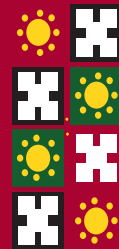




**20**<sup>22</sup>/<sub>23</sub>

# ANNUAL REPORT



**አሐዱጋንክ**  
**Ahadu Bank**



We're bringing  
**world class banking**  
into your fingertip



**ከምቹት በላይ**  
**Beyond Convenience**

**መተግበሪያውን በማውረድ  
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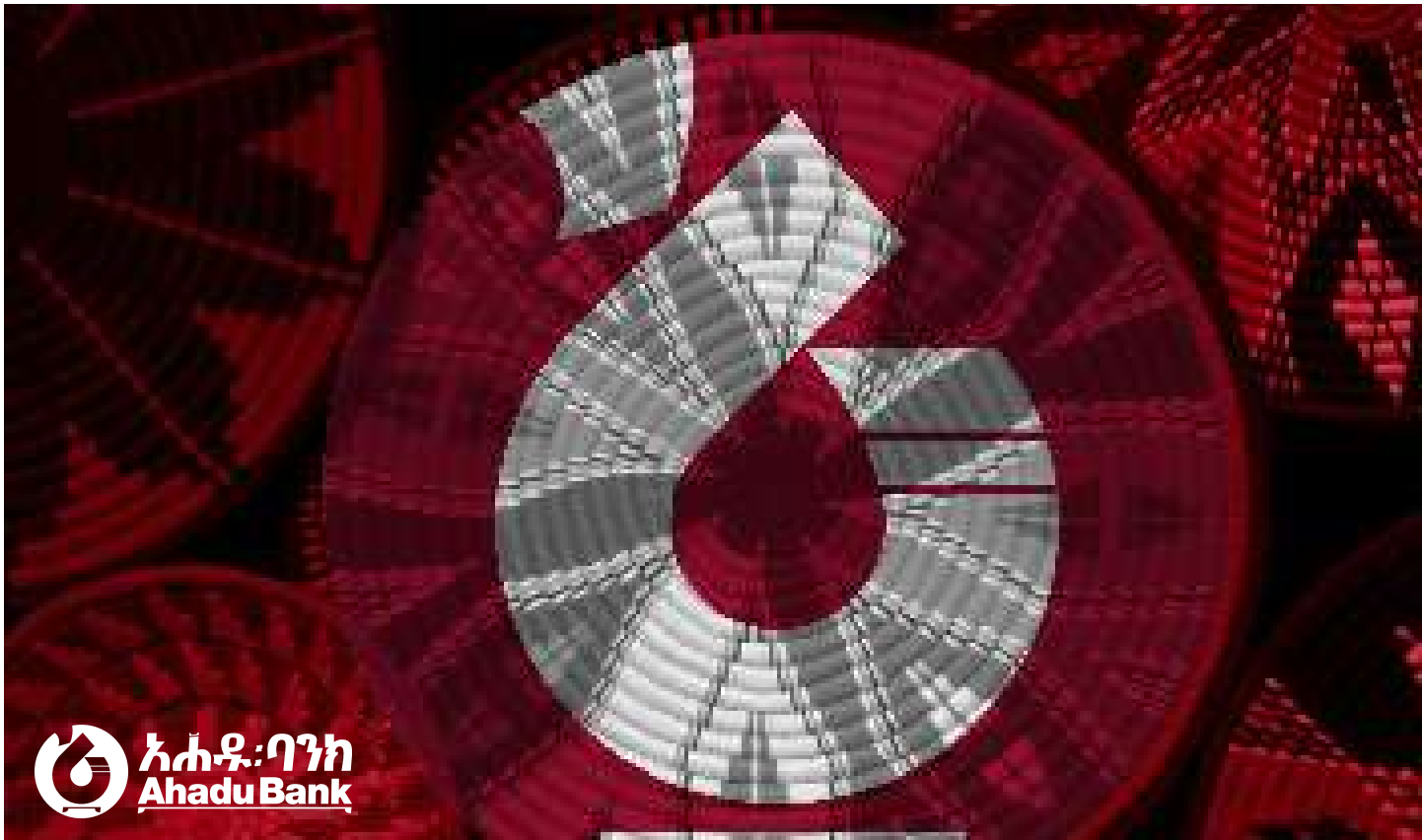
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**አሐዱ፡ባንክ**  
**Ahadu Bank**



# Driven By Purpose Guided By Values





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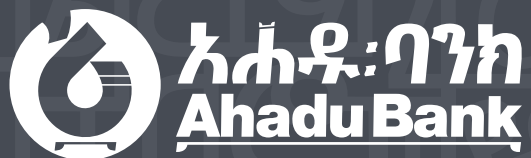
# Welcome



## DRIVEN BY PURPOSE. GUIDED BY VALUES

Ahadu Bank from its inception is designed to set a new tone for the financial industry in our country with its mantra of inclusive financial intermediation. It is a bank driven by deeply rooted mission and guided by inimitable values inherited from our fore fathers. We aspire to uphold our identity that is truly Ethiopian yet we deliver innovative financial services driven by digital technology.





## AHADU AT GLANCE 2022/2023

Ahadu Bank is a newly established financial institution within Ethiopia's banking sector. Its primary goal is to provide comprehensive banking services nationwide, with a strong emphasis on inclusivity. Since its inception, the Bank has successfully established 75 branches across diverse regions of the country, effectively delivering a wide range of banking services to its esteemed customers.

**This achievement has been made possible by the dedicated efforts of the Board of Directors, Management and our 733 skilled and committed employees.**



# Key Facts of 2022/23FY



75

BRANCHES



USD 21.6 Mln

FCY GENERATION



Br 3.1 Bln

TOTAL ASSET



201,625

CUSTOMERS



Br 924.7 Mln

LOANS AND ADVANCES



Br 673 Mln

PAID UP CAPITAL



Br 2.03 Bln

DEPOSIT



Br 146.5 Mln

REVENUE



733

EMPLOYEES



## OUR JOURNEY

The Ahadu Bank was founded in 2021 by a group of visionary Ethiopians who aimed to offer inclusive and Pioneer avant-garde financial services. The establishment of the Bank was in accordance with the Ethiopian Banking Proclamation, with the primary objective of providing comprehensive general commercial banking services.

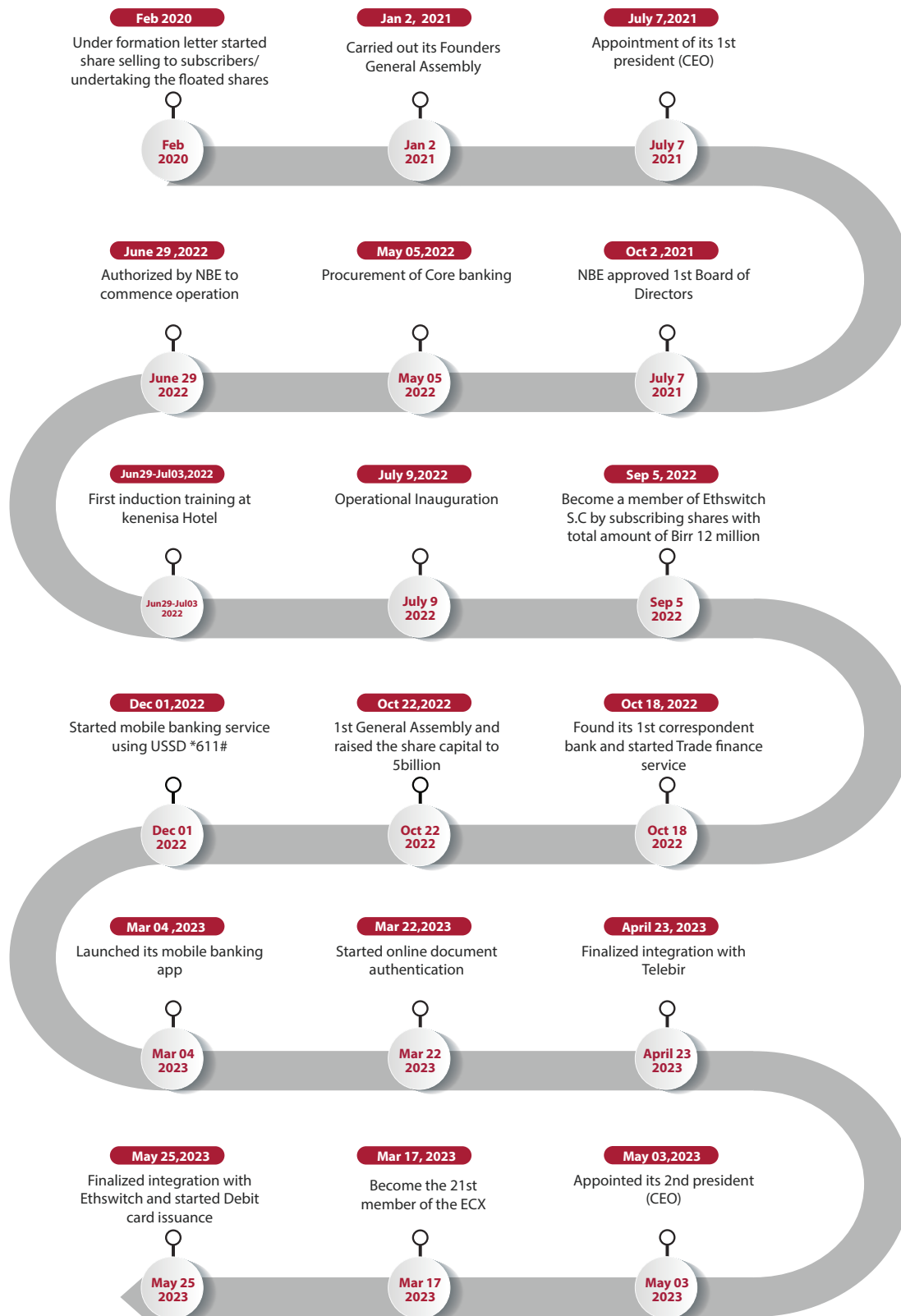
Following a year-long journey from the commencement of share selling, the Bank successfully met NBE's initial capital requirement on January 2, 2021, and subsequently obtained its banking license on October 5, 2021. To commence operations, the Bank received authorization from NBE on June 29, 2022, and officially inaugurated its operations with three branches in Addis Ababa on July 16, 2022.

The Bank has attained commendable success during its inaugural year of operation, establishing a crucial groundwork for its prospective expansion.





# OUR JOURNEY



# STRATEGIC DIRECTION



## OUR VISION, MISSION AND VALUES



### VISION

To take a lead role in the financial sector, in 2025 E.C, in support of the aspirations of the citizenry and the country



### MISSION

Our purpose is to Pioneer avant-garde financial services for promoting the economic welfare of Ethiopians.



### VALUES

Fear of God  
Honesty  
Passion for Serving  
Organizational Learning  
Proactive Accountability  
Humanness

# LEADERSHIP



## Board of Directors



**Anteneh Sebsebie**  
**Chairman**



**Makonnen Semu**  
**Vice Chairman**



**Daniel Gebremedhin**  
**Director**



**Elsabet Abreham**  
**Director**



**Getnet Fikre**  
**Director**



**Kasahun Hilemariam**  
**Director**



**Sileshi Temesgen**  
**Director**



**Tesfaye Behonegn**  
**Director**



**Dr. Temesgen Worku**  
**Director**



**Eng. Tigabu Haileyesus**  
**Director**



**Eng. Yosef Desta**  
**Director**

# Executive Management



**Sefialem Liben**  
**Chief Executive Officer**



**Fikru Woldetensie**  
**Chief Strategy Officer**



**Ephrem Bogale**  
**Chief Operation Officer**



**Sisay Gebru**  
**Chief Corporate Service Officer**

# Senior Management



**Emishaw Tefera**  
Executive Director, Digital & Agent Banking Directorate



**Belayneh Hailemeskel**  
Director -Facility & Procurement



**Betrework Tafesse**  
Executive Adviser to the CEO



**Binnyam Ahmed**  
Company Secretary



**Daniel Tadesse**  
Director, Corporate Customer Relationship Management



**Daniel Tesfaye**  
Director, Corporate Customer Experiences Directorate



**Hiruy Zeray**  
Director, Internal Audit



**Lishan Geberemedih**  
Director, Marketing & Communication



**Lissan Getachew**  
Director, International Banking



**Mikre Ayalew**  
Director, Human Capital Management



**Nebiyeleoul Debebe**  
Director, Institutions Relationship Management Directorate



**Samson Kitaw**  
Director, IT Infrastructure



**Samuel Assefa**  
Director, MSME & Rural Banking



**Seleshi Molla**  
Director, Legal Service



**Seleshi Yilma**  
Director, Credit Appraisal & Portfolio Management



**Setarge Asmare**  
Director, Retail Banking Operation



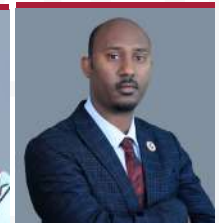
**Teferi Mekonnen**  
Director, Strategy & Transformation



**Wolelaw Berhane**  
Director, IT Application Dev't & Customization



**Wubet Fekade**  
Director, Risk & Compliance



**Yidnekachew Awayneh**  
Director, Finance and Treasury

# Statement From The Chairman

**Dear Shareholders,**

It is with great pleasure and pride that I present to you the first annual operational report of Ahadu Bank for the fiscal year 2022/23. This report showcases the remarkable achievements and success stories of our bank in its first year of operation, as well as the challenges and opportunities that we faced and overcame.

The Bank's first year of operation was marked by numerous domestic and global setbacks. Globally, the Russia-Ukraine War, coupled with China's Zero-Covid Policy, has been the biggest concern with multidimensional effects, causing a decline in world output and trade, severe supply disruption and the consequent shock to the global economy, which led to a rapid rise in inflation. Domestically, despite the end of hostilities in the north part of the country through a peace deal, the country's macroeconomic and socio-political conditions remained unstable. External and internal problems such as persistent foreign exchange shortages, persistently high inflation, unemployment and a growing budget deficit continue to challenge the country's economic progress. In response, the government has put into place a number of fiscal and monetary measures. The government's policy direction has become towards open economy manifested in the establishment of the capital market, opening of the financial industry to international players as well as the liberalization of the telecom sector and foreign exchange market. On the other hand, policy measures were taken to expand the tax base, the retention of FCY, the mandatory purchases of treasury bonds, among other things, with direct & indirect impact on our operation.



In the Ethiopian banking industry, six other new private banks joined the market during the period in review, and several directives—some new and changes to already existing ones—were put into effect. Furthermore, the favorable environment and the ever-evolving digital ecosystem have encouraged non-bank operators to provide financial services. Backed by partnerships, banks are keen to keep up with evolving patterns and seize the opportunities presented by the digital ecosystem.

### Esteemed shareholders,

As you know, Ahadu Bank was established with the mission of pioneering avant-garde financial services to advance economic welfare of Ethiopians and to play a leading role in the financial sector by the year 2025 E.C. by providing innovative and inclusive financial services to support the development of our people and our country.

Despite the numerous difficulties we encountered, we have managed to lay the foundation of our Bank on a solid ground. In its first year of operation our bank has achieved significant successes in many areas, which started with its operationalization.



### Some of the highlights of our performance in the past year include:

- Generated over USD 21 million in foreign currency from export, remittance, and other sources, contributing to the national effort to ease the foreign exchange shortage
  - Fully organized and filled middle and senior management positions with competent, qualified and experienced professionals
  - Recruited and trained over 720 employees, who are committed to delivering excellent service to our customers and stakeholders
  - Opened 75 branches across the country, covering most regions and major cities, as well as launching digital channels such as mobile banking, internet banking, and card banking
  - Built strong partnership with reputed Fintech companies to expand our digital service offerings
  - Developed and launched various products and services that cater to the needs and preferences of our customers
  - Built a strong brand image and reputation within the market due to excellent services as well as fulfilling our commitments to corporate social responsibility
- Mobilized over 2 billion birr in deposits from more than 201,000 customers, making us one of the fastest growing banks in the industry
  - Disbursed over Birr 924 million in loans and advances to various sectors; specially to debtors with high cross-selling impact and partners who were identified to execute the mission of the bank

“

We have managed to lay the foundation of our Bank on a solid ground.

