



**Gadaa Bank Share Company**

# **Prospectus for the Registration of Existing Shares**

*No new equity shares are proposed to be sold or issued pursuant to this  
Prospectus.*

**June 13, 2025**

**THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND  
REQUIRE YOUR IMMEDIATE ATTENTION**

This Prospectus related to Gadaa Bank S.C is issued under the provisions of the capital market proclamation No 1248/2013, and in compliance with the public offer and trading directives of the Authority for the purpose of giving information to the potential investors and the public regarding the registration of existing securities (ordinary Shares). This Prospectus has been approved and the Securities that it listed have been registered, by the Ethiopian Capital Market Authority.

Investing in these securities carries certain risks. Therefore, it is essential to read the Prospectus thoroughly, especially section 8, which outlines the risk factors involved. If you are unsure about the actions you should take, please consult a qualified and licensed, independent securities advisor for guidance before making any investment decisions.

The Bank, the Board of Directors, and the executive management of the Bank whose name is in Section 4, accept full responsibility for the information contained in the Prospectus and, to the best of their knowledge and belief, have taken all reasonable care to ensure that the information in the Prospectus is in accordance with facts and does not omit anything likely to affect the importance of such information or make the expression of such information or opinion misleading or untrue. Investing in these securities involves risks, with reference to the relevant pages on risk factors that should be considered by prospective investors.

**The approval of the Prospectus and the registration of the Securities should not be construed as an endorsement by the Ethiopian Capital Market Authority of the Issuer or of the Securities. The Ethiopian Capital Market Authority does not assume responsibility for the correctness of any statements, opinions, or reports included herein.**

**Gadaa Bank Share Company**

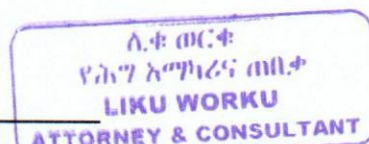
This Prospectus is for the registration of existing securities with the intention to list 1,232,728 shares with ETB 1000 per share.

**No equity shares are proposed to be sold or offered pursuant to this**

**Prospectus**

Independent Legal Advisor

Liku Worku Law Office



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## **SECTION ONE – GENERAL INFORMATION**

### **1.1. Definition and Abbreviations**

In this document, unless otherwise stated or clearly indicated by the context, the following words have the stated meanings. Reference to statutes, rules, regulations, guidelines and policies will be deemed to include all amendments and modifications notified thereto.

<b>ATM</b>	Automated Teller Machine
<b>Auditors</b>	Auditors licensed by Accounting and Audit Board of Ethiopia (AABE)
<b>Authority</b>	The Ethiopian Capital Market Authority established under the Capital Market Proclamation No. 1248/2021
<b>Board or Director or BoD</b>	Members of the Board of Directors of the Bank who as at the date of this document are those persons whose names are set out in Section 4 of this Prospectus
<b>Banking Business Proclamation</b>	NBE Regulation on the Scope of Banking Activities
<b>ECMA</b>	Ethiopian Capital Market Authority
<b>ESX</b>	Ethiopian Securities Exchange
<b>ETB or Birr</b>	Ethiopian Birr
<b>Ethiopia or The Country or FDRE</b>	Federal Democratic Republic of Ethiopia
<b>Equity Shares</b>	The equity shares of the Company having face value of Birr 1000 each
<b>ESOP</b>	The Bank's Employee Share Ownership Plan
<b>Financial Statements</b>	Audited financial statements of the Bank since incorporation i.e., April 26, 2022
<b>FY</b>	Fiscal Year
<b>FIS</b>	Financial Intelligence Service
<b>Gadaa Bank or the Bank or the Company or the Issuer</b>	Gadaa Bank S.C
<b>GDP</b>	Gross Domestic Product
<b>IFRS</b>	International Financial Reporting Standards
<b>Independent Director</b>	A non-executive director that has no family of first degree



	consanguinity relationship or business, professional or commercial relationship with the bank, and is neither part of senior management nor involved in the day-to-day operations of the bank.
<b>Prospectus</b>	The Prospectus dated June 13, 2025 to be filed with the ECMA
<b>Investor</b>	Any person who sells, buys, or holds Gadaa Bank shares in accordance with this Proclamation with the expectation of a financial return from such transactions
<b>IT</b>	Information Technology
<b>KPI</b>	Key Performance Indicators
<b>KYC</b>	Know Your Customer
<b>The Bank Management</b>	Members of the senior management team of the Bank whose names are set out on page 61, 62 and 63 of this Prospectus
<b>MOA</b>	Memorandum of Association
<b>NBE</b>	National Bank of Ethiopia
<b>NPL</b>	Non-Performing Loan
<b>Ordinary Shares</b>	Issued and fully paid-up ordinary shares
<b>PLC</b>	Private Limited Company
<b>Proclamation</b>	Ethiopian Capital Market Proclamation No. 1248/2021 and Ethiopian Banking business proclamation
<b>Shareholders</b>	Holders of the ordinary shares in the capital of the Bank

## 1.2. Corporate Directory

<b>Registered Office and Corporate Office</b>	<b>Head Office  Goteru   kirkos SubCity W-03, HNo-745 Tel: +251 641Website: <a href="https://www.gadaabank.com.et/">https://www.gadaabank.com.et/</a> Email: <a href="mailto:info@gadaabank.com.et">info@gadaabank.com.et</a></b>
<b>Branch Addresses</b>	<b>The Bank's branch addresses are provided in the annex.</b>
<b>Tax Identification Number</b>	<b>0078024655</b>

<b>Company Registration</b>	<b>MT/AA/3/0052823/2014</b>
<b>Chief Executive Officer</b>	<b>Mr. Wolde Bulto</b>
<b>Company Secretary</b>	<b>Mr. Geleta Daba</b>
<b>Chief, Risk and Compliance Management Officer</b>	<b>Mr. Dereje Mengistu</b>
<b>Director, Finance Management</b>	<b><u>Mrs. Tenaye Aklilu</u></b>

### **1.3. Persons Responsible for the Information Disclosed**

The Bank, the Directors and Executive Management of the bank whose names appear below accept full responsibility for the information contained in this Prospectus. The Directors can be reached at the registered address of the Bank. To the best of their knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information or make the expression of such information or opinion misleading or untrue.

#### ***Name of Company Directors, CEO and Finance Management Director***

Dr. Hassan Hussien Kedir-Board Chairperson

Mr. Hailu Ifa Gonfa (The National Regional State of Oromia Public Enterprise Bureau – Board V/Chairperson

Dr. Degefa Duresa Obbo- Member of the Board

OCC (Eng. Ashenafi Daba Abdi) - Member of the Board

Mr. Kassim Kufa Jarra- Member of the Board

Mr. Tilahun Tadesse Tuji- Member of the Board

Mr. Wassihun Amenu Tiyiti- Member of the Board

Mr. Hamdeno Mideso Woya- Member of the Board

Mrs. Semira Mohamed Abdella- Member of the Board

Amb. Mulu Solomon- Member of the Board

Dr. Gutu Teso Boka- Member of the Board

Mr. Galata Daba – Company Secretary

Mr. Wolde Bulto- Chief Executive Officer

Mrs. Tenaye Aklilu- Director-Finance Department

### **Certain Conventions, Use of Financial Information and Market Data**

All references in this Prospectus to “the Bank” are to Gadaa Bank SC and unless stated otherwise, all references to page numbers in this Prospectus are to the page numbers of this Prospectus.

### **Financial data**

The Bank publishes its Financial Statements in Ethiopian Birr. Unless stated otherwise, the financial data pertaining to the Company in this Prospectus is derived from the audited Financial Statements for FY 2021-22, FY 2022-23, and FY2023-24 and 31 December 2024 and such Financial Statements are represented in ‘ETB’ (ETB ’000s). The said Financial Statements are disclosed in the “*Financial Information*” and “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations*” on Section 7 of this Prospectus.

The Bank’s Financial Statements, including the reports issued by Company’s Auditor for FY 2021-22, FY 2022-23, FY2023-24, and 31 December 2024 included in this Prospectus, have been prepared in accordance with IFRS standards.

The Company’s financial year commences on July 01, and ends on June 30, so all references to a particular Financial Year or Fiscal year are to the 12-month period commencing on July 1 of the immediately preceding calendar year and ending on June 30 of that particular calendar year. Unless the context requires otherwise, all references to a year in this Prospectus are to a calendar year and references to a FY are to the year ended on June 30, of that calendar year.

### **Industry and Market Data**

Unless stated otherwise, industry and market data used in this Prospectus has been obtained or derived from publicly available information as well as industry publications and sources. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable, but their accuracy and completeness are not guaranteed, and their reliability cannot be assured.

## **1.4. Third-Party Information**

The Bank confirms any other information sourced from third parties and contained and referred to in this Prospectus has been accurately reproduced in this Prospectus and that there are no facts of which the Bank is aware that have been omitted and which would render the reproduced information inaccurate or misleading.



## **Currency and Units of Presentation**

The Ethiopian Birr, the official currency of the Federal Democratic Republic of Ethiopia, is referred to as "ETB" or "Birr" in all contexts. The Bank has provided specific numerical data in this prospectus. All figures, unless otherwise noted in this prospectus, have been stated in Ethiopian birr.

## **Forward Looking Statements**

Certain statements in this Prospectus constitute “forward-looking statements”. When used in this Prospectus, the words “project”, “anticipate”, “believe”, “estimate”, “expect” and similar expressions are generally intended to identify forward-looking statements. Such forward-looking statements, including the intended actions and performance objectives of the listing; involve known and unknown risks, uncertainties, and other important factors that could cause the actual results, performance, or achievements of the listing to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. In addition to other analytical tools, the Bank will employ the use of financial models to evaluate investment opportunities. The accuracy and effectiveness of such models cannot be guaranteed. In all cases, projections are only estimates of future results which are based upon assumptions made at the time that the projections are developed. Projections are inherently uncertain and subject to factors beyond the control of the Bank. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements, and the occurrence of unforeseen events could impair the ability of the Bank to realize projected values and / or cash flow in respect of the listing. Therefore, there can be no assurance that the projected results will be achieved, and actual results may vary significantly from the projections. General economic and industry-specific conditions, which are not predictable, can have also an adverse impact on the reliability of projections.

## **Rounding**

Certain numerical figures presented in this Prospectus may have undergone rounding adjustments. Consequently, the totals displayed in specific figures may not represent a precise arithmetic sum of the preceding figures.

## **1.5. Auditors**

The Company’s External Auditors for the year covered by the Historical Financial Information except for 2021/22 fiscal year, Tewodros and Fikre Audit Service is serving as the Company’s external auditor:

<b>Feysel Takele Reta Certified Audit Firm</b>	<b>Tewodros and Fikre Audit Service Partnership</b>
Financial year-2021-2022	Financial year: <b>2023-2024</b>
<b>Address:</b> P.O. Box 9151	<b>Address: P.O. Box 8118</b>
<b>Phone:</b> 251 –11 -8545765	<b>Phone: 251 – 011 -466 11 57</b>
Addis Ababa	<b>Addis Ababa</b>
<b>E-mail:</b> info@feyselandssociates.com	<b>E-mail: chatewodros@gmail.com</b>
<b>AABE license</b>	<b>AABE License</b>
<b>Issue date:</b> 2022-06-06	<b>Issue date: 2025-02-06</b>
<b>ADF Number- 00190</b>	<b>Reg. Cert. No: ADF00007</b>
<b>2023-02-07</b>	<b>Expiry Date: 2026-02-07</b>

### Changes in Auditors

Before the appointment of Tewodros and Fikre Audit Service Partnership, the certified audit firm and a member of Accounting and Auditing Board of Ethiopia, Feysel Takele Reta served as the Company's external auditor for the fiscal year 2021/22. Feysel Takele Reta Certified Audit Firm served as an external auditor during the pre-operational period of the Company.

The Company's first audit firm is replaced by the incumbent auditor simply because it has completed its term of appointment. Pursuant to Article 344(1) of the F.D.R.E Commercial Code, Proclamation Number 1243/2021, the auditor's term of appointment shall be until the first annual general meeting where elected by the meeting of subscribers. In accordance with the relevant laws and the Bank's MOA, it is mandatory for banks to have an external auditor. Consequently, the Board of Directors announced a bid for interested bidders and subsequently engaged the current audit firm. Hence, the first audit firm was replaced to comply with this law requirement.

The Company will replace its Auditor upon the completion of their term, in accordance with Commercial Code Proclamation No. 1243/2021.

## 1.6. Prospectus Summary

### 1.6.1 Introduction and Warning

Prospective investors are hereby warned that;

- this summary should be read as an introduction to the Prospectus;

- b) this summary should be read together with other parts of the Prospectus;
- c) any decision to invest in these securities should be based on consideration of the Prospectus as a whole by the investor.

## **1.6.2 Key Information on the Company**

### **1.6.2.1. The name and domicile of the Company**

The legal name of the Company is Gadaa Bank Share Company and its commercial name is Gadaa Bank. The Company is domiciled in Ethiopia. The Company was registered as a Share Company on 4 May 2022 in accordance with the Commercial Registration Proclamation and has obtained its license on 26 April 2022 to join the Ethiopian banking business.

### **1.6.2.2. Description of the Company**

Gadaa Bank is established to contribute towards economic empowerment and holistic transformation of the low & medium-income section of the population in the country. The founding members made an intensive reflection on the livelihoods of large majority of Ethiopian farmers, pastoralists, young college graduates with entrepreneurial skills and women who do not have access to financial services in general and in particular to loan types that suits their contexts.

The founding Shareholders meeting was conducted in August 2021. In this meeting, eleven boards of directors composed of appropriate professionals have been elected to lead the Bank. The board of directors has also appointed CEO to lead the Bank.

The Bank was established with a subscribed capital of Birr 1.167 billion. The Shareholders are mainly youth residing both in the country and overseas.

### **1.6.2.3. Principal Activities of the Company**

The Company offers a comprehensive range of financial services, including **accepting deposits** through various account types such as **savings, checking accounts, and fixed time deposits**; providing **loans and advances**, including **personal loans, business loans, and mortgages**; facilitating payment and settlement services through **checks, electronic transfers**, and payment processing; and **offering foreign exchange services**, including currency exchange and international trade financing.

#### 1.6.2.4. Corporate Governance of the Bank

The Bank is governed by a Board of Directors comprised of eleven (11) members, whose names are set forth in Section 4.2 of this Prospectus. Supporting the Board is a Core Management team, led by Chief Executive Officer, and four Chief Officers. They, in turn, are supported by three (3) three executive directors and twelve (12) directors, including Director Finance Management forming the Senior Management. All members of the Board of Directors and Management are Ethiopian nationals.

In accordance with NBE directives, currently the Bank's Board has established various committees, namely the Audit Committee, Risk Management & Compliance Committee, Nomination & Remuneration Committee and Credit Committee.

#### 1.6.2.5. Summary of Key Historical Financial Information

The tables below set out the Bank's key historical financial information for the years indicated as reported in accordance with IFRS. The key historical financial information for the Bank set out below has been extracted without material adjustment from Historical Financial Information of this Prospectus.

#### Summary of financial Statements

##### a. Summary of Statement of Profit or Loss and Other comprehensive Income

<i>Figures are in ETB, except as stated otherwise</i>	Reviewed	Audited	
	Six months ended on 31 December 2024 (birr'000)	30-Jun 2024 (birr'000)	30-Jun 2023 (birr'000)
Net interest income	170,219	243,446	54,401
Net operating income	707,533	657,147	94,034
Income tax	(41,941)	(11,118)	50,544
Profit for the period	247,155	90,151	(84,292)
Other comprehensive income (OCI) net on income tax	-	115,570	(2,942)
Total comprehensive income for the period	247,155	205,721	(87,234)

## b. Summary of Financial position

Particulars	Six months ended on 31 December 2024 (birr'000)	As at 30 June 2024 (birr'000)	As at 30 June 2023 (birr'000)
Total assets	7,264,542	5,605,348	2,690,366
Total Liabilities	5,711,617	4,408,922	1,882,549
Share capital	1,183,750	1,074,406	890,150
Retained Earnings	139,824	(23,375)	(79,871)
Legal Reserve	84,326	22,538	
Risk reserve	32,396	9,748	480
Other reserve	112,628	112,628	(2,942)
Total Equity	1,548,533	1,196,425	807,817
<b>Total Liabilities and Equity</b>	<b>7,264,542</b>	<b>5,605,348</b>	<b>2,690,366</b>

The Bank managed to reduce its negative retained earnings to negative Birr 23.3 million as at 30 June 2024. This result was achieved by utilizing the positive profit generated during the fiscal period ended 30 June 2024. From this profit, deductions were made for the legal reserve, directors' share of profit, and risk reserve pertaining to the period ended 30 June 2024, with the remaining profit then used to offset the previously accumulated negative retained earnings.

## c. Summary cash flows

Particulars	Six months ended on 31 December 2024	As at 30 June 2024	As at 30 June 2023
<b>Net cash (outflow)/inflow from operating activities</b>	509,553	871,061	763,236
<b>Net cash (outflow)/inflow from investing activities</b>	(412,678)	(822,815)	(1,010,569)
<b>Net cash (outflow)/inflow from financing activities</b>	109,344	184,256	327,731
<b>Net increase/(decrease) in cash and cash equivalents</b>	206,219	232,502	80,398
<b>Cash and cash equivalents at the end of the year</b>	1,170,571	964,351	731,849

### 1.6.3 Key Information on the Securities

The Bank submits a total of 1,232,728 existing ordinary shares for registration at Birr 1,000 each, with the intention of direct listing on Ethiopian Securities Exchange (ESX). No new Equity Shares are proposed to be sold or offered pursuant to this Prospectus.

### 1.6.4 Rights attached to the Ordinary Shares

The rights attached to the Ordinary Shares are uniform in all respects and they form a single class for all purposes. The rights attached to the Ordinary Shares are set out below:

- A. Every Ordinary Share shall confer a right to participate in the annual net profits and to a share in the net proceeds on a winding-up;
- B. The share in the profits and in the proceeds on a winding-up due to a holder of Ordinary Shares shall be calculated in proportion to its holding in the paid up capital of the Company;
- C. Every Ordinary Share shall confer voting rights. The voting rights attached to a Shareholder shall be in proportion to the amount of capital represented by their Ordinary Shares; and
- D. Every holder of Ordinary Shares has a Pre-emptive right, in proportion to his holding, to purchase cash shares issued on an increase of capital.

In the event of bankruptcy, certain payments will have priority over the Shareholders.

### 1.6.5 The Intended ESX listing

The Bank intended to list the Bank's shares on the ESX, adhering to the Exchange and ECMA requirements to enhance liquidity for Shareholders after obtaining registration approval from ECMA. This will be subjected to successful meeting of all requirements of ESX after getting registration approval from ECMA.

The Company has taken steps for completion of necessary formalities for listing and commencement of trading within a period as approved by ECMA. The shares will be listed on ESX's **Main Market**.

### 1.6.6 Summary of key risks

*Any investment in the Ordinary Shares is subject to a number of risks. Prior to investing in the Ordinary Shares of Gadaa Bank, Prospective Investors should carefully consider the risk factors associated with investing on the Ordinary Shares, the Company's business and*



*the industry in which it operates, together with all other information contained in this Prospectus as a whole. Key Person Dependency Risk, Legal and Compliance and changing regulation risk, Risk related to meeting capital requirement, Risks Related to foreign banks entry into the Ethiopian banking industry, Lack of trading history, Market acceptance risk, Liquidity risk, Credit risk, Foreign exchange Fluctuation risk, Operational Risks, and Risks related to competition in the banking industry are described in section 8.*

#### **i. Stiff competition**

The Ethiopian banking industry is known for its stiff competition, mainly focusing on urban areas and a very limited number of corporate clients. Almost all banks compete with similar products, making it challenging for new entrants to compete with established banks. Established banks are more accessible and convenient for customers than new entrants. Additionally, established banks have a huge opportunity in mobilizing deposits, retaining customers, providing various incentives, and offering competitive prices. The competition from these banks will impact Gadaa Bank's ability to increase its market share, win customers' trust, and offer competitive prices, thereby affecting the Bank's profitability.

#### **ii. Political instability**

Political instability affects banking innovation and disrupts overall operations. Furthermore, political instability results in the looting of bank properties and documents, staff shortages, damage to technology, and branch closures. Additionally, in times of unrest, there are frequent government policy changes, making the Bank's investment decisions and ability to plan for the future complicated. Therefore, political instability affects loan provisions, potential customers, and borrowers' loan repayment ability, resulting in decreased profitability.

#### **iii. Risks of raising capital**

Banks operate within a strictly regulated environment. The minimum capital requirement mandated by the NBE for banks is Birr 5 billion. The Bank's paid-up capital currently stands at Birr 1.23 billion, and an additional 3.77 billion is required. With shareholders mostly located in rural parts of the country, it is difficult for the bank to raise the necessary additional capital from its existing base to meet the NBE's requirement. The inability to raise sufficient capital will affect the Bank's lending ability and investment activities; furthermore, failure to meet capital requirements may lead to receivership or merger.

**iv. *Key Person dependency risk***

Reliance on specific individuals' skills, knowledge, and relationships creates disruption in operations when these individuals leave the organization. In new entrants such as Gadaa Bank, dependency on key personnel is evident. If these key individuals leave or become unavailable, the impact will be felt in the Bank's ability to manage and expand business effectively, retain corporate customers, manage costs, implement strategies, and even maintaining engagement among the remaining employees.

**v. *Compliance and changing regulation risk***

Government regulations and policies change constantly to manage on-going developments. As a regulated entity, Gadaa Bank is subject to compliance requirements from various supervising and regulatory bodies. Failure to comply with these regulations and policies can result in financial and criminal penalties, loss of reputation, and, in certain cases, revocation of the bank's license.

**vi. *Exposure to risks related to foreign banks entry into the Ethiopian banking industry***

Foreign banks entering the Ethiopian market possess superior resources, advanced technology, and offer competitive pricing. Additionally, they may heavily invest in innovative banking solutions and infrastructure, provide a diverse range of products, and retain professional employees. The entry of foreign banks may, therefore, affect new entrants such as Gadaa Bank by impacting their ability to retain clients and professionals, squeezing profit margins, and threatening their financial stability.

**vii. *Exposure to liquidity risk***

Gadaa Bank as a new entrant may face liquidity challenge; this is evident especially during the early years of operation. Liquidity risk can hinder the Bank's growth and efforts to build a solid market presence. Insufficient liquidity can lead to operational difficulties, including the inability to fund day-to-day transactions, and can adversely affect lending activities, leading to decreased customer and investor interest. It can further undermine the Bank's ability to meet its payment obligations, resulting in reputational damage. The liquidity challenge extends beyond normal operations and can affect shareholders' holdings by making share sales difficult and depressing share prices as more shares flood the market.

**viii. *Exposure to credit risk***

Credit risk refers to the potential financial loss a bank may incur if borrowers or counterparties fail to fulfil their contractual obligations. This risk is mainly associated with the Bank's loans and advances. The Bank faces inherent risks related to the credit quality of

its customers, which can negatively influence asset values. Poor management of credit quality or inadequate provisioning could significantly harm the Bank's business and financial health.

**ix. Exposure to market risk**

Exchange rate fluctuations between the Ethiopian birr and foreign currencies present a risk to the bank's equity share value, independent of its operational performance. Upon listing, shares will be quoted and dividends paid in birr, exposing foreign investors to potential losses during currency conversion for repatriation due to adverse exchange rate movements. The recent shift to a market-based exchange rate in Ethiopia may encourage speculative activities and swift investor reactions to exchange rate volatility, potentially leading to equity sell-offs. An increased supply of the Bank's shares exceeding demand could then depress share prices, impacting the Bank's.

**x. Exposure to operational risks**

Operational risk encompasses the potential for financial loss due to inadequate or failed internal processes, systems, personnel, or external events. Key categories of operational risk include internal and external fraud, people risk, risks associated with clients and business practices, information technology and security risks, process and reporting failures, data management issues, outsourcing challenges, and change management/project risks. Such exposures can lead to significant reputational damage, regulatory consequences, and decreased profitability for the Bank.

**xi. Exposure to information technology risk**

The Bank heavily depends on IT systems and other third-party-developed technologies, exposing it to cyber-attacks, data breaches, system errors, and third-party vulnerabilities. Although business continuity plans exist, they do not guarantee full protection against disruptions. The materialization of these risks could damage the Bank's reputation, erode customer trust, and negatively affect its financial performance.

### **1.6.7 Authority of registration with the intention of Listing**

The securities included under this Prospectus have been approved for registration of with the intention of listing on ESX by the Authority. The Company has taken all necessary steps to ensure that all documentation required for registration and accompanying to this prospectus and has been submitted and that all conditions precedent to the registration has been met. The listing is subject to compliance with the rules and regulations set forth by ESX and any applicable laws governing the listing, issuance and trading of securities.

### **1.6.8 Outstanding litigation**

As of 19 May 2025, the Bank is involved in two outstanding legal proceedings related to office rent, with a maximum potential exposure of Birr 8.38 million. Apart from these matters, the Bank is not currently a party to any other legal proceedings that are expected to have a material adverse impact on its financial condition or results of operations.

### **1.6.9 Contingent liability**

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. These instruments are given as a security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts. As of 30 June 2024, the Bank's contingent liabilities through guarantee and letters of credit amount to Birr 2.96 billion and Birr 2 billion for the period covered by the interim report.

## SECTION TWO

### INFORMATION ON THE ISSUER AND THE BUSINESS

#### 2.1. The Name and Domicile of the Company

The legal name of the Company is **Gadaa Bank Share Company** and its commercial name is **Gadaa Bank**. The Company is domiciled in Ethiopia. The Company was registered as a Share Company on 4 May 2022 in accordance with the Commercial Registration Proclamation and has earned its license on 26 April 2022 to join the Ethiopian banking business.

#### 2.2 Brief History of the Company

Gadaa Bank commenced full-fledged commercial operations, offering both conventional and interest-free banking services, on 24 December 2022. The Bank's Shareholders are predominantly youth, both within Ethiopia and abroad, having 31,136 Shareholders. This focus on youth underscores Gadaa Bank's identity as a "New Generation Bank."

After six months of operation, the Bank has started to generate a monthly net profit, and resulted in net profit (profit after tax) of Birr 90.2 million for the fiscal year ended on **30 June 2024**. This indicates how well the management teams and staff are able to control expenses and generate revenue. Additionally, the Bank operates from its own G+8 building and has recently received a 6,673 square meter plot of land from the Addis Ababa city administration for its future headquarters.

##### 2.2.1. Business Strategy and Objectives

###### a. Business strategy

In order to achieve its long term objective, GB has outlined five strategic pillars as follows:



#### Strategic Alliance

- Grass rooted banking services
- Leverage partnership and collaboration
- Long-lasting relationship



### Talented Human Capital

- Dedicated team
- Experienced, skilled and engaged workforce
- Recognition for best performance



### Customer Centric

- Long lasting customer Customer experience
- Fast, excellent and convinient services
- Customer loyalty program



### Digitalization

- Fast, seamless and integrated digital services
- Multi Channel/Omni Channel
- Digital empowered talents



### Sustainable Growth

- Ensured and sustainable Shareholders value
- Cost Consious culture
- Sound Financial business

#### **b. Key objectives of the company**

Gadaa Bank's objective is to improve its resource mobilization strategies while ensuring financial stability through robust risk management and compliance to regulations. The Bank plans to broaden its customer base and enhance its digital services to optimize resource allocation, drawing on the skills of its well-trained staff.

Furthermore, Gadaa Bank is dedicated to promoting inclusivity by targeting marginalized communities who have traditionally faced barriers to financial services. By offering customized products and engaging with these communities, the Bank aims to empower them and encourage fair economic involvement.



**c. The Bank's strengths**

- ❖ A large Shareholder base located both domestically and internationally.
- ❖ A strong Board of Directors with extensive financial expertise.
- ❖ An experienced management team with substantial industry knowledge.
- ❖ A dynamic and well-trained group of professionals.

**2.2.2 Future challenges and prospects**

Although the Bank currently operates in a relatively stable market with no as such significant challenges, it might face challenges that could impact its operational activities and profitability in response it could impact the return on investment in Gadaa equity shares. These challenges include:

- ❖ **Stiff Competition:** The banking industry is characterized by intense competition among players, which could compress profit margins and drive the need for innovative services and products to attract and retain customers.
- ❖ **Frequently Changing Regulatory Requirements:** The evolving regulatory landscape can impose new compliance burdens on the Bank, requiring constant adjustments to operational practices and potentially leading to increased operational costs.
- ❖ **Entry of Foreign Banks:** The increasing presence of foreign banks in the domestic market may lead to heightened competition, potentially impacting the Bank's market share and customer retention.
- ❖ **Dynamic customer Preferences and Expectations:** With rapidly changing consumer preferences, the Bank must continually adapt its services to meet evolving customer needs. Failing to do so may result in loss of customers.
- ❖ **Foreign Currency Shortages:** Fluctuations in the availability of foreign currency could hinder the Bank's ability to conduct international transactions effectively, ultimately affecting operational efficiency and profitability.
- ❖ **Political Uncertainties:** The current political and social uncertainties in some part of the country may continue and can create an unpredictable environment, potentially impacting the Bank's operations and financial stability.

