

# **GADAA BANK S.C**

## **AUDITOR'S REPORT ON INTERIM FINANCIAL STATEMENTS** **FOR THE PERIOD ENDED 31 DECEMBER 2025**

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## INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON INTERIM FINANCIAL STATEMENTS OF GADAA BANK S.C FOR THE PERIOD ENDED 31 DECEMBER 2025.

We have reviewed the accompanying Interim Financial Statements of Gadaa Bank S.C for the period ended 31 December 2025 which comprise the statement of financial position as of December 31, 2025, the statement of comprehensive income, statements of change in shareholders' equity, statement of cash flows for the period then ended and summary of significant accounting policies and the related notes to the financial statements.

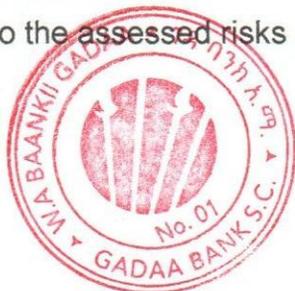
A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statements

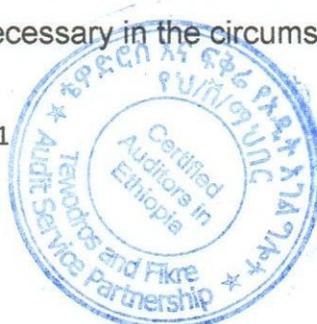
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS) as issued by the international Accounting Standards Board (IASB); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of the Bank's use of its reporting criteria as the basis of preparation for the preparation of its financial statements, assessing the risks of material misstatement of the interim financial statements whether due to fraud or error, responding to the assessed risks as necessary in the circumstances.



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and evaluating the overall presentation of the financial statements. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed in preparing the interim financial statements, inspection of selected working files documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Auditors' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the International Financial Reporting Standards (IFRS) as issued by the international Accounting Standards Board (IASB).

**Restriction of liability**

Our work has been undertaken to enable us to express a limited assurance conclusion on the interim financial statements of Gadaa Bank S.C for the period ended 31 December 2025 to the Management of the Bank in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the Bank, for our work, for this report, or for the conclusion we have reached at.



Tewodros and Fikre Audit Services  
Partnership  
Chartered Certified Accountants

Addis Ababa Ethiopia

January 30, 2026



**Gadaa Bank S.C**  
**Interim Financial Statements**  
**Statement of Profit or Loss and Other comprehensive Income**  
**For Six Months period ended 31 December 2025**

		31 December 2025	31 December 2024	30 June 2025
	Notes	Birr'000	Birr'000	Birr'000
Interest income calculated using the effective interest method	5	576,725	282,939	666,303
Interest expense	6	<u>(236,706)</u>	<u>(112,720)</u>	<u>(258,333)</u>
<b>Net interest income</b>		<b>340,019</b>	<b>170,219</b>	<b>407,969</b>
Commission income	7	<u>512,402</u>	<u>252,847</u>	<u>637,588</u>
<b>Net fees and commission income</b>		<b>512,402</b>	<b>252,847</b>	<b>637,588</b>
Other operating income	8	<u>221,916</u>	<u>288,553</u>	<u>369,981</u>
<b>Total operating income</b>		<b>1,074,337</b>	<b>711,619</b>	<b>1,415,539</b>
Impairment losses on Loan, cash, and NBE bills & Bond	9	21,923	(1,996)	(8,118)
Impairment losses on Guarantee & Letters of Credit Issued	31c	<u>7,399</u>	<u>(2,090)</u>	<u>(7,738)</u>
<b>Total Impairment losses on financial</b>		<b>29,322</b>	<b>(4,086)</b>	<b>(15,856)</b>
<b>Net operating income</b>		<b>1,103,659</b>	<b>707,533</b>	<b>1,399,683</b>
Personnel expenses	10	(317,171)	(220,686)	(534,782)
Board of Directors' Allowance	11	(660)	(660)	(2,679)
Amortisation of intangible assets	19	(16,987)	(1,886)	(7,354)
Depreciation of property, plant and equipment	20	(43,206)	(29,723)	(83,903)
Depreciation of Right Use Assets	20a	(58,646)	(50,114)	(95,057)
Other operating expenses	11	<u>(81,602)</u>	<u>(115,368)</u>	<u>(233,797)</u>
<b>Total Operating Expense</b>		<b>(518,272)</b>	<b>(418,437)</b>	<b>(954,893)</b>
<b>Profit before tax</b>		<b>585,387</b>	<b>289,096</b>	444,790
Income tax expense	12a	<u>(120,660)</u>	<u>(41,941)</u>	<u>(102,034)</u>
<b>Profit for the period</b>		<b>464,726</b>	<b>247,155</b>	<b>342,756</b>
<b>Profit for the period</b>		<b>464,726</b>	<b>247,155</b>	<b>342,756</b>
<b>Other comprehensive income</b>				
<b>Items that will not be subsequently reclassified into profit or loss:</b>				
Remeasurements of defined benefit liability (asset)	24a	-	-	(6,984)
Equity investments at FVOCI – net change in fair value	16	-	-	25,489
				<b>18,505</b>
Related tax		-	-	(5,552)
<b>Other comprehensive income, net of tax</b>		<b>-</b>	<b>-</b>	<b>12,954</b>
<b>Total comprehensive income</b>		<b>464,726</b>	<b>247,155</b>	<b>355,710</b>
<b>Basic Earnings per share (Birr)</b>	26	<b>34%</b>	<b>22%</b>	<b>29%</b>

The notes on pages 7 to 77 are an integral part of these financial statements.



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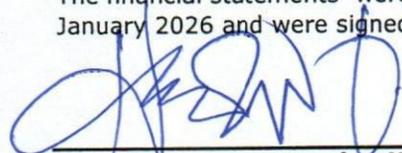


**Gadaa Bank S.C**  
**Interim Financial Statements**  
**Statement of Financial Position**  
**For Six Months period ended as at 31 December 2025**

		31 December 2025	31 December 2024	30 June 2025
	Notes	Birr'000	Birr'001	Birr'000
<b>ASSETS</b>				
Cash and balances with banks	13	3,127,697	1,170,572	2,075,187
Loans and advances to customers	14	5,808,535	3,245,591	3,658,246
Interest free Financing	15	202,034	71,361	64,775
Investment securities:				
-Financial asset at FVTOCI	16	260,140	226,912	260,140
-Financial assets at Amortized cost	16	916,153	667,291	1,046,061
Investment in subsidiaries	17	60,000	-	-
Other assets	18	3,268,484	592,863	1,598,928
Right-of-use assets	34	430,444	413,621	417,779
Intangible assets	19	236,958	121,831	189,992
Property, plant and equipment	20	801,444	742,997	828,392
<b>Total assets</b>		<b><u>15,111,889</u></b>	<b><u>7,253,039</u></b>	<b><u>10,139,499</u></b>
<b>LIABILITIES</b>				
Deposits from customers	21	10,185,422	4,910,873	7,083,111
Due to other banks	22	240,453	-	-
Current tax liabilities	12c	114,211	-	57,897
Lease liabilities	34	167,845	166,447	179,036
Other liabilities	24	2,099,710	556,889	945,413
Retirement benefit obligation	24a	27,757	13,014	27,757
Deferred tax liability	12f	64,673	50,802	58,522
Provisions-off balance sheet	33c	855	2,090	8,254
<b>Total liabilities</b>		<b><u>12,900,925</u></b>	<b><u>5,700,115</u></b>	<b><u>8,359,989</u></b>
<b>EQUITY</b>				
Share capital	25	1,463,442	1,183,750	1,303,918
Retained earnings	27	250,915	139,824	192,797
Legal reserve	28	224,408	84,326	108,227
Risk reserve	29	146,617	32,396	48,987
Other reserve	30	125,582	112,628	125,582
<b>Total equity</b>		<b><u>2,210,964</u></b>	<b><u>1,552,924</u></b>	<b><u>1,779,511</u></b>
<b>Total Liabilities and Equity</b>		<b><u>15,111,889</u></b>	<b><u>7,253,039</u></b>	<b><u>10,139,499</u></b>

The notes on pages 7 to 77 are an integral part of these financial statements.

The financial statements were approved and authorized for issue by the board of directors on 26, January 2026 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**  
**Interim Financial Statements**  
**Statement of changes in equity**  
**For Six Months period ended 31 December 2025**

	Share capital	Retained earnings	Legal reserve	Other reserve	Risk Reserve	Total
Notes	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
<b>Balance at at 1 July 2024</b>	<b>1,074,406</b>	<b>(23,375)</b>	<b>22,538</b>	<b>112,628</b>	<b>10,228</b>	<b>1,196,425</b>
Profit for the period		342,756				342,756
Re-measurement gains on defined benefit plans (net of tax)				(4,889)		(4,889)
Fair value gain-Equity investment		(2,137)		17,842		17,842
Reversal of Prepaid staff expenses	229,512	-	-	-	-	(2,137)
Issue of shares	-	(38,759)	-	-	38,759	229,512
Transfer to Risk Reserve	-	(85,689)	85,689	-	-	-
Transfer to legal reserve	229,512	216,172	85,689	12,954	38,759	583,085
<b>As at 30 June 2025</b>	<b>1,303,918</b>	<b>192,797</b>	<b>108,227</b>	<b>125,582</b>	<b>48,987</b>	<b>1,779,511</b>
<b>Balance at 1 July 2025</b>	<b>1,303,918</b>	<b>192,797</b>	<b>108,227</b>	<b>125,582</b>	<b>48,987</b>	<b>1,779,511</b>
Profit for the period		464,726				464,726
Issue of shares	159,524	-	-	-	-	159,524
Dividend Paid	-	(192,797)	-	-	-	(192,797)
Transfer to Risk Reserve	-	(97,630)	-	-	97,630	-
Transfer to legal reserve	-	(116,182)	116,182	-	-	-
	159,524	58,118	116,182	-	97,630	431,453
<b>As at 31 December 2025</b>	<b>1,463,442</b>	<b>250,915</b>	<b>224,408</b>	<b>125,582</b>	<b>146,617</b>	<b>2,210,964</b>

The notes on pages 7 to 77 are an integral part of these financial statements.





**Gadaa Bank S.C**  
**Interim Financial Statements**  
**Notes to the financial statements**  
**For Six Months period ended 31 December 2025**

**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 No 745 around Gotera in front of Wangelawit Building, Addis Ababa, Ethiopia.

