GADAA BANK S.C

AUDITOR'S REPORT AND FANANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

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የተመሰከረላቸው የሂሳብ አዋቂዎች
Tel: + 251-011-466 11 57
Mobile +251-96-621 59 21
>> 90-380 61 90
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TEWODROS AND FIKRE AUDIT
SERVICES PARTNERSHIP
CHARTERED CERTIFIED
ACCOUNTANTS
P.O.Box 8118
E-mail: chalatewodros@gmail.com
Mobile+ 251-96-621 59 21
90-380 61 90
Addis Ababa Ethiopia

Gadaa Bank S.C
Annual Financial Statements
For the year ended 30 June 2025
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Annual Financial Statements
Directors, professional advisers and registered office
For the year ended 30 June 2025

Company Registration Number
LBB/029/2022

Directors

	Posisition	Assignment Date
Dr Hassen Hussien Kedir	*Chairperson*	*19-Dec-2024*
Ob. Hailu Ifa Gonda	*Deputy chairperson*	*19-Dec-2024*
Dr Degefe Duressa	*Non-Executive Director*	*19-Dec-2024*
Ob. Hamdino Mideso Woya	*Non-Executive Director*	*19-Dec-2024*
Ob. Wasihun Amenu Tiyiti	*Non-Executive Director*	*19-Dec-2024*
Ad. Semira Mohammed Abdela	*Non-Executive Director*	*19-Dec-2024*
Dr Gutu Tesso Boka	*Non-Executive Director*	*19-Dec-2024*
Ashenafi Daba Abdi (Eng.)	*Non-Executive Director*	*19-Dec-2024*
Kasim KufaJara	*Non-Executive Director*	*19-Dec-2024*
Tilahun TadesseTuji	*Non-Executive Director*	*19-Dec-2024*
Mulu Solomon Bizune(Amb.)	*Non-Executive Director*	*19-Dec-2024*
Ob. Geleta Daba Afata	*Company Secretary*	*7-Aug-2023*

Management Membes

Ob. Wolde Bulto Adugna	*Chief Executive Officer*	*10-May-2022*
Ob. Fati Haji Abafogi	*Chief IT Officer*	*21-Jul-2022*
Ob. Legese Jada Bikila	*Chief Internal Audit*	*29-Dec-2022*
Ob. Dereje Mengistu Abajifar	*Chief Risk and Compliance*	*29-Dec-2022*
Ob. Eshetu Deressa Wirtu	*Chief Customer Experience*	*17-Nov-2023*
Ob. Abduljebar Kedir Jiru	*Executive Director,IFB*	*4-Nov-2022*
Ob. Ifa Abdisa Horata	*Executive Director, Digital Banking Department*	*21-Jul-2024*
Ob. Debebe Feyisa Aredo	*Executive Director, Strategy and Research Depart*	*21-Jul-2024*
Ad. Tenaye Aklilu Worku	*Director, Finance Management Department*	*6-Jun-2022*
Ob. Yirgalem Teshome Ketema	*Director, IT Department*	*21-Jul-2022*
Ob. Gudeta Gelana Chemeda	*Director, Personal & SME Banking Department*	*21-Jul-2022*
Ob. Fetene Alemu Negeri	*Director, Promotion & Public Relation*	*1-Aug-2022*
Ob. Robera Wokgari Negasa	*Director, Credit Department*	*8-Aug-2022*
Ob. Ulfata Regasa Idato	*Director, Human Capital Management Department*	*1-Sep-2022*
Ob. Milky Tenkolu Bune	*Director, International Banking Service Departmer*	*1-Sep-2022*
Ob. Fekadu Urgesa Megersa	*Director, Procurement & Facility Managent Depart*	*1-Sep-2022*
Ad. Sebasegel Seyoum Gemeda	*Director, Corporate & Institutional Banking*	*14-Nov-2022*
Ob. Muleta Debel Wakjira	*Director, Legal Service*	*20-Nov-2022*
Ob. Fedesa Woreti Gelalcha	*Director, Information System Security Departmen*	*7-Mar-2023*
Ob. Djorji Tone DJirata	*Director, IT Infrastructure & Project Management*	*1-Jul-2024*

Independent Auditor
Tewodros & Fikre Audit Service Partnership
Bole Road-Dembel City Center P.O.Box 8118
Addis Ababa, Ethiopia

Corporate Office

Gadaa Bank Sc
Gotera
Infront of Wongelawit Building
P.O Box 31996
Website: www.gadaabank.com.et
Addis Ababa, Ethiopia

Company Secretary
Obbo Geleta Daba

Gadaa Bank S.C
Annual Financial Statements
Report of the directors
For the year ended 30 June 2025

The Directors submit their report together with the financial statements for the period ended 30 June 2025 to the share holders of Gadaa Bank share company ("GB or the Bank"). This report discloses the financial performance of the Bank.

Incorporation and address

Gadaa Bank was established in Ethiopia in 2022 in accordance with the Commercial Code of Ethiopia 1243/2021 and licensed by the National Bank of Ethiopia with the objective to engage in banking services in accordance with the Licensing and Supervision of Banking Business Proclamation No. 592/2008. The Bank commenced operations On 22 December 2022 and is domiciled in Ethiopia.

Principal activities

The Bank is principally invisaged to provide diverse range of financial products and services to a Wholesale, retail and Small and Medium Enterprises (SME) clients base in Ethiopia Market; both for conventional and interest free banking(IFB) customers.

Results and dividends

The Bank's results for the year ended 30 June 2025 are set out on the statement of profit or loss and other comprensive income. The loss for the year has been transferred to retained earnings and Risk Reserve. The summarised results are presented below.

	30 June 2025 Birr'000	**30 June 2024 Birr'000**
Revenue (Interest Income, Commission and Operating In	1,673,872	790,564
Profit Before Tax	444,790	101,269
Income Tax Expense	(102,034)	(11,118)
Profit for the Year	342,756	90,151
Other Comprehensive Income net of taxes	12,954	115,570
Total comprehensive income for the year	**355,710**	**205,721**
Earning Per Share	**0.29**	**0.08**

Directors

The Board of directors who held office during the year and to the date of this report are set out on page III.

Dr Hassen Hussien
Chairperson,Board of Directors
September 30,2025

Gadaa Bank S.C
Annual Financial Statements
Statement of Directors' Responsibilities
For the year ended 30 June 2025

In accordance with the Banking Business Proclamation No. 592/2008, the National Bank of Ethiopia (NBE) may direct the Bank to prepare financial statements, whether their designation changes or they are replaced, from time to time. Also, the Financial Reporting Proclamation No. 847/2014 requires the Bank to prepare its financial statements in accordance with the International Financial Reporting Standards (IFRS).

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), the Commercial Code of Ethiopia 1243/2021, the directives issued by the National Bank of Ethiopia and Internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
The Bank is required keep such records as are necessary to:

a) Exhibit clearly and correctly the state of its affairs;

b) Explain its transactions and financial position; and

c) Enable the National Bank to determine whether the Bank had complied with the provisions of the Banking Business Proclamation and directives issued for the implementation of the aforementioned

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

The Bank's Board of directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit or loss.

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

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

Signed on behalf of the Directors by:

Dr Hassen Hussien
Chairperson, Board of Directors
September 30, 2025

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☎ + 251-011-466 11 57 251-96-621 59 21
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TEWODROS AND FIKRE AUDIT SERVICES PARTNERSHIP
CHARTERED CERTIFIED ACCOUNTANTS
P.O. Box 8118
E-mail: chalatewodros@gmail.com
Addis Ababa Ethiopia

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

GADAA BANK SHARE COMPANY

OPINION

We have audited the accompanying financial statements of GADAA BANK S.C which comprise the statement of profit and loss and other comprehensive income for the year ended 30 June 2025, statement of financial position as at 30 June 2025, statement of changing equity and statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of GADAA BANK S.C as at 30 June 2025 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard as issued by the International Accounting Standards Board (IASB).

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

i. Pursuant to Article 349 (1) of the Commercial Code of Ethiopia, 2013 E.C and based on our reviews of the board of directors' report, we have not noted any matter that we may wish to bring to your attention.

ii. Pursuant to article 349 (2) of the Commercial Code of Ethiopia, 2013 EC, we recommend the financial statements be approved.

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

Board for Accountants' code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

Auditors Responsibility for the Audit of the financial Statements

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

Tewodros and Fikre Audit
Services Partnership
Chartered Certified Accountants

Addis Ababa
September 30, 2025

Annual Financial Statements
Statement of Profit or Loss and Other comprehensive Income
For the year ended 30 June 2025

	Notes	30 June 2025 Birr	30 June 2024 Birr
Interest Revenue at effective interest rate	5	666,303	353,714
Interest expense	6	(258,333)	(110,267)
Net interest income		**407,969**	**243,446**
Commission income	7	637,588	383,630
Commission expense	7	-	-
Net fees and commission income		**637,588**	**383,630**
Other operating income	8	369,981	53,220
Total operating income		**1,415,539**	**680,297**
Impairment losses on Loan, cash, and NBE bills & Bond	9	(8,118)	(22,635)
Impairment losses on Guarantee & Letters of Credit Issue	31c	(7,738)	(515)
Net operating income		**1,399,683**	**657,147**
Personnel expenses	10	(534,782)	(296,272)
Board of Directors' Allowance		(2,679)	(1,220)
Amortisation of intangible assets	19	(7,354)	(3,751)
Depreciation of property, plant and equipment	20	(83,903)	(48,021)
Other operating expenses	11	(326,176)	(206,615)
Total Other Operating Expense		**(954,893)**	**(555,878)**
Profit before tax		**444,790**	**101,269**
Income tax	12a	**(102,034)**	**(11,118)**
Profit for the year		**342,756**	**90,151**
Other comprehensive income (OCI) net on income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations net of 30% tax	22a	(4,889)	(1,268)
Revaluation Gain-Equity Investment net of 30% Tax	16	17,842	116,839
		12,954	115,570
Total comprehensive income for the period		**355,710**	**205,721**
Basic Earnings per share (Birr)	24	**0.29**	**0.08**

The notes on pages 8 to 59 are an integral part of these financial statements.

