168,347
Other asset impairment (note 11)	139,796	(75,609)
Amortization of right of use asset	125,043	119,302
Depreciation amortization and Impairment for accounting purpose	123,564	104,448
Defined benefit obligations (note 32)	46,090	37,569
Non-deductible expenses	33,464	17,175
Interest on lease liabilities	20,938	16,374
Accrued annual leave	16,555	24,525
Unrealized foreign exchange loss	-	844,922
Taxed at source	(289,702)	(334,799)
Provision per NBE	(189,749)	(149,591)
Depreciation and amortization for tax purpose	(170,300)	(148,393)
Rent expense	(165,222)	(144,050)
Severance paid (note 32)	(8,492)	(8,030)
	(157,957)	472,189
	1,479,193	696,901

Minimum alternative tax

Revenue subject to MAT

MAT at 2.5%

11,490,934

287,273

The Bank has assessed the applicability of the Minimum Alternative Tax ("MAT") provisions under Federal Income Tax Proclamation No. 1395/2025.

For the year ended 30 June 2026, the Bank's income tax liability calculated in accordance with the normal income tax provisions of the Proclamation exceeds the Minimum Alternative Tax applicable to the Bank. Accordingly, the Bank has recognized current income tax expense based on the tax liability determined under the normal income tax computation, as this amount is higher than the Minimum Alternative Tax.

The Minimum Alternative Tax calculated in accordance with Proclamation No. 1395/2025 amounts to ETB 287.273 million, while the income tax liability under the normal income tax computation amounts to ETB 1479.193 billion. Consequently, the Bank's current income tax liability is based on the normal income tax computation, and no additional tax liability arises from the Minimum Alternative Tax provisions for the year.

Management will continue to assess the applicability and impact of the Minimum Alternative Tax provisions in subsequent reporting periods in accordance with the applicable tax legislation and related directives.

16 Current tax payable(receivable)

Balance at the beginning of the year	699,636	846,805
Charge for the year	1,479,193	696,901
Tax on interest income from correspondent bank	-	5,219
Withholding tax	(333)	(2,484)
Advance payment of profit tax	(352,069)	-
Payment during the year	(699,636)	(846,805)
Balance at the end of the year	1,126,791	699,636

All tax payable are current in nature.

17 Deferred tax assets and liabilities

Deferred tax has been recognized in these financial statements as a result of difference in accounting and tax treatment of property and equipment, investment property, intangible assets and severance benefit obligation. The movement in deferred income tax assets (liabilities) and deferred income tax charge (credit) in profit or loss, in equity and other comprehensive income are as follows:

Deferred taxes arising from temporary difference are summarized as follows:

HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

17 Deferred tax assets and liabilities (Continued)

Deferred tax assets / (liabilities)	As at 1 July 2024 ETB'000	Recognized OCI ETB'000	Recognized Profit or Loss ETB'000	As at 30 June 2025 ETB'000
Property and equipment	(206,573)	-	(39,880)	(246,453)
Right of use of assets	(19,210)	-	(8,374)	(27,584)
Annual leave	76,935	-	19,629	96,564
Severance pay obligation	136,106	39,068	-	175,174
Total	(12,742)	39,068	(28,625)	(2,299)

Deferred tax assets / (liabilities)	As at 1 July 2025 ETB'000	Recognized OCI ETB'000	Recognized Profit or Loss ETB'000	As at 30 June 2026 ETB'000
Property and equipment	(246,453)	-	(18,590)	(265,044)
Right of use of assets	(27,584)	-	(19,240)	(46,824)
Annual leave	96,564	-	15,777	112,341
Severance pay obligation	175,174	(43,945)	67,648	198,877
Total	(2,299)	(43,945)	45,594	(650)

Property and equipment, intangible assets and investments;

Carrying amount as per accounting policy
Tax written down value
Temporary difference

Deferred Tax liability at 30%

Right of use of Assets

Depreciation and Interest Expense
Rent and lease expense
Temporary difference

Deferred Tax liability at 30%

Provision for severance pay obligation

Carrying amount
Tax Base

Temporary difference

Deferred Tax asset at 30%

Annual Leave

Accrued Annual Leave
Tax Base
Temporary difference

Deferred Tax asset at 30%

30 June 2026 **30 June 2025**

ETB'000 **ETB'000**

5,060,205	4,601,986
4,176,726	3,780,475
883,479	821,511
(265,044)	(246,453)

486,604	452,255
(550,739)	(480,168)
(64,134)	(27,913)
(19,240)	(8,374)

662,923	682,374
-	-
662,923	682,374
198,877	204,712

374,470	321,879
-	-
374,470	321,879
112,341	96,564

18 Earnings per share

Basic earning per share is determined by dividing profit attributable to the ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Weighted average number of shares is based on the number of the days to year end The shares were held by the bank from the payment date for the paid up capital.