The Bank is principally envisaged 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 material accounting policies**

**2.1 Introduction to summary of material accounting policies**

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

**2.2 Basis of preparation**

The financial statements for the half year ended 31 December, 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.



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### 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 financial 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.

### 2.2.4 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 December 31, 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





## 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 the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

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

### 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.





**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
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. Other wise, the financial instruments classified as 'Stage 3 financial instruments'.

#### (i) Measurement of ECL

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

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

#### (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-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more shall be considered credit-impaired even when the regulatory definition of default is different.

**(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. 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 operating income' in profit or loss.

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	Usefull	values	Remark
Buildings	Straight Line	50	5%	
Motor vehicles	Straight Line	10	5%	
Equipment	Straight Line	5-10	1%	Generator 10; 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
Machinery	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

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

## 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 identified 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.

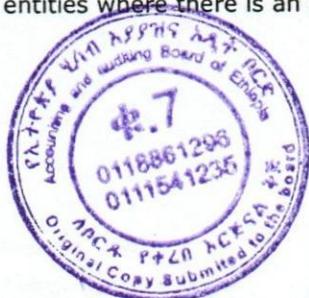
**(b) Deferred tax**

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 s

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.



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#### 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 Financial instruments by category

The Bank's financial assets are classified into the following measurement categories: Financial assets at fair value through OCI and Financial assets at amortized cost and the financial liabilities are classified into other liabilities at amortised cost.

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

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

31 December 2025		Notes	Financial assets at fair value through OCI Birr'000	Financial assets at Amortized Cost Birr'000	Total Birr'000
Cash and balances with banks	13		-	3,127,697	3,127,697
Loans and advances to customers	14		-	5,808,535	5,808,535
Interest free Financing	15		-	202,034	202,034
Investment securities:					
-Financial asset at fair value through OC	16		260,140	-	260,140
-Financial assets at Amortized cost	17		-	916,153	916,153
Other assets	18		-	3,153,182	3,153,182
<b>Total financial assets</b>			<b>260,140</b>	<b>13,207,601</b>	<b>13,467,741</b>

31 December 2024		Notes	Financial assets at fair value through OCI Birr'000	Financial assets at Amortized Cost Birr'000	Total Birr'000
Cash and balances with banks	13		-	1,170,572	1,170,572
Loans and advances to customers	14		3,245,591	-	3,245,591
Interest free Financing	15		-	71,361	71,361
Investment securities:					
-Financial asset at fair value through OC	16		-	226,912	226,912
-Financial assets at Amortized cost	16		667,291	-	667,291
Investment in subsidiaries	17		-	-	-
Other assets	18		-	592,863	592,863
<b>Total financial assets</b>			<b>3,912,882</b>	<b>2,061,708</b>	<b>5,974,590</b>

30 June 2025		Notes	Financial assets at fair value through OCI Birr'000	Financial assets at Amortized Cost Birr'000	Total Birr'000
Cash and balances with banks	13		-	2,175,187	2,175,187
Loans and advances to customers	14		-	3,658,246	3,658,246
Interest free Financing	15		-	64,775	64,775
Investment securities:					
-Financial asset at fair value through	16		260,140	-	260,140
-Financial assets at Amortized cost	16		-	1,046,061	1,046,061
Investment in subsidiaries	17		60,000	-	60,000
Other assets	18		-	3,153,182	3,153,182
<b>Total financial assets</b>			<b>320,140</b>	<b>10,097,451</b>	<b>10,417,591</b>



### 4.3 Credit risk

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

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.

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.

#### 4.3.1 Credit related commitment risks

The Bank holds collateral against loans and advances to customers in the form of bank guarantees and property. Estimates of fair value are based on the value of collateral assessed at the time of lending.

#### 4.3.2 Credit Risk Exposure

##### (a) Maximum exposure to credit risk before collateral held or other credit enhancement

The Bank's maximum exposure to credit risk at 31 December 2025, 31 December 2024 and 30 June 2025 is represented by the net carrying amounts in the statement of financial position.

	31 December 2025 Birr'000	31 December 2024 Birr'000	30 June 2025 Birr'000
Cash and bank balances	3,127,697	1,170,572	2,075,187
Loans and advances to customers (Net)	5,808,535	3,245,591	3,658,246
Investment securities:	202,034	71,361	64,775
Financial assets at fair value through OCI	-	-	-
Financial assets at amortized cost	260,140	226,912	260,140
Other assets	916,153	667,291	1,046,061
	<b>10,314,559</b>	<b>5,381,727</b>	<b>7,104,409</b>

Credit risk exposures relating to off balance sheet items are as follows:

Guarantees	4,668,103	2,459,515	2,459,515
Letters of credit	734,924	511,654	511,654
	<b>5,403,027</b>	<b>2,971,169</b>	<b>2,971,169</b>
<b>Total maximum exposure</b>	<b>15,717,587</b>	<b>8,352,896</b>	<b>10,075,578</b>



**(b) Loans and advances to customers at amortised cost**

(i) Gross loans and advances to customers per sectors are analysed as follows:

	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
Agriculture	78,437	44,103	43,451
Building and construction	843,874	263,121	620,074
Consumer	309,592	201,091	299,717
Domestic Trade and Services	755,560	413,459	308,687
Hotel and Tourism	364,937	281,082	273,731
Transport and Communication	77,340	42,236	60,268
Financial Institutions	34,836	25,395	-
Export	1,395,820	1,046,960	1,085,798
Import	997,798	464,160	554,294
Manufacturing	777,339	491,685	446,462
Mortgage Loans Staff	127,169	-	-
Automobile Loans - Staff	13,615	-	-
Personal Loans - Staff	45,567	-	-
Domestic trade and service -Murabaha Financing	30,911	43,641	29,963
Building and construction -Mrabaha Financing	30,016	-	-
Staff loans-Murabaha	4,092	-	-
Export -Murabaha Financing	132,686	28,795	31,721
Motor Vehicle & Transport Service Murabaha	4,423	-	4,201
	<b>6,024,012</b>	<b>3,345,729</b>	<b>3,758,368</b>

(ii) Gross loans and advances from customers per National Bank of Ethiopia's impairment guidelines are analysed as:

	31 December 2025	December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
Pass	5,883,658	3,183,351	3,660,237
Special mention	123,489	144,468	78,283
Substandard	6,852	17,910	9,868
Doubtful	-	-	9,980
Loss	10,012.6	-	-
	<b>6,024,012</b>	<b>3,345,729</b>	<b>3,758,368</b>

The above table represents a worst case scenario of credit risk exposure of the Bank as at the reporting dates without taking account of any collateral held or other credit enhancements

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

**4.3.3 Credit quality analysis**

**(a) Credit quality of loans and advances to customers**

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

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in **Note 2.6**.

In Birr'000	31 December 2025			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
Loans and advances to customers at amortised cost				
Stage 1 - Pass (Performing)	5,883,658			5,883,658
Stage 2 - Special mention (Under-Performing)		123,489		123,489
Stage 3 - Non performing			16,864	16,864
<b>Total gross exposure</b>	<b>5,883,658</b>	<b>123,489</b>	<b>16,864</b>	<b>6,024,012</b>
Loss allowance	(6,342)	(3,794)	(3,307)	(13,443)
<b>Net carrying amount</b>	<b>5,877,316</b>	<b>119,695</b>	<b>13,557</b>	<b>6,010,569</b>





(C) Credit quality of Other financial assets

In Birr'000		31 December 2025		
Other financial assets (debt instruments)		Gross Exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 month FCI	3,127,767	(70)	3,127,697
Investment securities (debt instruments)	12 month FCI	916,212	(59)	916,153
Other receivables and financial	Lifetime ECL	3,156,728	(3,546)	3,153,182
<b>Total</b>		<b>7,200,707</b>	<b>(3,676)</b>	<b>7,197,032</b>

In Birr'000		31 December 2024		
Other financial assets (debt instruments)		Gross Exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 month FCI	1,170,572	(46)	1,170,526
Investment securities (debt instruments)	12 month FCI	667,291	(47)	667,244
Other receivables and financial	Lifetime ECL	525,075.00	(3,507)	521,568
Financial Guarantee&LC Issued		715,969.36	(2,090)	713,879
<b>Total</b>		<b>3,078,907</b>	<b>(5,690)</b>	<b>3,073,217</b>

In Birr'000		30 June 2025		
Other financial assets (debt instruments)		Gross Exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 month FCI	2,175,278	(91)	2,175,187
Investment securities (debt instruments)	12 month FCI	1,046,118	(57)	1,046,061
Other receivables and financial	Lifetime ECL	1,379,771	(3,417)	1,376,353
<b>Total</b>		<b>4,601,167</b>	<b>(3,565)</b>	<b>4,597,601</b>

4.3.4 Collaterals held and their financial effect

The bank holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The main types of collateral and the types of assets these are associated with are listed below.

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

The valuation technique adopted for properties is in line with the Bank's valuation manual.



#### 4.3.5 Nature of security in respect of loans and advances to customers

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

31 December 2025	Residential Building Birr'000	Construction Machinery Birr'000	Motor Vehicles Birr'000	Shares Birr'000	Others Birr'000	Total
Agriculture	114,420	-	6,440	7,340	-	128,201
Building and Construction	1,153,940	341,466	196,243	-	185,845	1,877,493
Consumer	367,390	-	65,760	-	-	433,150
Domestic Trade and Services	1,190,091	19,550	79,541	25,956	-	1,315,137
Hotel and Tourism	519,354	-	12,300	-	30,000	561,654
Transport and Communication	52,973	-	96,255	-	3,000	152,228
Financial Institutions	-	-	-	8,934	48,952	57,886
Export	514,037	73,100	153,280	-	-	740,417
Import	1,160,118	34,800	211,019	50,325	15,000	1,471,263
Manufacturing	582,517	-	17,600	-	50,000	650,118
Mortgage Loans Staff	152,608	-	2,295.00	-	-	154,903
Automobile Loans - Staff	-	-	14,426.63	-	-	14,427
Personal Loans - Staff	63,910	-	-	-	-	63,910
Domestic trade and service - Murabaha Financing	95,084	-	-	-	-	95,084
Building and construction -Mrabaha Financing	67,354	-	-	-	-	67,354
Staff loans-Murabaha	4,543	-	-	-	-	4,543
Export -Murabaha Financing	18,798	-	52,769	-	-	71,567
Motor Vehicle & Transport Service Murabaha	-	-	5,700	-	-	5,700
	<b>6,057,138</b>	<b>468,916</b>	<b>913,629</b>	<b>92,555</b>	<b>332,797</b>	<b>7,865,035</b>

##### i) Loans and advances to customers

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it.