”

These and other achievements not mentioned here are the result of the coordinated effort of the board of directors, management, employees, shareholders, customers, partners and other stakeholders. I would like to express my sincere gratitude and appreciation to these stakeholders for their unwavering support and commitment to the grand ideals we stand for.

However, I would like to note that we have also faced many challenges and difficulties in our journey to achieve our mission and goals. Some of these include:

- ❖ Organizing our management team and finding suitable candidates to fill key leadership positions have been one of the key challenges we faced. Moreover, the difficulty in replacing the executive leadership due to various internal issues hampered the Bank's ability to proactively and effectively deliver on its duties.
- ❖ Ensuring system readiness and reliability for our operations: We have selected a state-of-the-art core banking, digital channel, Payment interface management as well as back office automation systems that enables us to provide fast and secure & integrated services to our customers. However, due to internal and external challenges and limitations we have not yet harvested the full potentials of the service.
- ❖ The commencement of key operations such as loan, guarantee and trade finance in the third quarter of the fiscal year due to delays in the IT Project implementation resulted in delay of revenue generations.



- ❖ Expanding our branch network and distribution channels: We have encountered high rental prices, as a result of stiff competition from banks & other businesses, and high cost of materials required to operate branches. This has highly compromised our task of operationalizing branches in the speed and quality we aspire as Ahadu's Culture.
- ❖ In developing our business portfolio and customer base, we have faced stiff competition in securing competent and skilled employees. This has forced us to revise our salary and benefits packages twice in the span of one year.
- ❖ Ensuring service provision to our niche market: the difficult circumstances prevailed during the fiscal year in our preferred niche market undermined our effort to consolidate partnership as quickly as possible.
- ❖ The unexpected delay in the approval of Minutes of the first General Shareholders Meeting has affected our ability to increase the Bank's paid up capital in the fiscal year.

Even though it is not uncommon for a new business to register loss in its first year of operation, we have registered a loss that is significantly more than anticipated. This was the result of important decisions taken to increase the banks accessibility and through opening more branches by revising the plan from 50 branches to 75. Similarly, fully organizing the head office functions as well as investments made in key infrastructure and assets have also contributed by increasing our general expense. We believe that these decisions will contribute to a faster growth of the bank in the subsequent fiscal years.

### Esteemed shareholders,

Despite these challenges, we have not lost sight of our vision and mission. We have remained resilient, agile, innovative, and customer-focused. We have learned tremendously from our one year of experience and improved our operations continuously. We have seized every opportunity to grow our business and serve our community. Building up on the decision of you, our esteemed shareholders, to increase the banks' capital to Birr 5 billion, we have started selling equity shares to existing and prospective shareholders, in Ethiopia and abroad.

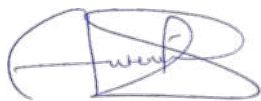
We have finalized all preliminary tasks to embark on the development of the five-year strategic plan to position Ahadu Bank as the leader in the industry with its unique business model with which we serve our niche market with our strategic partnerships guided by our mission and inimitable values. We are confident that the years to come will witness the rise of Ahadu Bank as the shining beacons of truly modern banking in Ethiopia.

As we enter into our second year of operation, we are confident that we have laid a solid foundation for our future success. We are optimistic that the economy will recover from the current shocks and that peace and stability will prevail in the country. We are determined to continue pursuing our strategic goals and objectives with passion and excellence.

We look forward to your continued support and cooperation as we strive to make Ahadu Bank the bank we all dreamed of.

May Almighty God Bless Ethiopia and Its People.

Thank you.



**Anteneh Sebsebie**  
Chairman



# Message from the CEO

## Dear Shareholders,

It is my great pleasure and honor to present to you the annual report of Ahadu Bank for the fiscal year 2022-23. This has been a remarkable year for our Bank, as we have achieved many milestones and delivered outstanding performance in many areas of our operations, despite the enormous challenges we faced as a result of macroeconomic and industry dynamics. For a bank in its first year of operation faced with several internal and external challenges, Ahadu Bank performed well and we could say that its foundation is laid on a solid ground with its prospect of accelerated growth assured.

We have successfully launched our full-scale banking services across the country, opening 75 branches and serving over 201,000 customers with a wide range of products and services in savings, credit and trade finance. We have mobilized over 2 billion birr of deposits and over USD 21.6 million of foreign currency, while our loans and advances reached close to 1 billion birr. We have also made significant progress in implementing our Information technology projects, covering most of the key modules and enhancing our efficiency and security.

We have also forged strategic partnerships with several renowned Fintechs to facilitate the digitization of our operations, as well as integrations with Telebirr, EthSwitch, Ethiopia Commodity Exchange (ECX) and Documents Authentication & Registration service (DARS). These partnerships have and will enable us to offer convenient and innovative solutions to our customers and expand our market reach.

“

We have successfully launched our

## FULL-SCALE BANKING SERVICES

across the country.

”



Moreover, we have signed MOUs with over 14 Microfinances, Saving & Credit Cooperatives (SACCOs), and Consumers Cooperative Unions to enhance our financial service accessibility, in line with our philosophy of inclusive intermediation. We have recruited and on boarded over 615 knowledgeable and experienced new employees in the fiscal year and the total human capital reached 733.

The fiscal year 2023-24 is expected to manifest continued symptoms of uncertainties as the result of prevailing peace & security issues, supply chain disruptions and trade wars across the world involving major global economies. These phenomena will have significant effect on the domestic economic conditions, which is highly dependent on importation of key commodities. The prospect of the export sector in particular is also uncertain due to dependence on few agricultural commodities, which are susceptible to price and demand fluctuations. This in turn will have its own dampening effect on the performance of the domestic economy.

As it is well known, our bank is implementing Information System and Digital Technology projects, which is going on in good progress. The Core Banking Modules that comprises, customer accounts and transactions, credit and trade service have already gone live. In addition to, the card and mobile banking services are operational. Implementing of the remaining components of the project will be finalized by the mid of the current fiscal year.

## Dear Esteemed Shareholders

Finally, I would like to thank our board of directors for their relentless support and guidance in this difficult period of the Bank. I would also like to express my sincerest gratitude to the management team and employees of the bank for their unreserved dedication and services including sacrificing their holidays and weekends to participate in several customer acquisition campaigns. My sincere appreciation also goes to the National Bank of Ethiopia for its support and guidance in our maiden year in business. Our shareholders and partners also deserve our genuine appreciation for their unreserved support and contribution to the successes and achievements of our Bank.

As we strive to succeed in the most uncertain business climate, we believe that we can count on the continued trust and support of all our stakeholders.

Sincerely,



Sefialem Liben  
Chief Executive Officer



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## ***Invest in Ahadu Bank. Invest in impact.***



Ahadu Bank invite you to join our journey of building the most impactful bank which aspires to support economic empowerment of citizensthrough inclusive intermediation.



Share available from 20,000.00 birr to 99,999,999.00 birr.

**Secure yours today.**



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# **Ahadu Bank**

# BOARD OF DIRECTORS' REPORT



The Board of Directors of Ahadu Bank takes great pleasure in presenting the Bank's Annual Report and Audited Financial Statements for the Financial Year ended June 30, 2023 to the distinguished attendees of the 2nd Annual General Shareholders Meeting. Throughout the reporting period, Ahadu Bank has diligently pursued its business and social objectives, successfully attained impressive results in several key areas and established a solid groundwork for future expansion, despite the prevailing global economic deceleration and the turbulent domestic economic conditions.

The Bank's inaugural year was characterized by a multitude of domestic and international obstacles. On a global scale, the Russia-Ukraine conflict, in conjunction with China's zero-covid policy has engendered significant apprehension with wide-ranging ramifications. Consequently, there has been a decline in global production and trade, disruptions in supply chains, mounting pressure on the global economy, and a surge in global inflation.

On the domestic front, despite the resolution of hostilities between the central government and the TPLF, the country's macroeconomic and socio-political conditions remained unstable. Persistent issues such as foreign exchange shortages, high inflation rates, unemployment, and a growing budget deficit continued to pose obstacles to the country's economic advancement.

Similarly, the banking industry has encountered a range of challenges throughout the 2022/23FY. These challenges encompass intense competition among the existing and new banks, a fragile business environment, and the implementation of certain policies by the National Bank of Ethiopia. One such policy includes the requirement for a 20% treasury bond purchase from the proceeds of newly disbursed loans.

The conclusion of the 2022/23FY signifies the culmination of a demanding period marked by numerous domestic and global obstacles. Nevertheless, the Bank has demonstrated unwavering commitment in achieving the predetermined operational and financial objectives, as detailed below:





## 1. Operational and Financial Performance

### 1.1 Operational Performance Highlights

#### 1.1.1. Deposits Mobilization

The Bank successfully raised a total of Birr 2.03 billion in deposit. The majority of this deposit, accounting for 64.4% of the overall deposit balance, was mobilized through savings accounts. Demand deposits constituted the second largest portion, representing 31.2% of the total deposit balance, while time deposits accounted for 4.3%. To bolster deposit mobilization, Ahadu Bank implemented several initiatives, such as expanding service delivery channels and customer base, as well as offering diverse deposit products tailored to different customer segments. In the 2022/23FY, over 201 thousand new customers have opened saving & current accounts with Ahadu Bank.

64.3%

SAVING

31.2%

DEMAND

4.5%

FIXED TIME

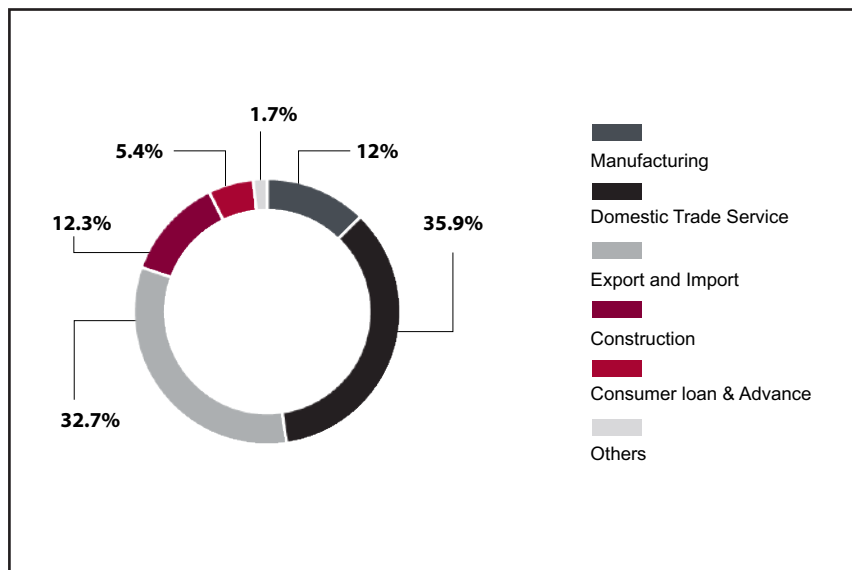
### 1.1.2. Loans and Advances

The aggregate value of loans and advances disbursed to various sectors of the economy reached Birr 924.7 million. In terms of sector allocation, domestic trade and services accounted for 35.9% of the overall credit expansion, with export and import representing 32.7%, construction and housing at 12.3%, industry at 12.0%, consumer loans and advances at 5.5% and others at 1.7%.

During the reporting period, the Bank has diligently upheld its asset quality by closely monitoring borrower situations and implementing corrective measures prior to loan delinquency. As a direct outcome of these efforts, all loans and advances maintained by the Bank are performing loans, with a 99.99% pass rate and 0.01% special mention status.

### 1.1.3. Trade Finance Activities/ International Banking Operation

Due to the challenges faced in generating foreign currency earnings, including the lack of correspondent banking relationships, delay in CBS Project implementation resulting in late commencement of IBD operation, the global economic downturn, and the ongoing conflict within the country, the Bank has encountered obstacles in mobilizing foreign currency. Despite these challenges, the Bank was able to generate a total of USD 21.6 million through its international banking services. Additionally, the Bank has established fruitful relationships with 5 international correspondent banks and one international money transfer banks, namely Dehabshill Money Transfer.





### 1.1.4. Digital Banking Services

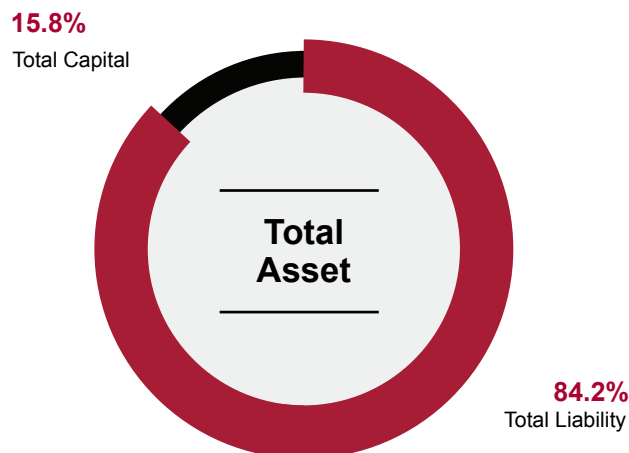
With a steadfast dedication to bolstering the Bank's competitiveness by fostering technological and organizational prowess, numerous initiatives were undertaken to augment the Bank's ability to deliver cutting-edge products and services to both customers and internal users. These endeavors encompassed the implementation of state-of-the-art core banking and ERP systems, as well as the seamless integration of third-party systems.

Throughout the financial year, the Bank has undertaken numerous initiatives aimed at enhancing digital banking services and laying the foundation for future growth. In light of these efforts, the Bank has successfully entered into implementation of mobile banking for ios, Android and USSD, internet banking, card payment through ATM & POS terminals as well as handling of school fee payments and airticket sale by forging partnerships and cooperation agreements with various fintech organizations and technology providers specializing in financial payment services. Noteworthy integration projects carried out during the financial year include the successful integration with Telebirr and EthSwitch, with ongoing efforts to integrate with other third-party entities currently underway.

## 1.2. Financial Performance Highlights

### 1.2.1. Assets

The Bank's total assets stood at Birr 3.1 billion at the end of June 2023. The Bank's total liabilities and capital account for 84.2% and 15.8% of total asset, respectively.



### 1.2.2. Equity

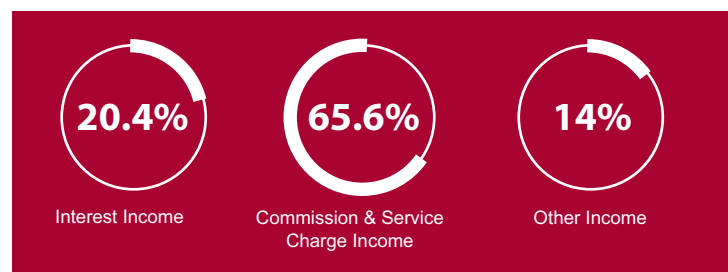
As of June 30, 2023, the Bank's total equity stood at Birr 489.29 million, accompanied by a paid-up capital of Birr 673 million. Ahadu Bank is one of the private banks with a comparatively lower level of capitalization. Its paid-up capital falls below the minimum statutory requirement of Birr 5 billion, as stipulated by the National Bank of Ethiopia (NBE). In order to adhere to this requirement, Ahadu Bank is obligated to fulfill the necessary capitalization by June 30, 2028.

### 1.2.3. Total Liability

As at June 30, 2023, the Bank's total liability amounted to Birr 2.61 billion, representing 84.2% of its total assets. Of this liability, deposits accounted for 77.74%.

### 1.2.4. Revenue

During the period in review, the Bank generated revenue of Birr 146.5 million from diverse sources. In terms of income composition, interest income accounted for 20.4% of the total revenue, while non-interest income constituted the remaining 79.6%. Furthermore, service fees and commission incomes contributed 62.1% and 37.9% respectively to the overall non-interest income.



### 1.2.5. Expenses

During the review period, the Bank has incurred a total expenditure of Birr 414.13 million. The general expenses component accounted for 48.3% of the total expenses, followed by salary and benefit expenses at 46.5%, and interest paid on deposits at 5.2%.