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Gadaa Bank S.C
Annual Financial Statements
Statement of Financial Position
For the year ended 30 June 2025

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
ASSETS			
Cash and balances with banks	13	2,075,187	964,309
Loans and advances to customers	14	3,658,246	2,416,909
Interest free Financing	15	64,775	51,913
Investment securities:			
-Financial asset at fair value through	16	260,140	226,912
-Financial assets at Amortized cost	17	1,046,061	459,396
Other assets	18	1,598,928	281,253
Right-of-use assets	32	417,779	375,316
Intangible assets	19	189,992	63,240
Property, plant and equipment	20	828,392	716,801
Total assets		**10,139,499**	**5,556,048**
LIABILITIES			
Deposits from customers	21	7,083,111	4,006,911
Current tax liabilities	12c	57,897	-
Lease liabilities	32	179,036	143,622
Other liabilities	22	945,413	186,700
Retirement benefit obligation	22a	27,757	13,014
Deferred tax liability	12f	58,522	8,861
Provisions-off balance sheet	31c	8,254	515
Total liabilities		**8,359,989**	**4,359,623**
EQUITY			
Share capital	23	1,303,918	1,074,406
Retained earnings	25	192,797	(23,375)
Legal reserve	26	108,227	22,538
Risk reserve	27	48,987	10,228
Other reserve	28	125,582	112,628
Total equity		**1,779,511**	**1,196,425**
Total Liabilities and Equity		**10,139,499**	**5,556,049**

The notes on pages 8 to 59 are an integral part of these financial statements.

The financial statements were approved and authorized for issue by the board of directors on 30, September 2025 and were signed on its behalf by:

Dr. Hassen Hussien Kedir
Chairperson, Board of Directors

Wolde Bulto Adugna
Chief Executive Officer(CEO)

Gadaa Bank S.C
Annual Financial Statements
Statement of changes in equity
For the year ended 30 June 2025

	Notes	Share capital Birr	Retained earnings Birr	Legal reserve Birr	Other reserve Birr	Risk Reserve Birr	Total Birr
As at 30 June 2023		**890,150**	**(79,871)**	**-**	**(2,942)**	**480**	**807,817**
As at 1 July 2023		**890,150**	**(79,871)**	**-**	**(2,942)**	**480**	**807,817**
							-
Profir for the period	25		90,151				90,151
Other comprehensive income:							-
Re-measurement gains on defined benefit plans (net of tax)	22a				(1,268)	-	(1,268)
Fair value gain-Equity investment	16				116,839		116,839
Issue of shares	23	184,256	-	-	-	-	184,256
Director's share of profit		-	(1,369)	-	-	-	(1,369)
Transfer to Risk Reserve			(9,748)			9,748	-
Transfer to legal reserve		-	(22,538)	22,538	-	-	-
As at 30 June 2024		**1,074,406**	**(23,375)**	**22,538**	**112,628**	**10,228**	**1,196,425**
As at 1 July 2024		**1,074,406**	**(23,375)**	**22,538**	**112,628**	**10,228**	**1,196,425**
Profit for the period	25		342,756				342,756
Other comprehensive income:							-
Re-measurement gains/loss on defined benefit plans (net of tax)	22a				(4,889)		(4,889)
Fair value gain-Equity investment	16				17,842		17,842
Reversal of Prepaid staff expenses	25		(2,137)				(2,137)
Issue of shares	23	229,512	-	-	-	-	229,512
Transfer to Risk Reserve	27	-	(38,759)	-	-	38,759	-
Transfer to legal reserve	26	-	(85,689)	85,689	-	-	-
		229,512	216,172	85,689	12,954	38,759	583,085
As at 30 June 2025		**1,303,918**	**192,797**	**108,227**	**125,582**	**48,987**	**1,779,511**

The notes on pages 8 to 59 are an integral part of these financial statements.

Gadaa Bank S.C
Annual Financial Statements
Statement of cash flows
For the year ended 30 June 2025

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
Cash flows from operating activities			
Cash generated from operations	29	1,932,169	871,061
Net cash (outflow)/inflow from operating activities		**1,932,169**	**871,061**
Cash flows from investing activities			
Diuvidend income recived		10,795	
Purchase of NBE bills and bonds	17	(586,690)	(357,294)
Purchase of equity investments	16	(7,739)	(58,000)
Purchase of property, plant and equipment	20	(195,494)	(174,043)
Right-of-use assets	20a	(137,521)	(205,390)
Purchase of Intangible Asset	19	(134,105)	(28,087)
Net cash (outflow)/inflow from investing activities		**(1,050,754)**	**(822,815)**
Cash flows from financing activities			
Proceeds from issues of shares	23	229,512	184,256
Net cash (outflow)/inflow from financing activities		**229,512**	**184,256**
Net increase/(decrease) in cash and cash equivalents		**1,110,927**	**232,502**
Cash and cash equivalents at the beginning of the	13	964,351	731,849
Cash and cash equivalents at the end of the		**2,075,278**	**964,351**

The notes on pages 8 to 59 are an integral part of these financial statements.

1 General information

Gadaa Bank SC ("GB or the Bank") is a private commercial Bank domiciled in Ethiopia. The Bank was established on 26 April 2022 in accordance with the provisions of the Commercial code of Ethiopia of 1243/2021 and the Licensing and Supervision of Banking Business Proclamation No. 592/2008. The Bank's registered office is Kirkos Sub-city wereda 03, House # 745 around Gotera infront of Wangelawit Building, Addis Ababa,Ethiopia

The Bank is principally invisaged to provide diverse range of financial products and services to a Wholesale, retail and Small and Medium Enterprises (SME) clients base in Ethiopia Market; both for conventional and interest free banking(IFB) customers.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of preparation

The financial statements for the year ended 30 June, 2025 (the Financial Statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. Additional information required by National regulations is included where appropriate.

The financial statements comprises;

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

2.2.1 Statement of compliance

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Director to exercise its judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Director believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3. These are the first set of financial statements prepared in accordance with IFRS as issued by IASB.

2.2.2 Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept, except for the following;
I. Fair value through other comprehensive income and fair value through profit and loss, financial assets and financial liabilities (including derivative instruments) and investment properties measured at fair value
II. Assets held for sale - measured at fair value less cost of disposal; and
III.The liability for defined benefit obligations recognized at the present value of the defined benefit obligation less the fair value of the plan assets and plan assets measured at fair value.

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

2.2.3 Going concern

The Company has adequate resources to continue in operation for the foreseeable future. For this reason the managements continue to adopt going concern assumption in preparing the fnancial statements. The current credit facilities and adequate resources of the company provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.3 Changes in accounting policies and disclosures

The accounting policies set out below have been applied consistently to all years presented on these financial statements and have been applied consistently by the bank.

a New standards, amendments, interpretations effective and adopted during the year

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2025 and earlier applications are permitted and have not been applied in preparing these financial statements.

New Standards or amendments	Effective Date
The amendments to IAS 21, The Effects of Changes in Foreign Exchange Rates,	January 1,2025

1. The Effects of Changes in Foreign Exchange Rates Amendments to (IAS 21)

These amendments provide guidance on how to determine a spot exchange rate when the currency of a foreign operation or transaction is not exchangeable for another currency. The new guidance clarifies what a "lack of exchangeability" means and how to account for this situation to ensure financial statements still accurately reflect the effects of foreign currency fluctuations.

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

The following accounting pronouncements were not effective as of June 30, 2025 and therefore have not been applied in preparing these financial statements.

New Standards or amendments	Effective Date
Amendments IFRS 9 and IFRS 7 regarding power purchase arrangements	01-Jan-25
New Standard IFRS 18 "Presentation and Disclosure in Financial Statements"	01-Jan-27

1.Amendments IFRS 9 and IFRS 7 regarding power purchase arrangements

In January 2025, the IASB amended IFRS 9 and IFRS 7 to address accounting challenges for power purchase agreements (PPAs) involving nature-dependent electricity (e.g. solar, wind). The changes clarify that the own-use exemption applies if an entity is a net-purchaser of electricity over a reasonable (≤12-month) period, even if excess electricity must be resold due to market rules. They also allow variable volumes to be designated in hedge accounting, improving alignment between PPAs and forecast energy use. To enhance transparency, IFRS 7 now requires new disclosures on contract risks, unrecognised commitments, expected cash flows, and hedging terms.

2. IFRS 18 Presentation and Disclosure in Financial Statements

FRS 18 is a new accounting standard that outlines the presentation and disclosure requirements for financial statements. It mandates a statement of financial position at the beginning of the preceding period if there are retrospective adjustments or reclassifications. Entities can use alternative names for main statements and customize totals, subtotals, and line items, as long as they accurately represent the characteristics of the items. The standard also provides guidelines for grouping information and determining whether to include details in primary financial statements or as note.

2.4 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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

2.5 Recognition of income and expenses

Interest income and expense are recognised in the income statement using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument.The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument to the gross carrying amount of the financial asset (before adjusting for expected credit losses) or to the amortised cost of the financial liability, including early redemption fees, and related penalties, and premiums and discounts that are an integral part of the overall return.

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

The Bank, earns income from interest on loans given for domestic trade and services, building and

2.5.1 Interest and similar income and expense

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

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

2.5.2 Fees and commission income and expense

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

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

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

2.5.3 Interest paid on borrowings, deposits and others

Interest paid on borrowings and deposits are calculated on 365 days basis (except for some treasury instruments which are calculated on 364 days basis) in a year and recognised on accrual basis. Interest on lease liabilities are accounted for as per IFRS 16 Leases.

2.5.4 Dividend income

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

2.5.5 Rental income

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

2.5.6 Foreign exchange revaluation gains or losses

These are gains and losses arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. This amount is recognized in the income statement and it is further broken down into realized and unrealized portion.
The monetary assets and liabilities include financial assets within Cash and cash equivalent, foreign currency deposits.

2.6 Financial instruments - initial recognition and subsequent measurement

2.6.1 Financial assets

Initial recognition and measurement

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

I. Financial instruments measured at amortised cost

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

> The asset is held within a business model whose objective is to hold assets to collect contractual cash flows;

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

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

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

>The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

>The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

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

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

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

Business model assessment

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

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

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

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

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

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

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

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

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

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

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

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

Reclassifications

If the business model under which the bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the bank. During the current financial year and previous accounting period there was no change in the business model under which the bank holds financial assets.therefore no reclassifications were made. The table below summarizes the accounting treatment on reclassification:

Accounting for Asset reclassification

From	To	Requirement
Amortized Cost	FVTPL	Measure fair value at reclassification date and recognize difference between fair value and amortized cost in profit or loss.
FVTPL	Amortized Cost	Fair value at the reclassification date becomes the new gross carrying amount.
Amortized Cost	FVOCI	Measure fair value at reclassification date and recognize any difference in OCI.
FVOCI	Amortized Cost	Cumulative gain or losses previously recognized in OCI is removed from equity and applied against the fair value of the financial asset at the reclassification date.
FVTPL	FVOCI	Asset continues to be measured at fair value but subsequent gains and losses are recognized in OCI rather than profit or loss.
FVOCI	FVTPL	Asset continues to be recognized at fair value and the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Derecognition of financial assets

The Bank shall derecognize a financial asset when:

>The contractual right to the cash flows from the financial asset expires , or

> It transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or

>Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

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

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

Impairment of financial assets

The impairment charge in the income statement includes the change in expected credit losses and including those arising from fraud. Expected credit losses are recognised for loans and advances to customers and banks, other financial assets held at amortised cost, financial assets measured at fair value through other comprehensive income, and certain loan commitments and financial guarantee contracts. Expected credit losses are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the bank at the point of default after taking into account the value of any collateral held, repayments, or other mitigants of loss and including the impact of discounting using the effective interest rate.