Basic earning per share was based on earning of ETB 4,024 Billion (2025: ETB 23.5 Million) and a weighted average number of ordinary shares of 8,145 (2025: 7,661)

Earnings per share

Profit attributable to owners of the Bank (ETB)
Weighted average number of shares held during the year
(Par value ETB 1,000)

Basic & diluted earnings per share (ETB)

As at 30 June **As at 30 June**

2026 **2025**

ETB'000 **ETB'000**

4,023,568	23,516
8,145	7,661
494.02	3.07



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

18 Earnings per share (Continued)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2026:nil, 30 June 2025: nil), hence the basic and diluted per share have the same value.

19 Cash and bank balances

	30 June 2026 ETB'000	30 June 2025 ETB'000
Balance held with National Bank of Ethiopia	15,035,232	7,046,150
Deposits with foreign banks	7,923,579	3,936,820
Deposits with local banks	5,572,055	3,021,068
Cash in hand	2,572,610	2,525,578
Allowance on other financial assets -bank balance	(1,348)	(78,941)
	<u>31,102,128</u>	<u>16,450,674</u>
Maturity analysis		
Current assets	16,613,628	9,872,674
Non-Current assets	14,488,500	6,578,000
	<u>31,102,128</u>	<u>16,450,674</u>

Cash and cash equivalent

Cash and cash equivalents in the statement of cash flows differ from the balance on the statement of financial position as the reserve account maintained at the National Bank of Ethiopia ETB: 14,488,500 (2025: ETB 6,578,000) is restricted for current use.

	30 June 2026 ETB'000	30 June 2025 ETB'000
Deposits with foreign banks	7,923,579	3,936,820
Deposits with local banks	5,572,055	3,021,068
Cash in hand	2,572,610	2,525,578
Balance with National Bank of Ethiopia	546,732	468,150
	<u>16,614,976</u>	<u>9,951,616</u>
Allowance on other financial assets -bank balance	(1,348)	(78,941)
	<u>16,613,628</u>	<u>9,872,674</u>

20 Loans and advances to customers

Import	17,904,088	14,735,513
Export	15,118,406	11,505,102
Transport	14,435,102	9,153,471
Manufacturing	13,902,564	14,262,158
Domestic trade and service	12,461,714	9,053,868
Building construction	10,963,767	7,116,759
Interest free financing - Murabaha (note 20.1)	7,209,850	6,628,984
Staff loan	2,239,273	3,376,375
Personal loans	1,944,290	572,738
Hotel and tourism	1,289,845	1,248,235
Diaspora housing loan	889,750	1,015,188
Health services	415,432	362,186
Advance against import bills	250,836	12,330
Agriculture	228,952	241,037
Mines power and water resource	220,220	16,301
Merchandise loans	20,732	24,998
Gross amount	<u>99,494,821</u>	<u>79,325,244</u>
Less: Impairment loss allowance (note 20.2)	<u>(2,578,003)</u>	<u>(2,044,477)</u>
	<u>96,916,818</u>	<u>77,280,767</u>
Maturity analysis		
Current assets	77,860,503	60,093,103
Non-Current assets	19,056,316	17,187,664
	<u>96,916,818</u>	<u>77,280,767</u>



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

20 Loans and advances to customers (continued)

20.1 Interest free financing - Murabaha

This is an interest-free facility based on the principle of Islamic banking. It is a unique facility that requires a special permission from the NBE. This facility is granted when a customer needs to purchase a particular product but does not have enough funds. The Bank would purchase the product for the customer by buying directly from the supplier. However, the customer will be required to pay back the cost of the product plus a mark-up depending on the tenor of the loan. Income is recognized on an accrual basis. The Bank doesn't give cash under the Murabaha financing.

20.2 Impairment allowance on loans and receivables

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

	Stage 1	Stage 2	Stage 3	30 June 2026	30 June 2025
	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000
Stage 1 – Pass	85,159,431	-	-	85,159,431	70,218,620
Stage 2 – Special mention	-	9,100,658	-	9,100,658	3,755,112
Stage 3 – Non performing	-	-	5,234,732	5,234,732	5,351,513
Total gross exposure	85,159,431	9,100,658	5,234,732	99,494,821	79,325,245
Loss allowance	(282,156)	(50,729)	(2,245,117)	(2,578,003)	(2,044,477)
Net carrying amount	84,877,275	9,049,929	2,989,615	96,916,818	77,280,767

The movements in impairment allowance for loans and advances to customers is analyzed below:

	30 June 2026	30 June 2025
	ETB'000	ETB'000
Balance at the beginning of year	2,044,477	1,483,322
Impairment loss recognized during the year	533,526	561,155
Balance at end of the year	2,578,003	2,044,477

