Baankii Gadaa
New Generation's Bank

ገዳ ባንክ
Gadaa Bank



ANNUAL REPORT

2025/26

የአዲሱ ትውልድ ባንክ
New Generation's bank

Save time by making the payment of your child's school fees quick and easy.



ነይ!
የተሻለ ነገን አብረን እንገንባ

Siinqee
Women Saving Account





ከ8%
ተጨማሪ ወለድ ጋር

GADAA DIGITAL

ፈጣን እና ለአጠቃቀም ምቹ

ገንዘብ ላማስተላለፍና ክፍያ ለመፈጸም ገዳ ዲጂታልን ምርጫዎ ያድርጉ



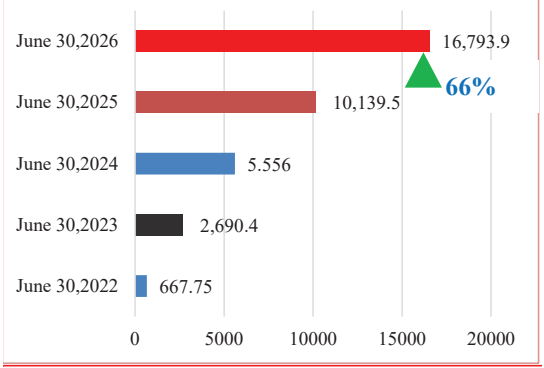
غَدَاالريان
Gadaa Al Rayyan

TABLE OF CONTENTS

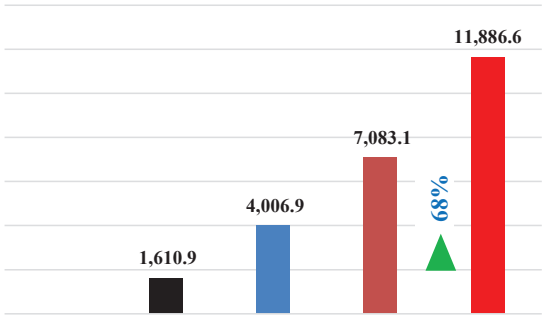
1. Gadaa Bank at a Glance II
2. Board Chairman's Statement 3
3. Message of the Chief Executive Officer 8
4. Sharia Advisory Committee (SAC) Members 12
5. Reports of the Board of Directors 14
6. Board of Directors Performance Assessments 25
7. Our Investments 27
8. Environmental, Social and Governance Framework of the Bank 28
9. Corporate governance 31
10. FY 2026/27 Business Outlook 32
11. Vote of Thanks 33
12. Auditor's Report 34

GADAA BANK at a GLANCE

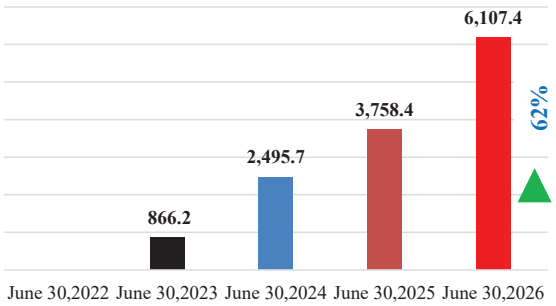
Total Assets (in Million Birr)



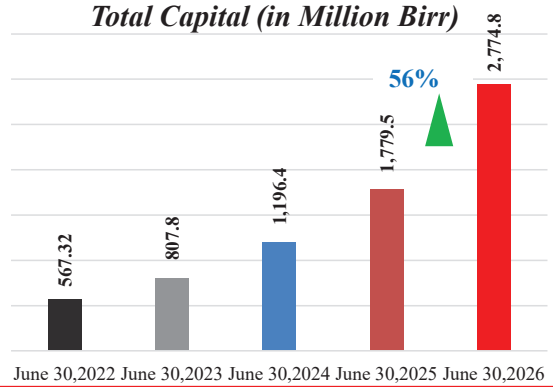
Deposits (in Million Birr)



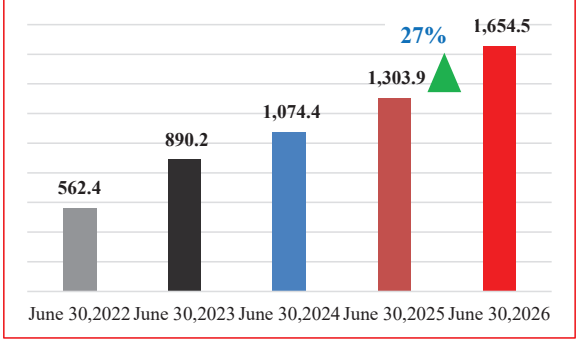
Loans and Advances, including financing (in Million Birr)



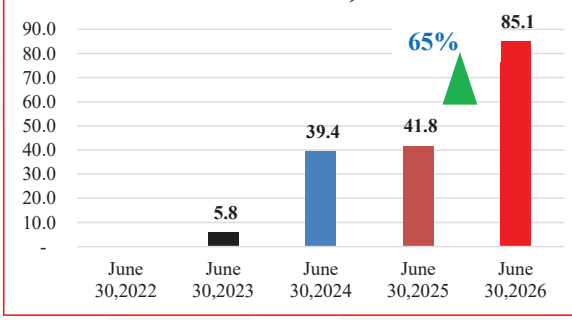
Total Capital (in Million Birr)



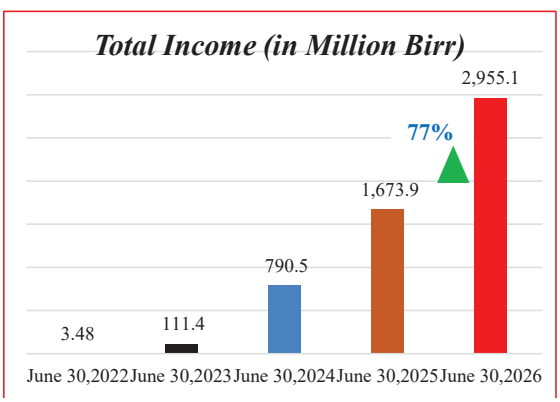
Paid-up Capital (in Million Birr)



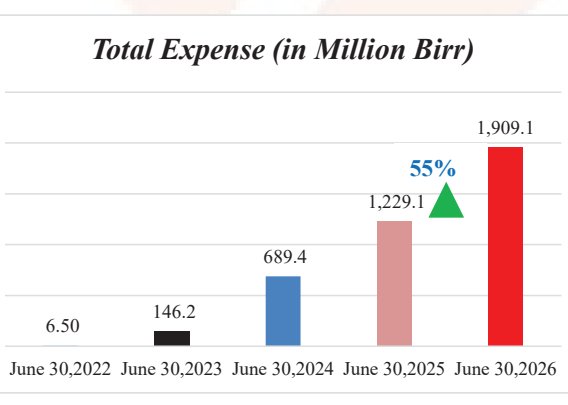
Foreign Currency Generation (USD in Million)

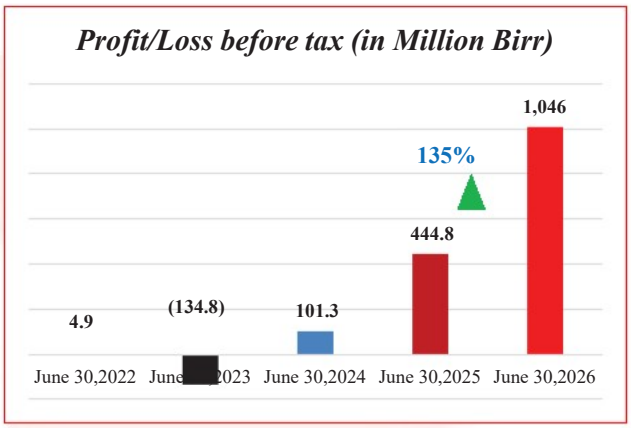


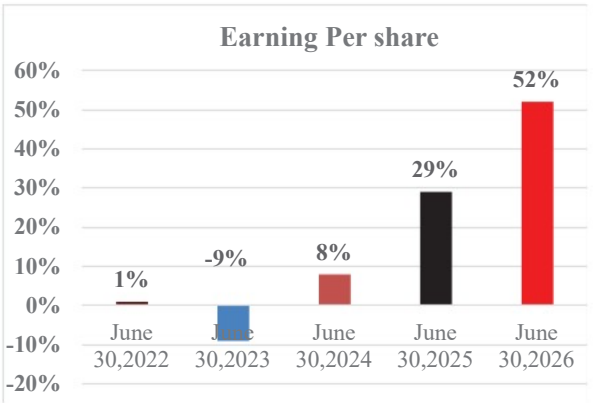
Total Income (in Million Birr)

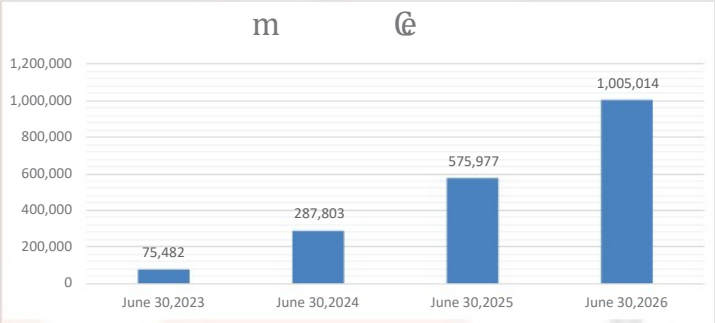


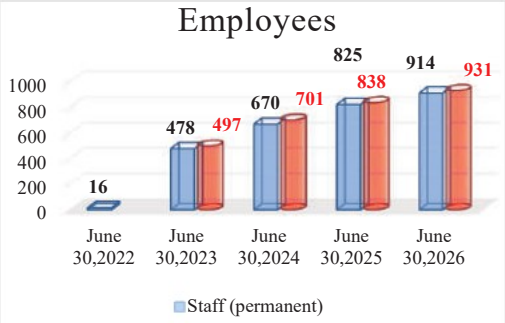
Total Expense (in Million Birr)











Our Reach



&1,005,014





11
ATM



8,042





296,684
Mobile Banking Subscribers

Our Mission

"We are committed to delivering superior and customer-centric full-fledged banking solutions to our community in a friendly environment by deploying competent employees and the art of technology, whilst optimizing shareholders' value."

Our Vision

"To Inspire and Enable Your Dreams"

Our core values

G GROWTH MINDSET

A APPROACHABLE

D DIVERSITY

A ACCOUNTABILITY

A ACCESSIBILITY

OUR PURPOSE

"Empowering community to realize its full potential through financial growth and nurturing prosperity with trusted banking solution."

WHO WE ARE?

Establishment

Subscribes' meeting on August 5, 2021

Licensed on May 31, 2022

Launch operation on December 24, 2022

Special Niche

Pioneer of the Community Banking: The bank is specifically focused on the economic empowerment and holistic transformation of the low and medium-income sections of society, including farmers, pastoralists, women, and young entrepreneurs who traditionally lack access to standard financial services.

Shareholders

Established with a massive grassroots base of over 28,000 founding shareholders, with over 90% being youth, reached a 32,575 shareholders as of June 30, 2026.

Purpose

Empower community to realize its full potential through financial growth and nurturing prosperity with trusted banking solutions.

Growth & Status

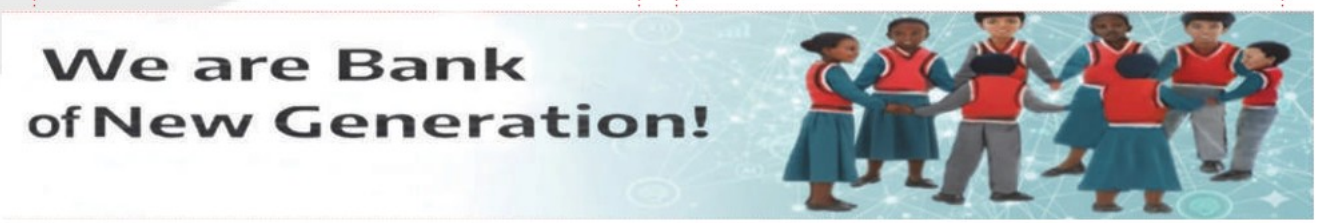
It is one of the fastest growing new banks in

It is one of the fastest-growing new bank in Ethiopia.

It became the second bank officially listed on the Ethiopian Securities Exchange (ESX) in June 2025.

Services

Offers conventional, Interest-Free Banking (IFB), International Banking, and emphasizes on Digital Banking (Mobile Banking, ATM, Internet Banking) and Community Banking to reach areas without traditional branches.



Our Milestone



May 2022

Obtained banking license.



August 2022

Purchased its current Headquarter



June 2023

Launched its interest-free banking services with brand name of Gadaa ALRayyan



Dec 2022

The bank has launched its operations.

Deployed core banking system (T24) within 45 days



August 2023

Officially inaugurated its first IFB full-fledged branch, named Furi Hilal Branch,





July 2023

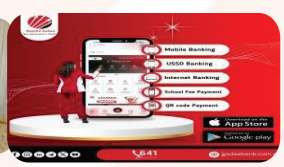
- Generated its first profit.
- The bank signed a MOU with the Ethiopian Airlines Group's major Basic Trade Union.



Dec 2024

Omni-Channel Digital Banking Test





Dec 2023

Celebrated its 1st year anniversary

Launched its Digital Banking Services such as ATM, QR Merchant payment and Contact center.

Obtained Landholding certificate for future head quarter



June 2024

Signed a memorandum of understanding with SANTIM-PAY Financial Solutions.



June 2025

Listed on the Ethiopian Securities Exchange (ESX) on June 23, 2025, the second commercial bank listed on ESX.



Dec 24, 2025

Established its capital market services subsidiary, GSD.



June 2026

Successfully registered additional shares with ECMA in a short period.

Received approval from ECMA for its first public offering of 1 million shares on June 29, 2026.

WHY GADAA BANK?

We are The New Generation's Bank, committed to deliver value to every stakeholder

For the Investor (Shareholder)



Swift Profitability & Growth

In a brief period, Gadaa Bank has attained profitability (it took only six months to breakeven) and emerged as a frontrunner among third-generation banks.



Public Listing on the Ethiopian Securities Exchange (ESX)

We are a pioneer, being the second bank to list on the Ethiopian Securities Exchange (ESX), which provides shareholders with liquidity, enhances transparency, and positions us for future capital mobilization.



Strategic Diversification

Gadaa Bank is diversifying its business through strategic investments and geographic expansion to mitigate risks and capitalize on new opportunities.



Digitalization within a growing Customer Base

Deployed Omni-channel service in a short time of its operation to provide seamless services



Governance, Compliance, and Leadership

Enhanced Risk and Compliance Culture, Experienced Management Team, & Large Shareholder Base with strong BOD representation

For the Customers

Inclusive Products



We empower underserved markets, including farmers, pastoralists, and entrepreneurs, through our specialized Community Banking services, beyond our comprehensive Conventional and Interest-Free Banking (IFB) solutions.

Digital Accessibility



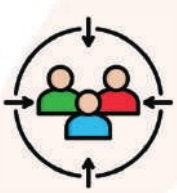
We are an "art-of-technology" bank, delivering comprehensive Digital Banking through diverse channels to ensure convenient services.

Local Agility:



Our deep local market understanding allows us to adapt swiftly and develop tailored solutions more effectively.

Customer Centric Service



Our mission is to "deliver superior and customer-centric" financial solutions in a friendly environment, driven by our core value of being Approachable

Unmatched Niche Strength:



Our focus on Community Banking captures a vast, underserved customer base in remote areas, providing a high-potential growth engine unmatched by competitors.

For the Employee (Talent and Professionals)

Focus on Human Capital



We place a special focus on human capital, creating an environment where employees are known for their performance and resilience.

Youth-Driven Mandate



We are part of a forward-thinking institution, founded largely by youth, committed to building a "capable generation through bold strategies."

Agile and Innovative



Our core value of Growth Mindset fosters innovation, higher achievement, and the organizational agility needed to thrive in a rapidly changing environment.

Contribution to Community



We work directly contributes to our mission of the "holistic transformation of the low and medium-income section of the population."

For Community

Focus Area	Impact for the community	How it encourages the community
Pioneering Market Model	The bank is the first in the country to introduce a dedicated Community Banking model.	Establishes a competitive advantage and a pioneering reputation.
Focus on Underserved Segments	Targets the low- and medium-income segments, including farmers, pastoralists, young entrepreneurs, and women, who are overlooked by larger banks.	Directly addresses the substantial financial inclusion gap by providing essential access.
Tailored & Local Approach	Leverages deep local market understanding to adapt swiftly and develop customized products that fit community needs.	Ensures solutions are relevant and effective for local economic contexts
Integrated Cultural Values	Philosophy is rooted in the Gadaa Ruling System ideology, emphasizing equal accessibility and deep community involvement.	Provides a strong cultural connection and builds a highly trusted brand.
ESG & Social Commitment	Committed to Environmental, Social, and Governance (ESG) responsibilities, including promoting environmental sustainability and active social development.	Extends impact beyond finance, strengthening brand image and local welfare.

Our Business Strategies

To turn its vision and mission into measurable impact, the Bank is pursuing an integrated business strategy built on five strategic pillars: *Customer Centricity, Digitalization, Talented human capital, Strategic Partnerships, and Sustainable Growth*

As competition intensifies across the financial sector, monetary policies evolve, and customer expectations continue to rise, the Bank is taking decisive steps to anticipate change and strengthen its market position. The strategy focuses on building a resilient, innovative, and customer-focused institution capable of creating long-term value for its stakeholders.

Key priorities include accelerating capital growth and resource mobilization across both banking and capital market businesses, while modernizing corporate governance systems and strengthening human resource management. The Bank is also enhancing its sales and marketing capabilities, optimizing multi-channel distribution, and improving its risk management, cybersecurity, and business continuity frameworks.

At the core of this strategy is an ambitious, bank-wide digital transformation program. By harnessing technology, the Bank aims to deliver services that are faster, safer, more convenient, and accessible to a broader population. This transformation will drive operational excellence, support expansion into underserved markets, mobilize domestic savings, widen access to capital markets, and advance meaningful financial inclusion across the economy.

Our Business Model

The Bank's business model is explicitly engineered to generate long-term, shared value by seamlessly integrating sustainability and robust risk management directly into our core corporate operations. By strategically mobilizing our financial, human, intellectual, social, and manufactured capital, the Bank deploys targeted financial solutions across a versatile, Omnichannel network and physical business channeles. This comprehensive approach allows us to actively promote financial inclusion, bolster climate resilience, and catalyze economic development across our commercial banking and capital market ecosystems, all while maintaining a vigilant, proactive defense against both financial and non-financial risks.

In an era defined by swift technological evolution and shifting consumer behaviors, the Bank is proactively redefining its engagement strategies to serve a new generation of digitally savvy clients alongside our broader institutional communities. By continuously enhancing our consolidated digital capabilities and aligning our services with modern market expectations, we ensure our banking and capital market solutions remain highly accessible, secure, and commercially relevant. This deliberate focus on digital modernization enables the Bank to deliver innovative, seamless customer experiences that foster deep community trust and optimize our cost-to-income performance.

Looking ahead, the Bank remains committed to addressing the critical internal and external strategic challenges that will shape the financial landscape over the coming horizons. Rather than simply reacting to market shifts, we utilize a proactive strategic framework to align our core corporate vision and mission with highly actionable, forward-looking strategies. By continuously integrating material risk management, particularly market and climate risks, with actionable stakeholder insights, we ensure the Bank's enduring sustainability, market competitiveness, and unwavering commitment to operational excellence.

OUR BOARD OF DIRECTORS



Dr. Hassan Hussein Kedir
Board Chairperson



Obbo Hailu Ifa Gonda
Board V/Chairperson



Dr. Degefe Duressa Obo
Board member and chair of audit Committee



Dr. Gutu Tesso Boka
Board Member & chair of Risk Management & copliance commite



Ambassador Mulu Solomon Bezuneh
Board Member & Chair of Nomination and Remuneration Committee



Obbo Tilahun Tadesse Tuji
Board Member & Chair of Credit Committee



Obbo Hamdeno Midesso Woya
Board Member



Adde Semira Abdella Mohammed
Board Member



Dr. Kassim Kufa Jarra
Board Member



Eng. Ashenafi Daba Abdi
Board Member



Obbo Shiferaw Rufe Bedo
Board Member



Obbo Galata Daba Afata
Company Secretary



Board Chairman's Statement

"Our purpose is not only growth for its own sake - it is the financial empowerment of every communities and enterprise we serve."

Dear Shareholders, Members of the Board of Directors, Management, Staff, Honored Guests, and Stakeholders,

On behalf of the Board of Directors, I am privileged to present the Consolidated Annual Report of Gadaa Bank S.C. for the 2025/26 fiscal year.

This year marked the first full implementation of our revised corporate strategy, a pivotal milestone that demonstrated our institutional resilience, strategic foresight, and record-breaking growth. Our performance reflects a steadfast commitment to sustainable growth and the continued trust you place in our vision.

Our Operating Environment during 2025/26 FY

Global growth moderated in 2026 amid trade-policy uncertainty and conflicts in the Middle East and Ukraine, which disrupted commodity supplies and pushed energy prices higher. The World Bank (June 2026) estimates global growth at 2.5% and inflation near 4.0%, conditions that increased credit risk and constrained consumer purchasing power.

Against this challenging international backdrop, Ethiopia remained remarkably resilient, growing 9.2% in 2025 with a projected 10.2% in 2026. This momentum was supported by major macroeconomic reforms, including a market-determined exchange rate, an interest-rate based monetary framework, and structural opening of the financial sector. Domestically, the financial sector advanced through a dynamic, risk-based capital adequacy framework, full liberalization of deposit interest rates, and the development of capital market operations. These reforms created an **"open-for-business" environment.** We responded by strengthening leadership, accelerating digitalization, improving operational efficiency, and reinforcing our capital base.