These factors might lead to reduced returns on investment for Shareholders considering the prospect of investing in the Bank's shares.

The Bank possesses significant potential for generating sustainable returns for investors, bolstered by an outlook brimming with promising prospects for the upcoming years. Evidence of this potential is demonstrated by the Bank's impressive performance, generating over Birr 289 million before tax during the last six months of 2024/25 of the period in which interim financial statement is presented.

Moreover, several future prospects are anticipated to provide additional momentum for the Bank's growth:

- ❖ **Investment in Information Technology:** technologies that the Bank is going to deploy in this fiscal year, including OMNI channel, IT security system, and various additional modules deployed on existing core banking systems. These technologies enhance operational efficiency and improve customer experience.
- ❖ **Capital Market Operations:** The rise of capital markets in Ethiopia marks a significant change for the banking industry, offering new sources of funding and investment prospects. The creation of the Ethiopian Securities Exchange is intended to broaden financing possibilities and foster economic development.
- ❖ **Financial Sector Reform:** On-going reforms and developments within the financial sector can create a more favourable environment for banks, facilitating growth and enhancing competitiveness.
- ❖ **Experience in the Sector:** Even though the Bank has been operational for two years, it has gained valuable experience in the financial sector. During this time, the Bank has focused on understanding customer needs, optimizing services, and building a solid foundation for sustainable growth. This foundation is further strengthened by a strategic hiring approach, combining the insights of senior and experienced professionals with the dynamism of young professionals. This balanced expertise positions the Bank for continued success and expansion.
- ❖ **Business Expansion:** the Bank is now entering a phase of strategic expansion aimed at increasing its market presence and enhancing its product offerings. These include: Introduction of a diverse range of financial products, including various loan options, investment services, and innovative digital banking solutions to meet the evolving needs of customers.

By collaborating with **Fintech companies** and **local businesses** the Bank aim to enhance service offerings, ultimately driving customer engagement, and satisfaction.

Commitment to maintaining the highest standards of compliance and risk management will ensure a secure banking environment for the clients, thereby fostering trust and confidence in operations. By undertaking these initiatives, the Bank aims to generate substantial returns for the investors while solidifying the Bank's position.

In conclusion, while potential challenges lie ahead, the Bank's strong performance indicators, coupled with various growth opportunities, position it favourably for future success and promise sustainable returns for investors in the long run.

## 2.3 Business Overview

Gadaa Bank S.C is a commercial bank, operating primarily through branches located across Ethiopia, with authorization from the NBE. The Bank provides a range of banking and other financial services to over 522.5 thousand corporate and individual customers from 93 branches offices in the country with a total asset base of Birr 7.2 billion, all as at 19 May 2025.

At its incorporation, the Bank undertook to contribute to the empowerment and holistic transformation of marginalized groups in the country. The Bank emphasizes creating financial access for these groups, which, despite being numerous, are often neglected by financial service providers. These groups include **pastoralists, women, and youth, and college students**— individuals with entrepreneurial potential who are typically excluded from the country's financial activities.

Moreover, the Bank's Shareholders primarily consist of women and youth, underscoring the Bank's recognition of these segments of society as essential pillars and drivers of future growth for both the Bank and the country as a whole. The Bank's motto, "**New Generation's Bank**" vividly reflects the value we place on Shareholders and acknowledges their significant contributions to the economy.

Financial products and services offered by the Bank includes **Conventional Banking** (saving accounts, current account, time deposit, personal and business loans, guarantee, debit cards, ATM services and USSD services), **International Banking** (Forex services, trade, transfer, products, correspondent), **Interest Free Banking** (Wadiah saving account, Amanah saving account, Mudarabah saving accounts, financing and investments), **corporate and trade finance operations, NGO's, institutions & corporate loan packages, diaspora accounts, and diaspora loan facilities.**

In addition to the financial products and services mentioned above, Gadaa Bank is the first bank in Ethiopia to implement community banking services for clients in areas where branch networks are not available. This initiative highlights the Bank's commitment to serving marginalized segments of the population and reflects the inclusive approach to providing services to all.

Additionally, in a measure aimed at providing superior solutions and enhanced digital financial service to customers, the Bank is currently working in partnership with a digital financial services company called SantimPay. On other hand, with the intention of community based financial literacy and inclusion, the Bank strategically has a partnership agreement with Ethiopian Entrepreneur Development Institute (EDI).

## **2.4 Operation and Principal Activities**

The Bank offers commercial banking services in accordance with the license granted by NBE, through its branches situated throughout the country. The management of the Bank classifies its operational segments into two distinct operation areas, which are then used to assess overall performance of the Bank. These are **Conventional banking**, and **Interest free banking services**. Each segment features a variety of products designed to cater to the diverse needs of customers.

In addition, the Bank proudly provides a unique service known as **Community Banking**. The Community Banking service focuses on enhancing access to finance for SMEs, women, and youth—groups that are often marginalized and underserved in the financial sector. Gadaa Bank believes that empowering these segments not only improves their lives but also creates a mutually beneficial situation for everyone involved.

The win-win approach fosters financial awareness and provides essential access to funding, significantly impacting both the individuals we serve and the Bank itself. By integrating these communities into the services, the Bank can drive sustainable income growth and build strong brand loyalty among customers.

The Bank's conventional deposit products incorporate products such as **Check account/Business account, ordinary saving account, special saving account, fixed time deposit, and foreign currency account**. Whereas the services under interest free banking products are; **amana account/business account, wadia account and mudarabah investment time deposit**. All of these products have their own certain distinguishing features.

Beyond saving products, both conventional and interest free banking services provides common services on credit/lending services, international and local money transfer services, international trade services, foreign exchange services, digital banking services, foreign currency account/Payment instruments, Institutional customers package services, Financing and Investment Products, payroll and provident fund collection and payment management services.

## 2.4.1 Conventional Banking Product and Services

The services offered under the conventional banking products incorporates various **saving and demand products, personal and business loans, guarantee facilities, international banking services, and corporate banking services.**

### 2.4.1.1 Deposit Products

The Bank's demand, saving and time deposit products include both interest-bearing and non-interest-bearing accounts, catering to companies and individuals; of all ages, starting from the age of zero. The following are the Bank's exhaustive list of deposit products.

Account Type	Eligibility	Interest rate	Minimum Deposit(ETB)
<b>Checking account</b>	Operated by individuals and businesses who have registered Tin No. and business license	non-interest bearing account	✓ 1,000 for corporate ✓ 500 for individual
<b>Ordinary saving account</b>	Identification card, for individuals above the age of 18	7%	50
<b>Fixed time deposits</b>	A type of deposit which is accepted for a certain fixed period of time with negotiable interest rate	Based on negotiation	100,000
<b>Special saving products</b>	Saving products are derived from the business objectives of the Bank. Customers from the age of zero	From 7.5% up to 8%	50
<b>Sabata(lock-box)</b>	designed for low-income individuals and a dedicated savings account for farmers	7.5%.	50

Deposit products are essential to a **Bank's operations**, significantly impacting **liquidity management, revenue growth**, and overall **business strategy**. Expanding the customer base through inclusive deposit offerings is crucial for achieving a diversified deposit portfolio, which enhances financial health and supports sustainable growth.

To improve its deposit levels and mix, the Bank implemented strategies focused on broadening its customer base, serving retail customers, corporate clients, public institutions, and diaspora individuals. These efforts have reduced reliance on a limited number of depositors, strengthening the Bank's liquidity management over the past fiscal year.

The table below shows a breakdown of deposits by product type taken from the audited financial statement.

Product Type	Six months ended 31 December 2024	30 June 2024 Birr'000	30 June 2023 Birr'000
Demand Deposit	2,163,646	1,864,887	795,654
Saving Deposit	1,568,105	1,428,316	598,013
Time Deposit	1,006,686	535,020	143,335
Total Deposit	4,738,437	3,828,223	1,537,002

- ❖ As of 31 December 2024, the Bank recruited a total of 442.2 thousand customers’.
- ❖ The Bank pays up to a maximum of **8% interest rate** on deposit placed on saving products.
- ❖ Deposit mobilized under demand deposit had a **48.7% share** from the total deposit mobilized as at 30 June 2024 and 44% during the period for which interim report is presented (31 December 2024).
- ❖ Deposit on saving products had a **37.3% share** on deposit mobilized as at 30 June 2024 and 31.9% as of 31 December 2024.
- ❖ Time deposit had a **14% share** as at 30 June 2024 and 20.4% as of 31 December 2024
- ❖ As at 30 June 2024, the Bank incurred interest expense of Birr 110 million for deposit placed on various saving products.



### 2.4.1.2 Personal and Business Loans

As per the data extracted from the financial statements, as of 31 December 2024, 30 June 2024 and 30 June 2023, the Bank extended credit facilities to various sectors for customers classified under personal and business entities. The categories under business segments and in which the Bank had availed credits include **Agriculture, Manufacturing, Export, Import, Domestic Trade Services (DTS), Building and Construction, and Institutional customers**. Additionally, during the period ended on 30 June 2024, the Bank offered personal loans only to **diaspora** and **institutional employees**.

#### Loan concentration by economic sector

The table below shows the breakdown of loan by sector as at 31 December 2024, 30 June 2024 and 30 June 2023. The figures are extracted from the financial institution without making any adjustment.

Economic sector	Six months ended 31 December 2024	30 June 2024 Birr'000		30 June 2023 Birr'000	
		Amount	%age	Amount	%age
<b>Agriculture</b>	<b>44,103</b>	34,983	1.4%	-	-
<b>Manufacturing</b>	<b>491,685</b>	468,345	19.2%	288,425	32.3%
<b>Export</b>	<b>1,110,171</b>	609,540	24.9%	185,425	20.8%
<b>Import</b>	<b>400,948</b>	245,100	10.0%	75,621	8.5%
<b>DTS</b>	<b>736,778</b>	633,446	25.9%	188,472	21.1%
<b>Building and Cons.</b>	<b>263,121</b>	236,981	9.7%	153,970	17.3%
<b>Others</b>	<b>226,486</b>	214,882	8.8%		
<b>Total loan and advances</b>	<b>3,273,293</b>	<b>2,443,277</b>	<b>100%</b>	<b>891,913</b>	<b>100%</b>

- ❖ Loan to DTS, export and manufacturing sector had the largest share as at 30 June 2024 and during the period for which the interim report is presented financing to export sector had the largest share.
- ❖ During the ended period of 30 June 2024, the Bank's outstanding loan reached Birr 2.4 billion and 3.2 during the ended period of 31 December 2024.

- ❖ From the loan provided, the Bank had generated Birr 281million in income as at 30 June 2024 and Birr 243 million during the six months ended on 31 December 2024.
- ❖ In determining the credit risk of loans provided to customers, the Bank classifies accounts as either “Performing”, “Sub-standard”, “Doubtful” and “Loss”. As per these classifications, the entire Bank’s loans were under found “Performing” status as at 30 June 2024. This indicates that all borrowers are making their payments on time and that there are no defaults.

#### **2.4.1.3. Guarantee facilities**

The Bank provided guarantee facilities to its various business and corporate customers. The Bank provides the following guarantee facilities;

- ❖ **Bid Bond**
- ❖ **Suppliers Credit Guarantee;**
- ❖ **Advance payment Guarantee;**
- ❖ **Performance Bond;**
- ❖ **Retention Guarantee; and**
- ❖ **Customs Duty Guarantee**

As of 30 June, 2024, Advance Payment and Performance Bonds were the most significant type of guarantee facility issued by the Bank. The Bank generated Birr 179.5 million in income from its letter of guarantee services by 30 June, 2024, and Birr 101 million in the following six months (ended on 31 December, 2024).

#### **International banking services**

Another principal activity in which the Bank offers service and generates higher income is international banking service. The service provided under this function includes but not limited to; trade finance, money transfer and remittance service, In order to offer trade finance services and facilitate cross-border payments, the Bank has established various correspondent relationships with international banks. As of 19 May 2025, the correspondent banks that are working with the Bank include:

- ❖ **CAC International Bank (based in Djibouti);**
- ❖ **East African Bank (based in Djibouti);**
- ❖ **Exim Bank (based in Djibouti);**
- ❖ **African Export-Import Bank (based in Egypt);**

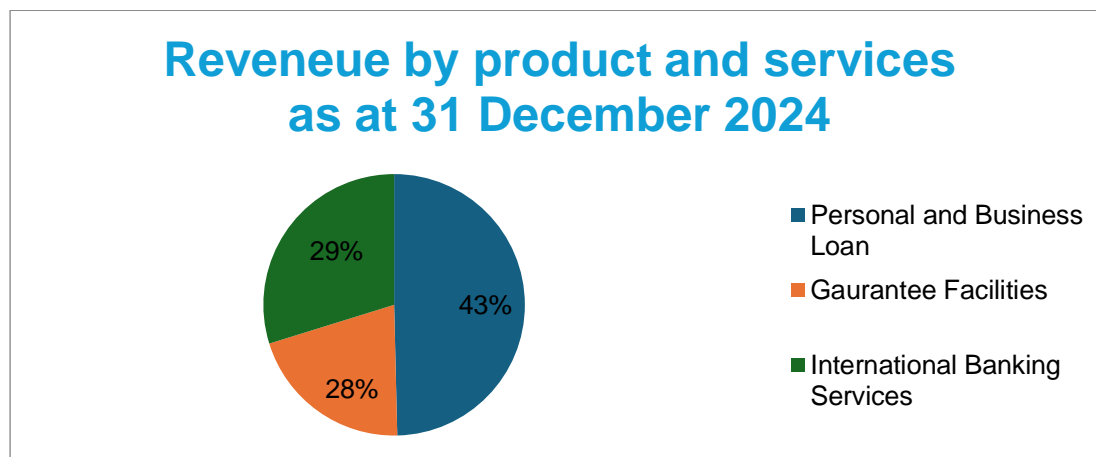
- ❖ **Bank of Beirut (based in the U.K.);**
- ❖ **Aktif Bank (based in Turkey);**
- ❖ **Zhejiang Chouzhou Commercial Bank (based in China).**

During the ended period of 30 June 2024, the Bank had earned highest foreign currency earnings from remittance services. During this period USD 31.3 million was earned from remittance. Next to remittance Bank's foreign currency generation comes from the export service. The Bank generated USD 7.3 million from the export service. As of 31 December 2024, the Bank generated USD 24 million.

From foreign currency transactions in international banking service the Bank generated Birr 188.7 million in revenue as of 30 June 2024. This figure exhibited a 799% increment from the previous year of 30 June 2023. During this period the Banks earning from foreign currency transaction was Birr 20.9 million. During the period covered by the **interim period financial statement as of 31 December2024**, the Bank generated Birr 146 million from the same service.

#### 2.4.1.4. Operational and Other Income

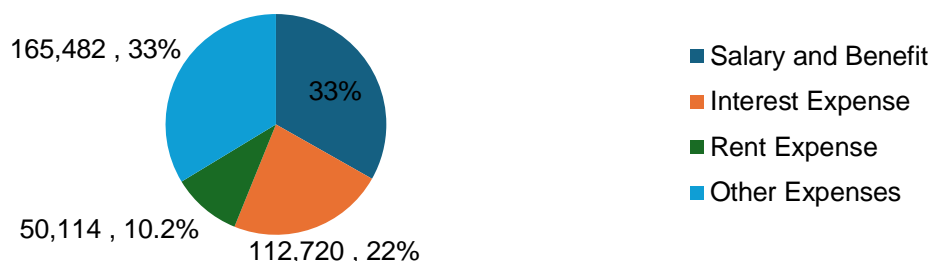
During the period of covered by the interim report, the Bank generated the highest income from loan provision followed by international banking service.



#### 2.4.1.5. Operational and Other Expenses

Employees' salary and benefit and other expenses had the highest share, with the expense reaching Birr 163 and 165 million respectively, during the period covered by the interim report. Following salary and wage, interest expense and rent expenses incurred highest share of expense for the Bank when computed individually.

## Expenses in Birr ('000) as at 31 December 2024



Next to employees' salaries and benefits, interest expense accounted for the largest portion, totaling Birr 112 million, while rent expense reached Birr 50 million during this interim period.

### 2.4.2 Interest Free Banking Products

Gadaa Bank's interest-free products are structured in accordance with Sharia principles and are guided by a Sharia advisory committee comprised mainly of qualified Ulama, recruited under the directives of the National Bank of Ethiopia (NBE). The compliance of the products with Sharia principles is confirmed by the Sharia advisor. Accordingly, Gadaa Bank's interest free product is known by the name "**Gadaa Al-Rayyan**" and incorporates **Amana account/business accounts** and **financing & investment Products**.

#### 2.4.2.1. IFB Deposit Products

The Bank's deposit on interest free banking products is mobilized from Wadia Demand Deposit and Wadia Saving products. With 38.8 thousand customers as at 30 June 2024, the Bank mobilized Birr 178.6 million from its interest free banking segment customers. The Bank has 3 full-fledged interest free branches as of 19 May 2025.

The table below shows the Bank's Interest free deposit products:

Account Type	Description of the Product	Minimum Deposit
Wadiah-Savings Account	non-profit sharing deposit	50.0
Ordinary Mudarabah Saving Account	For any natural and legal person above 18 years	500.00
Shabaab /Youth Mudarabah Saving	For youth aged from 18-29 years	500.00
Nisa /Women Mudarabah Saving	Designed for any women aged 18 and above years.	500.00
Mazarie /Farmers Mudarabah Saving	Designed for farmers aged 18 years and above	500.00
Taelim /Education Mudarabah Saving	designed for students of higher education aged 18 and above	500.00
Mutaqaqid /Retirees Mudarabah Saving	designed for retired individuals aged above 60 years	500.00
Atfal /Children Mudarabah Saving	designed for children aged from 0-18 years	500.00
Muaqil /Handicaped Mudarabah Saving	designed for pilgrimages of Hajj and Umrah	500.00
Labbayk/Hajj & Umrah Mudarabah Saving	designed for pilgrimages of Hajj and Umrah	500.00
Mudarabah fixed time deposit accounts	accepted for a certain fixed period of time with agreed profit sharing ratio	Based on negotiation
Amanah-Current Account	a non-profit sharing account operated by cheque	500.00

- Except for **Wadiah Saving, Hajj & Umrah, and Amanah-Current Account**, the minimum amount to participate into a profit sharing arrangement is Birr 10,000.00.
- Except for **Wadiah Saving** and **Amanah-Current** account, all other products are a profit sharing saving accounts.

## 2.4.2.2. Financing & Investment Products

### Interest free financing

- ❖ The interest free financing of the Bank as of 30 June 2024 was Birr 51.9 million. The Bank's financing was mainly provided to Murabah customers during this ended period. The income from Murabah was Birr 3.3 million as of 30 June 2024.
- ❖ The Bank's commission income from interest free banking customers had reached Birr 24.2 million. The commission income under this segment was generated from service offered to customers engaged on import business.

The Bank provides various financing products as describe hereto:

- ❖ **Murabaha Financing:** Based on client's promise to buy goods, bank buys an item identified by and for a client. The client agrees to repay the Bank the price and an agreed profit later either on instalment or lump sum or spot bases.
- ❖ **Qard Al Hassan (Export pre-shipment) Financing:** Qard-Al-Hassan mode of financing is cost free (commission free) financing known as benevolent financing applied on export pre-shipment activity.
- ❖ **Ijarah Financing:** Is where the Bank buys/prepares an item for a client and leases it to him/her for a special rent and term. The term may be the assets' useful/economic life. The owner of the asset (the Bank) bears all the risks associated with ownership. Initial 'promise to give' or 'promise to sale' is required when the agreement is either to finally give or sale the leased item to the lessee.
- ❖ **Salam Financing:** This is a financing service that would be made available in cash for working capital purposes for customer (seller) engaged in Agricultural sector as per the contract between the Bank and a customer. It is an agreement to purchase at a predetermined price, a specified kind of commodity, not available with the seller, which is to be delivered by the customer (seller) on a specified future date, in a specified type, quantity, quality and given period to the Bank/agent/third party. The Bank may require collateral from the customers to secure the finance.
- ❖ **Istisna'a Financing:** Is sales agreement, at an agreed price whereby the Bank (seller) places an order to a manufacturer or a contractor to manufacture, assemble or construct a specific commodity for a purchaser/customer of the Bank to be delivered at a future date. Istisna'a contract shall be entered between the Bank and the



customer, on the other hand, the Bank enter into a parallel Istisna'a contract with the third party manufacturer/contractor. The Bank may ask for collateral/guarantee from the customer/contractor, as the case may be.

- ❖ **Musharaka Financing:** In this mode of financing, both the Bank and the customer invest their capital (in pre agreed bases) for working together jointly.
- ❖ **Mudarabah Financing:** Mudarabah refers to a partnership for profit sharing in which one party the Rabul-mal (owner of the fund) provides capital/ fund and the other party the Mudarib (Manager of the fund) provides labour/expertise.

#### 2.4.3. Information on the Issuer's Business Interruptions

The Bank has experienced two significant business interruptions over the past twelve months due to restrictions on credit expansion and new legislation concerning identity documentation.

- ❖ **Credit Cap:** As per the existing NBE directive, banks are allowed to disburse up to 85% of their total outstanding deposit to customers. However, in contrary to this directive new temporary measure aimed at controlling inflation, NBE had imposed a 18% credit cap growth expansion on banks. This new restriction has hindered the Company from disbursing more loan than what is reflected in its financial statements.
- ❖ **National ID requirement:** The NBE has recently enforced to have a national ID as a mandatory requirement for on boarding new clients. However, since the national ID is a recent development in the country, public awareness of it and its accessibility in rural areas pose challenges for recruiting and on boarding new clients. Since this new legislation is introduced, the number of customers recruited at the Bank level has declined.

#### 2.4.4. Issuer's Important Developments

- ❖ **Electronic banking:** The Bank is in the final stages of unveiling four designated electronic banking services including OMNI Channel, Internet Banking, and Mobile Banking Application, which are expected to go live soon.
- ❖ **OMNI channel:** The Bank is working to introduce the OMNI Channel Platform that integrates various customer interaction channels, such as online banking, mobile apps, and in-branch services, into a cohesive user experience. It ensures that customers can interact with the Bank seamlessly across multiple platforms, enhancing customer satisfaction and engagement. The entire cost of this project will be fully funded from the Bank's capital base.

Currently, Phase I which include functions such as balance checking, mini statement generating, internal fund transfer and external fund transfer orders as well as P2P transactions has been implemented. The Bank is actively following up the project with the service provider to ensure full implementation according to the agreed-upon timeline.

- ❖ **Mobile banking:** The mobile and internet banking applications have been released for internal use by employees. These initial rollouts will allow the Bank to thoroughly test the app and identify any potential issues before it becomes available to customers. Once this process is completed and a seamless user experience is ensured, the Bank will fully launch these banking services for customer access. The entire cost of the project has been covered by the Bank's paid-up capital.
- ❖ **International banking:** The Bank is expected to finalize a contractual agreement with the international money transfer agent called RIA soon. This partnership will provide customers with an alternative option and expected to boost the Bank's foreign currency generation expected from remittance service.
- ❖ **Independent Directors:** The National Bank of Ethiopia (NBE), under directive SBB 91/2024, mandates that banks BoD must include at least 1/3<sup>rd</sup> Independent Directors. To comply, the Bank's BoD nominated three Independent Directors and received shareholder approval at the annual meeting held on Dec 19, 2024. These Independent Directors will replace existing board members who were not re-elected at the annual meeting. As these Independent Directors, by definition, do not have material relationships with the Company, they are less susceptible to undue influence from the BoD and management. Their impartiality allows them to play in the best interest of shareholders.

#### 2.4.5. The Bank's Key Dependencies

The Bank is dependent upon the following partners in key areas of service operation, namely; Core Banking, top depositors, top borrowers, telecom infrastructure, and interbank settlement agents.

- ❖ **Core Banking:** Core banking refers to a back-end system that manages daily banking transactions and updates accounts and other financial records accordingly. The Bank utilizes a core banking system to facilitate all transactions conducted at the company level. Currently, the company relies on Temenos (T-24 platform) for all banking services and financial records.

- ❖ **Depositors and Borrowers:** The Bank's operational model is fundamentally reliant upon two key stakeholder groups: Depositors, from whom the bank mobilizes funds through various interest-bearing and interest-free deposit products; and Borrowers, to whom the bank extends loans and advances, generating interest income. The sustained financial health of the bank is directly dependent on the effective management of both deposit mobilization and loan repayments.
- ❖ **Internet Infrastructure:** The Bank's core banking system, along with its processes for receiving payments, settling transactions, and interacting with third-party payment facilitators and switch operators, relies heavily on internet infrastructure. Additionally, access to information from the NBE, including Credit Reference Bureau (CRB) data, as well as communication and transaction processes with correspondent banks and Money Transfer Operators (MTOs), requires a robust internet infrastructure. Currently, Ethio-telecom serves as the sole provider of internet services for the Bank."
- ❖ **Firewalls:** Since banks work with public's money, having a strong network security is important. The Bank uses a security devices and web application firewalls (WAF) that monitors and filters both incoming and outgoing network traffics. In pursuit of protecting the customer's money, the Bank implemented firewalls such as Fortinet and Imperva Web Application Firewall.
- ❖ **Payment Processors:** Switch operators and payment and settlement agents play a crucial role in facilitating payments between banks. Sending and receiving money from one bank to another requires a third party payment and settlement integrator. For offering this service, the Bank is currently working with Eth-switch and a payment processing operator Called Ethiopian Automated Transfer System (EATS) which is controlled by NBE.
- ❖ **Payment Facilitator:** Money Transfer Agents and Correspondent banks facilitate remittance transfers and cross border payments. NBE's foreign exchange directive clearly dictates that banks should get prior approval before entering service representative agreements with international remittance service providers and correspondent banks. As of 19 May 2025, the Bank has established a representative agreement with Dahabshil and has maintained a correspondent relationship with 7 international banks.

## 2.5. Principal Markets and Competition

In the contemporary banking sector of Ethiopia, factors such as technological innovation, shifting customer expectations, dynamic business environments, and transforming regulatory frameworks are paramount. In response to these challenges, Gadaa Bank undertook a series of strategic initiatives and system development to enhance its competitive positioning within the market. In light of the significant importance of competent banking practices, it was imperative for Gadaa bank to prioritize the delivery of efficient and effective services while also personalizing customer experiences. This entailed simplifying processes, enhancing resource mobilization, and ensuring both efficiency and accountability among all stakeholders.

In line to this effect, the Bank is actively pursuing the formulation and implementation of various functional strategies and other strategic initiatives aimed at enhancing overall operational performance. A significant focus on fostering a cost-conscious working culture has yielded positive results, enabling Gadaa Bank to achieve profitability sooner than anticipated, even amidst periods of financial challenge. This strategic emphasis has facilitated the generation of sustained profits throughout the fiscal year, beginning in July 2023, and has allowed the Bank to maintain this growth trajectory through on-going efforts that effectively augment its revenue streams.

The Bank operates in a highly competitive environment, where more than 30 banks are currently active in the market. As one of the newest entrants, Gadaa Bank is part of the latest generation of financial institutions, having joined the industry alongside a select few others. This recent entry into the banking sector presents unique challenges, as the competition is notably stiff. Established banks have already secured significant market shares and recruited wider customer bases, making it imperative for Gadaa Bank to navigate this dynamic landscape strategically.

The Bank's principal markets are situated in Oromia and Addis Ababa, where it operates 48 branches in Oromia and 34 branches in Addis Ababa. In these regions, the Bank faces competition from well-established financial institutions that not only offer larger loan amounts but also a diverse array of financial products. These competitors benefit from extensive customer bases and a solidified market presence, posing significant challenges for Gadaa Bank as it strives to expand its operations.

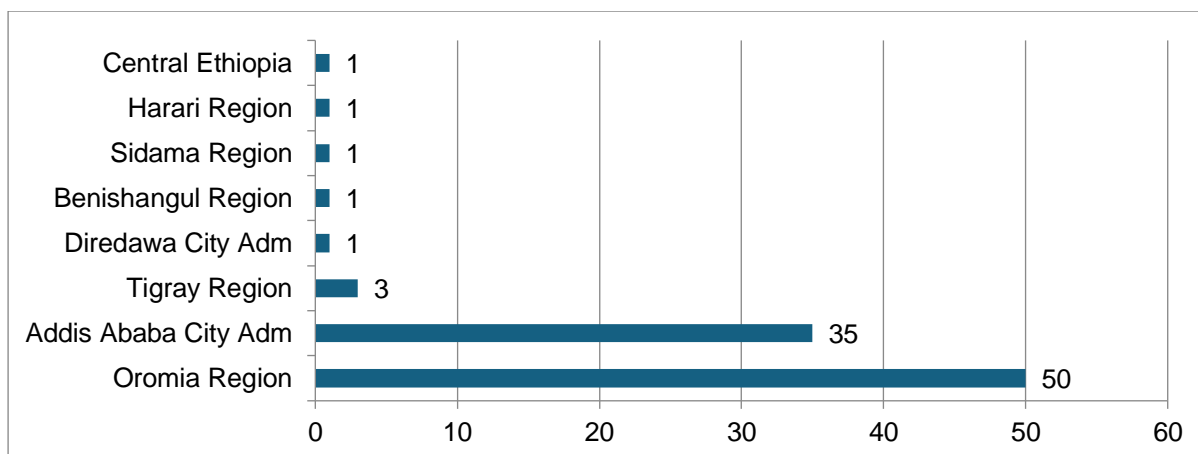
In the ended period of both 31 December 2024 and 30 June 2024, the largest portion of deposits was mobilized from these two key markets. Correspondingly, the majority of loans and advances were provided to customers located in Addis Ababa, followed by those across Oromia resulting in the largest portion of interest income and other revenues for this fiscal period coming from these regions.