However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it.

The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Bank's focus on customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to customers.

Valuation of collateral of real estates (buildings) is updated and reviewed every three year and at the same time whenever the loan foreclosure measure is opted. For credit-impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

##### ii) Investment securities designated as at FVTPL

As at 31 December 2025, the Bank had no exposure to credit risk of the investment securities designated as at FVTPL.



**4.3.6 Amounts arising from ECL**

**(a) Inputs, assumptions and techniques used for estimating impair**

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.

**(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 representative scenarios. 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 forecast 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)
<b>Cluster 1</b> Agriculture Consumer Loans Overdraft Interest Free Financing	M2, USD Nominal GDP, USD (PPP), % y-o-y STER, Economic Growth
<b>Cluster 2</b> 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
<b>Cluster 3</b> 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
<b>Cluster 4</b> 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 :



Indicator	30-Jun-23	30-Jun-24	30-Jun-25
Consumer price index inflation, 2010=100, ave	764	960	1132
Exports of goods and services, USD	10163	9,435	7190
Government domestic debt, LCU	1,711,835	2,095,039	2,425,405
Nominal GDP, LCU	7,328,259	9,765,072	12,050,982
Private final consumption, LCU	5,727,253	7,799,889	9,755,080
Total domestic demand, LCU	7,845,346	10,393,288	12,862,804
Savings, LCU	1,385,282	2,086,867	2,442,686
Population	125	128	131
Consumer price index inflation, 2010=100, eop	767	941	1077
M1, LCU	518,231	583,000	659,488
M2, LCU	1,665,828	1,926,860	2,240,723
Current expenditure, LCU	548,964	616,752	790,988
Goods imports, USD	16,011	16,139	17,588
Goods exports, USD	3,72	3,672	4,362
Current account balance, USD	(4,970,521,099)	(4,599,280,813)	(4,141,870,833)
Import cover months	1	1	1
Total household spending, LCU	5,529,948	7,514,793	9,371,210
Nominal GDP, USD	137,854	144,928	113,766
Real GDP, LCU (2010 prices)	1,042,658	1,112,745	1,189,777
Real GDP, USD (2010 prices)	72,359	77,223	82,568
Real GDP per capita, USD (2010 prices)	579	603	629
Nominal GDP, USD (PPP)	374,679	409,757	443,052
Private final consumption, USD	107,737	115,762	92,092
Private final consumption per capita, USD	862	904	701
Government final consumption, LCU	499,796	606,563	717,917
Government final consumption, USD	9,402	9,002	6,777
Exports of goods and services, LCU	540,269	635,750	761,652
Exports of goods and services per capita, USD	81	74	59
Imports of goods and services, LCU	1,174,311	1,330,984	1,573,370
Imports of goods and services, USD	22,090	19,754	14,853
Total domestic demand, USD	147,581	154,251	121,430
Total domestic demand per capita, USD	1,81	1,204	925
Unemployment, % of labour force, ave	3	3	3
Real effective exchange rate index	28	16	7
Total revenue, LCU	637,727	791,546	1,021,869
Total revenue, USD	11,996	11,748	9,647
Total expenditure, LCU	855,217	1,025,425	1,327,660
Total expenditure, USD	16,088	15,219	12,534
Current expenditure, USD	10,327	9,153	7,467
Budget balance, USD	(4,076,790,444)	(3,468,643,288)	(2,883,406,958)
Services imports, USD	7,52	7,896	8,468
Services exports, USD	7,86	7,757	8,610
Total reserves ex gold, USD	1,23	1,758	2,929
Total external debt stock, USD	31,936	37,353	43,601



Long-term external debt stock, USD	31,548	35,913	39,272
Public external debt stock, USD	30,447	34,659	39,272
Total government debt, USD	60,347	54,841	44,573
Total debt service, USD	1,776	1,955	2,508
M2, USD	125	128	131
Nominal GDP, USD (PPP), % y-o-y	125	128	131
STER, Economic Growth	30,481	22,949	16,878
Savings per capita, LCU	12	9	8
Transport & communications nominal GVA, LCU	33	17	10
Broad money (% of GDP) - Sovereign Scorecard	0	0	0
PR, Security Risk	7,328,259	9,765,072	12,050,982
M1, % of GDP	278,272	356,112	484,704
M2, % of GDP	23	20	19
Real GDP growth, % y-o-y	79	79	79
Foreign reserves ex gold, EUR	7	6	5
Political Risk Index	767	941	1077
Lending rate, %, ave	23	20	19
Central bank policy rate, %, eop	6	7	7
M1, USD	1,135	1,641	2,740

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:

**31 December 2025**

**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%

**Summary of scenario weightings**

**31 December 2024**

Scenario	Base	Downturn (downside)	Optimistic (upside)
Cluster 1	100.00%	0.00%	0.00%
Cluster 2	100.00%	0.00%	0.00%
Cluster 3	92.00%	8.00%	0.00%
Cluster 4	100.00%	0.00%	9.00%

**(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 31 December 2025

<b>31 December 2025</b>				
<b>In Birr'000</b>				
<b>Loans and advances to customers at amortized cost (on balance sheet and off balance sheet exposures)</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Balance as at 1 July 2025</b>	<b>(31,636)</b>	<b>(182)</b>	<b>(3,529)</b>	<b>(35,347)</b>
Transfer to stage 1 (12 months ECL)	24,452			24,452
Transfer to stage 2 (Lifetime ECL not credit impaired)	-	(2,771)	-	(2,771)
Transfer to stage 3 (Lifetime ECL credit impaired)	-	-	222	222
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Financial assets derecognized	-	-	-	-
<b>Balance as at 31 December 2025</b>	<b>(7,184)</b>	<b>(2,952)</b>	<b>(3,307)</b>	<b>(13,443)</b>

<b>31 December 2024</b>				
<b>In Birr'000</b>				
<b>Loans and advances to customers at amortized cost (on balance sheet and off balance sheet exposures)</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Balance as at 1 July 2024</b>	<b>(26,893)</b>	-	-	<b>(26,893)</b>
Transfer to stage 1 (12 months ECL)	-	-	-	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	-	-	-	-
Transfer to stage 3 (Lifetime ECL credit impaired)	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	(2,409)	-	-	(2,409)
Financial assets derecognized	-	-	-	-
<b>Balance as at 31 December 2024</b>	<b>(29,302)</b>	-	-	<b>(29,302)</b>

<b>30 June 2025</b>				
<b>In Birr'000</b>				
<b>Loans and advances to customers at amortized cost (on balance sheet and off balance sheet exposures)</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Balance as at 1 July 2024</b>	<b>(26,893)</b>	-	-	<b>(26,893)</b>
Transfer to stage 1 (12 months ECL)	-	-	-	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	-	(181.68)	-	(182)
Transfer to stage 3 (Lifetime ECL credit impaired)	-	-	(3,529)	(3,529)
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	(4,426)	-	-	(4,426)
Financial assets derecognized	(317)	-	-	(317)
<b>Balance as at 30 June 2025</b>	<b>(31,636)</b>	<b>(182)</b>	<b>(3,529)</b>	<b>(35,347)</b>



The following table provides a reconciliation for 31 December 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	31 December 2025			Total
	Loans and advances to customers at amortised cost	Investment securities (debt instruments) & Cash	Other receivables and financial assets	
<b>Balance as at 1 July 2025</b>	<b>(35,347)</b>	<b>(148)</b>	<b>(11,671)</b>	<b>(47,166)</b>
Net remeasurement of loss allowance	21,904	18.9	7,399	29,322
New financial assets originated or purchased	-	-	-	-
Amounts directly written off during the year	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
<b>Balance as at 31 December 2025</b>	<b>(13,443)</b>	<b>(129)</b>	<b>(4,272)</b>	<b>(17,844)</b>

The following table provides a reconciliation for 31 December 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	31 December 2024			Total
	Loans and advances to customers at amortised cost	Investment securities (debt instruments)	Other financial assets	
<b>Balance as at 1 July 2024</b>	<b>(26,893)</b>	-	-	<b>(26,893)</b>
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	(2,409)	(92.4)	(3,921)	(6,422)
Financial assets derecognized	-	-	-	-
Amounts directly written off during the year	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
<b>Balance as at 31 December 2024</b>	<b>(29,302)</b>	<b>(92)</b>	<b>(3,921)</b>	<b>(33,315)</b>

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



### 1.3.3 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.

### 1.3.4 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 Loans and advances to customers@Amortized cost	30 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Stage1 :Pass	5,925,881			5,925,881
Stage2:Special mention		78,283	-	78,283
Stage3:Non performing		-	19,848	19,848
<b>Total gross exposure</b>	<b>5,925,881</b>	<b>78,283</b>	<b>19,848</b>	<b>6,024,012</b>
Loss allowance	(6,342)	(3,794)	(3,307)	(13,443)
<b>Net carrying amount</b>	<b>5,919,539</b>	<b>74,489</b>	<b>16,541</b>	<b>6,010,569</b>

In Birr'000 Loans and advances to customers@Amortized cost	30 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Stage1 :Pass	3,345,729	-	-	3,345,729
Stage2:Special mention		-	-	-
Stage3:Non performing		-	-	-
<b>Total gross exposure</b>	<b>3,345,729</b>	<b>-</b>	<b>-</b>	<b>3,345,729</b>
Loss allowance	(28,777)	-	-	(28,777)
<b>Net carrying amount</b>	<b>3,316,952</b>	<b>-</b>	<b>-</b>	<b>3,316,952</b>

In Birr'000 Loans and advances to customers@Amortized cost	30 June 2025			
	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
<b>Total gross exposure</b>	<b>3,660,237</b>	<b>78,283</b>	<b>19,848</b>	<b>3,758,368</b>
Loss allowance	(30,795)	(1,023)	(3,529)	(35,347)
<b>Net carrying amount</b>	<b>3,629,442</b>	<b>77,260</b>	<b>16,319</b>	<b>3,723,021</b>

In Birr'000 Other financial assets (debt instruments)		30 December 2025		
		Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	3,127,767	(70)	3,127,697
Investment securities (debt instruments)	12 Month ECL	916,212	(59)	916,153
Other receivables and financial assets	12 Month ECL	3,156,728	(3,546)	3,153,182
Financial Guarantee&LC Issued	12 Month ECL	5,403,027	(855)	5,402,173
<b>Totals</b>		<b>12,602,073</b>	<b>(4,530)</b>	<b>12,597,542</b>



In Birr'000

Other financial assets (debt instruments)

		30 December 2024		
		Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	1,170,572	(46)	1,170,526
Investment securities (debt instruments)	12 Month ECL	667,291	(47)	667,244
Other receivables and financial assets	12 Month ECL	525,075	(3,507)	521,568
Financial Guarantee&LC Issued	12 Month ECL	715,969	(2,090)	713,879
<b>Totals</b>		<b>3,078,907</b>	<b>(5,690)</b>	<b>3,073,217</b>

In Birr'000

Other financial assets (debt instruments)

		30-Jun-25		
		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
<b>Totals</b>		<b>7,572,335</b>	<b>(11,819)</b>	<b>7,560,516</b>

1.3.5 Credit concentrations

The Bank monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at 31 December 2025. The Bank concentrates all its financial assets in Ethiopia.