Our Strategic Initiatives and Network Expansion

To capture emerging opportunities, the Bank executed its revised corporate strategy, prioritizing robust risk management, portfolio diversification, and customer-centric solutions. We invested substantially in next-generation technology to modernize operations and broaden our products set beyond traditional banking.

Recognizing the role of digital channels in shifting customer behavior and reducing costs, we expanded our digital ecosystem while also growing our physical presence. We opened 10 new branches, bringing our network to 110

branches nationwide. This balanced approach, digital scale complemented by targeted branch expansion, deepened financial inclusion and accelerated deposit mobilization.

To engage the evolving capital market, we established Gadaa Securities Dealer S.C. The subsidiary enables us and others to offer share services, facilitate secondary-market trading, and participate strategically in the interbank money market, positioning us for an early competitive advantage as capital markets mature.

Financial Performance

Our strategy translated into exceptional financial results. Our total asset grew by 66% and reached Birr 16.8 billion while our total capital grew by 56% which brought it to Birr 2.8 billion as of 30th June 2026. Total revenue reached Birr 2.96 billion where operating profit before tax was Birr 1.05 billion, a 135% increase from the prior year. Growth was driven by higher non-interest income, optimized foreign-currency management, and rapid adoption of digital channels. Customer numbers exceeded one million, supporting deposits growth of 68% amounting to Birr 11.89 billion (excluding margin) despite intense competition. Earnings per share rose to Birr 522.7 from Birr 290 in 2024/25. Return on Equity improved to 27% (19% in 2024/25) and Return on Assets to 6% (3.0% in 2024/25).

Inclusion, Sustainability, and Corporate Responsibility

Our success extends beyond financial metrics to responsible corporate citizenship. We embedded ESG principles into strategy and integrated ESG considerations into lending and investment decisions. Key initiatives included targeted financing for agriculture, solar energy, and electric vehicles; adoption of electric vehicles in our corporate fleet; paperless office practices; and annual tree-planting campaigns.

We improved gender representation across the Board, management, and staff, and increased financing for women-led enterprises. The Bank invested in community development and environmental programs during the year.

Outlook and Strategic Priorities

Looking to 2026/27, increased competition from foreign entrants will test market dynamics, but our strategy positions us to remain agile and competitive. Our priorities are accelerating digital transformation, improving cost-to-income efficiency, ensuring prudent risk management, and deepening customer-centric offerings.

We will scale our capital-market efforts by developing infrastructure and specialized talent, transforming our Securities Dealer into a full-fledged Investment Bank to expand trading pipelines, underwriting, and corporate advisory services. These steps will support asset-quality enhancement, capital optimization, and sustained financial performance.

Acknowledgements

On behalf of the Board, I extend sincere gratitude to our shareholders for their confidence; to regulators for their guidance; to our customers for their loyalty; and to every member of our team for their dedication and hard work. Your partnership is the cornerstone of our achievements.

We look forward to strengthening these collaborations, navigating reforms, and delivering sustainable value for all stakeholders.



Dr. Hassen Hussien
Chairperson, Board of Directors
Gadaa Bank

Galatoomaa!
Gadaan Quufaa Gabbina!

Executive Management



Obbo Wolde Bulto Adugna
Chief Executive Officer



Obbo Fathi Haji Abafogi
Chief, IT Officer



Obbo Eshetu Deressa Wirtu
Chief, Customer Experience Officer



Adde Mekdes Bekele Lema
Chief, Resource Management Officer



Obbo Dereje Mengistu Abajifar
Chief, Risk Management and Compliance Department



Obbo Legesse Jada Bikila
Chief, Internal Audit



Obbo Debebe Feyissa Aredo
Executive Director Strategy & Research



Obbo Abduljebar Kedir Jiru
Executive Director, Interest Free Banking



Obbo Ifa Abdissa Horata
Executive Director, Digital Banking Department

Senior Management



Obbo Djorji Tone Djirata
Director, IT Infrastructure & Project Management Department



Obbo Fedesa Woreti Gelalcha
Director, Information System Security Department



Obbo Fetene Alemu Negeri
Director, Promotion & Public Relation



Obbo Fekadu Urgesa Megersa
Director, Procurement & Facility Managent Department



Obbo Gizachew Abera Abdeta
Director, Investors Relation and Share Capital Management



Obbo Gudeta Gelana Chemeda
Director, Customer Accounts & Operation Support



Obbo Hailu Lemu Bokore
Director, Construction Project Management



Obbo Muleta Debel Wakjira
Director, Legal Service



Obbo Lalisa Wakuma Kenea
A/Director-International Banking Services Department



Obbo Robera Wakgari Negasa
Director, Credit Department



Adde Sebasegel Seyoum Gemeda
Director, Customer Relationship Department



Adde Tenaye Aklilu Worku
Director, Finance Management Department



Obbo Ulfata Regasa Idato
Director, Human Capital Management Department



Obbo Yirgalem Teshome Ketema
Director, Core Banking, Enterprise and Auxiliary Systems

District Management



Obbo Walabumma Tesfaye Chala
South East District Director



Obbo Demelesh Tadesse Hiksa
North West District Director



Message of the Chief Executive Officer

"We remain committed to delivering sustainable growth, trusted service, and long-term value for all stakeholders."

Dear Shareholders, Board of Directors, Customers, Employees, and Partners,

It is my pleasure to present the consolidated annual performance report of Gadaa Bank for the fiscal year 2025/26, a year defined by transformation, resilience, and strong financial performance.

The global economy faced notable headwinds during the period, driven by geopolitical tensions in the Middle East and continued Russia-Ukraine war, rising energy prices, and policy uncertainty. According to the World Bank's June 2026 outlook, global growth slowed to 2.5%, while inflation rose to 4.0%, with significant volatility in key commodities, including Arabica coffee.

Ethiopia, however, demonstrated strong economic resilience supported by broad macroeconomic reforms, the economy grew by 9.2% in 2025 and is projected to expand by 10.2% in 2026. During the fiscal year, the financial sector operated under tighter monetary and fiscal conditions, the liberalization of interest rates, sustained credit cap, the introduction of risk-based capital adequacy frameworks, and the emergence of capital market operations. While these reforms created long-term opportunities, they also increased pressure on banks to strengthen capital, improve efficiency, and accelerate digital transformation.

Our Bank Strategic Response

Against this backdrop, the banking sector experienced intensifying competition for liquidity, higher interest rates, and rising funding costs. In response, Gadaa Bank strategically optimized its asset mix by prioritizing short-term finance and government treasury bills, while expanding digital banking services to diversify income sources and sustained profitability. This disciplined approach enabled the Bank to remain resilient amid foreign exchange volatility, liquidity pressure, and regulatory constraints, including the 24% credit growth ceiling.

Our Financial Performance

Despite the challenging operating environment, Gadaa Bank delivered outstanding financial

performance for the fiscal year. Gross revenue reached Birr 2.96 billion, reflecting 77% growth compared to the previous year. Total expenses stood at Birr 1.9 billion, increasing by 55% due to continued branch expansion, staffing, and institutional development.

Profit before tax rose sharply to Birr 1.05 billion, representing growth of 135% over the previous year. Total assets increased by 66% and reached to Birr 16.8 billion, supported by a 68% rise in total deposits, which reached Birr 12.9 billion (including margin held of Birr 985 million). The Bank's consolidated credit and interest-free financing portfolio also expanded to Birr 6.1 billion, contributing to productive investment across the economy.

Customer Growth and Digital Expansion

The Bank made remarkable progress in customer acquisition and service accessibility. During the fiscal year, the total customer base increased from 575,977 to 1,005,014 accounts. To support this growth, we opened 10 additional branches, bringing our total network to 110 branches.

Our newly established capital markets arm also made significant progress, opening brokerage accounts for 3,000 clients and expanding access to emerging financial services. In parallel, the Bank strengthened its digital channels, surpassing 300,000 subscribers across internet and mobile banking platforms. This reflects our continued commitment to convenience, inclusion, and modern banking service delivery.

Capital and Risk Position

The Bank maintained strong capital and asset quality indicators throughout the year. As of June 2026, our Capital Adequacy Ratio stood at 12.3%, while the Non-Performing Loan ratio remained exceptionally low at 0.7%. These results demonstrate the effectiveness of our prudent lending practices and disciplined risk management framework.

We also continued to strengthen our capital base to ensure resilience against market shocks and to support future growth. Looking ahead, the further expansion of our capital base will remain a shared priority between management and shareholders.

Governance and Institutional Strength

The success of our capital markets subsidiary reflects the value of strategic synergy within the Group. By taking an early position in the emerging capital market, the Bank has diversified its investment portfolio, expanded non-interest income streams, and strengthened its competitive position.

At the same time, we have reinforced governance and risk controls across the business. Strong institutional safeguards, client-data protection measures, conflict-of-interest controls, and advanced market-risk monitoring systems have been put in place to ensure that banking services, brokerage and trading activities are conducted safely, responsibly, and in full compliance with applicable regulations.

People and Technology

Our achievements are driven by the dedication and competence of our workforce. As of June 2026, the Bank continued to invest heavily in human capital development, delivering technical, leadership, and ethics training to 2,968 participants.

We are also modernizing our core technology infrastructure to improve operational efficiency, service quality, security, and customer experience. These investments in people and systems continue to underpin our culture of professionalism, accountability, and compliance.

Sustainability and Community

Sustainability remains central to our long-term strategy. We are actively increasing our environmental footprint, integrating ESG and

climate risk considerations into our credit and investment decisions, and supporting our clients' transition toward a low-carbon economy.

In addition, the Bank contributed Birr 7.0 million to community development initiatives during the fiscal year. This reflects our commitment to creating not only financial value, but also lasting social impact.

Outlook

The 2026/27 fiscal year is expected to present continued competition, tighter monetary conditions, cybersecurity risks, and macroeconomic volatility. Nevertheless, Gadaa Bank is well positioned to respond with agility and confidence.

Our strategic priorities include expanding digital channels, deepening fintech partnerships, starting our future headquarter building, strengthening capital, and building capacity in capital markets. As Ethiopia's financial system continues to evolve, we remain committed to delivering sustainable growth, trusted service, and long-term value for all stakeholders.

Appreciation

On behalf of management, I would like to express our sincere gratitude to our regulators for their guidance, our Board of Directors for their leadership, our employees for their dedication, and our customers and shareholders for their trust and continued support.

Together, we will continue to build a stronger, more resilient, and more inclusive financial institution.



Wolde Bulto
Chief Executive Officer
Gadaa Bank





Mazarie

Farmers
Mudarabah Saving Account



G- AlRayyan Card



Baankii Gadaa
GadaaBank

Gadaa Al Rayyan
غَدَاالريان

Sharia Advisory Committee (SAC) Members



Sheik Jemal Musa Jilo
Chairman



Sheikh Hussien Mahmud Hamu
Deputy Chairman



Sheikh Musa Sheko Mengi
Member

Gadaa Bank Sharia Advisor Committee (SAC) Statement for the Fiscal Year Ended June 30, 2026

To the Shareholders, Customers, and other Stakeholders of the Gadaa Bank.

Pursuant to the provisions of the Sharia Advisory Committee (SAC) Charter and the requirements applicable to Interest-Free Banking (IFB) services, the Sharia Advisory Committee is pleased to present its Annual Report for the financial year ended June 30, 2026.

Since its establishment in May 2023, Gadaa AlRayyan has continued to expand its Interest-Free Banking and resource mobilization services across multiple economic sectors. During the year under review, the Bank made significant progress in extending IFB services through its full-fledged IFB branches, dedicated windows, and digital channels, thereby improving accessibility while maintaining compliance with Sharia principles.

The Bank has also continued to prioritize the integrity of its operations by investing in the recruitment and capacity building of specialized personnel to support the effective implementation of Islamic finance principles. In parallel, Gadaa AlRayyan has advanced its corporate social responsibility initiatives in a manner consistent with Sharia values, with the objective of creating sustainable benefits

for customers, shareholders, and the wider community.

During the fiscal year, the SAC carried out its oversight responsibilities through regular and extraordinary meetings. In the course of these meetings, the Committee reviewed IFB products, financing contracts, terms and conditions, and related operational matters to ascertain their conformity with Sharia principles. The Committee also examined the Bank's financial statements, audit reports, and matters referred to it by Management, and accordingly issued the necessary opinions, fatwas, and guidance to the Board, Management, and relevant staff.

It is the responsibility of Management to ensure the day-to-day implementation of IFB finance requirements and compliance with the directives issued by the National Bank of Ethiopia. The mandate of the SAC, however, is to provide an independent opinion based on its review of operational reports, transaction documentation, internal audit findings, and other relevant evidence.

Based on the reviews and evaluations undertaken during the year, the SAC confirms the following:

- The Bank has made every effort to comply with applicable regulatory requirements, uphold sound governance practices, and observe Sharia principles in the conduct of its IFB operations.

- The contracts, transactions, and dealings entered into by the Bank during the fiscal year, which the committee reviewed, fully comply with Sharia rules.

The SAC hereby expresses its sincere appreciation to the Board of Directors, Management, and staff for their cooperation, diligence, and commitment to strengthening Sharia compliance across the Bank. Their continued support is essential to the sustained growth and credibility of Gadaa Bank's Interest-Free Banking operations.

Shukran!
Thank you

Sheik Jemal Musa	Sheik Hussein Mahmud	Sheik Musa Sheko
Chairman	Deputy Chairman	Member

Reports of the Board of Directors

1. Our Operating Environment in 2025/26FY

Global Economy Overview

The June 2026 World Bank report details challenges to the global economy from ongoing Middle East conflicts, predicting a slowdown in global growth from 2.9% in 2025 to 2.5% in 2026, before rebounding to 2.8% in 2027. Inflation, driven by rising energy prices, is expected to reach 4.0% in 2026, while Sub-Saharan Africa's growth is projected to decline from 4.1% to 4.0%.

The IMF's April 2026 report warns of heightened financial stability risks due to these conflicts and renewed inflation. Increased cross-border portfolio flows through nonbank financial institutions (NBFIs) have improved funding options for emerging markets but also heightened their vulnerability to global risk shifts.

The World Bank also forecasts a 16% rise in global commodity prices in 2026, the first increase since 2022, driven by a 24% spike in energy prices and significant rises in metals and precious metals. These trends affect currency availability and funding conditions, affecting credit risk management and capital allocation amid macroeconomic and political instability.

Domestic Socioeconomic

Ethiopia's economy is experiencing significant transformation due to substantial macroeconomic and financial reforms. In contrast to global trends, GDP growth is projected at 7.6% for 2023/24, 9.8% for 2024/25, and 9.2% for 2025/26, driven by improved agricultural productivity, construction, and mining, along with strong household consumption.

According to Ethiopia's CSA, inflation declined from about 30% in 2023/24 to 21% in 2024/25 and approximately 13% in 2025/26. The decline reflected improved agricultural production, easing supply shortages, tighter monetary policy, exchange-rate stabilization, and lower food and non-food inflation, although climate shocks, debt pressures, and global fuel prices remain risks.

Ethiopian exports reached USD 10.7 billion and FDI inflows hit USD 4.3 billion in 2025/26, coinciding with a managed depreciation of the Birr as the exchange rate transitioned to a market-based system. Fiscal financing and domestic borrowing were key in shaping market liquidity, with T-bill yields falling and interbank transactions exceeding Birr 3.0 trillion.

The launch of the Ethiopian Securities Exchange (ESX) further strengthens the banking sector's competitive advantage through diversified portfolios and liquidity management.

Banking Industry Overview

Ethiopia's banking industry is undergoing a significant transformation in the 2025/26 fiscal year, driven by major reforms from the National Bank of Ethiopia (NBE). A key change is opening the sector to foreign investment, along with stricter domestic monetary policies. Despite challenges like liquidity constraints and foreign exchange volatility, domestic banks have shown strong profitability and growth. By June 30, 2026, total banking assets, deposits, and paid-up capital are projected to exceed Birr 4.5 trillion, Birr 4.3 trillion, and Birr 812.3 billion, respectively.

The July 2026 Monetary Policy Committee report indicates that the banking sector has maintained its resilience, with positive trends in deposit mobilization and loan collection. The loan-to-deposit ratio for private banks decreased to 72.7%, down from 90.3% in 2022/23, reflecting better liquidity management.

To protect the financial ecosystem from

systemic shocks, the NBE has enhanced its regulatory framework, including a new Risk-Based Capital Adequacy directive that requires banks to strengthen their capital buffers. These reforms also aim to improve consumer protection and encourage advances in digital finance and climate risk.

As competition intensifies, traditional banks are facing pressure from fintech companies like Tele-birr and M-Pesa, especially in reaching the unbanked population. The sector is rapidly shifting towards a digital ecosystem focused on mobile transactions and automated lending. However, this transition raises cybersecurity risks, necessitating stronger internal controls and resilience measures.

2. *Gadaa Bank Major Operational Achievements*

In the 2025/26 fiscal year, which marks the first year of our Revised Strategic Plan, the Gadaa Bank achieved strong results across all major Key Performance Indicators (KPIs). This impressive performance registered despite a challenging macroeconomic environment, characterized by strict central bank credit limits and tight monetary policies.

To navigate these shifting market dynamics, the Bank embraced a deeply customer-centric approach, leveraging digitalization to prioritize personalized services, simplify transaction flows, and enhance consolidated corporate accountability.

a. Capital Market Integration

A landmark achievement this fiscal year was the Bank's strategic entry into Ethiopia's nascent capital market. Gadaa Bank established Gadaa Securities Dealer S.C., a dedicated capital-markets subsidiary that became operational in the final two months of FY2025/26. Despite its short operating window, the new subsidiary delivered a profit-demonstrating strong go-to-market execution, immediate client traction, and effective integration with the Bank's treasury and corporate finance capabilities. This early success positions Gadaa Securities to scale its services as the Ethiopian Securities Exchange (ESX) deepens and creates a new fee-based revenue stream for the bank.



On the other hand, the Bank successfully registered additional 230,731 existing shares and launched a new public offering of one million shares with the ECMA. This strategic capital mobilization significantly expands our consolidated capital base, enhances institutional trust, and boosts long-term investor confidence. Furthermore, the Bank actively capitalized on these new liquidity optimization avenues by participating in the interbank money market to generate a net new stream of non-interest revenue.

b. Enterprise Risk Management practice

To safeguard these strategic gains and mitigate operational exposure across our expanding corporate perimeter, the Bank fortified its control environment by developing a comprehensive Enterprise Risk Management (ERM) taxonomy, establishing formalized risk appetite limits and Key Risk Indicators (KRIs), and updating its overarching risk management framework and related procedures.

c. Financial Inclusion and Ecosystem Expansion

As a primary catalyst for national economic development, the Bank continues to drive financial inclusion by expanding both its physical branch network and its cutting-edge digital delivery channels. This growth is supported by strategic talent acquisition, economy-stimulating financial transactions, and a steadfast commitment to Corporate Social Responsibility (CSR).



With digitalization serving as a core strategic pillar, the Bank has delivered seamless, omnichannel banking and wealth solutions. Key operational milestones in this fiscal year included rolling out a Point of Sale (POS) Terminal pilot to modernize merchant transactions and promote a cashless ecosystem, alongside launching a targeted Digital Lending initiative. Combined with the successful go-live of the Furtuu micro-lending platform, these digital financing initiatives have significantly expanded credit access for unbanked segments and Small and Medium Enterprises (SMEs).

d. Technology Infrastructure and Digital Resilience

To support the digital-first approach, the Bank accelerated several high-impact technology and core infrastructure projects designed to handle the scale of both commercial banking and securities operations:

- **Omni-Channel Project (Phase II):** Reached a major milestone, with its digital onboarding and agency banking modules transitioning into the live pilot stage across web, mobile, and USSD platforms.

- **Infrastructure Upgrade Project:** Hardware and system resilience were substantially upgraded through physical installation, networking, and Proxmox virtualization clustering at the Tele Data Centre, further reinforced by high-availability testing for the Core Switch Project.

- **Security & Specialized Integration:** The Bank established a dedicated server environment for direct SWIFT Integration, neared the final stages of the Privileged Access Management (PAM) Project to secure high-level administrative access, and finalized development of the new corporate website, which is currently undergoing final security clearance.

- To protect its expanding digital ecosystem and align with global benchmarks for security and quality management, the Bank fully completed its **Disaster Recovery**

(DR) Design and Implementation project, refining its DR architecture and establishing seamless failover and real-time replication mechanisms for mission-critical systems.

- Concurrently, the Bank initiated critical compliance workflows to achieve ISO 27001 (Information Security) and ISO 9001 (Quality Management) certifications. Over the course of the year, this ongoing ISO project advanced through comprehensive staff training and the drafting of 12 department-level policy and procedure documents, laying a firm foundation for operational excellence and long-term institutional resilience across the entire Bank.

2.2. Operational Performance

The first year of our revised corporate strategic plan implementation delivered strong results across financial and operational metrics. We achieved robust revenue growth, improved asset quality, and better liquidity management while making targeted investments in digital capabilities and risk controls. These outcomes reflect disciplined execution of our strategy and effective collaboration across the organisation. We extend our sincere gratitude to our shareholders, partners, customers, and staff for their commitment and contribution. A detailed summary of financial and operational results presented as follows.

2.2.1. Deposit Mobilization

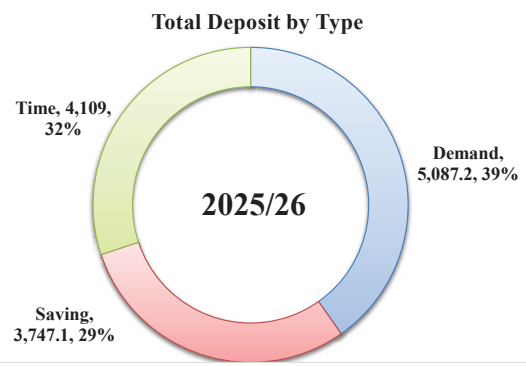
The bank actively strengthens its resource mobilization efforts by targeting potential customers, maximizing contributions from existing depositors, improving accessibility, and fostering the digital banking sector. We also focus on developing tailored products and services to meet diverse customer needs.

