



**Zemen Bank Share Company
Reports and Financial Statements
For the Year Ended June 30, 2026**



Zemen Bank Share Company
Reports and Financial Statements
For the Year Ended June 30, 2026
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Zemen Bank Share Company
Directors, Professional Advisors, and Registered Office
For the Year Ended June 30, 2026

Country of incorporation and domicile

Ethiopia

Nature of business and principal activities

The Bank's principal activity is commercial banking.

Directors (as of June 30, 2026)

Eneye Bemir	Board Chairperson	(Appointed June 2021)
Sewale Abate (PhD)	Board Deputy Chairperson	(Appointed May 2024)
Ermias Eshetu	Non-Executive Director	(Appointed June 2021)
Tilaye Kassahun (PhD)	Non-Executive Director	(Appointed June 2021)
Abera Abegaz	Non-Executive Director	(Appointed May 2024)
Dawit Ergetu	Non-Executive Director	(Appointed May 2024)
Emawayish Addisu	Non-Executive Director	(Appointed May 2024)
Wondwossen Mulugeta Gewe (PhD)	Non-Executive Director	(Appointed June 2025)
National Insurance Company of Ethiopia	Non-Executive Director	(Appointed May 2024)

SHARI'AH ADVISORY BOARD (as of June 30, 2026)

Ustaz Abrar Shifa	Board Chairperson	(Appointed Aug 2025)
Ustaz Tofiq Bahru	Board Deputy Chairperson	(Appointed Aug 2025)
Ustaz Abduletif Taha	SHARI'AH ADVISORY BOARD Member	(Appointed Aug 2025)

Executive Management (as of June 30, 2026)

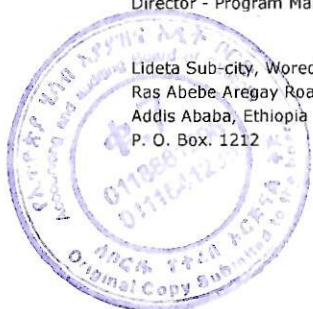
Dereje Zebene	President/CEO	(Appointed Apr 2018)
Meseret Wondim	Chief Officer - Finance	(Appointed Aug 2016)
Addis Woldecherkos	Chief Officer - Credit	(Appointed Mar 2020)
Asrat Tadesse	Chief Officer - Retail Banking	(Appointed Mar 2020)
Tewahido Taffese	Chief Officer - Strategy & Marketing	(Appointed Jan 2023)
Michael Tsegaye	Chief Officer - Wholesale Banking	(Appointed Oct 2022)
Elias Kinfegebriel	Deputy Chief Officer - Estate Management	(Appointed Oct 2022)
Takele Dibekulu	Deputy Chief Officer - Human Capital	(Appointed Apr 2023)
Ermias Zewdie Desta	Chief Technology Officer	(Appointed Aug 2025)
Phyllipos Mitiku	Chief Officer - Information	(Appointed Apr 2025)

Senior Management (as of June 30, 2026)

Abdulkadir Wolela	Director - Interest Free banking Dept.	(Appointed Mar 2024)
Abel Melaku Asfaw	Director - Treasury & Investment Dept.	(Appointed Oct 2022)
Akalework Tamene	Director - Digital Transformation & Software Development Dept.	(Appointed Aug 2025)
Ayele Tibebu	Director - Procurement & Contract Management Dept.	(Appointed Oct 2022)
Bantegize Ambaw	Director - Credit Appraisal Dept.	(Appointed Jun 2026)
Birhanu Beyene	Director - Legal Service Dept.	(Appointed Feb 2019)
Biruk Assefa	Director - SME Banking Dept.	(Appointed Jun 2025)
Demeke Gashaw	Director- Enterprise Application Management Dept.	(Appointed Dec 2024)
Eskatnaf Bayou	Director - Cyber & IT Security Dept.	(Appointed Oct 2022)
Fekadu Mihretu	Director - Omni Channel Services Dept.	(Appointed Oct 2022)
Fikru Tabor	Director - Risk & Compliance Management Dept.	(Appointed Mar 2021)
Girum Tariku	Director -Marketing & Corporate Communication Dept.	(Appointed Mar 2023)
Habte Reji	Director -Database Management & Analytics Dept.	(Appointed Mar 2023)
Kassahun Merawi	Director - Engineering & Building Management Dept.	(Appointed Apr 2017)
Lemma Alemayehu	Director - Finance & Investor's Relation Dept.	(Appointed May 2019)
Mahlet Girma Menkir	A/Director - Corporate Banking Dept.	(Appointed Jul 2025)
Marta Gebremeskel	Director - Fund Management & Remittance Dept.	(Appointed Oct 2022)
Mechal Bedada	Director -Property & Logistics Management Dept.	(Appointed Jan 2023)
Meheret Asmare	Director -Security Services Dept.	(Appointed Oct 2022)
Mesfin Berhan	Director - Trade Service Dept.	(Appointed Dec 2025)
Mitiku Bitew	Director - IT Infrastructure Management Dept.	(Appointed Jan 2025)
Nuru Mustefa	Director - Performance Management & Employee Service Dept.	(Appointed May 2023)
Tadesse Fikremarkos	Acting Director, IT Strategy and Enterprise Architecture Management Dept	(Appointed Mar 2026)
Tesfaye Birru	Director, Ethics and Anti-corruption Dept.	(Appointed Jun 2026)
Tewodros Beyene	Director - Research & Business Development Dept.	(Appointed Oct 2022)
Thomas Getachew	Director - Talent Acquisition, Development & Management Dept.	(Appointed Oct 2022)
Tigist Wondimagegnehu	Director - Credit Portfolio Management Dept.	(Appointed Oct 2022)
Yohannes Getachew	Director - Internal Audit Dept.	(Appointed Aug 2016)
Yonas Mengesha	Director -Branch Management Dept.	(Appointed Sep 2025)
Yonas Merawi Dirirsa	Director - Strategy Implementation & Change Management Dept.	(Appointed Mar 2026)
Yosef Alemu	Company Secretary	(Appointed Apr 2024)
Zewdu Ayenew	Director - Program Management Office Dept.	(Appointed Oct 2022)

Registered office

Lideta Sub-city, Woreda 07, House No. New
Ras Abebe Aregay Road
Addis Ababa, Ethiopia
P. O. Box. 1212



Zemen Bank Share Company
Directors, Professional Advisors, and Registered Office
For the Year Ended June 30, 2026

Bankers	Principal Bank - National Bank of Ethiopia Correspondent Banks Citibank N.A New York Citibank London Commerz Bank ABN Amro Bank Skandinaviska Enskilda Banken CAC International Bank African Export -Import Bank (Afrexim Bank)
Independent Auditors	HST Audit Limited Liability Partnership, Public Auditors Ethio-China Avenue; Wollo Sefer Mina Building, 5th floor, P.O.Box 1608 Addis Ababa, Ethiopia
Actuaries	Actuarial Services (E.A) Ltd. P. O. Box 10472 - 00100 Nairobi, Kenya. 6th Floor, Senteu Plaza, Lenana Rd, Kilimani. Email: evelyn.nduati@actserv-africa.com 1113 Kayahwe Rd, Off Galana Rd, Kilimani. Kenya
IFRS Consultant	KPMG Development Services (Mauritius) Limited PO Box 40612, 00100 GPO 3rd Floor, Rogers House No. 5 President John Kennedy Street Port Louis, Mauritius Email: jngonga@kpmg.co.ke Port Louis, Mauritius
Tax Identification Number	0004608547
Business Registration Number	MT/AA/3/0052748/2014



Zemen Bank Share Company
Report of the Directors
For the Year Ended June 30, 2026

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

1. Incorporation

Zemen Bank Share Company was established in Addis Ababa in 2008 and registered as a share company in accordance with the provisions of the Licensing and Supervision of Banking Business Proclamation no. 592/2008 (amended proclamation no. 1360/2025) and the Commercial Code of Ethiopia.

2. Principal activities

The Bank's principal activity is commercial banking.

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

3. Share capital

	30 June 2026	30 June 2025
	Number of Shares	
Authorized shares		
Ordinary Shares, with par value of ETB 1,000 each	20,000,000	15,000,000
Issued, and subscribed		
Ordinary Shares, with par value of ETB 1,000 each	15,000,000	14,906,349
Paid up capital		
Ordinary Shares, with par value of ETB 1,000 each	14,287,986	9,390,451

4. Results and dividends

The Bank's results for the year ended June 30, 2026 are set out on page 9. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2026	30 June 2025
	ETB'000	ETB'000
Interest income	10,147,196	7,024,867
Profit before tax	9,301,973	8,212,077
Tax (charge) / credit	(2,547,945)	(2,343,976)
Profit for the year	6,754,027	5,868,101
Other comprehensive income net of taxes	114,123	3,178
Total comprehensive income for the year	6,868,150	5,871,278

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 assumes that funds will be available to finance future operations and that the realisation 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 authorisation for issue of financial statements

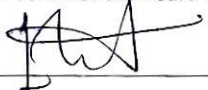
The Financial Statements have been authorised for issue by the Board of Directors on September 30, 2026. No authority was given to any one to amend the financial statements after the date of issue.

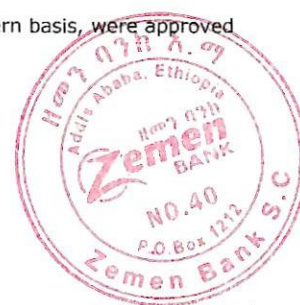
8. Acknowledgements

Thanks and appreciation are extended to all of our shareholders, staffs and customers for their continued support of the Bank.

The Financial Statement set out on pages 9 to 73, which have been prepared on the going concern basis, were approved by the Board of Directors.

Signed on behalf of the Board of Directors By:


 Eneye Bernir
 Chairperson of the Board of Directors
 September 30, 2026



Zemen Bank Share Company
Statement of Directors' Responsibilities
For the Year Ended June 30, 2026

The Commercial Code of Ethiopia require the Directors to prepare the financial statements that represent the state of affairs of the Bank at the end of the financial year and the operating results of the Bank for that year.

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, Banking Business Proclamation, Commercial code of Ethiopia and the relevant directives issued by the National Bank of Ethiopia.

The Directors are responsible for the preparation and fair presentation of these financial statements that give a true and fair view of the statement of financial position of the Bank at the reporting date and its profits or loss and other comprehensive income in accordance with International Financial Reporting Standards and the manner required by the Commercial Code of Ethiopia and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The responsibilities include;

- a) 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 error or fraud;
- b) selecting suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied; and
- c) keeping proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank.

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

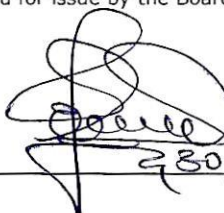
Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

The external auditors are responsible for independently auditing and reporting on the Bank's financial statements. The financial statements have been examined by the Bank's external auditors and their report is presented on page 6 to 8.

The financial statements and the notes on pages 9 to 73 were approved and authorised for issue by the Board of Directors on September 30, 2026 and were signed on its behalf by:

Signed on behalf of the Board of Directors By:


Eneye Bemir
Chairperson of the Board of Directors


Dereje Zebene
President/CEO





INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ZEMEN BANK SHARE COMPANY

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zemen Bank Share Company (the Bank) set out on pages 9 to 73, 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 a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Zemen Bank Share Company 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.

Estimation of Expected credit losses on loans and advances

Loans and advances to customers compromise 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 1.7 c (i) and 4.3.5 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Key Audit Matters (continued)

Estimation 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 June 30, 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 and the requirements of the Commercial Code of Ethiopia, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 scepticism 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- 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.

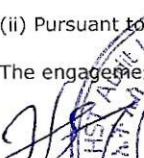
We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 is Tekeste Gebru.


Tekeste Gebru
Partner
HST Audit Limited Liability Partnership
Public Auditors
Addis Ababa, Ethiopia
September 30, 2026



Zemen Bank Share Company
Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended June 30, 2026

	Notes	30 June 2026 ETB'000	30 June 2025 ETB'000
Interest income	5	10,147,196	7,024,867
Interest expense	6	(3,571,146)	(2,249,819)
Net interest income		6,576,050	4,775,048
Fees and commission income	7	5,105,985	3,336,316
Fees and commission expense	7	(65,942)	(27,460)
Net fees and commission income		5,040,043	3,308,856
Gain on foreign exchange (net)	8	2,356,701	3,866,011
Other operating income	9	273,112	186,268
Total operating income		14,245,905	12,136,183
Loan impairment charge	10	(103,561)	(187,559)
Impairment losses on other assets	11.a	(40,025)	(34,623)
Other provisions	11.b	(18,607)	(234,992)
Net operating income		14,083,713	11,679,009
Personnel expenses	12	(2,702,885)	(1,983,062)
Amortisation and impairment of intangible assets	21	(61,909)	(49,019)
Depreciation and impairment of property, plant and equipment	22	(234,165)	(193,019)
Depreciation Right use of asset	20	(209,415)	(175,580)
Other operating expenses	13	(1,573,366)	(1,066,253)
Profit before taxation		9,301,973	8,212,077
Income tax expense	14a	(2,547,945)	(2,343,976)
Profit after income tax expense		6,754,027	5,868,101
Other comprehensive income (OCI) net of income tax			
<i>Items that will not be subsequently reclassified into profit or loss:</i>			
Remeasurement gain/(loss) on defined benefit obligations	29	(6,466)	(24,607)
Deferred tax (liability)/asset on remeasurement loss	14	1,940	7,382
Remeasurement gain/(loss) on equity investments	17	169,499	29,147
Deferred tax (liability)/asset on remeasurement gain	14	(50,850)	(8,744)
		114,123	3,178
Total comprehensive income for the year		6,868,150	5,871,278
Basic and diluted earnings per share	31	539	683

The accounting policies on pages 13 to 34, and the notes on pages 35 to 73, form an integral part of the financial statements.