30 December 2025	Public	Cooperative	Private	Others	Total
	Enterprise				
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cash and balances with banks	3,127,697	-	-	-	3,127,697
Loans and advances to customers	-	-	5,808,535	-	5,808,535
Investment securities:					
-Financial asset at fair value through OCI	-	-	320,140	-	320,140
-Financial assets at Amortized cost	916,153	-	-	-	916,153
Other assets:	-	-	-	3,153,182	3,153,182
<b>Total</b>	<b>4,043,850</b>	<b>-</b>	<b>6,128,675</b>	<b>3,153,182</b>	<b>13,325,707</b>
30 December 2024	Enterprise	Cooperative	Private	Others	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cash and balances with banks	1,170,572	-	-	-	1,170,572
Loans and advances to customers	-	-	3,245,591	-	3,245,591
Investment securities:					
-Financial asset at fair value through OCI	-	-	226,912	-	226,912
-Financial assets at Amortized cost	667,291	-	-	-	667,291
Other assets:	-	-	-	521,154	521,154
<b>Total</b>	<b>1,837,863</b>	<b>-</b>	<b>3,472,503</b>	<b>521,154</b>	<b>5,831,521</b>
30 June 2025	Enterprise	Cooperative	Private	Others	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cash and balances with banks	1,462,006	-	-	-	1,462,006
Loans and advances to customers	-	-	3,723,021	-	3,723,021
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:	-	-	-	1,376,353	1,376,353
<b>Total</b>	<b>2,508,067</b>	<b>-</b>	<b>3,983,161</b>	<b>1,376,353</b>	<b>7,867,582</b>



### 4.3.6 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 December 2025	December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
Guarantees	4,668,103	352,602	2,459,515
Letters of credit	734,924	363,367	511,654
<b>Total</b>	<b>5,403,027</b>	<b>715,969</b>	<b>2,971,169</b>

### 4.4 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.

#### 4.4.1 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.

#### 4.4.2 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.



31 December 2025	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cash and balances due from NBE	1,014,460					1,014,460
Balances due from banks and non-bank -local	159,710					159,710
Balances due from banks -abroad	503,590					503,590
Net investment	1,450,000				1,236,360	2,686,360
Net loans and advances	3,041,800	801,800	741,800	701,800	679,440	5,966,640
<b>Total financial assets</b>	<b>6,169,560</b>	<b>801,800</b>	<b>741,800</b>	<b>701,800</b>	<b>1,915,800</b>	<b>10,330,760</b>
Deposits from customers	4,600,000	1,000,000	800,000	459,547	3,180,490	10,040,037
Due to other banks				240,453		240,453
Other liabilities	899	1,711,964	13,894		10,268	1,737,025
<b>Total financial liabilities</b>	<b>4,600,899</b>	<b>2,711,964</b>	<b>813,894</b>	<b>700,000</b>	<b>3,190,758</b>	<b>12,017,515</b>
Loan commitments						
Guarantees		3,342,010	340,000.00	340,000	633,780	4,655,790
Letters of credit		510,000	60,000.00	60,000	104,920	734,920
Sub total off B/S		3,852,010	400,000.00	400,000	738,700	5,390,710
Gap	1,568,661	(5,762,174)	(472,094.00)	(398,200)	(2,013,658)	(7,077,465)
Commulative gap	1,568,661	(4,193,513)	(4,665,607)	(5,063,807)	(7,077,465)	(14,154,931)

#### 4.4.3 Financial assets pledged as collaterals

The Bank does not have any assets pledged as collateral

#### 4.5 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.

##### 4.5.1 Management of market risk

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

##### (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.

<b>30 December 2025</b>	<b>Fixed Interest Birr'000</b>	<b>Non-interest bearing Birr'000</b>	<b>Total Birr'000</b>
<b>Assets</b>			
Cash and balances with banks	-	3,127,697	3,127,697
Loans and advances to customers	5,808,535	-	5,808,535
Interest free banking	-	202,034	202,034
Investment securities	-	260,140	260,140
-Financial asset at fair value through OCI	916,153	-	916,153
-Financial assets at Amortized cost	-	60,000	60,000
Investment in subsidiaries	-	3,268,484	3,268,484
Other assets	-	-	-
<b>Total</b>	<b>6,724,687</b>	<b>6,918,356</b>	<b>13,583,043</b>
<b>Liabilities</b>			
Deposits from customers	4,844,945	5,340,477	10,185,422
Due to other banks	240,453	-	240,453
Other liabilities	-	2,099,710	2,099,710
<b>Total</b>	<b>5,085,397</b>	<b>7,440,187</b>	<b>12,525,584</b>

<b>30 December 2024</b>	<b>Fixed Interest Birr'000</b>	<b>Non-interest bearing Birr'000</b>	<b>Total Birr'000</b>
<b>Assets</b>			
Cash and balances with banks	-	1,170,572	1,170,572
Loans and advances to customers	3,245,591	-	3,245,591
Interest free banking	-	71,361	71,361
Investment securities	-	226,912	226,912
-Financial asset at fair value through OCI	667,291	-	667,291
-Financial assets at Amortized cost	-	592,863	592,863
Other assets	-	-	-
<b>Total</b>	<b>3,912,882</b>	<b>2,061,708</b>	<b>5,974,590</b>
<b>Liabilities</b>			
Deposits from customers	2,574,791	2,336,082	4,910,873
Due to other banks	-	-	-
Other liabilities	-	258,199	258,199
<b>Total</b>	<b>2,574,791</b>	<b>2,594,281</b>	<b>5,169,072</b>

<b>30 June 2025</b>	<b>Fixed Interest Birr'000</b>	<b>Non-interest bearing Birr'000</b>	<b>Total Birr'000</b>
<b>Assets</b>			
Cash and balances with banks	-	1,462,006	1,462,006
Loans and advances to customers	3,658,246	-	3,658,246
Interest free banking	-	64,775	64,775
Investment securities	-	260,140	260,140
-Financial asset at fair value through OCI	1,046,061	-	1,046,061
-Financial assets at Amortized cost	-	1,498,928	1,498,928
Other assets	-	-	-
<b>Total</b>	<b>4,704,307</b>	<b>3,285,849</b>	<b>7,990,156</b>
<b>Liabilities</b>			
Deposits from customers	5,386,857	1,425,809	6,812,665
Due to other banks	-	-	-
Other liabilities	-	956,262	956,262
<b>Total</b>	<b>5,386,857</b>	<b>2,382,071</b>	<b>7,768,927</b>



**(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 December 2025	December 2024	June 2025
	Birr'000	Birr'000	Birr'000
USD	37,389	8,671	21,106
EURO	1,094	833	153
GBP	69.04	11	21
	<b>38,552</b>	<b>9,516</b>	<b>21,280</b>

**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 December 2025	December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
Effect of 10% increase in exchange rate on profit or loss (USD)	3,739	867.14	2,111
Effect of 10% decrease in exchange rate on profit or loss (USD)	(3,739)	(867)	(2,111)
Effect of 10% increase in exchange rate on profit or loss (EUR)	109	83	15
Effect of 10% decrease in exchange rate on profit or loss (EUR)	(109)	(83)	(15)
Effect of 10% increase in exchange rate on profit or loss (GBP)	7	1	2
Effect of 10% decrease in exchange rate on profit or loss (GBP)	(7)	(1)	(2)

**4.6 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



#### 4.6.1 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 December 2025	December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>Capital</b>			
Paid-up capital	1,463,442	1,183,750	1,303,918
Legal reserve	224,408	84,326	108,227
	<b>1,687,850</b>	<b>1,268,076</b>	<b>1,412,145</b>
Risk weighted balance for on-balance sheet items	13,457,886	6,195,809	6,195,809
Credit equivalents for off-balance sheet items	2,474,882	1,731,156	1,332,088
	<b>15,932,768</b>	<b>7,926,965</b>	<b>7,527,897</b>
Risk-weighted Capital Adequacy Ratio (CAR)	11%	16%	20%
Minimum required capital	8%	8%	8%
Excess	3%	8%	12%

#### 4.7 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.

##### 4.7.1 Valuation models

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

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

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

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



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

#### 4.7.2 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 December 2025	December 2024	30 June 2025
	Carrying amount	Carrying amount	Carrying amount
	Birr'000	Birr'000	Birr'000
<b>Financial assets</b>			
Cash and balances with banks	3,127,697	1,170,572	2,075,187
Loans and advances to customers	5,808,535	3,245,591	3,658,246
Interest free financing	202,034	71,361	64,775
Investment securities			
-Equity Investment	-	-	-
-Amortized Cost	916,153	667,291	1,046,061
Other asset	3,153,182	521,154	1,376,353
<b>Total</b>	<b>13,207,601</b>	<b>5,675,969</b>	<b>8,220,622</b>
<b>Financial liabilities</b>			
Deposits from customers	10,185,422	4,910,873	7,083,111
Due to other banks	240,453	-	-
Other liabilities	1,973,583	300,309	793,666
<b>Total</b>	<b>12,399,457</b>	<b>5,211,182</b>	<b>7,876,777</b>

#### 4.7.3 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.



#### 4.7.4 Fair value hierarchy

The following table summarizes the carrying amounts of financial assets 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 December 2025

Financial assets	Level 1 ETB'000	Level 2 ETB'000	Level 3 ETB'000	Total ETB'000
Equity investments	-	260,140	-	260,140
<b>Total</b>	<b>-</b>	<b>260,140</b>	<b>-</b>	<b>260,140</b>