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

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

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss shall be recognized on equity investments.
The Bank shall measure loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

>Debt investment securities that are determined to have low credit risk at the reporting date; and

>Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables shall always be measured at an amount equal to lifetime ECL.
12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments.
Life-time ECL is the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2 financial instruments.

(i) Measurement of ECL

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

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

(ii) Restructured financial assets

Where the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then the Bank shall assess whether the financial asset should be derecognized and ECL are measured as follows:
> If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
>If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

(iii) Credit-impaired financial assets

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

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

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

>Significant financial difficulty of the borrower or issuer;

>A breach of contract such as a default or past due event;

>The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;

>It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

>The disappearance of an active market for a security because of financial difficulties.

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

(iv) Presentation of allowance for ECL in the statement of financial position

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

(V) Write-off

Loans and debt securities shall be written off (either partially or in full) when there is no reasonable expectation of recovering the amount in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment shall be carried out at the individual asset level.
Recoveries of amounts previously written off shall be included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(Vi) Financial guarantees

Financial guarantees;are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Types of Letter of Guarantees Issued by the bank:-

- Bid bond
- Suppliers' Credit Guarantee
- Advance Payment Guarantee
- Performance Bond
- Retention Guarantee
- Customs Duty Guarantee

Initial accounting for financial guarantees by the issuer

The Bank initially measures financial guarantee contracts at fair value. If the financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, then its fair value at inception is likely to equal the premium received unless there is evidence to the contrary

Subsequent measurement

Financial guarantees are subsequently measured at the higher of:

— the amount of the loss allowance determined in accordance with IFRS 9 and

—the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15

(vii) Non-integral financial guarantee contracts

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

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

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

Collateral valuation

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

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

Collateral repossessed

Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be used for internal operations are initially recognized at the lower of their repossessed value or the carrying value of the original secured asset and included in the relevant assets depending on the nature and the Bank's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

2.6.2 Financial liabilities

Initial recognition and measurement

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

The Bank's financial liabilities include customer's deposit, margin held on letters of credit and other liabilities. Interest expenditure is recognized in interest and similar expense.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortized cost

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

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

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

Derecognition of financial liabilities

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

2.6.3 Offsetting financial instruments

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

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

2.7 *Interest free Financing and investment products*

Gadaa Bank S.c has begun interest free banking services in June 6, 2023, focusing on deposits, financing, as well as investment. Services include Wadiya accounts for cash, Wadiya current accounts for cheques, Muharaba investment savings account and Haji Umra account to save for the pilgrimage to Mecca, Saudi Arabia.

Among its financing services are Muharaba financing, where the bank delivers any good after receiving the full money and specification of the good from its customer; Ejira financing, in which the customer renders payment gradually after the bank delivers the good; Estisna financing for construction, as well as Selam financing, where the bank gives agricultural inputs to take the equivalent amount after harvest.

The other area of interest free banking is investment and includes Musharaka investment, which is a joint venture between the bank and the customer.

Definition of key Terms

1. Wadiah Saving Account

Wadiah is amanah (safe custody based on trusts) where IFBW shall be fully responsible for the deposited amount to be available on demand.

Wadia (safe keeping) account is an account at which a customer deposits its fund and IFBW guarantees refund of the entire amount of deposit, or any part of the outstanding amount, without the obligation to pay any additional return on it, when the account holder demands it.

2. Wadia Demand Deposit Account

Wadia demand deposit account Is the type of deposit that do not give any returns to the depositor and can be withdrawn by the depositor up on demand. For this deposits the relationship between the IFBW and the depositor is that of debtor and creditor.

3. Hadji-Umraha Saving Account

Hadji-Umraha Saving account is safe custody based on trusts of the customer to be deposited regularly for the purpose of travelling to Mecca Medina, where IFBW shall be fully responsible for the deposited amount to be available on demand. Haji-Umura Savings Account is an account which is used to make deposit by customer for the purpose of Haji-Umura pilgrimage

4. Unrestricted Investment Accounts

It is a type of deposits where full discretion is given to the IFBW to utilize the fund to finance and /or invest in income generating assets.

5. Restricted Investment Accounts

It is a type of deposits where investment account holder provide specific investment mandate to the IFBW to utilize the fund to finance and/or invest in specific income generating assets.

6. Ijarah

It is a contract between IFBW and customer in which IFBW transfers the usufruct of an asset (right to use and drive profit from a property belonging to another, provided that the property remain uninjured and undiminished) but not its ownership to customer for an agreed period at an agreed rental/lease payment.

7. Istisna'a

It is a sale contract between the ultimate purchaser and seller whereby the seller, based on an order from the purchaser, undertakes to have manufactured/build the subject matter of the contract according to specification and sell it to the purchase for an agreed upon price and method of settlement whether that at time of contracting, by installments or deferred to a specific future time.

7.1 Parallel Istisna'a

It is a parallel sale contract concluded by the seller with a builder to fulfill his/her contractual obligations in the first Istisna'a contract.

8. Murahaba (Cost Plus)

It is a sale of goods with an agreed upon profit mark up on the cost between customer and IFBW whereby IFBW purchases the goods ordered by a customer from a third party and then sells these goods to the same customer.

9. Mudarabah

It is a partnership between investment account holders as providers of funds and entrepreneur as Mudarabah whereby both parties agreed to share profit as per their agreement and the losses being born by the provider of fund provided that the loss is not occurred due to negligence and mismanagement on the part of entrepreneur (Mudarib).

10. Mutharika (joint venture)

It is a partnership between IFBW and its customer whereby each party contributes to the capital of partnership in equal or varying degrees to establish a new project or share in existing one, on the basis of constant or diminishing ownership, with objective of sharing profit as per their agreement and loss in accordance with their capital contributions.

11. Salam

11.1 Parallel Salam

It is a purchase of a commodity for future delivery in exchange for immediate payment according to specified conditions or sale of a commodity for future delivery in exchange for immediate payment.

It is a Salam contract whereby the seller depends, for executing his /her obligation, on receiving what is due to him/her-in his/her capacity as purchaser-from a sale in a previous Salam contract, without making the execution of the second Salam contract dependent on the execution of the first Salam contract.

2.8 Cash and cash equivalents

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

2.9. Property, plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. 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 recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in income statement as incurred.

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

Property and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or at the expiration of a lease contract for right of use assets.equipment are determined by comparing the net proceeds from disposal Gains and losses arising on disposal of an item of property and with the carrying amount of the item and are recognised net within 'other Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation Method	Usefull Life (years)	Residual values (%)	Remark
Buildings	Straight Line	50	5%	
Motor vehicles	Straight Line	10	5%	
Equipment	Straight Line	5-10	1%	Generator 10; the Remaining 5
Furniture & fittings	Straight Line	5-20	1%	Vault 20; the Remaining 5
Computer and Accessories	Straight Line	7-10	1%	ATM 10; the Remaining 7
Mchinery	Straight Line	15	1%	

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

Capital work-in-progress is not depreciated as these assets are not yet available for use.

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

2.10 Intangible assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expenses on intangible assets with finite lives is presented as a separate item in the income statement.

Amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

- Swift software – 6 years
- Core Banking software – 6 years
- Mobile and Agent Banking software – 6 years

2.11 Non-current assets (or disposal Banks) held for sale

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

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

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

Non-current assets classified as held for sale and the assets of a disposal Bank classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal Bank classified as held for sale are presented separately from other liabilities in the statement of financial position.

2.12 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.The Bank bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

2.13 Other assets

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

(a) Prepayment

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

(b) Other receivables

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

2.14 Fair value measurement

Fair value under IFRS 13, Fair Value Measurement ('IFRS 13') is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on exchanges (for example, NSE, BVRM, GSE) and quotes from approved bond market makers.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer or broker, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met,

the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

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

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

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

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

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

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

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

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

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

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

2.15 Employee benefits

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

(a) Defined contribution plan

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, funding under this scheme is 4% by the Bank; based on the employees' salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

(b) Defined benefit plan

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

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

(d) Profit-sharing and bonus plans

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

2.16 Provisions

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

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

2.17 Share capital

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

2.18 Earnings per share

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

2.19 Government grants

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

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

2.20 Leases

Under IFRS 16, a lessor is required to determine whether a lease is a finance or operating lease. A lessee is not required to make this determination.

(a) Bank as a lessee

The bank assesses at initiation of a contract whether the contract is, or contains a lease. That is, if the contract conveys the right to control the use of an identifed asset for a period of time in exchange of consideration, then the bank consider the contract as a lease contract.The bank as a lessee applies a single recognition and measurement approach for all leases, except for short-term leases, or, and lease of low value of assets.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the bank. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the banks incremental borrowing rate appropriate for the right-of-use asset arising from the lease. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT equipment and small items of office furniture.

(b) Right-of-use assets (ROU):

The bank recognises the right-of-use assets (RoU) at the commencement date of the lease (i.e. the date the underlying asset is available for use). RoU assets are measured at cost less any accumulated depreciation and impairment of losses and adjusted for any measurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payment made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight line basis over the lease term, or remaining period of the lease term.

The bank assessed all lease contracts active in 2025 and recognised as RoU of assets of all leases, except short term and low value of assets as per the Banks' own policy set as per IAS 16 and IFRS 16.

(c) Lease Liabilities (Bank as a lessee):

At the commencement of the lease, the bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed and variable lease payment (less any adjustment for initial payment), and amount is expected to be paid under residual value of guarantees.

(d) Bank as a lessor

Assets leased to customers are classified as finance leases if the lease agreements transfer substantially all the risks and rewards of ownership to the lessee but not necessarily legal title. All other leases are classified as operating leases. When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable, net of allowances for expected credit losses, within loans and advances to banks and customers. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income. Finance lease income is recognised in interest income over the term of the lease using the net investment method (before tax) so as to give a constant rate of return on the net investment in the leases. Unguaranteed residual values are reviewed regularly to identify any impairment.