21 Investment securities

At Fair Value through OCI:

	Percentage shareholding	30 June 2026	30 June 2025
		ETB'000	ETB'000
Ethio Switch Share Company	5.09%	150,877	112,414
Hibret Insurance Share Company	5.00%	100,000	73,427
Ethiopian Security Exchange	2.68%	32,469	32,469
Habesha Cement Share Company	0.85%	14,892	14,892
		298,238	233,202
Fair value gain on remeasurement of equity investments		873,858	382,973
		1,172,096	616,175

At Amortized cost through profit or loss;

	30 June 2026	30 June 2025
	ETB'000	ETB'000
Investment on Government bond	2,084,930	1,751,080
Treasury bills	7,172,540	6,812,488
Allowance financial assets - Adjustment	(485)	-
	9,256,985	8,563,568

The Bank holds government securities in the form of Treasury Bonds that bear interest at a rate of two percentage points above the minimum savings deposit rate per annum. These securities have a maturity period of five years from their respective dates of issuance. In addition, the Bank holds government bonds that carry a fixed interest rate of 9% per annum, with a maturity period of three years from the date of issuance. None of these assets were past due or impaired as of the end of the reporting period.

Split between current and non current portions

	-	459,400
Current assets		
Non-Current assets	9,256,985	8,104,168
	9,256,985	8,563,568



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

	Percentage shareholding	30 June 2026 ETB'000	30 June 2025 ETB'000
22 Investment in associate			
Name of the company			
Premium Switch Solution S.C.	27.50%		
Investment in associate at equity method as at		<u>169,471</u>	<u>175,584</u>
Share of net profit of associate accounted for using the equity method		<u>28,502</u>	<u>22,604</u>

Nature of relationship

Premium Switch Solutions is a consortium owned by six private banks i.e., Awash Bank S.C., Nib International Bank S.C., Hibret Bank S.C., Berhan International Bank S.C., Addis International Bank S.C., and Cooperative Bank of Oromia S.C. It was established in 2009 by the visionary banks to save the high investment cost of the modern payment platform and deliver electronic payment services to financial institutions with a shared system. It commenced operation officially on July 5, 2012 with ETB 165 million. Hibret Bank's shareholding in PSS is 27.5%.

Pursuant to a shareholder agreement, Hibret Bank has the right to cast 27.5% of the votes at shareholder meetings.

The associate is accounted for using the equity accounting method.

The financial year end date of Premium Switch Solution S.C. is 30 June. This was the reporting date established when that company was incorporated. For the purposes of applying the equity method of accounting, the financial statements of Premium Switch Solution S.C for the year ended 30 June 2026 have been used, and appropriate adjustments have been made to comply with IFRS reporting framework.

	30 June 2026 ETB'000	30 June 2025 ETB'000
Opening net assets	123,675	101,071
Profit for the period (note 22)	<u>28,502</u>	<u>22,604</u>
Closing net assets	<u>152,177</u>	<u>123,675</u>
Bank's share in %	27.50%	30.11%
Bank's share in ETB	<u>41,849</u>	<u>37,238</u>
Carrying amount on the Bank's financial statement	<u>41,849</u>	<u>37,238</u>
Interest in associate as % of ownership	121,944	100,017
Additional share purchased	<u>5,311</u>	<u>21,927</u>
Carrying value of investment in associates	<u>127,255</u>	<u>121,944</u>
Investment at the beginning of the period	175,584	116,604
Share of profit for the year	<u>28,502</u>	<u>22,604</u>
Additional share purchased	<u>5,311</u>	<u>36,376</u>
Dividend received	<u>(39,926)</u>	<u>-</u>
	<u>169,471</u>	<u>175,584</u>

Summarized financial information for Premium Switch Solutions S.C.

Summarized financial information in respect of the associate is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs [adjusted by the Bank for equity accounting purposes].

Statement of financial position

Current assets
Non-current assets
Current liabilities
Non-current liabilities
Net assets

Statement of profit or loss

Revenue
Other income
Finance Income

Expenses
Net profit before tax
Tax
Profit after tax
Transfer to legal reserve
Net profit for the year

	30 June 2026 ETB'000	30 June 2025 ETB'000
	312,855	389,157
	439,685	180,084
	(31,809)	(45,117)
	(47,564)	(35,437)
	<u>673,168</u>	<u>488,687</u>
	410,360	420,565
	1,501	1,356
	203	7,152
	<u>412,064</u>	<u>429,073</u>
	(264,001)	(321,830)
	<u>148,063</u>	<u>107,243</u>
	(44,419)	(32,173)
	<u>103,644</u>	<u>75,070</u>
	<u>103,644</u>	<u>75,070</u>