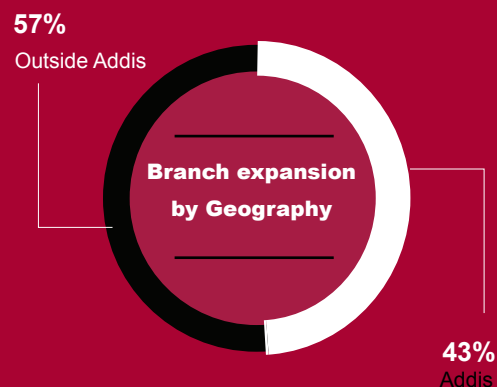
### 1.2.6. Profit and Loss

The Bank achieved cumulative revenue of Birr 146.5 million from diverse sources, while simultaneously incurring a total expenditure of Birr 414.0 million encompassing deposits, salaries, benefits, and general expenses. Consequently, the Bank has registered a substantial loss of Birr 267.7 million before income tax expense.

## 2. Business Development and Administrative Developments

### 2.1. Branch Expansion

During its inaugural year, the Bank has undertaken significant business expansion activities aimed at reaching out to a wider customer base. Among these activities, the expansion of branches has been a major focus. In line with this objective, a total of 75 branches were opened in the 2022/23FY. Of these, 32 branches, accounting for 43% of the total, were opened in Addis, while the remaining 57% were opened in outlying towns.



## 2.2 Human Capital

---

Ahadu Bank, in its initial stages of organizational development, has diligently pursued the recruitment of highly skilled individuals, despite the limited availability of talent in the market. Throughout the reporting period, a notable achievement was the successful recruitment of 667 new talents, acknowledging their pivotal contribution towards the realization of the Bank's strategic objectives. Among these new additions, 81.9% were appointed to professional roles encompassing office positions and traineeships, while 15.7% assumed managerial positions.

In line with its objectives to enhance the skills and expertise of its workforce, the Bank provided a diverse range of training programs to its employees. As a result, a total of 1,192 employees underwent training on various subjects. Specifically, 536 employees participated in onboarding Sessions, while 656 Employees Received Technical and Developmental Training.



## 2.3 Product Development

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During the period in review, Ahadu Bank has developed and introduced several products and services with unique attributes, target customers as well as value propositions. Many of these products are unique to Ahadu Bank specifically developed and marketed to its niche market. On top of that the Bank has also been attentively following developments in the financial industry and responded to every new phenomenon with competitive offers including through multiple rounds of revisions to its terms & tariffs. Some of the very specific products have also been promoted to the targeted potential customers with innovative customer development engagements.



## 2.4 Partnership Development

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One of the unique elements of Ahadu Bank's business model is its emphasis on forging strategic partnerships with various institutions to help it address its transient limitations. Accordingly, Ahadu Bank has fostered a business and strategic partnerships with several partners in two broad areas:

**A Fintech Collaboration:** We have established collaboration with various fintechs and one bank to leverage their innovative solutions in the area of payment gateway, digital lending, and financial services. Accordingly, we have partnered with the likes of Chapa, Kacha, Lakipay, Telebirr, Hibret Bank, Moneta Technologies as well as Quantum Tech on various digital services. These partnerships will propel Ahadu Bank's progress in serving its customers better.

**B Strategic Business Alliances:** Exploring strategic alliances with established business companies and financial institutions certainly enable us to access services, resources and customer base and expand our service leveraging the collaboration. Our flagship partnerships with MFIs, SACCOs and other similar institutions have proven to be effective in delivering our promise of inclusive intermediation. Some of the notable partners include Akufada MFI, SNV, GreenScene Solar Powered Water pump & light Systems provider for rural Ethiopia and close to twenty Saving & credit cooperatives.

## 2.5 Digitization

---

Ahadu Bank understood, from the outset, that we live in an era marked by rapid technological advancements, changing customer expectations, and an evolving financial landscape. We have also established a clear understanding that Digital banking is not just a trend; it is rather a fundamental shift in the way we engage with our customers and deliver financial services.

Our aspiration is to fully embrace this digital transformation and position ourselves as a leader in the industry.

During the period in review, we have focused our effort towards realizing Ahadu's digital banking aspirations as a significant milestone in our journey toward innovation and excellence. Accordingly, we have realized a significant number of the envisaged digital capabilities enabling us to offer a competitive service to our esteemed customers, which includes Mobile Banking through USSD and Application available on both Android & iOS platforms. We have also operationalized our enhanced Internet Banking platform offering a comprehensive online banking experience with personalized services and support.

In our first year of operation, Ahadu Bank has also managed to issue Debit Cards for payments through ATM and later POS terminals completing the necessary integration with EthSwitch. Several other products and functionalities have also been successfully developed and integrated including digital customer onboarding, trade finance, credit operations, local & foreign guarantees among other products.

## 2.6 Strategic Plan Development

---

Ahadu Bank aspires to play a lead role in the financial industry. This requires development of strategic plan to be implemented over a five to ten years' horizon. Accordingly, the bank's strategic plan is being developed by Ahadu's internal team comprised of various functions and experts and advised by a renowned international consultant, who is hired through competitive bidding process. The strategic plan will be finalized during the 2023/24 fiscal year and its implementation will begin with development of the subsequent fiscal year's annual operation plan.

### 3. Corporate Governance

The corporate governance framework of the Bank has been strategically designed to empower the board of directors in effectively overseeing the bank's operations, thereby facilitating the realization of the Bank's aspirations and enhancing shareholder value. The board of directors comprises four committees, each playing a crucial role in providing effective support to the Bank's management. These committees are entrusted with the responsibility of supervising various tasks within their respective domains, and they diligently present comprehensive reports on the progress and performance of their assigned responsibilities during designated board meetings, ensuring the presence of all board members.



The board of the Bank is comprised of four standing committees, namely the Audit Committee, Risk Management and Compliance Committee, Resource Committee, and Operations and Strategy Committee. These committees are responsible for overseeing the diverse business aspects of the bank. Communication between the board and the bank's management is facilitated by the board's executive secretary. The appointment of the Executive Secretary of the Board is in accordance with the directives of the National Bank, and the role is to provide the necessary support to the Board in effectively fulfilling its responsibilities as mandated by the shareholders, which includes proper monitoring of the Board's affairs.

The Bank is dedicated to adhering to the corporate governance and business ethics established by the National Bank of Ethiopia and other pertinent regulatory bodies. Throughout the review period, the Board conducted numerous formal and informal meetings, wherein it thoroughly examined and approved various policies of the Bank. Additionally, it assessed and granted approval for numerous matters presented by the executive management, in accordance with the assigned duties and responsibilities.

**ከብዙዎች ለብዙዎች**  
**Inclusive Intermediation**



## 4. Risk Management and Compliance

Ahadu Bank from its inception has given due emphasis to the importance Risk Management and Compliance functions. Accordingly, it has established its Risk Management and Compliance Directorate with appropriate management structure and mandate. In the reporting period in review, subsequently revision and amendment has been made on comprehensive Risk Management Program. Consecutive awareness creation on AML/ CFT programs have also been conducted involving range of participants from Board of Directors to Branch Management team followed by preparation of self-assessment evaluation and risk register check list that facilitate identification and mitigation of potential and existing risks. To ensure compliance and improve quality and standards of banking services, Ahadu Bank has been carrying out implementation of AML solutions along with its core banking system.

## 5. Corporate Social Responsibility (CSR)

In adherence to its organizational principle of 'inclusive intermediation', Ahadu Bank has been actively fulfilling its social responsibility by returning the resources it has acquired from numerous individuals back to society for the purpose of development and economic prosperity. In its first-year operation, the Bank provided Birr 500,000 towards the restoration of St. Lalibela Church, and it has also made significant contributions towards the protection of cultural heritage, healthcare, education, and women with disabilities. Furthermore, Ahadu Bank has played a pivotal role in the overall growth efforts of several churches. In total, the Bank has expended over Birr 9.4 million towards discharging its corporate social responsibility in the reporting period. This is a testament to the bank's commitment towards making a positive impact, and it will continue to do so in the future.



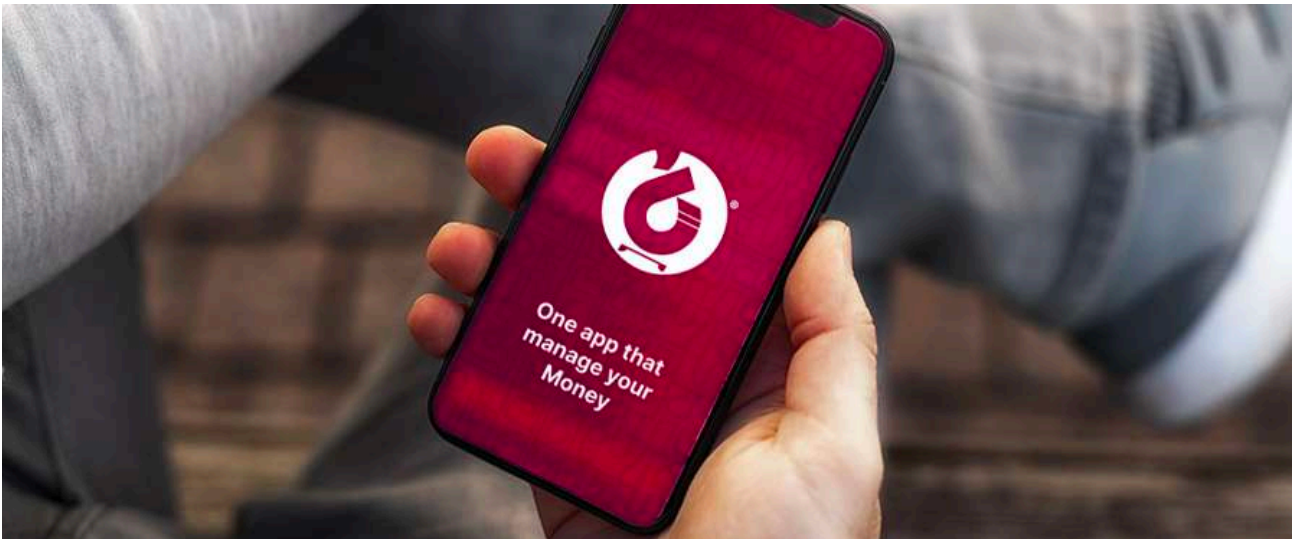
# Accessibility spectacles



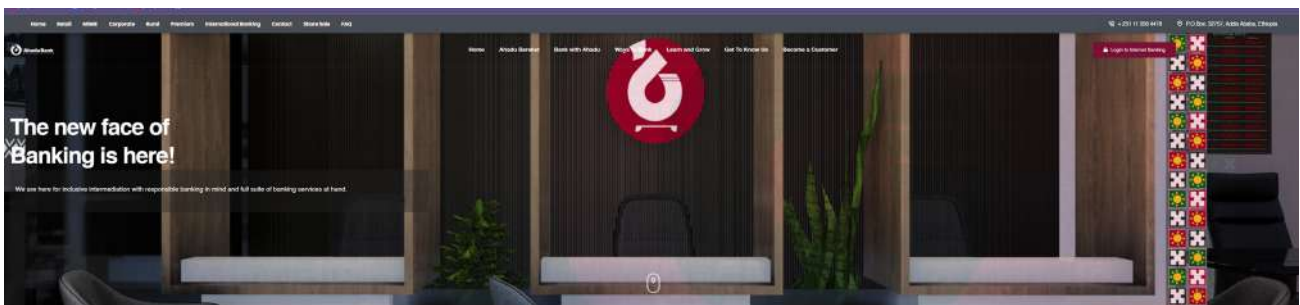
## 1. Digital Banking Initiatives:

**A**

Mobile Banking for Android, iOS, and USSD: We have developed a user-friendly and feature-rich mobile banking application to provide customers with convenient, online self-registration and secure access to banking services on their smartphones.

**B**

Enhanced Internet Banking: We have launched our Internet banking platform to offer and comprehensive online banking experience, including personalized services and support.



### Expand Your Business

We know you have a busy life. That is why we've created a range of tools for you to do your banking all day long.

Now Banking



**C**

Card Payments through ATM and POS terminals: The introduction of card payments to cater to changing customer preferences and promote safer transactions.



## 2. Partnership Initiatives:



Fintech Collaboration: We have established collaboration with various fintechs to leverage their innovative solutions in the area of payment gateway, digital lending, and financial services.



# MSME Heros

01

## Eleni Mulugeta Gizaw



Eleni Mulugeta Gizaw is a young woman entrepreneur who has been passionate about apparel fashion and design since she was a child. Just to live her passion, she has attended apparel fashion and design courses in Next fashion and design school. After graduating, she tried to open a tailoring shop, but financial constraints prevented her from doing so. Now, she has established her own business using the finance scheme designed by Ahadu bank for small business start-ups. Her business is increasing in daily sales and assets, and amazingly, total value of her business surpasses the amount of the loan granted.

The loan has changed her life and provided her with one job opportunity. Eleni believes that Ahadu Bank is doing an exceptional job in providing financial assistance to deprived societies and new businesses by taking into account the business plan and projected cash flow.

02

## Getachew Asfaw



Getachew Asfaw described Ahadu Bank as “an institution founded to change my life.” His motive to say this, many banks turned down his loan application because they were afraid of financing urban cattle production. He has been delivering milk to the society in which he lives, but due to increased demand, he was unable to meet the needs of his regular clients. He expressed remorse for his inability to meet demand due to a financial bottleneck.

Our bank backs up his tears with a loan that triples his supply capacity and company involvement. As he previously stated, the number of milk producing cows has grown, and as a result, he is gratifying and re-collecting his consumers even attracting the new ones. He is now going to establish small-scale agro processing, which will increase his revenue and operational performance.

03

### Akufada Microfinance Institution S.C



Ahadu Bank has formed a strategic partnership with Akufada Microfinance Institution S.C with the signing of a bilateral agreement that aimed to serve the untapped small and medium-sized agricultural and non-agricultural enterprises. As per the agreement, our bank has provided wholesale lending to Akufada MFI, which it grants to loan applicants who require a small ticket size loans.

This is a true manifestation of Ahadu Bank being a truly inclusive bank. Ahadu provides loans to the promoters of micro, small and medium enterprises through institutions close to society. The CEO of Akufada Micro Finance Institution appreciated the bank's commitment to serve the unbanked society (MSME's and rural communities) and said that; "the loan injected has changed the lives of many people." He emphasized that "the majority of low income societies have been left without access to banking services due to many reasons and the wholesale loan facilitated by Ahadu Bank has helped Akufada MFI to significantly increase total loan portfolio it provides to its customers." He also added that about 395 MSME's and small holder farmers have been provided access to finance, of which 30% is allocated for small holder farmers while the remaining 70% went to micro, small and medium sized enterprises, including start-up businesses. Moreover, 30% the total portfolio is dedicated to women.