Operating lease assets are included within property, plant and equipment at cost and depreciated over their estimated useful lives, which equates to the lives of the leases, after taking into account anticipated residual values. Operating lease rental income is recognised on a straight-line basis over the life of the lease. The Group evaluates non-lease arrangements such as outsourcing and similar contracts to determine if they contain a lease which is then accounted for separately.

2.21 Income taxation

(a) Current income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. Director periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

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

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.

3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.
The preparation of the Bank's financial statements requires Director to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Bank's exposure to risks and uncertainties includes:

- Capital Management Note 4.5
- Financial risk Management and policies Note 4.1
- Sensitivity analyses disclosures Note 4.5.2

3.1 Judgements

In the process of applying the Bank's accounting policies, Directors have made the following judgements, which have the most significant effect on the amounts recognized in the financial statements.

3.2 Estimates and assumptions uncertainties

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

3.2.1 Impairment losses on loans and advances (on balance sheet)

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions,changes in individual customers' circumstances, structural changes within industries that alter competitive positions and other external factors such as legal and regulatory requirements.
Impairment is measured for all accounts that are identified as nonperforming. All relevant considerations that have a bearing on the expected future cash flows are taken into account which include but not limited to future business prospects for the customer, realizable value of securities,the Group's position relative to other claimants and the existence of any court injunctions placed by the borrower. Subjective judgments are made in this process of cash flow determination both in value and timing and may vary from one person to another and team to team. Judgments may also change with time as new information becomes available.
The bank reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. In particular, judgment by the Directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

The bank also makes a collective impairment measurement for exposures which, although not specifically identified as non-performing, have an inherent risk of default. The portfolio constitutes a large number of loan and advances account cutting across various industries. Assets with similar risk characteristics are ranked together for the purpose of determining the collective impairment in the bank.
The following are key estimations that the directors have used in the process of applying the banks accounting policies and that have the most significant effect on the amounts recognised in financial statements:

I.Probability of default: probability of default (PD) estimates the possibility of a loan facility moving from the performing status (stage 1) to the non-performing status (stage 3). For impairment purposes, the PD parameter is estimated using a transition matrix multiplication approach that estimates the movement of loan amounts from one bucket to the next between two subsequent time periods.
II.The loss given default (LGD) is a measure of how much (in form of a percentage) the Bank is expected to lose in the event that default events occur.This can be estimated using either collateral, in instances where the customer has collateral against the debt instrument that they have undertaken with the Bank or an analysis of the historical cash collections after the default event, for cases that the debt instrument is not secured.

III.Exposure at Default (EAD):EAD modelling estimates annual outstanding exposure on each loan facility over the remaining lifetime from the reporting period.the EAD for each period is calculated based on the contractual cash flows of each loan account using the reducing balance method.
The exposure at default assumed by management to be the mid year EAD for facilities with monthly and quarterly repayment schedules. This is to reflect the assumption of uniform distribution of default events throughout the year. For semi - annual and annual repayment schedules, exposure at default will be assumed by management to be the reporting date EAD.

IV.significant increase in credit risk (SICR: SICR is based on migration from stage 1 to stage 2. As per the Bank's loan listing classification, these are loans that experience migration from "Pass" to "Special Mention" as a result of arrears of over 30 days past. due.

3.2.2 Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.6.3 for further disclosures.

3.2.3 Retirement benefits

The Bank have a comprehensive remuneration system based on our HR policy. It combines a fixed salary that reflects the individual's role and level of responsibility along with other benefits. In addition, the Bank also offers provident fund, gratuity, staff loan and other benefits such as banking products and services and medical benefits for employees and dependents.

The cost of the defined benefit pension plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases,mortality rates and future pension increases.
The discount rate reflects the estimated timing of benefit payments. In practice, an entity often achieves this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid.
Inflation rate : the majority of the plans' benefit obligations are linked to inflation both in deferment and once in payment. Higher inflation will lead to higher liabilities although this will be materially offset by holdings of inflation-linked gilts and, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation.

3.2.4 *Depreciation and carrying value of property, plant and equipment*

The estimation of the useful lives of assets is based on Director's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

Property and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programs are taken into account which involves extensive subjective judgment. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3.2.5 *Impairment of non-financial assets*

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

3.2.6 *Taxes*

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

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant Director judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

4 Financial risk management

4.1 Introduction

This note explains the Bank's exposure to financial risks and how these risks could affect the Bank's future financial performance.The Bank has documented financial risk management policies. These policies set out the Bank's overall business strategies and its risk management philosophy. The Bank's overall financial risk management programme seeks to minimize potential adverse effects of financial performance of the Bank. The Board of Directors provides written principles for overall financial risk management and written policies covering specific areas, such as credit risk, market risk (including foreign exchange risk, interest rate risk and equity price risk) and liquidity risk . Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Bank's policy guidelines are complied with. Risk management is carried out by the Bank Risk team under the policies approved by the Board of Directors.

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

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

4.1.1 Risk management structure

The Board of Directors have the ultimate responsibility for establishing and ensuring the effective functioning of the Risk and Compliance Management activities of the Bank.

The board risk and compliance management sub-committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and risk appetite. It is also responsible for performing compliance monitoring and testing, preparing periodic risk and compliance exposure reports to executive management and the board of directors.

The Executive Management is responsible for translating and implementing the Bank's risk management strategy, priorities and policies as approved by the Board of Directors

The Bank's policy is that risk management processes throughout the Bank are assessed periodically by the management. This will help to adequately capture risk exposure, aggregate exposure of risk types and incorporate short run as well as long run impact on the Bank.

4.1.2 Risk measurement and reporting systems

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

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

4.1.3 Risk mitigation

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

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

4.2 Credit risk

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

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

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

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

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

4.2.1 Management of credit risk

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

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

(a) Probability of Default

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

(b) Loss Given Default

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

(c) Exposure at Default

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

4.2.2 Expected credit loss measurement

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

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

(a) Inputs, assumptions and techniques used for estimating impairment

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

I. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the bank.

II. If a SICR since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.

III. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

IV. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

V. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

VI. POCI financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

(b) Significant increase in credit risk

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12m ECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

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

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

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

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(i) Forward transitions: Days past due

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

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

(ii) Forward transitions: Watchlist & Restructure

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

(iii) Forward transitions: Classification

In addition to the days past due, the bank classifies accounts as either 'Performing', 'Substandard', 'Doubtful' or 'Loss'. This classification is considered together with days past due in determining the Stage classification. The table below summarizes the account classification and days past due.

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

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

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

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

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

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

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

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

(c) Credit risk grades

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

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

i). **Term loan exposures**

Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections.

Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance data from credit reference agencies, press articles, changes in external credit ratings. Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities,Internally collected data on customer behavior, Affordability metrics.

ii). **Overdraft exposures**

Payment record this includes:

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

(d) Generating the term structure of PD

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

(e) Determining whether credit risk has increased significantly

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

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

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

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

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

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

(f) Definition of default

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

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); - The borrower is more than 90 days past due on any material credit obligation to the Bank.

- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or

- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.In assessing whether a borrower is in default, the Bank considers indicators that are:

- Qualitative: e.g. breaches of covenant;

- Quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and

- Based on data developed internally and obtained from external sources.

- Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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

(g) Incorporation of forward-looking information in the ECL models

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

For each segment, the Bank formulates three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside and one downside. For each sector, the base case is aligned with the macroeconomic model's information value output, a measure of the predictive power of the model, as well as base macroeconomic projections for identified macroeconomic variables for each sector. The upside and downside scenarios are based on a combination of a percentage error factor of each sector model as well as simulated optimistic and pessimistic macroeconomic projections based on a measure of historical macroeconomic volatilities.

External information considered includes economic data and forecasts published by Fitch Solutions formerly known as Business Monitor International, an external and independent market intelligence and research institution. This is in addition to industry –level, semi – annual NPL trends across statistically comparable sectors.

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representativescenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses.The Bank estimates each key driver for credit risk over the active forcast period of nine years.

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

Sector	Macroeconomic factor(s)
Cluster 1 Agriculture Consumer Loans Overdraft Interest Free Financing	M2, USD Nominal GDP, USD (PPP), % y-o-y STER, Economic Growth
Cluster 2 Domestic Trade Services Mining and Energy Transport Health Merchandise Financial Services	Savings per capita, LCU Nominal GDP, LCU Transport & communications nominal GVA, LCU Broad money (% of GDP) - Sovereign Scorecard Legacy STPR, Policy Continuity Legacy Long-Term Political Risk Index
Cluster 3 Building and Construction Hotel and Tourism Manufacturing and Production Industry Real Estate Housing and Construction	PR, Security Risk M1, % of GDP Consumer price index inflation, 2010=100, eop Total employment M2, % of GDP Real GDP growth, % y-o-y Foreign reserves ex gold, EUR
Cluster 4 Export Import Advance against Import Bills International Trade	Political Risk Index Lending rate, %, ave Central bank policy rate, %, eop M1, USD

The Bank defined a statistically significant correlation threshold with macroeconomic of 60%.