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2026

23	Other assets	30 June 2026 ETB'000	30 June 2025 ETB'000
	Financial asset		
	Other receivables	1,263,467	1,754,873
	Staff salary advance	860,337	748,156
	Interest receivables	444,344	386,425
	Interest-free financing receivable	60,312	266
	Security deposits	44,894	38,328
	Gross amount	2,673,352	2,928,048
	Non-financial asset		
	Prepaid staff assets	1,062,571	946,259
	Advances	903,482	171,215
	Repossessed collaterals	302,719	180,665
	Inventory	258,131	165,795
	Prepaid rent	198,154	8,106
	Other prepayments	132,814	146,880
		2,857,870	1,618,920
	Gross amount	5,531,223	4,546,968
	Less:		
	Allowance on other financial assets - receivables	(145,457)	(54,716)
		5,385,766	4,492,252
	Maturity analysis		
	Current	747,369	590,548
	Non-Current	4,638,397	3,901,704
		5,385,766	4,492,252

Impairment allowance on other assets

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

	30 June 2026 ETB'000	30 June 2025 ETB'000
Balance at the beginning of the year	54,716	54,716
(Reversal)/charge for the year (note 11)	90,741	-
Balance at the end of the year	145,457	54,716



HIBRET BANK SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2026

24	Property, plant and equipment	Buildings ETB'000	Motor vehicles ETB'000	Computer equipment ETB'000	Office equipment ETB'000	Furniture and fittings ETB'000	Total ETB'000
Cost:							
	As at 1 July 2024	2,558,132	559,120	703,880	443,391	1,167,323	5,431,845
	Additions	-	99,307	37,112	55,257	262,919	454,595
	Adjustment	-	(132)	-	-	-	(132)
	Disposal	-	(7,221)	(3,860)	(3,839)	(1,648)	(16,567)
	As at 30 June 2025	2,558,132	651,073	737,132	494,809	1,428,594	5,869,740
	As at 1 July 2025	2,558,132	651,073	737,132	494,809	1,428,594	5,869,740
	Additions	-	-	587,039	32,384	98,660	718,083
	Adjustment	-	(165)	18	-	-	(147)
	Disposal	-	(13,615)	(4,672)	(5,304)	(4,274)	(27,865)
	As at 30 June 2026	2,558,132	637,293	1,319,517	521,889	1,522,979	6,559,811
Accumulated depreciation							
	As at 1 July 2024	146,681	262,231	373,359	241,260	211,252	1,234,784
	Charge for the year	48,603	51,086	73,699	45,636	121,502	340,527
	Disposals	-	(6,755)	(3,674)	(3,756)	(1,247)	(15,432)
	As at 30 June 2025	195,284	306,562	443,384	283,141	331,507	1,559,878
	As at 1 July 2025	195,284	306,562	443,384	283,141	331,507	1,559,878
	Charge for the year	48,605	50,587	111,894	44,950	136,028	392,064
	Disposals	-	(11,962)	(4,513)	(5,207)	(2,846)	(24,527)
	Reclassification (Adjustments)	-	(165)	(42)	14	29	(164)
	As at 30 June 2026	243,889	345,022	550,724	322,897	464,719	1,927,251
Net book value							
	As at 30 June 2025	2,362,848	344,512	293,747	211,669	1,097,086	4,309,862
	As at 30 June 2026	2,314,243	292,271	768,793	198,992	1,058,260	4,632,559

Impairment and reversal of impairment

Upon impairment review, the net book value of Property, Plant and Equipment do not exceed its recoverable amount as at the reporting date. Thus, management is of the opinion that allowance for impairment is not required.



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2026

25 Investment Property	30 June 2026	30 June 2025
	ETB'000	ETB'000
Investment property		
Cost/Valuation	305,867	305,867
Acc. Depreciation and Impairments	(29,075)	(23,263)
Carrying value	<u>276,792</u>	<u>282,603</u>
Reconciliation of Investment property		
Cost		
Balance at the being of the year	305,867	305,867
	<u>305,867</u>	<u>305,867</u>
Accumulated Depreciation		
Balance at the being of the year	23,263	17,466
Addition during the period	5,811	5,797
	<u>29,075</u>	<u>23,263</u>
Net book value	<u>276,792</u>	<u>282,603</u>

The Banks investment property is initially measured at cost. This property held for rental purpose. There are currently no restrictions on the realization of this property. The criteria used by the bank to distinguish investment property is the proportionate area used for rental.

The criteria used by the company to distinguish investment property from property and equipment is proportionate area of property of its head quarter used for rental.

Investment property initially measured at cost including transaction costs and subsequently measured at cost less any accumulated impairment losses. Depreciation is calculated using straight line method to allocate their cost to their residual values over the estimated useful life of 50 years.

Fair Value of Investment Property

The Bank measures its investment property using the cost model in accordance with IAS 40. However, IAS 40 requires the fair value of investment property to be disclosed in the notes to the financial statements.

