THE SOMALI DEVELOPMENT AND RECONSTRUCTION BANK

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Hodan Osman - SDRB President and Board Chair Bihi Iman Egeh - Minister of Finance and Board member Abdirahman M. Abdullahi - Governor of Central Bank of Somalia and Board member Mohamed Kalif - Board member Abdul Abdirahman - Board member Sagal B.H Musa - Board member Abdulaziz Al Hinai - Board member
REGISTERED OFFICE	SDRB Building Dalxureeye Road Mogadishu - Somalia +252 61 327 7757 info@sdrb.gov.so
LAWYERS	Office of the State Attorney General State house -Villa Somalia Mogadishu, Somalia
AUDITORS	Deloitte & Touche LLP Certified Public Accountants (Kenya) Deloitte Place Waiyaki Way, Muthangari P O Box 40092 - 00100 GPO Nairobi, Kenya

THE SOMALI DEVELOPMENT AND RECONSTRUCTION BANK

STATEMENT FROM THE PRESIDENT

I am pleased to present the audited financial statements of the Somali Development and Reconstruction Bank (SDRB) for the financial year ended 31 December 2024. These financial statements have been prepared in accordance with IFRS ® accounting standards as issued by the International Accounting Standards Board (IASB). The reconstitution of the bank in 2014 marked a new chapter, backed by Law No. 25 and framed under a more inclusive and market-oriented vision. In 2024, with the appointment of new leadership and the endorsement of the Federal Government, SDRB was relaunched with a mandate not only to finance development, but to build resilience, deepen financial inclusion, and enable long-term, Somali-owned growth. Today, SDRB is shaped by Somalia's modern financial realities: we are highly advanced in Mobile money, a preference for Islamic finance, and a development landscape defined by fragility and opportunity. SDRB now embraces Sharia compliant instruments, reflecting both legal reforms and market demand.
SDRB exists to make an impact. With a mandate focused on long-term, inclusive development, it will direct capital into sectors that drive jobs, exports, and productivity, using tools and models that are adapted to the Somali context. Its investment strategy is value chain–driven, demand-responsive, and designed to work in partnership with both the private and public sectors.

Over recent years, the Bank has continued to advance a broad-based institutional reform agenda aimed at strengthening governance, enhancing operational effectiveness, and aligning our systems and practices with international standards. Significant progress has been made in implementing recommendations arising from reinforcing internal controls and establishing a stronger policy and procedural framework across key operational areas, including financial management, procurement, human resources, treasury operations, information technology, and fraud risk management. The Bank has also made substantial progress in transitioning to a function-based organizational structure better suited to the discharge of a modern Islamic banking mandate.

Looking ahead, as the Bank plans to officially commence operations in the third quarter of 2026 with the launch of its wholesale lending program, we remain firmly committed to further strengthening the Bank's governance, risk management, and compliance framework to support a sound and sustainable start to operations. Attention is being given to building a more robust second line of defense, enhancing information security and operational resilience, and improving business continuity arrangements. These priorities are essential not only to safeguarding the integrity of the institution, but also to ensuring that SDRB remains resilient, credible, and fit for purpose in an increasingly complex and innovative-driven financial environment.

Building on this reform momentum, SDRB envisions to be the financial backbone of Somalia's transformation, catalyzing inclusive growth, resilient infrastructure, and long-term prosperity through innovative, sustainable, and Sharia-compliant development finance. Under our five-year strategic framework launched in 2025, SDRB's five-year strategic framework and implementation plan are anchored on four interdependent priorities designed to establish the bank as a credible, catalytic force in Somalia's development landscape. These priorities reflect SDRB's dual role as both a financier and a market enabler, focused on demonstrating early proof points, unlocking capital through innovation, building institutional excellence, and mobilizing the resources required for long-term impact. The progress reflected in these financial statements has been made possible by the commitment and hard work of the Bank's staff, management, and Board of Directors. I wish to express my sincere appreciation to all of them for their continued dedication and service. As we build on the gains achieved to date, we remain resolute in our determination to further strengthen the SDRB as a credible, effective, and forward-looking institution serving the public interest.

This marks the first audit, underscoring our sustained commitment to sound financial management, institutional discipline, transparency, and accountability.

27/07/2026

Hodan Osman
The President and Chairperson of the Board

THE SOMALI DEVELOPMENT AND RECONSTRUCTION BANK

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited financial statements of The Somali Development and Reconstruction Bank (the "Bank") for the year ended 31 December 2024, which disclose the Bank's state of financial affairs.

1. ESTABLISHMENT

The Bank was first established in 1968 under the name Somali Development Bank (SDB). The Bank currently operates as The Somali Development and Reconstruction Bank, in accordance with SDRB Act 2014, which amends all previous laws pertaining the Somali Development Bank.

Bank's vision

The vision of the Bank is: "to empower a thriving, inclusive Somalia, built on sustainable development and economic resilience."

Bank's mission

The Bank's mission is: "to fuel Somalia's economic growth with innovative finance, support for private sector initiatives, and essential infrastructure.".

2. ACKNOWLEDGEMENT OF AUDITOR'S QUALIFICATIONS

The auditors issued a qualified audit opinion based on the following matters:

- Investment Property: The Bank has not measured its investment properties in accordance with its accounting policy and the requirements of the applicable IFRS Accounting Standards, namely IAS 40 Investment Property and IFRS 13 Fair Value Measurement.