In the fiscal year 2025/26, the bank's total deposits, including letters of credit margins, reached Birr 12.9 billion. This represents a remarkable 65% increase from Birr 7.8 billion the previous year and Birr 4.0 billion in June 2024. Our growth was anchored by the mobilization of Birr 5.1 billion over the past twelve months including margin, with conventional customers contributing Birr 4.7 billion (91.6%) and interest-free banking customers adding Birr 0.4 billion.

This strong performance was primarily driven by sustained deposit mobilization efforts, strategic expansion of our physical network, enhanced customer outreach, and digital innovation.

We achieved this milestone despite facing a challenging environment. This included restrictive policies, tight credit growth caps that limited our ability to mobilize resources, and broader macroeconomic instability. Additionally, we dealt with domestic political tensions and global disruptions caused by the ongoing conflict in the Middle East.

As of June 30, 2026, the Bank's deposits were predominantly composed of demand deposits at 39% (Birr 5.1 billion), followed by time deposits at 32% (Birr 4.1 billion), while savings deposits held the lowest share at 29% (Birr 3.7 billion). During the year, time deposits experienced the highest growth rate. The recent deposit mix indicates a shift in customer behavior, with both savings and time deposits showing growth, while demand deposits have declined compared to previous periods.

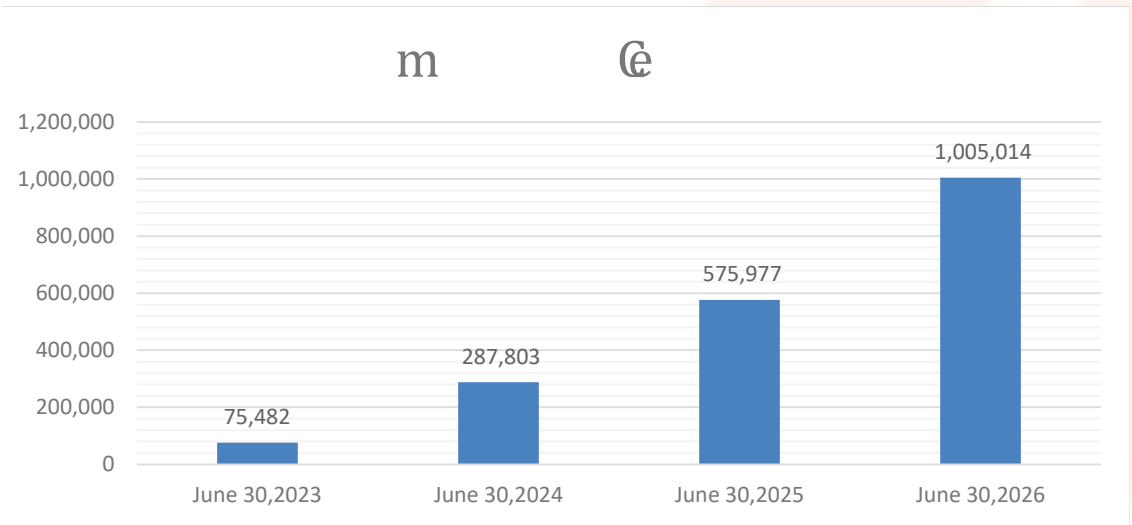


2.2.2. Customer Base

To enhance its market share and financial accessibility, the Bank is committed to producing tailored products and services that meet the evolving expectations of its customers.

During the fiscal year, the Bank successfully recruited 429,037 new customers, bringing its total to 1,005,014, an increase of 74.5% from the previous year (June 2025: 575,977) . Among the new customers, 342,704 (79.9%) opened conventional accounts, while 86,333 (20.1%) opted for interest-free banking accounts.

To sustain this growth, the Bank is focused on enhancing the customer onboarding experience by simplifying account-opening procedures and strengthening its digital service channels. These efforts aim to provide convenient, secure, and banking solutions. Notably, the Bank has implemented a customer onboarding process that allows individuals to open accounts independently from any location, further expanding accessibility to banking services for every Ethiopian and member of the Diaspora.



2.2.3. Credit Performance

To meet the evolving financial needs of our customers and contribute to economic growth, the bank continued to support various sectors by financing as a newly established bank. Despite regulatory adjustments, including the credit cap and competitive environment, the bank disbursed Birr 3.2 billion, representing a 76.5% rise in annual disbursements compared to the prior year. This growth was achieved by diversifying its portfolios across various business segments and customer bases. Specifically, Birr 3,192.8 million was allocated to conventional banking services, while Birr 24.7 million supported interest-free banking (IFB) services.

In the reporting period, Gadaa Bank's total outstanding loans and advances, including interest-free financing, reached Birr 6.2 billion. This marked an increase of 64.3% compared to the previous year's total of Birr 3.8 billion.

As of June 30, 2025/26, the Bank's total conventional portfolio of outstanding loans and advances amounted to Birr 5,923.3 million, while IFB financing outstanding balance amounted Birr 183.8 million.

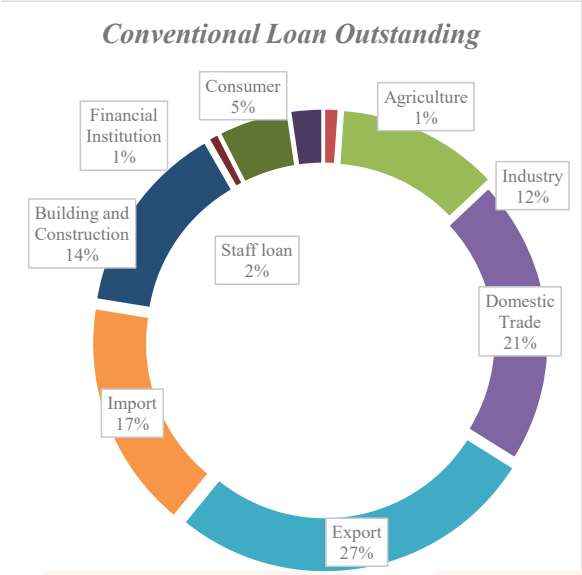
In terms of sector allocation of conventional loans and advance, domestic trade financing experienced the highest growth rate at 100%, followed by import financing at 78.3% and manufacturing at 58%. When examining sectoral distribution, the export sector held the largest share of total outstanding loans and advances at 27%, followed by the domestic trade services (21.7%) and import sectors (16.7%).

Regarding the maturity structure of the portfolio, short-term loans represented the largest share at 41%, followed closely by medium-term loans at 40%, and long-term credit facilities at 19%. The sector contributions are strategically allocated to support the bank's lending strategy and bolster the national economy. This approach generates foreign currency and promotes domestic trade while upholding prudent credit practices to maintain portfolio quality, better liquidity position and ensure strong returns.





As of June 30, 2026, the bank's loan-to-deposit ratio was 52%, demonstrating a careful balance between strong credit quality and optimal liquidity. The bank also reported robust asset quality and effective risk management, with a non-performing loan (NPL) ratio well below the National Bank of Ethiopia's regulatory threshold of 5%. The total amount of NPLs was Birr 40.6 million, resulting in an impressive NPL ratio of just 0.7%. Additionally, the bank's credit recovery efforts were strong, successfully collecting Birr 1.4 billion from outstanding loans during the fiscal period.



Conventional Outstanding Loans and Advances (Million Birr)

Particular	As of June 2026		As of June 2025		Annual Growth Rate
	Actual	% share	Actual	% share	
Agriculture	65.51	1.1%	43.5	1.20%	50.6%
Industry	704.46	11.9%	446.5	12.10%	57.8%
Domestic Trade	1237.86	20.9%	642.7	17.40%	92.6%
Export	1,598.41	27.0%	1085.8	29.40%	47.2%
Import	988.36	16.7%	554.3	15.00%	78.3%
Building and Construction	837.93	14.1%	620.1	16.80%	35.1%
Financial Institution	46.58	0.8%	-		
Consumer	304.13	5.1%	299.7	8.10%	1.5%
Staff loan	140.05	2.4%			
Total	**5,923.29**		**3,692.50**		**60.4%**

2.2.4. International Banking Services Performance

International banking services are a vital revenue stream, significantly contributing to the bank's foreign currency inflows, which support international operations and enhance overall revenues.

During the fiscal year, the bank generated USD 85.1 million in foreign exchange, reflecting a 104% increase from the previous year. This growth was primarily driven by foreign currency dealing and auctions and export, which contributed USD 40.6 million and 30.3 million, respectively.

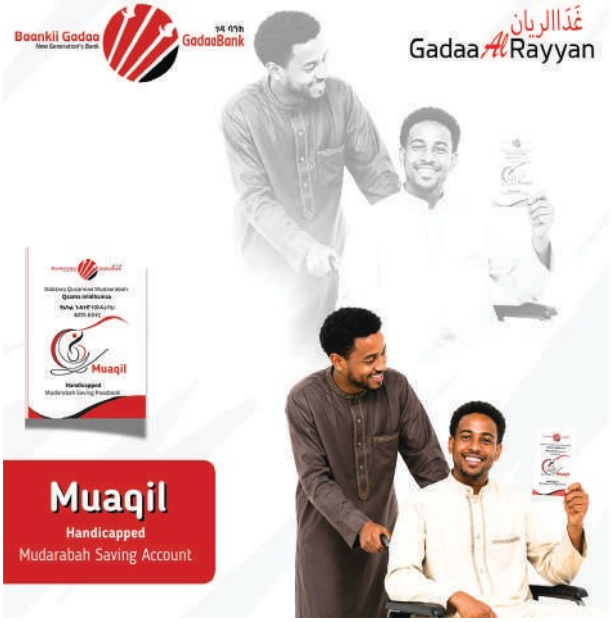
To enhance the generation of foreign resources, the bank focused on expanding its trade finance operations. Additionally, strengthening remittance channels by building long-lasting relationships with diaspora communities and increasing partnerships with correspondent banks in developed countries will be essential.

2.2.5. Interest-Free Banking Services

The Bank is dedicated to enhancing relationships with clients seeking sharia-compliant banking solutions, operating through both window services and full-interest-free branches under the Gadaa AlRayyan brand. Recognizing the significance of this sector and the expectations of its interest-free clients, the Bank has developed tailored products and services.

During the fiscal year 2025/26, the Bank introduced the Wakala Mudarabah product and recruited 86,333 new interest-free customers, which reflects a remarkable 93.7% increase compared to the previous year. This growth is further exemplified by the mobilization of Birr 436.1 million from its interest-free clients, aided by the introduction of the Wakala fixed-time deposit product. These efforts generated an income of Birr 29.3 million from financing and additional services.

By the end of the fiscal year, the total outstanding portfolio financing reached Birr 183.8 million, demonstrating a significant 179% growth from the previous year. Additionally, the Bank collected Birr 92.5 million from its outstanding financing during this period, showcasing its successful strategy in serving the needs of its clients.



IFB Outstanding Financing by sector (in Million Birr)

Sector	June-2026	June-2025	Growth rate (%)
Transport Sector	4.17	4.2	-1%
Domestic Trade Service Murabaha	20.69	29.96	-31%
Export Murabaha	128.92	31.72	306%
Building Construction & Real Estate Development.	26.01	-	-
Consumer Murabaha	4.05		-
Total	**183.85**	**65.89**	**179%**

2.2.6. Community Banking Performance

The Bank has launched a community banking model aimed at serving underserved areas where access to traditional banking is limited. This model emphasizes strong personal relationships and focuses on entrepreneurship training and financial inclusion. It offers targeted loans to individuals who complete the training program, helping to enhance their business management and entrepreneurial skills. In the 2025/26 fiscal year, the Bank successfully trained 700 individuals nationwide.





2.2.7. Banking Channels Expansion

The Bank is focused on expanding its digital channels and enhancing traditional banking services in underserved areas to promote financial inclusion and support resource mobilization. During the fiscal year 2025-2026, the Bank opened 10 new branches, bringing its total to 110 branches nationwide. Additionally, the Bank has introduced POS machines in selected locations, and the number of ATM machines has now reached 11.

2.2.8. Digital Banking Channels Performance

Digitalization is a key strategic priority for the Bank, and we are committed to expanding our digital banking channels to improve customer experience and adapt to changing customer needs.

In the 2025/26 fiscal year, the Bank welcomed 181,989 new mobile banking users, increasing our total subscriber base to 296,684. Additionally, we issued 2,885 new cards, bringing the total number of cardholders to 8,042. We also onboarded 41,243 new internet banking users, 729 new merchants, and 19 School Pay users. As a result of this growth, total transactions across all digital banking channels exceeded Birr 4.8 billion during the fiscal year.

2.2.9. Income Performance

During the 2025/26 fiscal year, the Bank's total income reached Birr 2,955.1 million, representing 77.0% growth compared to the previous year's Birr 1,673.9 million and significantly outperforming expectations at 269% of the annual plan. This strong performance was primarily driven by non-interest income, which accounted for the largest share at 56% (Birr 1,655.4 million) and registered a solid 64% year-over-year growth.

Meanwhile, interest income comprised the remaining 44% (Birr 1,299.7 million), showing an impressive 95% increase from the prior year.

Within the interest income stream, loans remained the dominant driver, contributing Birr 1,089.4 million. This segment alone accounted for 83.9% of total interest income and 36.8% of the Bank's overall revenue. Backed by strong credit demand, loan-driven interest income experienced a robust year-over-year growth of 90.6%.

On the other hand, the non-interest income category was led by commission income category sources, which generated Birr 1,171.7 million, representing 39.7% of total income and a 83.8% surge from the same period last year. This sharp increase was largely propelled by a remarkable revenue of Birr 437.89 million from letter of guarantee commission, which grew by 96.1% year-over-year. Foreign exchange service commission income was the second-largest contributor in this category, bringing in Birr 538.9 million (18% of total income).

Bank's Expense by Category (in million Birr)

Particulars	Jun-26		Jun-25		Growth Vs June 2025
	Actual	% share	Actual	% share	
Interest Income	**1,299.69**	**44%**	**666.30**	**40%**	**95.1%**
Non-Interest Income	**1,655.44**	**56%**	**1,007.57**	**60%**	**64.3%**
Commission & Services Income	**1,171.74**		**637.59**		**83.8%**
Guarantee commission	611.69	20.7%	311.87	18.6%	96.1%
Forex service income	537.95	18.2%	314.85	18.8%	70.9%
other commission income	22.10	0.7%	10.87	0.6%	103.4%
Other Income	**483.69**		**369.98**		**30.7%**
FCY revaluation Gain/Loss	329.00	11.1%	340.89	20.4%	-3.5%
Market Exchange Profit	108.89	3.7%	-	0.0%	
others	45.80	1.5%	29.09	1.7%	57.5%
Total Income	**2,955.12**		**1,673.87**		**76.5%**

2.2.10. Expense

The Bank's total expenses reached Birr 1,909.13 million, including provision and depreciation, representing an increase of 55% from the previous year. This increment was primarily driven by interest expenses, which grew by 150.1% (birr 387.7 million growth) from last year, the same period. Interest expenses constituted the largest portion at Birr 646.1 million (33.8%), followed by salaries and benefits at Birr 618.5 million (31.6%), general operating expenses at Birr 429.4 million (21.9%), and depreciation and provision expenses at Birr 262.8 million (13.4%).

Bank's Expense by Category (in million Birr)

Particular	June 2026		June 2025		Growth Vs June 2025
	Actual	% share	Actual	% share	
Interest Expenses	**646.07**	**33.8%**	**258.33**	**21.0%**	**150.1%**
Non-Interest Expense	**1,263.07**	**66.2%**	**970.75**	**79.0%**	**30.1%**
Salaries & Benefits	**739.35**	**38.7%**	**534.78**	**43.5%**	**38.3%**
General Expenses	**204.04**	**10.7%**	**233.80**	**19.0%**	**-12.7%**
Rent expense	123.57	6.5%	95.10	7.7%	29.9%
Other gen exp.	80.47	4.2%	138.70	11.3%	-42.0%
Total Expense Excluding Prov and Depr.	**1,589.46**	**83.3%**	**1,026.91**	**83.6%**	**54.8%**
Provision for loans and off-balance sheet	55.55	2.9%	15.86	1.3%	250.4%
Depreciation exp.	264.13	13.8%	186.31	15.2%	41.8%
Total Expense	**1,909.13**		**1,229.08**	**100.00%**	**55.3%**

2.2.11. Profitability

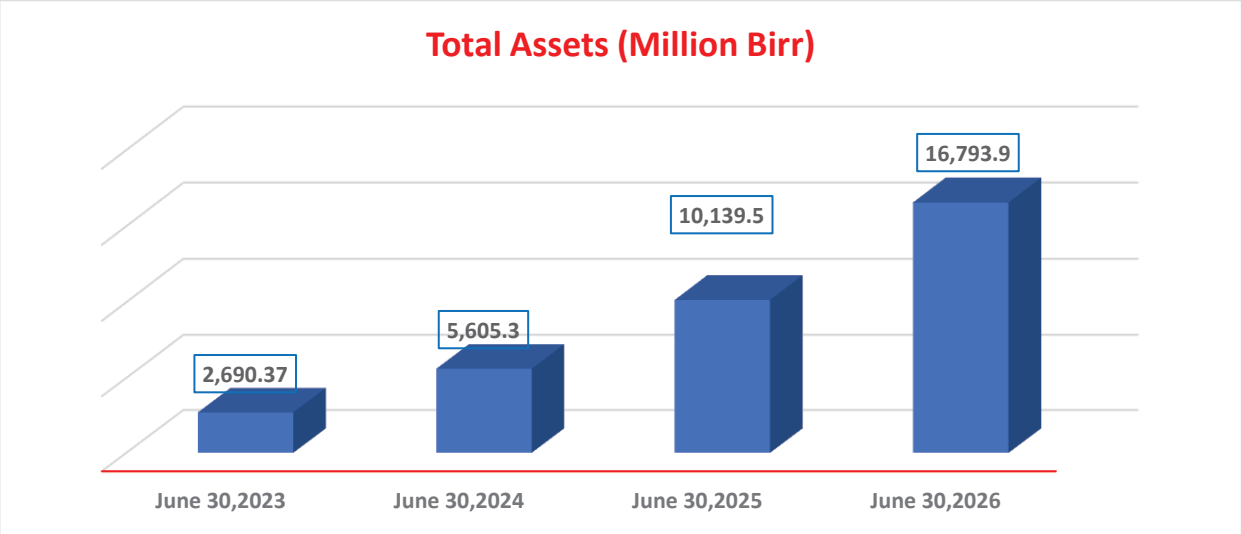
uring the 2025/26 fiscal year, the Bank's profit before tax surged by 135% year-on-year to Birr 1,046 million. Driven by successful revenue growth and cost-management strategies, net profit also climbed 122% to Birr 759.3 million.

Profit and Loss Statement (Million Birr)

Particular	Jun-26 Actual	Jun-25 Actual	Growth Vs June 2025
Interest Income	1,299.69	666.30	95.1%
Interest Expense	646.07	258.33	150.1%
Net Interest Income	**653.62**	**407.97**	**60.2%**
Non-Interest Income	1,655.44	1,007.57	64.3%
Non-Interest Expenses	943.39	768.58	22.7%
Net Non-Interest Income	**712.04**	**238.99**	**197.9%**
Profit/Loss Before Depr & Prov.	**1,365.67**	**646.96**	**111.1%**
Provision for loans and off-balance sheet	55.55	15.86	250.4%
Depreciation exp.	264.13	186.31	41.8%
Profit/loss after provision and Depreciation	1,045.99	444.79	135.2%
Income tax	286.76	102.03	181.0%
Profit for the year	**759.23**	**342.76**	**121.5%**

2.2.12. Balance Sheet

As of June 30, 2026, the Bank's total assets climbed to Birr 16.8 billion, representing a robust 66% increase compared to the Birr 10.1 billion recorded on June 30, 2025. This asset base was primarily anchored by net loans and advances to customers (36%), other assets (19%), and liquid cash holdings and deposits with other banks (27%).



2.2.13. Capital and Reserves

The Bank's total capital stood at Birr 2.8 billion as of June 30, 2026, reflecting a strong 56% growth compared to the same period last year. Within this capital structure, paid-up capital reached Birr 1.65 billion, achieving 59% of the Bank's Birr 2.81 billion target. Compared to June 30, 2025, paid-up registered a steady increase of 26.9% (an incremental Birr 350.46 million). Notably, the bank's retained earnings and capital reserve demonstrated exceptional performance, surging by 163% and 177% year-over-year, respectively.

2.2.14. Human Capital

Gadaa Bank recognizes its employees as its most vital asset. The Bank remains committed to attracting, developing, and retaining high-caliber professionals to foster a performance-driven culture and deliver exceptional customer experiences that create sustainable value for stakeholders.

Driven by this commitment, the Bank welcomed 260 new hires during the 2025/26 fiscal year. As of June 2026, the total permanent workforce reached 914 employees, representing a10.8% increase from the 825 employees recorded during the same period last year. To support this growing workforce, the Bank prioritizes continuous professional growth by investing heavily in technical, soft skills, and leadership development.

During the 2025/26 fiscal year, Gadaa Bank allocated Birr 31.5 million to training initiatives. This investment enabled 2,968 employees to participate in various development programs, outstandingly achieving 132% of the Bank's annual training target.



Advanced Board Leadership: Integrated Strategy and Governance





Women On Leadership Training

3. Board of Directors Performance Assessments

The Bank operates under a comprehensive corporate governance framework to ensure transparency and accountability while creating sustainable value for shareholders and stakeholders. As a publicly listed entity on the Ethiopian Securities Exchange, it adheres strictly to the directives of the National Bank of Ethiopia (NBE) and the Ethiopian Capital Market Authority (ECMA).