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

Tewodros and Fikre Audit Service Partnership
Certified Auditors in Ethiopia

Accounting and Auditing Board of Ethiopia
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Indicator	30-Jun-23	30-Jun-24	30-Jun-25
Consumer price index inflation, 2010=100, ave	763.82	959.96	1,131.52
Exports of goods and services, USD	10,163.16	9,435.45	7,190.30
Government domestic debt, LCU	1,711,834.87	2,095,039.47	2,425,405.02
Nominal GDP, LCU	7,328,259.08	9,765,072.05	12,050,982.17
Private final consumption, LCU	5,727,253.20	7,799,889.06	9,755,080.10
Total domestic demand, LCU	7,845,345.56	10,393,227.73	12,862,804.41
Savings, LCU	1,385,282.44	2,086,867.44	2,442,686.12
Population	124.94	128.11	131.32
Consumer price index inflation, 2010=100, eop	766.97	941.15	1,076.88
M1, LCU	518,230.82	583,000.41	659,488.15
M2, LCU	1,665,828.13	1,926,860.26	2,240,723.49
Current expenditure, LCU	548,963.66	616,751.84	790,988.13
Goods imports, USD	16,010.83	16,138.52	17,587.94
Goods exports, USD	3,711.59	3,672.11	4,361.86
Current account balance, USD	(4,970,521,099.44)	(4,599,280,813.34)	(4,141,870,833.33)
Import cover months	0.63	0.88	1.35
Total household spending, LCU	5,529,948.12	7,514,793.45	9,371,209.76
Nominal GDP, USD	137,853.99	144,927.85	113,766.06
Real GDP, LCU (2010 prices)	1,042,657.89	1,112,745.44	1,189,776.91
Real GDP, USD (2010 prices)	72,358.56	77,222.51	82,568
Real GDP per capita, USD (2010 prices)	579.13	602.77	629
Nominal GDP, USD (PPP)	374,678.95	409,756.75	443,051.80
Private final consumption, USD	107,737.00	115,761.68	92,092
Private final consumption per capita, USD	862.29	903.59	701.28
Government final consumption, LCU	499,796.37	606,562.84	717,917.21
Government final consumption, USD	9,401.81	9,002.27	6,777.42
Exports of goods and services, LCU	540,269.49	635,749.74	761,652.05
Exports of goods and services per capita, USD	81.34	73.65	54.75
Imports of goods and services, LCU	1,174,311.47	1,330,983.64	1,573,370.11
Imports of goods and services, USD	22,090.31	19,753.73	14,853.24
Total domestic demand, USD	147,581.05	154,250.60	121,429.98
Total domestic demand per capita, USD	1,181.13	1,204.02	924.69
Unemployment, % of labour force, ave	3.49	3.37	3.22
Real effective exchange rate index	27.65	15.90	7.42
Total revenue, LCU	637,726.67	791,545.69	1,021,869.42
Total revenue, USD	11,996.46	11,747.69	9,646.85
Total expenditure, LCU	855,217.12	1,025,425.24	1,327,659.92
Total expenditure, USD	16,087.73	15,218.80	12,533.64
Current expenditure, USD	10,326.71	9,153.49	7,467.24
Budget balance, LCU	(216,720,442,067.66)	(233,713,193,754.65)	(305,432,803,680.29)
Budget balance, USD	(4,076,790,443.84)	(3,468,643,288.24)	(2,883,406,958.41)
Services imports, USD	7,541.96	7,895.97	8,468.47
Services exports, USD	7,195.79	7,756.70	8,609.65
Total reserves ex gold, USD	1,232.59	1,758.28	2,928.57
Total external debt stock, USD	31,935.96	37,352.61	43,600.93

Long-term external debt stock, USD	31,548.30	35,913.35	39,271.68
Public external debt stock, USD	30,446.77	34,659.41	39,271.68
Total government debt, USD	60,346.92	54,840.89	44,573.15
Total debt service, USD	1,775.59	1,954.54	2,507.64
M2, USD	124.94	128.11	131.32
Nominal GDP, USD (PPP), % y-o-y	124.94	128.11	131.32
STER, Economic Growth	30,480.84	22,948.56	16,877.63
Savings per capita, LCU	11.51	9.32	8.12
Transport & communications nominal GVA, LCU	33.17	17.32	10.00
Broad money (% of GDP) - Sovereign Scorecard	0.01	0.02	0.02
PR, Security Risk	7,328,259.08	9,765,072.05	12,050,982.17
M1, % of GDP	278,272.35	356,111.53	484,703.56
M2, % of GDP	22.73	19.73	18.59
Real GDP growth, % y-o-y	79.07	78.85	78.54
Foreign reserves ex gold, EUR	7.07	5.97	5.47
Political Risk Index	766.97	941.15	1,076.88
Lending rate, %, ave	22.73	19.73	18.59
Central bank policy rate, %, eop	5.92	6.72	6.92
M1, USD	1,135.37	1,641.05	2,739.51

Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analyzing semi – annual historical data over the past 7 years.

The below scenario weightings have been observed:

Summary of scenario weightings			
Scenario	**Base**	**Downturn (downside)**	**Optimistic (upside)**
Cluster 1	73.33%	6.67%	20.00%
Cluster 2	73.33%	13.33%	13.33%
Cluster 3	66.67%	13.33%	20.00%
Cluster 4	66.67%	13.33%	20.00%

(h) Modified financial assets

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

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

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit- impaired at that time). The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit Committee regularly reviews reports on forbearance activities. For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.
Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

(i) *Measurement of ECL*

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

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

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

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

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

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period.
The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

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

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

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

The Banking's are subject to regular review to ensure that exposures within a particular Bank remain appropriately homogeneous.

(j) *Loss allowance*

The following tables show reconciliations of loans and advances to customers at amortized cost as of 30 June 2025

In Birr'000	2025			
Loans and advances to customers at amortized cost (on balance sheet and off balance sheet exposures)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 July 2024	**(26,893)**	**-**	**-**	**(26,893)**
Transfer to stage 1 (12 months ECL)	-	(182)	(3,529)	(3,711)
Transfer to stage 2 (Lifetime ECL not credit	-	-	-	-
Transfer to stage 3 (Lifetime ECL credit	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	(4,426)	-	-	(4,426)
Financial assets derecognized	(317)			(317)
Balance as at 30 June 2025	**(31,636)**	**(182)**	**(3,529)**	**(35,347)**

In Birr'000	2024			
Loans and advances to customers at amortized cost (on balance sheet and off balance sheet exposures)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 July 2023	**(8,161)**	**-**	**-**	**-**
Transfer to stage 1 (12 months ECL)	-	-	-	-
Transfer to stage 2 (Lifetime ECL not credit	-	-	-	-
Transfer to stage 3 (Lifetime ECL credit	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	(18,732)	-	-	(18,732)
Financial assets derecognized	-	-	-	-
Balance as at 30 June 2024	**(26,893)**	**-**	**-**	**(18,732)**

The following table provides a reconciliation for 30 June 2025 between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and the 'impairment losses on financial instruments' line item in the consolidated statement of profit or loss and other comprehensive income.

In Birr'000	2025			
	Loans and advances to customers at amortised	**Investment securities (debt instruments) & *Cash***	**Other receivables and financial assets**	**Total**
Balance as at 1 July 2024	**(26,893)**	**(74)**	**(3,828)**	**(30,795)**
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	(8,454)	(73.9)	(7,843)	(16,371)
Amounts directly written off during the year	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Balance as at 30 June 2025	**(35,347)**	**(148)**	**(11,671)**	**(47,166)**

The following table provides a reconciliation for 30 June 2024 between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and the 'impairment losses on financial instruments' line item in the consolidated statement of profit or loss and other comprehensive income.

In Birr'000	2024			
	Loans and advances to customers at amortised cost	**Investment securities (debt instruments)**	**Other financial assets**	**Total charge/(credit)**
Balance as at 1 July 2023	**(8,161)**	**-**	**-**	**(8,161)**
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	(18,732)	(74.3)	(3,828)	(22,635)
Financial assets derecognized	(317)	-	-	(317)
Amounts directly written off during the year	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Balance as at 30 June 2024	**(27,210)**	**(74)**	**(3,828)**	**(31,112)**

4.2.3 Credit- related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter term commitments.

4.2.4 Credit quality analysis

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

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

In Birr'000	30 June 2025			
Loans and advances to customers@Amortized cost	Stage 1	Stage 2	Stage 3	Total
Stage1 :Pass	3,660,237		-	3,660,237
Stage2:Special mention		78,283		78,283
Stage3:Non performing		-	19,848	19,848
Total gross exposure	**3,660,237**	**78,283**	**19,848**	**3,758,368**
Loss allowance	(30,795)	(1,023)	(3,529)	(35,347)
Net carrying amount	**3,629,442**	**77,260**	**16,319**	**3,723,021**

In Birr'000	30 June 2024			
Loans and advances to customers@Amortized cost	Stage 1	Stage 2	Stage 3	Total
Stage1 :Pass	2,495,714	-	-	2,495,714
Stage2:Special mention	-		-	-
Stage3:Non performing	-	-	-	-
Total gross exposure	**2,495,714**	-	-	**2,495,714**
Loss allowance	(26,893)		-	(26,893)
Net carrying amount	**2,468,821**	-	-	**2,468,821**

In Birr'000		30-Jun-25		
Other financial assets (debt instruments)		Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	2,075,278	(91)	2,075,187
Investment securities (debt instruments)	12 Month ECL	1,046,118	(57)	1,046,061
Other receivables and financial assets	12 Month ECL	1,479,771	(3,417)	1,476,353
Financial Guarantee&LC Issued	12 Month ECL	2,971,169	(8,254)	2,962,915
Totals		**7,572,335**	**(11,819)**	**7,560,516**

In Birr'000		30 June 2024		
Other financial assets (debt instruments)		Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	964,352	(42)	964,309
Investment securities (debt instruments)	12 Month ECL	459,428	(32)	459,396
Other receivables and financial assets	12 Month ECL	117,507	(3,828)	113,679
Emergency staff loans	12 Month ECL	82,179	(411)	81,768
Totals		**1,623,466**	**(4,313)**	**1,619,153**

4.2.5 Credit concentrations

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

30 June 2025	Enterprise Birr'000	Cooperative Birr'000	Private Birr'000	Others Birr'000
Cash and balances with banks	2,075,187	-	-	-
Loans and advances to customers			3,658,246	-
Investment securities:				
-Financial asset at fair value through OCI		-	260,140	-
-Financial assets at Amortized cost	1,046,061	-	-	-
Other assets:		-	-	1,476,353
Total	**3,121,248**	**-**	**3,918,386**	**1,476,353**

30 June 2024	Enterprise Birr'000	Cooperative Birr'000	Private Birr'000	Others Birr'000
Cash and balances with banks	964,309	-		-
Loans and advances to customers		-	2,416,909	-
Investment securities:			-	-
-Financial asset at fair value through OCI	-	-	226,912	-
-Financial assets at Amortized cost	459,396	-	-	-
Other assets:		-	-	113,679
Total	**1,423,706**	**-**	**2,643,821**	**113,679**

4.2.6 Commitments and guarantees

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

Commitments	30 June 2025 Birr'000	30 June 2024 Birr'000
Loan commitments	-	-
Guarantees	2,459,515	2,898,437
Letters of credit	511,654	60,706
Total	**2,971,169**	**2,959,142**

4.3 Liquidity risk

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

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

4.3.1 Management of liquidity risk

Cash flow forecasting is performed by the finance department. The Bank's liquidity management process, as carried out within the Bank and monitored by fund management team, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

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

4.3.2 Maturity analysis of financial liabilities

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

30 June 2025	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Deposits from customers	5,791,412			1,291,699	
Other liabilities	64	734,907	10,689.00	-	10,268
Total financial liabilities	**5,791,476**	**734,907**	**10,689.00**	**1,291,699**	**10,268**

4.3.3 Financial assets pledged as collaterals

The Bank does not have any assets pledged as collateral

4.4 Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility.

The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing the return on risk. Overall responsibility for managing market risk rests with the bank Risk Management and the Board's Risk Committee. The bank Risk Management is responsible for the development of detailed risk management policies and procedures (subject to review and approval by the Board's Risk Committee) and for the day to day implementation of those policies.