The Bank had also recruited over 442 thousand customers at the end of 31 December 2024, capturing approximately 0.2% of the total market share. Notably, this figure represents 3.1. % of the market share attributed to new entrants, underscoring the Bank's potential for growth in a competitive landscape. Given its recent history and the proactive approach to service delivery, this initial customer base suggests promising prospects for expansion.

To enhance its competitive position, Gadaa Bank offers a variety of products tailored for community needs, with variety of deposit products with competitive interest rates in the market. The Bank also provides interest-free products crafted in accordance with Sharia principles, ensuring ethical financing options. Additionally, Gadaa Bank has introduced unique community banking services aimed at underserved populations, specifically designed to support and finance SMEs, women entrepreneurs, and pastoralist communities.

Adhering to ethical practices and fostering community involvement, the Bank believes that winning customers' trust and loyalty is essential for sustainable growth. Through these initiatives, Gadaa Bank is committed to fostering economic growth and enhancing financial inclusion in the markets it serves.

As of 19 May 2025, Gadaa Bank S.C has managed to open 93 branches, providing more than 95.5 thousand USSD/Mobile Banking services, issuing above 6.1 thousand debit cards, recruiting 1 thousand merchants and installing 10 ATM machines across Ethiopia through its branches. With over 522.5 thousand customers, the Bank mobilized over 6.3-billion-birr deposit.



Gadaa Bank's principal markets are located in Oromia and Addis Ababa, with 50 branches in Oromia and 35 branches in Addis Ababa. In these areas, Gadaa Bank faces competition from well-established banks that offer larger loans, and a wide range of financial products. These competitors also benefit from a large customer base and an already established market presence, which presents challenges for Gadaa Bank as it seeks to grow its operations.

As a result, The Bank may face tough competitions, requiring strategic efforts to differentiate itself and build a strong market presence amidst formidable rivals.

### 2.6.1 Gadaa Bank's Business Outlook for the Next Few Years to Come

Gadaa Bank's experience in navigating challenging economic circumstances has underscored the necessity of strategic financing to enhance its operations and foster growth. Expanding the capital base remains the Bank's foremost priority, as it is vital for maintaining business continuity, fulfilling regulatory obligations, and facilitating expansion. However, these efforts require genuine commitment from shareholders, particularly in terms of increasing the capital base and promoting the Bank to the public.

The constraints posed by limited paid-up capital represent a significant challenge; nevertheless, the Bank is actively exploring various strategies to secure additional funding. Furthermore, the Bank should consider forming partnerships with various companies, foreign technology providers, and financial institutions, especially in light of recent policy shifts that have facilitated foreign investment and collaboration within the financial sector. Such partnerships could not only supply the necessary capital but also harness technology to enhance operational efficiency and customer service.

A key avenue for financing Gadaa Bank may involve attracting investments from retail and institutional investors interested in the banking industry. By demonstrating its dedication to

innovative banking practices and capitalizing on new market opportunities, Gadaa Bank could draw the essential capital needed to bolster its paid-up capital.

In addition to capital acquisition, Gadaa Bank's strategy to generate revenue through a wide array of banking services is essential. By broadening its product offerings, including credit, deposits, and digital banking services, the Bank can establish multiple income streams, which will assist in covering operational costs and funding new initiatives. This diversification can also reduce risks associated with dependence on a limited range of services. Moreover, prioritizing customer engagement and developing customized products for various market segments could further enhance the Bank's profitability. Implementing innovative marketing strategies and effective customer relationship management can attract wider clients.

### 2.6.2. Business Segments

The Bank categorizes its business segments as conventional banking and Interest free banking service. The Bank generates higher resources and revenues from conventional banking, which a significantly larger contribution to the Bank's overall financial performance coming from this segment compared to interest-free banking services.

As of 30 June, 2024, conventional banking demonstrated a significantly larger operating income of Birr 680.2 million and loans and advances totaling Birr 2.4 billion, compared to IFB, which reported an operating income of Birr 30.6 million by financing of Birr 51.9 million, indicating a dominant position for conventional banking in both income generation and lending activities. The table below summarizes the relative business size of the two business segments of Gadaa Bank as at 30 June 2024.

Items	Conventional Banking Services (Birr '000)	IFB banking services (Birr '000)
<b>Deposit mobilization</b>	3,828,223	178,688
<b>Outstanding Credit/Financing</b>	2,416,909	51,909
<b>Total operating Income</b>	680,297	30,660
<b>Total operating expenses</b>	555,878	9,489
<b>Customer Base (Number)</b>	249,301	38,873

### 2.6.3. Bank's Service Channels

To support the business segments, the Bank utilizes the following **channels**. These channels



enable the Bank to provide easy to range of services to customers. The Bank offers services through **branch networks** and **electronic banking platforms**.

- ❖ **Branch Network:** As of 19 May 2025, the Bank has 93 branches in Ethiopia, strategically located to cover key business towns across the country. All branches recruit customers, accept deposits and withdrawals, and on-board digital banking customers.

Additionally, these branches serve as the first line of contact for service requests that are beyond their authority. Loan, trade finance, and foreign currency-related activities are fully performed at the head office. However, branches are required to on-board business customers and collect the necessary documents to submit to the relevant head office department for further processing.

- ❖ **Electronic Banking:** In addition to physical branches, the Bank provides electronic banking to create easy access and convenience services for the client. With **OMNI channel**, **Mobile banking** via **app** and **Internet Banking** being on development stage, the Bank currently has four (4) designated electronic banking products and services including:

- A. **Debit Cards;** The Bank has issued debit cards that can be used across banks, POS, and various ATM machines integrated through Ethiopia's national payment switch operator called Eth-switch. The Bank's debit card allows customers to seamlessly withdraw from any banks currently operating in Ethiopia.
- B. **Instant Banking:** Instant banking is an Unstructured Supplementary Service Data ("USSD") service that gives customers access to financial transactions directly from their mobile phones using the phone number linked to their Gadaa Bank account. The channel offers various services that include bill payments, school pay, airtime pop-up, funds transfer to **Tele-birr**, funds transfer between banks, funds transfer within bank, balance enquiry, and more
- C. **Merchant Banking:** As of 19 May 2025, the Bank is working in collaboration with a Fintech financial service solution called **Santim-Pay**. Through a QR code generated for customers recruited under the merchant scheme, customers can make seamless payments using any of the 12 banks that have established merchant partnership agreements with Santim-Pay. The payment will be directly credited to the merchant account maintained at Gadaa bank.

**D. Automated Teller Machine:** As of 19 May 2025, the Bank has 10 ATM machines installed. The Bank's machines allow withdrawal for customers from other banks that are integrated through Eth-switch.

## 2.7 Employees

As of 19 May 2025, the Bank has a total of 813 permanent employees and 815 contract staffs. The table below shows the breakdown of the average number of staff employed by the Bank in the last 3 years, along with the figures as of 19 May 2025.

Category	June30,2022	2023	2024	19 May 2025
Permanent staff	16	478	706	813
Contract staff	nil	315	701	815
Total	16	793	1,407	1,628

## Compensation and Share Based Payment Plans

As part of the commitment to rewarding and incentivizing the dedicated employees, the Company has implemented a program to convert the Employee Provident Fund (EPF) into shares for staff members who have served the Bank for more than six months. This initiative aims to align the interests of employees with the long-term success of the Company, fostering a sense of ownership and engagement among the workforces.

As of 19 May 2025, there is no formal Employee Stock Ownership Plans (ESOP) or share-based payment plans in place, however the conversion of EPF made so far reflects the Bank's on-going efforts to enhance employee benefits and promote a culture of shared success.

## 2.8. Issuer's Debt Position

The Bank did not enter into any loan agreements with lenders and has no outstanding debt balances as of 19 May 2025.

## 2.9 Key Investments

As of 19 May 2025, Gadaa Bank has a total investment of Birr 60 million in private businesses, and the Ethiopian Securities Exchange (ESX). These investments enable the Bank to secure other non-operating incomes other than banking operations. These investments were measured by **PwC** using measures for unquoted equity securities and assessed them at

fair values through other comprehensive income. The method used to value these securities was fair value through profit and loss (FVTPL), which is explained further in the table that goes along with this information.

#### Key Gadaa Bank investment as of 19 May 2025

S/N	Organizations	Type of Investment	Amount ‘000	Location	Percentage Holding
1	Oromia Insurance S.Co.	Equity Investment	15,000	Addis Ababa	1.25%
2	ETHSWITCH SHARE COMPANY	Equity Investment	40,000	Addis Ababa	2.24%
3	Ethiopian Securities Exchange Sh. Co. (ESX )	Equity Investment	5,000	Addis Ababa	0.33%
<b>Total Long Term Investments</b>			<b>60,000</b>		

## 2.10 Property Land and Fixed Assets

Property, plant and equipment of the Bank are stated at cost, net of accumulated depreciation and accumulated impairment losses. 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 statement of profit or loss as incurred. Hence, the residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, as appropriate.

The table below shows the company’s principal capital expenditure valued as at June 30, 2024.

June 30,2024	
Item	ETB ‘000
Leasehold improvement & buildings	294,925
Furniture & equipment	83,226
Computer hardware	142,673
Motor vehicles	166,280
Intangible assets	142,673
Total	829,777

The Company operates from its own G+8 office space located at Wollo Sefer Street, Kirkos Sub-city, Addis Ababa. The company acquired this property in June 06, 2023 which encompasses 398 Meter square. The Company has the full right to use, sell, or lease the property without any restrictions, other than those imposed by law. Additionally, the Bank owns various furniture and equipment's, computers, motor vehicles and intangible assets. As of 19 May 2025, no valuation of property, plant and equipment conducted.

## **2.11 Material Contracts**

Below is a summary of each material contract to which the Issuer is a party. These contracts are a brief summary of any material contracts that are not entered into in the ordinary course of the Issuer's business which could result in any security holders or investors being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to security holders in respect of the securities being issued. The contracts taken are for the two years immediately preceding publication of the prospectus.

### **1. Servers, Tape Library, and SAN Switches**

The Bank entered into a contractual agreement with Edge Communication Plc for the supply, installation, configuration, testing and commissioning of Servers, Tape Library and SAN Switches for implementation of the project.

The total contract price including VAT in Ethiopian Birr 64,123,492.609 (Sixty-Four Million One Hundred Twenty-Three Thousand Four Hundred Ninety Two and Six Hundred Nine hundredths) with 3 years support subscription. A contract agreement was entered into on December 20, 2024 and the contractual agreement concluded on February 20, 2025. The source of finance for the purchase of the Goods and Services for the building up of the designated sites shall be Bank's own fund. The parties to the contract agreed on the following mode of payment:

- a) 30% of the total amount of the contract price shall be paid upon contract signing and submission of equivalent amount of unconditional and irrevocable advance payment bank guarantee by the Supplier:
- b) 40% of the total amount of the contract price shall be paid upon 100% delivery items to the Purchaser's store or Data Centre and completion of inspection of the goods stated on the BOQ/BOM : and

- c) 20% of the total amount up on completion of professional services: implementation, testing, and commissioning of servers, tape library and SAN switches.
- d) 10% of the total amount up on Final Acceptance Certificate of Professional service

**The parties agreed that the Statement of works accepted by the parties is the statement of works stated as follows:**

- a) Supply the servers, tape library and SAN switches;
- b) Deliver the above equipment to the Bank's warehouse as per the schedule;
- c) Conducting site acceptance test or inspection of both hardware and software/license in the existence of both bank and supplier teams;
- d) Providing HLD and LLD documents;
- e) Mount or install the devices at the designated site as per the agreed installation plan (LLD);
- f) Implement, configure/integrate and tune for optimal performance;
- g) Proper Labelling
- h) Ensure the functionality and interconnectivity with the Bank's existing infrastructure
- i) Migrate the existing VM's to the newly prepared environment
- j) Ensure the tape library accessibility from all servers for seamless backup
- k) Configure and make sure that the tape library is ready to take a backup
- l) User acceptance testing (UAT): Commission all devices to ensure it is operational
- m) and meets the requirements specified by bank
- n) Provide on job training and as built in documentation to bank's personnel.
- o) Go-live

Delivered goods shall be inspected at the designated site of the Purchaser in Addis Ababa at the presence of the Bank or its legal representative and the Supplier or its legal representative. The Bank shall have the right to reject the delivered goods as stated in the scope of work. If upon inspection it is found that the deliverables are not as per the agreed specifications the Bank together with the Supplier shall perform such inspection within three (3) days of delivery.

## **2. Implementation of Imperva Web Application Firewall**

The Bank entered into a contractual agreement with V-Tech Solutions P.l.c for the supply, installation, commissioning and testing of Imperva web application firewall. The contractor shall deploy and implement the solution within 90 days starting from the day the contract is signed between two parties. A contract agreement was entered into on August 21, 2024, and the contractual agreement concluded on November 21, 2024.

The total price of the software to be provided is Birr 39,200,695.63. The Parties agreed in the following terms of payment.

- a) 30% of the contract price shall be paid to the Contractor in advance after signing of this contract against presentation of equivalent amount of unconditional advance payment bank guarantee by the Contractor.
- b) 40% of the total contract price shall be paid against the delivery of the Hardware to Gadaa Bank warehouse and get approval of the delivery by the Bank technical team that the hardware is as per the specification in the agreement.
- c) 10% of the total payment shall be paid immediately after the successful completion UAT of the project implementation.
- d) The remaining 20% of contract price shall be paid to the Contractor upon completion of Imperva Web Application Firewall implementation at Data Centre, testing, commissioning including formal training and over all integration work and then test is performed by the Bank to the Contractor.

The Bank agreed with the contractor to pay for the service provided as per the contract from his own fund and withholding tax to be directly deducted from the payment of the contractor.

If the Contractor at any time has reason to believe that the implementation will be delayed, due to events or causes beyond its control, the Contractor shall promptly notify the Bank and shall subsequently define in writing the estimate period of delay.

The Bank based upon justified and accepted reason shall grant an extension of time to the Contractor which in any case shall not exceed or equal to the period of such event or cause. In case the Bank delays the arrangement for project Site, facilities, Project Office, temporary mini-Store and/or any necessary information as required by the Contractor for fulfilling its obligations under this Contract, the timelines for the Contractor for supply of Goods, and

Services including required Software shall stand extended by such delayed period without any charge/penalty on the Contractor.

The Bank may, without prejudice to any other remedy for breach of Contract, by written notice of default sent to the Contractor, terminate this Contract in whole or in part:

- a) If the Contractor fails to:
  - i. Deliver any or all of services within the time or schedule specified in this contract, or any extension thereof granted by the Bank;
  - ii. Perform any other obligations(s) under this contract,

If the services provided by the contractor to the Bank does not meet the agreed Statement of work.

- b) If the Contractor, in either of the above circumstances does not cure its failure within a period of forty-five (45) days, which doesn't extend the project execution time (project milestone) or such longer period as the Bank may authorize in writing after receipt of the default notice from the Bank.
- c) The Contractor may, without prejudice to any other remedy, by written notice of default sent to the Bank, terminate this contract in whole or in part, if the Bank materially breaches this contract, and such breach is not cured within forty-five (45) days or such longer period as the Contractor may authorized in writing after receipt of the default notice from the Contractor.

### **3. The OMNI Channel Platform and Value Added Solutions**

The Bank entered a contractual agreement with Techurate Systems Private Limited/ Xceltech Solutions Plc for the implementation of an Omni-channel platform and value added solution system. Tachurate is an implementing partner whereas Xceltech is a regional partner serving for the partner. Xceltech act as an intermediary, facilitating communication and logistical support between The Bank and the Implementing partner. A contract agreement was entered into on September 30, 2024. The agreement is set to expire on September 20, 2025.

The scope of work the implementing partner agreed to the Bank is as follows:

- a) On-boarding
- b) Mobile Banking
- c) Internet Banking
- d) USSD Banking



- e) Agency Banking
- f) Wallet Banking
- g) API Manager
- h) ATM – Related with Card management
- i) Point of Sale (POS)
- j) M-POS
- k) SMS Banking
- l) IVR Self service
- m) Personal Banker Channel
- n) E-Commerce
- o) Kiosk
- p) Merchant
- q) Micro lending
- r) Social Media Banking and any other mentioned in the RFP
- s) Carry out the implementation of the Omni-channel banking system as per the agreed timelines and specifications.
- t) Develop and deploy the necessary software and systems.
- u) Conduct User Acceptance Testing (UAT), pilot runs, and move the system live post necessary sign offs from the Bank

The parties to the contract agreed that if implementation partner delays the project and if the delay is not cured within 10 (Ten) calendar days as of the date notice is given and if there is no mutual agreement on time extension of the project, implementation Partner shall pay a penalty of 0.5% of the contract price per week of delay with maximum penalty not exceeding 10% of the contract price. The total cost of the intended service costs the Bank USD 650,000.00, and the Bank pays the contractor from his own fund.

The parties to the contract agreed 30% of the total License Fee and Implementation cost to be paid upon signing the contract against unconditional advance payment Bank Guarantee from Implementation Partner issued by Commercial Bank of Ethiopia whereas 20% of the total License Fee and Implementation cost upon completion of Installation and configuration of the system and 20% of the total License Fee and Implementation cost upon finalizing UAT while 30% of the total License Fee and Implementation cost upon going live of the system and with no outstanding issues, and the final 10% will be in local currency (Birr) based on the payment date mid-rate.

The parties to the contract have agreed that the agreement may not be assigned transferred or delegated by either Party to any third Party in whole or in part, including merger, acquisition, or operation of law without the other Party's written consent, which consent shall not be unreasonably withheld, without which any such purported assignment, delegation or other transfer shall be deemed to be null and void at the option of the other Party; provided, however that either Party may assign this Agreement to any affiliate, division or subsidiary of such Party that succeeds the Party in the business to which this Master Agreement relates. This Agreement shall inure to successors and assignees.

Other than as stated above, the Bank has not entered into any material contract except in the ordinary courses of business

## **2.12 Key Regulations and Policies**

*The following description is a summary of certain sector specific laws and regulations in Ethiopia that are applicable to the Bank's business. The information detailed below has been obtained from various legislations, including rules, regulations and bylaws that are available in the public domain. The regulations set out below may not be exhaustive and are merely intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice. The statements below are based on the current provisions of Ethiopian law, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions. Set forth below are the significant legislations and regulations that generally govern the industry in Ethiopia:*

### **2.12.1 Applicable Banking Regulatory Environment**

The banking sector in Ethiopia operates under a framework established by the National Bank of Ethiopia (NBE), which serves as the primary regulatory authority. The NBE is responsible for formulating monetary policy, supervising banks, and ensuring the stability of the financial system. NBE serves as the apex institution for the banking sector in Ethiopia, playing a vital role in maintaining the stability and integrity of the financial system. The power and duties of the NBE that is applicable to the banking business are as follows:

- ❖ License and supervise banks;
- ❖ Administering the nation's monetary policy,
- ❖ Create favourable conditions for the expansion of banking;
- ❖ Managing the exchange rate as well as foreign exchange reserves;
- ❖ Establish and manage deposit insurance fund;

- ❖ Providing its bank notes and coins,

The regulatory environment is characterized by strict adherence to guidelines set forth by the NBE, as well as compliance with relevant national laws. Here are some brief discussions on the relevant regulatory frameworks applicable to banking businesses as outlined by NBE.

#### A. Licensing Legislation

- ❖ **Maintenance of Required Capital:** Minimum capital requirement for banks (SBB/78/2021)

The banking business proclamation No. 592/2008, specifically in Article 18 (1), states that the minimum amounts of capital and reserves that banks must maintain, along with the rules for their calculation, should be outlined in directives issued by the National Bank. In accordance with this, the National Bank of Ethiopia (NBE) directive No SBB/78/2021, Article 4, specifies that the minimum paid-up capital required to obtain a banking business license is set at Birr 5 billion. This amount must be fully paid in cash and deposited in a bank or banks within a seven-year period from the commencement date under the name and account of the Bank in formation.

At the time of the directive's release, Gadaa Bank was in the process of formation, allowing it to secure the full amount (Birr 5 billion) within seven years of commencement of its banking operations. The Bank was required to submit an action plan demonstrating how it intends to achieve this goal. During its first general assembly, the Shareholders approved a resolution to raise the Bank's capital to Birr 7 billion by January 31, 2026. However, in a recent resolution passed at the third general assembly, the timeline has been extended by one year, now set for December 2027. The goal is to achieve a minimum paid-up capital of Birr 5 billion in accordance with the directive, with an ultimate target of reaching Birr 7 billion by January 2031.

A Bank's ability to maintain capital base directly supports its capacity to extend loans and make investments, fuelling growth and profitability. Conversely, if a bank fails to maintain the required capital levels set by regulatory body, it faces severe consequences, including merger and acquisition.

#### Recent regulatory change

- ❖ **Banking Business License (Banking Business proclamation No. 1360/2024):** The country introduced a new "Banking Proclamation" that brings a transformative shift in the financial sector by allowing foreign banks to establish a presence in the country. The legislation permits foreign banks to enter the market through several avenues, including

establishing subsidiaries, opening branches or representative offices, or acquiring shares in local banks.

Strict regulations, however, have been introduced to safeguard local interests. The law mandates that strategic investors can hold up to 40% of the total subscribed shares in a domestic bank, while aggregate foreign ownership is capped at 49%. Non-strategic investors, including foreign nationals and foreign-owned Ethiopian entities, face stricter limits of 7% and 10%, respectively. The remaining 51% must be retained under Ethiopian ownership to ensure local control of financial institutions.

Moreover, the newly enacted proclamation did not change the minimum capital requirement set on directive No SBB/ 78/2021, which requested to raise minimum capital to Birr 5 billion.

The new banking proclamation allowing foreign banks to enter the Ethiopian banks will intensify competition. While foreign ownership is capped, the entry of international players could lead to pressure on market share, pricing, and service offerings on the Bank.

## **B. Legislations on operations**

❖ **Persons with a significant Influence, Requirements for Persons with Significant Influence in a Bank Directive No SBB/89/2024”:** The NBE is mandated to put in place an appropriate framework that ensures prudent management. Appointment of directors, chief executive officers, and senior executive officers, of a bank shall be subject to approval by the NBE. In presenting approval request of appointed chief executive officer and senior executive officers to the National Bank, the board of directors of a bank shall ensure that the appointees qualify based on the Bank’s internal assessment process.

A Bank’s board of directors shall, therefore, ensure that the Bank has put in place a documented fit and proper policy and procedures. The NBE conduct fitness and propriety test on persons with significance influence on on-going basis;

As per the NBE’s fit and proper policy the person with significance influence shall;

- a) Be honest, reputable and diligent;
- b) Be financially sound;
- c) Ensure independence of mind, and exercise extreme caution to avoid matters that may give rise to conflict of interest in performing their duties;
- d) Ensure that he is able to commit sufficient time to perform his function in the Bank;
- e) Immediately notify the National Bank of Ethiopia any events that may change their assessment as fit and proper.

This NBE directive necessitates rigorous vetting and on-going assessment of key bank personnel, impacting operations by requiring thorough internal policies and NBE approval for leadership appointments, ultimately aiming to ensure prudent management and public trust.

❖ **Liquidity Requirement (5th Replacement) Sbb/57/2014:** Maintaining public trust and confidence requires ensuring that banks consistently maintain adequate levels of liquidity. It is essential to align liquidity requirements with the reserve requirements of banks to ensure effective liquidity management.

NBE's specifically requires;

- a) Commercial banks shall establish an Asset & Liability Management Committee (ALCO) to manage its assets, liabilities and off-balance sheet items so as to fully meet the Bank's contractual commitments.
  - b) Commercial bank shall maintain liquid assets of not less than fifteen percent (15%) of its net current liabilities.
  - c) Up on failing to meet the minimum regulatory liquidity requirement, the Bank shall not grant any new or additional loan or credit accommodation to any person without prior written approval of the National Bank
- . Meeting the liquidity requirement allow the Bank to meet short-term financial obligations, such as depositors' withdrawals, loan disbursements, and other immediate payments, as they come due. The Bank is responsible to report the Bank's liquidity position and to maintain its liquidity position at all time

❖ **Reserve Requirement (SBB-84-2022-8th Replacement):** NBE obligates all banks to maintain reserve account and a payment and settlement account with NBE. Furthermore, they are also required to keep, at all times, a minimum daily reserve ratio of 5% and a monthly average ratio of 7% of all Birr and foreign currency deposits liabilities held in demand deposits, saving deposits and time deposits.

Transferring funds from a reserve to a payment and settlement account is strictly forbidden. However, they may request a transfer to their payment and settlement account, provided that the balance in their reserve account exceeds 5% of the NBE's reserve requirement. The payment and settlement account held at the NBE is designated for conducting all their daily transactions channelling through.

The **Bank as a regulated entity to NBE** is required:

- a) To maintain at all times a 5% reserve ratio for all deposit liabilities held;
- b) To submit a properly checked and signed weekly report, showing balances as of each

Wednesday;

- c) Submit a report showing each day's reserve ratio and monthly average reserve ratio;
- d) Failing to submit the report will result in penalty.

The Bank, as a regulated entity and as a Company engaged in the banking business is required to comply with NBE's reserve requirement regulation. Failing to comply will result in penalty.

- ❖ **Legal Reserve (SBB/4/95):** NBE requires banks to transfer annually 25% of their annual net profit to legal reserve account until such account equals its capital. When such account reaches its capital the amount to be transferred shall be 10% of the total profit.

While reserve requirements ensure liquidity, they reduce the funds available for lending, potentially impacting a Bank's profitability. Similarly, legal reserve deductions, while strengthening long-term capital, directly decrease profits available for shareholder dividends and reduce retained earnings for reinvestment. Therefore, both mechanisms, though vital for stability, can create a trade-off by limiting a Bank's immediate earnings and its capacity for maximizing shareholder returns and internal growth.

- ❖ **Establishment and Operation of Treasury Bonds (MFAD/TRBO/001/2022):** For the purpose of boosting Ethiopia's economic growth, the government mandated that banks purchase bonds for each new loan they give to their clients. As per the directive, the Bank shall transfer 20% from loans and advances disbursed to the customers calculated on monthly basis.

The mandatory bond purchase reduces the funds the Bank has available for lending, directly constraining its ability to grow its loan portfolio and generate interest income. This also ties up a significant portion of the Bank's liquid assets in potentially lower-yielding government bonds, impacting its overall profitability and potentially creating liquidity challenges, especially if the Bank has high-cost deposits to manage.

- ❖ **Investment on DBE Bonds (SBB/81/2021):** To secure long-term and stable funding so as to sustainably finance development oriented projects, the government issued a directive aiming at mobilizing funds from the domestic market through selling of DBE bonds. As per the directive, commercial banks shall invest a minimum of 1% of their outstanding loan and advances until the aggregated bond investment reaches 10% of the total outstanding loan and advances.

DBE bond shall have a maturity of three years starting from the issue date and shall pay a

bond at least 2% point higher than the minimum interest rate paid to saving deposits. The bond investment is fully and unconditionally guaranteed by the Federal Democratic Republic of Ethiopia.

The Bank is responsible to submit its outstanding loans and advances together with the investment in DBE bonds annually. Failing to report within allotted time or submitting a fraudulent report or failing to invest on DBE bonds will result in penalty.

- a) External Loan and supplier's credit (FXD/801/2021)
- b) Limit on Birr and Foreign currency holding (SBB/81/2022)
- c) Payment instrument issuers (ONPS/06/2022 amended)

However, mandatory DBE bond investments reduce the Bank's available funds and liquidity, potentially impacting profitability as these funds might have been used for lending.

### **Recent regulatory changes**

**A shift to market based exchange regime,**

(NBE's Directive No. FXD/01/2024) announced a market based exchange regime reform. The reform introduces a competitive, market-based determination of the exchange rate and addressing a long-standing distortion within the Ethiopian economy.

The directive applies to the purchase, sale, transfer, borrowing, lending receipt and payment of foreign exchange. Below are some of the key changes that this directive has incorporated.