Reflecting this commitment to robust governance, the Board performed several significant activities during the 2025/26 fiscal year, which are detailed below:

- Reviewed and approved the Second Five-Year Corporate Business Strategy (2025/26 to 2029/30) and its underlying strategic initiatives.
- Approved the Share Capital Management Strategy (2025/26–2029/30). Deliberated on capital mobilization efforts, including readiness assessments, share price valuation, and the registration of additional shares with the Ethiopian Capital Market Authority (ECMA) to ensure compliance with disclosure standards.
- Discussed the Investor Attraction Strategy, the Foreign Investment Management framework, and ongoing talks with potential foreign strategic partners.
- Finalized governance matters, including the resignation and replacement of a Board member, updating the Executive

Management Committee (EMC) Charter, and approving the Stakeholders Engagement Policy.

- Discussed human capital strategies, including organizational structure and staff benefits.

- Approved the IT Governance Framework, IT Change Management Framework, Internet Banking Policy, and files converted to ISO standards.
- Addressed upcoming shareholders' meeting preparations (including agenda approval), hosted the external auditor's exit conference, and approved the appointment of the external auditor for the next three fiscal years (2025/26–2027/28).

- Approved key risk instruments, including the Risk Management Taxonomy, Risk Appetite (with defined limits/indicators), Risk Management Framework, and the 2025/26 Risk Management Plan.

- Reviewed and formally approved the Risk Management and Compliance (RMC) Committee/Department Reports, institutional risk profiles, progress updates on the comprehensive risk management framework, and the department's upcoming plans, balanced scorecards, and training initiatives.
- Reviewed updates on AML/CFT/KYC compliance. Approved the Ethics and Anti Corruption Policy, Community Banking Policy, and the revised Insider Trading Policy.

- Monitored industry developments regarding reserve requirements, interest rate fluctuations, capital adequacy, and liquidity challenges, alongside reviewing the Bank's recovery plan.

- Approved a comprehensive suite of Agency Banking documents. This includes strategic instruments (Business Plan and Feasibility Study) and policy frameworks (Operations, Due Diligence, Fee Structure/Commission, Risk Management, AML/CFT, and Financial Consumer Protection policies).

- Approved the revised Discretionary Lending Limit (DLL) guidelines, conducted quarterly loan reviews, examined loan review reports, and addressed revisions to credit and Interest-Free Banking (IFB) financing terms and tariffs.

- Approved the introduction of the WAKALA IFB product and addressed the renewal of Sharia Advisory Committee (SAC) services.

- Reviewed ongoing progress on the future headquarters-building project, including the Terms of Reference (ToR) for the feasibility study, client requirements, project framework, and pre-construction plan.

4. Our Investments



As of June 30, 2026, the Bank maintains a diversified investment portfolio in key financial infrastructure and private enterprises, including insurance companies, the Ethiopian Securities Exchange (ESX), and Eth-Switch Share Company, alongside with its core subsidiary, Gadaa Securities Dealer S.C. These strategic investments are vital vehicles that enable the Bank to capture competitive market advantages and secure robust non-operating revenue streams beyond traditional commercial banking operations.

To ensure strict compliance with international accounting standards and financial transparency, these unquoted equity securities were independently valued by PricewaterhouseCoopers (PwC). Utilizing rigorous, industry-standard valuation methodologies for unlisted equities, the portfolio was assessed at fair value through other comprehensive income (FVOCI). Reflecting strong underlying valuation gains and the expanding net asset value of these strategic holdings, the total fair value of the portfolio reached Birr 312.9 million as of June 2026, up from an initial cost basis of Birr 69.17 million excluding birr 60 million which was invested in Gadaa securities dealer sc.

S/N	Organization	Percentage Holdings (as of June 2026)
1	Eth-Switch Share Company	1.44%
2	Oromia Insurance S.C.	0.85%
3	Ethiopian Securities Exchange (ESX) S.C.	0.41%
4	Awash Insurance S.C.	0.15%
5	Gadaa Security Dealer S.C	77.0%

5. Environmental, Social and Governance Framework of the Bank



Gadaa Bank has established a comprehensive Environmental, Social, and Governance (ESG) Policy that effectively integrates sustainability principles into the organization's strategic planning and risk management processes, consistent with the directives of the National Bank of Ethiopia. This approach reflects our commitment to align long-term corporate growth with stakeholder interests, promoting sustainable business practices.

Key Initiatives:

- **Environmental Stewardship:** We have notably advanced our green operations by digitizing our back-office workflows, enabling transactions totaling Birr 4.8 billion via digital platform, which has significantly decreased paper consumption and emissions. In the last fiscal year, Gadaa Bank allocated Birr 56.3 million towards sustainable financing projects, with a particular focus on climate-smart agriculture and electric vehicles. Our engagement in community programs encompasses tree-planting initiatives and urban beautification efforts to address deforestation and support sustainable development.

- **Social Impact:** Gadaa Bank remains dedicated to fostering community development through a targeted banking model that expands access to financial services for underserved populations. Over the past year, we invested Birr 7.0 million in humanitarian aid and social equity projects, alongside initiatives aimed at promoting financial inclusion, specifically for women-led enterprises and low-income individuals. Our commitment to gender diversity is evident, with women comprising over 25% of our workforce, increasingly occupying high-impact management roles.

- **Governance:** The governance structure of Gadaa Bank is characterized by transparency, strategic oversight, and adherence to rigorous disclosure standards. Our diverse Board of Directors, which includes 18% female representation, plays a crucial role in overseeing the implementation of the Bank's consolidated ESG framework and ensuring its integration into broader corporate strategies.

Through the implementation of these ESG principles, Gadaa Bank not only supports sustainable initiatives but also contributes to the empowerment of communities; while upholding high standards of governance and responsibility.

Tree Plantation



Some of Gadaa Bank BOD and Senior Management



We Create Values: Four Drivers

Corporate Strategic Plan (2025/26 – 2029/30) "Advancing with Innovation to achieve Sustainable Growth": Setting the strategic direction and establishing capital increment priorities across a five-year horizon to ensure long-term resilience.

Soaring Eagle Strategic Roadmap:Bridging the gap between vision and reality. Actively converts high-level strategy into seamless operational execution by leveraging our key organizational enablers.

Corporate Governance: Safeguarding trust. We maintain strict Board-level accountability, absolute fairness, and total transparency across all bank-wide decision-making processes.

Risk Management: Growth with safeguards. By deploying robust risk management strategies, we define and enforce the vital boundaries within which our transformation and growth securely take place.

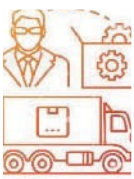
Delivering Long-Term Value for Our Stakeholders



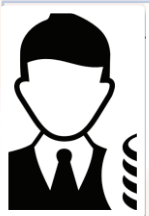
Clients: Delivering seamless digital and traditional banking anytime, anywhere, protecting wealth for individuals while connecting corporates to global opportunities.



Employees: Fostering a rewarding, purpose-driven culture led by great leaders, built on the belief that a superior employee experience drives an exceptional client experience.



Suppliers: Partnering with diverse local and global suppliers to source efficient, sustainable goods and services.



Investors: Commitment to delivering robust returns and long-term, sustainable financial value.



Regulators & Governments: Collaborating proactively with public authorities to support a stable financial system and a thriving economy.



Society: Driving economic inclusion and social development by offering sustainable finance solutions that direct capital where it is needed most to tackle environmental and social challenges.

FY2025/26 Outputs and Stakeholder Outcomes

Shareholders
Earning per share: Birr 522.7, ROA: 5%, ROE: 27, and Capitalization:

Employees
Salary and Benefits: Birr 739.4 million, Training: Birr 31.5 million in various programs

Regulatory
Comply regulatories
Income Tax contribution: Birr 286.8 million

Customer
1,005014 account holders; 253 received loans and advances

Community and Environment
Trainined: 700 individuals as a part of community empowerment
Reforestation: planted trees in different areas

6. Corporate governance

At Gadaa Bank, corporate governance transcends mere compliance; it embodies our commitment to creating value that fosters stakeholder trust, promotes ethical practices, and guides responsible capital allocation across all our operations. Our governance framework is designed to ensure transparency, accountability, and disciplined decision-making, reinforced by specialized Board committees that oversee strategic, financial, and cultural aspects vital to our long-term success, including consumer protection, talent development, and institutional resilience. We recognize the importance of sustainability and climate risks, integrating them into our governance framework through rigorous management and oversight by our Board Risk Management and Compliance Committee. Our strict adherence to Ethiopia's evolving regulatory environment, compliant with key directives and proclamations, reflects our dedication to preserving shareholder capital and operational integrity. Central to our culture is a unified Code of Conduct, binding all stakeholders in an ethical commitment that drives inclusive economic growth across our ecosystem.

Bank Ownership and Subsidiary Structure

As of June 30, 2026, Gadaa Bank boasts a robust capital structure with 1.46 million shares held by 32,281 diverse shareholders, 82.3% of whom are individual retail investors. Our strategic listing on the Ethiopian Securities Exchange (ESX) ensures a balanced ownership structure, where no single entity can exert undue influence, promoting a democratic governance landscape shaped by diverse perspectives.

Gadaa Securities Dealer S.C., our core subsidiary, is designed for agility within the capital markets, with Gadaa Bank retaining a 77% majority stake. This structure fosters collaboration with strategic partners while maintaining strong governance frameworks, ensuring that our financial practices align with our overarching integrity and mission.

Organizational Structure and Governance of the Bank

The Board of Directors serves as the cornerstone of our governance framework, appointed by the General Meeting of Shareholders and sanctioned by the National Bank of Ethiopia. Tasked with strategic oversight, the Board comprises four committees: Audit, Risk Management and Compliance, Credit, and Nomination and Remuneration.

Key responsibilities include appointing executive leadership, establishing operational protocols, convening shareholder assemblies, and preparing consolidated annual financial statements. The Board also forges strategic partnerships, commissions feasibility studies, and delegates authority to the Chief Executive Officer (CEO) for implementing approved

initiatives. Essential to this process is the Board's commitment to a comprehensive risk management framework, ensuring compliance with regulatory standards and safeguarding the Bank's assets.

Executive Management and Control Environment

Under the vigilant oversight of the Board, Executive Management implements our consolidated business strategies daily, supported by a structured internal governance framework. This framework enforces decision-making clarity, formal risk escalation protocols, and rigorous reporting mechanisms, fostering a robust operational environment. In tandem with internal governance, active shareholder voting and regulatory assessments from the NBE and Ethiopian Capital Market Authority promote transparency and accountability, protecting stakeholder investments and reinforcing ethical practices throughout our subsidiary network.

Board of Directors Composition and Size

The Bank's Board of Directors comprises eleven qualified members, where three board members are independent directors and are elected by the general assembly of shareholders and approved by the National Bank of Ethiopia, in full compliance with NBE eligibility directives. Bringing together diverse expertise, the Board is deeply committed to providing the strategic leadership necessary to guide the Bank forward.

7. FY 2026/27 Business Outlook

Gadaa Bank enters FY 2026/27 focused on sustaining business growth while building the institutional capacity required to compete effectively in a more open, digital, and sustainability-oriented financial ecosystem. Our approach will be disciplined and phased: protect core balance-sheet strength; selectively invest to capture strategic market opportunities; accelerate digital transformation for scale and efficiency; and deepen customer centricity across all touchpoints. We will also advance our capital-market capabilities and institutional development to create diversified, sustainable revenue streams.

Core strategic priorities

- Capital mobilization and shareholder value. We will pursue a carefully structured public offering to mobilize share capital, strengthen regulatory capital positions, and provide a stable funding base for strategic investments. The process will follow strict governance and investor disclosure protocols to protect shareholder interests and the Bank's reputation.

- Headquarters construction initiation. Commencing the future headquarters project will centralize key functions, enhance operational coordination, and create a modern working environment that supports digital operations, talent attraction, and more efficient service delivery.

- Upgrade of capital markets capability. Upgrading Gadaa Securities Dealer SC toward an investment banking platform will expand the bank's capacity to offer underwriting, advisory, brokerage, and other capital markets services. This strategic move will diversify fee based income, enhance our role in the evolving capital market, and create new avenues for client engagement.

- Customer centricity and experience. We will intensify efforts to deliver seamless, personalised, and consistent customer journeys across branch, digital, and contact center channels. Initiatives will include simplifying processes, enhancing service standards, developing tailored product bundles, and establishing measurable customer experience KPIs to drive continuous improvement.

- Digital banking expansion. Accelerating the rollout of digital banking services is central to our strategy. We will expand mobile and internet banking capabilities, invest in self service platforms, embed digital onboarding and payments, and deepen

fintech partnerships to increase reach, lower costs, and improve speed of service.

- People and capability building. Sustainable transformation depends on people. We will deliver targeted capacity building programs focused on digital skills, risk management, capital markets expertise, customer experience, and leadership. Change management, performance incentives, and career pathways will be prioritized to retain and motivate talent.

- Responsible and sustainable banking. ESG considerations will be fully integrated into lending, underwriting, and investment processes. The Bank will design and promote financial products that support green investments and inclusive development while enhancing internal frameworks for climate and social risk assessment.

8. Vote of Thanks

The Board of Directors and Executive Management of Gadaa Bank S.C. extend their profound gratitude to our esteemed customers for their unwavering trust and loyalty, which remain the cornerstone of our success. We convey our sincere appreciation to our valued shareholders for their steadfast confidence, enduring support, and vital capital contributions.

We also place on record our heartfelt commendation to the dedicated employees and management team whose professionalism, resilience, and tireless commitment drive our daily achievements and strategic milestones.

Furthermore, Gadaa Bank expresses its highest appreciation to the National Bank of Ethiopia (NBE), Document Authentication & Registration Services (DARS), the Ethiopian Capital Market Authority (ECMA), the Ethiopian Securities Exchange (ESX), and all valued partners and stakeholders for their unreserved guidance, collaboration, and assistance in enabling the Bank to realize its corporate objectives and contribute to national prosperity.

Some of Gadaa Bank staffs







Auditor's Report



Gadaa Bank S.C
Consolidated Financial Statements
For the year ended 30 June 2026
Contents

Directors and Management of the bank	36
Report of the directors	37
Independent auditor's Report	38-39
Statement of directors' responsibilities	40
Statement of profit or loss and other comprehensive income	41
Statement of financial position	42
Statement of changes in equity	43
Statement of cash flows	44
Notes to the financial statements	45-

Gadaa Bank S.C

Consolidated Financial Statements

Directors, professional advisers and registered office For the Year ended 30 June 2026

Company Registration Number

LBB/029/2022

Directors	Possession	Assignment Date
Hassen Hussien Kedir (PhD)	Chairperson	19-Dec-2024
Ob. Hailu Ifa Gonda	Deputy chairperson	19-Dec-2024
Degefe Duressa Obo (PhD)	Non-Executive Director	19-Dec-2024
Ob. Hamdino Mideso Woya	Non-Executive Director	19-Dec-2024
Ad. Semira Mohammed Abdela	Non-Executive Director	19-Dec-2024
Gutu Tesso Boka (PhD)	Non-Executive Director	19-Dec-2024
Ashenafi Daba Abdi (Eng.)	Non-Executive Director	19-Dec-2024
Kasim Kufa Jara (PhD)	Independent Director	19-Dec-2024
Ob. Tilahun TadesseTuji	Independent Director	19-Dec-2024
Mulu Solomon Bizune(Amb.)	Independent Director	19-Dec-2024
Ob. Shiferaw Rufe Bedo	Non-Executive Director	21-May-2026
Ob. Galata Daba Afata	Company Secretary	7-Aug-2023
Management Members		
Ob. Wolde Bulto Adugna	Chief Executive Officer	10-May-2022
Ob. Fati Haji Abafogi	Chief IT Officer	21-Jul-2022
Ob. Eshetu Deressa Wirtu	Chief Customer Experience Officer	17-Nov-2023
Ad. Mekdes Bekele Lema	Chief Resource Management Officer	31-Oct-2025
Ob. Legese Jada Bikila	Chief Internal Audit	29-Dec-2022
Ob. Dereje Mengistu Abajifar	Chief Risk and Compliance	29-Dec-2022
Ob. Abduljebar Kedir Jiru	Executive Director,IFB	4-Nov-2022
Ob. Ifa Abdisa Horata	Executive Director, Digital Banking Department	21-Jul-2024
Ob. Debebe Feyisa Aredo	Executive Director, Strategy and Research Department	21-Jul-2024
Ad. Tenaye Aklilu Worku	Director, Finance Management Department	6-Jun-2022
Ob. Yirgalem Teshome Ketema	Director, Core Banking, Enterprise and Auxiliary Systems Department	21-Jul-2022
Ob. Gudeta Gelana Chemeda	Director, Custoner Accounts and Opration Support Department	21-Jul-2022
Ob. Fetene Alemu Negeri	Director, Promotion & Public Relation	1-Aug-2022
Ob. Robera Wokgari Negasa	Director, Credit Department	8-Aug-2022
Ob. Ulfata Regasa Idato	Director, Human Capital Management Department	1-Sep-2022
Ob. Lalisa Wakuma Kenea	Temporary Acting Director International Banking Service Department	12-Jan-2026
Ob. Fekadu Urgesa Megersa	Director, Procurement & Facility Managent Department	1-Sep-2022
Ad. Sebasegel Seyoum Gemeda	Director, Customer Relationship Management Department	14-Nov-2022
Ob. Muleta Debel Wakjira	Director, Legal Service	20-Nov-2022
Ob. Fedesa Woreti Gelalcha	Director, Information System Security Department	7-Mar-2023
Ob. Djorji Tone DJirata	Director, IT Infrastructure & Project Management Department	1-Jul-2024
Ob. Demelash Tadese Hiksa	Director, North West District	1-Jan-2025
Ob. Walabumma Tesfaye Chala	Director, South East District	1-Jan-2025
Ob.Gizachew Abera Abdeta	Director, Investors Relation and Share Management Department	24-Apr-2026

Independent Auditor

Kokeb & Melkamu Audit Service LLP

Bole Road-Biselex Building P.O.Box ----Addis Ababa, Ethiopia

Corporate Office

Gadaa Bank Sc

Gotera Infront of Wongelawit Building P.O Box 31996 Addis Ababa, Ethiopia

Website: www.gadaabank.com.et

Company Secretary

Obbo Galata Daba

Gadaa Bank S.C
Consolidated Financial Statements
Report of the directors
For the Year ended 30 June 2026

The Directors submit their report together with the financial statements for the period ended 30 June 2026 to the share holders of Gadaa Bank share company ("GB or the Bank"). This report discloses the financial performance of the Bank.

Incorporation and address

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

Principal activities

The Bank is principally 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.

Results and dividends

The Bank's results for the year ended 30 June 2026 are set out on the statement of profit or loss and other comprehensive income. The loss for the year has been transferred to retained earnings and Risk Reserve. The summarized results are presented below.

	30 June 2026 Birr'000	30 June 2025 Birr'000
Revenue (Interest Income, Commission and Other Operating Income)	2,955,123	1,673,872
Profit Before Tax	1,045,989	444,790
Income Tax Expense	(286,758)	(102,034)
Profit for the Year	759,231	342,756
Other Comprehensive Income net of taxes	42,048	12,954
Total comprehensive income for the year	**801,279**	**355,710**
Earning Per Share	**52%**	**29%**

Directors

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

Hassen Hussien (PhD)
Chairperson, Board of Directors
September 14,2026

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GADAA BANK (S.C.)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Gadaa Bank (S.C.) as at June 30, 2026, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

We have audited the financial statements of the Bank, which comprise the Statement of Financial Position as at June 30, 2026, and Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Based on the report of the Bank's Sharia Advisory Board, we note that the activities of the Interest-Free Banking Division have been conducted in accordance with Sharia principles and are compliant with the applicable directives of the National Bank of Ethiopia.

Basis for Opinion

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

We are independent of the Bank within the meaning of the Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC) and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards and the Banking Business Proclamation No. 592/2008, Banking (Amendment) Proclamation 1159/2019, and directives and circulars issued by the National Bank of Ethiopia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing as applicable matters related to going concern, and using the going concern basis of accounting.

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

Key Audit Matters

IFRS 9 was considered a key audit matter due to the subjectivity in determining whether the significant loans meet the criteria for non-impairment classification, the complexity of credit risk assessment, and the potential impact on loan loss provisions, profitability, and capital adequacy ratios.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free

from material misstatement, whether due to fraud or error, whether the financial statements are properly prepared in accordance with IFRS, and the relevant provisions of the Commercial Code of Ethiopia 2021, the Banking Business Proclamation No. 592/2008, and the Banking (Amendment) Proclamation 1159/2019, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, and not a guarantee that an audit conducted in accordance with ISA(s) will always detect a material statement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that immaterial uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

We have communicated with management of the Bank regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit.

Report on Other Legal and Regulatory Requirements

1. We have no comment to make on the report of your Board of Directors insofar as it relates to the financial statements and pursuant to Article 349 (1, 2, & 3) of the Commercial Code of Ethiopia 2021. We recommend the approval of the financial statements.

2. The Bank's Board of Directors, after deducting tax, legal reserve, and other deductions, has recommended to the General Assembly of Shareholders that Birr 503,569,878 be distributed as dividend payments. As the proposed dividends are subject to shareholder approval, we have no reservations about the proposal.

Kokeb & Melkamu Audit Service LLP
Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia

Addis Ababa
September 14, 2026

Gadaa Bank S.C
Consolidated Financial Statements
Statement of Directors' Responsibilities
For the Year ended 30 June 2026

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

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

a. Exhibit clearly and correctly the state of its affairs;
b. Explain its transactions and financial position; and
c. Enable the National Bank to determine whether the Bank had complied with the provisions of the Banking Business Proclamation and directives issued for the implementation of the aforementioned Proclamation.