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

4.4.1 Management of market risk

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

(i) Interest rate risk

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

The Bank's exposure to the risk of changes in market interest rates relates primarily to the Bank's obligations and financial assets with floating interest rates. The Bank is also exposed on fixed rate financial assets and financial liabilities. The Bank's investment portfolio is comprised of treasury bills, Ethiopian government bonds and cash deposits.

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

30 June 2025	Fixed Interest Birr'000	bearing Birr'000	Total Birr'000
Assets			
Cash and balances with banks	-	2,075,187	2,075,187
Loans and advances to customers	3,658,246	-	3,658,246
Interest free banking		64,775	64,775
Investment securities			
-Financial asset at fair value through OCI		260,140	260,140
-Financial assets at Amortized cost	1,046,061	-	1,046,061
Other assets		1,598,928	1,598,928
Total	**4,704,307**	**3,999,029**	**8,703,337**
Liabilities			
Deposits from customers	3,530,558	3,552,553	7,083,111
Due to other banks	-	-	-
Other liabilities		755,928	755,928
Total	**3,530,558**	**4,308,481**	**7,839,039**

30 June 2024	Fixed Interest Birr'000	bearing Birr'000	Total Birr'000
Assets			
Cash and balances with banks	182,067	782,242.33	964,309
Loans and advances to customers	2,416,909	-	2,416,909
Interest free banking		51,912.63	51,913
Investment securities			
-Financial asset at fair value through OCI		226,912.18	226,912
-Financial assets at Amortized cost	459,396	-	459,396
Other assets	-	281,252.89	281,253
Total	**3,058,372**	**1,342,320**	**3,433,131**
Liabilities			
Deposits from customers	1,963,335	2,043,575.13	4,006,911
Due to other banks	-	-	-
Other liabilities		61,441.45	61,441
Total	**1,963,335**	**2,105,017**	**4,068,352**

(ii) Foreign exchange risk

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

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

Foreign currency denominated balances	30 June 2025 Birr'000	30 June 2024 Birr'000
USD	21,106	2,966.20
EURO	153	7.74
GBP	20.79	0.37
	21,280	**2,974**

Sensitivity analysis for foreign exchange risk

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

The sensitivity of the Bank's earnings to fluctuations in exchange rates is reflected by varying the exchange rates at 10% as shown below:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Effect of 10% increase in exchange rate on profit or loss (USD)	2,111	297
Effect of 10% decrease in exchange rate on profit or loss (USD)	(2,111)	(297)
Effect of 10% increase in exchange rate on profit or loss (EUR)	15	1
Effect of 10% decrease in exchange rate on profit or loss(EUR)	(15)	(1)
Effect of 10% increase in exchange rate on profit or loss (GBP)	2	0
Effect of 10% decrease in exchange rate on profit or loss (GBP)	(2)	(0)

4.5 Capital management

The bank's objectives in managing capital are:
- To comply with the capital requirements set by regulators in the markets where the bank's entities operate and safeguard the bank's ability to continue as a going concern;
- To maintain a strong capital base that supports the development of the business; and
- To sustain a sufficient level of returns for the bank's shareholders.

Risk-weighted assets are calculated in accordance with regulatory guidelines. Credit risk-weighted assets are measured by applying a hierarchy of risk weights related to the nature of the risks associated with on- and off-balance sheet asset classes.
Operational risk- weighted assets are calculated by applying a scaling factor to the bank's average gross income.
Market risk-weighted assets are calculated by applying factors to the bank's trading exposures to foreign currencies, interest rates, and prices.

4.5.1 Capital adequacy ratio

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

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

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
Capital		
Paid-up capital	1,303,918	1,074,406
Retained earnings	192,797	(23,375)
Legal reserve	108,227	22,537.76
	1,604,942	**1,073,569**
Risk weighted balance for on-balance sheet items	6,195,809	4,516,133
Credit equivalents for off-balance sheet Items	1,332,088	1,461,359
	7,527,897	**5,977,492**
Risk-weighted Capital Adequacy Ratio (CAR)	**21%**	**20%**
Minimum required capital	**8%**	**8%**
Excess	13%	12%

4.6 Fair value of financial assets and liabilities

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

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

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

4.6.1 Valuation models

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

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

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

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

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

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

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

	30 June 2025 Carrying amount Birr'000	30 June 2024 Carrying amount Birr'000
Financial assets		
Cash and balances with banks	2,075,187	964,309
Loans and advances to customers	3,658,246	2,416,909
Interest free financing	64,775	51,913
Investment securities		
-Equity Investment	-	-
-Amortized Cost	1,046,061	459,396
Other asset	1,476,353	113,679
Total	**8,320,622**	**4,006,206**
Financial liabilities		
Deposits from customers	7,083,111	4,006,911
Due to other banks	-	-
Other liabilities	755,928	61,441
Total	**7,839,039**	**4,068,352**

4.6.3 Fair value methods and assumptions

(a) Loans and advances to customers

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

(b) Cash

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

(c) Deposit from banks, due to customers and other deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.
The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.
For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

(d) Other assets

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

(e) Other liabilities

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

4.6.4 Fair value hierarchy

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

30-Jun-25

Financial assets	Level 1 ETB'000	Level 2 ETB'000	Level 3 ETB'000	Total ETB'000
Equity investments	-	260,140	-	260,140
Total	**-**	**260,140**	**-**	**260,140**

30-Jun-24

Financial assets	Level 1 ETB'000	Level 2 ETB'000	Level 3 ETB'000	Total ETB'000
Equity investments	-	226,912	-	226,912
Total	**-**	**226,912**	**-**	**226,912**

Valuation technique using significant unobservable inputs – Level 3

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

Transfers between the fair value hierarchy categories

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

4.7 Offsetting financial assets and financial liabilities

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

Interest Free Banking Statement of Profit or Loss

For the year ended 30 June 2025

	30 June 2025 Birr'000	30 June 2024 Birr'000
Commission income	24,956	24,216
Income from murahaba financing	7,532	3,370
Income from trade financing		
Service Charges	-	-
Other Income	(36,337)	3,073
Total operating income	**(3,849)**	**30,660**
Other operating expenses	(18,465)	(9,489)
Profit before tax	**(22,314)**	**21,171**
Income tax expense	-	(6,351)
Profit after tax	**(22,314)**	**14,820**

Gadaa Bank S.C
Annual Financial Statements
Interest Free Banking Statement of Financial Position
For the year ended 30 June 2025

	30 June 2025 Birr'000	30 June 2024 Birr'000
ASSETS		
Cash and balances with banks	40,743	19,638
Net loan and advance	64,775	51,909
Profit Receivable		
Other assets	340,795	136,531
Total assets	**446,313**	**208,079**
LIABILITIES		
Deposits from customers	404,555	178,688
Other liabilities	41,757	29,391
Total liabilities	**446,313**	**208,079**

	30 June 2025 Birr'000	30 June 2024 Birr'000
5 Interest income		
Loans and advances to customers	571,657	281,667
Interest income adjustment	329	-
Interest income on OMO	5,063	-
Interest income on IBMM	14,800	-
Due from other banks	7,911	44,036
Due from NBE And DBE Bonds	66,543	28,010
	666,303	**353,714**

	30 June 2025 Birr'000	*30 June 2024* Birr'000
6 Due to customers	(258,333)	(110,267)
	(258,333)	**(110,267)**

	30 June 2025 Birr'000	30 June 2024 Birr'000
7 Fee and commission income		
Foreign currency transactions	314,851	188,749
Letter of guarantee	311,870	179,513
Cash payment orders and cheques	121	128
Other commission	10,746	15,239
	637,588	**383,630**
Fee and commission expense	-	-
Net Fee and commission income	**637,588**	**383,630**

	30 June 2025 Birr'000	30 June 2024 Birr'000
8 Other operating income		
Dividend income	10,795	36
Estimation and inspection fee	12,864	3,113
FCY Revaluation Gain/Loss	340,895	45,669
Other income	1,851	4,402
Rental income	1,119	-
Swift and Correspondence charges	2,458	-
		-
	369,981	**53,220**

	30 June 2025 Birr'000	30 June 2024 Birr'000
9 Impairment charge		
Convetional Loans and advances to customers	7,869	23,150
IFB Loans and advances to customers	586	-
Other assets- charge for the year	(337)	-
Off BalanceSheet- charge for the year	7,738	-
Total Impairment charge	**15,856**	**23,150**

	30 June 2025 Birr'000	30 June 2024 Birr'000
10 Personnel expenses		
Salaries and wages	342,249	238,199
Staff allowances	78,452	3,945
Bonus	23,148	-
Pension costs – Defined contribution plan	31,258	29,328
Pension costs – Defined Benefit plan	7,759	6,938
Prepaid staff expenses	-	3,887
Other staff expenses	51,915	13,974
	534,782	**296,272**

11 Operating expenses	30 June 2025 Birr'000	30 June 2024 Birr'000
Advertisement and publicity	26,408	14,648
Amortisation of leasehold	-	-
Audit fee	391	230
Bank charges	49	14
Board of directors remuneration	1,359	-
Board of directors allowance	1,320	-
Cleaning	14	17
Internet & Webhost Service	89	-
Donations	3,814	-
Sponsership	2,938	12,196
Fuel	3,674	5,944
Insurance	14,399	8,378
Telephone Expense	9,607	4,895
Legal and professional fee	94	3
Other operating expense	58,851	20,014
Penalty	343	1,350
Per diem	10,624	2,581
Rent	95,057	69,284
Finance Cost	9,938	8,486
Repair and maintenance	723	522
Representation allowance	-	22,113
Stationeries	14,029	12,155
General Supply Stock Expense	7,981	3,390
Subscription and membership fee	4,401	12,751
Taxes	807	1,571
Postage	113	16
Transportation	3,474	2,033
General Assembly	4,334	3,514
Water and electricity	1,027	510
Market Exchange Loss	52,996	-
	328,854	**206,615**

	30 June 2025 Birr'000	30 June 2024 Birr'000

12 Company income and deferred tax

12a Current income tax

Company income tax	57,925	-
Deferred income tax/(credit) to profit or loss	44,109	11,118
Total charge to profit or loss	102,034	11,118
Total tax in statement of comprehensive income	**102,034**	**11,118**

12b Reconciliation of effective tax to statutory tax

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
Profit before tax	**444,790**	**101,269**
Add : Disallowed expenses		
Donation	3,814	-
Penalty	343	1,350
General Assembly(AGM)	-	3,514
Accrued Leave	8,735	(6)
Land and building tax	45	-
Property tax expense	762	-
Prepaid staff expense	-	3,887
Severance pay	7,759	6,938
Depreciation charge for right-of-use assets	95,057	69,284
Provision for loans and advances as per IFRS	8,118	23,150
Provision for Off BalanceSheet IFRS	7,738	
Depreciation for accounting purpose	83,903	48,021
Amortization for accounting purpose	7,354	3,751
Total disallowable expenses	**223,628**	**159,889**