## Partnerships



### CBS / ኮር ባንክንግ ሲስተም



### CORRESPONDANCE / ኮረስፖንደንስ



### DARA & ECX / የሰነድ ምዝገባ እና ማረጋገጫ እና የኢትዮጵያ ምርት ገበያ



# Partnerships



## FINTECH PARTNERSHIP / ፊንቴክ



## STRATEGIC ALLIANCE / ስልጣዊ ስምምነት



## Events



### INNAGURATION / ምርቃት



## Events



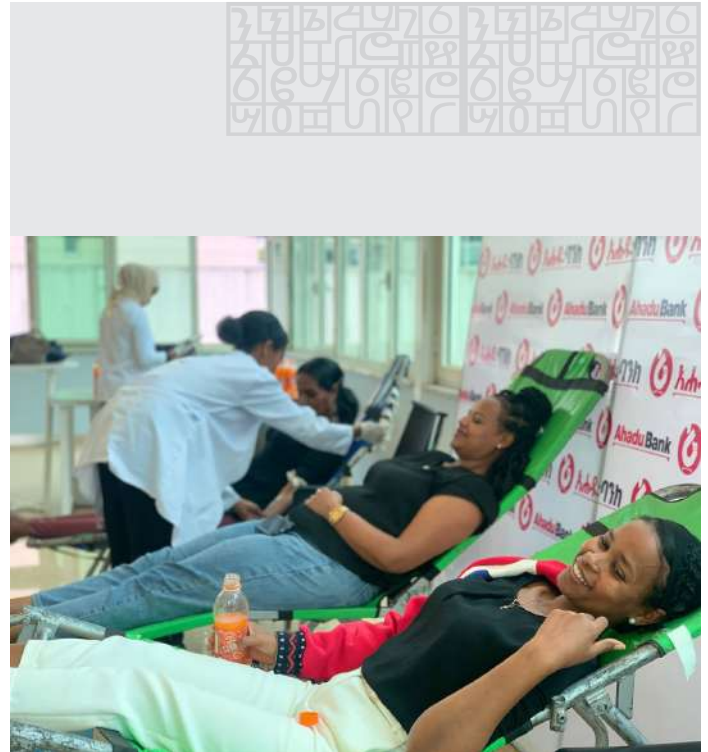
### ANNUAL MEETING / ዓመታዊ የሥራ አመራር ስብሰባ



### LAST YEAR AGM / ያለፈው ዓመት ጠቅላላ ጉባኤ



## CSR / ማኅበራዊ ኃላፊነት ስለመወጣት፣



## CSR / ማኅበራዊ ኃላፊነት ስለመወጣት፤



## Workshop - Training/ የሥልጠና መርሐ ግብር



# Financed Projects/ የብድር ተጠቃሚ ፕሮጀክቶች



የፖሊስ ማህተም



Tadash Trading

የፖሊስ ማህተም



# Annual Financial Statements

30 June 2023

# Ahadu Bank S.C

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**AHADU BANK S.C**

DIRECTORS AND MANagements STATUTORY INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2023

**Directors (As of June 30,2023)**

	<b>Title</b>	<b>Appointment date</b>
Anteneh Sebsebie	Chairperson of Board of Directors	July 2, 2021
Mekonnen Semu	Vice Chairperson of Board of Directors	July 2, 2021
Daniel G/Medhin	Member	July 2, 2021
Elsabet Abreham	Member	July 2, 2021
Getenet Fikre	Member	October 4, 2021
Kassahun H/mariam	Member	July 2, 2021
Seleshi Temesgen	Member	July 2, 2021
Temsgen Worku(Dr.)	Member	April 6, 2023
Tesfaye Bihonegn	Member	July 2, 2021
Tigabu Haileyesus(Eng.)	Member	July 2, 2021
Yosef Desta	Member	July 2, 2021

**Executive and Senior Managements (As of June 30,2023)**

Sefialem Liben	Chief Executive Officer	May 3, 2023
Fikru Woldetensie	Chief Strategy and Marketing officer	November 28, 2022
Emishaw Tefera	Executive Director, Digital and Agent Banking	May 1, 2023
Belayneh Hailemeskel	Director, Procurement and Facilities Management	May 16, 2022
Betework Tafesse	Director, Credit Appraisal and Portfolio	November 1, 2021
Daniel Tadesse	Director, Corporate Relationship Management	December 28, 2022
Daniel Tesfaye	Director, Customer Experience	June 14, 2023
Heruy Zeray	Director, Internal Audit	August 29, 2022
Lishan Gebremedhin	Director, Marketing and Communication	September 1, 2022
Lissan Getachew	Director, International Banking	September 1, 2022
Mikre Ayalew	Director, Human Capital Management	July 19, 2022
Nebyeloul Debebe	Director, Institutes Relationship Management	June 14, 2023
Samson Kitaw	Director, IT Infrastructure	January 23, 2023
Samuel Assefa	Director, Micro, Small, Medium and Rural Banking	January 9, 2023
Setargie Asmare	Director, Retail Banking Operation	November 14, 2022
Sileshi Molla	Director, Legal Service	December 5, 2022
Teferi Mekonen	Director, Strategy, Research and Development	October 1, 2021
Wolelaw Berhane	Director, IT Application Development and Customization	June 1, 2023
Wubit Fekade	Director, Risk and Compliance	November 10, 2022
Yidnekachew Awayneh	Director, Finance and Treasury	January 13, 2022

**Independent Auditor**

Fekade ab Goshime Certified Audit Firm  
Electric World Building 3rd Floor,Tewodros Roundabout  
email:Fekadeab@gmail.com  
P.O. Box 21424  
Addis Ababa  
Ethiopia

**Principal Banks**

Commercial Bank of Ethiopia  
Dashen Bank S.C  
Awash Bank S.C  
Hibret Bank S.C  
Buna Bank S.C  
Zemen Bank S.C  
Oromia Bank S.C  
East Africa Bank (Djibouti)  
CAC Bank (Djibouti) S.A  
Bank of Beirut(UK)  
Aktife Yatirim Bank A.S  
EXIM Bank (Djibouti) S.A



## AHADU BANK S.C

REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2023

The Directors submit the report together with the audited financial statements for the period ended 30 June 2023, to the shareholders of Ahadu Bank S.C. This report discloses the financial performance and state of affairs of the Bank in accordance with IFRS.

### Incorporation and address

Ahadu Bank was incorporated October 19, 2021 and registered as a public shareholding company in accordance with the Banking Business Proclamation No. 592/2008 and amended Banking Business Proclamation No. 1159/2019. The Bank obtained its license from the National Bank of Ethiopia on October 5, 2021 to operate in the Ethiopian market.

### Corporate Office :

Kirkos Sub city Woreda 8  
P.O.BOX 32757  
Bole Road, Sunshine Building  
Addis Ababa, Ethiopia

### Principal activities

The bank is primarily engaged in providing a comprehensive commercial banking services to its customers.


### Results

The bank's Loss for the fiscal year ended 30 June 2023 has been transferred to retained earning/loss. The financial results are summarised below.

	30 June 2023 Birr'000	30 June 2023 Birr'000
Interest Income	29,931	-
Profit/(Loss) before tax	(267,591)	(19,658)
Deferred Tax (charge)/credit	73,915	-
Profit/(Loss) for the year	(193,675)	(19,658)
Other comprehensive income / (loss) net of taxes	8,508	8,394
Total comprehensive income/ (loss) for the year	(185,168)	(11,264)

### Directors

The directors who held office during the year and to the date of this report are on page 39



Anteneh Sebsebie  
Chairperson of Board of Directors



**AHADU BANK S.C**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 30 JUNE 2023

In accordance with the Financial Reporting Proclamation No. 847/2014, the Accounting and Auditing Board of Ethiopia (AABE) may direct the Bank to prepare financial statements in accordance with International Financial Reporting Standards, whether their designation changes or they are replaced, from time to time.

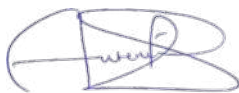
The Bank's Directors are responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Accounting and Auditing Board of Ethiopia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank is required to 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 regulatory body to determine whether the Bank had complied with the provisions of the Banking Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Bank's 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 and Banking Business Proclamation of the country.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss. The 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 company will not remain a going concern for at least twelve months from the date of this statement.



Anteneh Sebsebie  
Chairperson of Board of Directors



Sefialem Liben  
Chief Executive Officer





ፈቃደ አብ ጎሽሜ የሂሳብ ምርመራ ድርጅት  
**Fekade ab Goshime Ceritfied Audit Firm**

Chartered Certified Accountant (London)  
Certified Audit Firm  
Mob. 251 911 518183/ 251 911 220371  
Off. 251 111 117581/29  
Fax: 251 111 117533

ቻርተርድ ሰርቲፋይድ አካውንታንት (ለንደን)  
የተመሰከለች ኦዲት ድርጅት  
Email:- fekadeab@gmail.com  
fekadeab@ethionet.net  
☎ 21424  
Addis Ababa, Ethiopia

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

**Report on the Audit of the Financial Statements**

**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ahadu Bank (S.C.) as at June 30, 2023, 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, 2023, 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.

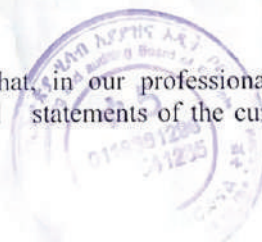
**Basis for Opinion**

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 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.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters



were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there is no key audit matter to be communicated in our report.

### Responsibilities of 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 going concern and using the going concern basis of accounting.

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

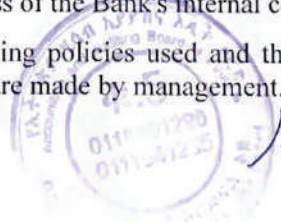
### Auditor's Responsibilities for the Audit of the Financial Statements

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, the relevant provisions of the Commercial Code of Ethiopia 1243/2021, 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.

Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure 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 data 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 Requirement

We have no comment to make on the report of your Board of Directors so far as it relates to the financial statements and pursuant to Article 349 (Sub Article 1, 2 & 3) of the Commercial Code of Ethiopia 1243/2021, and recommend approval of the financial statements.

In the current year under review, the Bank has registered a loss and, there is no dividend to distribute to the shareholders.



Fekadeab Goshime Certified Audit Firm  
Chartered Certified Accountants (UK)  
Authorized Auditors in Ethiopia

Addis Ababa  
September 29, 2023



**AHADU BANK S.C****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Interest income	6	29,931	21,701
Interest expense	7	(21,539)	-
<b>Net interest income</b>		8,392	21,701
Fee and commission income	8	96,129	12
Fee and commission expense	9	(3,422)	(726)
<b>Net Fee and commission income</b>		92,707	(714)
Net gain on foreign exchange valuation	10	19,548	3,542
Other operating income	11	927	43
		20,475	3,585
<b>Total operating income</b>		121,574	24,572
Loan impairment Charge	12	(121)	-
Other assets impairments charge	13	(66)	-
		(187)	-
<b>Net operating income</b>		121,387	24,572
Personnel expenses	14	(193,470)	(15,229)
Depreciation & Amortization intangible assets	22	(25,786)	(3,046)
Depreciation of Right use of assets	21	(64,976)	(14,918)
Other operating expenses	15	(104,746)	(11,038)
<b>Profit before tax</b>		(267,591)	(19,658)
<b>Income Tax expense</b>	16	73,915	-
<b>Profit after tax</b>		(193,675)	(19,658)
Other comprehensive income (OCI)			
Items that will not be subsequently reclassified into profit or loss:			
Re-measurement gain/(loss) on Retirement benefits obligations	28a	(2,635)	-
Deferred tax assets/(liabilities) on re-measurement gain or loss	28a	644	8,394
Net change in Retirement benefits obligations at FVOCI		(1,991)	8,394
Fair value through OCI on Financial assets - Unrealized gain/(Loss) arising from Equity Investments	19a	14,998	-
Deferred tax assets/(liabilities) on re-measurement equity Investments	19a	(4,499)	-
Net change in re-measurement equity Investments at FVOCI		10,499	-
		8,508	8,394
<b>Total comprehensive income for the period</b>		(185,168)	(11,264)
<b>Basic earnings(Loss) per share(500 Birr)</b>		(166)	-

Note accompanying from Page 49 to 78 are integral part of the financial report.



**AHADU BANK S.C**

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
<b>ASSETS</b>			
Cash and bank balances	17	1,015,918	386,279
Loans and advances to customers	18	924,654	-
Investments Securities :			
- Financial asset at Fair value through OCI	19a	31,636	6,001
- Financial asset at Amortized cost	19b	89,416	-
Other assets	20	185,208	8,577
Right of Use Asset	21	375,103	125,677
Property, plant and equipment	22	346,795	98,074
Intangible Assets-Software	23	41,582	-
Non current asset held for sale	24	-	-
Deferred tax assets	16	-	8,394
Profit tax recoverable (Loss carrying forward)	16	86,171	-
<b>Total assets</b>		<b>3,096,483</b>	<b>633,002</b>
<b>LIABILITIES</b>			
Deposits from customers	25	2,026,855	-
Current tax liabilities	16	-	-
Other liabilities	26	389,913	58,786
Lease liabilities	21b	183,821	65,820
Defined benefits obligation	28	2,906	-
Deferred tax liabilities	16	3,693	-
<b>Total liabilities</b>		<b>2,607,189</b>	<b>124,606</b>
<b>EQUITY</b>			
Share Capital	29	672,626	510,584
Retained Earnings(Loss)	31	(201,883)	(2,188)
OCI-Defined Employee Benefit	34a	(1,991)	-
OCI-Equity Investment	34b	10,499	-
Legal Reserve	32	-	-
Regulatory Risk Reserve	33	10,044	-
<b>Total equity and liabilities</b>		<b>3,096,483</b>	<b>633,002</b>

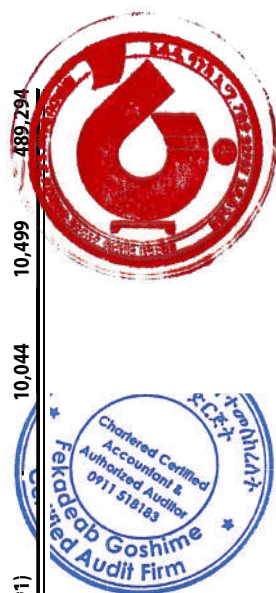
Note accompanying from Page 49 to 78 are integral part of the financial report

Anteneh Sebsebie  
Chairperson of Board of DirectorsSefialem Liben  
Chief Executive Officer

**AHADUBANK S.C**  
STATEMENT OF CHANGES IN OWNER EQUITY  
FOR THE YEAR ENDED 30 JUNE 2023

Notes	Share Capital	Other equity	Retained Earnings(Loss)	OCI-Defined Employee Benefit	Legal Reserve	Regulatory Risk Reserve	OCI-Equity Investment	TOTAL
	Birr/000	Birr/000	Birr/000	Birr/000	Birr/000	Birr/000	Birr/000	Birr/000
<b>As at 1 July 2021</b>	503,968	-	9,077	-	-	-	-	513,045
Issues of ordinary shares	29	6,616	-	-	-	-	-	6,616
Profit/(loss)for the year	30	-	(11,265)	-	-	-	-	(11,265)
Dividend paid	32	-	-	-	-	-	-	-
Board remunerations	32	-	-	-	-	-	-	-
Re-measurement on defined benefit plan	29	-	-	-	-	-	-	-
OCI-Equity Investment	18	-	-	-	-	-	-	-
Regulatory Risk Reserve	32	-	-	-	-	-	-	-
Transfer to legal reserve	33	-	-	-	-	-	-	-
<b>As at 30 June 2022</b>	<b>510,584</b>	<b>-</b>	<b>(2,188)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>508,396</b>
<b>As at 1 July 2022</b>	<b>510,584</b>	<b>-</b>	<b>(2,188)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>508,396</b>
Issues of ordinary shares	29	162,042	-	-	-	-	-	162,042
Profit/(loss)for the year	30	-	(193,675)	-	-	-	-	(193,675)
Prior year adjustment		-	3,927	-	-	-	-	3,927
Dividend paid	32	-	-	-	-	-	-	-
Board remunerations	32	-	-	-	-	-	-	-
Re-measurement on defined benefit plan	29	-	-	(1,991)	-	-	-	(1,991)
OCI-Equity Investment	18	-	-	-	-	-	10,499	10,499
Transfer to legal reserve	32	-	-	-	-	-	-	-
Regulatory Risk Reserve	33	-	(10,044)	-	-	10,044	-	-
deferred tax liability								97
<b>As at 30 June 2023</b>	<b>672,626</b>	<b>-</b>	<b>(201,883)</b>	<b>(1,991)</b>	<b>10,044</b>	<b>10,499</b>	<b>10,499</b>	<b>489,294</b>

Note accompanying for integral part of the financial report.