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

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

The Bank's Board of directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control."
Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Hassen Hussien (PhD)
Chairperson, Board of Directors
September 14,2026

Gadaa Bank S.C

Consolidated Financial Statements

Statement of Profit or Loss and Other comprehensive Income

For the Year ended 30 June 2026

	Notes	30 June 2026 Birr'000	30 June 2025 Birr'000
Interest income calculated using the effective interest method	5	1,299,687	666,303
Interest expense	6	(646,065)	(258,333)
Net interest income		**653,622**	**407,969**
Commission income	7	1,171,743	637,588
Commission expense	7	-	-
Net fees and commission income		**1,171,743**	**637,588**
Other operating income	8	483,693	369,981
Total operating income		**2,309,057**	**1,415,539**
Impairment losses on Loan, cash, Receivables and NBE bills & Bond	9	(52,151)	(8,118)
Impairment losses on Guarantee & Letters of Credit Issued	9	(3,401)	(7,738)
Total Impairment losses on financial instruments		**(55,552)**	**(15,856)**
Net operating income		**2,253,505**	**1,399,683**
Personnel expenses	10	(739,350)	(534,782)
Board of Directors' Allowance	11	(3,454)	(2,679)
Amortization of intangible assets	18	(42,229)	(7,354)
Depreciation of property, plant and equipment	19	(94,730)	(83,903)
Depreciation of Right Use Assets	20	(127,167)	(95,057)
Other operating expenses	11	(200,587)	(233,797)
Total Operating Expense		**(1,207,517)**	**(954,893)**
Profit before tax		**1,045,989**	**444,790**
Income tax expense	12a	(286,758)	(102,034)
Profit for the period		**759,231**	**342,756**
Profit for the period		**759,231**	**342,756**
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Equity investments at FVOCI – net change in fair value	16	51,361	25,489
Re-measurements of defined benefit liability (asset)	23b	8,708	(6,984)
		60,069	**18,505**
Related tax to fair re-measurment		**(18,021)**	**(5,552)**
Other comprehensive income		**42,048**	**12,954**
Total comprehensive income		**801,279**	**355,710**
Basic Earnings per share (Birr)	26	**52%**	**29%**

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

Gadaa Bank S.C
Consolidated Financial Statements
Statement of Financial Position
For the Year ended 30 June 2026

	Notes	30 June 2026 Birr'000	30 June 2025 Birr'000
ASSETS			
Cash and balances with banks	13	4,543,108	2,075,178
Loans and advances to customers	14	5,842,957	3,658,246
Interest free Financing	15	176,790	64,775
Investment securities:			
-Financial asset at FVTOCI	16	312,932	260,140
-Financial assets at Amortized cost	16	972,266	1,046,061
Other assets	17	3,234,320	1,598,928
Right-of-use assets	35	584,236	417,788
Intangible assets	18	264,180	189,992
Property, plant and equipment	19	863,088	828,392
Total assets		**16,793,877**	**10,139,499**
LIABILITIES			
Deposits from customers	21	11,610,198	7,082,923
Due to other banks	22	276,430	188
Current tax liabilities	12c	252,706	57,897
Lease liabilities	20	247,950	179,036
Other liabilities	23	1,508,875	945,413
Retirement benefit obligation	23a	29,990	27,757
Deferred tax liability	12e	81,251	58,522
Provisions-off balance sheet	34c	11,654	8,254
Total liabilities		**14,019,054**	**8,359,989**
EQUITY			
Share Capital	24	1,654,458	1,303,918
Share Premium	25	8,259	-
Retained Earnings	27	503,570	192,797
Legal Reserve	28	298,035	108,227
Regulatory Risk Reserve	29	114,840	48,987
Other reserve	30	167,630	125,582
Inter company adjustment	31	5,368	
Gain on Bargain Purchase	31	3,588	
Non-controlling interest	31	19,076	
Total equity		**2,774,823**	**1,779,511**
Total Liabilities and Equity		**16,793,877**	**10,139,499**

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 14, September 2026 and were signed on its behalf by:

Hassen Hussien Kedir (PhD)
Chairperson, Board of Directors

Wolde Bulto Adugna
Chief Executive Officer(CEO)

Gadaa Bank S.C

Consolidated Financial Statements Statement of changes in equity For the Year ended 30 June 2026

	Notes	"Share capital"	Share Premium	Retained earnings	"Legal reserve"	Other reserve	Risk Reserve	Gain on Bargain Purchase	Non-Controlling Interest (NCI)	Total
		Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Balance at 1 July 2024		**1,074,406**		**(23,375)**	**22,538**	**112,628**	**10,228**			**1,196,425**
Profit for the period				342,756						342,756
Other comprehensive income:										
Re-measurement gains on defined benefit plans (net of tax)	22a					(4,889)	-			(4,889)
Fair value gain-Equity investment	16					17,842				17,842
Reversal of Prepaid staff expenses	25			(2,137)						(2,137)
Issue of shares	23	229,512		-	-	-	-			229,512
Transfer to Risk Reserve	27	-		(38,759)	-		38,759			-
Transfer to legal reserve	26	-		(85,689)	85,689	-	-			-
		229,512		216,172	85,689	12,954	38,759			583,085
As at 30 June 2025		**1,303,918**	**-**	**192,797**	**108,227**	**125,582**	**48,987**			**1,779,511**
Balance at 1 July 2025		**1,303,918**		**192,797**	**108,227**	**125,582**	**48,987**			**1,779,511**
GB Profit for the period				759,231						759,231
Other comprehensive income:										-
Re-measurement gains/loss on defined benefit plans (net of tax)	23b					6,096				6,096
Fair value gain-Equity investment	16					35,952				35,952
Issue of shares	24	185,365		-	-	-	-			185,365
Dividends Capitalized		165,175		(165,175)						-
Share Premium	25		8,259	(8,259)						-
Dividends in Payable	23			(16,459)						(16,459)
Dividends tax in Payable	23			(2,905)						(2,905)
Transfer to legal reserve	28	-		(189,808)	189,808	-	-			-
Transfer to Risk Reserve	27	-		(65,853)	-	-	65,853			-
Inter company adjustment	31							5,368		5,368
Gain on Bargain Purchase	31							3,588		3,588
Non-Controlling Interest (NCI)	31								19,076	19,076
		350,540	8,259	310,773	189,808	42,048	65,853	8,956	19,076	995,312
As at 30 June 2026		**1,654,458**	**8,259**	**503,569,878**	**298,035**	**167,630**	**114,840**	**8,956**	**19,076**	**2,774,823**

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

Gadaa Bank S.C
Consolidated Financial Statements
Statement of cash flows
For the Year ended 30 June 2026

	Notes	30 June 2026 Birr'000	30 June 2025 Birr'000
Cash flows from operating activities			
Cash generated from operations	32	2,849,514	1,932,169
Profit Tax Paid	12c	(57,897)	-
Withholding tax paid	12c	(381)	
Advance Profit tax paid		(28,962)	
Net cash (outflow)/inflow from operating activities		**2,762,274**	**1,932,169**
Cash flows from investing activities			
Dividend income received	32	19,142	10,795
Purchase of NBE bills and bonds	16	75,580	(586,690)
Purchase of equity investments	16	(1,431)	(7,739)
Intercompany deposit reconciliation	21a	(59,342)	-
Purchase of property, plant and equipment	19	(115,252)	(195,594)
Right-of-use assets	20	(108,325)	(137,521)
Purchase of Intangible Asset	18	(116,418)	(134,105)
Net cash (outflow)/inflow from investing activities		**(306,046)**	**(1,050,854)**
Cash flows from financing activities			
Payments of lease liabilities	20	(102,029)	-
Proceeds from issues of shares	24	113,731	229,512
Inflow from Sub Capital & Fees			
Net cash (outflow)/inflow from financing activities		**11,702**	**229,512**
Net increase/(decrease) in cash and cash equivalents		**2,467,930**	**1,110,827**
Cash and cash equivalents at the beginning of the year		2,075,178	964,351
Cash and cash equivalents at the end of the year		**4,543,108**	**2,075,178**

The notes on pages 7 to 76 are an integral part of these financial statements.
The notes on pages 7 to 77 are an integral part of these financial statements.

Gadaa Bank S.C
Consolidated Financial Statements
Notes to the financial statements
For the Year ended 30 June 2026

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 infront of Wangelawit Building, Addis Ababa,Ethiopia.

The Bank principally provides a diverse range of banking products and services to wholesale, retail, and small and medium-sized enterprise (SME) customers in Ethiopia through both conventional banking and Interest-Free Banking (IFB) operations.

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 Consolidation

The consolidated financial statements comprise the financial statements of Gadaa Bank S.C. and its subsidiary (together referred to as the "Group"). The subsidiary is consolidated from the date on which control is obtained and continues to be consolidated until the date that such control ceases. Control exists when the Group has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect those returns.

2.3 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) as issued by the International Accounting Standards Board (IASB), together with applicable interpretations issued by the IFRS Interpretations Committee (IFRS IC). Additional disclosures required under the regulatory requirements of the National Bank of Ethiopia have been included where applicable.

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

2.3.1 Statement of compliance

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

financial statements prepared in accordance with IFRS as issued by IASB.

2.3.2 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).

2.3.3 Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that Gadaa Bank S.C. and its subsidiary (together, "the Group") will continue in operation for the foreseeable future and will be able to realize their assets and settle their liabilities in the normal course of business.

In making this assessment, the Board of Directors and Management have considered all available information relating to the future for a period of at least twelve months from the date of authorization of these consolidated financial statements. The assessment included consideration of the Group's current and projected financial performance, capital adequacy, liquidity position, funding profile, expected cash flows, asset quality, credit risk exposures, compliance with regulatory capital and liquidity requirements of the National Bank of Ethiopia (NBE), business plans and budgets, macroeconomic conditions, and other relevant factors that could affect the Group's ability to continue operating as a going concern.

During the year ended 30 June 2026, the Bank established a subsidiary and prepared consolidated financial statements in accordance with IFRS Accounting Standards. Management considered the impact of the newly established subsidiary as part of its overall assessment and concluded that the subsidiary does not create any uncertainty regarding the Group's ability to continue as a going concern.

Based on the results of this assessment, Management has concluded that the Group has adequate financial resources, sufficient liquidity, and appropriate capital to continue its operations for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on the going concern basis.

Management is not aware of any material uncertainties related to events or conditions that, individually or collectively, may cast significant doubt upon the Group's ability to continue as a going concern as of the reporting date.

Should material uncertainties arise in future reporting periods, the Group will disclose the nature of those uncertainties, Management's evaluation thereof, and the basis on which the consolidated financial statements have been prepared, in accordance with IAS 1 Presentation of Financial Statements.

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.

2.3.4 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.

2.3.4.1. New and Amended IFRS Accounting Standards

a. New and Amended Standards Effective for the Current Reporting Period

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
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments	1-Jan-26
Annual Improvements to IFRS Accounting Standards – Volume 11	1-Jan-26
Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity	1-Jan-26

i. Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted. The amendments:

- clarify the derecognition requirements for financial liabilities settled through electronic payment systems;
- provide additional guidance for the classification of financial assets with contractual terms linked to environmental, social and governance (ESG) targets and similar contingent features;
- clarify the assessment of contractual cash flow characteristics under the Solely Payments of Principal and Interest (SPPI) test; and
- introduce additional disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income (FVOCI) and financial assets containing contingent features.

The Bank is currently assessing the impact of these amendments. Based on the preliminary assessment, no material impact on the recognition and measurement of existing financial assets and liabilities is expected. Additional disclosures may be required upon adoption.

ii. Annual Improvements to IFRS Accounting Standards – Volume 11

The Annual Improvements, effective for annual reporting periods beginning on or after 1 January 2026, include minor amendments and clarifications to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 9 Financial Instruments;
- IAS 7 Statement of Cash Flows; and
- IFRS 10 Consolidated Financial Statements.

The amendments are intended to improve consistency and eliminate unintended ambiguities without changing the fundamental accounting principles.
The Bank does not expect these amendments to have a material effect on its financial statements.

iii. Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity

These amendments are effective for annual reporting periods beginning on or after 1 January 2026.
The amendments provide accounting guidance for contracts referencing nature-dependent electricity, including certain renewable energy arrangements.

The Bank does not currently enter into material contracts within the scope of these amendments and therefore does not expect any material impact on its financial statements.

b. New and Amended IFRS Accounting Standards Issued but Not Yet Effective

At the date of authorization of these financial statements, the following new and amended IFRS Accounting Standards had been issued by the International Accounting Standards Board (IASB) but were not yet effective for the reporting period ended 30 June 2026. The Bank has not early adopted these standards and amendments.

New Standards and amendments	Effective
IFRS 18 Presentation and Disclosure in Financial Statements	1-Jan-27
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1-Jan-27

i. IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 becomes effective for annual reporting periods beginning on or after 1 January 2027 and replaces IAS 1 Presentation of Financial Statements.

The standard introduces significant changes to the presentation and disclosure of financial statements, including:
- revised structure and mandatory presentation categories in the statement of profit or loss;
- enhanced requirements for aggregation and dis aggregation of information;
- mandatory disclosure of Management-defined Performance Measures (MPMs), where applicable; and
- strengthened principles for presenting financial performance and related disclosures.

The Bank has established a preliminary implementation plan to assess the impact of IFRS 18 on the presentation of its financial statements. As IFRS 18 primarily affects presentation and disclosure rather than recognition or measurement, no significant impact on the Bank's reported profit, total assets or total equity is currently expected. However, the format of the primary financial statements and related disclosures will change significantly upon adoption.

ii. IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 is effective for annual reporting periods beginning on or after 1 January 2027.
The standard permits eligible subsidiaries to apply reduced disclosure requirements while continuing to recognize and measure transactions in accordance with IFRS Accounting Standards.

As the Bank is a publicly accountable financial institution, management does not expect IFRS 19 to be applicable to

2.4 Investment in Subsidiary

Gadaa Bank has established a subsidiary under the legal status of Gadaa Securities Dealer S.C. with a registered initial capital to expand its investment activities. In accordance with IFRS 10, an investment in a subsidiary is recognized when the parent entity, Gadaa Bank, obtains control over another entity, namely Gadaa Securities Dealer S.C
Control is established when the Bank has the power to direct the relevant activities of the subsidiary and has the ability to affect those returns through its power over it. Gadaa bank has ownership control of over 50% of Gadaa Securities Dealer S.C.

The Bank's subsidiaries is as follows:

Name	Principal Place of Business	30-Jun-26	30-Jun-25
Gadaa Securities Dealer S.c	Federal Democratic Republic of Ethiopia	75%	-

2.5 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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

2.6 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.

2.6.1 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.

2.6.2 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.

2.6.3 Interest paid on borrowings, deposits and other

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.

2.6.4 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.

2.6.5 Rental income

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

2.6.6 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.

2.7 Financial instruments - initial recognition and subsequent measurement

2.6.1 Financial assets

Initial recognition and measurement

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

I. Financial instruments measured at amortised cost

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

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

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

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

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

>The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
>The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.
On initial recognition, an equity investment that is held for trading shall be classified at FVTPL. However, for equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

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

Business model assessment
The Bank shall make an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
>The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
>How the performance of the portfolio is evaluated and reported to the Bank's management;
>The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
>How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
>The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the bank's stated objective for managing the financial assets is achieved and how cash flows are realized.
Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis shall be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.
Financial assets shall not be reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

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

For the purposes of this assessment, 'principal' shall be defined as the fair value of the financial asset on initial recognition. 'Interest' shall be defined as the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.
In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

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

Reclassifications

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

Accounting for Asset reclassification

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

Derecognition of financial assets

The Bank shall derecognize a financial asset when:

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

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

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

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

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

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

Impairment of financial assets

The impairment charge in the income statement includes the change in expected credit losses and including those arising from fraud. Expected credit losses are recognized for loans and advances to customers and banks, other financial assets held at amortized 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 mitigates 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-impair unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more shall be considered credit-impaired even when the regulatory definition of default is different.

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

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

>For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;

>For loan commitments and financial guarantee contracts: generally, as a provision; where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

>For debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance shall be disclosed and is recognized in the fair value reserve.

(V) Write-off

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

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

(Vi) Financial guarantees

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

Types of Letter of Guarantees Issued by the bank:-

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

W.A BAANKII GADAA GADAA BANK S.C. No. 01

Audit & Mokab Service & Molkamu LLP Chartered certified Accountants

Accounting and auditing Board of Ethiopia ቁ.4 0118861296 0111541235

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 recognized less, when appropriate, the cumulative amount of income recognized 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.

2.8 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.

W.A BAANKII GADAA GADAA BANK S.C. No. 01

Accounting and auditing Board of Ethiopia 0118861296 0111541235 Original Copy Submitted to the Board

Audit Service LLP Kokeb & Melkamu Chartered Certified Accountants (UK)

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.

Accounting and auditing Board of Ethiopia
ቁ.4
0118861296
0111541235
Original Copy Submitted to the Board
W.A BAANKII GADAA
No. 01
GADAA BANK S.C.
Kokeb & Melkamu Audit Service LLP
Chartered Certified Accountants

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.

2.9 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.

2.10 Property, plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Bank recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in income statement as incurred.

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

Property and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or at the expiration of a lease contract for right of use assets.equipment are determined by comparing the net proceeds from disposal Gains and losses arising on disposal of an item of property and with the carrying amount of the item and are recognised net within 'other 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	Depreciatio	Usefull Life	values (%)	Remark
Buildings	Straight Lin	50	5%	
Motor vehicles	Straight Lin	10	5%	
Equipment	Straight Lin	5-10	1%	Generator 10; Remaining 5
Furniture & fittings	Straight Lin	5-20	1%	Vault 20; the Remaining 5
Computer and Accessor	Straight Lin	7-10	1%	ATM 10; the Remaining 7
Mchinery	Straight Lin	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.

2.11 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

2.12 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.

2.13 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.

2.14 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.

2.15 Fair value measurement

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

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

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

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

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

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.
The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

2.16 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.

Accounting and auditing Board of Ethiopia
ቁ.4
0118861296
0111541235
Original Copy Submitted to the Board
W.A BAANKII GADAA
No. 01
GADAA BANK S.C.
Kokebe & Molkamu Service LLP
Chartered Certified Accountants

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.

2.17 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.

2.18 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.

Accounting and auditing Board of Ethiopia NCS Φ.4 0118881296 0111541235 Original Copy
W.A BAANKII GADAA No. 01 GADAA BANK S.C.
Kokeb & Melkamu Audit Service LLP Chartered Certified Accountants (IAU)

2.19 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.

2.20 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.

2.21 Leases

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

(a) Bank as a lessee

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

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

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

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

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

c. Lease Liabilities (Bank as a lessee):

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

(d) Bank as a lessor

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

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

2.22 Income taxation

(a) Current income tax

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

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

(b) Deferred tax

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

3 Significant accounting judgements, estimates and assumptions

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

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

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

3.1 Judgements

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

3.2 Estimates and assumptions uncertainties

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

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

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

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

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

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

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

3.2.2 Fair value measurement of financial instruments

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

3.2.3 Retirement benefits

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

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

3.2.4 Depreciation and carrying value of property, plant and equipment

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

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

3.2.5 Impairment of non-financial assets

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

3.2.6 Taxes

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

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

Gadaa Bank S.C
Consolidated Financial Statements
Notes to the financial statements
For the Year ended 30 June 2026

4 Financial risk management

4.1 Introduction

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

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

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

4.1.1 Risk management structure

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

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

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

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

4.1.2 Risk measurement and reporting systems

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

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

4.1.3 Risk mitigation

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

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

4.2 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:

30 June 2026	Notes	Financial assets at fair value through OCI Birr'000	Financial assets at Amorized Cost Birr'000	Total Birr'000
Cash and balances with banks	13	-	4,542,450	4,542,450
Loans and advances to customers	14	-	5,842,957	5,842,957
Interest free Financing	15	-	176,790	176,790
Investment securities:				-
-Financial asset at fair value through OI	16	312,932	-	312,932
-Financial assets at Amortized cost	17	-	970,480	970,480
Other assets	18	-	########	3,114,958
Total financial assets		312,932	14,647,634	14,960,566

30 June 2025	Notes	Financial assets at fair value through OCI Birr'000	Financial assets at Amorized Cost Birr'000	Total Birr'000
Cash and balances with banks	13	-	2,075,178	2,075,178
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
Other assets	18	-	########	3,114,958
Total financial assets		260,140	9,959,218	10,219,358

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Cash and bank balances	4,542,450	2,075,178
Loans and advances to customers (Net)	5,842,957	3,658,246
Investment securities:	176,790	64,775
Financial assets at fair value through OCI	312,932	-
Financial assets at amortized cost	970,480	260,140
Other assets	3,233,931	1,046,061
	15,079,539	**7,104,400**
Credit risk exposures relating to off balance sheet items are as follows:		
Guarantees	5,327,380	2,459,515
Letters of credit	1,880,829	511,654
	7,352,364	**2,971,169**
Total maximum exposure	**22,431,903**	**10,075,569**

(b) Loans and advances to customers at amortised cost

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Agriculture	65,509	43,451
Building and construction	837,926	620,074
Consumer	304,128	299,717
Domestic Trade and Services	765,659	308,687
Hotel and Toursism	355,004	273,731
Transport and Communication	117,204	60,268
Financial Institutions	46,579	-
Export	1,598,414	1,085,798
Import	988,355	554,294
Manufacturing	704,464	446,462
Mortgage Loans Staff	142,902	-
Automobile Loans - Staff	13,351	-
Personal Loans - Staff	51,350	-
Export -Murabaha Financing	128,924	31,721
Domestic trade and service -Murabaha Financing	24,856	29,963
Building and construction -Mrabaha Financing	26,012	-
Staff loans-Murabaha	4,054	-
Motor Vehicle & Transport Service Murabaha		4,201
	6,174,694	**3,758,368**

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Pass	5,799,812	3,660,237
Special mention	334,076	78,283
Substandard	7,463	9,868
Doubtful	23,329	9,980
Loss	10,012.7	-
	6,174,694	3,758,368

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

The exposures are based on carrying amounts as reported in the statement of financial position. Management is confident in its ability to continue to control and effectively manage the credit risk exposure in the Bank's loan and advances portfolio.