30 December 2024

Financial assets	Level 1 ETB'000	Level 2 ETB'000	Level 3 ETB'000	Total ETB'000
Equity investments	-	226,912	-	226,912
<b>Total</b>	<b>-</b>	<b>226,912</b>	<b>-</b>	<b>226,912</b>

30 June 2025

Financial assets	Level 1 ETB'000	Level 2 ETB'000	Level 3 ETB'000	Total ETB'000
Equity investments	-	260,140	-	260,140
<b>Total</b>	<b>-</b>	<b>260,140</b>	<b>-</b>	<b>260,140</b>

#### 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 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.

#### 4.8 Offsetting financial assets and financial liabilities

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



**Gadaa Bank S.C**  
**Interim Financial Statements**  
**Interest Free Banking Statement of Profit or Loss**  
**For Six Months period ended as at 31 December 2025**

	<b>31 December 2025</b>	<b>31 December 2024</b>
	<b>Birr'000</b>	<b>Birr'000</b>
Commission income	27,482	14,145
Income from trade financing	8,361	3,163
Other Income	4,419	(181,491)
<b>Total operating income</b>	<b>40,262</b>	<b>(164,184)</b>
Impairment on IFB Loans and advances	(902)	(6,797)
<b>Net operating income</b>	<b>39,360</b>	<b>(170,981)</b>
Personnel expenses	(9,459)	-
Other operating expenses	(5,172)	-
	<b>(14,631)</b>	-
<b>Profit before tax</b>	<b>24,728</b>	<b>(170,981)</b>
Income tax expense	(7,419)	-
<b>Profit after tax</b>	<b>17,310</b>	<b>(170,981)</b>



**Gadaa Bank S.C**  
**Interim Financial Statements**  
**Interest Free Banking Statement of Financial Position**  
**For Six Months period ended as at 31 December 2025**

	<b>31 December 2025</b>	<b>30 June 2025</b>
	<b>Birr'000</b>	<b>Birr'000</b>
<b>ASSETS</b>		
Cash and balances with banks	41,220	40,743
Net loan and advance	202,034	64,775
Profit Receivable		
Other assets	629,586	340,795
<b>Total assets</b>	<b>872,841</b>	<b>446,313</b>
<b>LIABILITIES</b>		
Deposits from customers	763,907	404,555
Other liabilities	108,934	41,757
<b>Total liabilities</b>	<b>872,841</b>	<b>446,313</b>



	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>5 Interest income</b>			
Loans and advances to customers	481,627	243,069	571,657
Interest Income Penalty	565	-	-
Interest income adjustment	1,005	-	329
Ineterest income on OMO	3,411	-	5,063
Ineterest income on Treasury Bills	14,170	-	-
Ineterest income on IBMM	29,290	-	14,800
Due from other banks	5	7,909	7,911
Due from NBE And DBE Bonds	46,653	31,961	66,543
<b>Total interest income calculated under the effective interest method</b>	<b>576,725</b>	<b>282,939</b>	<b>666,303</b>

The bank achieved a 100% year-on-year growth in total interest income as of December 31, 2025. This performance was driven by a dual-track strategy: maximizing lending returns through the March 2025 rate revision and expanding the loan portfolio, while simultaneously diversifying income through NBE Treasury instruments and active participation in Inter-Bank Money Market (IBMM) and Open Market Operations (OMO).

	31 December 2025	31 December 2024	30 June 2024
	Birr'000	Birr'000	Birr'000
<b>6 Interest expense</b>			
Due to customers	(236,706)	(112,720)	(258,333)
<b>Total interest expense</b>	<b>(236,706)</b>	<b>(112,720)</b>	<b>(258,333)</b>

	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>7 Fee and commission income</b>			
Foreign currency transactions	247,841	146,075	314,851
Letter of guarantee	251,490	101,073	311,870
Cash payment orders and cheques	140	-	121
Share Subscription Fee	4,187	-	-
Other commission	8,744	5,699	10,746
<b>Total Fee and commission income</b>	<b>512,402</b>	<b>252,847</b>	<b>637,588</b>
Fee and commission expense:	-	-	-
<b>Net Fee and commission income</b>	<b>512,402</b>	<b>252,847</b>	<b>637,588</b>

The Bank's non-interest income performance has more than doubled, demonstrating a successful diversification of revenue streams. While our interest income grew through rate revisions, our Fee and Commission Income grew by over 100%, largely fueled by our Trade Finance department (LCs and Guarantees) and the processing fees associated with our record-high new loan disbursements. This indicates that the Bank is not just lending more, but also capturing more service-based value from each customer relationship.



	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>8 Other operating income</b>			
Dividend income	18,927	-	10,795
Estimation and inspection fee	11,710	3,953	12,864
FCY Revaluation Gain/Loss	147,210	283,833	340,895
Market Exchange Profit	43,052	-	-
Other income	918	767	1,851
Rental income	38	-	1,119
Swift and Correspondence charges	61	-	2,458
<b>Total Other operating income</b>	<b>221,916</b>	<b>288,553</b>	<b>369,981</b>

	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>9 Impairment charge</b>			
Impairment on Conv Loans and advances	(22,807)	1,334	7,869
Impairment on IFB Loans and advances	902	551	586
Other assets- charge for the year	(19)	111	(337)
Off BalanceSheet- charge for the year	(7,399)	2,090	7,738
<b>Total Impairment charge</b>	<b>(29,322)</b>	<b>4,086</b>	<b>15,856</b>

By moving from a judgment-based approach to the EBA ECL Model, Gadaa Bank has matured its risk management framework. The 'reversal' the result of a more precise, data-backed calculation applied. Because our calculated risk (IFRS) is now lower than the NBE's requirements, we have safely tucked the difference into the Regulatory Risk Reserve to protect the bank's capital base and stay in compliance with the National Bank of Ethiopia.

	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>10 Personnel expenses</b>			
Salaries and wages	201,380	163,123	342,249
Staff allowances	78,830	20,663	78,452
Bonus	-	-	23,148
Pension costs – Defined contribution plan	18,380	20,251	31,258
Pension costs – Defined Benefit plan	-	-	7,759
Prepaid staff expenses	-	2,137	-
Other staff expenses	18,581	14,513	51,915
<b>Total Personnel expenses</b>	<b>317,171</b>	<b>220,686</b>	<b>534,782</b>

Personnel expenses for the six-month period ended December 31, 2025 has shown increment as compared with same period in 2024. This increase is a result of the Bank's commitment to competitive compensation and organizational growth, specifically:

- Salary and Benefit Adjustments: Implementation of a general salary increment effective July 1, 2025.
- Upward revision of the transportation allowance to align with current economic conditions.
- Introduction of new housing allowances and hardship allowances for staff in selected branches to improve retention and support operational continuity in challenging environments.
- Workforce Expansion: Significant recruitment of new staff during the period to support the Bank's branch expansion and the increased volume of credit and digital banking operations.

The rise in personnel expenses reflects Gadaa Bank's strategic decision to invest in its workforce. By implementing salary increments and new allowances (Housing, Transport, and Hardship) in July 2025, we have strengthened staff morale and retention during a period of rapid growth. Furthermore, the recruitment of new talent was essential for ensuring that our service standards remain high as we scale up.



	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>11 Operating expenses</b>			
Advertisement and publicity	11,881	7,094	26,408
Audit fee	479	345	391
Bank charges	149	27	49
Board of directors remuneration	-	-	1,359
Board of directors allowance	660	660	1,320
Cleaning	-	6	14
Internet & Webhost Service	-	-	89
Donations	1,400	1000	3,814
Sponsorship	1,051	1340	2,938
Correspondant Bank Charges Exp	8,499	-	-
Fuel	2,227	1,540	3,674
Insurance	10,008	4,593	14,399
Telephone Expense	4,260	3,898	9,607
Legal and professional fee	13	1	94
Other operating expense	15,027	35,153	58,851
Penalty	1,780	223	343
Per diem	1,636	1,630	10,624
Finance Cost	1,474	5,092	9,938
Repair and maintenance	394	529	723
Stationeries	6,415	6,161	14,029
General Supply Stock Expense	4,322	3,754	7,981
Subscription and membership fee	3,525	630	4,401
Taxes	807	807	807
Postage	46	37	113
Transportation	1,022	815	3,474
General Assembly	4,107	2,292	4,334
Water and electricity	1,080	335	1,027
Market Exchange Loss	-	38,067	52,996
<b>Total Operating expenses</b>	<b>82,262</b>	<b>116,028</b>	<b>233,797</b>

	31 December 2025	31 December 2024	30 June 2024
	Birr'000	Birr'000	Birr'000
<b>12 Company income and deferred tax</b>			
<b>12a Current income tax</b>			
Company income tax	114,508	-	-
Deferred income tax/(credit) to profit or loss	6,152	41,941	44,109
<b>Total charge to profit or loss</b>	<b>120,660</b>	<b>41,941</b>	<b>44,109</b>
<b>Total tax in statement of comprehensive income</b>	<b>120,660</b>	<b>41,941</b>	<b>44,109</b>



## 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:

	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>Profit before tax</b>	<b>585,387</b>	<b>289,096</b>	<b>444,790</b>
<b>Add : Disallowed expenses</b>			
Donation	1,400	1,000	3,814
Penalty	1,780	223	343
Court Cases	-	2,292	-
Accrued Leave	-	143	8,735
Land and building tax	45	-	45
Property tax expense	762	-	762
Prepaid staff expense	-	2,137	-
Market Exchange Profit/Loss	-	38,067.01	-
Impairment Loss	-	-	-
Severance pay	-	-	7,759
Provision for loans and advances as per IFRS	(21,923)	1,334	8,118
Provision for Off BalanceSheet IFRS	(7,399)	-	7,738
Depreciation for accounting purpose	43,206	29,723	83,903
Amortization for accounting purpose	16,987	1,886	7,354
Depreciation charge for right-of-use assets	58,646	50,114	95,057
Finance Cost	1,474	-	-
<b>Total disallowable expenses</b>	<b>94,978</b>	<b>126,919</b>	<b>223,628</b>
<b>Less : Allowable expenses</b>			
Depreciation and amortization for tax purpose	77,153	43,540	102,886
Provision for loans and advances for tax NI	45,898	7,089	11,642
Provision for Off BalanceSheet-for tax NBE	37,025	-	29,834
Rent expense	58,838	48,415	103,447
Dividend income taxed at source	18,927	-	10,795
Interest income taxed at source-NBE Bills	60,823	31,961	66,543
Interest income taxed at source-Local Dep	5	7,909	7,911
<b>Total allowable expenses</b>	<b>298,670</b>	<b>138,915</b>	<b>333,057</b>
Current year Taxable profit	381,695	277,100	335,361
Loss for tax purpose brought forward	-	(151,143)	(151,143)
Loss for tax purpose rejected by MoR	-	-	8,863
<b>Taxable income</b>	<b>381,695</b>	<b>125,958</b>	<b>193,082</b>
<b>Provision for current tax</b>	<b>114,508</b>	<b>37,787</b>	<b>57,925</b>