**AHADU BANK S.C**STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 30 JUNE 2023

	<b>Notes</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
		<b>Birr'000</b>	<b>Birr'000</b>
<b>Cash flows from operating activities</b>			
Loss before tax		(267,591)	(2,188)
<b>Adjustments for non-cash items:</b>			
Depreciation on property, plant and equipments	22	25,783	3,046
Amortization on intangible assets	23	4	-
Depreciation of Right of use assets		64,976	-
Interest expense on lease liability		15,407	-
Gain/(Loss) on disposal of property, plant and equipment		-	-
Gain/(Loss) on equity investment at FV through OCI		14,998	-
Impairment on loans and receivables	12	121	-
Impairment on other receivables	13	66	-
Interest accrued on DBE & Treasury Bond		(1,285)	-
Employee benefit obligations		271	-
<b>Changes in working capital:</b>			
Decrease/(increase) in other assets	20	(176,697)	(142,648)
-Decrease/ (Increase) in Right of use assets		(314,402)	-
-Decrease/(increase) in Loans and advances (gross)	18	(924,775)	-
-Decrease/ (Increase) in restricted deposits		(194,003)	-
-Increase/ (Decrease) in Deposits	25	2,026,855	-
-Increase/ (Decrease) in lease liabilities	21b	102,595	-
-Increase /(Decrease)in Other liabilities	26	331,126	124,606
<b>Cash generated from operations</b>		703,450	(17,184)
Income tax paid	16	-	-
<b>Net cash (outflow)/inflow from operating activities</b>		703,450	(17,184)
<b>Cash flows from investing activities</b>			
Purchase of investment securities	20	(88,131)	-
Purchase of equity investment	19	(25,635)	(6,001)
Purchase of property, plant and equipment	22	(274,504)	(101,120)
Purchase of intangible assets	23	(41,586)	-
<b>Net cash (outflow)/inflow from investing activities</b>		(429,856)	(107,121)
<b>Cash flows from financing activities</b>			
Sale of shares	29	162,042	510,584
<b>Net cash (outflow)/inflow from financing activities</b>		162,042	510,584
<b>Net increase/(decrease) in Cash and bank balances</b>		435,636	386,279
Cash and Bank balances at the beginning of the year		386,279	-
<b>Liquid Cash and bank balances at the end of the year</b>	17	821,915	386,279
Restricted Cash and bank balances	17	194,003	-
<b>Total Cash and bank balances at the end of the year</b>		<b>1,015,918</b>	<b>386,279</b>

Note accompanying from Page 49 to 78 are integral part of the financial report.





AHADU BANK S.C

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

**1 General information**

Ahadu Bank or “The Bank” is a private Commercial Bank domiciled in Ethiopia. The Bank was established on October 19, 2021 in accordance with the Commercial Code of 1243/2021 and the Banking Business Proclamation No. 592/2008. The Bank registered office is at:

Kirkos Sub city Woreda 8

Bole Road

P.O.Box 32757

Sunshine Building, Addis Ababa, Ethiopia

The bank began operations on the 16th of July in 2022, and the comparison report for June 30, 2022 covers the bank’s financial information prior to the start of banking operation.

**2 Summary of significant accounting policies**

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

**2.1 Basis of preparation**

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

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

**2.2 Changes in accounting policies and disclosures**

The Bank has consistently applied the accounting policies to all periods presented in these consolidated and separate financial statements.

The following are the new IFRS standards, revisions, and interpretations issued during the reporting period:

S.No	Title	Description
1	Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. For further details see IFRS Manual of accounting para 3.24 – 3.31.
	Published	Feb-21
	Effective date	Annual periods beginning on or after 1 January 2023.
2	Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. For further details see IFRS Manual of accounting para 14.18.
	Published	May 2021.
	Effective date	Annual periods beginning on or after 1 January 2023.
3	Amendment to IAS 12 – International tax reform - pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development’s (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. For further details see In depth INT2023-10.
	Published	May 2023.
	Effective date	The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023.

During the reporting period, new standards, changes, and interpretations are issued. The bank, on the other hand, has not applied this standard because none of these are likely to have a significant influence on the bank’s financial statements, and the bank hasn’t employed early adoption.



## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

**2.3 Basis of measurement**

The financial statements have been prepared under the historical cost convention with the exception of the following:

- Financial assets and liabilities measured at amortized cost;
- Derivative financial instruments which are measured at fair value; and
- Non-derivative financial instruments (with fixed or determinable payments that are not quoted in an active market) carried at fair value through profit or loss, or fair value through OCI are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in Notes.

**2.4 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates. The Bank uses Ethiopian Birr as functional currency and all values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).

**2.5 Foreign currency translation**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency using the exchange rate at the transaction date, and those measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined and are recognized in the profit or loss. When a gain or loss on non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange of that gain or loss shall be recognized in profit or loss.

**2.6 Cash and cash equivalents**

For the purposes of the statement of cash flow, cash and cash equivalents comprise balances with original maturities of three (3) months or less than three months from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. They include cash and no restricted balances with central banks, treasury bills, short term deposits and other eligible bills, amounts due from other banks and short-term government securities.

**2.7 Going concern**

The financial statements have been prepared on an going concern basis. The management has no doubt that the Bank would remain in existence after 12 months.

**2.8 Financial instruments****i. Financial assets**

**(a) Initial recognition and measurement:-** Financial instruments are recognized initially when the Bank becomes a party to the contractual provisions of the instruments. Financial instruments carried at fair value through profit or loss are initially recognized at fair value with transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, being recognized immediately through profit or loss. Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments. Financial instruments are recognized or de-recognized on the date the Bank settles the purchase or sale of the instruments (settlement date accounting).

**(b) Subsequent measurement:-** Subsequent to initial measurement, financial instruments are measured either at amortized cost or fair value depending on their classification category.



## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

**(c) Classification of financial assets**

Subsequent to initial recognition, all financial assets within the Bank are measured at

(i) amortized cost;

(ii) fair value through other comprehensive income (FVOCI); or

(iii) fair value through profit or loss (FVTPL). The bank's financial assets are subsequently measured at amortized cost if they meet both of the following criteria and are not designated as at FVTPL:

(i) 'Hold to collect' business model - The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and

(ii) SPPI' contractual cash flow characteristics - The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding on a specified date. Interest in this context is 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

**(d) Debt instruments:-** contractual obligations of the issuer to repay the lender in accordance with a specified maturity and under the contractual terms are measured at amortized cost by the Bank if they meet both of the following criteria and are not designated as at FVTPL:

■ 'Hold to collect and sell' business model test: The asset is held within a business model whose objective is achieved by both holding the financial asset in order to collect contractual cash flows and selling the financial asset; and

■ 'SPPI' contractual cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All other financial assets including equity investments are measured at fair value.

A financial asset is classified and measured at fair value through profit or loss (FVTPL) by the Bank if the financial asset is:

■ A debt instrument that does not qualify to be measured at amortized cost or FVOCI; An equity investment which the Bank has not irrevocably elected to classify as at FVOCI and present subsequent changes in fair value in OCI;

■ A financial asset where the Bank has elected to measure the asset at FVTPL under the fair value option.

**ii. Financial liabilities**

Financial liabilities are either classified as:

■ Financial liabilities at amortized cost; or

■ Financial liabilities as at fair value through profit or loss (FVTPL).

Financial liabilities are measured at amortized cost unless either:

■ The financial liability is held for trading and is therefore required to be measured at FVTPL, or

■ The Bank elects to measure the financial liability at FVTPL (using the fair value option).

**(iii) Financial guarantees contracts and loan commitments**

A financial guarantee contract is a contract that requires the Bank (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher 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.

The bank has issued no loan commitments that are measured at FVTPL. Liabilities arising from financial guarantees and loan commitments are included within provisions. The bank conducts business involving commitments to customers. The majority of these facilities are set-off by corresponding obligations of third parties. Contingent liabilities and commitments comprise guarantees, loan commitments and letters of credit. Letters of credit are agreements to lend to a customer in the future subject to certain conditions. An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer.

Letters of credit are given as 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.

Contingent liabilities and commitments are initially recognized at fair value which is also generally equal to the fees received and amortized over the life of the commitment. The carrying amount of contingent liabilities are subsequently measured at the higher of the present value of any expected payment when a payment under the contingent liability has become probable and the unamortized fee.



## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as 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.

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. But the Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

**(v) Reclassifications**

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

**(vi) De-recognition of Financial assets**

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire (see also Modifications of financial assets and financial liabilities), 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 in which the 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 De-recognition 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 is recognized in profit or loss.

**(viii) Modifications of financial assets**

The Bank derecognizes a financial assets when its terms are modified and If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows: - fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and - other fees are included in profit or loss as part of the gain or loss on De-recognition.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in De-recognition of the financial asset, then, any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

**(ix) Modifications of financial liabilities**

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

If the modification of a financial liability is not accounted for as De-recognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss.

**(x) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Bank of similar transactions.

**(xi) Amortized cost measurement**

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

**(xii) Fair value measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.



## AHADU BANK S.C

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2023

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

**2.9 Assets pledged as collaterals**

Financial assets transferred to external parties and which do not qualify for de-recognition are reclassified in the statement of financial position from treasury bills and investment securities to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Assets pledged as collateral are initially recognized at fair value, and are subsequently measured at amortized cost or fair value as appropriate. These transactions are performed in accordance with the usual terms of securities lending and borrowing.

**2.10 Impairment**

The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVPL;

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

No impairment loss is recognized on equity investments. The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they 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 on which credit risk has not increased significantly since their initial recognition.

12-month ECL are 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 instrument for which a 12-month ECL is recognized are referred to as 'stage 1 financial instruments'. Life-time ECL are 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'. Financial instruments for which lifetime ECL is recognized which are credit impaired are referred to as 'Stage 3 financial instruments'. Loss allowances for other assets and lease receivables are always measured at an amount equal to lifetime ECL. The Bank considers debt investment securities to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' or its is a sovereign debt instruments issued in the local currency. In this regard, considering the loan data utilized to calculate ECL was less than 12 months old and all loans are under stage 1 or pass category, the bank applied the following assumptions in this reporting period:

- The bank uses Basel 4 standard to apply the minimum of 5% PD on loans with zero PD;
- The bank apply the Basel 4 guideline of minimum LGD rate of 10% for fully collateralized facilities;
- In normal circumstance, the management assumes collection-based LGD for the insecure book. However, in the case of loans with no collateral and customers with no collection history, the bank applied 100% LGD.

**2.11 Measurement of ECL**

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date:** as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- Financial assets that are credit-impaired at the reporting date:** as the difference between the gross carrying amount and the present value of estimated future cash flows;
- 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
- Financial guarantee contracts:** the expected payments to reimburse the holder less any amount that the Bank expects to recover.

**2.12 Reversal of Impairment and Backward Transfer Criteria**

When the bank has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that criteria for recognizing the lifetime ECL is no longer met i.e. cured, the Bank measures the loss allowance at an amount equal to 12-month ECL at the current reporting date. However, because the bank did not measure the loss allowance for a financial instrument in the preceding year, the Reversal of Impairment and Backward Transfer Criteria are not used.



## AHADU BANK S.C

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2023

### 2.13 Credit-impaired financial assets

At reporting date, the bank assesses whether financial assets carried at amortized cost are credit-impaired referred to as ‘Stage 3 financial instruments. A financial asset is ‘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.

### 2.14 Presentation of allowance for ECL in the statement of financial position

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

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision.

### 2.15 Collateral

The Bank obtains collateral where appropriate, from customers to manage their credit risk exposure to the customers. The collateral normally takes the form of a lien over the customer’s assets and gives the Bank a claim on these assets for customers in the event that the customer defaults.

### 2.16 Property, Plant and Equipment’s(PPEs)

Property, Plant and Equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Where significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of PPE. 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. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred. PPEs are depreciated on the straight line basis to their residual values over the estimated useful lives of the assets. Depreciation is included in profit or loss. Depreciation is calculated on a straight line basis to write down the cost of property and equipment to their residual values over their estimated useful lives as follows:

Asset class	Useful life (Years)	Residual Value
Motor vehicles	10	5%
Furniture and fittings-medium lived	10	1%
Furniture and fittings-long lived	20	1%
Office equipment-short lived	5	1%
Office equipment-long lived	10	1%
Computer and accessories	7	1%
Intangible assets	6	0%
Right of use assets	Lease term	-

### 2.17 Work in progress

Work in progress consists of items of property and equipment or intangible assets that are not yet ready for use or not completed. Work in progress is carried at cost less any required impairment. Depreciation starts when assets are ready for use. An impairment loss is recognized if the asset’s recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once the items are ready for use, they shall transferred to relevant classes of asset as appropriate.

### 2.18 De-recognition of property, plant and equipment

Property and equipment are derecognized on disposal, or when no future economic benefits are expected from their use or disposal. Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.



## AHADU BANK S.C

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2023

**2.19 Intangible assets**

**Computer software:-** Software that is not integral to the related hardware acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses. Costs associated with maintaining computer software programs are recognized expenses as they are incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank, are recognized as intangible assets when the following criteria are met: (i) it is technically feasible to complete the software product so that it will be available for use; (ii) management intends to complete the software product and use or sell it; (iii) there is an ability to use or sell the software product; (iv) it can be demonstrated how the software product will generate probable future economic benefits (v) adequate technical, financial and other resources to complete the development and to use/sell the software product are available (vi) the expenditure attributable to the software product during its development can be reliably measured.

**2.20 Impairment of non-financial assets**

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

**2.21 Leases**

The Bank, as a lessee has recognized the right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. The major lease transaction wherein the Bank is a lessee relates to the lease of Bank's Head office and branches office rents.

Each lease payment is allocated between a reduction of the liability and an interest expense. The interest expense is charged to the income statement over the lease period 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. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. Additionally, leases with term less than 12 months and amount less than equivalent to birr 100,000 are exempted.

**2.22 Employee benefits****(i) Post-employment benefits**

**(a) Defined contribution plan:** A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions. For defined contribution plans, the Bank makes contributions on behalf of qualifying employees to a mandatory scheme under the provisions of the Ethiopian Private Organization Employees Social Security Agency. The contributions are recognized as employee benefit expense when they are due. The contribution by employees and the Bank are 7% and 11%, respectively, of the employees' basic salary.

**(b) Defined benefit plan**

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

The 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 as income.

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

**(ii) Short-term benefits**

Short-term benefits consist of salaries, accumulated leave allowances, bonuses and other benefits. Short-term employee benefits are measured on an undiscounted basis and are expensed as the related services are provided. They are included in salary expenses in the profit or loss. A liability is recognized for the amount expected to be paid under short-term cash benefits such as accumulated leave and leave allowances if the Bank has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be measured reliably.



## AHADU BANK S.C

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2023

## (iii) Termination benefits

The Bank recognizes termination benefits as an expense excluding dismissals whose 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 settles termination benefits within twelve months and are accounted for as short-term benefits.

## 2.23 Share capital and reserves

(i) **Share capital:-** Share capital is the funding by the bank through issuing ordinary shares.

(ii) **Share premium:-** Amount collected from share sale that results in the payment of an excess the par value of the shares.

(iii) **Dividends on ordinary shares:-** are recognized in equity in the period in which they are approved by the Bank's shareholders. Dividends for the period that are declared after the end of the reporting period are dealt with in the subsequent events note.

(iv) **Earnings(Loss) per share:-** The Bank presents basic earnings(Loss) per share for its ordinary shares. Basic earnings(Loss) 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.

(v) **Legal reserve:-** The Ethiopian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by National Bank of Ethiopia directive No. SBB/4/95 of the Banks an appropriation of 25% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 10% of profit after tax if the statutory reserve is greater than the paid-up share capital.

(vi) **Retained earnings(loss):-** comprise the undistributed profits/losses from previous periods which have not been reclassified to any specified reserves.

(vii) **Fair value reserve:-** comprises fair value movements on equity instruments carried at FVOCI.

(viii) **Risk Regulatory Reserve:-** It represents an amount set aside to cover additional provision for loan losses required to comply with the requirements of NBE guidelines. This amount is not available for profit distribution.

## 2.24 Recognition of interest income and expense

## (i) Effective interest rate

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

- (i) the gross carrying amount of the financial asset; or
- (ii) the amortized cost of the financial liability.

## (ii) Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

## 2.25 Fees, commission and other income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability. The calculation of the effective interest rate includes transaction costs and fees either paid or received. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

## 2.26 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.

## 2.27 Operating expense

Expenses are decreases in economic benefits during the accounting period in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Expenses are recognized on an accrual basis regardless of the time of spending cash. Expenses are recognized in the income statement when a decrease in future economic benefit related to a decrease in an assets or an increase of a liability has arisen that can be measured reliably. Expenses are measured at historical cost.



## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

Only the portion of cost of a previous period that is related to the income earned during the reporting period is recognized as an expense. Expenses that are not related to the income earned during the reporting period, but expected to generate future economic benefits, are recorded in the financial statement as assets. The portion of assets which is intended for earning income in the future periods shall be recognized as an expense when the associated income is earned.

Expenses are recognized in the same reporting period when they are incurred in cases when it is not probable to directly relate them to particular income earned during the current reporting period and when they are not expected to generate any income during the coming years.

**2.28 Current and deferred tax**

(i) **Current tax:-** comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and Company income tax is computed on taxable profits based on the tax regulation.

(ii) **Deferred tax:-** is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are only offset when there is a legally enforceable right to offset current tax liabilities against current tax assets and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

**3 Financial risk management****Introduction**

The Bank is exposed to various types of financial risks, the most important of which are credit risk, liquidity risk and market risk. The Bank's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Bank's financial performance.

**3.1 Risk management structure**

The Board of Directors has the overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established various committees, which are responsible for monitoring the Bank's risk in their specified areas. The senior management has the responsibility to develop and implement risk management policies and procedures. The risk and compliance department is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank and reports to the Board regarding risk management issues. Asset Liability Committee (ALCO) is responsible for managing the Bank's financial assets and financial liabilities and the overall financial performance.

**3.2 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. 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.

**3.3 Risk mitigation**

The Bank uses various mitigating techniques to reduce its risk to the level acceptable. It uses Board approved risk tolerance limit as a risk limit control. This risk tolerance limit is composed of risk limit by sector, by credit product, by maturity, by geography and risk grade. The Bank also apply the limits imposed by National Bank of Ethiopia such as single borrower limit, related party limit, off balance sheet exposure limit, liquidity requirement, capital adequacy, etc.

In addition, the Bank has established an appropriate risk management environment, sound credit, liquidity and capital management policies and strategies.

**3.3.1 Credit risk**

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank's main income generating activity is lending to customers and therefore credit risk is the principal risk. 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.





## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

**(i) Management of credit risk**

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

**(ii) Credit quality analysis**

An analysis of the Bank's credit risk exposure per class of financial assets without taking into account the effects of any collateral or other credit enhancements is provided on the following table:

**(a) Credit quality of loans and Receivables**

In Birr'000	2023			
Loans and advances to customers at amortized cost	Stage 1	Stage 2	Stage 3	Total
Stage 1 – Pass	924,775	-	-	924,775
Stage 2 – Special mention	-	-	-	-
Stage 3 - Non performing	-	-	-	-
Total gross exposure	924,775	-	-	924,775
Loss allowance	121	-	-	121
Net carrying amount	924,654	-	-	924,654

In Birr'000	2023			
Off balance sheet items	Stage 1	Stage 2	Stage 3	Total
Stage 1 – Pass	426,991	-	-	426,991
Stage 2 – Special mention	-	-	-	-
Stage 3 - Non performing	-	-	-	-
Total gross exposure	426,991	-	-	426,991
Loss allowance	10	-	-	10
Net carrying amount	426,982	-	-	426,982

In Birr'000	2023		
Other financial assets	Gross exposure	Loss allowance	Net carrying amount
Cash and Bank balances	1,015,918	45.27	1,015,873
NBE Treasury Bond	89,416	4.47	89,412
Other Receivables	185,208	6.36	185,202
Totals	1,290,542	56	1,290,486

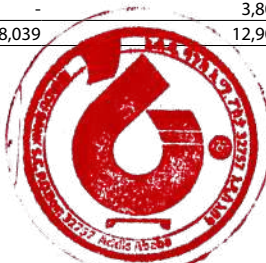
**(b) Credit related commitments risks**

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

**(c) Maximum exposure to credit risk before collateral held or credit enhancements****Types of collateral or credit enhancement**

The Bank holds collateral against certain of its credit exposures. The following table below sets out the principal types of collateral held against different types of financial assets as at 30 June 2023.

	Maximum exposure to credit risk	Secured against real estate	Plant and Machinery	Motor vehicles	Building and Vehicle or Machinery	30 June 2023	30 June 2022
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
30 June 2023							
Cash and bank balances	1,015,918	-	-	-	-	-	-
Loans and advances to customers							
- Agriculture	-	-	-	-	-	-	-
- Construction	113,930	587,982	-	-	-	587,982	-
- Domestic trade and services	331,779	681,203	78,039	-	-	759,242	-
- Export & Import	302,507	10,000	-	-	132,084	142,084	-
- Manufacturing	111,127	156,715	-	-	72,988	229,703	-
- Transportation	5,987	-	-	9,100	-	9,100	-
- Hotel and Tourism	9,736	14,238	-	-	-	14,238	-
- Consumer loan and advances	49,709	23,576	-	3,800	-	27,376	-
	924,775	1,473,714	78,039	12,900	205,072	1,769,725	-





## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

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Investment securities	121,052	-	-	-	-	-	-
Other assets							
- Receivable from banks	112,932	-	-	-	-	-	-
- Other receivables	72,342	-	-	-	-	-	-
	185,274	-	-	-	-	-	-
Loan commitments	147,660	-	-	-	-	-	-
Other commitments	825,038	-	-	-	-	-	-
	3,219,718	1,473,714	78,039	12,900	205,072	1,769,725	-

**(d) Loans and receivables at amortized cost**

Gross loans and receivables to customers per sector is analyzed as follows:

	30 June 2023 Birr'000	30 June 2022 Birr'000
Agriculture	-	-
Construction	113,930	-
Domestic trade and services	331,779	-
Export and import	302,507	-
Manufacturing	111,127	-
Transportation	5,987	-
Hotel and Tourism	9,736	-
Consumer loan and advance	49,709	-
<b>Total</b>	<b>924,775</b>	<b>-</b>

Gross loans and receivables to customers and staff per National Bank of Ethiopia's impairment guidelines is analyzed as follows:

	30 June 2023 Birr'000	30 June 2022 Birr'000
Pass	924,775	-
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	<b>924,775</b>	<b>-</b>

**(e) Credit concentrations**

Credit concentration indicates the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. Excessive concentration arises when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Bank monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at 30 June 2023 and 30 June 2022. The Bank concentrates all its financial assets in Ethiopia.

**30 June 2023**

Cash and bank Balances  
Loans and Advances to Customers  
Investment securities:  
- Available for sale  
- Loans and receivables  
Other assets

Public Enterprise Birr'000	Private Birr'000	30 June 2023 Birr'000	30 June 2022 Birr'000
342,287	673,631	1,015,918	386,279
-	924,775	924,775	-
-	31,636	31,636	6,001
89,416	-	89,416	-
-	185,208	185,208	8,577
<b>431,703</b>	<b>1,815,250</b>	<b>2,246,953</b>	<b>400,857</b>





## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30,2023

## 3.3.2.Liquidity risk

Liquidity risk is the risk that the Bank, though solvent either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due or can secure them only at excessive costs.

The bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The daily liquidity position of the Bank is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions to ensure that sufficient liquidity is maintained. The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to net current liabilities. Details of the reported Bank's ratio of net liquid assets to net current liabilities at the reporting date and during the reporting year were as follows:

## Maturity Analysis

	Below 1 year	1-3 years	over 3 years	Non Ma- turing	30 Jun 2023 Birr'000	30 Jun 2022 Birr'000
30-Jun-23	Birr'000	Birr'000	Birr'000	Birr'000	TOTAL	TOTAL
<b>Financial Assets</b>						
Cash and bank balances	920,739	33,729	61,451		1,015,918	386,279
Loans & advances to customers	269,344	343,170	312,140		924,654	-
Investments Securities			89,416	31,636	121,052	6,001
Other Financial Assets	1,009,486	111,544			1,121,030	8,577
<b>Total Financial Assets (a)</b>	<b>2,199,568</b>	<b>488,443</b>	<b>463,007</b>	<b>31,636</b>	<b>3,182,654</b>	<b>400,857</b>
<b>Financial Liability</b>						
Deposits from customers	621,064	415,750	990,041	-	2,026,855	-
Deposits from other banks	-	-	-	-	-	-
Other liabilities	406,777	135,421	38,135	-	580,334	124,606
<b>Total financial liabilities (b)</b>	<b>1,027,841</b>	<b>551,171</b>	<b>1,028,176</b>	<b>-</b>	<b>2,607,189</b>	<b>124,606</b>
<b>Net Mismatch (a - b)</b>	<b>1,171,727</b>	<b>(62,728)</b>	<b>(565,169)</b>	<b>31,636</b>	<b>575,465</b>	<b>276,251</b>
<b>Cumulative Mismatch</b>	<b>1,171,727</b>	<b>1,108,999</b>	<b>543,829</b>	<b>575,465</b>	<b>575,465</b>	<b>276,251</b>

The maturity analysis presented in the table above are the undiscounted amounts to be settled in the future. Accordingly, the cumulative mismatch balance shows that the bank will not be exposed to liquidity risk with in three years period.

## 3.3.3Market risk

Market risk is defined as the risk of loss risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions.

The main objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Market risk is monitored by the risk management department on regularly, to identify any adverse movement in the underlying variables.

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

## 3.3.4Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments 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 currencies other than Ethiopian Birr. Management has set limits to manage the Bank's foreign exchange risk against its functional currency.

The total foreign currency denominated assets exposed to risk at 30 June 2023 was Birr 483.63 million

## (i)Foreign currency denominated balances

	30 June 2023 Birr'000	30 June 2022 Birr'000
<b>Cash and bank balances</b>		
USD	422,375	742
GBP	1	-
Euro	63,245	-
<b>Total</b>	<b>485,621</b>	<b>742</b>





## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

**(ii) Sensitivity analysis for foreign exchange**

Sensitivity analysis of foreign exchange risk measures the impact of currency rate fluctuation on profitability of the Bank with all other variables held constant. The following table summarizes the sensitivity profit due to increase or decrease in foreign currency rate by 10% on foreign currency denominated monetary assets:

	30 June 2023		
	Birr'000		
Assets	Carrying Amount	10% Appreciation	10% Depreciation
USD	422,375	42,237	(42,237)
GBP	1	0	(0)
Euro	63,245	6,325	(6,325)
Asset Total	485,621	48,562	(48,562)
<b>Liability</b>			
Margin -USD	260,159	26,016	(26,016)
Deposit-USD	15,648	1,565	(1,565)
Liability Total	275,807	27,581	(27,581)
<b>NET</b>	209,814	20,981	(20,981)

As of June 30, 2023 if the Birr had weakened/strengthened by 10% against the major trading currencies, with all other variables held constant, loss before tax would have increased/decreased by 20,981 respectively.

**3.3.5 Interest rate risk**

Interest rate is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. Interest margin may decrease as a result of such changes but may increase losses in the event that unexpected movement arises.

The Bank closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of financial assets and liabilities carried on the statement of financial position.

**(xiv) Sensitivity analysis for interest rate risk**

Sensitivity analysis of interest rate risk measures the impact of interest rate fluctuation on profitability of the Bank with all other variables held constant. The following table summarizes the sensitivity profit due to increase or decrease in interest rate by 10% on interest bearing financial assets and liabilities. The sensitivity is measured based on the assumption that there is parallel shift in the yield curve.

	30 June 2023		
	Carrying Amount	10% Increase	10% Decrease
<b>Interest rate risk</b>			
Interest Bearing assets			
Cash and balances with banks	84,706	8,471	(8,471)
Loans and advances to customers	924,654	92,465	(92,465)
Investment securities	89,416	8,942	(8,942)
Other assets	-	-	-
Total Interest Bearing assets	1,014,070	101,407	(101,407)
Interest Bearing liabilities			
Deposits from customers	1,303,475	130,348	(130,348)
Fixed Time deposit	91,127	9,113	(9,113)
Total Interest Bearing Liabilities	1,394,602	139,460	(139,460)
Net interest income increase/decrease	(380,532)	(38,053)	38,053

If the interest rate had increased/decreased by 10% against interest bearing assets and liabilities, with all other variables held constant, loss before tax would have been increased by birr 38.05 million when the interest rate increase by 10%. Loss before tax would have decreased by birr 38.05 million if the interest rate had decrease by 10%.

**4 Capital management**

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





## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

## Capital adequacy ratio

			30 June 2023 Birr*000	30 June 2022 Birr*000
<b>Capital</b>				
Share capital			672,626	510,584
Share premium			-	-
Legal reserve			-	-
General Reserve			-	-
<b>Total Capital</b>			<b>672,626</b>	<b>510,584</b>
			<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>Weight (%)</b>	<b>Balance sheet</b>	<b>Birr*000</b>	<b>Birr*000</b>
<b>Risk weighted balance for on-balance sheet items</b>				
Claims on other banks maturing within 12 months	20	1,015,918	203,184	77,256
Loans and advances to customers (net)				
Residential Mortgage Loans (net)	50	-	-	-
Others (net)	100	924,654	924,654	-
Investments	100	121,052	121,052	6,001
Property Plant and Equipment (net)	100	346,795	346,795	98,074
Intangible Assets (net)	100	41,582	41,582	-
Other Assets	100	646,482	646,482	142,648
		<b>3,096,483</b>	<b>2,283,748</b>	<b>323,979</b>
<b>Credit equivalents for off-balance sheet items</b>				
Loans Commitments	50	147,660	73,830	-
Guarantees (bid bonds, Performance bonds, etc.)	50	398,539	199,269	-
Commercial Letter of Credit	20	426,500	85,299.99	-
		<b>972,699</b>	<b>358,399</b>	<b>-</b>
<b>Total RWBSA</b>		<b>3,981,751</b>	<b>2,554,717</b>	<b>323,979</b>
Risk-weighted Capital Adequacy Ratio (CAR)			26.33%	157.60%
Minimum capital adequacy			8.00%	8.00%
Determination of the excess (short-fall) on capital			18.33%	149.60%

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

## 5 Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are 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.

## 5.1 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.
  - 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.
- 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



## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

## 5.2 Financial instruments not measured at fair value

The following table summarizes the carrying amounts of financial assets and liabilities at the reporting date. The amounts are based on the values recognized in the statement of financial position.