- a) Introduction of non-bank foreign exchange bureaus and opening of FCY accounts; Foreign exchange bureaus are allowed to operate either as a specialized window of banks or as independent (non-bank) foreign exchange bureaus without any bank affiliation.
- b) Eligible individuals and entities are also allowed to maintain FCY accounts upon fulfilling the requirements applicable for specific accounts.
- c) Inter-bank Foreign Exchange Market: An inter-bank foreign exchange market (or 'wholesale foreign exchange market') shall serve as the primary market for the sale and purchase of foreign exchange among banks.
- d) Buying and selling of foreign currency in the inter-bank foreign exchange market is allowed only by and among parties that are authorized by the NBE.



- e) Banks and authorized foreign exchange dealers are allowed to buy and sell foreign currencies from/to their clients and among themselves at freely negotiated rates.
- f) After fulfilling the repatriation requirement of NBE, exporter of goods and services shall immediately convert into Birr, at a freely negotiated rate, 50% of their export proceeds to the Bank used in processing their foreign exchange transaction, while keeping the remaining (50%) in their Foreign Exchange Retention Account.
- g) **Remittance of proceeds** : Foreign investments which are registered by the National Bank or Ethiopia Investment Commission and other pertinent Government Organs may repatriate the following upon National Bank's approval: -
  - a. Profit and Dividends accruing from investment;
  - b. Proceeds from the sale of liquidation of an enterprise;
  - c. Proceeds from the transfer of shares or ownership of an enterprise;
  - d. Return back of investment if unable to start operation;
  - e. Profits from portfolio investment in equity securities or debt securities.

The Bank should fulfil NBE's criteria or shall get prior approval before engaging in the services described in the directive. If the Bank, as a licensed entity under NBE, fails to comply with the requirements of any provision of this Directive shall be subject to fines and other penalties. Penalties applied shall be in the amount of USD 2,500 (USD Two-thousand five-hundred) per violation of this Directive.

A market-based exchange regime enhances the Bank's revenue by boosting foreign currency inflows and promoting efficient resource allocation. This framework allows the Bank to attract and retain customers through competitive rates, ultimately leading to an increase in overall foreign exchange-related income.

### **C. Ethiopian Deposit Insurance Fund**

Ethiopian Deposit Insurance Fund (EDIF) is one element of financial safety net. EDIF is an institution having its own juridical personality that is established based on Council of Ministers Regulation No. 482/2021; and it commenced operation officially in April 2023 by fulfilling necessary preconditions. The role of the Fund is to contribute to financial system stability by protecting depositors in the event of a deposit taking financial institution (i.e. a commercial bank or a microfinance institution) fails to discharge its obligation to their depositors. The principal objectives of the EDIF are as follows:

- ❖ Protect small deposit holders who have difficulty in getting and analysing the financial condition of commercial banks and microfinance institutions

- ❖ Contribute to the stability of the financial system by preventing depositors' panic and bank-run

Reduce government's financial obligation and protect tax-payers money in case of failure of a deposit taking financial institution.

The EDIF is a critical mechanism for fostering stability and trust within the financial system by protecting depositors and reducing the risk of disruptive bank runs. However, this protection comes with associated costs for the Bank.

#### **D. Compliance related legislation**

**Financial Consumer Protection FCP 01/2020:** Maintaining trust and confidence in the banking system is essential for promoting financial inclusion and ensuring transparent and healthy financial transactions. Therefore, NBE has issued a financial consumer protection directive that all financial institutions in Ethiopia must adhere to.

The Bank while providing financial services shall;

- a) Treat all financial consumers equitably, respectfully, honestly and fairly;
- b) Keep customers data confidential and secure;
- c) Provide its customers with easy access to a transparent, effective, prompt and free internal complaints;

A financial consumer may submit the complaint to NBE, if he/it

- a) Is not satisfied with decision given by the Bank or;
- b) Has not received response from the Bank and NBE shall apply investigation in relation to complaints submitted.

#### **AML/CFT Compliance Program, FIC, (the now renamed Financial Intelligence Service, FIS) Financing of terrorism compliance directives 01/2014,**

Financial Institutions shall have a comprehensive AML/CFT compliance program including Manuals, Policies, Controls and Procedures to guide their compliance efforts and to ensure the diligent implementation of their program.

#### **KYC and account based transaction directive, FIS 04/2021 article 5 (5.3)**

A financial institution shall not open an account or maintain business relationship unknown identity or fictitious names and shall ensure that it knows its true identity of its customer including beneficial owner of a legal entity.

By adhering to the NBE's Financial Consumer Protection (FCP) directive, the Bank fosters customer trust and loyalty through equitable treatment, data security, and accessible complaint resolution mechanisms, ultimately contributing to a stronger reputation and

increased customer retention. Similarly, robust AML/CFT and KYC compliance programs protect the Bank from financial crime, regulatory penalties, and reputational damage, ensuring the integrity of its operations and the safety of the financial system. By knowing the customers and preventing illicit activities, the Bank maintains a secure and trustworthy environment for its business and stakeholders.

## **E. Employee Benefit Legislations**

### **Labour law Proclamation No. 1156/2019**

In Ethiopia, labour law is the main piece of legislation that regulates labour relations. Both employers' and employees' rights and responsibilities are outlined in this law, along with clauses pertaining to pay, working conditions, and benefits.

Complying with Ethiopian labour laws fosters a stable, healthy, and productive workforce, enhancing the Bank's operational efficiency and reputation as a responsible employer.

## **F. Legislations on Tax**

**Business Income Tax:** The Federal Income Tax Proclamation No.979/2016 underscores that business income tax shall be imposed for each tax year at the rate of 30% for any business that has a taxable income for that period.

**Value Added Tax on Banking Services, Value Added Tax Proclamation 1341, 2024:** A tax on supply of goods or services that is made in Ethiopia by a person in the course or furtherance of a taxable activity carried on by the person, other than an exempt list and any activity carried on continuously or regularly by a person that involves, or is intended to involve, in whole or part, the supply of goods or services to any other person for consideration shall be a taxable activity.

**Tax on Deposit, Income Tax Proclamation No.979/2016:** Both resident and non-resident of Ethiopia shall be liable to pay 5% of tax on income earned from saving deposit at banks.

**Investment proclamation on foreign exchange, 1180/2020:** The objective of this investment proclamation, among others, is to increase foreign exchange earnings by encouraging the expansion of the volume, variety, and quality of the country's export products and services, while also conserving foreign exchange through the local production of import substitutes.

The Bank operates complying with all relevant tax laws of the Country.

## **G. Corporate Governance**

- ❖ **Shares and Shareholders' Meetings ((No.592/2008 sub-article 10):** As per this proclamation the Bank's share shall be of one class and shall be registered as ordinary shares of the same par value. Additionally, No person, other than the Federal Government of Ethiopia may hold more than 5% of the Bank's total shares either on his own or jointly with his spouse or with a person who is below the age of 18 related to him by consanguinity to the first degree.

Furthermore, NBE may assign observers to attend any general Shareholders' meeting of a Bank; where it finds necessary in the interest of depositors or Shareholders or the stability and soundness of the banking sector, call a general Shareholders' meeting of a Bank to discuss and resolve any issues related to the Bank.

Limiting individual shareholding and allowing NBE oversight, benefits the Bank's operation by promoting a more dispersed ownership, reducing the risk of undue influence from single entities and potentially fostering broader public trust. The NBE's involvement also ensures that critical discussions align with the stability and soundness of the Bank, which can lead to more prudent operational decisions and a safer financial environment for the Bank.

### **Key Changes to the Memorandum of Association**

#### **1. Amendment of CEO's power, article 29 (13)**

##### **The previous Provision reads as:**

"Signs loan agreements, lease agreements, agreements to purchase assets for the Company, or any other agreements other than sale of the Company and sale of its properties or presenting its assets for mortgage."

##### **The new provision reads as:**

"The CEO shall have the authority to execute and manage any documents related to the operations of the Bank, excluding the sale or holding of the Bank's loan collateral, rental agreements, properties designated for the Bank's business, or the Bank itself to any third party."

#### **2. Amendment on paying up of shares**

Article 34 (2) - Investors who subscribed to buy shares before the establishment of the company shall pay the full subscribed amount within one year of obtaining a license.

##### **Is replaced by**

"Investors who subscribed to buy shares before the establishment of the company shall pay the full subscribed amount until January 30, 2023."

### **3. Powers and duties of the Board of Directors- Additional sub-article 24 (12)**

“The BoD shall have the authority to collaborate with other banks and any legally established organizations, conduct feasibility studies through external entities, establish essential partnerships, hold discussions with partners, and formulate sub-committees for these purposes. The BoD may authorize the Chief Executive Officer (CEO) to implement the activities described in this article, ensuring compliance with the procedures and directives of the NBE.”

### **4. Amendment on Article 4 of the MoA (Shareholders):**

4.1. Title of Article 4 is amended

**The previous title reads as: “Founding Shareholders”**

**The new title reads as: “Shareholders”**

4.2. Article 4(2) is repealed and replaced

**The previous provision reads as:**

“A founding shareholder is an Ethiopian/Ethiopian origin who purchased at least 20 shares of the company in Birr 20,000 and signed this Memorandum of Association”

**The new provision reads as:**

“Shareholders means is a person who has purchased, acquired by inheritance or gift or by court order or in any other legal manner a minimum of 5 (five) shares of the company”

4.3. A new sub-article is added

Article 4(3)-“Without prejudice to the provision of Sub-Article 2 of this Article, if the shares acquired by inheritance or for any other reason decided to be divided among persons and if those divided shares are less than the minimum shareholding **amount of 5 shares, the shares shall be registered jointly in the names of the beneficiaries.**”

### **5. Amendment on Article 7 of the MoA (The Number, Par Value, form and Classes of shares):**

**Article 7(3) of the MoA is repealed and replaced**

**The previous provision reads as:**

“All the shares of the company are ordinary shares listed in the names of the shareholders and their number is stated.”

**The new provision reads as:**

“All shares of the company shall be created electronically and held in an electronic share register or shall be dematerialized.”

### **6. Amendment on Article 15 of the MoA (The Power of the Ordinary General Meeting of Shareholders)**

Article 15(5), which reads as “approve the Company’s investment policy and annual budget,” is repealed and the subsequent sub-articles to be read in a manner consistent with this.

#### **7. Amendment on Article 24 of the MoA (Powers and Duties of the Board of Directors):**

It is to be noted that a new sub-article is added to this article as per decision of the 2nd Extraordinary Meeting of Shareholders as 24(12) and the subject matter is dealt with herein above under the 4th point.

Two new sub-articles are added to the powers and duties of the Board of Directors as follows:

##### **Article 24(13):**

"It receives, examines, and decides on investment proposals submitted to it by the CEO of the company, provides direction for their implementation, and receives and evaluates reports on their implementation."

##### **Article 24(14):**

"To study, studied by others, provide direction, make decisions, implement, execute, and do the appropriate things in accordance with the laws of the country on how and in what form the shares of the company be presented to the public"

#### **H. Capital Market proclamation**

**Capital Market proclamation No. 1248/2021 and Public offering directives No. 1030/2024:** The Ethiopian Capital Market Proclamation No. 1248/2021 and the Public Offering Directives No. 1030/2024 represent significant steps in the development of Ethiopia’s financial sector, particularly on Gadaa Bank’s securities.

- ✓ **Market Development:** The proclamation establishes a legal framework aimed at enhancing the functionality and efficiency of the capital market. This encourages increased participation of the Bank, in securities offering, listing and trading. This proclamation and directive could facilitate greater access to capital markets for the Bank. By allowing it to raise funds through public offerings, the Bank might have more opportunities to bolster its capital base more than the required amount and support its growth strategies.
- ✓ **Increased Investment Opportunities:** By providing clear guidelines for public offerings and securities trading, these regulations open up new avenues for Gadaa bank to diversify its investment portfolios. This can lead to increased competition and innovation in banking products related to securities.
- ✓ **Governance and Compliance:** The directives outline compliance expectations for public offerings, which can ensure greater transparency and accountability in the

banking sector. This may result in enhanced investor confidence and stable financial environments. They could also request the Bank to comply with all reporting requirements on timely basis, as well as a disclosure of any material developments/changes with specific time framework.

- ✓ **Foreign Investment:** The new regulations could make Gadaa bank more appealing to foreign investors, as a structured capital market may indicate stability and reliability.

Overall, these regulations are likely to transform the way the Bank operates by fostering a more structured, transparent, and dynamic financial environment. On the other hand, becoming a publicly listed company significantly increases the level of scrutiny and accountability for the Bank. It must ensure that it maintains robust internal controls and compliance mechanisms to meet these heightened disclosure requirements while fostering trust with investors and stakeholders.

## I. Other laws

- ❖ **Civil code, 1960 foreign bodies corporate and property with a specific destination:** Bodies corporate whose head office is situating in a foreign country and which wish to carry out activities in Ethiopia shall apply for an authorisation to the office of associations in Addis Ababa. Endowments, trusts and committees constituted in a foreign country may not carry out any activity in Ethiopia for so long as they have not been granted the necessary approval from the concerned office.
- ❖ **Investment Proclamation 1180/2020:** Ownership of Immovable Property, foreign investor or a foreign national treated as domestic investor shall have the right to own immovable property necessary for his investment. Immovable property as used in this provision does not include land.
- ❖ **Stamp duty 110/1998-** It is expedient to consolidate and amend law relating to Stamps
- ❖ **Commercial code 1243/2021-** Applies to shall apply to persons and business organizations carrying on a trade.
- ❖ **Commercial registration and business licensing 980/2016,** issued in order to make the registration and licensing process fast, accessible and modern.

## 2.13 Industry Overview

### 2.13.1 Overview of Ethiopian Banking Industry

The establishment of the Bank of Abyssinia in 1906 marked a significant milestone in Ethiopia's financial landscape, as it was the first modern bank to operate in the country. This

initiative emerged from collaboration between the Ethiopian government and the Egyptian Central Bank. This pivotal point led to the introduction of the modern banking to the public. Since then the sector has passed through various sector specific and country led reforms.

After the Bank of Abyssinia, the Ethiopian banking sector experienced a series of reforms and expansions. In the subsequent decades, various banks were established, both state-owned and private, contributing to a more diversified financial system. However, the sector faced challenges, particularly during the Derg regime (1974-1991), which nationalized banks and imposed strict controls over financial operations. This period stunted growth and innovation within the banking sector, leading to inefficiencies and a lack of competition<sup>1</sup>.

With the fall of the Derg regime, Ethiopia embarked on a path of economic liberalization and reform in the early 1990s. The government recognized the importance of a robust banking sector in fostering economic growth and attracting foreign investment. As a result, several reforms were introduced, including the establishment of new private banks and the liberalization of interest rates. These changes encouraged competition and improved service delivery, allowing banks to better meet the needs of individuals and businesses.

### **2.13.2. Market Participants**

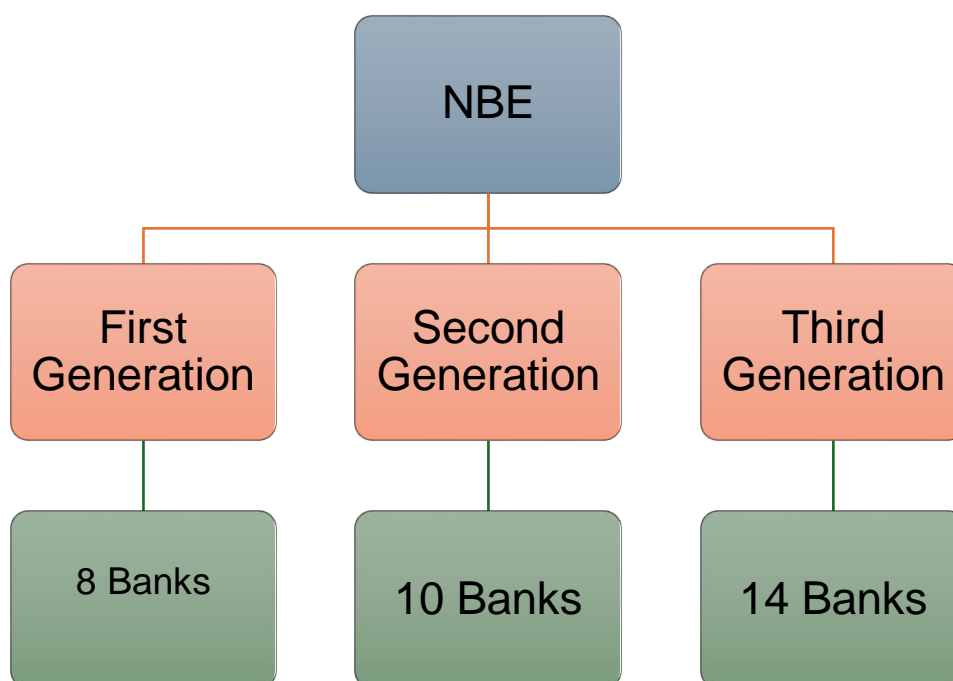
The industry is made up of the regulator (i.e. NBE), 32 commercial banks including the policy Development Bank of Ethiopia, 10 payment instruments issuers and 53 micro-finance institutions<sup>2</sup>. The Ethiopian banking sector is characterized by a unique evolution of banks that can be categorized into three generations, each representing different stages of development.

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<sup>1</sup> Misrak T, Ratinder K (2023). Banking Sector in Ethiopia: Origin And Present State, EPH - International Journal of Business & Management

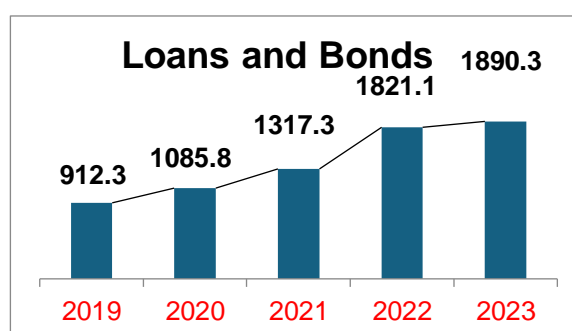
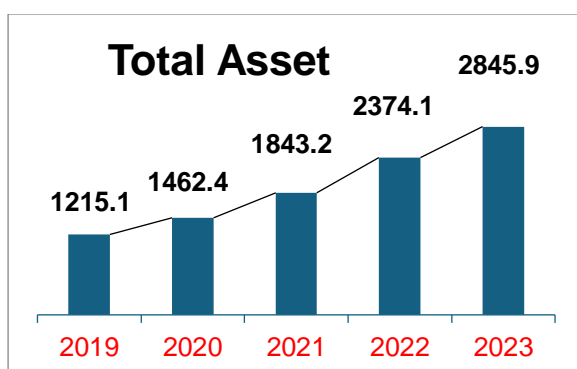
<sup>2</sup> NBE Financial Stability Report, April 2024



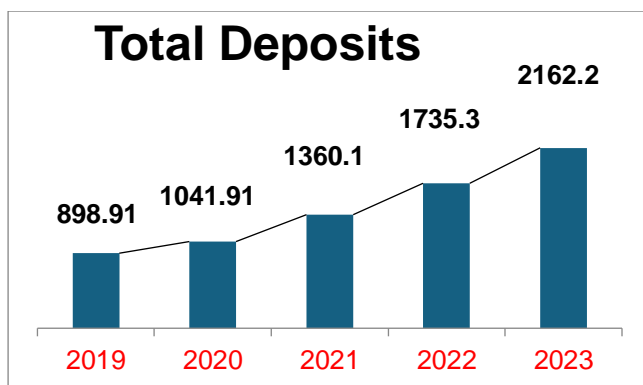


### 2.13.3. Market size

Total industry deposits at end-June 2023 reached Birr 2.2 trillion showing a 24.6% increment from the preceding fiscal year, while total loans & bonds amounted to Birr 1.9 trillion showing a 24.3% growth from the same past fiscal year. This reflects the rapid growth in savings and time deposits that the country is exhibiting. The total industry asset (net) has also showed a 19.9% growth by reaching 2,845.9 billion<sup>3</sup>.



<sup>3</sup> NBE Financial Stability Report, April 2024



### Soundness Indicators

The decline in the non-performing loans (NPL) ratio from 3.9% in 2022 to 3.6% in 2023 indicates improved asset quality and suggests that the commercial banking sector is performing well. Since this ratio is below the regulatory maximum of 5%, it further reinforces the notion that the sector is resilient and sound in terms of managing credit risk. Overall, these figures reflect positively on the health of the banking industry in Ethiopia

By the end of June 2023, the total income of the banking sector reached Birr 297.5 billion, an increase from Birr 247.0 billion in the previous year. While expenses grew due to the expansion of activities, the total number of bank employees rose by 26.0%, bringing the total to 187,450. As a result, net income before tax remained relatively stable at Birr 62.9 billion, compared to Birr 61.8 billion in the prior year.

### Banking Reforms and Current Trends

For decades, Ethiopia's banking system has been characterized by state control and limited competition. However, recent government initiatives signal a shift towards liberalization. The Ethiopian government is actively working to attract foreign investors, and a recent proposal aims to allow international banks to enter the market for the first time. If approved by the parliament, this move could lead to an influx of capital and expertise, enhancing banking services and fostering innovation. This development is expected to benefit consumers who have long faced limited banking options.

The push for reform comes at a time when Ethiopia is experiencing robust economic growth, with GDP expanding at an impressive rate. Yet, despite this progress, the majority of the population remains unbanked. Financial inclusion has become a priority for policymakers, as they seek to integrate the vast number of Ethiopians who lack access to traditional banking

services. Efforts to promote mobile banking and fintech solutions are gaining momentum, with start-ups emerging to fill the gap and provide innovative financial services to underserved communities.

Ethiopia stands on the brink of transformation; the future of its banking industry looks promising. With on-going reforms, a focus on financial inclusion and the rise of digital banking, the country is poised to create a vibrant financial ecosystem that meets the needs of its diverse population. These factors further offer significant opportunities in corporate banking, while the low penetration levels and the increasing middle class presents upside for retail banking as well.

## **SECTION THREE-FINANCIAL STATEMENTS AND INFORMATION**

### **3.1 Financial Information**

The audited financial statements of the Bank for the Financial Year ended 30 June 2024, 30 June 2023, 30 June, 2022 and an interim financial report for 31 December 2024 are accompanied along with this prospectus. The audited financial statement for the fiscal year 2021-2022 covers only one month, as it was authorized for an operational license on April 26, 2022.

### **3.2 Profit Forecast**

There is no profit forecast or estimate included in this Prospectus. No statement in this Prospectus is intended as a profit forecast or estimate and no statement in this Prospectus should be interpreted as a profit forecast or estimate.

### **3.3 Significant Changes in Issuers Financial Position**

There has been no significant change in the financial position of the Company since 31 December 2024, the date to which the most recent financial information of the Company was prepared.

### **3.4 Pro Forma Financial Information**

There is no pro forma financial information included in this Prospectus.

### **Auditor's qualifications or adverse remarks**

The audit report of the External Auditor on the historical financial statements in this Prospectus does not contain any qualifications.

## SECTION FOUR-GOVERNANCE AND MANAGEMENT

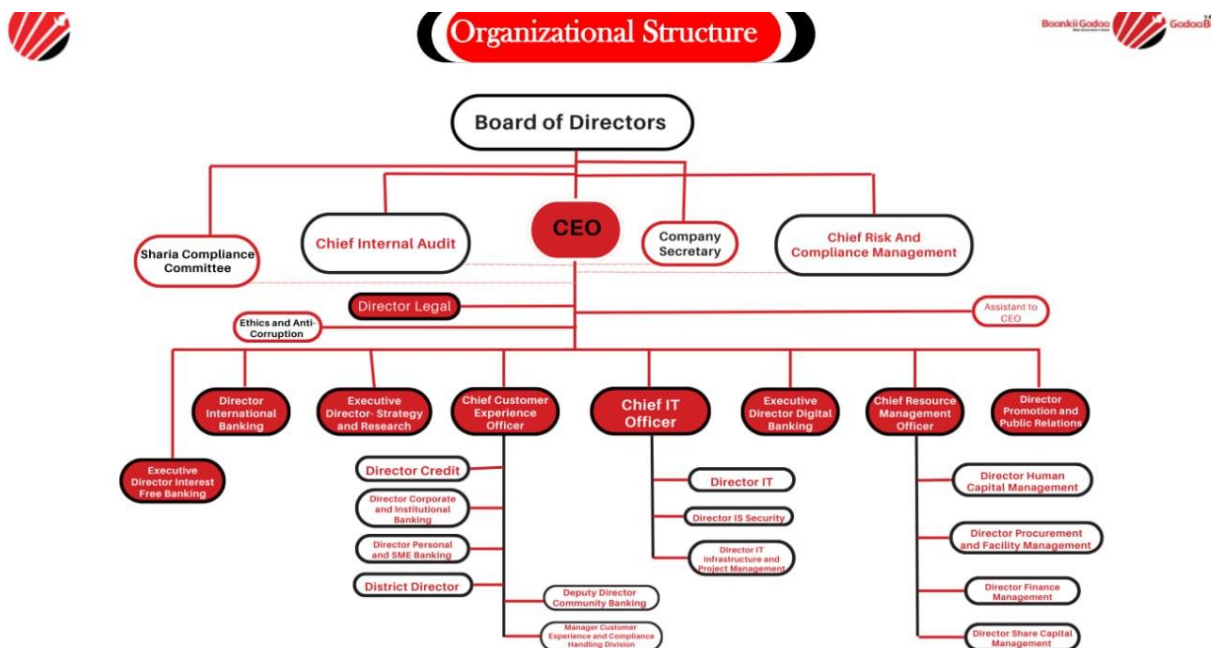
### 4.1 Corporate Governance

Gadaa Bank S.C is committed to the principles of good corporate governance and their implementation. Gadaa Bank S.C believes that full disclosure and transparency in its operations are in the interest of good governance. The Company adheres to the NBE's SBB/91/2024 directive on licensing and supervision, ensuring that the corporate governance practices set forth by the NBE are effectively implemented throughout all its operations.

#### 4.1.1 Organization Chart of the Company

Gadaa Bank S.C commenced full-fledged commercial operations, offering both conventional and interest-free banking services, on December 24, 2022. The Bank's Shareholders are predominantly youth, both within Ethiopia and abroad, with 90% of the founding Shareholders being young individuals.

As at the date of this Prospectus, Gadaa Bank S.C. operates as an independent financial institution without any subsidiary companies. Additionally, Gadaa Bank has not engaged in mergers or acquisitions activities. The Bank's **organizational structure** has the following look;



### 4.2 Board of Directors and Management's Brief Profile

#### 4.2.1 Board of Directors

Gadaa Bank's general policies are determined by a board of eleven (11) members. As at the date of this Prospectus, the Board comprises of the Chairperson, V/Chairperson and 9 BOD members



**Dr. Hassan Hussien, Ethiopian, Chair Person.**

Dr Hassan Hussien is currently the chairperson of the BOD having EdD in General Management with over 33 years of experiences. Dr. Hassan was the CEO of the Ethiopian Entrepreneurship Centre and has also served as the COO of African Economic Development Solutions.

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**Mr. Hailu Ifa Gonda, Ethiopian, V/chair person**

Mr. Hailu Ifa is currently serving GB as a vice chairperson of the BOD with educational background of B.A Degree in Accounting and M.A in Organization leadership with 37 years of work experiences. Mr. Hailu has been working in various government organizations in different capacities. He has also served on the Board of Directors for the Cooperative Bank of Oromia and the Oromia Savings and Credit Associations.

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**Tilahun Tadesse, Ethiopian, Member.**

With over 30 years of experience in the insurance industry, Mr. Tilahun holds B.A in Business Management and M.A in Business Leadership. He currently serves as Business Development and Marketing Director at Hibret Insurance, and previously held positions as Chief Internal Auditor at Oromia Insurance and Branch Manager at Awash and Nile Insurance.

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**Dr. Degefe Duressa, Ethiopian, Member.**

Dr. Degefe Duressa, a member of the Board of Directors, holds a PhD in Development Finance and a Master's in Accounting Information. Dr. Degefe has over 41 years of teaching and research experience. Dr. Degefe was also a consultant and a researcher.

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**Mr. Wasihun Amenu, Ethiopian, Member.**

Mr Wasihun is a member of the BoD and Mr. Wasihun has M.A in Cooperative management with extensive experiences of 23 years.



**Mr. Hamdeno Mideso, Ethiopian, Member**

Mr. Hamdeno is a member of the BoD and he has M.A in specialized project management working for 12 years.



**Eng. Ashenafi Daba, Ethiopian, Member**

With over 15 years of experience, Eng Ashenafi holds a BSc and MSc in Civil Engineering and currently serves as CEO of OCC. Previous roles include Deputy CEO at OCC, Office Engineer at Narucon Construction, and Quantity Surveyor at Stadia Engineering.