Less : Allowable expenses		
Depreciation and amortization for tax purpose	102,886	75,353
Provision for loans and advances for tax NBE 80%	11,642	13,537
Provision for Off BalanceSheet-for tax NBE 80%	29,834	
Rent expense	103,447	73,835
Dividend income taxed at source	10,795	36
Interest income on staff loans	-	6,023
Interest income taxed at source-NBE Bills	66,543	28,010
Interest income taxed at source-Local Deposit	7,911	44,036
Total allowable expenses	**333,057**	**240,831**
Current year Taxable profit	335,361	20,326
Loss for tax purpose brought forward	(151,143)	(171,469)
Loss for tax purpose rejected by MoR	8,863	-
Taxable income	193,082	(151,143)
Provision for current tax	**57,925**	-

	30 June 2025 Birr'000	30 June 2024 Birr'000
12c Current income tax liability		
Charge for the year:	57,925	-
Payment during the year	(28)	-
Balance at the end of the year	**57,897**	-

12d Deferred income tax

The following table shows deferred tax recorded in the statement of financial position and changes recorded in the Income tax expense:

	30 June 2025 Birr'000	30 June 2024 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	(3,474)	(4,182)
To be recovered within 12 months	2,673	45,395
	(801)	**41,213**

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

Deferred income tax assets/ (liabilities):	At 1 June 2024 Birr'000	OCI	Credit/ (charge) to P/L Birr'000	30 June 2025 Birr'000
Property, plant and equipment	(8,086)		(3,715)	(11,801)
Accured leave provision	52	-	2,620	2,673
Tax losses credited to profit or loss	45,343		(45,343)	-
Gain on investment @ fair value thru OCI	(50,074)	(7,647)	-	(57,720)
Post employment benefit obligation	3,904	2,095	2,328	8,327
Total deferred tax assets(liabilities)	**(8,861)**	**(5,552)**	**(44,109)**	**(58,522)**

Deferred income tax assets/ (liabilities):	At 1 June 2023 Birr'000	OCI Birr'000	Credit/ (charge) to P/L Birr'000	30 June 2024 Birr'000
Property, plant and equipment	(994)		(7,093)	(8,086)
Accured leave provision	61	-	(9)	52
Tax losses charged to profit or loss	51,441		(6,098)	45,343
Gain on investment @ fair value through OCI	-	(50,074)		(50,074)
Post employment benefit obligation	1,279	544	2,081	3,904
Total deferred tax assets/(liabilities)	**51,787**	**(49,530)**	**(11,118)**	**(8,861)**

	30 June 2025 Birr'000	30 June 2024 Birr'000
13 Cash and balances with bank		
Cash in hand	247,312	114,645
Deposits with local banks	264,986	423,268
Deposits with foreign banks	217,897	92,691
	730,195	**630,604**
Reserve with National Bank of Ethiopia	613,180	250,075
Balance held with National Bank of Ethiopia	731,902	83,673
	2,075,278	**964,352**
Less: Specific impairment allowance	(91)	(42)
	2,075,187	**964,309**

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	1,462,098	714,277
Non-Current	613,180	250,075
	2,075,278	**964,352**

	30 June 2025 Birr'000	30 June 2024 Birr'000
13a Cash and cash equivalent		
Cash in hand	247,312	114,645
Deposits with local banks	264,986	423,268
Deposits with foreign banks	217,897	92,691
Balance held with National Bank of Ethiopia	731,902	83,673
	1,462,098	**714,277**
Less: Specific impairment allowance	(91)	(42)
	1,462,006	**714,234**

	30 June 2025 Birr'000	30 June 2024 Birr'000
14 Loans and advances to customers		
Agriculture	43,451	34,983
Manufacturing	446,462	468,345
Export	1,085,798	609,540
Loans to non-bank financial institutions	-	57,457
Import	554,294	245,100
Domestic trade and service	642,686	633,446
Building and construction	620,074	236,981
Diaspora and Institutions Employee Loan	299,717	157,425
Gross amount	**3,692,483**	**2,443,277**
Stage 1 12 month ECL	(30,623)	(26,368)
Stage 2 Life time ECL	(84)	-
Stage 3 Life time ECL	(3,529)	-
	(34,237)	(26,368.5)
Net Conventional Loan Balance	**3,658,246**	**2,416,909**

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
within 3 Months	26,126	35,332
3 months up to 1 year	910,329	343,726
1 Year up to 2 years	511,486	1,432,177
2 Years up to 3 years	826,498	42,483
3 years up to 5 years	649,010	51,040
> 5 years	769,033	538,518
	3,692,483	**2,443,277**

14a Impairment allowance on loans and advances to customers

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

Specific allowance for	30 June 2025 Birr'000	Charge for the Birr'000	30 June 2024 Birr'000
Stage 1 12 month ECL	30,795	3,902	26,893
Stage 2 Life time ECL	1,023	1,023	-
Stage 3 Life time ECL	3,529	3,529	-
Total impairment allowance	**35,347**	**8,454**	**26,893**

	30 June 2025 Birr'000	30 June 2024 Birr'000
15 Interest free Financing		
Export -IFB	31,721	10,131
Domestic trade and service -IFB	29,963	37,746
Others-IFB	4,201	4,560
	65,885	**52,437**
Less Collective Impairment	-	-
- Stage 1 12 month ECL	(171)	(524)
- Stage 2 Life time ECL	(939)	-
- Stage 3 Life time ECL	-	-
	(1,110)	(524)
Net Interest free Financing	**64,775**	**51,913**

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Within 3 Months	-	
3 months up to 1 year	10,361	
1 Year up to 2 years	51,323	13,032
2 Years up to 3 years	-	34,845
3 years up to 5 years	-	-
> 5 years	4,201	4,560
	65,885	**52,437**

	30 June 2025 Birr'000	30 June 2024 Birr'000
16 Investment securities		
Equity Investments	226,912	2,000
Additional for the year	7,739	58,000
Revaluation gain or loss	25,489	166,912
Total Investment securities	**260,140**	**226,912**

16a The following is the equity investments of the Bank as at 30 June 2025:

30 June 2025
Birr'000

Investee Company	Percentage holding	Cost	BBF Revaluation gain/loss	Current Revaluation	Total
Oromia Insurance Company s.c	1.03%	16,441	5,313	1,004	22,758
Ethiopian Security Exchange S.c	0.53%	5,000	-	(167)	4,833
Ethio Swich s.c.	1.61%	41,298	161,599	14,028	216,925
Awash Insurance S.C	0.19%	5,000	-	10,623	15,623
		67,739	**166,912**	**25,489**	**260,140**

30 June 2024
Birr'000

Investee Company	Percentage holding	Cost	BBF Revaluation gain/loss	Current Revaluation	Total
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 Swich s.c.	2.24%	40,000	-	161,599	201,599
		60,000	**-**	**166,912**	**226,912**

The Bank hold equity investments in Oromia Insurance Company 1.03%,Ethiopian Security Exchange S.c 0.53% ,Ethio Swich s.c 1.61% and Awash Insurance S.C 0.19% as of 30 June 2025. This investments are unquoted equity securities measured at fair value through other comprehensive income (FVOCI).

Equity instruments are instruments that meet the definition of equity from the holder's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Equity instruments are measured at FVTPL. However, on initial recognition of an equity investment that is not held for trading, the bank may irrevocably elect for strategic or long term investment reasons to present subsequent changes in fair value in OCI. This election is made on an investment-by- investment basis. On adoption of the standard, the bank did designate all of its equity instruments as FVTOCI. Gains and losses on these instruments including when derecognised/ sold are recorded in OCI and are not subsequently reclassified to the Income Statement.

17 Amortized Cost:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Treasury Bond	820,755	450,848
Treasury bills	192,098	-
Ethiopian Government Bonds	33,265	8,580
Gross amount	**1,046,118**	**459,428**
Less: Specific impairment allowance	(56.76)	(31.77)
	1,046,061	**459,396**

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	-	
Non-Current	1,046,061	459,428
	1,046,061	**459,428**

18 Other assets

	30 June 2025 Birr'000	30 June 2024 Birr'000
Financial assets		
Uncleared effects of transfers - Foreign	1,130,427	12,359
Uncleared effects of transfers - Local	2,202	4,790
ATM settlement receivables	23	-
Money transfer agents	-	-
InterBank Lending-IBMM	100,000	-
Advance on murabaha	-	-
Account receivable	247,119	100,358
Gross amount	**1,479,771**	**117,507**
Less: Specific impairment allowance	(3,417)	(3,828)
	1,476,353	**113,679**
Non-financial assets		
Prepaid staff expense	-	10,902
Prepayments	40,315	127,207
General supplies	34,570	29,448
Sundry receivables	47,689	17
Gross amount	**122,574**	**167,574**
Net Financial and Non financial asset	**1,598,928**	**281,253**

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	1,255,225	173,821
Non-Current	247,119	111,260
	1,502,345	**285,081**

19 Intangible Assets	Purchased software Birr'000	Total Birr'000
Cost:		
As at 30 June 2024	**66,991**	**66,991**
As at 1 July 2024	66,991	66,991
Acquisitions	134,105	134,105
As at 30 June 2025	**201,096**	**201,096**
Accumulated amortisation		
As at 30 June 2024	**3,751**	**3,751**
As at 1 July 2024	3,751	**3,751**
Amortisation for the year	7,354	7,354
As at 30 June 2025	**11,104**	**11,104**
Net book value		
As at 30 June 2024	**63,240**	**63,240**
As at 30 June 2025	**189,992**	**189,992**

20 Property, plant and equipment

	Building Birr'000	Motor vehicles Birr'000	Office Equipme Birr'000	Furniture And Birr'000	Computer equipment Birr'000	Construction in progress Birr'000	Total Birr'000
Cost:							
As at 30 June 2024	**294,931**	**166,280**	**45,135**	**95,033**	**162,557**	**21,047**	**784,983**
As at 1 July 2024	294,931	166,280	45,135	95,033	162,557	21,047	784,983
Additions	486	32,110	3,263	5,640	93,706	1,598	136,803
Reclassification	-	8,792	6,331	12,754	30,813	-	58,691
As at 30 June 2025	**295,417**	**207,182**	**54,729**	**113,427**	**287,077**	**22,645**	**980,477**
Accumulated							
As at 30 June 2024	**6,494**	**20,906**	**8,836**	**8,272**	**23,675**	-	**68,182**
As at 1 July 2024	6,494	20,906	8,836	8,272	23,675	-	68,182
Charge for the year	5,624	17,412	8,710	22,326	29,831	-	83,903
As at 30 June 2025	**12,118**	**38,318**	**17,546**	**30,598**	**53,506**	-	**152,085**
Net book value							
As at 30 June 2024	**288,437**	**145,374**	**36,298**	**86,761**	**138,882**	**21,047**	**716,801**
As at 30 June 2025	**283,300**	**168,864**	**37,183**	**82,830**	**233,571**	**22,645**	**828,392**