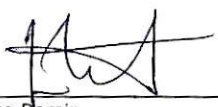


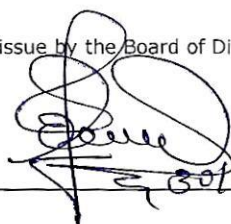
Zemen Bank Share Company
Statement of Financial Position
As at June 30, 2026

		30 June 2026	30 June 2025
	Notes	ETB'000	ETB'000
ASSETS			
Cash and cash equivalents	15	50,296,646	33,894,004
Loans and advances to customers (net)	16	51,727,717	41,526,316
Asset held for sale	20	1,238	4,139
Investments at fair value through OCI	17	1,000,156	815,234
Investment at amortized cost	17	7,149,990	6,790,608
Other assets	18	2,406,748	1,462,374
Right of use asset	20	825,956	725,567
Intangible assets	21	250,659	254,026
Property, plant and equipment	22	2,887,684	2,894,571
Total assets		116,546,794	88,366,839
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits from customers (Net)	24 & 25	84,850,013	64,208,501
Deposits from other banks	23	188,050	227,061
Current tax liabilities	14c	1,360,362	2,335,613
Other liabilities	26	3,386,336	2,623,329
Lease liabilities	28	115,838	134,449
Borrowings	27	285,302	95,540
Defined benefit obligations	29	159,457	129,074
Deferred tax liabilities	14E	245,392	179,154
Total liabilities		90,590,750	69,932,721
EQUITY			
Share capital	30b	14,287,986	9,390,451
Share premium	30c	6,784	906
Special reserve	30d	-	143,024
Retained earnings	32	4,571,238	4,106,579
Legal reserve	33	5,451,281	3,762,774
Regulatory risk reserve	34	1,120,611	626,363
Other reserve	35	518,144	404,021
Total equity		25,956,044	18,434,118
Total equity and liabilities		116,546,794	88,366,839

The accounting policies on pages 13 to 34, and the notes on pages 35 to 73, form an integral part of the financial statements.

The financial statements and the notes on pages 9 to 73 were approved and authorised for issue by the Board of Directors on September 30, 2026 and were signed on its behalf by:


 Eneye Demir
 Chairperson of the Board of Directors


 Dereje Zebene
 President/CEO



Zemen Bank Share Company
Statement of Changes in Equity
For the Year Ended June 30, 2026

	Share capital	Share premium	Special reserve	Retained earnings	Regulatory risk reserve	Other reserve	Legal reserve	Total
	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000
Balance as at 1 July 2024	7,455,181	906	97,672	1,679,726	331,866	400,843	2,295,749	12,261,943
Profit for the period	-	-	-	5,868,101	-	-	-	5,868,101
Other comprehensive income:								
Re-measurement Loss on defined benefit plans (net of tax)	-	-	-	-	-	(17,225)	-	(17,225)
Re-measurement gain on equity investment (net of tax)	-	-	-	-	-	20,403	-	20,403
Total comprehensive income for the period	-	-	-	-	-	3,178	-	3,178
Transaction with owners in their capacity as owners								
Dividends paid	-	-	-	(1,679,726)	-	-	-	(1,679,726)
Proceeds from issue of shares	1,935,270	-	-	-	-	-	-	1,935,270
Transfer to legal reserve	-	-	-	(1,467,025)	-	-	1,467,025	-
Loan provision transfer to regulatory risk reserve	-	-	-	(116,258)	116,258	-	-	-
Suspended interest transfer to regulatory risk reserve	-	-	-	(178,239)	178,239	-	-	-
Special reserve transferred from Retained earning	-	-	45,353	-	-	-	-	45,353
Total transaction with owners in their capacity as owners	1,935,270	-	45,353	(3,441,248)	294,496	-	1,467,025	300,896
Balance as at 30 June 2025	9,390,451	906	143,024	4,106,579	626,362	404,021	3,762,774	18,434,118
Balance as at 1 July 2025	9,390,451	906	143,024	4,106,579	626,362	404,021	3,762,774	18,434,118
Profit for the period	-	-	-	6,754,027	-	-	-	6,754,027
Other comprehensive income:								
Re-measurement Loss on defined benefit plans (net of tax)	-	-	-	-	-	(4,526)	-	(4,526)
Re-measurement gain on equity investment (net of tax)	-	-	-	-	-	118,649	-	118,649
Total comprehensive income for the period	-	-	-	-	-	114,123	-	114,123
Transaction with owners in their capacity as owners								
Dividends paid	-	-	-	(4,106,579)	-	-	-	(4,106,579)
Proceeds from issue of shares	4,897,535	5,878	-	-	-	-	-	4,903,413
Transfer to legal reserve	-	-	-	(1,688,507)	-	-	1,688,507	-
Loan provision transfer to regulatory risk reserve	-	-	-	(108,480)	108,480	-	-	-
Adjustment on loan provision transfer to regulatory risk reserve	-	-	-	-	(33)	-	-	(33)
Suspended interest transfer to regulatory risk reserve	-	-	-	(385,802)	385,802	-	-	-
Special reserve transferred to Retained earning	-	-	(143,024)	-	-	-	-	(143,024)
Total transaction with owners in their capacity as owners	4,897,535	5,878	(143,024)	(6,289,368)	494,249	-	1,688,507	653,777
Balance as at 30 June 2026	14,287,986	6,784	-	4,571,238	1,120,611	518,144	5,451,281	25,956,044

Notes

30b 30c 30d 32 34 35 33

The accounts are audited by pages 13 to 34, and the notes on pages 35 to 73, form an integral part of the financial statements.



Zemen Bank Share Company
Statement of Cash Flows
For the Year Ended June 30, 2026

		30 June 2026	30 June 2025
		ETB'000	ETB'000
Cash flows from operating activities			
Cash generated from operations	36	17,625,818	20,585,103
Defined benefits paid	29C	(3,739)	(5,370)
Income tax paid	14C	(3,504,540)	(925,258)
Net cash inflow from operating activities		14,117,539	19,654,475
Cash flows from investing activities			
Purchase of investment securities	17	(359,500)	(2,331,960)
Purchase of intangible assets	21	(58,542)	(104,703)
Purchase of property, plant and equipment	22	(228,935)	(582,501)
Purchase of additional equity investments	17	(15,424)	(2,179)
Prepayments of Right of Use Assets	19	(360,870)	(311,798)
Proceeds from sale of property, plant and equ	36	34	3,616
Net cash (outflow)/inflow from investing activities		(1,023,236)	(3,329,525)
Cash flows from financing activities			
Proceeds from issues of shares	30	4,897,535	1,935,270
Proceeds from shares Premium	30	5,878	-
Proceeds from borrowings	27	253,509	70,394
Payments of loan	27	(80,094)	(650,379)
Receipt (Payments) of lease liabilities	28	(18,611)	65,199
Dividend paid	32	(4,106,579)	(1,679,726)
Net cash (outflow)/ inflow from financing activities		951,638	(259,241)
Total cash movement for the year		14,045,941	16,065,709
Cash and cash equivalents at the beginning of the year	15	33,894,004	13,962,284
Foreign exchange gains on cash and cash equivalents	8	2,356,701	3,866,011
Cash and cash equivalents at the end of the year	15	50,296,646	33,894,004

The accounting policies on pages 13 to 34, and the notes on pages 35 to 73, form an integral part of the financial statements.



Zemen Bank Share Company
Accounting Policies
For the Year Ended June 30, 2026

Corporate information

Zemen Bank Share Company was established in Addis Ababa in 2008 and registered as a share company in accordance with the provisions of the Licensing and Supervision of Banking Business Proclamation no. 592/2008 (amended proclamation no. 1360/2025) and the Commercial Code of Ethiopia. The headquarter of the bank is located at:

Ras Abebe Aregay Road
P.O.Box 1212
Lideta Sub-city, Woreda 07, House No. New
Addis Ababa, Ethiopia

The Bank is principally engaged in the provision of diverse range of financial products and services to a wholesale, retail and SME clients based in Ethiopian market.

1 Summary of material accounting policies

1.1 Introduction to summary of material accounting policies

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

1.2 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with International Financial Reporting Standards ("IFRS") and International reporting interpretation committee ("IFRIC") issued and effective at the time of preparing these financial statements and the provision of the licensing and supervision of the Banking Business Proclamation and the commercial code of Ethiopia.

The financial statements have been prepared on the historical cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal policy set out below.

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

The financial statements are presented in thousands of Ethiopian Birr ("ETB"), which is the Bank functional currency, except when otherwise indicated. These accounting policies consistent with the previous period.

1.3 Significant accounting judgements, assumptions and source of estimation uncertainty

The preparation of the Bank's financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. 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 the estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimates are revised and future period affected.

1.3.1 Critical judgements in determining lease term

The critical judgments made by the management consider all facts and circumstances that create economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or period after termination options) are only included on 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 exercise extension and termination options was not material.

Operating lease commitments - Bank as lessee

The Bank recognised rent expenses as operating lease if

- The lease has low value or
- The lease term is 12 month or less (Short-term)

1.3.2 Key sources of estimation uncertainty

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



1.3 Significant accounting judgements, assumptions and source of estimation uncertainty (continued)

1.3.2 Key sources of estimation uncertainty (continued)

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on an ongoing basis. Where impairment has been identified, an allowance for impairment is recorded. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination in which case loan allowance is measured at an amount equal to lifetime ECL.

If the financial asset meets the definition of Purchased or Originated Credit Impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. The Bank generally considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. Loss allowances on such low credit risk instrument are recognized at the equivalent of 12-month ECL.

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as the expected life of the instrument, determination of significant increase in credit risk, selection of appropriate macro-economic variables and other forward-looking information, etc.

Determining criteria for Significant Increase in Credit Risk (SICR) and choosing appropriate models and assumptions for the measurement of ECL requires forward-looking information. In assessing SICR, the Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) vary by financial instrument. Expert judgment has been applied in this process.

The use of historical loss experience is supplemented with significant Director's judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgment are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

(b) Fair value of financial instruments

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

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

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

All financial instruments are initially recognized as fair value, which is 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 judgment. If the market for financial instruments doesn't exist or is not active, 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. Expert Judgment has been applied in this process.



1.3 Significant accounting judgements, assumptions and source of estimation uncertainty (continued)

1.3.2 Key sources of estimation uncertainty (continued)

(c) Impairment

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 represent the expected credit losses that will result from all possible default events over the expected life of loan. In contrast, 12 Month ECL represents the portion of Lifetime ECL that is expected to result from default events on 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 receivable being credit impaired at the reporting date or of an actual default occurring.

(d) Useful lives of property, plant and equipment

Directors assesses the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of office building, motor vehicles, furniture and computer equipment are determined based on Bank's 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.

(e) 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. Expert has been engaged in this process.

(f) 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.

(g) Uncertainty tax position

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

1.4 Recognition of income and expenses

Income is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured, regardless of when the payment is being made. Income is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Bank, earns income from interest on loans given to domestic trade and services, building and construction, manufacturing, agriculture, hotel and tourism, transportation, import, export and consumer loans. Other income includes service charge on letter of credits and commission on performance guarantees.



1.4 Recognition of income and expenses (continued)

1.4.1 Interest and similar income and expense

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

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and Interest and similar expense for financial liabilities. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1.4.2 Net interest income

a. Effective interest rate and amortised cost

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

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

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

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

b. Amortised cost and gross carrying amount

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

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

c. Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.



1.4 Recognition of income and expenses (continued)

1.4.2 Net interest income (continued)

d. Presentation

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

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest on debt instruments measured at FVTOCI calculated on an effective interest basis;
- The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

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

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

1.4.3 Fees and commission income and expenses

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 are recognised as the related services are performed.

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

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

1.4.4 Dividend income

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

1.5 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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



1.6 Tax

(a) Current income tax

Taxes for current and prior periods, to the extent unpaid, are recognised 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 recognised 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.

(b) Deferred tax

A deferred tax liability is recognised 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 recognised 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 utilised. A deferred tax asset is not recognised 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 recognised 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 utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised 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.

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, 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.