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	30 June 2026			
Loans and advances to customers at amortised cost	12 month ECL (Stage 1)	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Stage 1 – Pass (Performing)	5,799,812			5,799,812
Stage 2 – Special mention (Under-Performing)		334,076		334,076
Stage 3 - Non performing			40,805	40,805
Total gross exposure	**5,799,812**	**334,076**	**40,805**	**6,174,694**
Loss allowance	(74,798)	(8,412)	(4,181)	(87,391)
Net carrying amount	**5,725,014**	**325,664**	**36,624**	**6,087,303**

In Birr'000	30 June 2025			
Loans and advances to customers at amortised cost	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
Stage 1 – Pass (Performing)	3,660,237			3,660,237
Stage 2 – Special mention (Under-Performing)		78,283		78,283
Stage 3 - Non performing			19,848	19,848
Total gross exposure	**3,660,237**	**78,283**	**19,848**	**3,758,368**
Loss allowance	(30,623)	(84)	(3,529)	(34,237)
Net carrying amount	**3,629,613**	**78,199**	**16,319**	**3,724,131**

(b) Credit quality of Off balance sheet items

In Birr'000	30 June 2026			
Off balance sheet items	12 month ECL (Stage 1)	Lifetime ECL not credit	Lifetime ECL credit	Total
Stage 1 – Pass (Performing)	7,393,594			7,393,594
Stage 2 – Special mention (Under-Performing)				-
Stage 3 - Non performing				-
Total gross exposure	**7,393,594**	**-**	**-**	**7,393,594**
Loss allowance	11,654	-	-	-
Net carrying amount	**7,405,248**	**-**	**-**	**7,393,594**

In Birr'000	30 June 2025			
Off balance sheet items	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
Stage 1 – Pass (Performing)	2,971,169			2,971,169
Stage 2 – Special mention (Under-Performing)		-		-
Stage 3 - Non performing				-
Total gross exposure	**2,971,169**	-	-	**2,971,169**
Loss allowance	8,254			8,254
Net carrying amount	**2,979,422**	-	-	**2,979,422**

(C) Credit quality of Other financial assets

In Birr'000	30 June 2026			
Other financial assets (debt instruments)		Gross Exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 month ECL	4,542,647	(197)	4,542,450
Investment securities (debt instruments)	12 month ECL	970,538	(58)	970,480
Other receivables and financial	Lifetime	3,118,375	(3,417)	3,114,958
Total		**8,631,560**	**(3,673)**	**8,627,887**

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 ECL	2,075,269	(91)	2,075,178
Investment securities (debt instruments)	12 month ECL	1,046,118	(57)	1,046,061
Other receivables and financial	Lifetime	1,379,771	(3,417)	1,376,353
Total		**4,501,158**	**(3,565)**	**4,497,592**

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.

30 June 2026	Residential Building Birr'000	Construction Machinery Birr'000	Motor Vehicles Birr'000	Shares Birr'000	Others Birr'000	Total
Agriculture	110,703	-			-	110,703
Building and Construction	738,040	253,192	274,225	27,864	159,750	1,453,071
Consumer	350,694	-	62,590	-	-	413,284
Domestic Trade and Services	1,129,309	125,375	126,171	36,056	25,900	1,442,810
Hotel and Toursism	519,354	-	14,961	-	3,000	537,315
Transport and Communication	102,926	-	111,280	-		214,206
Financial Institutions	-	-	-	8,934	48,952	57,886
Export	581,228	73,100	192,125	128,486		974,938
Import	1,174,525	160,195	150,725	67,663	15,000	1,568,108
Manufacturing	631,727	-	17,600	55,000.00	50,000	754,328
Mortgage Loans Staff	171,858	-	2,295.00	-	-	174,153
Automobile Loans - Staff	-	-	14,426.63	-	-	14,427
Personal Loans - Staff	72,083	-	-	-	-	72,083

Domestic trade and service -Murabaha	50,522	-	-	-	-	50,522
Building and construction -Mrabaha f	28,207	-	34,650.00	-	-	62,857
Staff loans-Murabaha	4,543	-	-	-	-	4,543
Export -Murabaha Financing	18,798	-	32,990	14,779.00	-	66,567
Motor Vehicle & Transport Service Murabaha		-	5,170	-	-	5,170
	5,684,516	**611,863**	**1,039,209**	**338,780**	**302,602**	**7,976,970**

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 depending on location value assesment 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 30 June 2026, 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 impairment

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:
I. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the bank.
II. If a SICR since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
III. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
IV. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
V. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
VI. POCI financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

(b) Significant increase in credit risk

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12m ECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met.
The quantitative criteria is based on either absolute or relative changes in credit quality. In both cases, the bank is expected to specify the percentage change, for either 12-month or lifetime PDs in comparison to the corresponding 12-month or lifetime PDs as calculated at origination, respectively, that would indicate a significant increase in credit risk since origination.

(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) The impairment charge in the income statement includes the change in expected credit losses and

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 FLI model incorporates forward-looking macroeconomic conditions through portfolio-specific adjustments developed for four clusters of statistically comparable economic sectors. These adjustments provide a common industry reference for member banks, subject to each bank's approved IFRS 9 governance, validation and management judgement.

For each cluster, three macroeconomic scenarios are modelled: base, upside and downside. The scenarios are developed from Fitch Ratings forecasts and scenario-specific assumptions. Probability weights are derived from the historical distribution of cluster-level NPL ratios over ten semi-annual observations from December 2021 to June 2026.

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

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

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

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

Sector	Macroeconomic factor(s)
Cluster 1 Agriculture Consumer Loans Interest Free Financing	Import cover months Current account bal, USD G&S bal, USD Nominal Effective Exchange Rate Index CPI inflation, 2010=100, eop Trade, goods bal, USD
Cluster 2 Cluster 2 Domestic Trade Services Mining and Energy Transport Health Merchandise	CPI inflation, 2010=100, eop Import cover months Services exp, LCU Current account bal, USD Capex, LCU Total revenue, LCU
Cluster 3 Cluster 3 Building and Construction Hotel and Tourism Manufacturing and Production Industry Real Estate	Import cover months G&S imp, LCU Private final cons, LCU Budget bal, USD Services imp, USD Trade, goods bal, USD
Cluster 4 Export Import Advance against Import Bills International Trade	Nominal Effective Exchange Rate Index Use of IMF credit/cap, USD Total revenue, USD Capex, USD Total expend, USD LCU/USD, eop

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-24	30-Jun-25	30-Jun-26
CPI inflation, 2010=100, eop	944	1,067	1,195
CPI inflation, 2010=100, avg	964	1,127	1,276
Total debt service, LCU	98,864,143,239	195,771,067,239	315,190,348,840
Total debt service, USD	1,462,645,000	1,688,140,000	2,070,855,000
Total debt service/cap, USD	11	13	15
Use of IMF credit, LCU	173,964,221,650	353,471,027,200	450,363,006,000
Use of IMF credit, USD	1,703,500,000	2,485,000,000	2,724,000,000
Use of IMF credit/cap, USD	13	19	20
Total govt debt, LCU	4,831,770,464,500	7,092,427,370,000	8,528,988,000,000
Total govt debt, USD	56,080,000,000	50,175,000,000	51,610,000,000
Total govt debt/cap, USD	431	375	376
G&S exp, LCU	613,920,500,000	700,861,500,000	803,019,500,000
G&S exp, USD	9,217,423,626	6,657,107,086	5,297,772,455
G&S imp, LCU	1,301,269,500,000	1,484,423,500,000	1,687,460,000,000
G&S imp, USD	19,542,132,909	14,098,507,327	11,140,321,060
G&S bal, LCU	(823,414,009,200)	(1,212,724,966,200)	(1,746,386,743,750)
G&S bal, USD	(12,017,000,000)	(11,171,000,000)	(11,409,500,000)
Transport & comms nom GVA, LCU	348,182,000,000	418,931,000,000	509,268,000,000
Transport & comms nom GVA, USD	5,192,643,199	3,957,960,611	3,348,856,134
Finance, public sector nom GVA, LCU	1,775,622,500,000	2,095,806,500,000	2,360,882,500,000
Finance, public sector nom GVA, USD	26,168,338,725	20,136,675,501	15,542,266,542
Trade, accom & food nom GVA, LCU	1,600,576,000,000	1,916,969,500,000	2,137,322,500,000
Trade, accom & food nom GVA, USD	23,490,796,639	18,429,095,862	14,079,757,031
Utilities nom GVA, % GDP	1	1	0
Budget bal, LCU	(227,042,000,000)	(239,859,500,000)	(349,953,000,000)
Budget bal, USD	(3,435,244,621)	(2,301,468,806)	(2,261,925,704)
Goods imp, LCU	1,229,003,419,800	2,250,866,360,800	3,495,783,871,000
Goods imp, USD	17,475,000,000	20,221,000,000	22,839,000,000
Goods exp, LCU	325,231,662,650	771,227,727,650	1,315,885,537,750

Goods exp, USD		4,525,500,000	6,697,500,000	8,595,500,000
Trade, goods bal, LCU		(903,799,057,650)	(1,479,638,633,150)	(2,179,898,333,250)
Trade, goods bal, USD		(12,950,000,000)	(13,523,500,000)	(14,243,500,000)
STER, Economic Growth		20	10	15
Services imp, LCU		435,786,095,400	636,996,178,900	938,076,939,750
Services imp, USD		6,569,500,000	5,712,500,000	6,156,000,000
Services exp, LCU		516,129,843,200	903,868,545,200	1,371,588,529,250
Services exp, USD		7,502,000,000	8,064,500,000	8,990,000,000
Current account bal, USD		(4,373,000,000)	(3,110,000,000)	(3,055,000,000)
Trade, services bal, LCU		80,343,747,800	266,872,366,300	433,511,589,500
Broad money (% GDP) - Sovereign Scorecard		19	18	17
Import cover months		1	2	3
Real GDP, USD (PPP) constant 2010		260,680,512,078	280,868,102,602	302,764,565,715
Nominal GDP, LCU		10,237,224,000,000	12,810,021,000,000	15,166,203,500,000
Nominal GDP/cap, USD		1,159	909	728
Nominal GDP, USD		151,010,901,099	121,238,539,526	99,893,205,132
Nominal GDP, USD (PPP)		413,416,542,668	457,383,695,022	501,069,643,065
Real GDP, LCU (2010 prices)		1,115,869,000,000	1,202,284,000,000	1,296,014,000,000
Real GDP, USD (2010 prices)		77,439,276,593	83,436,320,231	89,941,011,548
Real GDP/cap, LCU		8,556	8,985	9,444
Real GDP/cap, USD (2010 prices)		594	624	655
Private final cons, LCU		8,153,314,500,000	10,338,613,000,000	12,286,377,500,000
Private final cons/cap, LCU		62,422	77,214	89,479
Private final cons, USD		120,076,607,802	97,695,959,563	80,936,930,713
Private final cons/cap, USD		922	732	590
Private final cons, LCU (2010 prices)		809,576,500,000	868,142,000,000	912,745,000,000
Private final cons, USD (2010 prices)		56,183,134,855	60,247,473,906	63,342,840,884
Private final cons/cap, LCU (2010 prices)		6,207	6,489	6,652
Govt final cons, LCU		600,553,500,000	693,678,500,000	788,168,500,000
Govt final cons/cap, LCU		4,602	5,182	5,741
Govt final cons, USD		8,981,237,743	6,598,424,767	5,201,128,032
Govt final cons/cap, USD		69	49	38
Govt final cons, LCU (2010 prices)		91,139,000,000	96,639,000,000	100,024,500,000
Govt final cons, USD (2010 prices)		6,324,880,635	6,706,570,620	6,941,518,155
Govt final cons/cap, LCU (2010 prices)		699	722	729
Savings, LCU		2,259,646,500,000	2,813,748,000,000	2,727,280,000,000
Savings/cap, LCU		17,269	21,049	19,881
Lending rate, %, avg		15	15	14
Lending rate, %, eop		15	15	13
M1, LCU		584,105,000,000	660,745,000,000	747,570,000,000
M1, LCU		584,105,000,000	660,745,000,000	747,570,000,000
M2, LCU		1,932,335,000,000	2,247,120,000,000	2,613,620,000,000
M2, LCU		1,932,335,000,000	2,247,120,000,000	2,613,620,000,000
Total employment		38,138,900	39,189,350	48,031,600
Total revenue, LCU		802,382,500,000	1,229,344,000,000	1,839,128,000,000
Total revenue, USD		11,941,431,529	11,047,662,877	12,048,698,831
Total expend, LCU		1,029,424,500,000	1,469,203,000,000	2,189,081,000,000
Total expend, USD		15,376,676,150	13,349,128,070	14,310,623,946
Current expend, LCU		617,737,500,000	860,970,500,000	1,256,472,000,000
Current expend, USD		9,287,824,333	7,813,575,990	8,228,997,676
Capex, LCU		411,687,500,000	608,233,500,000	932,609,000,000
Capex, USD		6,088,857,870	5,535,561,747	6,081,626,858
Budget bal, LCU		(227,042,000,000)	(239,859,500,000)	(349,953,000,000)
Budget bal, USD		(3,435,244,621)	(2,301,468,806)	(2,261,925,704)
LCU/USD, avg		69	111	152
LCU/USD, eop		91	141	165
Nominal effective exchange rate		30	19	13
Real effective exchange rate index		173	126	96
Political risk index		59	59	59
Central bank policy rate, %, eop		11	15	16

The relationship between the selected macroeconomic indicators and cluster-level credit risk was estimated using ten semi-annual observations from December 2021 to June 2026. Credit risk was represented by cluster-level NPL ratios, calculated as aggregate Stage 3 outstanding balances divided by aggregate total gross loan balances, and the estimated relationships were used to derive the forward-looking macroeconomic adjustments for each cluster

The below scenario weightings have been observed:

Summary of Scenario Weightings	30 June 2026		
Scenario	Baseline	Upside	Downside
Cluster 1	90.00%	0.00%	10.00%
Cluster 2	80.00%	10.00%	10.00%
Cluster 3	70.00%	10.00%	20.00%
Cluster 4	70.00%	10.00%	20.00%

Summary of scenario weightings	30 June 2025		
Scenario	Base	Downturn (downside)	Optimistic (upside)
Cluster 1	73.33%	6.67%	20.00%
Cluster 2	73.33%	13.33%	13.33%
Cluster 3	66.67%	13.33%	20.00%
Cluster 4	66.67%	13.33%	20.00%

(h) Modified financial assets

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

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

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

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

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

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

(i) Measurement of ECL

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

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

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

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

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

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

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

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

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

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

(i) Loss allowance

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

In Birr'000	30 June 2026			
Loans and advances to customers at amortized cost (on balance sheet and off balance sheet exposures)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 July 2025	**(31,636)**	**(182)**	**(3,529)**	**(35,347)**
Transfer to stage 1 (12 months ECL)	(44,004)			(44,004)
Transfer to stage 2 (Lifetime ECL not credit impaired)	-	(7,389)	-	(7,389)
Transfer to stage 3 (Lifetime ECL credit impaired)	-	-	(652)	(652)
Net remeasurement of loss allowance		-	-	-
New financial assets originated or purchased		-	-	-
Financial assets derecognized				-
Balance as at 30 June 2026	**(75,640)**	**(7,570)**	**(4,181)**	**(87,391)**

In Birr'000	30 June 2025			
Loans and advances to customers at amortized cost (on balance sheet and off balance sheet exposures)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 July 2024	**(26,893)**	-	-	**(26,893)**
Transfer to stage 1 (12 months ECL)	-			-
Transfer to stage 2 (Lifetime ECL not credit	-	(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)
Balance as at 30 June 2025	**(31,636)**	**(182)**	**(3,529)**	**(35,347)**

In Birr'000	30 June 2026		
Other financial assets (debt instruments)	Investment	Other receivables and	Total
Net remeasurement of loss allowance	(107.5)	(3,401)	(3,508)
New financial assets originated or purchased	-		-
Amounts directly written off during the year	-	-	-
Recoveries of amounts previously written off	-	-	-
Balance as at 30 June 2026	**(256)**	**(15,072)**	**(15,327)**

In Birr'000	30 June 2025		
Other financial assets (debt instruments)	**Investment securities (debt instruments)**	**Other financial assets**	**Total**
Balance as at 1 July 2024	**(74)**	**(3,828)**	**(30,795)**
Net remeasurement of loss allowance	-	-	-
New financial assets originated or purchased	(73.9)	(7,843)	(7,917)
Financial assets derecognized	-	-	-
Amounts directly written off during the year	-	-	-
Recoveries of amounts previously written off	-	-	-
Balance as at 30 June 2025	**(148)**	**(11,671)**	**(38,712)**

4.3.3 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.

4.3.4 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	*30 June 2026*			
Loans and advances to customers@Amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Stage1 :Pass	6,009,007			6,009,007
Stage2:Special mention		78,283	-	78,283
Stage3:Non performing		-	19,848	19,848
Total gross exposure	**6,009,007**	**78,283**	**19,848**	**6,107,138**
Loss allowance	(74,798)	(8,412)	(4,181)	(87,391)
Net carrying amount	**5,934,208**	**69,871**	**15,667**	**6,019,747**

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

In Birr'000		30 June 2026		
Other financial assets (debt instruments)		**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and balances with banks	12 Month ECL	4,543,305	(197)	4,543,108
Investment securities (debt instruments)	12 Month ECL	970,538	(58)	970,480
Other receivables and financial assets	12 Month ECL	3,118,375	(3,417)	3,114,958
Financial Guarantee&LC Issued	12 Month ECL	7,393,594	(11,654)	7,381,939
Totals		**16,024,445**	**(15,327)**	**16,009,118**

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 ECL	2,075,278	(91)	2,075,187
Investment securities (debt instruments)	12 Month ECL	1,046,118	(57)	1,046,061
Other receivables and financial assets	12 Month ECL	1,479,771	(3,417)	1,476,353
Financial Guarantee&LC Issued	12 Month ECL	2,971,169	(8,254)	2,962,915
Totals		**7,572,335**	**(11,819)**	**7,560,516**

4.3.5 Credit concentrations

The Bank monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at 30 June 2026. The Bank concentrates all its financial assets in Ethiopia.

30 June 2026	Public Enterprise Birr'000	Cooperative Birr'000	Private Birr'000	Others Birr'000	Totala Birr'000
Cash and balances with banks	4,542,450	-	-	-	4,542,450
Loans and advances to customers		46,579	5,796,378	-	5,842,957
Investment securities:					-
-Financial asset at fair value through OCI		-	312,932	-	312,932
-Financial assets at Amortized cost	970,480	-	-	-	970,480
Other assets:	-	-	-	3,114,958	3,114,958
Total	**5,512,929**	**46,579**	**6,109,309**	**3,114,958**	**14,783,776**

30 June 2025	Public Enterprise Birr'000	Cooperative Birr'000	Private Birr'000	Others Birr'000	Total Birr'000
Cash and balances with banks	1,461,997	-	-	-	1,461,997
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
Total	**2,508,058**	**-**	**3,983,161**	**1,376,353**	**7,867,573**

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 June 2026 Birr'000	30 June 2025 Birr'000
Loan commitments	144,155	-
Guarantees	5,327,380	2,459,515
Letters of credit	1,880,829	511,654
Total	**7,352,364**	**2,971,169**

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.

30 June 2026	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000	Total Birr'000
Cash and balances due from NBE	2,400,773					2,400,773
Balances due from banks and non-bank - local	168,718					168,718
Balances due from banks -abroad	1,675,542					1,675,542
Net investment					1,237,783	1,237,783
Net loans and advances	1,600,000	1,500,000	1,100,000	800,000	1,101,640	6,101,640
Other Assets	1,554,970	800,000	400,000	500,000	1,709,940	4,964,910
Guarantees	2,650,000	750,000	600,000	1,327,380		5,327,380
Letters of credit	950,000	250,000	200,000	480,830		1,880,830
Total financial assets	**11,000,003**	**3,300,000**	**2,300,000**	**3,108,210**	**4,049,363**	**23,757,576**
Deposits from customers	5,500,000	1,500,000	1,000,000	900,000	2,754,992	11,654,992
Other liabilities	800,000	300,000	200,000	200,000	441,410	1,941,410
Sub total liabilities on B/S	**6,300,000**	**1,800,000**	**1,200,000**	**1,100,000**	**3,196,402**	**13,596,402**
Loan commitments		-		-	-	
Guarantees	2,650,000	750,000	600,000	1,327,380		5,327,380
Letters of credit	950,000	250,000	200,000	480,830		1,880,830
Sub total liabilities off B/S	**3,600,000**	**1,000,000**	**800,000**	**1,808,210**	-	**7,208,210**
Total financial liabilities	**9,900,000**	**2,800,000**	**2,000,000**	**2,908,210**	**3,196,402**	**20,804,612**
Gap	**1,100,003**	**500,000**	**300,000**	**200,000**	**852,961**	**2,952,964**
Commulative gap	**1,100,003**	**1,600,003**	**1,900,003**	**2,100,003**	**2,952,964**	**2,952,964**

30 June 2025	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000	Total Birr'000
Cash and balances due from NBE	1,192,395	400,000	-	-	-	1,592,395
Balances due from banks and non-bank - local	264,986	-	-	-	-	264,986
Balances due from banks -abroad	217,897	-	-	-	-	217,897
Net investment	-	-	-	-	1,381,828	1,381,828
Net loans and advances	203,269	237,660	807,970	520,133	1,947,891	3,716,923
Other Assets	113,710	149,426	-	704,438	1,945,600	2,913,175
Guarantees	308,688	1,059,083	577,986.02	513,758	-	2,459,515
Letters of credit	117,163	394,490	-	-	-	511,654
Total financial assets	**2,418,109**	**2,240,659**	**1,385,956**	**1,738,330**	**5,275,320**	**13,058,373**
Deposits from customers	1,933,600	630,650	411,250	1,113,880	2,900,003	6,989,383
Other liabilities	54,000	154,891	395,378	108,424	2,385,128	3,097,821
Sub total liabilities on B/S	**1,987,600**	**785,541**	**806,628**	**1,222,304**	**5,285,132**	**10,087,204**
Guarantees	308,688	1,059,083	577,986.02	513,758	-	2,459,515
Letters of credit	117,163	394,490	-	-	-	511,654
Sub total liabilities off B/S	**425,852**	**1,453,573**	**577,986.02**	**513,758**	-	**2,971,169**
Total financial liabilities	**2,413,452**	**2,239,114**	**1,384,614**	**1,736,062**	**5,285,132**	**13,058,373**
Gap	**4,657**	**1,545**	**1,342**	**2,268**	**(9,812)**	-
Commulative gap	**4,657**	**6,202**	**7,544**	**9,812**	**(0)**	**(0)**

4.4.3 Financial assets pledged as collaterals

The Bank does not have any assets pledged as collateral

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

Original Copy Submitted to the Board
W/A BAANKII GADAA
GADAA BANK S.C.
No. 01
Audit Services
Chartered Certified Accountants

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.