	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>12c Current income tax liability</b>			
Balance at the beginning of the year	57,897	-	-
Charge for the year:	114,508	-	57,925
Payment during the year	(57,897)	-	(28)
Withholding tax paid	(298)	-	-
<b>Balance at the end of the year</b>	<b>114,211</b>	<b>-</b>	<b>57,897</b>

#### 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:

	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>The analysis of deferred tax assets/(liabilities) is as follows:</b>			
To be recovered after more than 12 month	(9,626)	(8,326.5)	(3,474)
To be recovered within 12 months	2,673	7,598	2,673
	<b>(6,953)</b>	<b>(728)</b>	<b>(801)</b>

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

Deferred income tax assets/ (liabilities):	30 June 2025	OCI	Credit/ (charge) to P/L	31 December 2025
	Birr'000		Birr'000	Birr'000
Property, plant and equipment	(11,801)		(6,152)	(17,953)
Accured leave provision	2,673	-	-	2,673
Gain on investment @ FVTOCI	(57,720)	-	-	(57,720)
Post employment benefit obligation	8,327	-	-	8,327
<b>Total deferred tax assets/(liabilities)</b>	<b>(58,522)</b>	<b>-</b>	<b>(6,152)</b>	<b>(64,673)</b>
<b>12e Total deferred tax assets</b>	<b>11,000</b>	<b>-</b>	<b>0</b>	<b>11,000</b>
<b>12f Total deferred tax liabilities</b>	<b>(69,522)</b>	<b>-</b>	<b>(6,152)</b>	<b>(75,673)</b>

Deferred income tax assets/ (liabilities):	At 1 June 2024	OCI	Credit/ (charge) to P/L	30 June 2025
	Birr'000	Birr'000	Birr'000	Birr'000
Property, plant and equipment	(8,086)		(3,715)	(11,801)
Accured leave provision	52	-	2,620	2,673
Tax losses charged to profit or loss	45,343		(45,343)	-
Gain on investment @ FVTOCI	(50,074)	(7,647)	-	(57,720)
Post employment benefit obligation	3,904	2,095	2,328	8,327
<b>Total deferred tax assets/(liabilities)</b>	<b>(8,861)</b>	<b>(5,552)</b>	<b>(44,109)</b>	<b>(58,522)</b>
<b>12e Total deferred tax assets</b>	<b>49,299</b>	<b>-5,552</b>	<b>4,948</b>	<b>11,000</b>
<b>12f Total deferred tax liabilities</b>	<b>(58,160)</b>	<b>-</b>	<b>(49,058)</b>	<b>(69,522)</b>



	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>13 Cash and balances with bank</b>			
Cash in hand	278,003	257,488	247,312
Deposits with local banks	159,712	196,643	264,986
Deposits with foreign banks	503,595	307,330	217,897
Reserve with National Bank of Ethiopia	658,180	335,075	613,180
Balance held with National Bank of Ethiopia	78,278	74,036	731,902
Interbank lending maturing in three months	1,450,000	-	100,000
	<b>3,127,767</b>	<b>1,170,572</b>	<b>2,175,278</b>
Less: Specific impairment allowance	(70)	(46)	(91)
	<b>3,127,697</b>	<b>1,170,526</b>	<b>2,175,187</b>

**Maturity analysis**

	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
Current	2,469,587	835,497	1,562,098
Non-Current	658,180	335,075	613,180
	<b>3,127,767</b>	<b>1,170,572</b>	<b>2,175,278</b>

	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>13a Cash and cash equivalent</b>			
Cash in hand	278,003	257,488	247,312
Deposits with local banks	159,712	196,643	264,986
Deposits with foreign banks	503,595	307,330	217,897
Balance held with National Bank of Ethiopia	78,278	74,036	731,902
Interbank lending maturing in three months	1,450,000	-	100,000
	<b>2,469,587</b>	<b>835,497</b>	<b>1,462,098</b>
Less: Specific impairment allowance	(70)	(46)	(91)
	<b>2,469,517</b>	<b>835,451</b>	<b>1,462,006</b>

	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>14 Loans and advances to customers</b>			
Agriculture	78,437	44,103	43,451
Building And Construction	843,874	263,121	446,462
Consumer	309,592	201,091	1,085,798
Domestic Trade And Service	1,232,673	736,778	-
Export	1,395,820	1,110,171	-
Import	997,798	400,948	554,294
Manufacturing	777,339	491,685	642,686
Staff Loans	186,351	-	620,074
Diaspora and Institutions Employee Loan	-	25,395	299,717
<b>Gross amount</b>	<b>5,821,884</b>	<b>3,273,293</b>	<b>3,692,483</b>
Stage 1 12 month ECL	(6,248)	(27,702)	(30,623)
Stage 2 Life time ECL	(3,794)	-	(84)
Stage 3 Life time ECL	(3,307)	-	(3,529)
	<b>(13,349)</b>	<b>(27,702)</b>	<b>(34,236.6)</b>
<b>Net Conventional Loan Balance</b>	<b>5,808,535</b>	<b>3,245,591</b>	<b>3,658,246</b>



Maturity Analysis	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
within 3 Months	56,851	109,002	26,126
3 months up to 1 year	876,678	569,889	910,329
1 Year up to 2 years	876,481	980,322	511,486
2 Years up to 3 years	1,629,948	518,165	826,498
3 years up to 5 years	1,256,680	328,347	649,010
> 5 years	1,125,247	767,567	769,033
	<b>5,821,884</b>	<b>3,273,292</b>	<b>3,692,483</b>

#### 14a Impairment allowance on loans and advances to customers

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

Specific allowance for impairment	31 December 2025	Charge for the year	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000	Birr'000
Stage 1 12 month ECL	6,342	(24,452)	28,777	30,795
Stage 2 Life time ECL	3,794	2,771	-	1,023
Stage 3 Life time ECL	3,307	(222)	-	3,529
<b>Total impairment allowance</b>	<b>13,443</b>	<b>(21,904)</b>	<b>28,777</b>	<b>35,347</b>

#### 15 Interest free Financing

	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
Export -Murabaha Financing	132,686	28,795	31,721
Domestic trade and service -Murabaha Fin.	35,334	43,641	29,963
Building and construction -Mrabaha Financ	30,016	-	-
Staff loans-Murabaha	4,092	-	4,201
	<b>202,128</b>	<b>72,436</b>	<b>65,885</b>
<b>Less Collective Impairment</b>	-	-	-
Stage 1 12 month ECL	(94)	(1,075)	(171)
Stage 2 Life time ECL	-	-	(939)
Stage 3 Life time ECL	-	-	-
	<b>(94)</b>	<b>(1,075)</b>	<b>(1,110)</b>
<b>Net Interest free Financing</b>	<b>202,034</b>	<b>71,361</b>	<b>64,775</b>

Maturity analysis	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
Within 3 Months	-	-	-
3 months up to 1 year	125,134	20,291	10,361
1 Year up to 2 years	27,907	47,759	51,323
2 Years up to 3 years	40,982	-	-
> 5 years	8,105	4,385	4,201
	<b>202,128</b>	<b>72,436</b>	<b>65,885</b>

	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000



## 16 Investment securities

### Financial assets at fair value through OCI :

Financial assets at FVOCI (equity investme	260,140	226,912	260,140
	<b>260,140</b>	<b>226,912</b>	<b>260,140</b>

### Financial assets at amortized cost :

Treasury Bond	845,717	658,711	820,755
Treasury bills	-	-	192,098
Ethiopian Government Bonds	70,495	8,580	33,265
	<b>916,212</b>	<b>667,291</b>	<b>1,046,118</b>
Less: Specific impairment allowance	(59.27)	(47)	(56.76)
	<b>916,153</b>	<b>667,244</b>	<b>1,046,061</b>

The above lists of financial assets have been classified as amortized cost and FVOCI model due to their nature.

The Bank equity investment comprises:

**31 December 2025**

**In Birr'000**

Investee Company	Percentage holding	Cost	BBF Revaluation gain/loss	Current Revaluation gain/loss	Total
Oromia Insurance Company s.c	1.03%	16,441	6,317	-	22,758
Ethiopian Security Exchange S.c	0.53%	5,000	-167	-	4,833
Ethio Swich s.c.	1.61%	41,298	175,627	-	216,925
Awash Insurance S.C	0.19%	5,000	10,623	-	15,623
		<b>67,739</b>	<b>192,401</b>	-	<b>260,140</b>

**31 December 2024**

**In Birr'000**

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

**30 June 2025**

**In Birr'000**

Investee Company	Percentage holding	Cost	BBF Revaluation gain/loss	Current Revaluation gain/loss	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
		<b>67,739</b>	<b>166,912</b>	<b>25,489</b>	<b>260,140</b>

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 Investment in Subsidiaries	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
Investment in Subsidiaries	60,000	-	-

Gadaa Securities Dealer S.C is a subsidiary of Gadaa Bank S.C where the Bank has a control. The major source of finance is funded by Gadaa Bank S.C. that accounts for 75%. In order to select the accounting policy, the subsidiary has not started its operation yet, but received a business liscence from ECM.

The subsidiary's future plan includes: Trade Execution Services: helping clients buy and sell securities on their behalf in the market, executing orders at the best available price and Securities Trading on Proprietary Account: Engaging in trading activities using own capital to generate profits, focusing on both short-term and long-term strategies.