20a Right of use asset and financial lease liability

A Right -of use asset:	**Building**	**Total**
As at 1 July 2024	**375,316**	**375,316**
Depreciation charge for right-of-use assets	(95,057)	(95,057)
Additions	137,521	137,521
Balance at June 2025	**417,779**	**417,779**

B Lease Liability	**Building**	**Total**
Balance 01 July 2024	**143,622**	143,622
Adjustment	-	-
Additions	35,414	35,414
Payment		-
Balance at June 2025	**179,036**	**179,036**

	30 June 2025 Birr'000	30 June 2024 Birr'000
21 Deposits from customers		
Demand deposits	3,147,998	1,864,887
Savings deposits	2,238,859	1,428,316
Time deposits	1,291,699	535,020
Wadia demand deposits	134,110	61,405
Wadia savings deposits	270,446	117,283
	7,083,111	**4,006,911**

	30 June 2025 Birr'000	30 June 2024 Birr'000
22 Other liabilities		
Financial liabilities		
Letter of credit margin payables	725,417	48,993
ATM settlement payable	64	22
Exchange payable	9,490	1,506
Cash payement order payable	10,689	9,378
Board of directors remuneration payable	1,359	1,369
Staff payables	8,909	174
	755,928	**61,441**
Non-financial liabilities		
Defined contribution liabilities	3,647	2,293
Stamp duty charges	60	859
Withholding tax payable	1,305	923
Other tax payable	20,580	4,919
Deferred Income Loan Processing Fee	2,121	1,373
Deferred Income Guarantee Commission	24,768	16,544
Sundry payables	137,004	98,347
	189,485	**125,258**
Gross amount	**945,413**	**186,700**

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	768,964	67,968
Non-Current	176,449	118,732
	945,413	**186,700**

	30 June 2025 Birr'000	30 June 2024 Birr'000
22a Retirement benefit obligations		
Defined benefits liabilities:		
- Severance pay (note 22b)	27,757	13,014
Liability in the statement of financial position	**27,757**	**13,014**
Income statement charge included in personnel expenses:		
- Severance pay (note 22b)	7,759	6,938
Total defined benefit expenses	**7,759**	**6,938**
Remeasurements for:		
- Severance pay (note 22b)	(6,984)	(1,812)
	(6,984)	**(1,812)**

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

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	7,759	6,938
Non-Current	19,998	6,076
	27,757	**13,014**

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2025 Birr'000	30 June 2024 Birr'000
Discount Rate	15.00%	18.70%
Inflation Rate	12.20%	14.30%
Long term salary increases	14.20%	16.30%

ii) Mortality in Service

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

Age	Mortality Rate	
	Males	Females
20	0.00306	0.00223
25	0.00303	0.00228
30	0.00355	0.00314
35	0.00405	0.00279
40	0.00515	0.00319
45	0.0045	0.00428
50	0.00628	0.00628
55	0.00979	0.00979
60	0.01536	0.01536

iii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience.
The valuation assumed a rate of withdrawal of 15% at the youngest ages falling with increasing age to 2.5% at age 45.

The sensitivity of the main results to changes in the principal assumptions rate have been calculated. The changes in the Defined Benefit Obligation are reflected below:

Impact on defined benefit obligation
30 June 2025

Sensitivity	Base DBO Birr'000	DBO on Changed Assumptions Birr'000	% Change
Discount rate +1%	27,757	24,158	-13.00%
Discount rate -1%	27,757	31,931	15.00%
Salary increase +1%	27,757	31,923	15.00%
Salary increase -1%	27,757	24,105	-13.20%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

	30 June 2025 Birr'000	30 June 2024 Birr'000
23 Share capital		
Subscribed:		
Ordinary shares of Birr 1000 each	1,303,918	1,167,079
Paid Capital:		
Ordinary shares of Birr 1000 each	1,303,918	1,074,406

24 Earnings per share

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
Profit/Loss) attributable to shareholders	342,756	90,151
Weighted average number of ordinary shares in issue	1,189,162	1,074,406
Basic & diluted earnings per share (Birr)	**0.29**	**0.08**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2025:nil,30 June 2024:nil), hence the basic and diluted profit per share have the same value.

25 Retained earnings/(Accumulated Loss)	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the year	(23,375)	(79,871)
Profit/ (Loss) for the year	342,756	90,151
Director's share of profit		(1,369)
Reversal of Prepaid staff expenses	(2,137)	
Transfer to Legal reserve	(85,689)	(22,538)
Transfer to Risk reserve	(38,759)	(9,748)
At the end of the year	**192,797**	**(23,375)**

26 Legal reserve	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the year	22,538	-
Transfer from profit or loss	85,689	22,538
At the end of the year	**108,227**	**22,538**

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

27 Risk reserve	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the year	10,228	480
Transfer From Retained Earning	38,759	9,748
At the end of the year	**48,987**	**10,228**
Loan loss provision as per NBE directive	40,115	44,308
Off Balance Sheet provisionas per NBE directive	52,621	-
Other Asset Provision	3,417	-
	96,153	**44,308**
Loan loss provision as per IFRS	35,347	31,311
Off Balance Sheet provision as per IFRS	8,254	-
Other Asset Provision as per IFRS	3,565	-
	47,166	**31,311**
Difference	48,987	12,997
Transfer to legal reserve	-	(3,249)
	48,987	**9,748**

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

When Prudential provision is greater than IFRS provision; the excess provision resulting should be transferred from the general reserve (retained earnings) account to a "regulatory risk reserve"; and When prudential provision is less than IFRS provision; IFRS determined provision is charged to the statement of comprehensive income.

28 Other Reserves	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the year	112,628	(2,942)
Remeasurement gain/(loss) on retirement benefits obligations ne	(4,889)	(1,268)
Revaluation Gain-Equity Investment net of tax	17,842	116,839
At the end of the year	**125,582**	**112,628**

Other reserve represents Remeasurement gain/(loss) on retirement benefits obligations net of tax when the Bank requires IAS19 Valuation to recognise any actuarial gains or losses in Other Comprehensive Income (OCI).

Gains and losses on Revaluation of Equity Investment instruments including when derecognised/ sold are recorded in OCI and are not subsequently reclassified to the Income Statement.

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
29 Cash generated from operating activities			
Profit before income tax		**444,790**	**101,269**
Adjustments for non-cash items:			
Depreciation of property, plant and equipme	20	83,903	48,021
Amortisation of intangible assets	19	7,354	3,751
Impairment on loans and receivables	14	8,118	22,635
Prepaid staff expense adjustment		(2,137)	-
Provisions for guarantee & letters of credit issued		7,738	515
Amortisation of Right use Asset	11	95,057	69,284
Dividend income	8	(10,795)	-
Retirement benefit obligations	22a	7,759	6,938
Changes in working capital:			
Decrease/ (Increase) in loans and advances	14	(1,249,206)	(1,577,010)
Decrease/ (Increase) in interest free bankin(	15	(13,448)	(52,437)
Withholding tax paid	12c	(28)	-
Decrease/ (Increase) in other assets	18	(1,317,264)	(210,478)
Decrease/Increase in Customers deposits	21	3,076,200	2,396,004
Decrease/Increase in Lease liability	21	35,414	53,388
Increase/ (Decrease) in other liabilities	22	758,713	9,181
		1,932,169	**871,061**

30 Related Party Transactions

Gadaa Bank (S.C.) has been registered as commercial bank on April 26, 2022 in accordance with article 304 of Commercial Code of Ethiopia. It was established in line with Banking Business Proclamation No. 592/2008 with authorized capital of Birr 1.167 billion. It started operation on 24th December 2022, with paid up share capital of birr 551.56 million. Gadaa Bank is owned by organizations, associations and individuals . The bank did not enter any transaction with related parties as at 30 June 2025.

30a Key Management Compensation

Key management has been determined to be the members of the Executive Management of the Bank.The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Bank and key management personnel as at June 2025.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Senior Management Salaries and Other Short-term Employee Benefits	14,589	7,104
	14,589	**7,104**

Compensation of the Bank's key management personnel includes salaries and non-cash benefits.

30b Board of Directors Compensation

The Bank provides monthly allowances and annual compensation fee for each member of board of directors of the bank per the prevailing direction from the National Bank of Ethiopia.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Board of Directors Remuneration	1,359	1,369
Board allowance	1,320	-
	2,679	**1,369**

31 Contingent Assets and Liabilities

31a Claims and Litigation

The Bank is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations.

However, there is no legal cases exposure as of June 30, 2025 which has not been incorporated in Financial statements as the Directors believe that it is not probable that the economic benefits would flow out of the Bank in respect of these legal actions.

31b Contingent Assets

The Bank is a party to legal actions to against any organizations, current and former employees of the Bank and individuals arising from its normal business operations.

A case related to a terminated lease contract valued at ETB 4,991,349.60 is pending before the Federal First Instance Court, Bole Bench at June 30,2025.

The Bank prevailed in a case concerning non-performance of a rental contract amounting to ETB 3,384,000, inclusive of legal interest calculated at 9%, plus additional costs of ETB 51,690 at June 30,2025.

31c Guarantees and Letters of Credit

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank.

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

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
Financial Guarantees issued	2,459,515	2,898,437
Letters of credit	511,654	60,706
Loan approved but not disbursed	-	-
	2,971,169	**2,959,142**
Provisions for Guarantees and Letter of credits issued	**8,254**	**515**

32 Right use of asset and Lease liabilities

The Bank leases various properties(builings) under IFRS 16 Laese agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of the each lease period at market rate.

The following table shows the remaining contractual maturities of the Company's Lease liabilities and Right use of assets at the end of the current and previous reporting periods.

	30 June 2025 Birr'000		30 June 2024 Birr'000	
	Right use of asset	**Lease liabilities**	**Right use of asset**	**Lease liabilities**
Within one year	1,455	1,718	-	-
After 1 year but within 2 years	-	-	2,083	1,311
After 2 years but within 5 years	237,119	116,675	233,398	105,945
After 5 years	179,205	60,643	139,834	36,366
Total	**417,779**	**179,036**	**375,316**	**143,622**

33 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Bank as at 30 June 2025 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.