1.7 Financial instruments

Financial instruments held by the Bank are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the recognition and classification possibilities, which are adopted by the Bank, as applicable, are as follows:

a. Recognition and initial measurement

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

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

b. Classification and subsequent measurement

i) Financial assets

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

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

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



1.7 Financial instruments (Continued)

b. Classification and subsequent measurement (Continued)

i) Financial assets (continued)

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

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

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

All other financial assets that do not meet the classification criteria at amortised cost or FVOCI, above, shall be classified as measured at FVTPL. In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

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

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

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

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

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

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

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

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

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

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

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



1.7 Financial instruments (continued)

ii) Financial liabilities

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

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

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

c. Impairment

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

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

- Financial assets that are debt instruments;
- lease receivables;
- Financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss shall be recognised on equity investments.

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

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

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

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

Life-time ECL is the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. For financial assets that are credit-impaired at the reporting date referred to as 'Stage 3 financial instruments'.

i) Measurement of ECL

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

- For financial assets that are not credit-impaired at the reporting date (stage 1 and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- For financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;
- For undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- For financial guarantee contracts, as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

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.



1.7 Financial instruments (continued)

c. Impairment (continued)

i) Measurement of ECL (continued)

For purposes of IFRS 9 there will generally be no difference between credit impaired and non-performing financial loans as defined by the regulator, accordingly for financial loans from customers in the Northern Ethiopia, the Bank applied the requirements of the National Bank loan staging and presented those loans based on the loan status at the beginning of the conflict. However, the Bank also assessed whether a significant increase in credit risk occurred and consequently has applied lifetime ECL that results from all possible default events over the expected life of those financial instruments.

ii) 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 recognised 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.

Where: D – discounting factor and t – time

The table below shows the link between the regulatory risk classification and the IFRS 9 stage allocation.

National Bank Guidelines	Days Past due	IFRS 9 Stage allocation
Pass	0-30	1
Special mention	31-90	2
Substandard	91-180	3
Doubtful	181-365	3
Loss	Over 365	3



1.7 Financial instruments (continued)

c. Impairment (continued)

iii) Restructured financial assets

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

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

iv) Credit-impaired financial assets

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

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

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

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

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

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

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

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

vi) Write-off

Loans and debt securities shall be written off (either partially or in full) when there is no reasonable expectation of recovering the amount in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment shall be carried out at the individual asset level.

Recoveries of amounts previously written off shall be included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.



1.7 Financial Instruments (continued)

c. Impairment (continued)

vii) Non-integral financial guarantee contracts

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

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

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

d. Derecognition

i) Financial assets

The Bank shall derecognise a financial asset when:

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

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

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

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

ii) Financial liabilities

The Bank shall derecognise a financial liability when its contractual obligations are discharged or cancelled, or expire.

e. Modifications of financial assets and financial liabilities

i) Financial assets

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

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

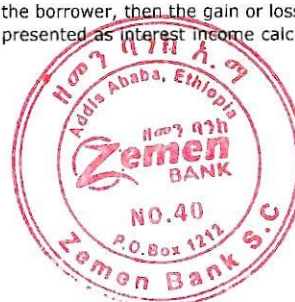
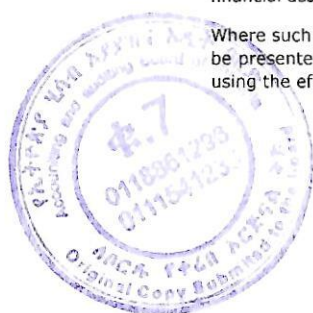
- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs shall be included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

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

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

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

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



1.7 Financial instruments (continued)

ii) Financial liabilities

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

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

f. Offsetting

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

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

g. Designation at fair value through profit or loss

i) Financial assets

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

ii) Financial liabilities

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

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

1.8 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, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of 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 recognised 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 recognises 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.



1.8 Leases (continued)

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

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 recognised 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 the effective interest method) and by reducing the carrying amount to reflect lease payments made.

Interest charged on the lease liability is included in finance costs.

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 lease payments that would be payable over the new lease term using the discount rate at the commencement date;
- 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 recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

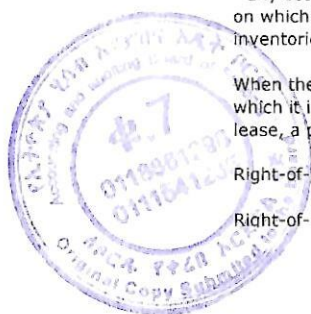
Lease payments included in the measurement of the lease liability comprise the following:

- 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 recognised 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.



1.8 Leases (continued)

Right-of-use assets (continued)

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 recognised in profit or loss unless it is included in the carrying amount of another asset.

Measurement and recognition of leases as a lessee

At lease commencement date, the Bank recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Bank also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank incremental borrowing rate. i.e. The NBE policy interest rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments and amounts expected to be payable certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Extension options for leases

When the bank has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. The extension of lease payments have not been included in the lease liabilities as it is not reasonably certain the extension option will be exercised.

The Bank as a lessor

Leases for which the bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

Lease payments from operating leases are recognised 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 form the use of the underlying asset are diminished. Operating lease income is included in other operating income.

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.



1.9 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with central Banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost less impairment in the statement of financial position.

1.10 Property, plant and Equipment

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

i) Initial Measurement

An item of Property, plant and equipment is initially measured at cost. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in income statement as incurred.

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

ii) Subsequent Measurement

After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset class	Estimated Useful Life in years	Residual Value
Buildings	50	5%
Motor vehicles	10	5%
Computer hardware	7	1%
Computer software	6	0%
Other office equipment		
Short lived	5	1%
Medium lived	10	1%
Lift and roofing	15	1%
Long lived	20	1%
Furniture and fittings		
Medium lived	10	1%

The Bank commences depreciation when the asset is available for use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognised.

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

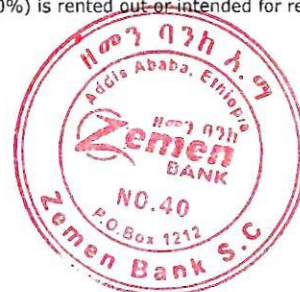
1.11 Investment Property

Investment property is recognized as an Asset when, and only when, it is possible that the future economy 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 cost are included in the initial measurement.

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

In certain circumstances, it is difficult to distinguish investment from owner-occupied property or investment. To resolve this, the Bank applies a clear, principle-based criterion: the predominant use of the property. The Bank classifies a property as investment property based on the proportionate area that is held to earn rentals or for capital appreciation. If the majority of the property's usable space (over 20%) is rented out or intended for rental, the entire property is classified as investment property.



Zemen Bank Share Company
Accounting Policies
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1.12 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised, and the related expenditure is reflected in the income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented as a separate line item in the income statement. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

- Computer software – 6 years
- Capitalised expenditure – 6 years
- SWIFT software – 6 years

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

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

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

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

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

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

1.14 Impairment of non-financial assets

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

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

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



1.14 Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

1.15 Other assets

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

(a) Prepayment

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

(b) Other receivables

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

(c) Office Supplies

Office supplies stated at cost, cost being determined on moving average basis.

1.16 Fair value measurement

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

- Disclosures for valuation methods, significant estimates and assumptions (notes 1.3 and note 4.9.1)
- Quantitative disclosures of fair value measurement hierarchy (note 4.9.2)
- Financial instruments (including those carried at amortised cost) (note 4.9.3)

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

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

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

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

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Bank's management determines the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets. For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.



1.17 Employee benefits

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

(a) 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 recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised 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 recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

(b) Defined contribution plan

The Bank operates two defined contribution plans;

- i) pension scheme in line with the provisions of Ethiopian pension of private organisation employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank respectively;
- ii) provident fund contribution, funding under this scheme is 4% by the Bank;

Both schemes are based on the employees' salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

(c) Defined benefit plan

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension

The cost of the defined benefit pension plan, long service awards, gratuity scheme and post-employment medical benefits 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.

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

Past-service costs are recognised immediately in income.

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

(d) Termination benefits

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



1.18 Provisions

Provisions are recognised 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 recognised 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 recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised 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 location, function, and approximate number of employees who will be compensated for terminating their service;
- 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 recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

1.19 Share capital

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

1.20 Earnings 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 dilutive potential ordinary shares.



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 (i) 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

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 sets out the general requirements for the content and presentation of information that an entity needs to provide about sustainability-related risks and opportunities. The objective of providing such information is to support users of general purpose financial reports in their decision-making process that relates to providing resources to the entity which prepares the general purpose financial report. That is, this information is intended to enable those users to assess the entity's exposure to sustainability-related risks and opportunities over the short, medium and long term, as well as to assess how the entity manages those risks and opportunities in order to inform their decisions in providing resources to that entity.

IFRS S1 is effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. The Bank has not adapted the Standard awaiting guideline from the Regulator.

IFRS S2 Climate-related Disclosures

IFRS S2 requires an entity "to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity." To meet this objective, an entity is required to disclose information about the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. Consistent with the requirements in IFRS S1, risks and opportunities that could reasonably be expected to affect the entity's prospects are those that could reasonably be expected to affect its cash flows, its access to finance or cost of capital over the short, medium, and long term Those climate-related risks and opportunities that are not reasonably expected to affect an entity's prospects are outside the scope of IFRS S2.

IFRS S2 is effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. The Bank has not adapted the Standard awaiting guideline from the Regulator.



3 (i) New Standards, amendments, interpretations issued but not yet effective (continued)

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.

Amendment to IFRS 9 and IFRS 7: amendments to the classification and measurement of financial instruments.

The amendments clarify the classification of financial assets with environmental, social and corporate governance (ESG) and similar features, as such features could affect whether the asset are measured at amortized cost or fair value. The amendment also clarifies the date on which a financial asset or financial liability is derecognized in cases where liabilities are settled through electronic payment systems.

The effective date of the amendment is for years beginning on or after 1 January, 2026.

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.

IFRS 20 – Regulatory Assets and Regulatory Liabilities

The Standard requires eligible entities to recognise and provide information about regulatory assets, regulatory liabilities, regulatory income and regulatory expenses arising from differences in the timing between the supply of regulated goods or services and the recovery or recognition of the related compensation.

IFRS 20 replaces IFRS 14 Regulatory Deferral Accounts and is effective for annual reporting periods beginning on or after 1 January 2029, with earlier application permitted.



3 (ii) New Standards and Interpretations Effected This Year

IAS 21 - Lack of Exchangeability (Amendments to IAS 21)

The Effects of Changes in Foreign Exchange Rates does not include explicit requirements on the exchange rate an entity uses when the spot exchange rate is not observable. This amendment:

Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.

Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.

Require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

An entity does not apply the amendments retrospectively. Instead, an entity recognises any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognises the cumulative amount of translation differences in equity.

The amendments is effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. The amendment has no material Impact on the Bank's financial statements.



Zemen Bank Share Company
Notes to the Financial Statements
For the Year Ended June 30, 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.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank's strategic planning process.

4.1.1 Risk management structure

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 Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The President has established the Assets and liabilities and a Credit Committee (ALCO) which are responsible for developing and monitoring the Bank's risk management policies in their specified areas.

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 models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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

4.1.3 Risk mitigation

Risk controls and mitigants, identified and approved for the Bank, are documented for existing and new processes and systems. The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently audited as part of the review process.

4.2 Financial instruments by category

The Bank's financial assets are classified into the following measurement categories: Amortised Cost, Fair value through profit and loss and Fair value through other comprehensive income and the financial liabilities are classified into other liabilities at amortised cost.

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.



Zemen Bank Share Company
Notes to the Financial Statements
For the Year Ended June 30, 2026

4 Financial Risk Management (continued)

4.2 Financial instruments by category (continued)

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

	Notes	Fair value through Other Comprehensive Income ETB'000	Amortised Cost ETB'000	Total ETB'000
30 June 2026				
Cash and cash equivalents	15	-	50,296,646	50,296,646
Loans and advances to custom	16	-	51,727,717	51,727,717
Investments at fair value thro	17	1,000,156	-	1,000,156
Investment at amortized cost	17	-	7,149,990	7,149,990
Other assets	18	-	2,406,748	2,406,748
		1,000,156	111,581,100	112,581,257

	Notes	Fair value through Other Comprehensive Income ETB'000	Amortised Cost ETB'000	Total ETB'000
30 June 2025				
Cash and cash equivalents	15	-	33,894,004	33,894,004
Loans and advances to custom	16	-	41,526,316	41,526,316
Investments at fair value thro	17	815,234	-	815,234
Investment at amortized cost	17	-	6,790,608	6,790,608
Other assets	18	-	1,462,374	1,462,374
		815,234	83,673,301	84,488,536

4.3 Credit risk

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

4.3.1 Management of credit risk

Credit risk is the risk of financial loss of the bank if the customers or counter party to a financial instrument fails to meet its contractual obligations, and arises principally the banks loans and advances to customers and other financial assets.

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

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

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

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

In measuring credit risk of Financial assets at amortized cost to various counter parties, the Bank considers the character and capacity of the obligor to meet contractual obligation, current exposures to the counter party/obligor and its likely future development, credit history of the counter party/obligor; and likely recover ratio in case of default obligations – value of collateral and other solutions.