	30 June 2023 Carry- ing amount	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
<b>Financial Assets</b>					
Cash and balances with banks	1,015,918		-	1,015,918	1,015,918
Loans and advances to customers	924,654		-	924,654	924,654
Investment securities:				-	-
- Financial asset at Fair value through OCI	31,636		31,636		31,636
- Financial asset at Amortized cost	89,416		-	89,416	89,416
Other assets	1,034,859		-	1,034,859	1,034,859
<b>Total</b>	<b>3,096,483</b>	<b>-</b>	<b>31,636</b>	<b>3,064,847</b>	<b>3,096,483</b>
	30 June 2023 Carry- ing amount	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
<b>Financial Liabilities</b>					
Deposits from customers	2,026,855	-	-	2,026,855	2,026,855
Borrowings	-	-	-	-	-
Other liabilities	580,334	-	-	580,334	580,334
<b>Total</b>	<b>2,607,189</b>	<b>-</b>	<b>-</b>	<b>2,607,189</b>	<b>2,607,189</b>

## 6 Interest income

Interest on Construction loans	278
Interest on Domestic trade and services	6,140
Interest on Import and Export term loans	6,281
Interest on hotel and Tourism	148
Interest on Manufacturing loans	2,591
Interest on Transportation loans	277
Interest on Consumer loans and advances	1,411
Interest on Investment securities	1,285
Interest on deposits with other Banks	11,520
<b>Total</b>	<b>29,931</b>

30 June 2023 Birr'000	30 June 2022 Birr'000
-	-
278	-
6,140	-
6,281	-
148	-
2,591	-
277	-
1,411	-
1,285	-
11,520	-
<b>29,931</b>	<b>21,701</b>

## 7 Interest expense

Demand deposit	-
Saving deposit	18,220
Term deposit	3,319
Borrowings	-
<b>Total</b>	<b>21,539</b>

30 June 2023 Birr'000	30 June 2022 Birr'000
-	-
18,220	-
3,319	-
-	-
<b>21,539</b>	<b>-</b>

## 8 Fee and commission income

Commissions on letter of credit	32,204
Commissions on letter of guarantee	9,998
Other commissions income	10
Fees on LC and CAD	49,396
Fees on share subscription	2,261
Other foreign fees	1,827
Other local fees	433
<b>Total</b>	<b>96,129</b>

30 June 2023 Birr'000	30 June 2022 Birr'000
-	-
32,204	-
9,998	-
10	-
49,396	-
2,261	12
1,827	-
433	-
<b>96,129</b>	<b>12</b>





## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30,2023

	30 June 2023 Birr'000	30 June 2022 Birr'000
<b>9 Fee and commission expense</b>		
Municipality fees	188	-
License fees	618	-
Correspondent bank charges	188	-
Subscription fee	932	52
Fund transfer fees and commissions	1,172	40
Other fees and commissions	324	634
	<b>3,422</b>	<b>726</b>
<b>10 Net gain on foreign exchange valuation</b>		
Gain on Foreign Exchange Valuation	20,030	3,542
Loss on Foreign Exchange Valuation	(482)	-
	<b>19,548</b>	<b>3,542</b>
<b>11 Other operating income</b>		
Rental Income	-	-
Gain on disposal of properties	-	-
Penalty Charge Income	-	-
Dividend earned	245	-
Notice Period Penalty	493	-
Other income	189	43
	<b>927</b>	<b>43</b>
<b>12 Loan impairment charge</b>		
Loan impairment charge	121	-
	<b>121</b>	<b>-</b>
<b>13 Impairment losses on other assets/liabilities</b>		
Impairment losses on other assets	6	-
Impairment losses on Court Cases	-	-
Impairment losses on LCs and Guarantees	10	-
Impairment losses on Cash & bank Balance	50	-
	<b>66</b>	<b>-</b>
<b>14 Personnel expenses</b>		
Staff Salaries	132,194	10,577
Staff allowances	37,158	3,031
Pension costs – defined Employee Benefit	13,586	1,127
Defined Employee Benefit	271	-
Accrued Leave Expense	4,880	-
Training cost-Human capital development	3,007	-
Other staff expenses	2,374	493
	<b>193,470</b>	<b>15,229</b>





## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30,2023

15Other operating expenses	Birr'000	Birr'000
Advertisement & publicity	15,302	464
Donations	2,472	-
Audit fees	265	201
Consultancy fee	3,531	3,497
Cleaning & Sanitation	1,588	86
Directors' allowance	1,361	1,500
Entertainment	359	41
Inauguration	12,049	-
Fuel and lubricants	781	62
Insurance	514	100
Office supplies	12,990	107
Interest expense on lease Liability	15,406	-
General Assembly	4,120	-
Other Rent-vehicle and data center	3,632	357
Per diem and travel	1,075	9
Office rent- short term	-	575
Repairs and maintenance	1,143	77
Security, Messengers & Janitors expenses	18,115	17
Telephone expenses	5,218	-
Transport and fuel	1,616	-
Utilities	57	-
Wages for non-permanent employees	311	57
Other operating expense	2,841	3,888
	<b>104,746</b>	<b>11,038</b>

## 16Company Income and Deferred tax

## 16aReconciliation of effective tax to statutory tax

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

	30 June 2023	30 June 2022
	Birr'000	Birr'000
<b>IFRS Accounting Profit</b>	<b>(267,591)</b>	<b>(19,658)</b>
<i>Add : Disallowed expenses</i>		
Entertainment	359	41
Non deductible donation	1,472	250
Penalty	1	-
Non-deductible Inauguration and related expense	7,079	-
Non-deductible representation expense	273	-
IFRS PPE Depreciation and Amortization	25,786	3,046
IFRS Loan Impairment	121	-
IFRS Other assets impairment	66	-
Severance expense	271	-
Restated fixed Asset considered as an expense	1,184	-
Amortization discounted lease expense	15,406	4,819
Establishment cost	-	36,257
IFRS Lease amortization	64,976	18,969
Staff Loan Prepaid Expense	849	-
Accrued leave expense	4,880	610
Deferred Income	3,550	-
<b>Sub total</b>	<b>126,272</b>	<b>63,991</b>
<i>Less: Tax exempted income</i>		
Depreciation for tax purpose	34,040	4,725
Provision for loans and advances for tax NBE 80%	7,108	-
Provision for other Asset for tax NBE 80%	1,029	-
Establishment cost 25%	9,064	6,043
Office rent expense	68,160	24,952
Accrued leave expense actually paid	379	-
Interest income taxed at source-local deposit	11,520	21,701
Interest taxed at source-Treasury bond	1,285	-
Interest Income taxed at source-foreign	-	-
Dividend income taxed at source	245	-
<b>Sub total</b>	<b>132,829</b>	<b>57,421</b>





## AHADU BANK S.C

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2023

Taxable profit(loss) after adjustment	(274,148)	(13,088)
<b>Current tax at 30%</b>	(82,244)	(3,926)
Add: 5% of interest on foreign deposit	-	-
	(82,244)	(3,926)

	30 June 2023 Birr'000	30 June 2022 Birr'000
<b>Current income tax (Asset)liability</b>		
Balance at the beginning of the year	3,927	-
Prior year over /under paid	-	-
Tax receivable	82,244	-
Payment during the year	-	-
	86,171	-

Because the bank did not make a profit during the reporting month, there is no current profit tax due.

## 16b Current income tax and deferred tax

	30 June 2023 Birr'000	30 June 2022 Birr'000
<b>Current income tax</b>		
Balance at the beginning of the year	-	-
Company income tax expense	82,147	-
Prior year (over)/ under provision	-	-
Capital gains tax	-	-
Tax on foreign deposit interest	-	-
<b>Current income tax total</b>	82,147	-
Deferred income tax/(credit) to profit or loss	(8,232)	8,394
<b>Total charge to profit or loss</b>	73,915	8,394

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

Deferred income tax assets/(liabilities):	Credit/ (charge) to			30 June 2023 Birr'000
	30 June 2022 Birr'000	P/L Birr'000	OCI Birr'000	
Property, plant and equipment	(503)	(1,811)	-	(2,314)
Leave Pay	183	1,167	-	1,350
Severance pay	-	81	-	81
Establishment cost	9,064	(11,783)	-	(2,719)
Right use of assets	(350)	4,017	-	3,667
Gain/Loss on equity investment	-	-	(4,499)	(4,499)
Post employment benefit obligation	-	-	644.00	644
Deferred income tax	-	97	-	97
<b>Total deferred tax assets/(liabilities)</b>	8,394	(8,232)	(3,855)	(3,693)





## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30,2023

## Deferred income tax assets/(liabilities):

30 June 2021	Credit/ (charge) to		30 June 2022
	P/L	equity	
Birr'000	Birr'000	Birr'000	Birr'000
Property, plant and equipment	(503)	-	(503)
Establishment cost	- 9,064	-	9,064
Leave pay	- 183	-	183
Right use of assets	- (350)	-	(350)
<b>Total deferred tax assets/(liabilities)</b>	<b>8,394</b>	<b>-</b>	<b>8,394</b>

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

	30 June 2023	30 June 2022
	Birr'000	Birr'000
<b>Deferred tax assets/(liabilities)</b>		
Fixed asset - carrying amount (IFRS)	328,445	98,074
Fixed assets - tax base	320,731	96,396
Fixed assets - temporary difference	7,714	1,678
<b>deferred tax assets/(liabilities) at 30%</b>	<b>(2,314)</b>	<b>(503)</b>
Establishment cost - carrying amount	-	36,257
Establishment cost - tax base	9,064	6,043
Establishment cost temporary difference	-9,064	30,214
<b>Deferred tax assets/(liabilities) at 30%</b>	<b>-2,719</b>	<b>9,064</b>
Severance pay carrying amount	271	-
Severance pay tax base	-	-
Severance pay temporary difference	271	-
<b>Deferred tax assets/(liabilities) at 30%</b>	<b>81</b>	<b>-</b>
Leave pay - carrying amount	4,880	610
Leave pay - tax base	379	-
Leave pay temporary difference	4,501	610
<b>Deferred tax assets/(liabilities) at 30%</b>	<b>1,350</b>	<b>183</b>
Right of use of assets - carrying amount	80,382	23,787
Right of use of assets - tax base	68,160	24,952
Right of use of assets temporary difference	12,222	-1,165
Deferred tax assets/(liabilities) at 30%	3,667	(350)
<b>Deferred tax assets/(liabilities)</b>	<b>65</b>	<b>8,394</b>

## 17 Cash and bank balance

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Cash on hand	92,154	-
Balance held with National Bank of Ethiopia	342,287	-
Deposits with local banks	153,738	386,279
Deposits with foreign banks	427,739	-
	<b>1,015,918</b>	<b>386,279</b>
Less: impairment allowance	(45)	-
Net balance	<b>1,015,873</b>	<b>386,279</b>

## 17a Deposit with Local Bank- by currency

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Deposit local currency	113,896	347,351
Deposit foreign currency	39,842	38,928
Total Balance	<b>153,738</b>	<b>386,279</b>

## 17b Deposit with Local Banks- by type

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Demand Deposit	69,032	161,279
Saving Deposit	84,706	-
Term Deposit	-	225,000
Total Balance	<b>153,738</b>	<b>386,279</b>
<b>Maturity analysis</b>		
Current	821,915	386,279
Non-current	194,003	-

The reserve balance at the National Bank of Ethiopia retained for deposit reserve requirements, as well as the unsigned shareholder payment balance blocked at a local banks, are not liquid assets and have been classified as non-current assets.





## AHADU BANK S.C

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30,2023

## 18 Loans and advances to customers

Agriculture  
Construction  
Domestic trade and services  
Export and import  
Manufacturing  
Transportation  
Hotel and Tourism  
Consumer loan and advance

**Gross amount****Less: Impairment allowance (note 11)**

30 June 2023

Birr'000

30 June 2022

Birr'000

-

113,930

331,779

302,507

111,127

5,987

9,736

49,709

924,775

(121)

924,654

## 19 Investments Securities

## 19a Financial asset at Fair value through OCI

Balance Brought forward  
Addition:  
Eth-Switch Solution Share co.  
National Insurance Company of Ethiopia (NICE)  
  
Balance Carried  
Unrealized Gain/Loss to OCI Due to Fair value

30 June 2023

Birr'000

30 June 2022

Birr'000

6,001

5,999

4,638

10,637

16,638

14,998

31,636

-

6,001

-

6,001

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## 19b Financial asset at Amortized cost

Investment in National Bank of Ethiopia (NBE)  
Treasury Bond  
Development Bank of Ethiopia Bill  
  
Total investment securities Balance

30 June 2023

Birr'000

30 June 2022

Birr'000

89,416

-

-

89,416

121,052

-

6,001

## 19c Investment Securities by investee

Eth-Switch Solution Share co.  
National Insurance Company of Ethiopia (NICE)  
Investment in National Bank of Ethiopia (NBE)  
Treasury Bond  
Total Balance

			30 June 2023	30 June 2022
	Invested Amount	Gain (loss) on remeasurment	Birr'000	Birr'000
Eth-Switch Solution Share co.	12,000	13,417	25,417	6,001
National Insurance Company of Ethiopia (NICE)	4,638	1,581	6,219	-
Investment in National Bank of Ethiopia (NBE)	-	-	-	-
Treasury Bond	89,416	-	89,416	-
Total Balance	106,054	14,998	121,052	6,001

The fair value of the unquoted equity securities carried at cost has been reliably estimated by internal capacity using market multiplayer rate issued for other banks with similar investee companies. As of June 30,2023 Ahadu Bank holds 0.4% and 1.86% of an equity investment in the Eth-switch and National Insurance Company of Ethiopia (NICE), respectively.

## 20 Other assets

**Financial assets**

Receivable from money transfer agents  
Staff Receivables  
Other receivables  
**Gross amount**



30 June 2023

Birr'000

30 June 2022

Birr'000

112,932

-

38,340

151,272

-

6,955

6,955



## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30,2023

**Non-financial assets**

Shares held for resale

Prepayments

Inventory

**Gross amount**

Less: impairment allowance

**Total Other Assets**

Birr'000	Birr'000
-	-
8,563	104
25,439	1,518
-	-
34,002	1,622
(66)	-
33,936	8,577
185,208	8,577

**Maturity analysis**

Current

Non Current

30 June 2023 Birr'000	30 June 2022 Birr'000
159,835	8,577
25,373	-
185,208	8,577

**20(a) Inventory**

A breakdown of the items included within inventory is as follows:

CPO and Cheque book

Pass books

Bank formats

Stationery

Supplies

30 June 2023 Birr'000	30 June 2022 Birr'000
2,807	-
2,779	-
-	-
8,205	1,518
11,647	-
25,439	1,518

**21 Right of Use Assets and Financial Lease Obligation**

The Bank Leases a number of asset including Buildings for office use. Information regarding leases for which the Bank as a Lessee has been presented below:

**21a Right of Use Asset****Cost**

Balance at 01 July 2022:

Addition

Balance at June 30,2023

**Accumulated depreciation**

Balance as at 01 July 2022

Addition

Balance at June 30,2023

**Net Right of Use of Asset**

30 June 2023 Birr'000	30 June 2022 Birr'000
144,646	58,604
314,402	86,042
459,048	144,646
(18,969)	(4,051)
(64,976)	(14,918)
(83,945)	(18,969)
375,103	125,677





## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

## 21b Finance Lease Obligation:

	30 June 2023 Birr'000	30 June 2022 Birr'000
<b>Cost</b>		
Balance at 01 July 2022:	65,820	65,820
Additions during the period	102,595	
Balance at 30 June 2023	168,415	65,820
<b>Interest</b>		
Balance as at 01 July 2022		
Additions during the period	15,407	-
	15,407	-
Balance at 30 June 2023	183,821	65,820

Bank leases its Head office and branch premises for one to seven years, with the majority of contracts lasting five years. The bank recognizes lease liability at the present value of unpaid lease payments discounted at minimum deposit interest rate 7% .

## 22 Property, plant and equipment

	Office Equipment Birr'000	Furniture & Fittings Birr'000	Motor Vehi- cles Birr'000	Computer & Accessories Birr'000	Total Birr'000
<b>Cost:</b>					
As At 30 June 2022	5,920	32,756	43,591	18,854	101,120
Additions	23,795	66,606	56,675	127,426	274,503
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
As At 30 June 2023	29,715	99,362	100,266	146,280	375,624
<b>Accumulated depreciation:</b>					
As At 30 June 2022	163	578	1,948	358	3,046
Charge for the year	2,407	5,838	5,582	11,955	25,782
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
As At 30 June 2023	2,570	6,416	7,530	12,313	28,829
<b>Net book value:</b>					
As At 30 June 2022	5,757	32,178	41,643	18,496	98,074
As At 30 June 2023	27,145	92,946	92,736	133,967	346,795

## 23 Intangible Assets

Description	30 June 2023 Birr'000	30 June 2022 Birr'000
<b>Cost:</b>		
As at June 30, 2022	-	-
Additions	32	-
Disposals	-	-
Reclassification	-	-
30 June 2023	32	-
<b>Accumulated amortization</b>		
As at June 30, 2022	-	-
Charge for the year	4	-
Disposals	-	-
30 June 2023	4	-
<b>Net book value:</b>		
30 June 2023	29	-
<b>Intangible Work in progress</b>		
Beginning	-	-
Additions for the year	41,553	-
As At 30 June 2023	41,553	-
<b>Net Intangible Assets</b>	<b>41,582</b>	<b>-</b>



The intangible asset under work in progress balance represents the payment made in relation to the core banking system project.



## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

## 24 Non current asset held for sale

## Cost

Opening

Additions/deduction

Balance at the end of the year

During the reporting period, the bank had no non-current assets for sale.