**Mrs. Semira Abdella, Ethiopian, Member**

*Mrs. Semira has BA in Marketing Management, with over 13 years in Project Management and Customers Services.*



**Amb. Mulu Solomon, Ethiopian, Member**

With over 25 years of experience, Ambassador Mulu holds B.A in Accounting and Business Management, MA in Environment and Development, and she is a PhD candidate in Peace and Security at Addis Ababa University (A.A.U). She has served as an Ambassador—Extraordinary and Plenipotentiary and Special Envoy at the FDRE, Ministry of Foreign Affairs. Previously Amb Mulu worked as Operations Manager at Unilever, and General Manager, Lead Trainer, and Inspirational Speaker at various organizations.



**Mr. Kassim Kufa, Ethiopian, Member**

Mr. Kassim Kufa combines over 15 years of experience in academia and consulting. He holds a B.A in Accounting and Finance, LLB, and LLM, and is

currently pursuing a PhD in Law. He is currently a lecturer at Arsi University, having previously worked as a lecturer at Oromia State, Dilla, and Axum Universities, and also serves as a consultant and trainer at Alif Consulting.

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**Dr. Gutu Tesso, Ethiopian, Member**

Dr. Gutu holds PhD in Economics and has over 25 years of professional experience in academia and various international organizations, including the European Union, Christian Children’s Fund and World Vision. He is also a certified Leadership Development Coach from UNDP and HAPCO. Dr. Gutu earned both his MSc and BSc degrees in Agricultural Economics from Haramaya University.

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#### **4.2.3 Executives Brief Profile**

**Mr. Wolde Bulto, Chief Executive Officer/CEO/**



Mr. Wolde is currently the CEO of Gadaa Bank S.C. He has held various positions at different banks throughout his career. Prior to joining Gadaa Bank, Mr. Wolde worked at Oromia Bank and the Commercial Bank of Ethiopia. Mr. Wolde holds both B.A. and MSc in Economics as well as EMBA in International Economics from Addis Ababa University. He has over 25 years of experience in the banking sector.

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**Mr. Fati Haji, Chief Information Technology Officer /CITO/**



Mr. Fati is currently the CITO of Gadaa Bank S.C. He has held various positions at different banks throughout his career. Prior to joining Gadaa Bank, he worked at Oromia Bank S.C and Nib International Bank S.C for over 16 years. Mr. Fati has M.A in Business Management from Lead Star College and BSc in Statistics from Addis Ababa University. He has over 33 years of experience in the banking sector.

**Mr. Eshetu Deressa, Chief Customer Experience Officer /CCEO/**



Mr. Eshetu is currently the CCEO of Gadaa Bank S.C. He has held various positions at different banks throughout his career. Prior to joining Gadaa Bank, he worked at Awash bank and Oromia Bank. Mr. Eshetu has MBA from Lead Star College of management and leadership and B.A in accounting from Addis Ababa University. He has over 18 years of experience in the banking sector.





### **Mrs. Tenaye Aklilu, Director Finance Management Department**

Mrs. Tenaye Aklilu is currently the Director of Finance Management at Gadaa Bank. Before joining Gadaa Bank, she served as the Head of Finance for MMB Import and Export, the Ethiopian Red Cross Society's Addis Ababa branch, and Bethel Teaching Hospital. Additionally, she held the position of Finance and Administration Manager at Synergos Ethiopia and worked as an Internal Auditor at the Commercial Bank of Ethiopia (CBE). Mrs. Tenaye holds a Master's degree in Business Management from St. Mary's University and a Bachelor's degree in Accounting from Addis Ababa University. She is also a certified ACCA (Association of Chartered Certified Accountants) and a Certified Internal Auditor (CIA) from the UK and the Institute of Internal Auditors in New York, USA. Mrs Tenaye has 26 years of experience in both the banking sector and non-governmental organizations (NGOs).

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### **Mr. Legese Jada, Chief Internal Audit Department**

Mr. Legese is currently the Chief Internal Auditor at Gadaa Bank S.C. Mr. Legese held various positions at different banks throughout his career. Prior to joining Gadaa Bank, Mr. Legesse served at NIB Bank and Oromia Bank. Mr. Legesse holds a B.A. in Accounting Addis Ababa University and MBA from Rift Valley University. Mr. Legesse has over 26 years of banking experience.

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### **Mr. Abduljebar Kedir, Executive Director, IFB Department**

Mr. Abduljebar is currently the Executive director of IFB department at Gadaa Bank S.C. He has held various positions at different banks throughout his career. Prior to joining Gadaa Bank, he worked at Siinqee Bank and Oromia bank. Mr. Abduljebar holds a B.A. in Management from Haramaya University and M.A in Business Management from Rift Valley University. He has over 12 years of experience in the banking sector.

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### **Mr. Dereje Mengistu, Chief Risk Management and Compliance Officer**

Mr. Dereje is currently Chief Risk Management and Compliance Officer at Gadaa Bank S.C. He has held various positions at different banks throughout his career. Prior to joining Gadaa Bank, he worked at CBE. Mr. Dereje holds B.A. in Management and Public Administration and M.A in Human Resource management from Addis Ababa University. Mr. Dereje has over 23 years banking sector experience.



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**Mr. Debebe Feyissa, Executive Director of Strategy and Research**

Mr. Debebe is currently the Executive Director of Strategy and Research department at Gadaa Bank S.C. He has held various positions at CBE prior to joining Gadaa Bank. Mr. Debebe holds BSc in Agricultural Economics from Haramaya University and MSc in Development Economics from Ethiopian Civil Service University. Mr. Debebe has over 12 years banking experience.

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**Mr. Ifa Abdisa, Executive Director Digital Banking Department**

Mr. Ifa is currently the Executive Director of Digital Banking department at Gadaa Bank S.C. Mr. Ifa Abdisa has MA in Business Administration from Lead Star University College and B.A in Management from Bahir Dar University. Mr. Ifa has more than 14 years banking experience.

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#### **4.2.4 Disclosure statement**

- a) Relationships among Directors - there are no family relationships among the directors and senior managements.
- b) To the extent of the Company's knowledge, no individual in the Board of Directors, Executive Management, or Senior Management is, or has been, involved in any of the following;
  - ✓ a petition under any bankruptcy or insolvency laws filed (and not struck-out) against such person or any partnership in which he was a partner or any company of which he was director or key personnel;
  - ✓ a conviction in a criminal proceeding or is named subject of pending criminal proceedings relating to fraud or dishonesty; and
  - ✓ the subject of any order, judgment or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty, restraining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.
- c) There were no interests of Directors in transactions that are or were unusual in their nature or conditions or significant to the business of the Company, and that were affected by the Company during the current or immediately preceding financial year, or an earlier financial year, and remain in any respect outstanding or unperformed.

#### 4.2.5 The Board of Directors and Term of Office of the Directors

The Board is accountable and responsible for the performance and affairs of the Bank. The Board also defines the Bank's strategic goals and ensures the effective deployment of human and financial resources towards attaining these goals.

##### Date of Appointment and Expiry of the Term of Office

S.NO.	Name of BODs	Position	Assignment Date	Approved Date	Expiry of the current term of office
1	Dr. Hassen Hussein Kedir	Board Chairperson	19-Dec-2024	9-April- 2025	9-April-2028
2	Mr. Hailu Ifa Gonda	Deputy Chairperson	19-Dec-2024	9-April-2025	9-April-2028
3	Dr. Degefa Duressa Obbo	Non-Executive Director	19-Dec-2024	9-April-2025	9-April-2028
4	Eng. Ashenafi Daba Abdi	Non-Executive Director	19-Dec-2024	9-April-2025	9-April-2028
5	Mr. Tilahun Tadesse	Independent Director	19-Dec-2024	9-April-2025	9-April-2028
6	Ambasadaor Mulu Solomon	Independent Director	19-Dec-2024	9-April-2025	9-April-2028
7	Mr. Wasihun Amenu Tiyyiti	Non-Executive Director	19-Dec-2024	9-April-2025	9-April-2028
8	Mr. Hamdeno Mideso Woya	Non-Executive Director	19-Dec-2024	9-April-2025	9-April-2028
9	Mrs. Semira Mohammed Abdella	Non-Executive Director	19-Dec-2024	9-April-2025	9-April-2028
10	Mr. Kassim Kufa	Independent Director	19-Dec-2024	9-April-2025	9-April-2028
11	Dr.Gutu Tesso	Non-Executive Director	19-Dec-2024	9-April-2025	9-April-2028

NBE's corporate governance directive, Directive No SBB/91/2024, Sub-article 11.9, states that the terms of office for board members should be structured to facilitate a smooth transition. To ensure the retention of institutional memory and to ease the induction of new

board members, the directive permits banks to retain more than one-third of their board members to provide continued leadership.

By implementing this governance arrangement of the Bank will mitigate the risks that may arise from the expiration of board members' terms of office.

#### **4.2.6 Terms and conditions of employment of Executive Directors**

The employment of executive directors is conducted in accordance with the NBE's procedure as stated on the NBE corporate governance directive No SBB/91/2024 and commercial code proclamation No. 1223/2021 article 298.

### **4.3 Details of Remuneration**

As per NBE directive SBB/67/2018 the BOD member are entitled to a gross monthly transport allowance of 10,000.00 birr or a maximum annual compensation plan of Birr 150 thousand each. The Bank compensates its BoD members in accordance with the directive SBB/67/2018 issued by the NBE and the decision made at the first general ordinary meeting regarding the remuneration of the BoD members.

For the remainder of the current financial period, the Company will maintain a monthly allowance of Birr 10 thousand for each member of the BoD. As of 19 May 2025, the Company is not aware of any anticipated changes to the compensation plan from the relevant regulatory authorities.

#### **4.3.1 Bonus or Profit Sharing plan for Directors and Executives**

Nil- According to NBE's SBB/67/2018 no bank is allowed to pay any benefit other than remuneration.

#### **4.3.2 Payment or Benefit to Directors of Company**

According to NBE's SBB/67/2018 no bank is allowed to pay any benefit other than remuneration.

#### **4.3.3 Changes in Board in the Last Three Years**

In the past three years, there have been no changes to the Board of Directors (BoD) except for the replacement of Mr. Muleta Debel by Dr. Gutu Tesso, in accordance with the NBE's directive SBB/71/2019.

### **4.4 Committees of the Board and Practices**

Following the regulations set forth by the National bank of Ethiopia (NBE), every bank is obligated to undergo an evaluation of its Board and Committees at least once every year. Accordingly, Gadaa bank has conducted a comprehensive assessment of its Board, Board

Committees and individual board member. This important exercise gave valuable insight on the effectiveness of the Board and areas for improvement. The outcomes of this assessment received a thorough review by the Board Nomination and Remuneration Committee. The Board consistently endeavors to enhance the development of governance practices.

**i. Audit Committee**

1. Dr. Degefe Duressa Obo - Chairperson
2. Mrs. Semira Abdella Mohammed - Member
3. Mr. Kasim Kufa Jarra - Member

**ii. Risk Management and Compliance Committee:**

1. Dr. Gutu Tesso – Chairperson
2. Mr. Kasim Kufa Jarra – Member
3. Mr. Hamdeno Midesso – Member

**iii. Nomination and Remuneration Committee:**

1. Ambassador Mulu Solomon Bizuneh – Chairperson
2. Mr. Hailu Ifa – Member
3. Mr. Hamdeno Midesso – Member
4. Mr. Wasihun Amenu – Member

**iv. Credit Committee**

1. Mr. Tilahun Tadesse Tuji - Chairperson
2. Dr. Hassan Hussein Kedir - Member
3. Mr. Wasihun Amenu Tiyiti - Member
4. Engineer Ashenafi Daba Abdi - Member

Below is a summary of the mandates of the committees

**1. Board Audit Committee**

The duties of this committee include:

**a. Oversight of the Financial Reporting Process:**

- Ensuring fair and transparent financial reporting, and prompt publication of the financial accounts;
- Recommending approval by the board of the Bank's policies on
- Accounting policy and financial reporting
- overseeing the financial reporting process; and
- Approving financial statements prior to their submission to the full board.

## **b. Oversight of the External Audit Process**

- recommending to the board for their approval, the appointment, remuneration and dismissal of external auditors;
- review and approve the audit scope and frequency;
- Receive key audit reports and ensure that senior management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and other control functions;
- Ensuring adequate functioning, independence and effective cooperation of internal and external audits; and
- Review any non-audit services provided by the external auditor, seeking to maintain the objectivity of the external auditor and avoid conflicts of interest.

## **c. Oversight of Non-Financial Reporting and Assurance**

- Ensuring fair and transparent reporting of material sustainability information;
- ensuring fair and transparent reporting of performance audit information; and
- Overseeing the process of seeking independent, external assurance of non-financial information.
- Oversight of the Internal Audit Function
- Overseeing the functions of the Internal Audit Unit;
- Approving the annual internal audit plan;
- Ensuring full coverage of the Bank's activities by internal controls and internal or external audits;
- Ensuring that all the Bank's activities are audited by the internal audit in a cycle whose duration shall not exceed three (3) years and must be adjusted depending on the risk profile;
- Assessing the adequacy of human, information technology and other resources allocated to the internal control function;
- Ensuring that the internal controllers and auditors have the necessary skills, and proposing measures to strengthen their expertise and qualifications as necessary;
- Verifying the reliability and accuracy of financial information intended for the board, the National Bank and third parties, and assess the relevance of the accounting methods adopted for the preparation of the individual and consolidated accounts;

- Assessing the relevance of the corrective measures taken or proposed to remedy the shortcomings or insufficiencies detected in the processing of transactions, following control or audit reports, or even, if applicable, in the internal control system;
- Ensuring the effective and rapid implementation of the corrective measures recommended by the control and audit functions and, if necessary, alert the board, or the National Bank directly in the event of non-implementation; and
- Assessing whether existing policies, processes and internal controls (including risk management, compliance, Shari'ah compliance and corporate governance processes) are effective.

## **2. Board Risk Management Committee**

This Committee assists the Board in fulfilling its oversight responsibility relating to establishing policies, standards and guidelines for risk management and compliance with legal and regulatory requirements in the Bank. The responsibilities of the committee include:

- Be responsible for oversight of the strategies for capital and liquidity management, as well as for all relevant risks of the Bank, such as credit, market, operational and reputational risks and others to be specified in the relevant National Bank Directives to ensure they are consistent with the stated risk appetite;
- Develop a committee charter, for approval by the full board of directors, laying out its composition, roles and responsibilities, and meeting requirements;
- Hold regular meetings, at least once every month and shall report regularly to the full board;
- Receive regular reporting and communication from the chief risk officer and other relevant functions about the Bank's current risk profile, current state of the risk culture, utilization against the established risk appetite, and limits, limit breaches and mitigation plans;
- Have effective communication and coordination with the audit committee to facilitate the exchange of information and effective coverage of all risks, including emerging risks, and any needed adjustments to the risk governance framework of the Bank; and
- Be responsible at least for:
  - a) Reviewing and recommending risk management strategies, policies, risk appetite statements, and risk tolerance limits for board's approval;

- b) Reviewing and assessing adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk, as well as, the extent to which these are operating effectively;
- c) Ensuring infrastructure, resources and systems are in place for risk management;
- d) Ensuring the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk- taking activities;
- e) Reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities;
- f) Periodically reviewing the effectiveness of internal controls and risk management processes;
- g) Assessing the quality of the internal control system, in particular the consistency of the risk measurement, monitoring and control systems and propose, where appropriate, reinforcement actions in this regard; and
- h) Checking compliance with the policies and rules of the Bank and with relevant proclamations, regulations, Directives and guidelines of the National Bank and other relevant laws.

### **3. Nomination and Remuneration Committee:**

The duties of this committee include:

- Prepare a profile of the ideal independent board of directors, based on discussions with the full board, and use the profile as a basis for the recruitment of good candidates;
- Recruit independent directors to serve on the board, with the assistance of recruitment consultants as necessary. Following deliberations, the Committee will forward its proposed candidates to the board of directors for further review and presentation to the general meeting. All independent directors nominated shall meet or exceed the National Bank's requirements;
- Lead the process of nominating candidates to serve as senior managers, for appointment by the board of directors. The Committee will recruit candidates for open positions, with the assistance of recruitment consultants as necessary. Following deliberations, the Committee will forward a "short list" of proposed candidates to the board of directors;
- At the request of the board chairperson, and after detailed review, provide a formal and transparent proposal on the employment and Removal of senior management members if they are ineffective, errant and/or negligent in discharging their responsibilities, for decision by the full board;



- Monitor the Bank's compensation and benefits practices, and periodically benchmark these practices against a set of peer institutions, in cooperation with the Bank's human resources department. The Committee will periodically make recommendations on the compensation/benefit systems of the Bank, for decision by the full board. The Committee will also periodically review other human resource policies of the Bank, as requested by the board of directors; and
- Develop training programs for board members by working with the company secretary and outside consultants as necessary. The Committee shall review the effectiveness of these programs and make changes as necessary.
- The Committee shall hold regular meetings, at least once every three months or as necessary, and shall report regularly to the full board.

#### **4. Credit Committee**

The duties of this committee include:

- Assist the board with discharging its responsibility to review the quality of the Bank's loan portfolio and ensuring adequate provisions for bad and doubtful debts in compliance with prudential requirements;
- Reviewing and overseeing the overall lending policy of the Bank;
- Deliberate and consider loan applications beyond the discretionary limits of the Credit Risk Management Committee,
- Review lending by the credit Risk Management Committee;
- Ensure there are effective procedures and resources to identify and manage irregular problem credits, minimize credit loss and maximize recoveries;
- Direct, monitor, review and consider all issues that may materially impact on the present and future quality of the Bank's credit risk management;
- Delegate and review lending limits to the sanctioning arms of the Bank;
- Conduct loan reviews independent of any person or committee responsible for sanctioning credit;
- Ensure the credit policy and risk lending limits are reviewed at least on annual basis and as and when the environment so dictates.

### **4.5 Promoters**

#### **4.5.1 Interest of Promoters**

Promoters do not have any interest in the Company other than as promoter. Further, there are no individual or entities which forms part of the Promoter Group.

## SECTION FIVE

### CAPITAL STRUCTURE AND INFORMATION ON SECURITIES

#### 5.1 Capital Structure

##### Equity Share Capital

The Bank has a single class of ordinary shares. The Bank has not issued any equity shares for consideration other than cash and there are no shares that do not represent the Bank's capital.

As at the date of this Prospectus, the Bank's share capital stood at;

Share capital	May 19, 2025 (000's)
Authorized shares <b>7,000,000 No. of shares @1,000 birr</b>	7,000,000
Issued and fully paid <b>1,232,728 No. of shares @1,000 birr</b>	1,232,728

##### Notes to the Capital Structure

Aside from the authorized capital outlined in the MOA at the time of its establishment, the Bank has not issued any additional shares to the public as of 19 May, 2025.

##### Registration Details

Gadaa Bank S.C has pledged 1,232,728 numbers of existing ordinary shares found in the hands of Shareholders for registration. The listing price of the share is Birr 1000 each.

#### 5.2 Dividend Policy of the company

The Bank recognizes the importance sound, prudent, and balanced approach in determining the distribution of profits to Shareholders to maintain financial stability, meet regulatory standards and ensure corporate governance standards in line with all relevant national financial regulations and bylaws of the Bank.

As of 19 May 2025, the declaration and payment of dividend on Equity Shares, if any, will be recommended by the Board and approved by the Shareholders, at their discretion, in accordance with provisions of MOA and applicable law, including the commercial code.

The dividend, if any, will depend on a number of factors, including but not limited to earnings, capital requirements, contractual obligations, results of operations, financial condition, cash requirements, business prospects and any other financing arrangements,

applicable legal restrictions and overall financial position of the Company. The Board may also, from time to time, declare dividends out of the surplus in the profit and loss account or from the profits of the Financial Year in which such dividend is sought to be declared or out of profits generated in the financial year.

In the future the Bank shall apply Flexible Dividend Pay-out Ratio to distribute dividends to its Shareholders for a financial year commensurate to its profitability;

- ❖ The pay-out ratio/percentage shall be proposed/ recommended by the Board and approved the Bank's Shareholders during the relevant general meeting of the Bank, in line with the provisions in the Bank's articles of association. However, NBE may intervene if the dividend pay-out ratio jeopardizes the Bank's financial stability.
- ❖ Shareholders of the Bank, when they decide on distribution of profits on general meeting, shall determine the method of payment of dividend and fix the date on which the Shareholders are to receive the dividend;
- ❖ The Shareholders of the Bank, for their decision, may choose forms of paying dividends from Cash Dividends, Stock Dividends, Property Dividends, Scrip Dividends, Dividend Reinvestment Plans (DRIPs) and Liquidating Dividends to distribute profits to its Shareholders, depending on its financial situation and the demands of its investors.

The Bank has not declared any dividend on the Equity Shares, since its inception.

## SECTION SIX

### INTERESTS AND RELATED PARTY TRANSACTION

#### 6.1.Details of Equity Shares Held by Directors

As of 19 May 2025, no Directors have directly or indirectly hold shares or expressed interest in 5% or more of the Banks Capital.

The interests of the Directors in the issued share capital of the Bank as recorded in the Register of Directors' Interests as of 19 May 2025 are as follows:

S/N	Directors	No. of Shares	Total Shareholding (ETB)	Total No. of Shareholding as % of issued share capital
1	Dr. Hassen Hussein Kedir	50	50,000.00	0.004%
2	The National Regional State of Oromia Public Enterprises Bureau ( <b>Mr. Hailu Ifa Gonda</b> )	25,000	25,000,000.00	2.02%
3	Dr. Degefa Duressa Obbo	100	100,000.00	0.008%
4	Oromia Construction Corporation ( <b>Eng. Ashenafi Daba Abdi</b> )	20,000	20,000,000.00	1.62%
5	Dr. Birhanu Assefa Demissie	40	40,000.00	0.003%
6	Mr. Wasihun Amenu Tiyyiti	25	25,000.00	0.002%
7	Mr. Hamdeno Mideso Woya	75	75,000.00	0.006%
8	Mrs. Semira Abdella Mohammed	200	200,000.00	0.016%
9	Dr. Gutu Tesso Boka	25	25,000.00	0.002%
	<b>Total holding</b>	<b>45,515</b>	<b>45,515,000.00</b>	<b>3.69%</b>

## 6.2 Major Shareholders and Interested Persons

### 6.2.1. Major Shareholders of the Company as on 19 May 2025

The table below shows the top 20 Shareholders of Gadaa Bank S.C as at 19 May 2025

S/N	Name (of Top 20 Shareholders)	Amount	Holdings%
1	The National Regional State of Oromia Public Enterprises Bureau	25,000,000.00	2.028%
2	Speed Trading plc.	25,000,000.00	2.028%
3	Oromia Construction Corporation (OCC)	20,000,000.00	1.622%
4	Mezgebu Duguma Debessa	15,000,000.00	1.217%
5	Oromia Insurance S.C	11,000,000.00	0.892%
6	Gutema Firisa Urgessa	10,000,000.00	0.811%
7	Oromia Agricultural Cooperative Federation Ltd	10,000,000.00	0.811%
8	Wada Engineering PLC	10,000,000.00	0.811%
9	H A B IMPORT EXPORT P L C	10,000,000.00	0.811%
10	E.A.L Group Primary Basic Trade Union	7,857,000.00	0.637%
11	Engineering Corporation of Oromia	5,000,000.00	0.406%
12	Bersabe Biruk Adugna /minor	5,000,000.00	0.406%
13	Gifti Biruk Adugna / minor	5,000,000.00	0.406%
14	Birhanu Gurmessa dunfa	5,000,000.00	0.406%
15	Oromia Industrial Parks Development	3,000,000.00	0.243%
16	Jorgoo Birbir Farmers Union S	3,000,000.00	0.243%
17	Bule Hora University	2,500,000.00	0.203%
18	Adama City Water and Sewerage Office	2,000,000.00	0.162%
19	Shiferaw Ararso Bedane	2,000,000.00	0.162%
20	Tadesse Kebebe Keneni	2,000,000.00	0.162%
	<b>Total</b>	<b>178,357,000.00</b>	<b>14.468%</b>

As of 19 May 2025, no Shareholders have directly or indirectly hold shares or expressed interest in 5% or more of the Company's capital.

The Bank's shares are classified as an ordinary share; no other classes of shares are presented. Each ordinary share carries equal voting rights and entitles the holders to any corporate actions as declared by the Bank. In accordance with the applicable laws and the Bank's MOA, all shares of the same class shall have the same par value and confer the same right on Shareholders.

The Company has not entered into any agreements that govern the relationship between any Shareholders or interested parties and the Issuer. All arrangements are conducted in accordance with standard corporate governance practices, ensuring that the interests of all stakeholders are upheld and aligned with the Company's mission and objectives.

### 6.2.2. Details of Lock-in

As this prospectus involves a registration of existing shares, there is no mandatory lock-in period imposed on existing Shareholders. Shareholders are permitted to sell their shares immediately upon the listing.

### 6.2.3 Shareholding of the Promoters

As of 19 May 2025, the Bank's promoters have the following shareholding;

S/N	Promoters	No. of Shares	Total shareholding (ETB)	Total No. of Shareholding as % of issued share capital
1	BulBula Tulle Dekebo	1,000	1,000,000	0.084
2	Regasa Tolesa Dinsa	500	500,000	0.042
3	Semira Abdela Mohammed	200	200,000	0.017
4	Jemal Sida Dalecha	150	150,000	0.013
5	Asefa Niguse Ambaw	125	125,000	0.010
6	Muleta Debel Wakjira	147	147,000	0.012
7	Degefe Duressa Obo	100	100,000	0.008
8	Hamdino Midesso Woya	75	75,000	0.006
9	Dejene Tadesse Dame	62	62,000	0.005
10	Hamza Kedir Wario	60	60,000	0.005
11	Shiferaw Rufe Bedo	50	50,000	0.004
12	Ashebir Balcha Welebe	50	50,000	0.004
13	Megersa Feyisa Weleshe (Col.)	50	50,000	0.004
14	Birhanu Assefa Demissie	40	40,000	0.003
15	Wasihun Amenu Tiyyiti	25	25,000	0.002
16	Dawit Wakgari Kando	25	25,000	0.002

S/N	Promoters	No. of Shares	Total shareholding (ETB)	Total No. of Shareholding as % of issued share capital
17	Girma Beksisa Tulu	25	25,000	0.002
18	Hordofa Alemu Mikel	21	21,000	0.0017
19	Boja Merfu Dessalegn	13	13,000	0.001
20	Atntewos Bikila Batu	5	5,000	0.0004
21	Tsega Merga Merera	5	5,000	0.0004
22	Teshome Bekele Debele	5	5,000	0.0004
	<b>Total</b>	<b>2,733</b>	<b>2,733,000</b>	<b>0.22</b>

#### 6.2.4. Shareholding of the Directors and Executive Management in the Company

The Bank's BoD as of 19 May 2025 holds 3.692% from the total holding of the company.

The Bank's executive management team has the following shareholding details;

S/N	Management	No. of shares	Total Shareholding	Total No. of Shareholding as % of issued share capital
1	Wolde Bulto Adugna	335	335,000.00	0.027%
2	Fati Haji Abafogi	203	203,000.00	0.016%
3	Eshetu Deressa Wirtu	182	182,000.00	0.015%
4	Muleta Debel Wakjira	147	147,000.00	0.012%
5	Sebasegel Siyoum Gameda	147	147,000.00	0.012%
6	Fetene Alemu Negeri	138	138,000.00	0.011%
7	Fikadu Urgesa Megersa	136	136,000.00	0.011%
8	Abduljebar Kedir Jiru	132	132,000.00	0.011%
9	Ifa Abdissa Horata	128	128,000.00	0.010%
10	Debebe Feyisa Aredo	126	126,000.00	0.010%
11	Gudeta Gelana Chemedo	120	120,000.00	0.010%
12	Tenaye Aklilu Worku	120	120,000.00	0.010%
13	Yirgalem Teshome Ketema	120	120,000.00	0.010%
14	Robera Wakgari Negasa	118	118,000.00	0.010%
15	Milky Tenkolu Bune	116	116,000.00	0.009%
16	Dereje Mengistu Abajifar	110	110,000.00	0.009%
17	Legesse Jada Bikila	110	110,000.00	0.009%
18	Fedesa Woreti Gelelcha	120	120,000.00	0.010%
19	Djorj Tone Djirata	74	74,000.00	0.006%
	<b>Total</b>	<b>2,682</b>	<b>2,682,000.00</b>	<b>0.22</b>

### **6.2.5. Borrowing Powers of the Board**

Nil:- the board of directors does not exercise the borrowing authority that comes with their role.

### **6.3 Related Party Transactions**

The related parties for the Bank in accordance with IFRS include the Influential Shareholders, Directors, Executive Management and Senior Management and companies associated with these individuals. Senior Managements are those persons who have authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. The members of the senior managements are set out in section 4. As per the applicable laws and the Bank's internal policies the following entities and persons are considered as related-party;

- i. the Bank's majorly owned subsidiaries, and any party that the Bank exerts control over or that exerts control over the Bank;
- ii. the Bank's influential Shareholders up to the ultimate beneficial owner and board members, chief executive officer, senior executive officer, manager, Auditor, members of the supervisory board and secretaries of the company;
- iii. Persons related by affinity or first degree of consanguinity with those persons listed under sub-rule;
- iv. Unless a lesser amount of shareholding is provided by the memorandum of association, persons who have purchased at least 10% of the shares of the company in which the company is a Shareholder;
- v. state-owned banks and State/Federal Government-Owned Enterprises shall also be considered related parties;
- vi. Other persons indicated in the memorandum of association or by another law as having affiliation with the company.