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

a) Probability of Default (PD)

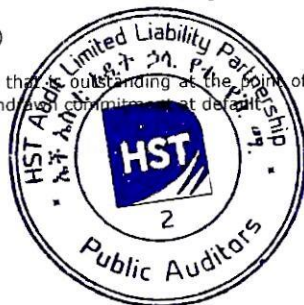
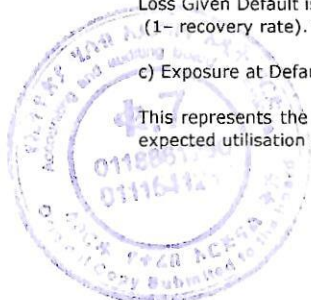
This is the probability that an obligor or counterparty will default over a given period, usually one year. This can be calculated on portfolio by portfolio basis or collectively depending on availability of historical data.

b) Loss Given Default (LGD)

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

c) Exposure at Default (EAD)

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



Zemen Bank Share Company
Notes to the Financial Statements
For the Year Ended June 30, 2026

4.3.2 Credit related commitments risks

The Bank holds collateral against loans and advances 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 lending, and generally are not updated except when a loan is individually assessed as impaired.

4.3.3 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 June 30, 2026 and June 30, 2025, respectively, is represented by the net carrying amounts in the statement of financial position.

	Note	30 June 2026 ETB'000	30 June 2025 ETB'000
Cash and cash equivalents	15	50,296,646	33,894,004
Loans and advances to	16	51,727,717	41,526,316
Investments at fair value	17	1,000,156	815,234
Investment at amortized cost	17	7,149,990	6,790,608
Other assets	18	2,406,748	1,462,374
		112,581,257	84,488,536
Credit risk exposures relating to off balance sheet items are as follows:			
Loan commitments	39C	3,600,925	4,119,913
Letter of credit and other credit related obligati	39b	23,795,301	9,748,351
		27,396,226	13,868,264
		139,977,483	98,356,800

(b) Loans and advances to customer at amortized cost ,

(i) Gross loans and advances to customers per sector is analysed as follows:

	Note	30 June 2026 ETB'000	30 June 2025 ETB'000
Building and construction		8,424,507	7,304,856
Personal Loans - Customers		8,302,780	6,199,198
Export		6,914,232	6,009,885
Domestic Trade and Service		6,884,829	5,234,732
Industry		6,840,492	5,445,738
Hotel and Tourism		5,608,038	4,684,088
Import		5,227,954	3,205,706
Personal Loans - Staffs		2,031,228	2,083,165
Transportation		1,526,709	1,501,264
Agriculture		830,908	649,327
		52,591,676	42,317,958

(ii) Gross loans and advances to customers per IFRS 9 impairment standard is analysed as follows:

	30 June 2026 ETB'000	30 June 2025 ETB'000
Performing	49,386,425	39,210,502
Under Performing	1,882,645	1,869,930
Non Performing	1,322,607	1,237,526
	52,591,676	42,317,958

The above table represents a worst 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.

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.



Zemen Bank Share Company
Notes to the Financial Statements
For the Year Ended June 30, 2026

4.3.4 Credit quality analysis

(i) Credit quality of bank balances

The credit quality of bank balances and short-term investments that were neither past due nor impaired at as June 30, 2026 and June 30, 2025 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. However, bank balances that is held in foreign banks can be assessed by reference to credit rating agency designation as shown in the table below;

	Note	30 June 2026 ETB'000	30 June 2025 ETB'000
A+		22,657,760	6,656,299
A		162,467	7,845,239
AA-		2,872	3,120
BBB+		7,020,208	-
B+		-	-
BBB-		-	8,626,241
Not Rated		19,501,795	10,160,099
		49,345,103	33,290,998

**Definitions
of ratings**

AA: Very high This denotes expectations of a very low default risk. It indicates a very strong capacity for payment of credit quality financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High credit quality This denotes expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB: Good This indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

Not rated This indicates financial institutions or other counterparties with no available ratings.

A "+" (plus) or "-" (minus) may be appended to a rating to indicate the relative position of a credit within the rating category. This is based on Fitch national long-term issuer default ratings.

(ii) Loans and advances to customers at amortized cost

The loans and advances and loss allowance for loans and advances to customers also includes the loss allowances for letter of credit and financial guarantee contracts.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in note 1.7. (c), (i)

30 June 2026	Stage 1	Stage 2	Stage 3	Total
Stage 1 – Pass	49,386,425	-	-	49,386,425
Stage 2 – Special mention	-	1,882,645	-	1,882,645
Stage 3 - Non performing	-	-	1,322,607	1,322,607
Total gross exposure	49,386,425	1,882,645	1,322,607	52,591,676
Loss allowance (note 15)	(134,532)	(131,943)	(597,485)	(863,959)
	49,251,894	1,750,702	725,122	51,727,717
30 June 2025	Stage 1	Stage 2	Stage 3	Total
Stage 1 – Pass	39,210,502	-	-	39,210,502
Stage 2 – Special mention	-	1,869,930	-	1,869,930
Stage 3 - Non performing	-	-	1,237,526	1,237,526
Total gross exposure	39,210,502	1,869,930	1,237,526	42,317,958
Loss allowance (note 15)	(111,463)	(35,199)	(644,981)	(791,643)
	39,099,040	1,834,731	592,545	41,526,316



Zemen Bank Share Company
Notes to the Financial Statements
For the Year Ended June 30, 2026

4.3.4 Credit quality analysis (Continued)

(iii) Off balance sheet items

30 June 2026	Stage 1	Stage 2	Stage 3	Total
Stage 1 – Pass	13,889,569	-	-	13,889,569
Stage 2 – Special mention	-	-	-	-
Stage 3 – Non performing	-	-	-	-
Total gross exposure	13,889,569	-	-	13,889,569
Loss allowance (note 18,a)	(4,908)	-	-	(4,908)
	13,884,660	-	-	625,830

30 June 2025	Stage 1	Stage 2	Stage 3	Total
Stage 1 – Pass	625,871	-	-	625,871
Stage 2 – Special mention	-	-	-	-
Stage 3 – Non performing	-	-	-	-
Total gross exposure	625,871	-	-	625,871
Loss allowance (note 18,a)	(41)	-	-	(41)
	625,830	-	-	625,830

(iv) Other financial assets (debt instruments)

30 June 2026		Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	50,296,646	(2,859)	50,293,787
Investment securities (debt in	12 Month ECL	7,150,447	(458)	7,149,990
Other receivables and financia	Lifetime ECL	41,249	(34,663)	6,586
Emergency staff loans	Lifetime ECL	460,563	(23)	460,540
		57,948,905	(38,003)	57,910,902

30 June 2025		Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	33,895,668	(1,665)	33,894,004
Investment securities (debt instruments)	12 Month ECL	6,790,947	(340)	6,790,608
Other receivables and financial assets	Lifetime ECL	286,941	(18,498)	268,444
Emergency staff loans	Lifetime ECL	301,217	(15)	301,202
		41,274,774	(20,517)	41,254,258



4 Financial Risk Management (continued)

4.3.4 Credit quality analysis (Continued)

v) Loans and advances to corporate customers

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

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

vi) Investment securities designated as at FVTPL

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

4.3.5 Amounts arising from ECL

i) Inputs, assumptions and techniques used for estimating impairment

See accounting policy in note 1.7.(c).

ii) Significant increase in credit risk

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

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

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

iii) Credit risk grades

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

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

a. Term loan exposures

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

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

b. Overdraft exposures

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



4 Financial Risk Management (continued)

4.3.5 Amounts arising from ECL (continued)

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 analysed by type of product and borrower as well as by credit risk grading. The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

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. What is considered significant differs for different types of lending.

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

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

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

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

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

vi) Definition of default

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

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

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

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

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



4 Financial Risk Management (continued)

4.3.5 Amounts arising from ECL (continued)

vii) Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The FLI model incorporates forward-looking macroeconomic conditions through portfolio-specific adjustments developed for four clusters of statistically comparable economic sectors. These adjustments provide a common industry reference for member banks, subject to each bank's approved IFRS 9 governance, validation and management judgement. For each cluster, three macroeconomic scenarios are modelled: base, upside and downside. The scenarios are developed from Fitch Ratings forecasts and scenario-specific assumptions. Probability weights are derived from the historical distribution of cluster-level NPL ratios over ten semi-annual observations from December 2021 to June 2026

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

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

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

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

Sector/Product	Macroeconomic factors				
Cluster 1- Agriculture, Consumer loans and overdrafts	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 and Goods imp, USD
Cluster 2- Domestic Trade & Services, Transport, Health, and Merchandise	CPI inflation, 2010=100, eop	Import cover months	Services exp, LCU	Current account bal, USD	Capex, LCU and Total revenue, LCU
Cluster 3- Building & Construction, Hotel and Tourism, industry and Manufacturing & Production	Import cover months	G&S imp, LCU	Private final cons, LCU	Budget bal, USD	Services imp, USD and Trade, goods bal, USD
Cluster 4- Export and Import	Nominal Effective Exchange Rate Index	Use of IMF credit/cap, USD	Total revenue, USD,	Capex, USD and Total expend, USD	LCU/USD, eop and Total govt debt, LCU



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4 Financial Risk Management (continued)

4.3.5 Amounts arising from ECL (continued)

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

Indicator	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



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4 Financial Risk Management (continued)

4.3.5 Amounts arising from ECL (continued)

vii) Incorporation of forward-looking information

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
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



4 Financial Risk Management (continued)

4.3.5 Amounts arising from ECL (continued)

Scenario probability weightings

30 June 2026			
	Upside	Median/ Central	Downside
Cluster 1	0.00%	90.0%	10.00%
Cluster 2	10.00%	80.0%	10.00%
Cluster 3	10.00%	70.0%	20.00%
Cluster 4	10.00%	70.0%	20.00%
30 June 2025			
	Upside	Median/ Central	Downside
Cluster 1	6.67%	73.33%	20.00%
Cluster 2	13.33%	73.33%	13.33%
Cluster 3	13.33%	66.67%	20.00%
Cluster 4	13.33%	66.67%	20.00%

viii) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out.

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

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

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

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

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

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

ix) Measurement of ECL

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

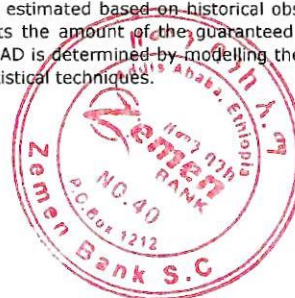
- Probability of Default (PD);
- Loss given Default (LGD); and
- Exposure at Default (EAD).

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

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

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

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



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4 Financial Risk Management (continued)

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

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

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

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

4.3.6 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 recognised 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 period ended June 30,2026, there 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.

		30 June 2026	30 June 2025
	Note	ETB'000	ETB'000
Total impairment based on accounting policies	16	863,959	791,643
Total impairment based on NBE Directives		1,641,089	1,182,937
Transfer to regulatory risk reserve (note 33)		777,130	391,295



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4 Financial Risk Management (continued)

4.3.6 Statement of prudential adjustments (Continued)

As per the requirements of IFRS , banks should recognize interest income on the written down amount of the loan after the impairment loss, on an accrual basis, using the EIR. However, As per the requirement of National Bank of Ethiopia, banks should derecognize interest income on impaired exposures, special attention should be paid to impaired exposures with a higher number of days past due (e.g. more than 90 days past due).

To comply with the directive of the NBE, the Bank has reversed the suspended interest on impaired loans from retained earning account and transferred to Regulatory Risk reserve account as the amount is non- distributable to the shareholders.

	30 June 2026 ETB'000	30 June 2025 ETB'000
Write back suspended interest net of tax (note 33)	343,482	235,035

4.3.7 Credit concentrations

The Bank monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at 30 June 2026 and 30 June 2025 are presented as here below. The Bank concentrates all its financial assets in Ethiopia.

		Industry	Import and Export	Domestic Trade and Service	Others
		ETB'000	ETB'000	ETB'000	ETB'000
30 June 202	Note				
Cash and cash	15	-	-	-	50,296,646
Loans and advances to customers	16	6,884,829	12,142,186	6,840,492	25,860,210
Investments at fair value through OCI	17	-	-	-	1,000,156
Investment at amortized cost	17	-	-	-	7,149,990
Other assets	18	-	-	-	2,406,748
Loan Commitment	39	-	-	-	3,600,925
		6,884,829	12,142,186	6,840,492	90,314,675

		Industry	Import and Export	Domestic Trade and Service	Others
		ETB'000	ETB'000	ETB'000	ETB'000
30 June 202	Note				
Cash and cash equivalents	15	-	-	-	33,894,004
Loans and advances to customers	16	5,445,738	9,215,591	5,234,732	21,630,256
Investments at fair value through OCI	17	-	-	-	815,234
Investment at amortized cost	17	-	-	-	6,790,608
Other assets	18	-	-	-	1,462,374
Loan	39	-	-	-	4,119,913
		5,445,738	9,215,591	5,234,732	68,712,388



Zemen Bank Share Company
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For the Year Ended June 30, 2026

4.3.8 Collateral held and their financial effect

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. The Bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on creditworthiness, the Bank aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.