30 June 2026	Fixed Interest Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and balances with banks	-	4,543,108	4,543,108
Loans and advances to customers	5,842,957	-	5,842,957
Interest free banking		176,790	176,790
Investment securities			
-Financial asset at fair value through OCI		312,932	312,932
-Financial assets at Amortized cost	972,266	-	972,266
Other assets	-	3,233,931	3,233,931
Total	**6,815,223**	**8,266,761**	**15,081,984**
Liabilities			
Deposits from customers	6,963,628	4,447,552	11,411,180
Due to other banks	276,430	-	276,430
Other liabilities	-	1,505,249	1,505,249
Total	**7,240,058**	**5,952,801**	**13,192,859**

30 June 2025	Fixed Interest Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and balances with banks		1,461,997	1,461,997
Loans and advances to customers	3,658,246	-	3,658,246
Interest free banking		64,775	64,775
Investment securities			
-Financial asset at fair value through OCI		260,140	260,140
-Financial assets at Amortized cost	1,046,061	-	1,046,061
Other assets	-	1,498,928	1,498,928
Total	**4,704,307**	**3,285,840**	**7,990,147**
Liabilities			
Deposits from customers	3,530,370	404,555	3,934,925
Due to other banks	-	-	-
Other liabilities	-	945,413	945,413
Total	**3,530,370**	**1,349,968**	**4,880,338**

(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 cash and bank balances.

Foreign currency denominated balances

	30 June 2026 Birr'000	30 June 2025 Birr'000
USD	1,750,861	21,106
EURO	22,154	153
GBP	425.03	21
	1,773,441	**21,280**

Sensitivity analysis for foreign exchange risk

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

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Effect of 10% increase in exchange rate on profit or loss (USD)	175,086	2,111
Effect of 10% decrease in exchange rate on profit or loss (USD)	(175,086)	(2,111)
Effect of 10% increase in exchange rate on profit or loss (EUR)	2,215	15
Effect of 10% decrease in exchange rate on profit or loss(EUR)	(2,215)	(15)
Effect of 10% increase in exchange rate on profit or loss (GBP)	43	2
Effect of 10% decrease in exchange rate on profit or loss (GBP)	(43)	(2)

5 Capital management

The bank's objectives in managing capital are:

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

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

4.6.1 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. But from December 2026 onwards, the bank has to maintain 11.5% risk based capital weight.

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

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Capital		
Paid-up capital	1,654,458	1,303,918
Share premium	8,259	-
Retained earnings	503,570	192,797
Legal reserve	298,035	108,227
Risk reserve	114,840	48,987
Other reserves	167,630	125,582
	2,075,591	**1,779,511**
Risk weighted balance for on-balance sheet items	12,601,739	6,195,809
Credit equivalents for off-balance sheet items	3,039,856	1,332,088
	15,641,595	**7,527,897**

Chartered Certified Accountants (UK) Koteb & Melkamu Audit Service LLP
Accounting and Auditing Board of Ethiopia 0118861296 0111541235
GADAA BANK S.C. No. 01

Risk-weighted Capital Adequacy Ratio (CAR)	13%	20%
Minimum required capital	8%	8%
Excess	5%	12%

5 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 June 2026 Carrying amount Birr'000	30 June 2025 Carrying amount Birr'000
Financial assets		
Cash and balances with banks	4,543,108	2,075,178
Loans and advances to customers	5,842,957	3,658,246
Interest free financing	176,790	64,775
Investment securities		-
-Equity Investment	312,932	260,140
-Amortized Cost	972,266	1,046,061
Other asset	3,234,320	1,376,353
Total	**15,082,372**	**8,480,753**
Financial liabilities		
Deposits from customers	11,610,198	7,082,923
Due to other banks	276,430	188
Other liabilities	1,111,229	782,817
Total	**12,997,857**	**7,865,928**

W.A BAANKII GADAA No. 01 GADAA BANK S.C.
Kokeb & Melkamu Audit Service LLP chartered certified Accountants
የኢትዮጵያ ሂሳብ አያያዝና አዲት ቦርድ Accounting and auditing Board of Ethiopia 0118881296 0111541235 Original Copy Submitted to the board

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 June 2026

Financial assets	Level 1 ETB'000	Level 2 ETB'000	Level 3 ETB'000	Total ETB'000
Equity investments	-	312,932	-	312,932

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
Total	-	260,140	-	260,140

Valuation technique using significant unobservable inputs – Level 3

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

Transfers between the fair value hierarchy categories

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

4.8 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

Interest Free Banking Statement of Profit or Loss

For the Year ended 30 June 2026

	30 June 2026 Birr'000	30 June 2025 Birr'000
Commission income	59,358	24,956
Income from trade financing	23,067	7,532
Income from trade financing		
Service Charges		-
Other Income	5,536	(35,863)
Total operating income	**87,962**	**(3,375)**
Impairment on IFB Loans and advances	(1,080)	(474)
Net operating income	**86,882**	**(3,849)**
Personnel expenses	(18,492)	(12,516)
Other operating expenses	(34,754)	(5,949)
	(53,246)	**(18,465)**
Profit before tax	**33,636**	**(22,314)**
Income tax expense	(10,091)	-
Profit after tax	**23,545**	**(22,314)**

Gadaa Bank S.C

Interest Free Banking Statement of Financial Position
For the Year ended 30 June 2026

	30 June 2026 Birr'000	30 June 2025 Birr'000
ASSETS		
Cash and balances with banks	87,228	40,743
Interest free Financing net	176,790	64,775
Other assets	649,744	340,795
Total assets	**913,763**	**446,313**
LIABILITIES		
Deposits from customers	840,657	404,555
Other liabilities	49,561	64,071
Total liabilities	**890,218**	**468,627**
EQUITY		
Retained Earnings	23,545	(22,314)
Total equity	**23,545.05**	**(22,314.17)**
Total Liabilities and Equity	**913,763**	**446,313**

		30 June 2026 Birr'000	30 June 2025 Birr'000
5	**Interest income**		
	Loans and advances to customers	1,089,356	571,657
	Interest Income Penalty	820	
	Interest income adjustment	4,210	329
	Interest income on staff loans	2,005	
	Interest income on OMO	3,411	5,063
	Interest income on Treasury Bills	14,170	
	Interest income on IBMM	97,550	14,800
	Due from other banks	73	7,911
	Due from NBE T-Bonds	86,510	66,153
	Due from DBE Bonds	1,582	389
	Total interest income calculated under the effective interest method	**1,299,687**	**666,303**

		30 June 2026 Birr'000	30 June 2025 Birr'000
6	**Interest expense**		
	Due to customers	(646,065)	(258,333)
	Total interest expense	**(646,065)**	**(258,333)**

		30 June 2026 Birr'000	30 June 2025 Birr'000
7	**Fee and commission income**		
	Foreign currency transactions	537,952	314,851
	Letter of guarantee	611,692	311,870
	Cash payment orders and cheques	238	121
	Share Subscription Fee	4,669	-
	Other commission	15,822	10,746
	Total Fee and commission income	**1,170,373**	**637,588**
	Fee and commission expense	-	-
	GB Net Fee and commission income	**1,170,373**	**637,588**
	GSD Fee and Commission Income	1,369.37	
	Consolidated Net Fee and commission income	**1,171,743**	

		30 June 2026 Birr'000	30 June 2025 Birr'000
8	**Other operating income**		
	Dividend income	19,142	10,795
	Estimation and inspection fee	23,929	12,864
	FCY Revaluation Gain/Loss	328,998	340,895
	Market Exchange Profit	108,892	-
	Other income	1,458	1,851
	Rental income	75	1,119
	Swift and Correspondence charges	198	2,458
	GB Total Other operating income	**482,693**	**369,981**
	GSD Operating Income	1,000	
	Consolidated Total Other operating income	**483,693**	

During the year, the Bank received dividend income amounting to ETB 19.142 million from its investments. Of this amount, ETB 1.431 million was capitalized in the Bank's investment in Ethio Switch S.C. through the capitalization of dividend entitlement. The remaining ETB 17.711 million was received through other settlement arrangements.

		30 June 2026 Birr'000		30 June 2025 Birr'000
9	**Impairment charge**			
	Impairment on Conv Loans and advances	50,964		7,869
	Impairment on IFB Loans and advances	1,080		586
	Other assets- charge for the year	107		(337)
	Off BalanceSheet- charge for the year	3,401		7,738
	Total Impairment charge	**55,552**		**15,856**

		30 June 2026 Birr'000		30 June 2025 Birr'000
10	**Personnel expenses**			
	Salaries and wages	415,826		342,249
	Staff allowances	167,505		78,452
	Bonus	41,485		23,148
	Pension costs – Defined contribution plan	37,526		31,258
	Pension costs – Defined Benefit plan	10,941		7,759
	Amosrtisation of employee prepaid expense	2,333		-
	Other staff expenses	59,074		51,915
	GB Total Personnel expenses	**734,691**		**534,782**
	GSD Total Personnel expenses	4,659		
	Consolidated Total Personnel expenses	**739,350**	-	**534,782**

		30 June 2026 Birr'000		30 June 2025 Birr'000
11	**Operating expenses**			
	Advertisement and publicity	32,782		26,408
	Audit fee	617		391
	Bank charges	20,076		49
	Board of directors remuneration	1,454		1,359
	Board of directors allowance	1,300		1,320
	Internet & Webhost Service	104		89
	Donations	2,825		3,814
	Sponsership	1,723		2,938
	Fuel	4,631		3,674
	Insurance	22,946		14,399
	Telephone Expense	14,769		9,607
	Legal and professional fee	66		94
	Other operating expense	36,511		58,864
	Penalty	2,310		343
	Per diem	4,650		10,624
	Interest expense on lease liability	8,135		9,938
	Repair and maintenance	1,208		723
	Stationeries	12,221		14,029
	General Supply Stock Expense	10,427		7,981
	Subscription and membership fee	9,182		4,401
	Taxes	807		807
	Transportation	5,004		3,474
	General Assembly	4,996		4,334
	Water and electricity	2,502		1,027
	Market Exchange Loss	-		52,996
	GB Total Operating expenses	**201,360**		**233,797**
	GSD Operating expenses	1,981		
	GSD Board of directors allowance	700		
	Consolidated Total Operating expenses	**204,041**	-	**233,797**

	30 June 2026 Birr'000		30 June 2025 Birr'000

12 Company income and deferred tax

12a Current income tax

Company income tax	282,049	-	57,925
Deferred income tax/(credit) to profit or loss	5,959		44,109
Total charge to profit or loss	**288,008**		**102,034**
Tax (credit) on other comprehensive income	-		-
GB Total tax in statement of comprehensive income	**288,008**		**102,034**
GSD Income tax	(1,250)		
GB Total tax in statement of comprehensive income	**286,758**	-	**102,034**

12b Reconciliation of effective tax to statutory tax

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Profit before tax	**1,052,607**	**444,790**
Add : Disallowed expenses		
Donation	2,825	3,814
Penalty	2,310	343
Accrued Leave	13,673	8,735
Land and building tax	45	45
Property tax expense	762	762
Prepaid staff expense	2,333	-
Severance pay	10,941	7,759
Provision for loans and advances as per IFRS	52,151	8,118
Provision for Off BalanceSheet as per IFRS	3,401	7,738
Depreciation for accounting purpose	94,194	83,903
Amortization for accounting purpose	42,229	7,354
Amorortization for assets use right Buliding	123,569	95,057
Amortization on Lease Hold Land Property	2,486	
Interest expense on lease liability	8,135	-
Total disallowable expenses	**359,056**	**223,628**
Less : Allowable expenses		
Depreciation and amortization for tax purpose	172,105	102,886
Provision for loans and advances for tax NBE 80%	41,635	11,642
Provision for Off BalanceSheet-for tax NBE 80%	2,721	29,834
Amortization on Prepaid Rent	125,750	103,447
Amortization on Lease Hold Land Property	1,181	-
Accrued Leave Paid	6,207	-

Dividend income taxed at source	19,142	10,795
Staff Loans interest income at fair value	2,005	-
Interest income taxed at source-NBE Bills	100,680	66,543
Interest income taxed at source-Local Deposit	73	7,911
Total allowable expenses	**471,499**	**333,057**
Current year Taxable profit	940,163	335,361
Loss for tax purpose brought forward	-	(151,143)
Loss for tax purpose rejected by MoR	-	8,863
Taxable income	**940,163**	**193,082**
Provision for current tax	**282,049**	**57,925**

12c Current income tax liability	30 June 2026 Birr'000	30 June 2025 Birr'000
Balance at the beginning of the year	57,897	-
Charge for the year:	282,049	57,925
Payment during the year	(57,897)	-
Withholding tax paid	(381)	(28)
Advance Profit tax paid	(28,962)	-
Balance at the end of the year	**252,706**	**57,897**

12d Deferred income tax

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	(86,603)	(61,194)
To be recovered within 12 months	4,102	2,673
	(82,501)	**(58,522)**

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss ("P/L),

Deferred income tax assets/	30 June 2025 Birr'000	OCI	Credit/ Birr'000	30 June 2026 Birr'000
Property, plant and equipmer	(11,801)		(10,671)	(22,472)
Accured leave provision	2,673	-	1,429	4,102
Gain on investment @ FVTOC	(57,720)	(15,408)	-	(73,129)
Post employment benefit obl	8,327	(2,612)	3,282	8,997
12e Total deferred tax assets(liabilities)	**(58,522)**	**(18,021)**	**(5,959)**	**(82,501)**
12f Total deferred tax assets	**11,000**	**(2,612)**	**4,712**	**13,099**
12g Total deferred tax liabilities	**(69,522)**	**(15,408)**	**(10,671)**	**(95,600)**
GSD deferred tax assets				1,250
Total deferred tax assets				**14,350**
12e Total deferred tax				**(81,251)**

W.A BAANKII GADAA GADAA BANK S.C. No. 01
Accounting and auditing Board of Ethiopia 0118881296 0111541235
Chartered Certified Accountants (UK) Kokeb & Melkamu Audit Service LLP

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

13 Cash and balances with bank	30 June 2026 Birr'000		30 June 2025 Birr'000
Cash in hand	302,008		247,312
Deposits with local banks	168,718		264,986
Deposits with foreign banks	1,973,155		217,888
Reserve with National Bank of Ethiopia	2,033,180		613,180
Balance held with National Bank of Ethiopia	65,585		731,902
Interbank lending maturing in three months	-		
	4,542,647		2,075,269
Less: Specific impairment allowance	(197)		(91)
	4,542,450		2,075,178
GSD Cash and balances with bank	658		
	4,543,108	-	2,075,178
Maturity analysis			
Current	2,510,125		1,462,089
Non-Current	2,033,180		613,180
	4,543,305		2,075,269

13a Cash and cash equivalent	30 June 2026 Birr'000	30 June 2025 Birr'000
Cash in hand	302,008	247,312
Deposits with local banks	168,718	264,986
Deposits with foreign banks	1,973,155	217,888
Balance held with National Bank of Ethiopia	65,585	731,902
Interbank lending maturing in three months	-	
	2,509,467	1,462,089
Less: Specific impairment allc	(197)	(91)
	2,509,269	1,461,997

	30 June 2026 Birr'000	30 June 2025 Birr'000

14 Loans and advances to customers

Agriculture	65,509	43,451
Building And Construction	837,926	446,462
Consumer	304,128	1,385,516
Domestic Trade And Service	1,284,447	-
Export	1,598,414	-
Import	988,355	554,294
Manufacturing	704,464	642,686
Staff Loans	140,047	620,074
Gross amount	**5,923,291**	**3,692,483**
Stage 1 12 month ECL	(67,854)	(30,623)
Stage 2 Life time ECL	(8,299)	(84)
Stage 3 Life time ECL	(4,181)	(3,529)
	(80,334)	**(34,236.6)**
Net Conventional Loan Balance	**5,842,957**	**3,658,246**

Maturity Analysis	**30 June 2026 Birr'000**	**30 June 2025 Birr'000**
within 3 Months	701,805	26,126
3 months up to 1 year	1,730,348	910,329
1 Year up to 2 years	555,494	511,486
2 Years up to 3 years	788,699	826,498
3 years up to 5 years	1,066,671	649,010
> 5 years	1,080,273	769,033
	5,923,291	**3,692,483**

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	**30 June 2026 Birr'000**	**Charge for the Birr'000**	**30 June 2025 Birr'000**
Stage 1 12 month ECL	74,798	44,004	30,795
Stage 2 Life time ECL	8,412	7,389	1,023
Stage 3 Life time ECL	4,181	652	3,529
Total impairment allowance	**87,391**	**52,044**	**35,347**

15 Interest free Financing

	30 June 2026 Birr'000	**30 June 2025 Birr'000**
Export -Murabaha Financing	128,924	31,721
Domestic trade and service -Murabaha Financing	24,856	29,963
Building and construction -Mrabaha Financing	26,012	
Staff loans-Murabaha	4,054	4,201
	183,847	**65,885**
Less Collective Impairment	-	-
Stage 1 12 month ECL	(6,944)	(171)
Stage 2 Life time ECL	(113)	(939)
Stage 3 Life time ECL	-	-
	(7,057)	(1,110)
Net Interest free Financing	**176,790**	**64,775**

Maturity analysis	30 June 2026 Birr'000	30 June 2025 Birr'000
Within 3 Months	1,636	-
3 months up to 1 year	113,734	10,361
1 Year up to 2 years	25,101	51,323
2 Years up to 3 years	35,507	-
> 5 years	7,870	4,201
	183,847	**65,885**

	30 June 2026 Birr'000	30 June 2025 Birr'000
16 Investment securities		
Financial assets at amortized cost :		
Treasury Bond	894,916	820,755
Treasury bills	-	192,098
DBE bonds	75,622	33,265
	970,538	**1,046,118**
Less: Specific impairment allowance	(58.50)	(56.76)
	970,480	**1,046,061**
GSD Treasury bills	1,786	
	972,266 -	**1,046,061**

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

Financial assets at fair value through OCI :		
Financial assets at FVOCI (equity investments)	312,932	260,140
	312,932	**260,140**

The Bank equity investment comprises:

30 June 2026

In Birr'000

Investee Company	Percentage holding	Cost	BBF Revaluation gain/loss	Current Revaluation gain/loss	Total
Oromia Insurance Company s.c	0.85%	16,441	6,317	(1,687)	21,071
Ethiopian Security Exchange	0.41%	5,000	(167)	(156)	4,678
Ethio Swich s.c.	1.44%	42,729	175,627	53,203	271,560
Awash Insurance S.C	0.15%	5,000	10,623	-	15,623
		69,170	**192,401**	**51,361**	**312,932**

The Bank hold equity investments in Oromia Insurance Company 0.85%,Ethiopian Security Exchange S.c 0.41% ,Ethio Swich s.c 1.44% and Awash Insurance S.C 0.15% as of 30 June 2026. This investments are unquoted equity securities measured at fair value through other comprehensive income (FVOCI).

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
		67,739	**166,912**	**25,489**	**260,140**

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 Other assets

Financial assets	30 June 2026 Birr'000	30 June 2025 Birr'000
Uncleared effects of transfers - Foreign	2,708,002	1,130,427
Uncleared effects of transfers - Local	6,341	2,202
ATM settlement receivables	306	23
Account receivable	403,726	247,119
Gross amount	**3,118,375**	**1,379,771**
Less: Specific impairment allowance	(3,417)	(3,417)
	3,114,958	**1,376,353**
Non-financial assets		
Prepaid staff expense	67,228	-
Prepayments	16,911	40,315
General supplies	34,834	34,570
Sundry receivables	-	47,689
Gross amount	**118,973**	**122,574**
Net Financial and Non financial asset	**3,233,931**	**1,498,928**
GSD Other assets	388	
	3,234,320	**1,498,928**

Maturity analysis	30 June 2026 Birr'000	30 June 2025 Birr'000
Current	2,766,394	1,255,225
Non-Current	470,955	247,119
Less: Specific impairment allowance	(3,417)	(3,417)
	3,233,931	**1,498,928**

18 Intangible Assets	Purchased software Birr'000	Total Birr'000
Cost:		
As at 30 June 2025	**201,096**	**201,096**
As at 1 July 2025	201,096	201,096
Acquisitions	116,418	116,418
Internal development	-	-
As at 30 June 2026	**317,514**	**317,514**
Accumulated amortisation		
As at 30 June 2025	**11,104**	**11,104**
As at 1 July 2025	11,104	11,104
Amortisation for the year	42,229	42,229
As at 30 June 2026	**53,334**	**53,334**
Net book value		
As at 30 June 2025	**189,992**	**189,992**
As at 30 June 2026	**264,180**	**264,180**

	Building Birr'000	Motor vehicles Birr'000	Office Equipment Birr'000	Furniture And Fittings Birr'000	Computer equipment Birr'000	Construction in progress Birr'000	Total Birr'000
19 Property, plant and equipment							
Cost:							
As at 30 June 2025	**295,417**	**207,182**	**54,729**	**113,427**	**287,077**	**22,645**	**980,477**
As at 1 July 2025	295,417	207,182	54,729	113,427	287,077	22,645	980,477
Additions	-	35,866	29,247	18,043	16,383	21,558	121,096
Disposals	-					-	-
Reclassification	-	-	-	-	-	-	-
Transfer to Non-Asse	-	-					-
As at 30 June 2026	**295,417**	**243,048**	**83,975**	**131,470**	**303,459**	**44,203**	**1,101,573**
Accumulated depreciation							
As at 30 June 2025	**12,118**	**38,318**	**17,546**	**30,598**	**53,506**	**-**	**152,085**
As at 1 July 2025	12,118	38,318	17,546	30,598	53,506	-	152,085
Charge for the year	5,613	20,312	9,929	17,363	40,977		94,194
As at 30 June 2026	**17,731**	**58,630**	**27,474**	**47,961**	**94,483**	**-**	**246,279**
Net book value							
As at 30 June 2025	**283,300**	**168,864**	**37,183**	**82,830**	**233,571**	**22,645**	**828,392**
As at 30 June 2026	**277,687**	**184,418**	**56,501**	**83,510**	**208,976**	**44,203**	**855,294**

GSD Property and equipment	8,331
GSD Depreciation of property, plant and equipment	536
GSD Net book value	**7,794**

Koheb & Meikamu Audit Service LLP. Chartered Certified Accountants (UK)
W.A BAANKII GADAA No. 01 GADAA BANK S.C.