#### **a. Transaction with Key Management Personnel**

The Bank's key management personnel, includes directors (executive and non-executive) members of the Executive Committee, the company secretary and the head of internal audit.

Those key management personnel and their immediate relatives have the following outstanding transactions with the Bank at the reporting period:



Key Management Personnel	Type	19 May 2025
<b>Executive and Non-Executive</b>	Loans and Advances	Nil

Key Management Personnel	Type	19 May 2025
<b>Executive and Non-Executive</b>	Bank Guarantees	Nil

#### **b. Loans and Advances to Staff Members**

Employee	Type	19 May 2025
<b>Staff Members</b>	Mortgage and other personal loans	Nil

#### **c. Transaction with Major Shareholders**

As of 19 May 2025, there have been no transactions or arrangements between the company and its major Shareholders that would require disclosure under applicable regulations. The company maintains a commitment to transparency and governance, ensuring that all dealings are conducted in the best interest of all Shareholders.

#### **d. Transaction with the BOD's and their Affiliates**

As of 19 May 2025, there have been no transactions or arrangements between the company and its BOD and their affiliates that would require disclosure under applicable regulations. The company maintains a commitment to transparency and governance, ensuring that all dealings are conducted in the best interest of all Shareholders.

The Bank has not conducted any transaction with any related parties as of as of 19 May 2025. In compliance with the applicable laws, the Bank will not conduct any transaction with related party on preferential terms, as compared to with an unrelated party in the normal course of business, with respect to credit assessment, conditions, tenor, interest rates, fees, amortization, schedules, requirement for collateral, and repayment periods.

## **SECTION SEVEN-MANAGEMENT DISCUSSION AND ANALYSIS**

### **7.1 Management Discussion and Analysis on Operation and Financial Results**

*This Management Discussion and Analysis on Operation and Financial Results of operation (MD&A) for the 30 June 2024, 30 June 2023, 30 June 2022 should be read in conjunction with the Bank's reviewed interim financial statements and audited annual consolidated financial statements, along with the related notes thereto for the years ended 30 June 2024, 30 June 2023, 30 June 2022, the interim period of 31 December 2024 and information set out in Section three "Financial information", Section two "Business overview", and the information relating to the Bank's business included elsewhere in this Prospectus. The Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").*

*All the financial information in this section has been presented in Ethiopian Birr unless otherwise stated. The amounts have been rounded to the nearest thousands (Birr' 000), if the numbers mentioned in the tables are summed, their sum may not correspond to the totals mentioned in those tables or to the Company's Historical Financial Information.*

#### **7.1.1 Overview**

Gadaa Bank S.C. is committed to deliver superior and customer-centric full-fledged banking services to its community in a friendly environment by deploying competent and highly motivated employees. The Bank is principally envisaged to provide a diverse range of financial products and services to corporate clients, retail customers, SMEs, community banking clients, and others in both conventional and interest-free banking segments.

#### **7.1.2 Overview of the Financial Performance of the Bank for the Year ended 30 June 2024**

The Bank demonstrated impressive growth and resilience in the fiscal year 2023/24. Total deposits surged by Birr 2.3 billion, reaching Birr 4.01 billion by 30 June 2024, and further to Birr 4.9 billion by 31 December 2024. This notable increase was supported by the addition of 212 thousand new deposit accounts, expanding the total customer base to 288 thousand.

Nevertheless, throughout the period addressed in the interim report, the Bank's IFB deposit growth fell short of expectations. Contributing factors include intensified competition within the industry, an inadequate benefits package for customers, and a limited number of dedicated

IFB branches, all of which have adversely impacted the effectiveness of IFB deposit mobilization.

This expansion reflects a remarkable 282% growth in the customer base compared to 30 June 2024, underscoring the Bank's effective branch performance and strategic expansion. Gadaa Bank enhanced its physical presence by opening 28 new branches, bringing its total to 93, strategically located in both urban and outlying areas. While the significant rise in account numbers is a positive indicator of reach, the Bank must now focus on maintaining the quality of these accounts to ensure sustained and increased deposit mobilization. This means encouraging active usage and larger, more consistent deposits from its growing customer base.

During the period covered by the interim report, the Bank's branch expansion plan encountered significant headwinds due to factors such as corridor development, political instability, and escalating rental costs. Furthermore, the growth of the Bank's customer base during this timeframe did not meet anticipated projections. This shortfall can be attributed to heightened competition within the sector, inadequate value proposition for customers, and political instability.

Credit performance also showed positive results, with the Bank disbursing Birr 2.9 billion in loans and achieving a healthy loan-to-deposit ratio of 61.6%. During the period covered by the **interim period financial statements**, the Bank disbursed an additional Birr 828 million in loans and advances.

Moreover, the Bank achieved an impressive USD 39.4 million in foreign currency inflows, demonstrating a remarkable 583% growth over the previous year. While this is a significant accomplishment, the Bank must diligently pursue establishing partnerships with foreign banks and remittance agents, and actively recruit more exporters and foreign currency-generating customers to further enhance these inflows.

Furthermore, digital banking initiatives played a crucial role as well, with 202 thousand transactions valued at Birr 1.6 billion, showcasing the Bank's efforts to provide convenient services through technology.

Lastly, the Bank's share sales plan has not met the anticipated growth targets. Internally, this can be attributed to challenges such as limited branch accessibility, insufficient share sales platforms to effectively reach a broader audience, and the current capabilities of the sales

team. Externally, factors such as political instability and economic challenges have also significantly hindered the progress the Bank aimed to achieve.

Overall, Gadaa Bank's strategic focus on deposit mobilization, customer outreach, and digital transformation has positioned it strongly for continued growth in the future.

### **7.1.3 Key Factors Affecting the Bank's Results of Operations:**

The results of the Bank's operations have been, and will continue to be, affected by many factors, some of which are beyond the Bank's control. This section sets out certain key factors that have affected the Bank's results of operations in the years under review and could affect its results of operations in the future.

#### **❖ Diversifying income streams in response to policy restrictions:**

In response to regulatory limits on credit expansion, the Bank's strategy to diversify its income streams has allowed it to maintain its profitability. This diversification has contributed to overall financial growth and reduced reliance on interest income alone. As of 30 June 2024, the Bank has generated Birr 383 million from non-interest income.

#### **❖ Expense management**

The Bank has implemented a strategy to control expenses and promote cost consciousness, recognizing that effective expense management is essential for operational efficiency and profitability. One key component of this strategy is the internal online platform implemented for office supplies requests. This platform allows for better tracking and management of expenses related to office supplies, enabling the Bank to monitor how long each department utilizes these supplies and when to reorder or purchase more.

By closely analysing expenditures in this area, the Bank can optimize its resources and improve its margins. This systematic approach ensured that every Birr spent on office supplies contributes to value creation, aligning with the Bank's broader goal of maximizing efficiency across all operational costs.

#### **❖ Risk Management and Control in Credit and Operations**

Robust risk management is essential for safeguarding the Bank's assets and ensuring long-term stability. The Bank employs a comprehensive risk assessment framework that evaluates credit, operational, market, and liquidity risks. By implementing stringent credit policies and conducting thorough due diligence on borrowers, the Bank has successfully minimized the likelihood of defaults, resulting in a remarkable zero NPL's status as of 30 June 2024.

Additionally, effective operational controls are in place to mitigate risks associated with fraud, compliance breaches, and system failures. These proactive measures not only protect the Bank from potential losses but also enhance its overall asset quality. By prioritizing risk management, the Bank builds trust with stakeholders and strengthens its reputation in the market. This commitment to excellence in risk management is a key factor in maintaining a healthy loan portfolio and ensuring sustainable growth.

#### **7.1.4 Information on Issuer's Business Interruptions**

The NBE's implementation of credit cap growth expansion has significantly hindered the Bank's ability to offer loans beyond what is currently reflected in its financial statements. This, in turn, has significantly impacted the Bank by limiting its lending capacity, which has reduced interest income and profitability.

Additionally, the repeal of all previous identity documents for on boarding new clients in favour of the national ID has posed challenges, as public awareness and accessibility of the national ID in rural areas remain limited. This has led to a decline in the number of customers recruited at the Bank level since the introduction of this legislation.

Furthermore, the Bank's business expansion is also challenged by conflicts and economic uncertainties, which created a cautious environment for investment and growth.

#### **7.1.5 Discussion on Trends, Uncertainties, and Commitments**

##### **A. Trends**

- ❖ **Digitalization of banking services:** The digital transformation of banking is a major trend in Ethiopia. Banks and non-banking financial institutions, including telecoms and payment service providers, are collaboratively delivering online lending, bill payments, and mobile banking services. The evolution also involves the creation of digital-only branches and the introduction of Omni-channel banking products that integrate various service delivery points. To fully leverage the potential of this digital shift, the Bank is actively developing its Omni-channel strategy and forging strategic alliances with payment service providers.
- ❖ **Environmental Social and Governance (ESG):** A new set of guidelines to help commercial banks integrate environmental, social, and governance (ESG) considerations into their business planning, risk management, and lending practices was officially

launched. ESG incorporation into business practice is crucial to attract foreign investment and enhancing financial stability.

- ❖ **Banking sector reform:** The newly established banking business proclamation opens opportunities for international investors within Ethiopia's financial sector. This innovative legislation brings significant reforms to the banking industry, enabling foreign banks to set up subsidiaries, branches, or representative offices in Ethiopia for the first time. Strategic investors are allowed to purchase stakes in local banks within specified limits to ensure competitiveness and stability. The entry of foreign banks is expected to enhance competition in technology and service delivery sectors.
- ❖ **Capital Market:** The rise of capital markets in Ethiopia marks a significant change for the banking industry, offering new sources of funding and investment prospects. The creation of the Ethiopian Securities Exchange is intended to broaden financing possibilities and foster economic development. Nevertheless, obstacles like low awareness, infrastructure requirements, and cultural barriers need to be tackled for effective implementation. In summary, capital markets could potentially boost competition, promote innovation, and enhance financial access for enterprises in Ethiopia.

## **B. Uncertainties**

**Political environment:** Ethiopia has faced political instabilities in recent years, which presents challenges for the banking industry. Doubts about government policies and stability may influence investor confidence and hinder economic growth.

**Regulatory landscape:** While reforms aim to liberalize the banking sector, there is uncertainty regarding the pace and extent of these changes. Regulatory compliance can also be a challenge for banks navigating a shifting landscape.

**Technological advancements:** As banks increasingly rely on technology, they face risks related to cyber security threats and data privacy issues. Ensuring robust IT infrastructure is crucial but can be costly

## **C. Commitments:**

**Contingent liability:** To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. These instruments are given as a security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these

instruments are expected to be considerably below their nominal amounts. As of June 30, 2024, the Bank's contingent liabilities through guarantee and letters of credit amount to Birr 2.96 billion.

#### 7.1.6 The Bank's Financial and Non-Financial KPI's

The Bank utilizes both financial and Non-Financial KPIs to measure its performances manage risks, drive efficiency and to achieve overall strategic goals. The following table sets out the Bank's KPI's in which the financial statement is reviewed.

KPI's Birr ('000s), unless otherwise stated	Six months ended 31 December 2024	30 June 2024	30 June 2023
Deposit	4,910,873	4,006,911	1,610,907
Outstanding loan and advances	3,245,591	2,416,909	858,107
Foreign currency generation	24,327	39,369	5,770
Operating income	711,619	680,297	102,194
Profit before tax	289,096	101,269	(134, 836)
Customer base (number)	442,042	288,174	75,482
<b>Digital banking (number)</b>			
(a)Card banking	2,583	576	-
(b)Mobile banking (USSD)	80,286	42,930	5,365

**Deposit:** During the period ended 30 June 2024, the Bank mobilized Birr 4 billion in deposits, up from Birr 1.6 billion in 2023. Demand deposits rose by 134% to Birr 1.8 billion (46% of total deposits). Savings deposits increased by 138% to Birr 1.4 billion (35.6% of total), Time deposits made up 13% of total deposits.

In addition to the annual results, the **interim period financial statement** for **six months** ended on 31 December 2024, shows as the Bank's overall deposit reached at Birr 4.9 billion exhibiting a 22% increment. During these six months, demand deposit reached Birr 2.1 billion, saving deposit Birr 1.5 billion and fixed time deposit Birr 1.0 billion.

#### Outstanding loan and advances

The Bank's loan portfolio grew remarkably by 181.6% in 30 June 2024, reaching over Birr 2.4 billion. Strong growth was seen in Domestic Trade & Services (236%), export (229%), and manufacturing (88%), comprising a significant portion of the total.

For **the six months ended 31 December 2024**, the Bank disbursed Birr 828.6 million in loans and advances across various sectors. The export sector received the largest share, with disbursements exceeding Birr 500 million, followed by the import sector (over Birr 155 million) and the domestic trade and services (DTS) sector (Birr 103 million).

**Foreign currency generation;** The Bank's foreign currency generation rose from USD 5.5 million as of 30 June 2023 to USD 39.3 million as of 30 June 2024. During the fiscal year ending 30 June 2024, the Bank's highest foreign currency earnings came from remittance services (USD 31.3). Following remittances, the Bank generated foreign currency from export services (USD 7.3 million), foreign currency dealing (USD 0.6 million), and direct purchases (USD 0.3 million).

During the period covered by the interim financial statement, the Bank generated USD 24 million from these same services. During this period, the Bank's foreign currency generation fall short of a plan, achieving only 60% of its expected target. Factors such as having only a few correspondent banks and money transfer agents, reliance on a limited number of corporate customers, inadequate benefit packages for customers, competition within the industry, and political instability have all contributed to this result.

**Operating income:** During the fiscal year ended 30 June 2024, the Bank's operating income was Birr 680.2 million, reflecting a remarkable increase from Birr 102.1 million for the fiscal year ended 30 June 2023.

For the interim financial period leading up to 31 December 2024, the Bank registered an impressive growth in operating income, which reached Birr 711.6 million—surpassing the full-year operating income of Birr 680 million reported for the fiscal year ended on 30 June 2024.

**Profit before tax:** for the fiscal year ended on 30 June 2024, the Bank has reported a profit before tax of Birr 101.2 million, marking a significant turnaround from the prior year's loss of Birr 134.8 million. Since the end of the last financial period in which the annual audited statement is presented, the Bank generated Birr 289 million.

**Customer base:** The customer base grew significantly from 75,482 on 30 June, 2023, to 288,174 on 30 June, 2024, representing a 281% increase. In the six months following the end of the fiscal year (**for which interim financial statements are provided**), the customer base



further expanded to 442, marking a 53% increase from June 30, 2024. However, the Bank has not achieved its target for customer base expansion during this period.

**Digital banking:** As of 30 June 2024, the Bank had 42,900 USSD users, a significant increase from 5,365 on 30 June 2023. The introduction of card banking in 2024 added 576 card banking user. Between 1 July 2024 and 31 December 2024, USSD users increased by 37 thousands and mobile banking users increased by 2.0 thousand.

### 7.1.7 Analysis of Historical Financial Information

The Banks consolidated financial information for financial years ended 30 June 2024, and 30 June 2023 shall be deemed to be incorporated by reference and be part of this Prospectus. These financial statements are prepared in accordance with IFRS and are available for inspection both at the Bank's website and published annual bulletin of the Bank.

The tables below set out the Bank's historical statements of comprehensive income for the years ended 30 June 2024, 2023, and 2022 and have been extracted without material adjustment from (Historical Financial Information) of this Prospectus.

### KEY REFERENCES

The following table provides a list of cross-references to specific items of information in the Bank's consolidated audited financial statements for financial years 30 June 2023/24, 30 June 2022/23, and 30 June 2021/22.

### KEY FINANCIAL INFORMATION

The following tables show the audited financial statements from 2021/22 to 2023/24 FY.

Income Statement		ETB ('000s)		
	Six months ended 31 December 2024	2024	2023	2022
<b>Interest Income</b>	243,069	281,667	27,656	
Due from other banks on FTD	7,909	44,036	35,984	
Due from NBE and DBE bonds	31,961	28,010	4	
Interest Expense	(112,270)	(110,267)	(9,243)	
<b>Net Interest Income</b>	<b>170,219</b>	<b>243,446</b>	<b>54,401</b>	

Commission income	252,847	383,630	40,208	
Commission expense			-	-
<b>Net fees and commission income</b>	<b>252,847</b>	<b>383,630</b>	<b>40,208</b>	
Other operating income	288,553	53,220	7,586	6,316
<b>Total operating income</b>	<b>711,619</b>	<b>680,297</b>	<b>102,194</b>	<b>6,316</b>
Impairment losses on Cash, Bond & Receivables	(111)			
Impairment Losses on Conventional Loans and Advances	(1,334)	(22,635)	(8,161)	
Impairment Losses on IFB Loans and Advances	(551)			
Impairment losses on Guarantee & Letters of Credit Issued	(2,090)	(515)		
<b>Net operating income</b>	<b>707,533</b>	<b>657,147</b>	<b>94,034</b>	<b>6,316</b>
Personnel expenses	(220,686)	(296,272)	(124,684)	(831)
Board of Directors' Allowance	(660)	(1,220)	(1,240)	(440)
Amortization of intangible assets	(1,886)	(3,751)	-	-
Depreciation of property, plant and equipment	(29,723)	(48,021)	(19,855)	112
Other operating expenses	(165,482)	(206,615)	(83,090)	(239)
<b>Total Other Operating Expense</b>	<b>(418,437)</b>	<b>(555,878)</b>	<b>(228,870)</b>	<b>(1,397)</b>
<b>Profit/Loss before tax</b>	<b>289,096</b>	<b>101,269</b>	<b>(134,836)</b>	<b>4,919</b>
Income tax	(41,941)	(11,118)	50,544	(18)
<b>Profit/Loss for the year</b>	<b>247,155</b>	<b>90,151</b>	<b>(84,292)</b>	<b>4,901</b>
<b>Other comprehensive income (OCI) net on income tax</b>				
<i>Items that will not be subsequently reclassified into profit or loss:</i>				
Re-measurement gain/(loss) on retirement benefits obligations net of 30% tax	-	(1,268)	(2,942)	-
Revaluation Gain-Equity Investment net of 30% Tax	-	115,570	(2,942)	-
<b>Total comprehensive income for the period</b>	<b>247,155</b>	<b>205,721</b>	<b>(87,234)</b>	<b>-</b>
<b>Basic Earnings per share (Birr)</b>	<b>0.22</b>	<b>0.08</b>	<b>0.09</b>	<b>-</b>

## Comparison of the Income Statement as of June 30, 2024, with June 30, 2023

### Interest Income

The Bank's interest income is derived from various sources, including lending activities, savings deposits, and investments in government and treasury bonds. For the fiscal year ended on 30 June, 2024, the Bank's conventional total outstanding loans and advances reached Birr 2.4 billion, with new loans disbursed amounting to Birr 2.1 billion. This marks a remarkable increase of 182% compared to the previous fiscal year. During the period covered by the interim financial report, the Bank's outstanding loan reached Birr 3.27 billion.

Additionally, the Bank's purchase of government and treasury bonds rose significantly, from Birr 102.1 million as of 30 June 3, 2023, to Birr 459.4 million by 30 June, 2024. However, deposits with other banks under the Fixed Term Deposit (FTD) scheme experienced a slight decline, totalling Birr 423.3 million. As of 31 December 2024, the Bank's holdings in government and Treasury bonds reached Birr 667.2 million, while Fixed Term Deposits (FTD) stood at Birr 196.6 million.

Overall as of 30 June 2024, driven by fresh and existing disbursed loans and advances, investments in treasury bonds, DBE bonds and FTD savings, the Bank generated an impressive interest income of Birr 281.7 million from interest on loans and advances to customers. Of earned income, income from loans and advances, interest from time deposit and due from NBE treasury and DBE bond holds 79.6%, 12.4 %, 7.9% share of the total earnings, respectively. This income generated represents a substantial increase of 918% compared to the previous year. The interest income has a 41% of the total share of the operating income of the Bank.

During the period covered by the interim financial report, the Bank's interest income from loans and advances amounted to Birr 243 million, while interest from time deposits and amounts due from NBE and DBE bonds generated is Birr 39.8 million.

Interest Income	Six months ended 31 December 2024	ETB (000's)	
		2024	2023
Loans and advances to customers	243,069	281,667	27,656
Due from other banks	7,909	44,036	35,984
Due from NBE And DBE Bonds	31,961	28,010	4
Total interest income	282,939	353,714	63,644

## Interest Expense

For the fiscal year ended on 30 June, 2024, Gadaa Bank's interest expenses were solely attributable to customer deposits. This period saw a significant rise in interest expenses, primarily driven by an increase in the number of customers and a corresponding growth in total deposits mobilized. The Bank during this period, mobilized a total of Birr 4 billion in deposits; a remarkable increase from Birr 2.39 billion in the previous year.

The largest portion of these mobilized deposits came from current accounts or demand deposits, which amounted to Birr 1.8 billion. This represents a remarkable 134% increase from the previous year and constitutes 46.5% of the total deposits. Meanwhile, deposits in interest-bearing savings products also saw significant growth, rising by 138% to reach Birr 1.48 billion, accounting for 35.6% of the total mobilized deposits.

Additionally, deposits in FTD and Wadia saving and demand products contributed to the overall growth of the Bank's total deposits, representing shares of 13%, 2.9%, and 1.5%, respectively. The overall increase in deposits has led to a significant rise in the cost of funds compared to the previous year, with interest expenses reaching Birr 110.3 million. This marks a staggering increase of 1,093% in interest expenses.

In the period covered by the interim financial report, the Bank reported a total deposit mobilization of Birr 4.91 billion. An analysis of the deposit composition reveals that demand deposits constituted the largest portion at Birr 2.16 billion, with savings deposits and fixed-time deposits following at Birr 1.56 billion and Birr 1 billion, respectively.

	Birr (000s)			
Interest Expense	Six months ended 31 December 2024	June 30		
		2024	2023	% variance
Due from Customers	112,720	110,267	9,243	1,092%
Total interest expense	112,720	110,267	9,243	1,092%

## Commission Income

For the fiscal year ended on 30 June, 2024, the Bank's commission income was generated from a variety of sources, including foreign currency transactions (FCY), letters of guarantee, cash payment orders, cheques, and other commission-related services. The Bank saw a notable increase in its customer base particularly through initiatives aimed at on-boarding clients in the international banking sector and in the construction industry. This strategic

focus significantly contributed to the growth in commission income. The Bank experienced substantial overall growth in this area and with the most significant contributions stemming from these both FCY transactions and the issuance of letters of guarantee.

FCY related transactions generated an impressive Birr 188.7 million, reflecting a remarkable increase of 799% compared to the previous year. This revenue accounted for 49% of the Bank's total commission income. In second place, income from letters of guarantee contributed significantly as well, making up 46.8% of the total commission income with a staggering 848% increase from the prior year, totalling Birr 179.5 million.

Other sources of commission income, such as cash payment orders and cheques, were relatively minor, representing only 3.9% and 0.03% of total commission income, respectively. Overall, the Bank's commission income surged from Birr 40.2 million in 2023 to Birr 383.6 million in 2024, marking an impressive increase of 854%. This income now constitutes 58.4% of the Bank's net operating income, up from 42.8% in the previous year.

During the six months ended 31 December, 2024, the Bank generated commission income of Birr 252.8 million. The largest portion of this income was derived from foreign currency transactions (Birr 146 million), followed by income from letters of guarantee (Birr 101million).

	ETB ‘000			
Commission income	Six months ended 31 December 2024	June 30		
		2024	2023	% variance
Foreign currency transactions	146,075	188,749	20,987	799%
Letter of guarantee	101,073	179,513	18,924	848%
Cash payment orders and cheques	-	128	-	100%
Other commission	5,699	15,239	296	5,048%
Total commission income	252,847	383,630	40,208	854%

## Other Operating Income

Other operating income includes revenue from all other operating activities which are not related to the principal activities of the company, such as gains/losses from foreign currency transactions, dividend income, estimation and inspection fee etc.

Gains from foreign currency transactions saw a significant increase compared to the previous year. This rise was primarily driven by the devaluation of the local currency, which resulted in higher values for banks holding foreign currencies, as their holdings appreciated relative to the weakened local currency. During the year ended 30 June 2024, the Bank earned Birr 45.7 million on gains in foreign currency transactions; marking a significant increase from Birr 5.5 million in the year ended 2023.

Driven by a significant rise in loan and advance disbursements, along with an increase in the issuance of letters of guarantee, income from estimation and inspection fees reached to Birr 3.1 million, reflecting a remarkable 97% growth compared to the previous year.

During the period covered by the interim financial report, the Bank's operating income was recorded at Birr 288.5 million, reflecting a significant increase even from the year-end figure of 30 June, 2024. As of 31 December 2024, income from gains on foreign currency transactions constituted the largest portion of this total, amounting to Birr 283.8 million.

Other operating income	Six months ended 31 December 2024	June 30			ETB ('000s)
		2024	2023	% variance	
Dividend income		36	-	100%	
Estimation and inspection fee	3,953	3,113	1,577	97%	
Gain on foreign currency transactions	283,833	45,669	5,481	733%	
Other income	767	4,402	453	971%	
Total other operating income	288,553	53,220	7,586	601%	

## Impairment Charges

Impairment charges for banks refer to the provisions that banks set aside to cover potential losses from loans and other financial assets that may not be fully repaid. These charges are

essential for maintaining the financial health of a bank and ensuring it has enough capital to absorb potential losses.

Impairment charges that resulted from loans and advances to customers and other assets in the ended period of 30 June 2024, reached to Birr 23.2 million showing 183% increment from the previous year. During the period covered by the interim financial report, the Bank's impairment charge was recorded at Birr 3.4 million.

### **Personnel Expenses**

The Bank has been actively expanding its branch network, opening a total of 93 branches nationwide. To support this expansion and meet the increasing demands of its customers, the Bank has undertaken an intensive recruitment. As a result, as of 30 June, 2024, the total number of employees has grown to 706 from 476 employees. The number of employees as at 19 May 2025 reached 813.

As a result of these developments, the Bank's employee-related expenses have risen significantly. Salary and wage expenses saw a remarkable increase of 130% compared to the previous year. Additionally, staff-related allowances grew by 67%, while both defined contribution and benefit pension plans surged by 165% from the prior year. The introduction of prepaid staff expenses added a new line item to the Bank's expense list, totalling to Birr 3.9 million. Furthermore, other staff expenses experienced a substantial increase of 157% compared to 2023.

For the period ended 31 December 2024, salary and wage expenses were the largest component of the Bank's total personnel expenses, amounting to Birr 163.1 million. This was followed by staff allowances and defined contribution pension costs. Overall, personnel expenses for the period reached Birr 220.6 million.

	ETB ('000s)			
Personnel Expenses	Six months ended 31 December 2024			
		2024	2023	% variance
Salaries and wages	163,123	238,199	103,241	130%
Staff allowances	20,663	3,945	2,356	67%
Pension costs – Defined contribution plan	20,251	29,328	13,596	
Pension costs – Defined Benefit plan	-	6,938	61	
Prepaid staff expenses	2,137	3,887	-	100%
Other staff expenses	14,513	13,974	5,431	157%
<b>Total personnel expenses</b>	<b>220,686</b>	<b>296,272</b>	<b>124,684</b>	<b>137%</b>

### Operating Expenses

An operating expense is an expense that a business incurs through its normal operations. In addition to personnel expenses, operating expenses, often referred to as OpEx, include items such as allowances for the Board of Directors (BoD), amortization and depreciation, rent expenses, advertising and publicity, among others.

In the ended period of 30 June 2024, the Bank incurred a depreciation expense of Birr 48 million, which represents a 141% increase compared to the previous year. However, the allowance for the BoD showed a slight decline of 1.5% from the prior year. Additionally, amortization expense became a new item on the Bank's income statement. During the period covered by the interim financial report, the Bank's operating expenses reached Birr 197.7 million. Rent expenses and depreciation of property, plant, and equipment constituted the largest portions of the operating expenses.



	ETB ('000s)			
Operating Expenses	Six months ended 31 December 2024			
		2024	2023	% variance
Board of Directors' Allowance	(660)	(1,220)	(1,240)	-1.5%
Amortisation of intangible assets	(1,886)	( 3,751)	-	100%
Depreciation of property, plant and equipment	(29,723)	(48,021)	(19,855)	141%
Other operating expenses	165,482	(206,615)	(83,090)	141%
<b>Total operating expenses</b>	<b>(197,751)</b>	<b>(259,607)</b>	<b>(104,185)</b>	<b>149%</b>

### Earning Before Tax (EBT)

The Bank has achieved a significant milestone by recording its first-ever positive earnings before tax (EBT) since commencing operations in 2021/22. As of 30 June, 2024, the EBT reached to Birr 101.3 million, a remarkable turnaround from Birr 134.8 million losses reported in 2023.