#### 18 Other assets

Financial assets	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
Uncleared effects of transfers - Foreign	(0)	213,994	1,130,427
Uncleared effects of transfers - Local	11,623	30,649	2,202
ATM settlement receivables	1,201		23
Account receivable	3,143,904	280,432	247,119
<b>Gross amount</b>	<b>3,156,728</b>	<b>525,075</b>	<b>1,379,771</b>
Less: Specific impairment allowance	(3,546)	(3,921)	(3,417)
	<b>3,153,182</b>	<b>521,154</b>	<b>1,376,353</b>
<b>Non-financial assets</b>			
Prepayments	83,209	42,552	40,315
General supplies	32,093	29,137	34,570
Sundry receivables	0	20	47,689
<b>Gross amount</b>	<b>115,302</b>	<b>71,709</b>	<b>122,574</b>
<b>Net Financial and Non financial asset</b>	<b>3,268,484</b>	<b>592,863</b>	<b>1,498,928</b>

Maturity analysis	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
Current	128,126	316,352	1,255,225
Non-Current	3,143,904	280,432	247,119
	<b>3,272,030</b>	<b>596,784</b>	<b>1,502,345</b>



19 Intangible Assets	Purchased software Birr'000	Total Birr'000
<b>Cost:</b>		
<b>As at 30 June 2024</b>	<b>66,991</b>	<b>38,904</b>
As at 1 July 2024	66,991	66,991
Acquisitions	60,476	28,087
<b>As at 31 December 2024</b>	<b>127,467</b>	<b>95,078</b>
<b>Accumulated amortisation</b>		
<b>As at 30 June 2024</b>	<b>3,751</b>	-
As at 1 July 2024	3,751	3,751
Amortisation for the year	1,886	1,886
<b>As at 31 December 2024</b>	<b>5,636</b>	<b>5,636</b>
<b>As at 30 June 2025</b>	<b>201,096</b>	<b>201,096</b>
As at 1 July 2025	201,096	201,096
Acquisitions	63,953	63,953
Internal development	-	-
<b>As at 31 December 2025</b>	<b>265,049</b>	<b>265,049</b>
<b>Accumulated amortisation</b>		
<b>As at 30 June 2025</b>	<b>11,104</b>	<b>11,104</b>
As at 1 July 2025	11,104	11,104
Amortisation for the year	16,987	16,987
<b>As at 31 December 2025</b>	<b>28,091</b>	<b>28,091</b>
<b>Net book value</b>		
<b>As at 30 June 2025</b>	<b>189,992</b>	<b>189,992</b>
<b>As at 31 December 2024</b>	<b>121,831</b>	<b>121,831</b>
<b>As at 31 December 2025</b>	<b>236,958</b>	<b>236,958</b>

The amortization expense for the period ended December 31, 2025, increased to ETB 16,987 in thousand, compared to ETB 1,886 in thousand for the same period in 2024.

This increase is primarily attributed to:

**Acquisition of New Intangible Assets:** The purchase of advanced software solutions to enhance the Bank's digital banking capabilities and operational efficiency.

**Software Upgrades and License Renewals:** Significant investments were made in upgrading existing core banking modules and renewing essential software licenses. These upgrades ensure improved security, faster processing times, and compliance with modern banking standards.

**Full-Period Amortization:** The current period reflects a full six months of amortization for system implementations that were finalized toward the end of the previous financial year.

The investment in intangible assets aligns with the Bank's strategic focus on digital transformation. The upgrades to software licenses ensure that our technological platforms are robust enough to handle the increase in transaction volumes and credit facility processing noted in this report.



20	Property, plant and equipment	Building Birr'000	Motor vehicles Birr'000	Furniture And			Computer equipment Birr'000	Construction in progress Birr'000	Total Birr'000
				Office Equipment Birr'000	Fittings Birr'000				
	<b>Cost:</b>								
	<b>As at 30 June 2024</b>	<b>294,931</b>	<b>166,280</b>	<b>45,135</b>	<b>95,033</b>	<b>162,557</b>	<b>21,047</b>	<b>980,477</b>	
	As at 1 July 2024	294,931	166,280	45,135	95,033	162,557	21,047	784,983	
	Additions	0	-0	819	-5,924	11,635	1,598	8,128	
	Reclassification	-	-	8,078	15,521	24,192	-	47,792	
	<b>As at 31 December 2024</b>	<b>294,931</b>	<b>166,280</b>	<b>54,032</b>	<b>104,630</b>	<b>198,385</b>	<b>22,645</b>	<b>840,902</b>	
	<b>As at 30 June 2025</b>	<b>295,417</b>	<b>207,182</b>	<b>54,729</b>	<b>113,427</b>	<b>287,077</b>	<b>22,645</b>	<b>980,477</b>	
	As at 1 July 2025	295,417	207,182	54,729	113,427	287,077	22,645	980,477	
	Additions	-	5,536	76	8,939	1,675	33	16,259	
	<b>As at 31 December 2025</b>	<b>295,417</b>	<b>212,718</b>	<b>54,804</b>	<b>122,366</b>	<b>288,752</b>	<b>22,678</b>	<b>996,736</b>	
	<b>Accumulated depreciation</b>								
	<b>As at 30 June 2024</b>	<b>6,494</b>	<b>20,906</b>	<b>8,836</b>	<b>8,272</b>	<b>23,675</b>	<b>-</b>	<b>68,182</b>	
	As at 1 July 2024	6,494	20,906	8,836	8,272	23,675	-	68,182	
	Charge for the year	2,825	7,963	3,491	3,854	11,590	-	29,723	
	<b>As at 31 December 2024</b>	<b>9,319</b>	<b>28,869</b>	<b>12,327</b>	<b>12,126</b>	<b>35,264</b>	<b>-</b>	<b>97,905</b>	
	<b>As at 30 June 2025</b>	<b>12,118</b>	<b>38,318</b>	<b>17,546</b>	<b>30,598</b>	<b>53,506</b>	<b>-</b>	<b>152,085</b>	
	As at 1 July 2025	12,118	38,318	17,546	30,598	53,506	-	152,085	
	Charge for the year	2,830	9,980	3,615	8,194	18,589	-	43,206	
	<b>As at 31 December 2025</b>	<b>14,947</b>	<b>48,298</b>	<b>21,160</b>	<b>38,792</b>	<b>72,095</b>	<b>-</b>	<b>195,292</b>	
	<b>Net book value</b>								
	<b>As at 30 June 2025</b>	<b>283,300</b>	<b>168,864</b>	<b>37,183</b>	<b>82,830</b>	<b>233,571</b>	<b>22,645</b>	<b>828,392</b>	
	As at 31 December 2024	285,613	137,411	41,705	92,504	163,121	22,645	742,997	
	<b>As at 31 December 2025</b>	<b>280,470</b>	<b>164,420</b>	<b>33,644</b>	<b>83,575</b>	<b>216,658</b>	<b>22,678</b>	<b>801,444</b>	



Depreciation expense for the six-month period ended December 31, 2025, amounted to ETB 43,206.39 in thousand, showing increment as compared to the period ended December 31, 2024.

This increase is primarily driven by:

**Significant Capital Expenditure:** The acquisition of new fixed assets during the current period to support the Bank's operational expansion.

**Full-Period Impact:** Depreciation charges commencing on assets acquired late in the previous financial year which are now seeing a full six-month charge in 2025.

**Investment in Infrastructure:** Key additions include [e.g., Office Equipment, Furniture, or IT Infrastructure] which were necessary for new branch openings and head office requirements.

While depreciation has increased, it is a 'healthy' expense increase. It reflects our investment in Gadaa Bank's growth—specifically the new

fixed assets purchased this year to equip our staff and expand our branch network.

**20a Right of use asset and Lease Liability**

**A Right -of use asset:**

**Cost:**

Balance at 01 July 2025

Additions

**Balance at December 2025**

**Amortisation**

As at 1 July 2025

Charge for the year

Adjustment

**Balance at December 2025**

**Net Carrying Value at 31 December 2025**

Building Birr'000	Total Birr'000
609,628	609,628
66,235	66,235
<b>675,863</b>	<b>675,863</b>
184,706	184,706
58,646	58,646
2,066	2,066
<b>245,419</b>	<b>245,419</b>
<b>430,444</b>	<b>430,444</b>



**B Lease Liability**

	Building Birr'000	Total Birr'000
<b>Balance at 01 July 2025</b>	<b>179,036</b>	<b>179,036</b>
Additions	14,046	14,046
Adjustments	(10,605)	(10,605)
Interest expense	1,474	1,474
Payment of leases	(16,105)	(16,105)
<b>Balance at December 2025</b>	<b><u>167,845</u></b>	<b><u>167,845</u></b>

The Bank recognises a lease liability at the present value of the lease payments that are not paid at that date.

The Bank uses an incremental borrowing rate that is based on the minimum saving cost of deposits across the years.

The rates used to compute the present values of buildings lease liabilities as at 31 December 2025 was 7% which is minimum saving interest rate. The adjustments were occurred due to changes in Incremental borrowing rate (IBR).

The Bank leases buildings for its office space and branches. The building leases typically run for a period between 2 and 8 years with the majority of the contracts running for a period of 5 and 7 years. All leases donot include an option to renew the lease for an additional period at the end of the contract term. There are 113 active contracts in this physical period.