For impaired loans, the Bank obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

The fair value of the collaterals are based on the last revaluations carried out by the Bank's in-house engineers. The valuation technique adopted for properties is in line with the Bank's valuation manual and the revalued amount is similar to fair values of properties with similar size and location.

The fair value of collaterals other than properties such as share certificates, cash, NBE bills etc. as disclosed at the carrying amount as management is of the opinion that the cost of the process of establishing the fair value of the collateral exceeds benefits accruable from the exercise.

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

Nature of securities in respect of loans and advances

30 June 2026	Secured against Building	Cash	Machinery	Vehicles	Others
	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000
DTS	5,599,140	476,250	183,116	178,962	103,214
Building and Construction	7,947,933	99,208	-	143,405	14,850
Consumer	6,336,520	37,074	7,404	1,753,025	28,834
Hotel and tourism	5,328,097	10,027	-	27,116	10,021
Industry	4,548,460	393,864	478,056	117,169	843,977
Export	2,884,043	154,132	8,812	39,602	469,240
Import	4,263,530	2,758	145,885	36,388	533,161
Personal Staff Loan	1,388,376	4,283	2,819	526,750	5,471
Agriculture	398,798	7,000	90,942	3,953	80,420
Transport and Communicati on	298,758	-	-	123,106	-
	38,993,654	1,184,595	917,033	2,949,476	2,089,188



Zemen Bank Share Company
Notes to the Financial Statements
For the Year Ended June 30, 2026

4 Financial Risk Management (continued)

4.3.8 Collateral held and their financial effect (continued)

30 June 2025	Secured against Building ETB'000	Cash ETB'000	Machinery ETB'000	Vehicles ETB'000	Others ETB'000
DTS	4,424,800	42,753	13,323	255,796	144,908
Building and Construction	7,187,309	-	-	50,123	23,278
Consumer	4,604,687	5,749	6,135	1,412,025	38,554
Hotel and tourist	4,546,997	-	-	23,856	6,806
Industry	4,078,837	91,024	728,008	22,203	444,754
Export	2,773,936	285,222	-	77,570	323,235
Import	2,623,615	15,956	120,588	29,005	236,200
Personal Staff Loan	1,488,092	-	2,935	534,037	5,973
Agriculture	302,015	7,000	106,627	-	75,241
Transport and Communication	262,350	535,680	-	195,165	1,443
	32,292,639	983,383	977,615	2,599,779	1,300,391

4.4. Financial assets and financial liabilities

4.4.1 Classification of financial assets and financial liabilities

The following table shows the original measurement categories and amounts in accordance with IFRS 9 for the Bank's financial assets and financial liabilities as at June 30, 2026.

		30 June 2026		
		Original carrying amount under IFRS 9	Loss Allowance	New carrying amount under IFRS 9
		ETB'000	ETB'000	ETB'000
Financial assets				
Loans and advances to customers	Amortised cost	52,591,676	(863,959)	51,727,717
Cash and balances with banks	Amortised cost	50,299,505	(2,859)	50,296,646
Investment securities: Loans and advances	Amortised cost	7,150,447	(458)	7,149,990
Other financial assets at amortised cost	Amortised cost	2,472,672	(65,924)	2,406,748
Investment securities at FVOCI	FVOCI	1,000,156	-	1,000,156
		113,514,457	(933,200)	112,581,257
Financial liabilities				
Deposits from customers	Amortised cost	85,038,063	-	85,038,063
Other financial liabilities (Commitment and guarantees)	Amortised cost	13,889,569	(4,908)	13,884,660
		98,927,632	(4,908)	98,922,723

		30 June 2025		
		Original carrying amount under IFRS 9	Loss Allowance	New carrying amount under IFRS 9
		ETB'000	ETB'000	ETB'000
Financial assets				
Loans and advances to customers	Amortised cost	42,317,958	(791,643)	41,526,316
Cash and balances with banks	Amortised cost	33,895,668	(1,665)	33,894,004
Investment securities: Loans and advances	Amortised cost	6,790,947	(340)	6,790,608
Other financial assets at amortised cost	Amortised cost	1,498,224	(35,850)	1,462,374
Investment securities at FVOCI	FVOCI	815,235	-	815,235
		85,318,032	(829,497)	84,488,536
Financial liabilities				
Deposits from customers	Amortised cost	64,435,561	-	64,435,561
Other financial liabilities (Commitment and guarantees)	Amortised cost	625,871	(41)	625,830
		65,061,432	(41)	65,061,391

4 Financial Risk Management (continued)

4.5 Liquidity risk

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

Liquidity risk management in the Bank is solely determined by Asset and Liability Committee, which bears the overall responsibility for liquidity risk. The main objective of the Bank's liquidity risk framework is to maintain sufficient liquidity in order to ensure that we meet our maturing obligations.

4.5.1 Management of liquidity risk

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

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

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

4.5.2 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.

		0 up to 30 days	31 up to 90 days	91 up to 365 days	Over 1 year
30 June 2026	Note	ETB'000	ETB'000	ETB'000	ETB'000
Customer deposits	24	26,416,180	27,459,658	19,166,635	11,807,540
Due to financial institutions	23	-	-	188,050	-
Other liabilities	26	1,377,415	705,472	809,410	494,039
Profit tax payable	14c	-	-	1,360,362	-
		27,793,595	28,165,130	21,524,457	12,301,579

		0 up to 30 days	31 up to 90 days	90 up to 365 days	Over 1 year
30 June 2025	Note	ETB'000	ETB'000	ETB'000	ETB'000
Customer deposits	24	21,066,323	21,471,307	14,046,799	7,624,071
Due to financial institutions	23	-	-	227,061	-
Other liabilities	26	1,104,602	485,738	553,598	479,392
Profit tax payable	14c	-	-	2,335,613	-
		22,170,925	21,957,045	17,163,071	8,103,463



Zemen Bank Share Company
Notes to the Financial Statements
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4 Financial Risk Management (continued)

4.6 Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing the return on risk. Overall responsibility for managing market risk rests with the Board of Directors.

The President is responsible for the development of detailed risk management policies (subject to review and approval by the Board of Directors) and for the day to day implementation of those policies.

4.6.1 Management of market risk

The main objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

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

(i) Interest rate risk

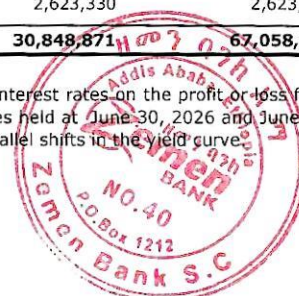
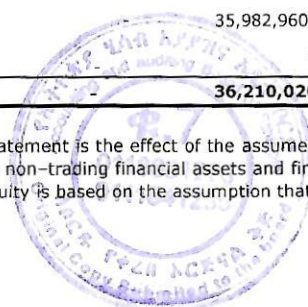
Interest rate risk is a risk resulting from changes in market interest rates. It is the probability that the rising and falling of interest rates will adversely affect the Bank's interest margin or the value of its net worth. The Bank often revises its lending rate across segments of the credit portfolio 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 table below sets out information on the exposures to fixed and variable interest instruments.

30 June 2026		Fixed	Floating	Non-interest bearing	Total
	Note	ETB'000	ETB'000	ETB'000	ETB'000
Assets					
Cash and balances with banks	15	-	-	50,296,646	50,296,646
Loans and receivables	16	-	51,727,717	-	51,727,717
Investment securities	17	1,000,156	-	-	1,000,156
Other Assets	18	-	-	2,406,748	2,406,748
		1,000,156	51,727,717	52,703,393	105,431,267
Liabilities					
Deposits from other banks	23	-	188,050	-	188,050
Deposits from customers	24	-	50,299,409	34,550,604	84,850,013
Other liabilities	26	-	-	3,386,336	3,386,336
		-	50,487,459	37,936,939	88,424,398
30 June 2025					
	Note	Fixed	Floating	Non-interest bearing	Total
		ETB'000	ETB'000	ETB'000	ETB'000
Assets					
Cash and balances with banks	15	-	-	33,894,004	33,894,004
Loans and receivables	16	-	41,526,316	-	41,526,316
Investment securities	17	815,234	-	-	815,234
Other Assets	18	-	-	1,462,374	1,462,374
		815,234	41,526,316	35,356,378	77,697,928
Liabilities					
Deposits from other banks	23	-	227,061	-	227,061
Deposits from customers	24	-	35,982,960	28,225,541	64,208,501
Other liabilities	26	-	-	2,623,330	2,623,330
		-	36,210,020	30,848,871	67,058,891

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a period, based on the floating rate non-trading financial assets and financial liabilities held at June 30, 2026 and June 30, 2025. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.



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4 Financial Risk Management (continued)

4.6.1 Management of market risk (Continued)

		Sensitivity of profit or loss ETB'000	Sensitivity of equity ETB'000
30 June 2026	Effect of 10% increase in interest rate	657,605	657,605
	Effect of 10% decrease in interest rate	(657,605)	(657,605)
30 June 2025	Effect of 10% increase in interest rate	477,505	477,505
	Effect of 10% decrease in interest rate	(477,505)	(477,505)

(ii) Foreign exchange risk

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

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

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

The net total foreign currency denominated assets and liabilities exposed to risk as at year end was Birr 4,302 million (30 June 2025: Bir 5,421 million).

Foreign currency denominated balances including balance with		30 June 2026 ETB'000	30 June 2025 ETB'000
Financial assets			
Cash and bank balances	US dollars (USD)	23,902,360	18,928,008
	British pounds (GBP)	349,008	240,593
	Euros (EUR)	5,859,325	3,617,635
	Others	3,091	3,199
		30,113,785	22,789,434
Customer deposits			
	US dollars (USD)	20,408,561	13,149,795
	British pounds (GBP)	355,473	277,428
	Euros (EUR)	4,627,718	3,559,915
		25,391,752	16,987,138
Margins held			
	US dollars (USD)	372,855	65,216
	British pounds (GBP)	46,782	-
	Euros (EUR)	41,016	316,142
		460,654	381,357
		25,852,406	17,368,495
Net foreign currency exposure		4,261,379	5,420,939

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.

The sensitivity of the Bank's earnings to fluctuations in exchange rates is reflected by varying the exchange rates at 50% as shown below:

	30 June 2026 ETB'000	30 June 2025 ETB'000
Impact on profit or loss		
Effect of a 10% increase of the ETB against USD	312,094	571,300
Effect of a 10% decrease of the ETB against USD	(312,094)	(571,300)
Effect of a 10% increase of the ETB against GBP	(5,325)	(3,684)
Effect of a 10% decrease of the ETB against GBP	5,325	3,684
Effect of a 10% increase of the ETB against EUR	119,059	(25,842)
Effect of a 10% decrease of the ETB against EUR	(119,059)	25,842
Effect of a 10% increase of the ETB against Other Currencies	309	320
Effect of a 10% decrease of the ETB against Other Currencies	(309)	(320)



4 Financial Risk Management (continued)

4.7 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 behaviour. 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.

4.8 Capital management

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

4.8.1 Capital adequacy ratio

According to the Licensing & Supervision of Banking Business Directive No SBB/50/2011 of the National Bank of Ethiopia, the Bank has to maintain capital to risk weighted assets ratio of 8% at all times, the risk weighted assets being calculated as per the provisions of Directive No SBB/9/95 issued on August 18, 1995.

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

Capital includes capital contribution, retained earnings, legal reserve and other reserves to be approved by the National Bank of Ethiopia.

	Note	30 June 2026 ETB'000	30 June 2025 ETB'000
Capital			
Capital contribution	30b	14,294,770	9,391,357
Retained earnings	32	4,571,238	4,106,612
Legal reserves	33	5,451,281	3,762,774
		24,317,290	17,260,743
Risk weighted assets			
Risk weighted balance for on-balance sheet items		56,399,915	43,190,286
Credit equivalents for off-balance Sheet Items		4,193,661	3,459,132
		60,593,576	46,649,418
Total regulatory capital		84,910,866	63,910,161
Risk-weighted Capital Adequacy Ratio (CAR)		40%	37%
Minimum required capital		8%	8%
Excess		32%	29%



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4 Financial Risk Management (continued)

4.9 Fair value of financial assets and liabilities

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

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

4.9.1 Valuation models

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

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.
 - Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.
- In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable 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.

4.9.2 Financial instruments measured at fair value – Fair value hierarchy

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

	Carrying amount	Level 1	Level 2	Level 3	Total
30 June 202	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000
Financial assets					
Investments at fair value	1,000,156	-	1,000,156	-	1,000,156
Note 17	1,000,156	-	1,000,156	-	1,000,156
	Carrying amount	Level 1	Level 2	Level 3	Total
30 June 202	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000
Financial assets					
Investments at fair value					
Note 17	815,234		815,234		815,234
	815,234	-	815,234	-	815,234



Zemen Bank Share Company
Notes to the Financial Statements
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4 Financial Risk Management (continued)

4.9.3 Financial instruments not measured at fair value - Fair value hierarchy

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

		30 June 2026		30 June 2025	
	Note	Carrying amount Birr'000	Amortised Cost Birr'000	Carrying amount Birr'000	Amortised Cost Birr'000
Financial assets					
Cash and balai	15	50,296,646	50,296,646	33,894,004	33,894,004
Loans and adv	16	51,727,717	51,727,717	41,526,316	41,526,316
Investment at	17	7,149,990	7,149,990	6,790,608	6,790,608
Total		109,174,353	109,174,353	82,210,927	82,210,927
Financial liabilities					
Deposits from	24	84,850,013	84,850,013	64,208,501	64,208,501
Deposits from	23	188,050	188,050	227,061	227,061
Other liabilities	26	3,386,336	3,386,336	2,623,330	2,623,330
Total		88,424,398	88,424,398	67,058,891	67,058,891

4.9.4 Valuation technique using significant unobservable inputs – Level 3

The Bank has no financial asset measured at fair value on subsequent 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.