The Bank's performance during the period covered by the interim report showed an increment that surpassed the increment achieved throughout the entire previous fiscal year. During this interim period, the Bank generated Birr 289 million in EBT. This remarkable achievement was mainly driven by an increase in issuance of letter of guarantee and an increase in loan and advances.

### Income Tax Expense

For the fiscal year 30 June 2024, the Bank reported income before tax of Birr 90 million, following a net loss of Birr 84 million in the ended period of 30 June 2023; this transition to profitability has resulted in an income tax liability of Birr 11.1 million, reflecting the Bank's effective management of its tax position and the utilization of carry forward tax attributes from the prior loss. Due to increased profit, the Bank's income tax reached Birr 41.9 million during the six months ended on 31 December 2024.

### **Profit after Tax**

In its second year of operations, the Bank has reported a profit after tax of Birr 90.2 million, marking a significant turnaround from the prior year's loss of Birr 84.3 million and demonstrating the Bank's effective growth strategy and operational efficiency.

The Birr 247.1 million profit generated by the Bank during the half-year ended 31 December 2024 represents a remarkable increment compared to its profit for the entire fiscal year ended 30 June 2024.

### **Re-Measurement Gain/ (loss) on Retirement Benefits Obligations**

The Bank has held additional provision for re-measurement gains or loss on retirement benefit obligations of Birr 1.3 million as of 30 June 2024.

### **Revaluation Gain-Equity Investment**

The Bank holds equity investments in Oromia Insurance Company s.c 1.25%, Ethiopian Security Exchange s.c 0.33% and Ethio Switch s.c 2.24% as of 30 June 2024. From the three investments valuation was conducted only on Oromia Insurance and Eth-switch. These investments are unquoted equity securities measured at fair value through other comprehensive income (FVOCI). These equity investments in this year has resulted in a gain of Birr 166.9 million.

IFRS 13 defines three valuation techniques; Market approach, Income approach and the Cost approach. Accordingly, the Bank's valuator, PwC has used the market approach to value the Bank's investment on Oromia Insurance Company s.c and Ethio-Switch. For the purpose of this valuation PwC has utilized the following market multiples;

- EV/EBITDA and
- Price (P) to Book Value.

The detail of valuation report is attached with other accompanying documents of this prospectus.

The following is the equity investments of the Bank as at 30 June 2024<sup>4</sup>

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<sup>4</sup> detailed on Auditor's report Note 16a

**Birr'000**

<b>Investee Company</b>	<b>Percentage holding</b>	<b>Cost</b>	<b>Revaluation gain/loss</b>	<b>Total</b>
Oromia Insurance Company s.c	1.25%	15,000	5,313	20,313
Ethiopian Security Exchange S.c	0.33%	5,000	-	5,000
Ethio Switch s.c.	2.24%	40,000	161,599	201,599
		<b>60,000</b>	<b>166,912</b>	<b>226,912</b>

### Total Comprehensive Income

The total comprehensive income for the current year stands at Birr 205.7 million, a significant turnaround from the previous year, which recorded a loss of Birr 87.3 million. A revaluation gain achieved from the equity investment contributes an increase in the Bank's net asset.

### Analysis of Historical Financial Position

The table below presents an extracted overview of the statement of financial position for the fiscal years 2022, 2023, and 2024. These reports are included in this Prospectus without any material adjustments to the original financial statements.

#### Statement of financial position

**ETB ('000s)**

	<b>Six months ended 31 December 2024</b>	<b>June 30</b>		
		<b>2024</b>	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>				
Cash and balances with banks	1,170,571	964,309	731,850	651,451
Loans and advances to customers	3,245,591	2,416,909	858,107	-
Interest free Financing	71,361	51,913	-	-
Investment securities:				
-Financial asset at fair value through OCI	226,912	226,912	2,000	-
-Financial assets at Amortized cost	667,291	459,396	102,134	-
Other assets	592,862	281,253	74,603	3,374
Right-of-use assets	413,621	375,316	239,209	239,209
Intangible assets	121,108	63,240	38,904	38,904

Property, plant and equipment	742,997	716,801	590,779	590,779
Non-Current Asset Held For Sale		-		5,364
Deferred Tax Asset	11,503	49,299	52,781	-
<b>Total assets</b>	<b>7,264,542</b>	<b>5,605,348</b>	<b>2,690,366</b>	<b>660,189</b>
<b>LIABILITIES</b>				
Deposits from customers	4,910,873	4,006,911	1,610,907	
Lease liabilities	166,447	143,622	90,235	
Other liabilities	556,889	186,700	176,150	
Provisions	2,090	515	-	
Retirement benefit obligation	13,014	13,014	4,264	92,851
Deferred tax liability	62,304	58,160	994	18
<b>Total liabilities</b>	<b>5,711,617</b>	<b>4,408,922</b>	<b>1,882,549</b>	<b>92,870</b>
<b>EQUITY</b>				
Share capital	1,183,750	1,074,406	890,150	562,419
Retained earnings	139,824	(23,375)	(79,871)	4,901
Legal reserve	84,326	22,538	-	-
Risk reserve	32,396	10,228	480	-
Other reserve	112,628	112,628	(2,942)	-
<b>Total equity</b>	<b>1,552,924</b>	<b>1,196,425</b>	<b>807,817</b>	<b>567,320</b>
<b>Total Liabilities and Equity</b>	<b>7,264,542</b>	<b>5,605,348</b>	<b>2,690,366</b>	<b>660,189</b>

*Comparison of the Statement of Financial Position as of 31 December 2024 and 30 June, 2024, with 30 June, 2023*

*Cash and balances with banks*

The Bank's cash and balances with banks as of 30 June, 2024, were Birr 964.3 million, a 31.7% increase over the preceding period. The aggressive branch expansion plan, massive customer recruitment efforts, and the government-imposed credit cap on commercial banks are all factors contributing to the increase in cash balance. During this period, the Bank opened 85 branches and recruited over 212.6 thousand customers. These factors contributed to the increase in cash and balances recorded. Additionally, the credit cap imposed by the

NBE also played a significant role in boosting cash holdings. While mobilizing more than Birr 4 billion in deposits, the Bank disbursed only Birr 2.4 billion in loans and advances for conventional customers. The Bank's loan-to-deposit ratio stood at 60%, which is 25% below the maximum limit set by NBE.

During the interim period, the Bank's cash and balances with banks reached Birr 1.17 billion. The branch network expanded to 93. Furthermore, the Bank disbursed Birr 3.2 billion in loans and mobilized Birr 4.9 billion in deposits, resulting in a loan-to-deposit ratio of 66%.

### *Loans and advances*

During the fiscal year ended on 30 June, 2024 and the period covered by the interim financial report, the Bank demonstrated significant growth in its loan financing across various sectors, disbursing over Birr 2.4 billion and Birr 3.2 billion respectively in loans and advances. Among the sectors financed, the export sector, domestic trade and services (DTS) and manufacturing emerged as a key area of growth, accounting for a substantial portion of the total loans disbursed.

The Bank's financing to the domestic trade and service sector reached Birr 633.4 million, reflecting a remarkable growth rate of 236%. Notably, DTS constituted 25.9% of the total loans and advances disbursed by the Bank during this period. The majority of the Bank's customers have DTS business licenses, which creates a large demand and is a major reason in the increased financing for the DTS sector.

Following closely, the Bank's financing to the export sector ranked second, with more than Birr 609.5 million, marking a noteworthy increment of 229% from the previous period. The export sector accounted for 24.9% of the total loans provided by the Bank during this timeframe. This growth can be attributed to the Bank's interest in meeting the increasing demands of customers in this sector, following a recovery in the international market after a prolonged downturn.

The Bank's financing to the manufacturing sector reached Birr 468.3 million, reflecting an impressive 88% increase compared to the previous year. This sector ranked third for the year, accounting for 19% of the total loan portfolio. This notable growth of financing to manufacturing sector was due to the Bank's focus of supporting specific sectors such as manufacturing, export and DTS as well as positive economic projections.

During the period covered by the interim report, the Bank disbursed the largest loan to the export sector, totalling Birr 1.1 billion. Following the export sector, the DTS and

manufacturing sectors received significant portions, with loans amounting to Birr 736.7 million and Birr 491.6 million, respectively.

In addition to export, DTS and manufacturing sectors, the Bank has also allocated significant finances to sectors such as building and construction, import, diaspora financing, and institutions. Notably, financing to agriculture sector and loans to non-bank financial institutions was a new addition during fiscal period of 30 June 2024, expanding the Bank's loan book further from the previous year.

Despite the credit cap imposed by the NBE, the Bank's loan portfolio as of 30 June, 2024, comprised eight sectors, each demonstrating impressive growth rates. In spite of external policy changes, the Bank's total loan portfolio showed a remarkable increase of 181.6% compared to the previous fiscal year.

Loan by Sector	ETB ('000s)			
	Six months ended 31 December 2024	June 30		
		2024	2023	2022
Agriculture	44,103	34,983	-	-
Manufacturing	491,685	468,345	248,425	-
Export	1,110,171	609,540	185,084	-
Loans to non-bank financial institutions	25,395	57,457	-	-
Import	400,948	245,100	75,621	-
Domestic trade and service (DTS)	736,778	633,446	188,472	-
Building and construction	263,121	236,981	153,970	-
Diaspora and Institutions Employee Loan	201,091	157,425	14,695	-
<b>Loan in Total</b>	<b>3,273,293</b>	<b>2,416,909</b>	<b>858,107</b>	<b>-</b>

### *Interest free financing*

In 2023, the Bank launched its interest-free banking service, and financed the export and domestic trade sectors. This financing initiative was supported by funds collected from its interest-free banking customers, allowing the Bank to provide over Birr 51.9 million in new financing. During the period covered by the interim report, the Bank's outstanding interest free financing reached Birr 71.3 million.

### ***Right-of-use assets***

The Bank leases various properties (buildings) under IFRS 16 Lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of each lease period at market rate. An addition of lease right worth Birr 205.3 million and a depreciation charge of Birr 69.3 million were recorded during this period. AS a result, the Bank's right use of asset increased from Birr 239.3 million in 30 June 2023 to Birr 375.3 million in 30 June 2024. The right-of-use-asset during the period covered by the interim report increased to Birr 413.6 million.

### ***Intangible assets***

The intangible assets increased from Birr 38.9 million to Birr 63.2 million in 30 June 2024. The intangible asset increased due to the acquisition of new software worth of Birr 28.1 million. As of 31 December 2024, the Bank's intangible assets reached Birr 121.1 million.

### ***Property, plant and equipment***

The Bank's property, plant, and equipment holdings showed a consistent upward trend, increasing from Birr 590.8 million as of 30 June 2023 to Birr 716.8 million as of 30 June 2024, and further to Birr 742.9 million as of 31 December 2024.. The increase in PPE is due to a capital expenditure made on motor vehicle, furniture and fittings, and computer equipment. During the period covered by the annual financial statement, the Bank purchased motor vehicle worth of Birr 46.9 million, furniture and fittings worth of Birr 16.2 million and computer equipment worth of Birr 51.3 million. The increase in PPE during this period which amounts to Birr 785 million was offset by accumulated depreciation charge of Birr 68.2 million.

### ***Deposits from customers***

As of 31 December 2024, the Bank's deposits reached Birr 4.91 billion, demonstrating an increase from the Birr 4 billion mobilized during the period ended 30 June 2024, which itself was a significant rise from the Birr 1.6 billion recorded as of 30 June 2023.

Branch expansion, aggressive customer recruitment and a successful strategy focused at recruiting potential customers attributed to the overall deposit growth. The majority of deposits were mobilized from demand deposit followed by savings deposit product.

The Bank's demand deposits were at Birr 1.8 billion as of 30 June 2024, representing 46% of the total deposit share. By 31 December 2024, demand deposits increased to Birr 2.1 billion,

accounting for 42% of the total deposits. The demand deposits as of 30 June 2024 showed a 134% increase compared to the preceding year, 30 June 2023

The Bank's focus on institutional clients and corporates costumers contributed for the growth exhibited on this product segment. The Bank had recruited 1,132 institutional and corporates clients during this period.

Another big chunk of deposit of the Bank maintained is found on savings deposit product type. Registering a remarkable growth from previous year with 138%, the total deposit on this product stood at Birr 1.4 billion at the ended period of 30 June 2024 and Birr 1.56 billion as at 31 December 2024. Savings deposits constitute 35.6 % as at 30 June 2024 and 30% as at 31 December 2024 of the total deposit the Bank mobilized on this period.

The Bank recruited over 288 thousand numbers of individual and retail customers during this period as of 30 June 2024 and over 522.5 thousand as of 19 May 2025. A strategic focus made towards recruiting and on-boarding mass customer base played a huge role in increasing the deposit amount on this specific product.

During this period, the Bank also mobilized deposit through time deposit, wadia demands and savings product. Of all these product types, resource mobilized through time deposit had a largest share, with 13% of the total deposit as of 30 June 2024 and 20% as at 31 December 2024. Additionally, there are also non-negligible resources mobilized from both wadia product customers.

(ETB '000s)				
Deposit by Type	Six months ended 31 December 2024	June 30		
		2024	2023	2022
Demand deposits	2,163,646	1,864,887	795,654	-
Savings deposits	1,568,105	1,428,326	598,013	-
Time deposit	1,006,686	535,020	143,335	-
Wadia demand deposits	42,329	61,405	18,006	-
Wadia savings deposit	130,107	117,283	55,898	-
<b>Deposit in Total</b>	<b>4,910,873</b>	<b>4,006,911</b>	<b>1,610,907</b>	<b>-</b>



### *Lease liabilities*

The Bank's lease liability increased from Birr 90.2 million as of 30 June 2023 to Birr 143.6 million as of 30 June 2024, and further increased to Birr 166.4 million as of 31 December 2024. Lease liabilities recognized here have lease terms between two to five years and are renewable at the end of their terms at their market rate.

### *Other liabilities*

The Bank's other liabilities are categorized into financial and non-financial liabilities. The financial liabilities, which include letter of credit margin payables, cash order payment payables, ATM settlement payables, exchange payables, Board of Directors (BoD) remuneration payables, and staff payables, have increased from Birr 44.6 million as of 30 June 2023 to Birr 61.4 million as of 30 June 2024, and further to Birr 258.1 million as of 31 December 2024. Non-financial liabilities such as defined contribution liabilities, sundry payables, deferred income guarantee commission, stamp duty charges and withholding and other tax payables are included in the non-financial liabilities. These non-financial liabilities in total showed a decrease from Birr 131.6 million in 30 June 2023 to Birr 125.3 million in 30 June 2024. During the period covered by the interim report, the non-financial liabilities increased to Birr 298.6 million.

### *Retirement benefit obligation*

The Bank operates two defined contribution plans;

i) Pension scheme in line with the provisions of Ethiopian private organization employees' pension proclamation No.1268/2022. Funding under the scheme is 7% and 11% by employees and the Bank respectively;

ii) Provident fund contribution; The Bank voluntarily contributes 4% of the employees' gross salaries, which is credited to the provident fund account maintained in the employee's name. These employer contributions are recorded as expenses in profit or loss and other comprehensive income for the period in which they are incurred.

#### *(b) Defined benefit plan*

The liability or asset recognized in the balance sheet in respect of defined benefit pension plans are 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 recognized in the statement of financial position in respect of defined benefit pension plans are 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 obligation.

The current service cost of the defined benefit plan, recognized 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 recognized 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.

#### (c) Termination benefits

Termination benefits are payable to executive directors when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The additional provision held for post-employment benefits obligations for the years ended 30 June 2024 and 2023 were Birr 1.2 million, and Birr 2.9 million respectively.

As at 30 June 2024, the Company recognised a defined benefits liability of ETB 13,014 thousand in respect of the retirement benefits, under IAS 19 ‘Employee Benefit’ accounting principles, as compared to ETB 4.2 million as at 30 June 2023.

#### *Deferred tax liability*

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax

liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting Bank and where there is both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

### *Share capital*

The Bank's fully paid capital has reached Birr 1.07 Billion on 30 June 2024 from Birr 890.2 million in 30 June 2023. As of 19 May 2025 the capital has reached Birr 1.23 Billion. The shares are denominated at 1,000 birr each.

### *Retained earnings (Accumulated Loss)*

As of the ended period of 30 June 2024, the Bank reported negative retained earnings of Birr 23.4 million. This situation is common for new companies, as they often incur significant initial expenses before achieving profitability. The negative retained earnings reflect the cumulative losses incurred during this early stage of growth.

As of 30 June, 2023, the Bank reported a loss of Birr 84.2 million. However, by 30 June, 2024, the Bank successfully reversed this loss and achieved a profit of Birr 90.2 million. Utilizing the carry loss principle, the previous loss was offset against the current profit. After allocating funds to the NBE's reserve accounts, the retained earnings amounted to negative Birr 23.4 million.

As per the interim report, the Bank's retained earnings amounted to Birr 139.8 million, arrived at after adjusting for prior negative retained earnings and the deduction of reserves.

### *Legal reserve*

The NBE Directive No SBB/4/95 requires the Bank to transfer annually 25% of its annual net profit to its legal reserve account until such account equals its capital. When the legal reserve account equals the capital of the Bank, the amount to be transferred to the legal reserve account will be 10% of the annual net profit. For the period ended 30 June, 2024, the Bank transferred a total of Birr 22.5 million to its legal reserve at the NBE, fulfilling 25% of the NBE's requirement, with no further transfer obligations remaining for that year. For the period covered by the interim report, the legal reserve reached Birr 84.3 million.

### *Risk reserve*

The risk reserve is a non-distributable to be kept for impairment losses on loans and receivables in excess of IFRS charge as derived using the incurred loss model.

Where the loan loss impairment determined using the NBE guidelines is higher than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred to an internal risk reserve account and it is non-distributable to the owners of the Bank. The Bank transferred Birr 9.7 million and Birr 22. 1 million in 30 June 2024 and 31 December 2024 respectively to its risk reserve account held internally.

### *Other reserves*

The Bank's other reserves were emanated from revaluation gain-equity investments and other comprehensive income. A revaluation gain in the context of equity investments refers to an increase in the fair value of an equity investment that a company holds. This typically occurs when the market value of the investment rises above its carrying amount (the value at which it is recorded on the balance sheet).

As of 30 June 2024, the Bank's other reserves reached Birr 112.6 million, and this figure remains unchanged for the period covered by the interim report.

Other Reserves	30 June 2024	30 June 2023
	Birr'000	Birr'000
At the beginning of the year	(2,942)	-
Other comprehensive income [Re-measurement gains/loss on defined benefit plans (net of tax)]	(1,268)	(2,942)

<b>Revaluation Gain-Equity Investment</b>	<u>116,839</u>	-
<b>At the end of the year</b>	<u><b>112,628</b></u>	<b>(2,942)</b>

### Analysis of Historical Cash Flow Statement

The table below presents an extracted overview of the statement of cash flow statement for the fiscal years 2022, 2023, and 2024. These reports are included in this Prospectus without any material adjustments to the original financial statements.

<b>Statement of Cash Flows</b>		<b>(ETB'000s )</b>		
	<b>Six months ended 31 December 2024</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>				
Cash generated from operations	509,553	871,061	763,236	187
<b>Net cash (outflow)/inflow from operating activities</b>	<b>509,553</b>	<b>871,061</b>	<b>763,236</b>	<b>187</b>
<b>Cash flows from investing activities</b>				
Purchase of NBE bills and bonds	(207,863)	(357,294)	102,134	
Purchase of equity investments	(0)	(58,000)	(2,000)	
Purchase of property, plant and equipment	(55,290)	(174,043)	(605,270)	3,954
Right-of-use assets	(88,419)	(205,390)	(262,261)	
Purchase of Intangible Asset	(60,476)	(28,087)	(38,904)	
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(412,678)</b>	<b>(822 ,815)</b>	<b>(1,010,569)</b>	<b>3,954</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	-	-	-	-
Proceeds from premium on sales of shares	-	-	-	-

Proceeds from issues of shares	109,344	184,256	327,731	10,859
<b>Net cash (outflow)/inflow from financing activities</b>	<b>109,344</b>	<b>184,256</b>	<b>327,731</b>	<b>10,859</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>206,219</b>	<b>232,508</b>	<b>80,398</b>	<b>7,092</b>
Cash and cash equivalents at the beginning of the year	964,351	731,849	651,451	644,359
<b>Cash and cash equivalents at the end of the year</b>	<b>1,170,571</b>	<b>964,351</b>	<b>731,849</b>	<b>651,451</b>

### **Comparison of Statement of Cash Flows as at 31 December 2024, 30 June 2024 with 30 June 2023.**

#### ***Cash flow from operating activities***

The Bank's cash flow from operating activities is generated from operating activities of the Bank such as interest income, fees and commissions, loan and repayments, and net-interest margin. During this ended period of 30 June 2024, the cash flow from operating activities reached at Birr 871.1 million showing 12% increment from the previous year. For the period covered by the interim report, the cash flow generated from the Bank's operating activities was Birr 509.5 million.

#### ***Cash flows from investing activities***

Cash flow from investing activities represents cash outflow from the company. During this ended period of 30 June 2024, the company spent cash to purchase NBE bills and bonds, invested in equities, acquired PPE, procured intangible assets and recognized right-of- use assets.

In the period ended on 30 June 2023, the Bank made substantial investments in purchasing property, plant, and equipment (PPE) for its head office, which constituted 59.8% of its total investment expenditures, amounting to Birr 1,01billion. However, in the subsequent period ended on 30 June 2024, the Bank experienced a decrease in cash outflow for investment activities, which decreased to Birr 822 million. This represents a 22% reduction in cash outflow for investing activities, primarily attributed to the significant portion of expenditures related to the head office acquisition made during 30 June 2023.

The Bank's cash outflow in 30 June 2024 had shown a difference from 30 June 2023. However, the Bank's investments in NBE bills and bonds surged from Birr 102,134 million as of 30 June 2023 to Birr 357,297 million by 30 June 2024, reflecting an impressive increase of 249.8%. Additionally, investments in equities increased from Birr 2million to Birr 58million, representing an extraordinary rise of 2800%.

During the interim period, the Bank's cash flow from investing activities was Birr 412.6 million, largely due to investments in NBE bills and Bonds.

### ***Purchase of NBE bills and bonds***

In accordance with NBE's directive, commercial banks are obliged to invest 20% in TB and 1% DBE bonds for every loan disbursed. During the ended period of 30 June 2024, the Bank has disbursed a total of Birr 2.4 billion loans and advances. This has led the Bank to increase its investment as per the requirement set. As a result, the Bank commuted a significant amount of Birr 357.3 million in TB and DBE bonds, reflecting an increase of Birr 255.2 million compared to the previous period. As of 31 December 2024, the purchase of NBE bills and bonds was Birr 207.8 million.

When the loan and advance disbursement and balance increases the mandatory purchase of NBE and DBE bond will increase.

### ***Equity investments***

The Bank has made equity investments in three entities: Oromia Insurance Company S.C., Ethiopian Securities Exchange (ESX), and Eth-switch S.C. The Bank's equity investment surged from Birr 2 million in 2023 to Birr 58 million in 2024. As of June 30, 2024, the Bank's equity holdings include Birr 15 million in Oromia Insurance S.C., Birr 5 million in ESX, and the largest portion, totalling Birr 40 million invested in Eth-switch.

### ***Plant, property and equipment***

The Bank allocated Birr 174 million birr for the acquisition of property, plant, and equipment (PPE). During the period ending 30 June 2024, the Bank made investments in motor vehicles, furniture and fittings, as well as computer equipment. Furthermore, the Bank also incurred expenses related to construction in progress. For the period covered by the interim report, Birr 55.9 million for the purchase of plant, property and equipment.

### ***Right-of-use of assets***

As of 30 June 2024, the Bank holds right-of-use assets valued at Birr 205.4 million and intangible assets (software) amounting to Birr 28.1 million, reflecting its strategy of leasing for operational flexibility and investing in technology for improved efficiency. These assets impacted the Bank's financial statements through depreciation and amortization, influencing profitability and cash flow management. As of 31 December 2024, the right-of-use-asset resulted in Birr 88.4 million.

### ***Share issue***

The Bank's proceeds from issued shares amounted to Birr 184 million during the period ended 30 June 2024 and Birr 109.3 million as of 31 December 2024. Overall, the Bank experienced a growth in its total cash and cash equivalents, increasing from Birr 731.9 million in 2023 to Birr 964.4 million in 2024 and further to Birr 1.1 billion as of 31 December 2024.

### **Additional Analysis on Financial Statement for the ended period of 30 June 2023, 30 June 2024 and 31 December 2024,**

#### ***Earnings per share***

The Bank's net income for the period ended on 30 June 2024 stood at Birr 90.2 million and Birr 247.1 million for the interim period. With a total of 1,183 million shares, the Bank's earnings per share (EPS) were Birr 0.22, reflecting a positive increase compared to the previous periods of 2024 and 2023.

#### ***Return on capital employed***

The Bank's operating profit for the period ended on 30 June 2024, was Birr 101.3 million. During this period, non-current liabilities registered included lease liabilities, provisions, retirement benefit obligations, and deferred tax liabilities. The return on capital employed (ROCE) for the Bank is 8.7%, and 20.1% for 31 December 2024, indicating a positive return when comparing the return with the capital invested in the company.

In contrast, for the previous period ending 30 June 2023, the ROCE was negative due to a loss incurred. This loss was primarily attributed to the Bank commencing full banking operations during that period.



### ***Return on Shareholders' equity***

The Bank's return on Shareholders' equity for the period ended 30 June 2024 was 7.75%, indicating an improvement from the previous period as noted in this Prospectus. During the period covered through the interim report, the return on shareholders' equity was 17.2%.

### ***Gross profit margin and operating profit margin***

During the period ending on June 30, 2024, the Bank generated revenue of Birr 790.6 million from various sources, including interest on loans, interest income from deposits with other banks, treasury bonds, and commissions for various services. The total expenses for the period amounted to Birr 110.3 million. This resulted in a gross profit margin of 92% and an operating profit margin of 14.8%, indicating an improvement in operating profit margin compared to the previous fiscal year. The high gross profit margin can be attributed to the Bank incurring primarily direct interest expenses.

In contrast, for the period ended on 30 June 2023, the Bank reported revenue of Birr 111.4 million, with expenses totalling Birr 9.2 million. The gross profit margin for this period was 91.7%, largely due to the low level of expenses incurred.

During the period covered through the interim report, the gross profit margin was 59.4% and the operating profit margin was 40%.

### ***Asset turnover***

The Bank's asset turnover for the period ended on 30 June, 2024, was 0.12 times, and 0.10 times for the period of 31 December 2024 compared to 0.04 times for the period ended on 30 June, 2023. This increase indicates an improvement in revenue generation from the Bank's assets compared to the previous period.

### ***Debt to equity***

As of 30 June 2024, the Bank's total non-current liabilities, which included lease liabilities, provisions, retirement benefit obligations, and deferred tax liabilities, amounted to Birr 575.5 million. During the same period, the Bank's equity was Birr 1.19 Billion. This resulted in a debt-to-equity ratio of 0.37, or 37%. In the previous period, the Bank's debt-to-equity ratio was 0.08, or 8%, with non-current liabilities totalling Birr 95.5 million. As at 31 December 2024, the Bank's Debt to equity ratio is 0.64 or 64%.

### *Net debt to equity*

During the ended period of 30 June 2024, the net debt-to-equity ratio stood at 3.52, a figure achieved by accounting for cash and cash equivalents of Birr 114.6 million. For the period covered by the interim report, the net-debt to equity is 3.59.

## **7.2. Capital Resource and Liquidity**

The primary source of capital resource and liquidity for the Company predominantly comes from its operational activities. The majority of cash for the Bank comes from customer deposits, loan repayments, and the associated income generated from these activities. To support its liquidity, the Bank also receives funds through short-term borrowing from the Interbank Money Market and the NBE.

Additionally, the Bank has outlined strategic plans to strengthen capital base by raising additional funds through the issuance of shares. Among these initiatives is the consideration of a follow-on offering, which would be conducted through the designated exchange.

The Bank currently maintains a robust liquidity position, with no material cash requirements or commitments that could adversely affect its resource availability. We are committed to proactive monitoring of future obligations and commitments to ensure continued financial stability.

As a regulated entity, the Bank is subject to various regulatory requirements governing the use of its resources, including reserve and liquidity requirements set forth by NBE. Additionally, the NBE's credit cap represents a significant restriction on the Bank's resource utilization.

Historically, we have observed that certain periods, such as tax payment periods and the main harvest season, exert considerable pressure on the Bank's overall liquidity position due to increased cash outflows. Conversely, the Bank's liquidity position tends to improve during off-peak periods following these seasonal demands, particularly in the months following the harvest season and after tax obligations have been met. These intervals allow for greater cash inflows from deposits and reduced withdrawal pressures, enhancing overall liquidity profile.