## 25 Deposits from customers

Demand deposits

Savings deposits

Time deposits

## Gross Amount

## Maturity analysis

Current

Non Current

## 26 Other liabilities

Audit fee payables

Cash payment order payable

Customers payables

Blocked account

Deferred guarantee income

Directors share of profit payable

Shareholders payables

Dividend payables

Exchange commission payable

Foreign transfers payables

Impairment on Financial Guarantee

Margin Held Accounts

Refund payable

Staff leave payables

Sundry payables

Accrued payables

Eth-switch and Money transfer agent payable

Retention and other customer's payable

## 27 Tax and Pension payables

Dividend Tax Payable

Employee Income Tax Payable

Interest Tax Payable

Pension Payable

Stamp Duty Charge

Value Added Tax Payable

Withholding Tax Payable

Cost sharing payable

## Total Other liabilities



30 June 2023	30 June 2022
Birr'000	Birr'000
-	-
-	-
-	-
-	-

30 June 2023	30 June 2022
Birr'000	Birr'000
632,253	-
1,303,475	-
91,127	-
2,026,855	-
1,935,728	-
91,127	-
2,026,855	-

30 June 2023	30 June 2022
Birr'000	Birr'000
265	201
6,830	-
2,176	1,614
16,873	-
3,550	-
-	-
56,611	53,824
-	-
3,761	-
-	-
-	-
-	-
260,159	-
6	-
5,111	610
393	-
3,718	-
5,723	-
13,738	-
378,911	56,248

30 June 2023	30 June 2022
Birr'000	Birr'000
-	-
6,032	1,094
385	-
2,676	459
1,524	406
-	-
373	579
12	-
11,002	2,538
389,913	58,786



## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

<b>Maturity analysis</b>	<b>Birr'000</b>	<b>Birr'000</b>
Current	11,002	58,786
Non Current	378,911	-
	<b>389,913</b>	<b>58,786</b>
<b>28 Retirement benefit obligations</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>Birr'000</b>	<b>Birr'000</b>
-Defined benefits obligation (note 28a)	2,906	-
<b>Total defined benefit obligation</b>	<b>2,906</b>	<b>-</b>
<b>Income statement charge included in personnel ex-</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
<b>penditures:</b>	<b>Birr'000</b>	<b>Birr'000</b>
- Employee benefit plan (note 28a)	271	-
<b>Total defined benefit expenses</b>	<b>271</b>	<b>-</b>
<b>Remeasurements for:</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
- Employee benefit plan (note 28a)	<b>Birr'000</b>	<b>Birr'000</b>
	(3,279)	-
	<b>(3,279)</b>	<b>-</b>

**28a Retirement benefit obligations**

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

**Maturity analysis**

	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>Birr'000</b>	<b>Birr'000</b>
Current	-	-
Non-Current	2,906	-
	<b>2,906</b>	<b>-</b>

The Bank hires actuarial to review all benefits provided to employees in order to ensure that all relevant benefits were valued for purposes of reporting under IAS19. Based on the query responses provided by the Bank, they have determined that only the severance benefit should be valued under IAS19. Should there be changes to the Bank policies in future, they recommend that the Bank re-examine any potential resulting changes in liability.

**(i) Severance gratuity benefit**

The severance benefits are based on statutory severance benefits in Ethiopia. The statutory severance benefits are set out in Labor Proclamation No. 1156/2019. This benefit is summarized below: Clause 39 (1) (h) of the Labor Proclamation sets out that any worker who has completed their probation and who is not eligible for pension is entitled to a severance benefit: (h) Where he has given service to the employer for a minimum of five years' service and his contract of employment is terminated because of sickness or death or his contract of employment is terminated on his own initiative provided that he has no contractual obligation relating to training to render service to the employer Clause 40 of the Labor Proclamation sets out the amount of the benefit, as follows: The benefit applicable would be:

- Thirty times the average daily wages of their last week of service for the first year of service, with part-years pro-rata, plus
- Ten times the average daily wages of their last week of service for each completed year of service after the first.

To a maximum of one years' wages payable to the member. Where the Company closes or reduces its work force, an additional multiple of sixty times the average daily wages of their last week of service is payable.

**Bank Paid Benefits**

The bank pays severance benefits in accordance with the Labor Proclamation for employees that reach the minimum service period. The actuarial valued the benefits on resignation and death with a minimum of 5 years of service (with no severance benefits valued on retirement as it was confirmed that employees would receive pension fund benefits on retirement).

**(ii) Normal Retirement Age**

Age 60 for all employees is the normal retirement age. Under this scheme, employees who reach the retirement age are paid a fixed amount of Birr 10,000.

The following tables summaries the components of net benefit expense recognized in the statement of profit or loss and other comprehensive income and in the statement of financial position for the respective plans:





## AHADU BANK S.C

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2023

## i Liability recognized in the financial position

## ii Amount recognized in the profit or loss

Current service cost  
Interest cost

30 June 2023	30 June 2022
Birr'000	Birr'000
121	-
150	-
271	-
30 June 2023	30 June 2022
Birr'000	Birr'000
(488)	-
(92)	-
(2,055)	-
(2,635)	-
(644)	-
(3,279)	-

## iii Amount recognized in other comprehensive income:

Opening liability introduction  
Remeasurement (gains)/losses arising from changes in Economic assumptions  
Remeasurement (gains)/losses arising from changes in experience assumptions  
  
Deferred tax (liability)/asset on remeasurement gain or loss

## iv Changes in the present value of the defined benefit obligation

At the beginning of the year  
Current service cost  
Opening liability introduction  
Interest cost  
  
Actuarial (Gains)/Losses on economic assumptions  
Actuarial (Gains)/Losses on experience  
Benefits paid  
At the end of the year



30 June 2023	30 June 2022
Birr'000	Birr'000
-	-
121	-
488	-
150	-
92	-
2,055	-
-	-
2,906	-

## The principal assumptions used in determining defined benefit obligations

Discount rate(p.a)  
Inflation rate(p.a)  
Long term salary increases(p.a)

30 June 2023	30 June 2022
Birr'000	Birr'000
20.70%	24.70%
15.10%	17.30%
17.10%	19.30%

## (i) Discount rate

IAS19 requires that the discount rate be set based on the yields of appropriate term high quality corporate bonds. If no deep market in such bonds is available, accounting standards require that the yield on government bonds of appropriate term be applied in the setting of this assumption.

Ethiopia Country Risk Premium	Kenya Country Risk Premium	Difference
15.54%	9.49%	6.05%

Combining the country risk premium and the yields on Kenyan government bonds results in a set of discount rates which are based on Kenyan bonds but adjusted to allow for the relative differences in risk and inflation between the two countries. The resulting discount rate was rounded to the nearest 0.1%.



## AHADU BANK S.C

NOTES TO THE FINANCIAL STATEMENTS  
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(ii) *Inflation rate*

It is noted that inflation in Ethiopia has been volatile in recent years leading up to the valuation dates. In addition, there are no index-linked government bonds or securities which could provide a market-based indication of future inflation. In order to determine an estimate of long-term future inflation, we have considered historical inflation, projections made by the IMF, and we consider a country risk premium approach to countries where market-determined projections are available

Based on data provided by the IMF, inflation over the last 3 years has exceeded the 10% target cap of government, and even longer-term trends are expected to exceed this. The actuaries has applied the average projected IMF inflation for 2023 to 2027 to determine the projected long-term inflation in a manner consistent with the setting of the discount rate.

(iii) *Long term Salary increases*

Future salaries will increase at a rate equal to 2% higher than the future assumed inflation rate. This implicitly allows for annual “cost-of-living” increases and further additional merit or structural salary increases.

(iv) *Pre-retirement Mortality*

The mortality rates published in the Demographic and Health Survey (“DHS”) 2016 report compiled by the CSA was applied to 5 year age bands between the ages of 15 and 49. For ages over 47, mortality rate was assumed to be in line with the SA85/90 ultimate standard South African mortality tables published by the Actuarial Society of South Africa (“ASSA”), since the rates in these tables are similar to the DHS female mortality rate at age 47. No explicit additional assumptions on costs or mortality due to AIDS was made in the valuation. Theoretically, increased mortality rates would reduce the employer’s liability.

	Males	Females
20	0.003	0.002
25	0.003	0.002
30	0.004	0.003
35	0.004	0.003
40	0.005	0.003
45	0.005	0.004
50	0.006	0.006
55	0.010	0.010
60		

(v) *Resignations*

Generic resignation rates that assume that fewer employees resign as they get older has been applied. The resignation rates decrease by 2.5% for each age from 15% at age 20 (and below) to 0% at age 50. No specific allowance for retrenchments were made in the valuation assumptions as the Bank is not aware or specifically planning on such action in the near future.

(vi) *Duration*

The duration of the liabilities, on which the assumptions have been set, was calculated to be 9 years on the current valuation assumptions and data.

## Quantitative sensitivity analysis for significant assumption

Sensitivity	% change	30 June 2023 Base DBO	DBO on changed Assumption
		ETB ‘000	ETB ‘000
Discount rate + 1%	-7.5%	2,906	2,687
Discount rate - 1%	8.2%	2,906	3,145
Salary increase + 1%	8.4%	2,906	3,150
Salary increase - 1%	-7.8%	2,906	2,679

The projected benefit payments for the next 5 years have been estimated as follows:

	30 June 2023 Birr’000
Year ending 30 June 2024	-
Year ending 30 June 2025	(5.00)
Year ending 30 June 2026	(16.00)
Year ending 30 June 2027	(142.00)
Year ending 30 June 2028	(2,452.00)
<b>Total projected benefit payments over 5 years</b>	<b>(2,615.00)</b>





## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

**Information on the Benefits & Risks**

The liabilities are in respect of an unfunded defined benefit promise, providing promised benefits to employees on resignation, death, or retirement. The benefits are based on service to the Bank and salary at the time of exit.

**(i) Inflation risk**

If salary increases are significantly higher than assumed the ultimate benefits will be higher, leading to higher costs to the Bank;

**(ii) Demographic risk**

If fewer employees resign or die with less than 5 years of service than expected, the cost to the Bank will increase;

**(iii) Cash flow risk**

Similarly, if more employees leave in a particular period than expected, the Bank will need to allocate additional cash flows to pay for the benefits;

**(iv) Discount rate risk**

If bond yields drop significantly from year to year, the liabilities and costs will increase. This will not impact the ultimate cost of the benefit but may adversely affect the Bank's statement of financial position in the short term; and

**(v) Administrative risk:**

If the data provided in respect of the employees or benefits is incomplete or incorrect, the liabilities and costs may be different than estimated.

**29 Share capital****Subscribed:**

Ordinary shares of Birr 500 each

**Issued and paid:**

Ordinary shares of Birr 500 each

Share premium

	30 June 2023	30 June 2022
	Birr'000	Birr'000
	672,626	671,568
	672,626	510,584
	-	-
	672,626	510,584

**30 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.

Profit/loss attributable to shareholders

Weighted average number of ordinary shares in issue

Basic earnings(Loss) per share (500 Birr)

	30 June 2023	30 June 2022
	Birr'000	Birr'000
	(193,675)	(19,659)
	1,169	-
	(166)	-





## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

**31 Retained Earnings/loss**

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning (July 01, 2022)	(2,188)	9,077
Dividend paid	-	-
<b>Carried forward</b>	<b>(2,188)</b>	<b>9,077</b>
Profit/ (Loss) for the year	(193,675)	(19,659)
Prior period adjustment-tax receivable	3,927	-
Current year income tax	-	-
Board remuneration	-	-
Deferred tax asset/liabilities	97	8,394
	<b>(191,839)</b>	<b>(2,188)</b>
Legal reserve	-	-
Regulatory risk reserve	(10,044)	-
Prior period adjustment	-	-
<b>At the end of the year</b>	<b>(201,883)</b>	<b>(2,188)</b>

**32 Legal reserve**

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	-	-
Transfer from profit or loss	-	-
At the end of the year	-	-

The NBE Directive No. SBB/4/95 requires the Bank to transfer annually 25% of its annual net profit to its legal reserve account until such account equals its capital. When the legal reserve account equals the capital of the Bank, the amount to be transferred to the legal reserve account will be 10% (ten percent) of the annual net profit. Since the bank did not make a profit during the reporting period, no reserve balance was transferred to legal reserve.

**33 Risk Regulatory Reserve**

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	-	-
Transfer to Risk Regulatory Reserve	10,044	-
At the end of the year	<b>10,044</b>	-

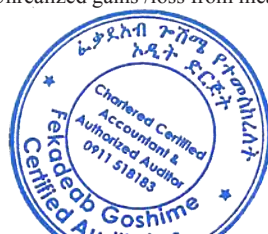
The Regulatory risk reserve is a non-distributable reserves required by the regulations of the National Bank of Ethiopia (NBE) to be kept for impairment losses on loans and receivables in excess of IFRS charge as derived using the forward looking model.

**34 Other reserves****34a Defined Benefit Plan**

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	-	-
Re-measurement gains on defined benefit plans (net of tax) - (Note 28)	(1,991)	-
At the end of the year	<b>(1,991)</b>	-

**34b Fair value reserve**

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	-	-
FV through OCI Financial assets- Unrealized gains /loss from measurement at fair value	10,499	-
At the end of the year	<b>10,499</b>	-



**AHADU BANK S.C****NOTES TO THE FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30,2023

Other reserve balance results from the remeasurement of defined employee benefits and unrealized gains as an outcome of equity fair value measurement, which is recognized under fair value through other comprehensive income.

**35 Related party transactions**

The Licensing & Supervision of Banking Business Directive No SBB/53/2012 of the National Bank of Ethiopia defined a related party as a shareholder, a director, a chief executive officer, or a senior officer of a commercial Bank and/or their spouse or relation in the first degree of consanguinity or affinity; and a partnership, a common enterprise, a private limited company, a share company, a joint venture, a corporation, or any other business in which officers of the Bank and/or their spouse or relation in the first degree of consanguinity or affinity of the officers of the Bank has business interest as shareholder, director, chief executive officer, senior officer, owner or partner. The directive stipulates that the identification of related parties shall be the responsibility of the Bank.

**35a Transactions with related parties**

	30 June 2023 Birr'000	30 June 2022 Birr'000
<b>Loan to related parties:</b>		
Directors	-	-
Executive Management	3,001	-
	<b>3,001</b>	<b>-</b>

The balance with related parties complies with the limitations on loans and advances stipulated in the directive. The aggregate sum of loans or advances extended to one related party at any one time shall not exceed 15% of the total capital of the Bank.

**35b) Key Management Compensation**

Key management has been determined to be the Board of directors and Executive management of the Bank. Compensation of the Bank's key management personnel includes; salaries and benefit of Executive Managements and allowance for the Board of Directors'. Compensation paid to key management is shown as follows;

	30 June 2023 Birr'000	30 June 2022 Birr'000
Salaries and other short-term employee benefits	7,936	3,032
Board allowance	1,362	1,500
Directors share on profit (remuneration fee)	-	-
	<b>9,298</b>	<b>4,532</b>

**36 Employees**

The total number of staff employed by the Bank as of June 30,2023 is as follows:

	30 June 2023 In number
Managerial staffs	125
Non-Managerial staffs	600
Managerial -Contractual staffs	3
Non-Managerial-Contractual staffs	5
	<b>733</b>



## AHADU BANK S.C

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30,2023

### 37 Contingent liabilities

#### Claims and litigation

The Bank has no any legal cases related to claims and litigations during the reporting period. As result, no provision has been made in the financial statements.

#### Guarantees and letters of credit

The Bank conducts business involving issuance of various bid bond, performance bonds and advance payment guarantees. These instruments are given as a security to support the performance of a customer to third parties. The Bank also issued letter of credit facilities to importers, which created commitment to the Bank to settle the obligation in foreign currency when the L/C documents are clearly presented to the Bank and recover the amount from customers in local currency. 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.. At the year end, the contingencies were as follows:

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Guarantees	398,539	-
Letters of credit	426,500	-
	<b>825,038</b>	<b>-</b>

### 38 Commitments

Loans and advances approved but not disbursed	134,300	-
Unutilized overdraft facilities	13,360	-
	<b>147,660</b>	<b>-</b>

### 39 Operating lease commitments - Bank as lessee

The Bank leases various properties under non-cancellable operating lease agreements. The lease terms are between two and seven years, and the majority of these lease agreements are renewable before the end of each lease period at market rate.

### 40 Events after reporting period

In the opinion of directors, there were no significant post balance sheet event that could have a material effect on the statement of affairs of the bank as at June 30,2023 and on the profit/loss for the period ended on that date, which have not been adequately provided for or disclosed.





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