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	30 June 2026	30 June 2025
	ETB'000	ETB'000
5 Interest income		
Interest on term loans	6,333,274	4,981,342
Interest on overdrafts and others	1,259,425	983,792
Interest on deposits with foreign banks	814,819	442,981
Interest on investment securities	706,816	468,939
Interest earned on interbank investments	634,990	111,659
Interest on deposit with local banks	360,291	27,356
Interest on merchandise loans	30,242	4,879
Interest on bills	7,339	3,921
	10,147,196	7,024,867
6 Interest expense		
Interest on savings deposit	2,828,310	1,851,260
Interest on time deposit	724,341	387,678
Interest on medium-term borrowings	18,300	7,995
Interest on demand deposit	196	750
Interest on short-term borrowing	-	2,136
	3,571,146	2,249,819
7 Net fees and commission income		
Fee and commission income		
Commissions on letter of credit	3,975,106	2,794,326
Service charge	804,402	375,876
Other fees and commission income	195,997	59,881
Commissions on letter of guarantee	95,404	89,437
Loan processing fee	34,832	10,061
Overdraft protection fee	211	290
Commission on VISA and Mastercard transactions	19	6,432
Balance maintenance fee	14	14
	5,105,985	3,336,316
Fee and commission expense	(65,942)	(27,460)
	5,040,043	3,308,856
8 Gain or loss on foreign exchange		
Gain on exchange rate fluctuations	6,732,981	13,765,490
Loss on exchange rate fluctuations	(4,376,280)	(9,899,480)
Gain on foreign exchange (net)	2,356,701	3,866,011
9 Other operating income		
Sundry income	88,074	20,270
Rent income	84,983	83,228
Dividend income	53,911	47,441
Postage and processing fees	46,143	35,329
	273,112	186,268
10 Loan impairment charge		
Loans and advances - charge for the year (note 16a)	103,561	187,559
	103,561	187,559



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11	Other Provision	30 June 2026	30 June 2025
		ETB'000	ETB'000
11.a	Impairment losses on other assets		
11.a	Provision for other assets - charge for the year (note 18a)	795	33,487
	Provision for bank balance - charge for the year (note 15a)	1,194	997
	Provision for LC guarantee commitment - charge for the year ((note	37,918	23
	Provision for investment - charge for the year (note 17a)	118	117
		40,025	34,623
11.b	Other provision - charge for the year (note 26)	18,607	234,992
	This balance represents interest and penalties on dividend tax assessed by the Ministry of Revenues (MoR)		
12	Personnel expenses		
	Salaries and wages	1,260,596	916,321
	Bonus	443,711	313,796
	Transport	323,864	225,846
	Other staff expenses	319,427	240,823
	Pension costs – Defined contribution plan	187,251	135,893
	Staff allowances	140,380	124,800
	Defined benefit expense	27,656	25,585
		2,702,885	1,983,062
13	Other operating expenses		
	License fees	368,262	156,828
	Insurance	174,527	131,974
	Mastercard	151,844	113,886
	Advertisement	127,283	96,009
	Security service	121,522	119,332
	Consultancy	101,038	35,475
	Other expenses	92,680	84,445
	Visa	89,904	54,803
	Cleaning service	39,294	26,237
	Correspondent charges	38,437	22,930
	Lease charge	37,398	6,880
	Stationery	35,790	28,235
	Donations	33,800	61,856
	Maintenance	32,607	29,408
	Internet	31,350	17,925
	Rent	22,592	17,537
	Entertainment	21,319	19,391
	Fuel	19,801	14,344
	Annual General Meeting Expense	8,424	5,101
	EthSwitch charge	9,628	10,064
	Bank charges	4,998	676
	Audit fee	3,278	1,438
	Board expenses	2,614	1,391
	Cleaning supplies	2,604	2,521
	Annual Board remuneration	1,306	1,258
	Telephone	1,065	1,174
	Additional tax paid	-	5,136
		1,573,366	1,066,253



Zemen Bank Share Company
Notes to the Financial Statements
For the Year Ended June 30, 2026

14	Company income and deferred tax	30 June 2026	30 June 2025
14a	Income tax expense	ETB'000	ETB'000
	Income tax expense (note 14b)	2,530,617	2,337,854
	Deferred income tax charge to profit or loss (note 14e)	17,328	6,122
	Total charge to profit or loss	2,547,945	2,343,976

14b Reconciliation of effective tax to statutory tax

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

	30 June 2026	30 June 2025
	ETB'000	ETB'000
IFRS Accounting profit	9,301,973	8,212,077
Tax calculated at statutory tax rate of 30 %	2,790,592	2,463,623
<i>Add : disallowed expenses</i>		
Depreciation and amortization for IFRS accounting purpose	88,299	72,611
Provision for Other	5,582	70,497
Non accrued interest as per NBE	61,970	66,433
Provision for loans and advances for accounting purpose	31,068	56,268
ROU depreciation and finance lease cost	74,044	54,738
Impairment losses on other assets	12,008	10,387
Donation	1,200	9,077
Below market interest	-	8,395
Provision for annual leave	17,151	7,770
Current service cost (severance pay)	7,175	6,065
Entertainment	8,254	7,613
Tax paid	2,567	4,155
Medical	5,087	2,961
Board remuneration	392	377
Penalty	236	245
Representation allowance	63	26
	315,095	377,618
<i>Less : Allowed expenses /income</i>		
Interest income taxed at source- foreign at different rate	22,120	132,894
Interest income taxed at source-Treasury bills	154,941	118,560
Provision for loans and advances for tax	109,956	87,791
Depreciation and amortization for tax purpose	119,480	86,073
Office rent expense	67,366	53,462
Interest income taxed at source-Government bond	26,900	19,692
Non accrued Interest as per IFRS	30,708	15,924
Dividend income taxed at source	16,173	14,232
Interest income taxed at source-Local deposit (5%)	3,161	8,207
Impairment losses on other assets for tax	1,369	7,928
Interest income taxed at source-NBE bills	30,205	2,430
Gain on disposal of fixed assets (Net)	65	491
Interest income taxed at source- foreign at different rate (10%)	(7,373)	(44,298)
	575,070	503,388
Tax charge for the year	2,530,617	2,337,854

Minimum Alternative Tax(MAT)

Current Income tax has been recognized based on the normal computation of taxable profit in accordance with the Ethiopian Income tax law. Although the Minimum alternative Tax (MAT), as introduced by income tax amendment proclamation No 1395/2025, requires companies with low or nil taxable profits to pay a minimum tax of 2.5% of taxable turnover, the company is profitable for the period.

Therefore, the calculated income tax expense exceeds the MAT, and the Company has recognized income tax based on the standard computation rather than the MAT requirement.

	30 June 2026	30 June 2025
	ETB'000	ETB'000
Net interest income	6,576,050	4,775,048
Other operating income	7,735,798	7,388,594
Total turnover	14,311,848	12,163,643
2.5%	357,796	304,091



Zemen Bank Share Company
Notes to the Financial Statements
For the Year Ended June 30, 2026

14	Company income and deferred tax (continued)	30 June 2026	30 June 2025
14c	Current tax liabilities	ETB'000	ETB'000
	Balance at the beginning of the year	2,335,613	925,258
	Charge for the year	2,530,617	2,337,854
	WHT	(1,328)	(2,240)
	Quarterly in advance income tax payment	(1,168,927)	
	Payment during the year	(2,335,613)	(925,258)
	Balance at the end of the year	1,360,362	2,335,613

14d Quarterly in advance income tax payment

Quarterly in advance income tax amounts paid in accordance with article 89 of the Income Tax Amendment proclamation No.1395/2025, which requires the Company to make quarterly advance income tax payment equivalent of the tax they have paid in the immediate past year. These quarterly payments are subsequently credited against the final income tax liability determined upon submission of the annual income tax return.

During the year, the company paid Birr 1,168,926,838 as advance tax representing two quarterly advance payment. These payment have been recognized as a credit against the current year's tax provision, with any remaining balance to be settled upon filing the annual income tax declaration.

14E Deferred tax liabilities

Deferred income tax assets/liabilities are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets/liability of ETB 245,392 and ETB 179,154 for the Bank recognised as at June 30, 2026 and June 30, 2025 respectively.

	30 June 2026	30 June 2025
	ETB'000	ETB'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	(245,392)	(179,154)
To be recovered within 12 months	-	-
	(245,392)	(179,154)

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

Deferred income tax assets/(liabilities):	1 July 2025	Credit/ (charge) P/L	Credit/ (charge) to equity	30 June 2026
	ETB'000	ETB'000	ETB'000	ETB'000
PPE and intangible asset	(27,983)	(31,181)	-	(59,165)
ROU depreciation and interest expense	1,736	6,678	-	8,414
Remeasurement gain/loss on equity	(191,629)	-	(50,850)	(242,479)
Defined benefit obligation	38,722	7,175	1,940	47,837
Deferred liabilities	(179,154)	(17,328)	(48,910)	(245,392)

Deferred income tax assets/(liabilities):	1 July 2024	Credit/ (charge) P/L	Credit/ (charge) to equity	30 June 2025
	ETB'000	ETB'000	ETB'000	ETB'000
PPE and intangible asset	(14,521)	(13,462)	-	(27,983)
ROU depreciation and interest expense	461	1,275	-	1,736
Remeasurement gain/loss on equity	(182,885)	-	(8,744)	(191,629)
Defined benefit obligation	25,276	6,065	7,382	38,722
Deferred liabilities	(171,670)	(6,122)	(1,362)	(179,154)

PPE and intangible asset	30 June 2026	30 June 2025
Carrying amount	3,138,343	3,148,597
Less: Tax written-down value	(2,941,128)	(3,055,320)
Total timing difference	197,215	93,278
Deferred tax liability	59,165	27,983
Defined benefit obligation		
Carrying amount	159,457	129,074
Less: Tax written-down value	-	-
Timing difference	159,457	129,074
Deferred tax asset on defined benefit obligation	47,837	38,722

Right of use asset		
Carrying amount	825,956	725,567
Less: Tax written-down value	(797,908)	(719,780)
Timing difference	28,048	5,787
Deferred tax asset on right of use asset	8,414	1,736

Equity investment		
Carrying amount	808,262	638,764
Less: Tax written-down value	-	-
Timing difference	808,262	638,764
Deferred tax asset on Equity Investment	242,479	191,629



Zemen Bank Share Company
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For the Year Ended June 30, 2026

	30 June 2026 ETB'000	30 June 2025 ETB'000
15 Cash and cash equivalents		
Balances with foreign banks	29,987,558	23,130,899
Cash reserve with NBE	12,500,000	7,900,000
Balances with domestic banks	6,029,390	541,189
Cash on hand	954,402	604,670
Balances with National Bank of Ethiopia-payment and settlement account	828,154	1,718,910
Less: Loss allowance (note 15a)	(2,859)	(1,665)
	50,296,646	33,894,004
Maturity analysis		
Current	46,333,590	29,659,454
Non-current	3,965,915	4,236,214
	50,299,505	33,895,668

Cash and cash equivalents in the statement of cash flows are the same as on the statement of financial position as the Bank had no bank overdrafts at the end of each reporting period. The reserve account balance maintained with the National Bank of Ethiopian Birr 3,965 million (2025: 4,236) is restricted for current use.