As at 30 June 2026, the fair value of the Bank's investment property was estimated at approximately Birr 1.50 billion using an income approach based on a discounted cash flow (DCF) model. The valuation incorporates projected rental income, a terminal growth rate and a discount rate reflecting current market conditions and the risks specific to the asset. The fair value measurement is classified within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs.

The valuation is sensitive to assumptions regarding future rental income, terminal growth rates, occupancy levels and discount rates. Changes in these assumptions could result in a materially different fair value estimate.

26 Intangible assets	30 June 2026	30 June 2025
	ETB'000	ETB'000
Cost:		
As at 1 July	82,709	77,057
Acquisitions	155,337	5,652
As at 30 June	<u>238,046</u>	<u>82,709</u>
Accumulated amortization and impairment losses		
As at 1 July	73,188	71,351
Intangible Amortization for the year	14,004	1,837
As at 30 June	<u>87,193</u>	<u>73,188</u>
Net book value	<u>150,854</u>	<u>9,521</u>

Intangible assets represents cost of the Bank's Core Banking software.

27 Right-of-use asset

Right of use of buildings

The Bank has rented office for branches located in different parts of the country. Right of use of asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. Incremental borrowing rate of 15% is used to discount future lease payments.

HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2026
27 Right-of-use asset (continued)
Right of use of Land

The Bank has leased the land in various locations. The lease contracts are for fixed period and both parties have right to terminate the contract with prior notice. The directors believe neither party will terminate the lease contracts before the end of the lease period.

	30 June 2026	30 June 2025
	ETB'000	ETB'000
Right-of-use asset - buildings		
Cost		
As at 1 July	2,757,890	2,179,974
Additions	237,614	729,368
Lease cancellation	-	(151,453)
As at 30 June	2,995,504	2,757,890
Accumulated amortization		
As at 1 July	1,021,191	775,208
Charge for the year	416,573	397,436
Lease cancellation	-	(151,453)
As at 30 June	1,437,765	1,021,191
Net book value	1,557,739	1,736,698
Right of use assets - land		
Cost:		
As at 1 July	12,078	12,078
As at 30 June	12,078	12,078
Accumulated amortization:		
As at 1 July	3,342	3,104
Charge for the year	238	238
As at 30 June	3,579	3,342
Net book value	8,499	8,737
Total net book value	1,566,238	1,745,435

The Bank has rented more than 556 offices located in different parts of the country. Right of use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. Incremental borrowing rate of 15% is used to discount future lease payments.

The Bank has leased land from the Addis Ababa City Administration, Lideta Sub city on a tenure 50 years. The lease contracts are for fixed period and both parties have the right to terminate the contract with prior notice. The Directors believe neither party will terminate the lease contracts before the end of the lease period.

The below table shows details of individual lease contracts:

Addis Ababa City Government Lideta Sub City

50 years

15-Nov-10

10,952,345

Lease liability

As at 1 July
Addition during the year
Accrued interest
Settlement during the year
As at 30 June

Maturity Analysis

Current
Non Current

	30 June 2026	30 June 2025
	ETB'000	ETB'000
As at 1 July	581,249	364,787
Addition during the year	63,344	161,881
Accrued interest	69,793	54,581
Settlement during the year	(214,688)	-
As at 30 June	499,698	581,249
Current	69,793	54,581
Non Current	429,905	526,668
	499,698	581,249

As disclosed above, the lease liability is in respect of outstanding lease obligation towards the right of use asset of branch and office spaces and land. The outstanding obligation is repayable in accordance to the terms stipulated in the rent agreements. The obligation is discounted at a rate of 15% for office buildings and 15% for lease land.

The maturity analysis of undiscounted lease liabilities, based on the remaining contractual periods, is disclosed in Note 4.4.2.

HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2026

	30 June 2026 ETB'000	30 June 2025 ETB'000
28 Deposit from customers		
28.1 Deposit from conventional banking		
Savings deposit	43,305,682	36,369,212
Demand deposits	34,831,420	25,749,544
Fixed time deposit	25,293,153	15,254,728
	<u>103,430,255</u>	<u>77,373,484</u>
28.2 Deposit from interest free banking		
Savings deposits-IFB	3,823,793	2,971,577
Demand deposits-IFB	2,991,066	2,597,296
	<u>6,814,858</u>	<u>5,568,873</u>
Total deposit from customers	<u>110,245,113</u>	<u>82,942,358</u>
Maturity analysis		
Current	82,247,675	60,736,602
Non-current	27,997,438	22,205,756
	<u>110,245,113</u>	<u>82,942,358</u>
29 Due to financial institutions		
Fixed time deposits	10,615,396	6,900,011
Savings deposits	2,662,289	2,144,298
Demand deposits	467,004	698,306
	<u>13,744,690</u>	<u>9,742,616</u>
Maturity analysis		
Current	12,688,054	8,784,415
Non-current	1,056,636	958,201
	<u>13,744,690</u>	<u>9,742,616</u>
30 Other liabilities		
Financial liability:		
Blocked current and saving accounts	1,229,805	2,046,351
Bonus accrual	382,285	7,239
Accruals	376,425	323,579
Exchange payable to National Bank of Ethiopia	258,058	72,486
Creditors	189,907	74,443
Cashier payment orders	107,062	154,462
Dividends payable	105,364	132,342
Old drafts outstanding	92,087	76,610
Deposits in respect of guarantees given	66,637	45,322
ATM Payable	16,572	15,993
Local money transfers	1,285	1,459
	<u>2,825,487</u>	<u>2,950,286</u>
Non-financial liability:		
Other payables	2,985,769	3,248,237
Taxes and stamp duty charges	232,048	112,245
Defined contribution liabilities	24,654	22,490
	<u>3,242,471</u>	<u>3,382,972</u>
Provision for financial Guarantee and commitment	690,921	238,568
	<u>6,758,879</u>	<u>6,571,826</u>
Split Between current and non current portion		
Current	567,678	2,317,531
Non-current	6,191,202	4,254,295
	<u>6,758,879</u>	<u>6,571,826</u>
Financial instrument and Non financial instrument components of other liabilities.		
At Amortized Cost	3,516,408	3,188,854
Non financial instruments	3,242,471	3,382,972
	<u>6,758,879</u>	<u>6,571,826</u>



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2026

	30 June 2026 ETB'000	30 June 2025 ETB'000
31 Borrowing		
As at 1 July	421,371	1,270,877
Additional loan received during the year	431,069	203,266
Accrued interest	14,210	40,998
Settlement made during the year	(220,916)	(1,093,770)
As at 30 June	645,735	421,371

Maturity analysis

Current	319,015	77,289
Non Current	326,720	344,083
	645,735	421,371

Financial instrument and Non financial instrument components of borrowings

At amortized cost	645,735	421,371
Non financial instruments	-	-
	645,735	421,371

The Bank has obtained a long-term loan from Development Bank of Ethiopia. The loan bears interest rate of 12% and 4.5% per annum. Starting from March 2022.

32 Defined benefit obligation

Severance pay

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

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

	30 June 2026 ETB'000	30 June 2025 ETB'000
Liability recognised in the financial position	662,923	682,374
Amount recognised in the profit or loss		
Current service cost	51,918	35,680
Interest cost	101,714	89,549
	153,632	125,229

Amount recognized in other comprehensive income:

Remeasurement (gains)/losses arising from changes on economic assumptions	(108,524)	122,273
Remeasurement (gains)/losses arising from changes on experience	(37,959)	7,954
Tax credit /(charge)	43,945	(39,068)
	(102,538)	91,159

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

At the beginning of the year	682,374	453,686
Current service cost	51,918	35,680
Interest cost	101,714	89,549
Remeasurement (gains)/ losses	(146,483)	130,227
Benefits paid	(26,600)	(26,768)
At the end of the year	662,923	682,374

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2026 Percentage	30 June 2025 Percentage
Discount Rate (p.a)	16.50%	14.60%
Long term salary increase (p.a)	14.50%	14.20%

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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32 Severance benefit obligation (continued)
ii) Mortality in Service

The rate of mortality assumed for employees are those published in the Demographic and Health Survey ("DHS") 2016 report compiled by the CSA. The DHS report provides male and female mortality rates for 5 year age bands from age 15 to age 49. For ages over 47 we have assumed that mortality will be in line with the SA85/90 ultimate standard South African mortality tables published by the Actuarial Society of South Africa ("ASSA"), since the rates in these tables are similar to the DHS female mortality rate at age 47. These rates combined are approximately summarized as follows:

Age	30 June 2026 Mortality rate		30 June 2025 Mortality rate	
	Males	Females	Males	Females
20	0.00306	0.00223	0.00306	0.00223
25	0.00303	0.00228	0.00303	0.00228
30	0.00355	0.00314	0.00355	0.00314
35	0.00405	0.00279	0.00405	0.00279
40	0.00515	0.00319	0.00515	0.00319
45	0.00450	0.00428	0.00450	0.00428
50	0.00628	0.00628	0.00628	0.00628
55	0.00979	0.00979	0.00979	0.00979
60	0.01536	0.01536	0.01536	0.01536

iii) 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 overall defined benefit liability to changes in the weighted principal assumption is:

Impact on defined benefit obligation				
Change in assumption	30 June 2026		30 June 2025	
	Impact of an increase	Impact of a decrease	Impact of an increase	Impact of a decrease
	Percentage	ETB'000	ETB'000	ETB'000
Discount and Inflation rate	+ 1%	(55,606)	(71,909)	
Discount and Inflation rate	- 1%		64,543	81,141

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.