	31 December 2025 Birr'000	31 December 2024 Birr'000	30 June 2025 Birr'000
<b>21 Deposits from customers</b>			
Demand deposits	4,576,569	2,163,646	
Savings deposits	2,910,579	1,568,105	3,147,998
Time deposits	1,934,366	1,006,686	2,238,859
Wadia demand deposits	319,713	42,329	1,291,699
Wadia savings deposits	444,195	130,107	134,110
	<b>10,185,422</b>	<b>4,910,873</b>	<b>6,812,665</b>

## 22 Due to other banks

Saving deposits	133,223	-	-
Time deposits	107,230	-	-
	<b>240,453</b>	-	-

## 24 Other liabilities

### Financial liabilities:

	31 December 2025 Birr'000	31 December 2024 Birr'000	30 June 2025 Birr'000
Interest payable on deposits	-		
Letter of credit margin payables	1,689,606	236,770	725,417
ATM settlement payable	899	2,738	64
CTS Settlement account	-	(366)	
Exchange payable	22,358	7,567	9,490
Credit Information Enquiry Payable	1,662	-	9,490
Cash payment order payable	13,894	10,075	10,689
Board of directors remuneration payable	1,359	1,369	1,359
Dividend Payable	192,797	-	1,359
Deferred Income Loan Processing Fee	1,300	2,124	2,121
Deferred Income Guarantee Commission	40,798	39,986	24,768
Staff payables	8,909	46	8,909
	<b>1,973,583</b>	<b>300,309</b>	<b>793,666</b>

### Non-financial liabilities:

Defined contribution liabilities	4,705	3,439	3,647
Stamp duty charges	261	1,100	60
Withholding tax payable	1,796	2,090	1,305
Other tax payable	30,928	16,116	20,580
Sundry payables	88,266	233,835	137,004
	<b>125,957</b>	<b>256,580</b>	<b>162,596</b>

### Gross amount

	<b>2,099,710</b>	<b>556,889</b>	<b>956,262</b>
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### Maturity analysis

	31 December 2025 Birr'000	31 December 2024 Birr'000	30 June 2025 Birr'000
Current	1,761,102	277,459	768,964
Non-Current	143,978	279,430	176,449
	<b>1,905,080</b>	<b>556,889</b>	<b>945,413</b>



	31 December 2025 Birr'000	31 December 2024 Birr'000	30 June 2025 Birr'000
<b>24a Retirement benefit obligations</b>			
<b>Defined benefits liabilities:</b>			
- Severance pay (note 24b)	27,757	13,014	27,757
<b>Liability in the statement of financial position</b>	<b>27,757</b>	<b>13,014</b>	<b>27,757</b>
<b>Income statement charge included in personnel expenses:</b>			
- Severance pay (note 24b)	-	-	7,759
<b>Total defined benefit expenses</b>	<b>-</b>	<b>-</b>	<b>7,759</b>
<b>Remeasurements for:</b>			
- Severance pay (note 24b)	-	-	(6,984)
	<b>-</b>	<b>-</b>	<b>(6,984)</b>

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

	31 December 2025 Birr'000	31 December 2024 Birr'000	30 June 2025 Birr'000
<b>Maturity analysis</b>			
Current	-	-	7,759
Non-Current	27,757	13,014	19,998
	<b>27,757</b>	<b>13,014</b>	<b>27,757</b>

#### 24b Severance pay

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

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

	31 December 2025 Birr'000	31 December 2024 Birr'000	30 June 2025 Birr'000
<b>A Liability recognised in the financial position</b>	<b>27,757</b>	<b>13,014</b>	<b>27,757</b>
<b>B Amount recognised in the profit or loss</b>			
Current service cost	-	-	4,486
Interest cost	-	-	3,273
	<b>-</b>	<b>-</b>	<b>7,759</b>



**C Amount recognised in other comprehensive income:**

Actuarial (Gains)/Losses on demographic assumptions	-	-	(4,457)
Actuarial (Gains)/Losses on economic assumptions	-	-	(2,527)
Actuarial (Gains)/Losses on experience	-	-	-
	<u>-</u>	<u>-</u>	<u>(6,984)</u>

**D Change in the present value of the defined benefit obligation**

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

	31 December Birr'000	31 December Birr'000	30 June 2025 Birr'000
At the beginning of the year	27,757	13,014	13,014
Current service cost	-	-	4,486
Interest cost	-	-	3,273
Bank Paid Benefits	-	-	-
Remeasurement (gains)/ losses	-	-	6,984
<b>At the end of the</b>	<b>27,757</b>	<b>13,014</b>	<b>27,757</b>

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	31 December 2025 Birr'000	31 December 2024 Birr'000	30 June 2025 Birr'000
Discount Rate	15.00%	18.70%	15.00%
Inflation Rate	12.20%	-	12.20%
Long term salary increases	14.20%	16.30%	14.20%

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:

<b>31 December 2025 Impact on defined benefit obligation</b>				
<b>Sensitivity</b>	<b>Base DBO Birr'000</b>	<b>DBO on Changed Assumptions Birr'000</b>	<b>% Change</b>	
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.

**25 Share capital**

**Subscribed:**

Ordinary shares of Birr 1000 each

	<b>31 December 2025 Birr'000</b>	<b>31 December 2024 Birr'000</b>	<b>30 June 2025 Birr'000</b>
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1,463,442      1,167,079      1,303,918

**Paid Capital:**

Ordinary shares of Birr 1000 each

1,463,442      1,183,750      1,303,918

**26 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.

	<b>31 December 2025 Birr'000</b>	<b>31 December 2024 Birr'000</b>	<b>30 June 2025 Birr'000</b>
Profit/(Loss) attributable to shareholders	464,726	247,155	342,756
Weighted average number of ordinary shares in iss	1,383,680	1,129,078	1,189,162
<b>Basic &amp; diluted earnings per share (Birr)</b>	<b>0.34</b>	<b>0.22</b>	<b>0.29</b>



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 (31 December 2025:nil,30 June 2025:nil), hence the basic and diluted profit per share have the same value.

	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>27 Retained earnings</b>			
At the beginning of the year	192,797	(23,375)	(23,375)
Profit for the year	464,726	247,155	342,756
Dividend Paid	(192,797)	-	-
Reversal of Prepaid staff expenses	-	-	(2,137)
Transfer to Legal reserve	(116,182)	(61,789)	(85,689)
Transfer to Risk reserve	(97,630)	(22,167)	(38,759)
<b>At the end of the year</b>	<b>250,915</b>	<b>139,824</b>	<b>192,797</b>

	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>28 Legal reserve</b>			
At the beginning of the year	108,227	22,538	22,538
Transfer from profit or loss	116,182	61,789	85,689
<b>At the end of the year</b>	<b>224,408</b>	<b>84,326</b>	<b>108,227</b>

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.

	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
<b>29 Risk reserve</b>			
At the beginning of the year	48,987	10,228	10,228
Transfer From Retained Earning	97,630	19,328	38,759
Reversal of Regulatory Risk reserve	-	-	-
<b>At the end of the year</b>	<b>146,617</b>	<b>29,556</b>	<b>48,987</b>
Loan loss provision as per NBE directive	62,141	60,928	40,115
Off Balance Sheet provisionas per NBE directive	98,903	-	52,621
Other Asset Provision	3,417	3,417	3,417
	<b>164,461</b>	<b>64,345</b>	<b>96,153</b>
Loan loss provision as per IFRS	13,443	28,777	35,347
Off Balance Sheet provision as per IFRS	855	2,090	8,254
Other Asset Provision as per IFRS	3,546	3,921	3,565
	<b>17,844</b>	<b>34,788</b>	<b>47,166</b>
Difference	146,617	29,556	48,987
	<b>146,617</b>	<b>29,556</b>	<b>48,987</b>

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, off balance sheet and receivables in excess of IFRS charge as derived using the incurred loss model.

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



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

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.

30 Other Reserves	31 December	31 December	30 June 2025
	2025	2024	
	Birr'000	Birr'000	Birr'000
At the beginning of the year	125,582	112,628	112,628
Remeasurement gain/(loss) on retirement benefits	-	-	(4,889)
Revaluation Gain-Equity Investment net of tax	-	-	17,842
<b>At the end of the year</b>	<b>125,582</b>	<b>112,628</b>	<b>125,582</b>

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

31 Cash generated from operating activities	Notes	31 December	31 December	30 June 2025
		2025	2024	
		Birr'000	Birr'000	Birr'000
Profit before income tax		585,387	289,096	444,790
<b>Adjustments for Non-cash Items:</b>				
Depreciation of property, plant and equipm	20	43,206	29,723	83,903
Amortisation of intangible assets	19	16,987	1,886	7,354
Impairment on loans and receivables	14	(21,923)	1,996	8,118
Prepaid staff expense adjustment		-	-	(2,137)
Provisions for guarantee & letters of credit	33c	(7,399)	1,575	7,738
Amortisation of Right use Asset	20a	58,646	50,114	95,057
Finance Cost	20a	1,474	-	-
Dividend income	8	(18,927)	-	(10,795)
Retirement benefit obligations	24a	-	-	7,759
<b>Changes In Working Capital:</b>				
Decrease/ (Increase) in loans and advance	14	(2,150,289)	(830,016)	(1,249,206)
Decrease/ (Increase) in interest free bankir	15	(137,260)	(19,999)	(13,448)
Withholding tax paid	12c	(298)	-	(28)
Decrease/ (Increase) in other assets	18	(1,669,556)	(311,611)	(1,317,264)
Decrease/Increase in Customers deposits	21	3,102,311	903,962	3,076,200
Decrease/Increase in Customers deposits-I	22	240,453	-	-
Decrease/Increase in Lease liability	22	14,046	17,732	35,414
Increase/ (Decrease) in other liabilities	24	1,160,449	375,096	758,713
		<b>1,217,306</b>	<b>509,553</b>	<b>1,932,169</b>



### 32 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 31 December 2025.

#### 32a 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 December 2025.

	31 December 2025 Birr'000	31 December 2024 Birr'000	30 June 2025 Birr'000
Senior Management Salaries and Other Short-term Employee Benefits	11,575	8,679	14,589
	<u>11,575</u>	<u>8,679</u>	<u>14,589</u>

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

#### 32b 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.

	31 December 2025 Birr'000	31 December 2024 Birr'000	30 June 2025 Birr'000
Board of Directors Remuneration	-	1,369	1,369
Board allowance	660	660	-
	<u>660</u>	<u>2,029</u>	<u>1,369</u>

### 33 Contingent Assets and Liabilities

#### 33a 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 December 31, 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.

#### 33b 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 December 31, 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 December 31, 2025.

### 33c 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:

	31 December 2025 Birr'000	31 December 2024 Birr'000	30 June 2025 Birr'000
Financial Guarantees issued	4,668,103	352,602	2,459,515
Letters of credit	734,924	363,367	511,654
	<b>5,403,027</b>	<b>715,969</b>	<b>2,971,169</b>
Provisions for Guarantees and Letter of credits issued	(855)	(2,090)	(8,254)
	<b>5,402,173</b>	<b>713,879</b>	<b>2,962,915</b>

### 34 Right use of asset and Lease liabilities

The Bank leases various properties (buildings) under IFRS 16 Lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of 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.

	31 December 2025 Birr'000		31 December 2024 Birr'000		30 June 2025 Birr'000	
	Right use of asset	Lease liabilities	Right use of asset	Lease liabilities	Right use of asset	Lease liabilities
Within one year	812	-	-	-	1,455	1,718
After 1 year but within 2 years	36,222	11,938	1,484	1,342	-	-
After 2 years but within 5 years	240,410	107,805	221,780	114,903	237,119	116,675
After 5 years	153,001	48,102	190,357	50,201	179,205	60,643
<b>Total</b>	<b>430,444</b>	<b>167,845</b>	<b>413,621</b>	<b>166,447</b>	<b>417,779</b>	<b>179,036</b>

### 35 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 31 December 2025 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