15a Impairment allowance on cash and cash equivalents

A reconciliation of the allowance for impairment losses for cash and cash equivalents is as follows:

	30 June 2026 ETB'000	30 June 2025 ETB'000
Balance at the beginning of the year	1,665	668
Charge/(reversal) for the year	1,194	997
Balance at the end of the year	2,859	1,665

16 Loans and advances to customers

Building and construction	8,424,507	7,304,856
Personal Loans - Customers	8,302,780	6,199,198
Export	6,914,232	6,009,885
Domestic trade and service	6,884,829	5,234,732
Industry	6,840,492	5,445,738
Hotel and tourism	5,608,038	4,684,088
Import	5,227,954	3,205,706
Personal loans - staffs	2,031,228	2,083,165
Transportation	1,526,709	1,501,264
Agriculture	830,908	649,327

Less: Impairment allowance (note 16a)	(863,959)	(791,643)
	51,727,717	41,526,316

Maturity analysis

Current	11,392,253	9,774,540
Non-current	41,199,424	32,543,418
	52,591,676	42,317,958



Zemen Bank Share Company
Notes to the Financial Statements
For the Year Ended June 30, 2026

16 Loans and advances to customers (continued)

16a Impairment allowance on loans and advances to customers

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

<i>Loss allowance for impairment</i>	As at 1 July 2025	Written -off Loans	Impairment Charge for the year	30 June 2026
	ETB'000	ETB'000	ETB'000	ETB'000
Export loans	110,788	(28,188)	107,933	190,533
Import loans	252,227	-	65,209	317,436
Industry loans	9,800	-	589	10,389
DTS loans	325,072	(2,124)	(86,920)	236,028
Agriculture loans	5,366	-	(2,787)	2,579
Consumer loans	19,925	-	10,403	30,328
Hotel loans	61,148	-	9,313	70,461
Building and construction loans	3,786	-	644	4,431
Transport loans	3,203	(932)	(1,356)	914
Staff loans	329	-	532	861
Total	791,643	(31,244)	103,561	863,959

<i>Loss allowance for impairment</i>	As at 1 July 2024	Written -off Loans	Impairment Charge for the year	As at 30 June 2025
	ETB'000	ETB'000	ETB'000	ETB'000
Export loans	148,135	-	(37,348)	110,788
Import loans	84,701	-	167,526	252,227
DTS loans	24,268	-	(14,468)	9,800
Agriculture loans	297,876	-	27,196	325,072
Industry loans	520	-	4,846	5,366
Hotel loans	24,609	(33)	(4,650)	19,925
Building and construction loans	16,315	-	44,832	61,148
Transport loans	2,114	-	1,672	3,786
Consumer loans	4,069	-	(866)	3,203
Staff loans	1,510	-	(1,181)	329
Total	604,117	(33)	187,559	791,643

17 Investments

Investments at fair value through OCI

	30 June 2026 ETB'000	30 June 2025 ETB'000
At the beginning of the year	815,234	783,909
Additions	15,424	2,179
Remeasurement gain on equity investment	169,499	29,146
At the end of the year	1,000,156	815,234

Investments at amortized cost

	30 June 2026 ETB'000	30 June 2025 ETB'000
NBE Bills (Treasury Bill)	5,970,798	5,838,045
Ethiopian Government bonds	1,179,649	952,902
Less: Allowance for impairment(note 17a)	(458)	(340)
	7,149,990	6,790,608

Maturity analysis

	30 June 2026 ETB'000	30 June 2025 ETB'000
Current	5,970,798	5,838,045
Non-current	2,179,805	1,768,136
	8,150,604	7,606,181



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Notes to the Financial Statements
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17 Investments (continued)

17a Impairment allowance on Investments at fair value through OCI

	30 June 2025	Fair Value Adjustment	Additional investment/ (impairment)	30 June 2026
	ETB'000	ETB'000	ETB'000	ETB'000
Entities				
Eth-Switch Solution Share Co.	792,504	166,372	-	958,876
National Insurance Company of Ethic	9,109	3,313	-	12,422
Ethiopian Security Exchange S.C.	13,621	(187)	15,424	28,858
	815,234	169,499	15,424	1,000,156

The Bank holds equity investments in Etwitch S.C as of June 30, 2026 it stands at 5.1% (June 30, 2025: 5.88%), NICE S.C. as of June 30, 2026 it stands at 2.04% (June 30, 2025:2.13%) and Ethiopian Security Exchange S.C as of June 30, 2026 is 2.55% (June 30, 2025:1.5%) . All equity investments are measured at fair value.

A reconciliation of the allowance for impairment losses for investments at fair value through OCI is as follows:

	30 June 2026 ETB'000	30 June 2025 ETB'000
Balance at the beginning of the year	340	223
Charge for the year	118	117
Balance at the end of the year	458	340

The Bank equity investment comprises:

18 Other assets

Financial assets

	30 June 2026 ETB'000	30 June 2025 ETB'000
Staff emergency loan	460,563	301,217
Others	308,951	114,635
Receivable from shareholders(note 18.1)	281,220	281,220
Outward document bill for purchase(ODBP)	277,973	102,636

Less: Specific impairment allowance (note 18a)

Non-financial assets

Prepayments	552,868	306,372
Suspended interest	286,343	183,983
Prepaid staff asset	149,729	130,221
Office supplies(note 18b)	90,371	71,988
Claim on HO and Branches	64,654	5,952

Gross amount

Maturity analysis

Current	343,909	220,892
Non-current	2,128,763	1,277,332
	2,472,672	1,498,224



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Notes to the Financial Statements
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18 Other assets (continued)

18.1 The Bank is currently engaged in a legal dispute with the Tax Authority concerning a dividend tax assessment totalling ETB 516 million. This amount comprises a principal component of ETB 281 million and interest and penalties of ETB 235 million.

In accordance with applicable tax regulations, the Bank has made a deposit of ETB 211 million representing 75% of the principal amount as a prerequisite to initiate legal proceedings. The Board of Directors, based on the legal opinion and interpretation of the tax laws, believes that the principal amount is likely to be recoverable from shareholders if the case is decided against the Bank. Therefore, no provision has been recognized in respect of the principal amount.

Failing to win the court case, the Directors believe that the principal tax claim by the Tax authority of ETB 281 million will be recovered from the respective shareholders and is shown as receivable from shareholders.

However, the outcome regarding the interest and penalties remains uncertain. The Bank recognized a provision of ETB 235 million in the 2024/25 financial year. During the current period, the Bank has recognized an additional provision of ETB 18.6 million, calculated in relation to the remaining principal amount of ETB 70 million, being the difference between the total principal assessment of ETB 281 million and the ETB 211 million deposited with the Tax Authority. The provision has been recognized in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, based on management's assessment of the obligation arising from the tax matter.

The matter remains under active litigation, and the final resolution is dependent on the outcome of the judicial process. The Bank will continue to assess the situation and update its disclosures as the case progresses.

18a Impairment allowance on other assets

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

	30 June 2026	30 June 2025
	ETB'000	ETB'000
Balance at the beginning of the year	35,850	2,350
Charge/(reversal) for the year (note 11a)	795	33,487
Charge/(reversal) for the year (note 11a)	37,918	23
Write-off assets	(8,638)	(10)
Balance at the end of the year	65,924	35,850

18b Office Supplies

A breakdown of the items included within office supplies is as follows:

Stationary stock account	45,610	34,880
Other stock	13,322	9,533
Uniform stock	10,306	10,973
Computers - stock	10,302	8,617
Debit Cards, CPOs, Drafts and CDTs	6,426	7,174
Office equipment-Stock	4,405	812
	90,371	71,988

19 Asset held for sale

Balance at the beginning of the year
addition during the year
disposal during the year

Balance at the end of the year

	30 June 2026	30 June 2025
	ETB'000	ETB'000
	4,139	-
	1,238	4,139
	(4,139)	-
	1,238	4,139

20 Right of Use Asset

The Bank leases a number of assets including land and buildings. The movement about leases for which the Bank is a lessee is presented below:

Cost:

Balance at 01 July 2024

Additions

Adjustment

Balance at 01 July 2025

Depreciation

Balance at 01 July 2024

Charge for the year

Balance at 30 June 2026

Net Carrying Value at 30 June 2025

	1,421,248	1,109,450
	360,870	311,799
	(51,066)	-
	1,731,053	1,421,248
	695,682	520,102
	209,415	175,580
	905,096	695,682
	825,956	725,567

The Bank assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank incremental borrowing rate. i.e. The NBE Policy Rate which is 15%.

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21 Intangible Assets	Computer software	Software under progress	Total
	ETB'000	ETB'000	ETB'000
Cost:			
As at 1 July 2024	353,993	30,398	384,391
Acquisitions	126,250	(21,547)	104,703
As at 30 June 2025	480,243	8,851	489,094
As at 1 July 2025	480,243	8,851	489,094
Acquisitions	32,008	26,534	58,542
Impairment	(37,415)	-	(37,415)
As at 30 June 2026	474,836	35,385	510,221
Accumulated amortisation and impairment losses			
As at 1 July 2024	186,048	-	186,048
Amortisation for the year	49,019	-	49,019
As at 30 June 2025	235,067	-	235,067
As at 1 July 2025	235,067	-	235,067
Amortisation for the year	60,766	-	60,766
Impairment	(36,272)	-	(36,272)
As at 30 June 2026	259,562	-	259,562
Net book value			
As at 30 June 2025	245,176	8,851	254,026
As at 30 June 2026	215,275	35,385	250,659

Based on management's impairment review, intangible assets with a historical cost of Birr 37.41 million and a net book value of Birr 1.14 million were assessed as derecognized and/or impaired during the year ended 30 June 2026.

22 Property, plant and equipment

	Building	Motor vehicle	Computers	Furniture, fittings and equipment's	Total
	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000
Cost:					
As at 1 July 2024	1,660,326	114,396	586,644	563,002	2,924,368
Additions	182,880	131,143	222,670	45,808	582,501
Disposals	-	(916)	(3,779)	(16,850)	(21,545)
As at 30 June 2025	1,843,206	244,623	805,534	591,960	3,485,323
As at 1 July 2025	1,843,206	244,623	805,534	591,960	3,485,323
Additions	71,718	24,335	48,802	84,080	228,935
Adjustment	(119)	-	-	(35)	(154)
Disposals	-	(1,236)	(522)	(1,094)	(2,852)
PPE transferred to Asset held for sale	-	(491)	(617)	(130)	(1,238)
Impairment	-	(1,743)	(5,578)	(8,334)	(15,655)
As at 30 June 2026	1,914,805	265,488	847,619	666,448	3,694,360
Accumulated depreciation					
As at 1 July 2024	41,908	56,232	170,665	147,340	416,145
Charge for the year	26,318	14,739	83,668	63,967	188,692
Adjustment	4,327	-	-	-	4,327
Disposals	-	(870)	(3,611)	(13,930)	(18,411)
As at 30 June 2025	72,553	70,100	250,722	197,377	590,752
As at 1 July 2025	72,553	70,100	250,722	197,377	590,752
Charge for the year	35,132	21,557	101,775	74,935	233,399
Adjustment	-	-	199	(35)	165
Disposals	-	(1,170)	(451)	(967)	(2,587)
Impairment	-	(1,743)	(5,568)	(7,741)	(15,053)
As at 30 June 2026	107,685	88,743	346,678	263,569	806,676
Net book value					
As at 30 June 2025	1,770,654	174,523	554,812	394,583	2,894,571
As at 30 June 2026	1,807,120	176,744	500,942	402,878	2,887,684



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	30 June 2026 ETB'000	30 June 2025 ETB'000
23 Deposits from other banks		
Balances from other banks	188,050	227,061
	188,050	227,061
Maturity analysis		
Current	188,050	227,061
Non-current	-	-
	188,050	227,061
24 Deposits from customers		
Savings deposits	39,431,047	27,741,494
Demand deposits	29,382,141	24,332,799
Other deposits	6,096,848	4,149,058
Retention deposits	5,161,917	3,892,742
Time deposits	4,771,515	4,092,408
	84,843,468	64,208,501
Maturity analysis		
Current	26,416,180	21,066,323
Non-current	58,427,287	43,142,178
	84,843,468	64,208,501
25 Interest Free deposits from customers		
Wadiah Saving Consumer	6,545	-
	6,545	
Maturity analysis		
Current	-	-
Non-current	6,545	-
	6,545	

During the year, the Bank commenced Interest free banking window operations as of June 25, 2026. As of June 30, 2026, the interest free banking window had mobilized customer deposits of ETB 6.6 million. No significant financing activities had been undertaken by year-end. Accordingly, the related balances have been included within customer deposits in these financial statements.

26 Other liabilities		
Financial liabilities		
Mastercard Payable	928,651	630,474
Bonus Payable	443,711	310,305
Blocked cash for guarantee issued	238,895	172,831
Exchange payable to National Bank of Ethiopia	148,297	77,893
Cashier payment orders (CPO)	138,047	171,937
Dividend payable	130,683	63,871
Retention Payable	35,325	70,840
Payable To ETH-Switch	19,301	19,992
Incoming Transfer payable	18,749	14,092
Directors share on Profit	1,306	1,258
	2,102,966	1,533,495
Non-financial liabilities		
Others Payable	403,511	353,894
Unearned income	270,882	228,924
Provision for tax liability	253,598	234,992
Taxes and stamp duty charges	208,628	178,715
Accrued leave	146,751	93,310
	1,283,369	1,089,835
Gross amount	3,386,336	2,623,330
Maturity analysis		
Current	1,377,415	1,104,602
Non-current	2,008,921	1,518,728
	3,386,336	2,623,330

The make up of others payable is as shown hereunder:

Payable to IT service providers	79,471	36,306
Provision for tax liability	70,305	70,305
Payable to Security service providers	26,303	9,800
Payable to Transaction Advisory service	11,389	-
Payable to Training related service	5,607	26,616
Others	210,435	237,484
	403,511	353,894

Provision for tax liability represents interest and penalties on withheld tax assessed by the Ministry of Revenues (MoR).