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2026

33 Share capital	30 June 2026 ETB'000	30 June 2025 ETB'000
Authorized		
20,000,000 ordinary shares of ETB 1,000	20,000,000	20,000,000
Issued and fully paid		
8,166,155 ordinary shares of ETB 1,000 each share premium	8,166,155	8,120,630
Share premium	-	-
Total share capital and share premium	8,166,155	8,120,630
Movements in ordinary shares and share premium:		

	No. of shares	Share capital ETB'000	Share premium ETB'000	Total ETB'000
At 1 July 2024	7,004	7,004,489	4,224	7,008,712
Issue of ordinary shares	1,116	1,116,141	-	1,116,141
Dividend paid	-	-	(4,224)	(4,224)
As at 30 June 2025	8,121	8,120,630	-	8,120,630
At 1 July 2025	8,121	8,120,630	-	8,120,630
Issue of ordinary shares	46	45,526	-	45,526
Dividend paid	-	-	-	-
As at 30 June 2026	8,166	8,166,155	-	8,166,155

34 Retained earnings	30 June 2026 ETB'000	30 June 2025 ETB'000
At 1 July	(369,726)	1,442,818
Profit loss for the year	4,023,568	23,516
Transfer to legal reserve	(1,005,892)	(5,879)
Transfer of provision in excess of regulatory requirements	195,259	(387,363)
Transfer of interest on NPL	(724,450)	-
Dividend declared	-	(1,442,818)
As at 30 June	2,118,758	(369,726)

Proposed Dividend

The Bank proposed a dividend of 250 per share, for the year ended 30 June 2026, subject to approval by the shareholders at the Annual General Meeting.

35 Legal reserve	30 June 2026 ETB'000	30 June 2025 ETB'000
At 1 July	2,897,866	2,891,987
Transfer from profit or loss (note 34)	1,005,892	5,879
As at 30 June	3,903,758	2,897,866

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

36 Regulatory reserve	30 June 2026 ETB'000	30 June 2025 ETB'000
At 1 July	1,411,043	1,023,680
Transfer of provision in excess of regulatory requirement	(195,259)	387,363
Transfer of interest on NPL	724,450	-
As at 30 June	1,940,234	1,411,043



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2026
36 Regulatory reserve (Continued)

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

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

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

In addition, interest income recognised on non-performing loans based on the NBE classification is transferred to the regulatory risk reserve where, under IFRS, the related loans are classified within Stage 1 or Stage 2. The reserve is maintained as a regulatory requirement and is not available for distribution.

	30 June 2026 ETB'000	30 June 2025 ETB'000
37 Other reserve		
At 1 July	222,899	279,570
Re-measurement gains on defined benefit plans, net of deferred tax (note 32)	102,538	(91,159)
Re-measurement of fair value gain on equity investments (note 21)	490,885	34,488
Deferred tax (liability)/asset on remeasurement gain or loss	-	-
As at 30 June	816,322	222,899

	Notes	30 June 2026 ETB'000	30 June 2025 ETB'000
38 Cash used in operations			
Profit before income tax		5,457,167	749,043
Adjustments for:			
Depreciation and amortization	24	828,674	745,835
Interest on lease liability	14	69,793	54,581
(Gain) / loss on disposal of property, plant and equipment	24	32,601	1,140
Domestic bank interest payment		236,968	622,948
Interest on borrowings	31	14,210	40,998
Share of profit from Associates	22	(28,502)	(22,604)
Impairment on loans and receivables	10	533,526	561,155
Impairment charge / (reversal) on other assets	11	543,579	(252,030)
Defined benefit obligations	32	153,632	125,229
		7,841,647	2,626,295
Changes in working capital:			
Proceeds of deposits from customers	28	27,302,755	17,280,707
Proceeds of deposits from financial institution	29	4,002,074	754,039
Change in loans and advances	20	(20,169,577)	(10,439,435)
Change in restricted deposits	19	(7,910,500)	(978,000)
Change in other assets	23	(984,255)	(1,413,380)
Change in other liabilities	30	(265,300)	505,139
Cash outflows from operations		9,816,844	8,335,366

39 Related party transactions

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

Transactions with related parties

	30 June 2026 ETB'000	30 June 2025 ETB'000
Loans to related parties		
- Loans to other related parties	2,021,581	1,756,012
- Loans to key management personnel	12,903	30,613
	2,034,484	1,786,625
Interest income from key management personnel	1,147	2,639
Interest expense from key management personnel	510	193
	1,657	2,833
Deposits from related parties		
- Deposit from other related parties	95,636	1,086,749
- Deposit from key management personnel	7,610	3,650
	103,246	1,090,399

HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2026

39 Related party transactions (Continued)

Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management is shown below. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2026.