20 Right of use asset and Lease Liability

The Bank leases a number of assets of Land and buildings. Information about leases for which the Bank is a lessee is presented below:

A. Right -of use asset (ROUA):	Leased Holdland Birr'000	Building Birr'000	Total Birr'000
Cost:			
Balance at 01 July 2025	-	598,454	598,454
Additions	167,033	108,325	275,358
Adjustment		6,821	6,821
Disposal	-		-
Balance at June 2026	**167,033**	**713,601**	**880,633**
Amortisation			
As at 1 July 2025	-	184,059	184,059
Charge for the year	2,486	123,569	126,055
Adjustment		(7,085)	(7,085)
Disposal	-		
Balance at June 2026	**2,486**	**300,544**	**303,030**
Net Carrying Value at 30 June 2026	**164,546**	**413,057**	**577,603**
GSD ROUA			7,744
GSD Depreciation of ROUA			1,111
GSD Net book value			**6,633**

W.A BAANKII GADAA No. 01 GADAA BANK S.C.
Kokeb & Meikamu Audit Service LLP
Original Copy

B. Lease Liability

	Land Birr'000	Building Birr'000	Total Birr'000
Balance at 01 July 2025	-	**179,036**	**179,036**
Additions	128,473	30,689	159,162
Interest expense in P & L		8,135	8,135
Adjustments			-
Payment of leases	(30,454)	(71,575)	(102,029)
Balance at June 2026	**98,019**	**146,285**	**244,304**
GSD Lease Liability			3,646
			247,950

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 minimium saving cost of deposits across the years. The rates used to compute the present values of buildings lease liabilities as at 30 June 2026 was 7% which is minimium saving interest rate the bank applied during the period. The adjustments were occurred due to changes in lease price adjustments remeasurements.

The Bank leases land for future HQ and buildings for its office space. The land leases contract is running for a period of 60 years.

		30 June 2026 Birr'000		30 June 2025 Birr'000
21	**Deposits from customers**			
	Demand deposits	3,877,338		3,147,998
	Savings deposits	3,341,908		2,238,737
	Time deposits	3,621,719		1,291,633
	Wakala Time Deposit	270,443		-
	Wadia demand deposits	224,562		134,110
	Wadia savings deposits	345,652		270,446
		11,681,622		**7,082,923**
	GSD deposits	(71,425)		
		11,610,198	-	**7,082,923**
21a	**Intercompany deposit reconciliation**			
	GSD Cash and balances with banks	72,083		
	GB Investment in GSD	(60,000)		
	GSD deposits	(71,425)		
		(59,342)		
22	**Due to other banks**			
	Saving deposits	59,555		122
	Time deposits	216,875		66
		276,430		**188**

		30 June 2026 Birr'000		30 June 2025 Birr'000
23	**Other liabilities**			
	Financial liabilities:			
	Letter of credit margin payables	985,297		725,417
	ATM settlement payable	213		64
	POS Payable	3		
	Exchange payable	25,875		9,490
	Credit Information Enquiry Payable	1,368		
	Cash payement order payable	15,402		10,689
	Board of directors remuneration payable	1,454		1,359
	Dividend Payable	16,459		
	Deferred Income Loan Processing Fee	1,678		2,121
	Deferred Income Guarantee Commission	38,749		24,768
	Staff payables	24,731		8,909
		1,111,229		**782,817**
	Non-financial liabilities:			
	Defined contribution liabilities	3,843		3,647
	Bonus Payable	41,485		
	Stamp duty charges	51		60
	Withholding tax payable	1,388		1,305
	Dividened Tax Payable	2,905		
	Other tax payable	26,019		20,580
	Accts Payable FCY	297,614		
	Sundry payables	20,716		137,004
		394,020		**162,596**
	Gross amount	**1,505,249**		**945,413**
	GSD Other liabilities	3,626		
		1,508,875	-	**945,413**

Maturity analysis	30 June 2026 Birr'000	30 June 2025 Birr'000
Current	1,419,158	768,964
Non-Current	89,716.83	176,449
	1,508,875	**945,413**

	30 June 2026 Birr'000	30 June 2025 Birr'000
23a Retirement benefit obligations		
Defined benefits liabilities:		
– Severance pay (note 23b)	29,990	27,757
Liability in the statement of financial position	**29,990**	**27,757**
Income statement charge included in personnel expenses:		
– Severance pay (note 23b)	10,941	7,759
Total defined benefit expenses	**10,941**	**7,759**
Remeasurements for:		
– Severance pay (note 23b)	8,708	(6,984)
	8,708	**(6,984)**

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

Maturity analysis	30 June 2026 Birr'000	30 June 2025 Birr'000
Current	10,941	7,759
Non-Current	19,049	19,998
	29,990	**27,757**

23b Severance pay

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

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
A Liability recognised in the financial position	**29,990**	**27,757**

B Amount recognised in the profit or loss	30 June 2026 Birr'000	30 June 2025 Birr'000
Current service cost	6,305	4,486
Interest cost	4,636	3,273
	10,941	**7,759**
C Amount recognised in other comprehensive income:		
Actuarial (Gains)/Losses on demographic assumptions		
Actuarial (Gains)/Losses on economic assumptions	5,313	(4,457)
Actuarial (Gains)/Losses on experience	3,395	(2,527)
	8,708	**(6,984)**

D Change in the present value of the defined benefit obligation

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	27,757	13,014
Current service cost	6,305	4,486
Interest cost	4,636	3,273
Bank Paid Benefits	-	-
Remeasurement (gains)/ losses	(8,708)	6,984
At the end of the year	**29,990**	**27,757**

The significant actuarial assumptions were as follows:

i) Financial Assumption

	30 June 2026 Birr'000	30 June 2025 Birr'000
Discount Rate	15.25%	15.00%
Inflation Rate	8.00%	12.20%
Salary increases	10.00%	14.20%

ii) Mortality in Service

In general, benefts will decrease or cease when the individual dies. In our projections of benefts it is thus essential to take account of the mortality of the employees. Mortality is normally expressed as the probability of death within the next year for an individual of a specifc age. Different mortality rates are thus set for each age group (higher rates for older people) and this set of rates is referred to as a mortality table.

The mortality table used for the current employees was DHS 2016 tables as published by the CSA (Central Statistics Agency) of Ethiopia. Based on our knowledge of the region mortality, we believe that this table is suitable for use in this valuation. Since the rates are provided in 5-year bands, we applied the rate provided per band as the mortality rate for the age in the middle of each band and interpolated linearly for rates in between these ages.

These rates combined are approximately summarized as follows:

Age	Mortality Rate	
	Males	Females
20	0.306	0.223
25	0.303	0.228
30	0.355	0.314
35	0.405	0.279
40	0.515	0.319
45	0.45	0.428
50	0.628	0.628
55	0.979	0.979
60	1.536	1.536

iii) Withdrawal from

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

Age	Withdrawal Rate
20	15.00%
25	12.50%
30	10.00%
35	7.50%
40	5.00%
45	2.50%
50+	0.00%

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:

30 June 2026	Impact on defined benefit obligation		
Sensitivity	Base DBO Birr'000	DBO on Changed Assumptions Birr'000	% Change
Discount rate +1%	29,990	28,950	-3.47%
Discount rate -1%	29,990	31,127	3.79%
Salary increase +1%	29,990	31,003	3.38%
Salary increase -1%	29,990	29,058	-3.11%

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

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
24 Share capital		
Subscribed:		
Ordinary shares of Birr 1000 each	1,654,458	1,303,918
Paid Capital:		
Ordinary shares of Birr 1000 each	1,654,458	1,303,918
Reconcilation of Paid up Capital		
Paid-up capital at 1 July 2025	1,303,918	1,074,406
Changes during the year:		
Dividend capitalized	165,175	-
Reconciliation of prior Share capital held on payable and Staff Provident Fund transferred to capital	71,634	
New shares issued	113,731	229,512
Total increase	**350,540**	**229,512**
Paid-up capital at 30 June 2026	**1,654,458**	**1,303,918**

The Bank's paid-up capital as at 30 June 2026 amounted to ETB 1.654 billion, compared with ETB 1.304 billion as at 30 June 2025. The increase of ETB 350.540 million during the year comprised ETB 165.175 million arising from capitalization of dividends, ETB 71.634 million from reconciliation prior year unidentified share holders and Staff Provident Fund-related share contributions, and ETB 113.731 million from new shares sold/issued during the year.

25 Share premium	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	-	
Adjustment		-
Addition during the year	8,259	-
	8,259	**-**

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.

	30 June 2026 Birr'000	30 June 2025 Birr'000
Profit/Loss) attributable to shareholders	759,231	342,756
Weighted average number of ordinary shares in issue	1,452,410	1,189,162
Basic & diluted earnings per share (Birr)	**0.52**	**0.29**

26a Dividend per share			
At the beginning of the year			(23,375)
Reversal of Prepaid staff expenses			(2,137)
Profit/Loss) attributable to shareholders	759,231	-	342,756
Transfer to Legal reserve (25%)	(189,808)	-	(85,689)
Transfer to Risk reserve	(65,853)	-	(38,759)
	503,570	**-**	**192,797**
Weighted average number of ordinary shares in issue	1,452,410	-	1,189,162
Dividend per share (Birr)	**0.347**		**0.162**

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

27 Retained earnings	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	192,797	(23,375)
Profit for the year	759,231	342,756
Dividend Paid	(192,797)	-
Reversal of Prepaid staff expenses	-	(2,137)
Transfer to Legal reserve	(189,808)	(85,689)
Transfer to Risk reserve	(65,853)	(38,759)
At the end of the year	**503,570**	**192,797**

28 Legal reserve	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	108,227	22,538
Transfer from profit or loss	189,808	85,689
At the end of the year	**298,035**	**108,227**

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.

29 Regulatory Risk reserve	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	48,987	10,228
Loan Loss provision transfer from Retained Earnings	(14,337)	4,768
Off balance sheet provision transfer from Retained Earning	80,298	44,367
Other asset (net) transfer from/to Retained Earnings	(107)	(148)
At the end of the year	**114,840**	**48,987**
Loan loss provision as per NBE directive	77,821	40,115
Off Balance Sheet provisionas per NBE directive	136,319	52,621
Other Asset Provision	3,417	3,417
	217,558	**96,153**
Loan loss provision as per IFRS	87,391	35,347
Off Balance Sheet provision as per IFRS	11,654	8,254
Other Asset Provision as per IFRS	3,673	3,565
	102,718	**47,166**
Difference	**114,840**	**48,987**

National Bank of Ethiopia (NBE) Directives. This is at variance with the expected credit loss model required by IFRS under IFRS 9. As a result of the differences in the provision, there will be variances in the impairments allowances required under the two methodologies. Similarly, interest on non-performing loans are suspended as per NBE directive, while IFRS 9 prescribes to recognize stage 3 loans interest income net of impairement losses.

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

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

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

- Prudential provisions is greater than IFRS provisions; the excess resulting should be transferred from the general reserve (retained earnings) account to a "regulatory risk reserve".
- Prudential provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account.
- Interest suspended in the previous years and regularized in the current year is compared with current year stage 3 loans interest income recognized net of impairment losses. The difference between the two is transferred to "regulatory risk reserve".

(b) The non-distributable reserve should be classified under Tier 1 as part of the core capital.

The provisions of off-balance sheet exposures of local guarantees, commitments to provide loans and advances, letters of credit, and other (i.e., foreign bank counter guarantees) as per NBE Directve No. SBB/90/2024 are included in the Loss Allowances on LC and Guarantee commitments.

30 Other Reserves	30 June 2026 Birr'000	30 June 2025 Birr'000
At the beginning of the year	125,582	112,628
Remeasurement gain/(loss) on retirement benefits obligat	6,096	(4,889)
Revaluation Gain-Equity Investment net of tax	35,952	17,842
At the end of the year	**167,630**	**125,582**

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

Gains and losses on revaluation of equity investment instruments, including when derecognised/sold, are recorded in OCI and are not subsequently reclassified to the Income Statement.

31 Non-controlling interest and Gain on Bargain Purchase

	30 June 2026 Birr'000	30 June 2025 Birr'000
Gain on Bargain Purchase	3,588	
Inter company adjustment	5,368	
Non-controlling interest	19,076	
	28,032	

	Notes	30 June 2026 Birr'000	30 June 2025 Birr'000
32 Cash generated from operating activities			
Profit before income tax		**1,052,607**	**444,790**
Adjustments for Non-cash Items:			
Net gain/(loss) on foreign exchange			
Depreciation of property, plant	19	94,194	83,903
Amortisation of intangible asse	18	42,229	7,354
Impairment losses on Loan, cash, Receivables and NBE	9	52,151	8,118
Provisions for guarantee & lett	9	3,401	7,738
Prepaid staff expense	10	2,333	(2,137)
Amortisation of Right use Asse	20	126,055	95,057
Interest expense on lease liabil	20	8,135	
Dividend income	8		(10,795)
Retirement benefit obligations	23a	10,941	7,759
Changes In Working Capital:			
Decrease/ (Increase) in loans ai	14	(2,184,711)	(1,249,206)
Decrease/ (Increase) in interest	15	(112,015)	(13,448)
Decrease/ (Increase) in other a:	17	(1,735,004)	(1,317,292)
Decrease/Increase in Customer	21	4,162,598	3,076,200
Decrease/Increase in Customer	21	436,101	-
Decrease/Increase in due to otl	22	276,242	
Decrease/Increase in Lease liat	20	65,269	35,414
Decrease/Increase in other liab	23	548,987	758,713
		2,849,514	**1,932,169**

33 Related Party Transactions

Gadaa Bank (S.C.) has been registered as commercial bank on April 26, 2022 in accordance with article 304 of Commercial Code of Ethiopia. It was established in line with Banking Business Proclamation No. 592/2008 with authorized capital of Birr 1.167 billion. It started operation on 24th December 2022, with paid up share capital of birr 551.56 million. Gadaa Bank is owned by organizations, associations and individuals . The bank did not enter any transaction with related parties as at 30 June 2026.

33a Key Management Compensation

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Senior Management Salaries and Other Short-term Employee Benefits	25,364	14,589
	25,364	**14,589**

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

33b Board of Directors Compensation

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

	30 June 2026 Birr'000	30 June 2025 Birr'000
Board of Directors Remuneration	1,454	1,369
Board allowance	1,300	-
	2,754	**1,369**

34 Contingent Assets and Liabilities

34a Claims and Litigation

The Bank is currently a defendant in two legal proceedings arising in the ordinary course of business. As of June 30, 2026, claims filed against the Bank amounted to ETB 23.56m. Based on the assessment of the Bank's legal Department and management, while the ultimate outcome of these matters is inherently uncertain, the Bank believes that the likelihood of an outflow of economic benefits is possible, but not probable, and the amount cannot be reliably estimated at this time. Accordingly, no provision has been recognized in these financial statements.

34b 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 30 June 2026.

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 at30 June 2026.

34c *Commitments, 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 procurment, approved Term loan, preshipment, 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 commitments and contingent liabilities for the account of

	30 June 2026 Birr'000	30 June 2025 Birr'000
Loans approved but limit not utlized	144,155	-
Procurment contract on progress	41,230	
Financial Guarantees issued	5,327,380	2,459,515
Letters of credit	1,880,829	511,654
	7,393,594	**2,971,169**
Provisions for Guarantees and Letter of credits issued	(11,654)	(8,254)
	7,381,939	**2,962,915**

35 Right use of asset and Lease liabilities

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

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

	30 June 2026 Birr'000		30 June 2025 Birr'000	
	Right use of asset	Lease liabilities	Right use of asset	Lease liabilities
Within one year	812	-	1,464	1,718
After 1 year but within 2 years	36,222	11,938	-	-
After 2 years but within 5 years	240,410	107,805	237,119	116,675
After 5 years	300,160	124,561	179,205	60,643
Total	**577,603**	**244,304**	**417,788**	**179,036**
GSD	6,633	3,646		
	584,236	**247,950**	**417,788**	**179,036**

36 Events after reporting period

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

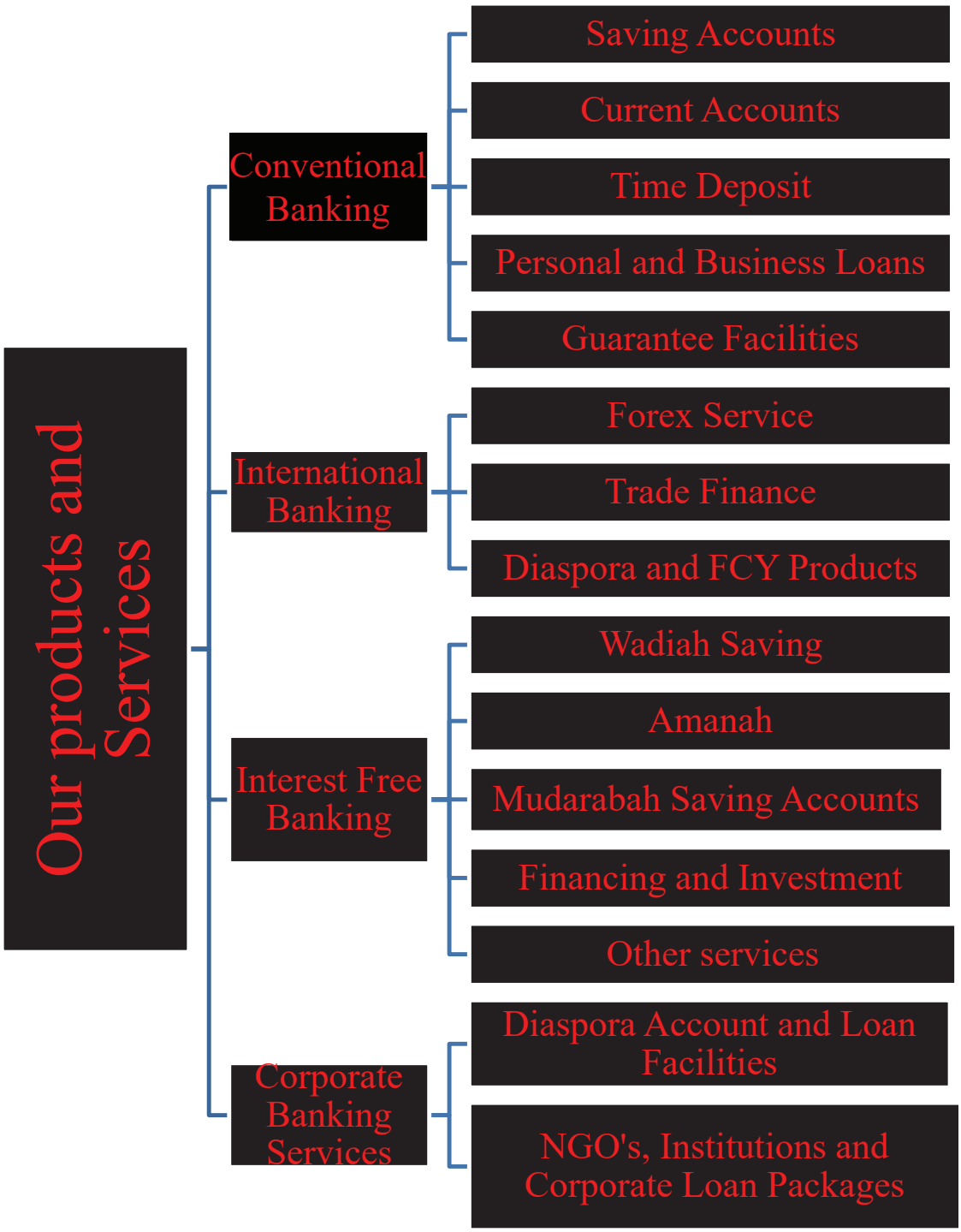
Baankii Gadaa
New Generation's Bank

ገዳ ባንክ
Gadaa Bank

Guyyaa...../...../..... WKRKJSD
Yaadannoo

+251 116 392577 641 SWIFT Code: GDAAETAA info@gadaabank.com.et 31996
Head Quarter: Kirkos Sub-city, Woreda 03, Gotera

+251 116 392577 641 SWIFT Code: GDAAETAA info@gadaabank.com.et 31996
Head Quarter: Kirkos Sub-city, Woreda 03, Gotera


Our products and Services
Conventional Banking
Saving Accounts
Current Accounts
Time Deposit
Personal and Business Loans
Guarantee Facilities
International Banking
Forex Service
Trade Finance
Diaspora and FCY Products
Interest Free Banking
Wadiah Saving
Amanah
Mudarabah Saving Accounts
Financing and Investment
Other services
Corporate Banking Services
Diaspora Account and Loan Facilities
NGO's, Institutions and Corporate Loan Packages



Head Office

Kirkos Sub-city, Woreda 03, Gotera House No. 745

Hotline : 641

31966

info@gadaabank.com

www.gadaabank.com.et

Designed & Printing by: www.masterprintaddis.com