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Notes to the Financial Statements
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27 Borrowings					
Borrowings				285,302	95,540
				285,302	95,540
	30 June 2025	Add-'New loan	Add-' Interest	less- Repayment	30 June 2026
	ETB'000	ETB'000	ETB'000	ETB'000	ETB'000
Borrowers					
Development Bank of Ethiopia	95,540	253,509	16,347	(80,094)	285,302
	95,540	253,509	16,347	(80,094)	285,302

The Bank has obtained medium-term loan from Development Bank of Ethiopia. The loan bears interest rate of 12% per annum for KFW loan and 10% for ADELE project loans.

Maturity analysis

Current	84,616	-
Non-current	200,685	95,540
	285,302	95,540

28 Lease liability	30 June 2026	30 June 2025
	ETB'000	ETB'000
Lease liability	115,838	134,449
	115,838	134,449

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 lease and 11.5% for land Lease.

	30 June 2026	30 June 2025
	ETB'000	ETB'000
At the beginning of the year	134,449	69,250
Additions	51,022	65,926
Interest expense in P & L	(38,861)	(5,271)
Payment for lease	(1,100)	(3,434)
Adjustment	(29,672)	7,978
At the end of the year	115,838	134,449

Maturity analysis

No later than 1 year	45,120	-
later than 1 year and no later than 5 years	61,339	105,174
More than 5 years	9,379	29,276
Total	115,838	134,449



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29 Defined benefit obligations

Defined benefits liabilities:

Defined benefit obligation	159,457	129,074
Liability in the statement of financial position	159,457	129,074

Income statement charge included in personnel expenses:

Current service cost	27,656	25,585
Total defined benefit expenses	27,656	25,585

Remeasurements for:

Remeasurement loss	6,466	24,607
Total pension prize	6,466	24,607

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

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

a Liability recognised in the financial position	159,457	129,074
b Amount recognised in the profit or loss		
Current service cost	18,545	16,805
Interest cost	9,111	8,780
	27,656	25,585
c Amount recognised in other comprehensive income:		
Remeasurement (gains)/losses arising from changes in demographic assumptions		
Remeasurement (gains)/losses arising from changes in the economic assumptions	(10,335)	12,776
Remeasurement (gains)/losses arising from experience	16,801	11,831
	6,466	24,607

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

At the beginning of the year	129,074	84,252
Remeasurement losses	6,466	24,607
Interest cost	9,111	16,805
Current service cost	18,545	8,780
Benefits paid	(3,739)	(5,370)
At the end of the year	159,457	129,074

The significant actuarial assumptions were as follows:

	30 June 2026	30 June 2025
i) <u>Financial Assumption Long term Average</u>	ETB'000	ETB'000
Discount Rate (p.a)	15.25%	14.70%
Future salary Increases(% p.a.)	13.25%	14.20%
Mortality assumptions-Males	DHS2016	DHS2016
Mortality assumptions-Females	DHS2016	DHS2016
Weighted average duration of defined benefit obligation	4.59	8

ii) Mortality in Service

Mortality rates are commonly set with reference to standard tables published by reputable institutions (such as the Actuarial Society of South Africa and the Central Statistics Agency ("CSA") of Ethiopia who have access to statistically significant data from which to derive mortality rates.

Sample mortality rates are as follows:



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Notes to the Financial Statements
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29 Defined benefit obligations (continued)

Age	30 June 2026		30 June 2025	
	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.

Age	Annual Rate of Resignation
20	15.0%
25	12.5%
30	10.0%
35	7.5%
40	5.0%
45	2.5%
50	0.0%
55	0.08%

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

Particulars	Scenario-1 Base	Scenario 2 Discount Rate +1%	Scenario 3 Salary Rate +1%	Scenario 4 Discount Rate -1%	Scenario 5 Salary Rate -1%
Discount Rate	15.25%	16.25%	15.25%	14.25%	15.25%
Salary Increases	13.25%	13.25%	14.25%	13.25%	12.25%
Demographic Assumptions	No Change	No Change	No Change	No Change	No Change
Net liability at start of period	129,074	129,074	129,074	129,074	129,074
Net expense recognised in the income statement	27,655	27,655	27,655	27,655	27,655
Net expense recognised in other comprehensive income	6,466	0	12,986	13,580	478
Company paid benefits	-3,739	-3,739	-3,739	-3,739	-3,739
Net liability at end of period	159,457	152,991	165,976	166,571	153,469
% Change	—	-0.0406	0.0409	0.0446	-0.0376



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	30 June 2026 ETB'000	30 June 2025 ETB'000
30 Share capital		
Authorised:		
At the beginning of the year	15,000,000	15,000,000
Additional authorization during the year	5,000,000	-
At the end of the year	20,000,000	15,000,000
30a Reconciliation of number of shares subscribed		
At the beginning of the year	14,906,349	11,309,456
Additional subscription during the year	93,651	3,596,893
At the end of the year	15,000,000	14,906,349
30b Paid up capital		
At the beginning of the year	9,390,451	7,455,181
Issued and paid - Ordinary shares	4,897,535	1,935,270
At the end of the year	14,287,986	9,390,451
30c Share Premium		
At the beginning of the year	906	906
Issued and paid - Ordinary shares	5,878	-
At the end of the year	6,784	906
30d Special reserve		
In previous years, the Annual General Meeting of Shareholders resolved to set aside a portion of the annual declared amount as an additional reserve, in addition to the statutory legal reserve, with the objective of strengthening the Bank's capital base. However, during the current year, in accordance with the resolution of the Annual General Meeting, the Bank distributed the cumulative balance of the special reserve to its shareholders.		
At the beginning of the year	143,024	97,672
(Transfer to)/addition from retained earning during the year	(143,024)	45,353
At the end of the year	-	143,024

31 Earnings per share

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

	30 June 2026 ETB'000	30 June 2025 ETB'000
Profit attributable to shareholders	6,754,027	5,868,101
Weighted average number of ordinary shares in issue	12,538	8,591
Basic & diluted earnings per share (ETB)	539	683

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.

	30 June 2026 ETB'000	30 June 2025 ETB'000
32 Retained earnings		
At the beginning of the year	4,106,579	1,679,726
Profit (Loss) for the year	6,754,027	5,868,101
Dividends paid	(4,106,579)	(1,679,726)
Transfer to legal reserve	(1,688,507)	(1,467,025)
Transfer to regulatory risk reserve	(494,282)	(294,496)
At the end of the year	4,571,238	4,106,579



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33 Legal reserve	30 June 2026	30 June 2025
	ETB'000	ETB'000
At the beginning of the year	3,762,774	2,295,749
Transfer from retained earnings	1,688,507	1,467,025
At the end of the year	5,451,281	3,762,774

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

34 Regulatory risk reserve	30 June 2026	30 June 2025
	ETB'000	ETB'000
At the beginning of the year	626,362	331,866
Prior year adjustment	(33)	-
Transfer from retained earnings	494,282	294,496
At the end of the year	1,120,612	626,362

	Suspend interest	Excess provision as per NBE	Total
30 June 2026			
Balance after provisioning	654,251	777,130	1,431,381
Taxation @30%	(196,275)	-	(196,275)
	457,976	777,130	1,235,106
Balance transferred to Regulatory risk reserve	(114,494)	-	(114,494)
	343,482	777,130	1,120,612
Balance brought forward			626,329
Current period addition			494,282

	Suspended interest	Excess provision as per NBE	Total
30 June 2025			
Balance after provisioning	447,686	391,327	839,013
Taxation @30%	(134,306)	-	(134,306)
	313,380	391,327	704,707
Balance transferred to Regulatory risk reserve	(78,345)	-	(78,345)
	235,035	391,327	626,362
Balance brought forward			331,866
Current period addition			294,496

The Regulatory risk reserve is a non-distributable reserves required by the regulations of the National Bank of Ethiopia(NBE) to be kept for impairment losses on loans and receivables in excess of IFRS charge as derived using the forward looking 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 forward looking model under IFRS, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the Bank.

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



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		30 June 2026	30 June 2025
		ETB'000	ETB'000
35 Other reserve			
At the beginning of the year		404,021	400,843
Remeasurement gains on defined benefits plan, net of deferred tax		(4,526)	(17,225)
Remeasurement fair value gains on equity investment, net of deferred tax		118,649	20,403
At the end of the year		518,144	404,021
36 Cash generated from operating activities	Note		
Profit before tax		9,301,973	8,212,077
Adjustments for non-cash items:			
Foreign exchange gains/losses	8	(2,356,701)	(3,866,011)
Depreciation of property, plant and equipment	22	234,165	193,019
Amortisation of intangible assets	21	61,909	49,019
Depreciation on the Right of use asset	13	209,415	175,580
Gain/Loss on disposal of property, plant and equipment	36a	367	(482)
Impairment on loans and receivables	16a	103,561	187,559
Impairment on other assets	11a	40,025	34,623
Provision for others	11b	18,607	234,992
Interest on lease liability	13	37,398	6,880
Interest on borrowings	6	18,300	10,131
Defined benefit obligations	29	27,656	25,585
Changes in working capital:			
Change in loans and advances to customers	16	(10,273,718)	(6,083,692)
Change in other assets	18	(1,143,990)	(409,613)
Change in other liabilities	26	744,350	990,717
Change in deposits from banks	23	(39,011)	(289,045)
Change in deposits from customers	24	20,641,513	21,113,765
		17,625,818	20,585,103
In the statement of cash flows, profit on sale of property, plant and equipment (PPE) comprise:			
		30 June 2026	30 June 2024
		ETB'000	ETB'000
36a Proceeds on disposal		34	3,616
Net book value of property, plant and equipment disposed (note 21)		(401)	(3,134)
Gain/Loss on sale or disposal of non-current assets		(367)	482



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37 Related party transactions

Zemen Bank is a privately owned commercial bank.

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

37a Transaction with related parties

	30 June 2026 ETB'000	30 June 2025 ETB'000
Loans to related parties		
Board of directors	1,650,998	1,058,050
Executive management	96,009	63,892
	1,747,008	1,121,942

AS OF JUNE 30, 2026, the total balance of transactions with related parties recognized through the Board or Directors was ETB 1,650,998. A significant portion of this amount, ETB 1,639,978 constitutes a loan facility extended to Safaricom Telecommunications Ethiopia PLC. It is noted that one of the bank's sitting Board Members also holds a director position at Safaricom, creating a related-party relationship as defined by the National Bank of Ethiopia.

37b Key management compensation

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

	30 June 2026 ETB'000	30 June 2025 ETB'000
Mgt Salaries and other short-term employee benefits	59,855	37,813
Annual Board Remuneration and Expense	3,920	2,648
Sitting allowance	2,994	2,671
	66,769	43,132

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

37c Key management and Director's Shareholding

The Bank discloses the direct shareholding interest of its Directors and key management personnel in accordance with the applicable disclosure requirement of the Ethiopian Capital Market Authority (ECMA). The amounts represents the value of share directly held by Directors and key management personnel in the Banks.

	30 June 2026 ETB'000	30 June 2025 ETB'000
Board of directors	403,495	211,461
Executive management	26,858	17,044
	430,353	228,505

38 Board of Directors and employees

The average number of persons employed by the Bank at year end was as follows:

	30 June 2026 ETB'000	30 June 2025 ETB'000
Board of Directors	12	9
Executive management	10	10
Senior and middle management	301	281
Clerical	1,340	1,319
Non-clerical	242	268
Contractual	42	32
	1,947	1,919



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39 Contingent liabilities and commitments

39a Claims and litigation

The Bank is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The maximum exposure of the Bank to these legal cases as of June 30, 2026 is ETB 741.2 million. Of this amount, the significant portion of the legal case, ETB 516 million, is related to matters with dividend tax. The Bank recognized a provision of ETB 235 million in the 2024/25 financial year. During the current period, the Bank has recognized an additional provision of ETB 18.6 million, calculated in relation to the remaining principal amount of ETB 70 million, being the difference between the total principal assessment of ETB 281 million and the ETB 211 million deposited with the Tax Authority. The Bank has also deposited ETB 211 million with the Tax authority as prerequisite to legal proceedings (note 18). No other provision has been made in the financial statements, as the Directors believe that it is not probable that the economic benefits would flow out of the Bank in respect of these legal actions.

39b Guarantees and letters of credit

The Bank conducts business involving performance bonds guarantees and letter of credit. Performance bond and guarantee instruments are given as a security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts. Letter of credit instrument are given to make payments to third parties on production of document, and the amounts are subsequently reimbursed by customer.

The table below summarises the fair value amount of contingent liabilities for the account of customers:

	30 June 2026 ETB'000	30 June 2025 ETB'000
Guarantees and letters of credit	23,795,301	9,748,351
	23,795,301	9,748,351

39c Approved but not disbursed loan commitments

The Bank has undisbursed loan commitments, not provided for in these financial statements of ETB 3.6 billion at 30 June 2026 (30 June 2025: ETB 4.11 billion)

The table below summarises the fair value amount of loan commitments:

	30 June 2026 ETB'000	30 June 2025 ETB'000
Loan commitments	3,600,925	4,119,913
	3,600,925	4,119,913

40 Events after reporting period

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

41 Comparative figures

Where necessary, certain comparative figures have been reclassified to conform with the changes in the current year.