	30 June 2026 ETB'000	30 June 2025 ETB'000
Executive management salary and other benefit	49,446	44,600
Annual compensation	1,650	1,400
Other allowances	1,326	1,091
	<u>52,422</u>	<u>47,091</u>

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

Directors' Direct and Indirect Interests in the Bank's Shares

The Bank discloses the direct and indirect interests of members of its Board of Directors in the shares of the Bank as part of its commitment to transparency and sound corporate governance.

The Bank maintains records of the shareholding interests of its directors and obtains relevant declarations regarding their direct and indirect interests in the Bank. Based on the declarations made by the members of the Board of Directors and the information available to the Bank as at June 30, 2026, the direct shareholding interests of the directors are presented below:

Name	Title	Subscribed Share	% of Ownership
Mr. Mesfin Tessema Ashagrie	Chairperson	40,000	0.34%
Mr. Fasil Asnake Tadesse	Deputy Chairperson	708	0.01%
Eng. Samrawit Getamessay Degefu	Director	4,768	0.04%
Hibret Insurance S.C. (represented by Mr. Tesfaye Desta Kinfemichael)	Director	375,000	3.21%
Mr. Wondiye Girma Belachew	Director	19,264	0.17%
Ms. Azalech Yirgu Belayneh	Director	2,267	0.02%
Mr. Fisseha Mesfin Zelelew	Director	3,000	0.03%
Mr. Abera Mulat Gebreyes	Director	130,119	1.12%
Dr. Mulugeta G/Medhin Kassie	Independent Director	Nil	0.00%
Mr. Worku Lemma Tesemma	Independent Director	Nil	0.00%
Mr. Ayalew Asres Reda	Independent Director	Nil	0.00%

As at June 30, 2026, the members of the Board of Directors have disclosed no indirect or beneficial interests in the shares of the Bank through related parties, family members, nominees, or other arrangements, other than the direct interests disclosed above.



HIBRET BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2026

40 Executive management and employees

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

	30 June 2026	30 June 2025
Clerical	3,004	3,176
Non-clerical	1,359	1,400
Professionals and High Level Supervisors	1,210	1,166
	<u>5,573</u>	<u>5,742</u>

41 Contingent liabilities

In the ordinary course of business, the Bank conducts business involving guarantees and acceptances. These facilities are offset by corresponding obligations of third parties. At the year-end, the contingencies were as follows;

	30 June 2026 ETB'000	30 June 2025 ETB'000
Letters of credit	23,631,033	6,059,470
Letters of guarantee and performance bonds	7,854,126	7,400,170
	<u>31,485,159</u>	<u>13,459,640</u>

Letters of credit commit the Bank to make payments to third parties, on production of documents, and the amounts are subsequently reimbursed by customers.

Letters of guarantee are issued by the Bank, on behalf of customers, to guarantee performance by customers to third parties. The Bank will only be required to meet these obligations in the event of default by the customers.

The Bank holds collateral, letters of undertaking or other security in respect of the guarantee issued.

The Bank is contesting tax assessments relating to dividend tax before the Tax Appeal Commission. The Revenue Authority assessed dividend tax liabilities of ETB 121 million and ETB 103 million, respectively. In accordance with the applicable requirements, the Bank has paid 75% of the assessed amounts, totaling ETB 168 million, to initiate and continue the appeals. Following the Bank's successful resolution of a previous dividend tax case, the court order allowed ETB 56 million as a deductible amount, with the amount previously paid to be offset against the outstanding tax balance. Hearings in respect of the current appeals have been conducted, and the Tax Appeal Commission has issued partial rulings while adjourning the remaining matters for further examination. Based on the applicable legal precedents, the merits of the cases, and the advice of legal counsel, management expects the appeals to be resolved favorably in the Bank's favor. Accordingly, no provision has been recognized, and the matters are disclosed as contingent liabilities in accordance with IAS 37.

42 Commitments

The Bank has the following commitments:

Undrawn loans and advances
Capital expenditure approved but not incurred



	30 June 2026 ETB'000	30 June 2025 ETB'000
Undrawn loans and advances	2,802,192	1,356,103
Capital expenditure approved but not incurred	600,891	1,330,542
	<u>3,403,083</u>	<u>2,686,645</u>

43 Going concern

The Directors believe that the Bank has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Directors have satisfied themselves that the Bank is in a sound financial position. The Directors are not aware of any material changes that may adversely impact the Bank. The Directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Bank.

44 Events after reporting period

The Directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

45 Currency

The financial statements are presented in Ethiopian Birr (ETB).

46 Comparatives

When necessary comparative figures have been adjusted to conform with changes in the current year.