## **7.3 Working Capital Statement**

The Bank asserts that its working capital is sufficient to meet its current requirements and will remain adequate for at least the next twelve months.

## 7.4 Capitalization and Indebtedness

The following table shows the Company's statement of capitalization as at 30 April 2025;

Statement of capitalization	30 April 2025 ETB( '000s)
<b>Total non-current debt</b>	
Lease liability	166,447
<b>Shareholders' equity</b>	
Share capital	1,232,728
Retained earnings	139,824
Legal reserves	84,326
Risk reserve	32,396
Other reserves	112,628
<b>Total capitalization</b>	<b>1,768,349</b>

The statement of capitalisation has been extracted without material adjustment from the Company's unaudited internal financial reports as at 30 April 2025.

The following table shows the Company's statement of indebtedness as at 30 April 2025;

Statement of indebtedness	30 April 2025 ETB( '000s)
Borrowing /debt	0
<b>Total Indebtedness</b>	<b>0</b>

The statement of indebtedness has been extracted without material adjustment from the Company's unaudited internal financial reports as at 30 April 2025. The company has no outstanding borrowings or debt and has not experienced any material changes in its capitalization and indebtedness since 30 April 2025.

## 7.5 Going Concern

The Directors of the Bank and the external auditors confirm that the Bank is a going concern. They have assessed the Bank's financial position, including its strong liquidity and stable revenue streams, and believe that the Bank is well-positioned to meet its obligations for the foreseeable future.

## **7.6 Legal and Arbitration Proceedings**

As of 19 May 2025, the company is not involved in any material litigation or claims, nor is it aware of any pending or threatened litigation that could have a significant adverse effect on its financial condition or operations.

### **Litigation Involving Directors**

As of 19 May 2025;

- a) No person who is a director has been convicted in a criminal proceeding or is a named subject of any pending criminal proceeding relating to an offence involving fraud or dishonesty.
- b) No person who is a Director or has been nominated to become a Director has been the subject of any other judgment or ruling of any court of competent jurisdiction, tribunal or governmental body permanently or temporarily enjoining him from acting as an investment advisor, dealer in securities, director or employee of a corporate body or engaging in any type of business practice or activity or profession.

## SECTION EIGHT

### RISKS

*Any investment in the Ordinary Shares is subject to a number of risks. Prior to investing in the Ordinary Shares, Prospective Investors should carefully consider the risk factors associated with any investment in the Ordinary Shares, the Company's business and the industry in which it operates, together with all other information contained in this Prospectus as a whole, including, in particular, the risk factors described below.*

*The risk factors described below are not exhaustive list or explanation of all risks which investors may face when making an investment in the Ordinary Shares. Additional risks and uncertainties relating to the Company that are not currently foreseen by the Company, or that the Company currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Company's business, results of operations and financial condition and, if any such risk should occur, the price of the Ordinary Shares may decline and investors could lose all or part of their investment. An investment in the Ordinary Shares involves complex financial risks and is suitable only for investors who (either alone or in conjunction with an appropriate financial adviser or other advisers) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.*

#### 8.1 Risk Factors

##### 8.1.1 Risks Related to the Bank and the Industry

###### 1. Stiff competition

The banking industry in Ethiopia is characterized by intense competition, with over 30 banks competing primarily focusing on urban customers and a limited number of corporate customers. This focus on urban areas has led to a lack of diversified products and services, making competition in these regions particularly challenging, as many banks offer similar products.

However, competition extends beyond just product variety. Established banks benefit from extensive branch networks, ATMs in multiple locations, and robust online banking services along with its many use cases, which enhance customer accessibility and convenience. As a result, these banks are better positioned to attract customers. To retain their customers and boost resource mobilization efforts, they often provide various promotions and incentives. Additionally, price competition is prevalent, with larger banks typically offering lower interest rates for loans and higher rates for deposits.

As a new entrant for the industry, competitions in these areas have the following implication on the Bank if it does not respond appropriately for the competition;

- ❖ **Loosing of Market Share:** technology-driven banks can benefit from process digitization, lowered operating costs, and competitive product pricings, which can negatively impact the market share that Gadaa Bank should aim to achieve.
- ❖ **Trust and Customer On-boarding:** As a new player, the Bank may find it challenging to gain the trust of potential customers. The established banks' ease of access and reputation may hinder customer on-boarding efforts, negatively impacting resource mobilization and overall financial performance.
- ❖ **Price Competition:** The industry is likely to experience aggressive price competition. Larger banks can afford to offer lower interest rates on loans and higher rates on deposits, which could adversely affect the Bank's profitability.

## 2. Political instability

For a bank to remain innovative and deliver diverse products to its customers, a stable political environment is essential. Political unrest can lead to operational disruptions, making it increasingly difficult to provide financial services and promote financial inclusion. Instability can disrupt normal banking operations, resulting in increased risks such as looting of bank properties and documents, staff shortages, damage to technology, and branch closures.

Additionally, existing and potential customers may relocate in search of stability, leading to higher withdrawal rates and reduced deposits. Furthermore, political instability creates uncertainty regarding government policies and frequent regulatory changes, complicating investment decisions and hindering the Bank's ability to plan for the future.

Here is how Gadaa Bank might be affected by political instability;

- ❖ The Bank may hold idle resources or deposits as the demand for loans from customer's decreases.
- ❖ The Bank may lose potential customers due to capital flight, as individuals seek safer investment opportunities elsewhere.
- ❖ The Bank may struggle to expand according to its strategic plans, leading to performance disparities and potential compromises in profitability.

- ❖ The Bank's non-performing loans may increase, as borrowers face difficulties in repaying loans due to economic downturns.
- ❖ There will be heightened risk management and compliance costs, which could negatively impact the Bank's profitability.

### **3. Risks of raising capital**

According to the National Bank of Ethiopia (NBE) Directive 78/2021 on "Minimum Capital Requirement for Banks," Article 5 stipulates that existing banks must raise a capital of Birr 5 billion within five years of the directive's enactment. For new banks, such as Gadaa Bank, the requirement is to raise Birr 5 billion within seven years, with two years already elapsed, leaving five years remaining. The Bank has so far collected a subscribed capital of Birr 1.23 billion, leaving a balance of Birr 3.77 billion to comply with NBE requirements.

To meet the NBE's minimum capital requirement, the Bank must raise the necessary funds from both existing Shareholders and new investors through a planned follow-on offering. However, since a non-negligible portion of the Bank's Shareholders are located in rural areas, making it difficult to access them and potentially resulting in lower additional share purchases from these existing Shareholders.

The following drawbacks may arise if the Bank fails to raise the required capital within the specified timeframe:

- ❖ The Bank will have to rely solely on its existing cash reserves and operational cash flows;
- ❖ The Bank may struggle to meet customer lending demands leading to inability to maintain profitability, which could lead to non-payment of dividends to Shareholders;
- ❖ The Bank may have to halt investments in non-banking businesses, technology, and branch expansion due to limited paid-up capital;
- ❖ May affect the Bank's efforts to tap into any business opportunities such as investment in non-banking operations;
- ❖ There is a possibility of receivership or merger and acquisition by either a foreign or domestic bank.

### **4. Key Person dependency risk**

Key Person Dependency Risk refers to the potential negative impact on an organization when it relies heavily on specific individuals for critical operations, knowledge, or relationships.

This risk can lead to operational disruptions, loss of expertise, and financial setbacks if these key persons leave or become unavailable

According to NBE's Directive SBB/89/2024 of "Persons with Significant Influence in Banks" in its article 5, banks are obliged to comply with NBE's regulation while appointing directors and senior officers.

New entrant banks heavily rely on key personnel's especially the Board of Directors and the Executive management and middle level managements. In these banks the concentration of critical responsibilities, knowledge, or relationships in a limited number of individuals is evident.

The following risks may emanate on Gadaa Bank if key personnel departs;

- ❖ Negatively affects the ability to continue to manage and expand the business efficiently;
- ❖ High employee turnover rates can negatively impact customer satisfaction and trust by disrupting service delivery, increasing training and recruitment expenses, and leading to a loss of institutional knowledge. These factors can, in turn, negatively affect the Bank's financial results;
- ❖ Corporate customer attrition rate may increase;
- ❖ Loss of critical knowledge or expertise may affect the implementation of the Bank's strategy;
- ❖ It may also create an atmosphere of disengagement among the remaining employees leading to operational inefficiencies.

## **5. Compliance and changing regulation risk**

Change is constant. Regulations evolve rapidly with key developments that impose new requirements and compliance risks for the company. The National Bank of Ethiopia has released more than 10 directives at the end of June 2024. These directives inculcate both domestic and international banking practices and prudential measures. It is also evident that the Ethiopian Capital Market Authority and the Ethiopian Securities Exchange also add up their own directives and regulations from time to time.

The Bank is subject to comply with conventional banking regulator (NBE), Crime preventing supervisory organ which is the Ethiopian Financial Intelligence Services (EFIS) and also the Ethiopian Capital Market Authority (ECMA) and the Ethiopian Securities Exchange on



fundamental protocols. On top of that, the Bank also has to comply with specific industry principles which are universal in nature to stay in business. Failure in compliance can lead the Bank to;

- ❖ Financial penalties from the concerned supervisor;
- ❖ Civil and criminal penalties from competent authorities;
- ❖ Loss of reputation from bad news; and,
- ❖ At certain points revocation of license of the business.

## **6. Exposure to risks related to foreign banks entry into the Ethiopian banking industry**

The entry of foreign banks into the Ethiopian market poses a significant risk to Gadaa Bank, primarily due to their superior resources, advanced technology, and competitive pricing strategies. These foreign institutions often come equipped with substantial financial backing, allowing them to invest heavily in innovative banking solutions and infrastructure. This capability enables them to offer enhanced customer experiences and a broader range of products, which can attract clients away from Gadaa Bank. Furthermore, their ability to implement lower pricing strategies as an entry tactic may pressure Gadaa Bank to reduce its own fees and interest rates, potentially squeezing profit margins and affecting overall financial stability.

Additionally, foreign banks may have an advantage in retaining professional employees due to their established global reputations and attractive compensation packages. This competition for talent can hinder Gadaa Bank's ability to recruit and retain skilled professionals, which is essential for maintaining service quality and operational efficiency. As these foreign entities continue to establish a foothold in the market, Gadaa Bank may face increased pressure not only to enhance its service offerings but also to adapt to rising customer expectations influenced by the presence of these formidable competitors.

## **7. Exposure to liquidity risk**

Gadaa Bank, as a new entrant in the Ethiopian banking sector, may face significant liquidity risks that could impact its financial performance and operational stability. Access to capital may prove particularly challenging during the early stages of the Bank's establishment, as it may lack the established relationships and reputation necessary to attract investors or secure loans. This limitation can hinder the Bank's overall growth, complicating efforts to build a solid market presence.

Additionally, liquidity challenges may arise if the Bank does not maintain sufficient reserves to meet withdrawal demands from its customers. Insufficient liquidity can lead to operational difficulties, including the inability to fund day-to-day transactions, affects lending activities leading to decreased customers and investor's interest. It further exacerbates the Bank's ability to meet its payment obligations leading to a reputational damage.

When there is insufficient interest from investors or low trading volumes, it can create a situation where existing Shareholders find it difficult to sell their shares. This lack of liquidity means that even if Shareholders want to sell their shares, they may struggle to find buyers, which can lead to wider bid-ask spreads and increased price volatility. Additionally, if insiders or early investors sell large volumes of shares shortly after the Bank's listing, it can flood the market with supply. This concentrated selling pressure can significantly depress the share price, as the sudden influx of shares may exceed demand. Such selling activity can also create a negative perception of the Bank, potentially leading to further declines in share price and investor confidence.

## **8. Exposure to credit risk**

NBE sets credit risk limits for single borrowers, related parties, and all related parties, capping them at 25%, 15%, and 35% of the Bank's total capital, respectively. These directives serve as safeguards to prevent banks from exceeding regulatory limits and to mitigate exposure to credit risk.

Credit risk is defined as the potential financial loss to the Bank if a customer or counterparty fails to meet their contractual obligations. This risk primarily arises from the Bank's loans and advances to customers, other banks, and various financial assets.

The Bank faces inherent risks related to the credit quality of its borrowers and counterparties, which can adversely affect the value of its assets. Deteriorations in the credit quality of customers can lead to significant declines in asset values.

Failure to effectively manage the credit quality of borrowers within prudent risk parameters, or to adequately monitor and regulate provisioning levels, could have a materially adverse effect on the Bank's business, financial condition, prospects, and results of operations.

## **9. Exposure to market risk**

Fluctuations in the exchange rate between the Ethiopian birr and foreign currencies may adversely affect the value of the Bank's equity shares; independent of the Bank's operating

results. Upon listing, the Bank's equity shares will be quoted in Ethiopian birr on the Securities Exchange. Any dividends related to the Bank's equity shares will also be paid in Ethiopian birr and subsequently converted into the relevant foreign currency for repatriation, if required. Any adverse movement in currency exchange rates during the time it takes to undertake such conversion may reduce the net dividend for foreign investors.

Additionally, the Ethiopian government has recently announced the implementation of a market-based exchange rate regime. In an economy where imports significantly outweigh exports, this shift is likely to prompt various entities to engage in speculative behaviours.

With the exchange rate between the Ethiopian birr and foreign currencies now determined by market forces, investors may react swiftly to fluctuations in the exchange rate, potentially leading to sell-offs of their equities to capitalize on perceived returns. This could increase the supply of the Bank's shares in the market. When the supply exceeds the demand for the Bank's shares, it may result in decreased prices. This may create fluctuations in the Bank's share prices and consequently impact the Bank's capital.

## **10. Exposure to operational risks**

According to the BASEL accord, Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. An operational risk event is an incident or experience that has caused or has the potential to cause material loss to the Bank either directly or indirectly with other incidents. In line with the Basel Committee on Banking Supervision's definitions, the following types of operational risk events are considered as having the potential to result in material operational losses:

- a. Internal fraud;
- b. External fraud;
- c. People Risk,
- d. clients, products and business practices Risk;
- e. Information and Communication Technology Risk;
- f. Information security Risk;
- g. Process & Reporting Risk;
- h. Data Management and Protection Risk;
- i. Outsourcing and Third Party RISK; and
- j. Change management/Project Risk

The Bank's exposure to operational risk may lead to reputational damage, regulatory repercussions, and financial losses, ultimately resulting in reduced returns or profits.

### **11. Exposure to information technology risk**

The Bank's operations, including its information technology (IT) systems and other technological arrangements, depend on the on-going and appropriate operation of its operating systems. The Bank faces a number of risks associated with the operation of these systems, such as the possibility of cyber-attacks (including ransom ware, phishing, hacking, malware, and other types of cyber-attacks), data theft or other unauthorized use of data, errors, bugs, malfunctions, insufficient maintenance service levels, or other malicious interference with or disruptions to the Bank systems in general.

Furthermore, because the Bank depends on third-party-developed technology and operating systems to run its operations efficiently, it is vulnerable to supply chain threats, system malfunctions, errors, and other disruptions. Plans for business continuity, disaster recovery, and maintenance and service level agreements that are meant to guarantee the stability and continuity of these systems cannot guarantee that they will be successful in preventing service interruptions. Additionally, the Bank may need to make significant capital investments in order to upgrade its operational systems and technology, which are necessary to stay competitive.

The emergence of this risk could adversely affect the Bank's goodwill and diminish customer trust, ultimately leading to weaker financial performance.

## **SECTION NINE**

### **OTHER RELATED MATTERS**

#### **9.1 Trading Arrangements**

The Bank's shares will be listed through listing by introduction on Ethiopian Securities Exchange.

As this security involves a direct listing, there is no mandatory lock-in period imposed on existing Shareholders. Following registration approval from the ECMA for 1,232,728 ordinary shares of the Bank, and after meeting the listing requirements of ESX, as well as implementing the necessary governance, controls, internal processes, and ensuring the availability of brokerage service providers and CSDs, these shares are anticipated to be listed, quoted, and traded on ESX. Shareholders are permitted to trade their shares immediately upon listing.

#### **9.2 Documents Made Available to the Public**

This prospectus and all accompanying documents are available on the Bank's website (<https://gadaabank.com.et/>) under the “Investor Relations” section. These accompanying documents are made available to the public in respect of the registration of securities in accordance with Article 8 of public offering and trading of securities directive No. 1030/2024 and the requirements set out by the Ethiopian Capital Markets Authority (the “ECMA”) pursuant to the directives. The following required accompanying documents have been disclosed as an Annex to this Prospectus.



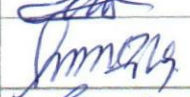
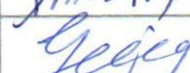

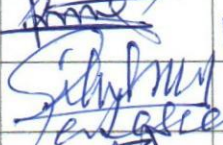


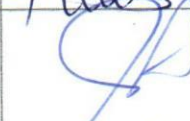





- 1.A certified copy of the Bank's Memorandum of Association;
- 2.A copy of amendments of the memorandum of association;
- 3.Certified copies of the Bank's Certificates of Incorporations including commercial registration certificate, VAT registration, business license and a copy of tax clearance Certificate;
- 4.Certified Minutes of 1st Extraordinary General Meeting of shareholders of the Bank;
- 5.Certified Minutes of 2nd Extraordinary General Meeting of shareholders of the Bank;
- 6.Certified Minutes of 3rd Extraordinary General Meeting of shareholders of the Bank held on 19th of December 2024, authorizing the dematerialization & registration of the shares of the Bank, offer of new shares, and listing of the existing shares of the Bank;

7. Certification Letter of Minutes of Board of Directors and the 3rd Extra-ordinary Meeting of Shareholders of Gadaa Bank S.C;
8. Certified extract of Minutes of the Board of Directors of the Bank held on 19th of May 2025, revising the number of shares of the Bank approved for registration under Ethiopian capital market authority;
9. NBE's "No-objection" certification letter for registration;
10. A copy of "Approval-in-Principle" letter from ESX;
11. A copy of independent legal advisors opinion;
12. A copy of extracted three years audited financial statements, Interim and the Auditors Opinion;
13. Extract of material contracts;
14. A copy of equity-investment re-valuation gain document.



### Declaration

We hereby declare that all the provisions of applicable laws and regulations as the case may be, have been complied with and no statement made in the Prospectus is contrary to the provisions of existing share registration or public offering directive issued there under. We hereby certify that all statements contained in this Prospectus, from the cover page through to page 127, are true and correct.

S. N	Name	Position	Signature	Date
1.	Dr. Hassen Hussein Kedir	BOD Chairman		06/13/2025
2.	Mr. Hailu Ifa Gonda	BOD Vice chairman		06/13/2025
3.	Dr. Degefa Duressa Obbo	BOD member		13/06/2025
4.	Eng. Ashenafi Daba Abdi	BOD member		13/06/2025
5.	Mr Kassim Kufa Jarra	BOD member		15/06/2025
6.	Mr. Tilahun Tadesse Tuji	BOD member		15/06/2025
7.	Mr. Wasihun Amenu Tiyyiti	BOD member		15/06/2025
8.	Mr. Hamdeno Mideso Woya	BOD member		15/06/2025
9.	Mrs. Semira Mohammed Abdella	BOD member		15/06/2025
10.	Amb. Mulu Solomon Bizuneh	BOD member		15-06-2025
11.	Dr. Gutu Tesso	BOD member		13/08/25
12.	Mr. Wolde Bulto Adugna	CEO		13/06/2025
13.	Mr. Galata Daba	Company Secretary		13/06/2025
14.	Mrs. Tenaye Aklilu	Director-Finance Management		16/6/25

Place: Addis Ababa

Dated: June 13, 2025

## Annex

### I. Gadaa Bank branches as of 19 May 2025

S.No	Branch Name	Branch Location
1	Aba mela	Addis Ababa City Administration ,Arada sub city ,Woreda 01 , former Atekelt Tera, Kalifa Business Center 1nd Floor ,House number Nw
2	Abebe Tufa	Addis Ababa City Administration, Bole Sub-city
3	Adama	Oromia Region, East Shewa Zone, Adama Town, Degaga Kebele, H.No.1201
4	Adi Haki	Tigray Region ,Mekele City
5	Agaro	Oromia region, Agaro town
6	Agemsa	Addis Ababa City Administration, Addis Ketema S/City, Woreda 01, H.No. New
7	Alemgena	Sheger City, Sebeta Awas woreda , Kebele 02, H.No. New
8	Al-Noor	Oromia region , Bale Zone, Bale Robe Town , kebele , H.No: New
9	Ambo	Oromia region , West Shew zone, Ambo Town , kebele 01, H.No: New
10	Asella	Oromia Region, Arsi Zone,Asella Woreda, Kebele Hinku, H.No. New
11	Asosa Branch	Benshangul Gumuz region, Asosa town
12	Babo	Addis Ababa City Administration, Nifas-Silk Lafto Sub-City, Woreda: 04 H.No. 1828
13	Bako	Oromia Regional State Bako City , WestShewa Zone, 01 Kebele, H.N. New
14	Bale Robe	Oromia Region, Robe City, Kebele 02, H.No. 430
15	Batu	Oromia Regional State ,Estern Showa Zone,Batu Town ,Kebele 02 ,House Number New
16	Bedelle	Oromia Region, Oromia Zone Buno Bedele Zone, Bedele City, Kebele 01, H.No. New
17	Baraka (IFB Full Fledged)	Addis Ababa City Administration ,Addis Ketema sub city ,woreda 01,Sidamo Tera ,Zeway Tower 3rd floor
18	Betel	Addis Ababa City Administration, Kolfe keraniyo Sub-City, Woreda: 07 H.No. New
19	Bilal Branch (IFB Full Fledged)	Addis Ababa City Admistration ,Kolfe Keraniyo ,woreda 06, Torhailoch,Dream Tower ,ground Floor
20	Bishoftu	Oromia Region ,East Shoa zone, Bishoftu town ,Kebele 05
21	Bole Bulbula	Addis Ababa City Administration, Bole S/City, Woreda 12 , H.No. New
22	Bole Lami	Addis Ababa City Administration, Bole Sub City ,Woreda10,House Number New
23	Bule Hora	Oromia Region, Oromia Region West Guji Zone, Bule Hora City, Kebele 01, H.No. New
24	Burayu	Sheger City, Burayu City, Kebele Gefersa Burayu, H.No. New
25	Burka Wayu	Addis Ababa City Administration, Nifas Silk lafto Sub city, Woreda 13 ,House Number New,



S.No	Branch Name	Branch Location
26	Chafe Anani	Addis Ababa, Lideta Sub-city , wereda 09, Alsam Chelelek
27	Dhaga Bora	Addis Ababa City Administration, Yeka sub-city,
28	Dedacha Arara	Oromia Regional state, East shewa zone, Adama City, Administration Tedecha Arara Kebele, H.No. 254
29	Dembi Dollo	Oromia Regional state, Dembi Dollo city, Kellem Wollega Zone, Wereda Lafto, Kebele 04, H. N. New
30	Derartu Tulu Adebabay	Addis Ababa City Administration, Yeka Sub-City, Woreda: 13 H.No. New
31	Dilla	South Ethiopia, Dilla City
32	Dire Dawa	Dire Dawa City Administration Dire Dawa City , H.N. New
33	Dire Sololia	Oromia Regional state, Sheger City Administration
34	Dodola	Oromia Regional state, West Arsi Zone, Dodola City Administration Kebele 01, H.No. New
35	Dollo Bidena	Addis Ababa City Administration,Kirkos Subcity , Wereda 03
36	Dukem	Oromia Regional State ,East Showa Zone,Dukem Town ,Melka Dukem Kebele
37	Edao Boru	Addis Ababa City Administration, Addis Ketema Sub city , Wereda 04
38	Elilly	Addis Ababa City Administration, Kirkos Sub-City, Woreda: 08 H.No. New
39	Ertu	Addis Ababa City Administration, Nifas Silk Lafto Sub city , Wereda 03
40	Fiche	Oromia region , North Shew zone, Fitchetown , kebele 04, H.No New
41	Figa	Addis Ababa City Administration, Lemi Kura Sub-City, Wereda 09, H.No. New
42	Furi-Hilal (IFB Full Fledged)	Sheger City Administration, Furi Woreda , Kebele 04, H.No. New
43	Furii	Sheger City, Sebeta town Furi, Kebele 04, H.No. 1264
44	Gadaa Faajji	Oromia Region,Sheger City , Wereda Furi, Gedaa Faajji kebele, House No New
45	Gefersa Guje	Sheger City, Burayu town , Gefersa Guje kebele
46	Gefersa Nono	Sheger City, Burayu town , Gefersa Nono kebele.
47	Gelan	Sheger City,Gelan town , Kebele Gelan, H.No. New
48	Gerji	Addis ababa City Administration
49	Gimbi	Oromia Region, Gimbi City , West Wellega zone kebele 02, H. No. 1013
50	Ginchi	Oromia region , West Shew zone, Dandi Wereda, Ginchi town , kebele 02, H.No New
51	Golbo	Addis Ababa City Administration, Kirkos Sub City, wereda 05, H.N. New
52	Goro	Addis Ababa City Administration ,Lami-Kura Sub City ,Woreda 09,House Number New ,Around Goro Adebabay
53	Gulele	Addis Ababa City Administration, Addis Ketema Sub City, wereda 05, H.N. New
54	Hachalu	Addis Ababa city Administration, Akaki Kality sub city, Woreda 14 ,House

S.No	Branch Name	Branch Location
	Hundesha	Number new, Gelan Condominium.
55	Harar	Harari Regional State ,Harar city, Kebele 18, H.No. New
56	Hawasa	Sidama Regional State, Hawassa City, Kebele Teso, H.NO New
57	Hirmata	Oromia region , Jimma zone, Jimma Town , kebele Hirmata, H.No: New
58	Holota	Oromia Regional State Holeta City , Goro Qeransa Kebele, H.N. New
59	Hurufa Rare	Addis Ababa City Administration, Addis Ketema Sub city ,Wereda 08
60	Jemo	Addis Ababa City Administration
61	Jimma	Oromia Regional State Jimma City , Hawitu Mendera Kebele
62	Kality	Addis Ababa City Administration, Akaki Kality Sub City, wereda 08, H.N. New
63	Kedamay Woyane	Tigray Region, Mekele City
64	Keta Burayu	Sheger City, Burayu City, Kebele Burayu Keta, H.No. New,
65	Ketele Jatani	Addis Ababa City Administration, Addis Ketema Sub-City, Woreda: 10 H.No. 234
66	Kusa Branch	Addis Ababa City Administration
67	Lege Tafo	Sheger City, Lege Tafo Lege dadi town ,kebele 01
68	Lafto	Addis Ababa City Administration
69	Lemi Kura	Addis Ababa City Administration, Lemi Kura Sub-City, Woreda:10 H.No. 202
70	Lume	Addis Ababa City Administration
71	Mekele	Tigray Regional state ,Mekele City ,Kedamay weyene Sub City,Kedamay weyene Wereda,Kebele 16 ,House number New
72	Meki	Oromia Regional State ,East Showa Zone,Meki Town ,Kebele 02
73	Mettu	Oromia Region, Metu City, Kebele : Abe Mole H.No. New
74	Mojo Branch	Oromia Regional State ,East Showa zone ,Mojo Town ,Kebele 01,House Number New.
75	Negele Arsi	Oromia Region,West Arsi Zone, Negele town, Kebele 01, H.No. New
76	Nekemte	Oromia Region, Nekemte city, Kebele Qeso 05, H.No. New
77	Oda Branch	Addis Ababa City Administration, Kirkos City
78	Qurqura	Oromia Region , East Shoa zone ,Bishoftu Town , 01 Kebele
79	Sebeta	Sheger City, Sebeta town , kebele 01
81	Robele Branch	Addis Ababa City Administration, Bole Sub City
82	Shakiso	Oromia Regional State Shakiso City , Guji Zone, 01 Kebele, H.N. New
83	Shashamane	Oromia Region,West Arsi Zone,Shashamane Woreda, Kebele 02, H.No. New
84	Shubbu Ejersa	Addis Ababa City Administration, Bole Sub City, Woreda 03, House new
85	Sulula Gerbi	Addis Ababa city Adminstration , Addis Ketema Sub city , Woreda 01, Sobelen Bussines Center,2nd Floor
86	Sululta	Sheger City,sululta city, Kebele 01, H.No. New
87	Torban Ekka	Addis Ababa City Adminstration, Lami Kura sub city ,Woreda 13,House number new,Area Known As wessen.

S.No	Branch Name	Branch Location
88	Torban Obo	Addis Ababa City Administration
89	Tulu Dimtu	Addis Ababa City Administration,, Akaki Kality Sub-City, Wereda 09, H.No
90	Uta Wayu	Oromia Region,West Arsi Zone,Shashamane Woreda, Kebele 01, H.No. New
91	Wadessa	Addis Ababa City Administration, Arada Sub city Woreda 03, Social Security Tower ,House Number New
92	Woliso	Oromia Region, SouthWest Shewa Zone,WolisoTown,Kebele 04, H.No. New
93	Yabello	Oromia region , Borena zone, Yabello Town , kebele 01 H.No: New