3. STATUTE AND PRINCIPAL ACTIVITIES

Somali Development and Reconstruction Bank (SDRB) is a national development finance institution established by statute to mobilize and deploy long-term capital in support of Somalia's economic development, reconstruction, and private-sector growth. The Bank does not engage in physical production or commercial trading; instead, it operates as a development financier providing medium and long-term financing, equity participation, guarantees, and Islamic finance instruments to priority sectors including agriculture, livestock, fisheries, Renewable Energy, Infrastructure, Logistics and Financial Services, and other strategic development areas. SDRB finances and invests in viable projects aligned with national socio-economic priorities, using Shariah-compliant structures such as participation-based financing, and may also participate in syndications and partnerships with local and international investors.

The objective of the SDRB as stated in SDRB Act 2014

The objectives of the Bank shall be:

1. To promote, assist and develop or modernize any productive enterprise in the agricultural, industrial, mining, tourism, fisheries, livestock sectors and infrastructure and, in general, to take any other initiative aimed at the economic development of the country, with reference to the private sector.
2. To facilitate and encourage the private sector to generate employment and income.
3. To finance the reconstruction, renovation, rehabilitation of the physical infrastructure of the Federal Government of Somalia (FGS) as well as other development projects in line with national socio-economic priorities.
4. To introduce and issue Sukuk (Islamic Bonds) and other securities for investment purposes and to finance big capital projects of the FRS.

3. STATUTE AND PRINCIPAL ACTIVITIES (Continued)

5. To borrow money from other national, regional and international financial institutions in accordance with Islamic Finance Principles.
6. To invest in capital, money, and real estate markets for equity and capital growth.
7. To do impact assessment on projects funded by the Bank strictly by their technical, financial and economic viability of the projects and compatibility not contradicting with sharia tenets

4. RESOURCES AND STRENGTH

Resources and strengths that facilitate the Bank's endeavor in achieving its strategic objectives include human, financial and technological resources.

In terms of human capital, the Bank has well-qualified and committed staff dedicated to a long-term career in the Bank. Likewise, the management adheres to good governance and prioritizes competitive hiring process. From its strategic perspective, the Bank enhances its financial sufficiency by improving management of its resources through prioritization of initiatives, implementing initiatives within the available financial envelope and prudently managing its sources of income.

5. REVIEW OF THE BROAD GOALS

SDRB's has four Strategic Pillars that guide its operations, These Are:

1. Making Early Investments for Market Creation
2. Unlock Capital Through Financial Innovation
3. Build A High-Performing, Trusted Institution
4. Capitalize The Bank for Scaled Impact

Strengthening corporate governance

To strengthen the Bank's corporate governance, the Bank's Board focused on building the capacity of its human capital, ensuring compliance with legislation and the overall engagement with external stakeholders. The outcome of each of these steps taken are explained below.

Staffing, Capacity Building and Work Environment

The Bank was adequately staffed with the right capabilities to accomplish its strategic and operational objectives. This position was a result of implementation of Human resource plans and strategies that enabled the Bank to fill vacant positions in time. To improve knowledge and skills of employees, the Bank continued to address skills requirements through employee capacity building programs. The Bank continued to have a safe and healthy working environment. All office facilities and working tools operated smoothly.

Enhance Compliance with Legislation, Regulations, Policies and Standards

During the year, the Bank continued to put emphasis on compliance with the SDRB Law 25 of 2014; and other legislations, regulations and policies in executing its mandate. Further, the Bank continued to adhere to Anti-Money Laundering (AML) and the Combating Financing of Terrorism Units (CFT) by continuing coordination of Anti-Money Laundering (AML)/Combating Financing of Terrorism (CFT) activities as an effort to ensure that the Bank adhered to legislation, regulations and policies.

During the period under review, the Bank continued to maintain its properties and facilities, including buildings, equipment and motor vehicles in order to ensure that they are always in good working conditions.

6. CAPITAL STRUCTURES

Article 6 of the SDRB Law no.25 of 2014 notes the initial Capital of the Bank is USD50m (Fifty Million Dollars); comprising: Minimum Endowment of 51% for (FGS) and maximum 49% for Somali entrepreneurs, international, private and institutional investors. The article further states that the Bank shall commence operations once it has 5% of the subscribed capital.

The Bank has not met this minimum requirement as of end of financial year 2024.

7. RELATIONSHIP WITH STAKEHOLDERS

The SDRB recognizes the importance of its key stakeholders including the Government, Central Bank of Somalia, Banking institutions and Microfinance institutions, and international development financial institutions, The Bank continues to hold good working relationships with its stakeholders and maintains a regular update with all those involved. To improve its reputation, the Bank continued to address stakeholders' needs and expectations and provided timely responses to stakeholders' inquiries.

8. MANAGEMENT

The President is the Chief Executive Officer of the Bank and is required to discharge such functions and direction, in conformity with the policies and other decisions made by the Board.

The law further provides that the President to be assisted by the Director General. The Director General, in the order determined by the Law shall act for the President, shall exercise all the powers, and shall perform all the functions conferred on the President under this act whenever the President is temporarily absent or incapacitated, and shall perform such other functions as the President may from time to time assign to him/her.

The Director General shall, subject to the supervision of the President, be responsible for the day-to-day administration and operation of the Bank and for the supervision of the staff of the Bank and provide for the operation of the Bank and order expenditures relating thereto;

9. FUTURE DEVELOPMENT PLANS

As the financial backbone of Somalia's transformation, catalyzing growth and long-term prosperity, SDRB exists to direct capital into strategic sectors, expand access to finance for underserved segments, and unlock economic potential across the country. Accordingly, the bank is working towards building more than financial products, by strengthening trust in the institution and partnerships.

First, SDRB will lead with action by making early investments and launching targeted programs that support market creation in Somalia's most underserved and high-potential sectors. These initial efforts are not about scale, they are about learning, unlocking momentum, and building investor confidence. Through a combination of market research, value-chain analysis, co-design with private actors, and focused capital deployment aligned to demand, SDRB will test delivery models, generate performance data, and lay the groundwork for scalable and sustainable solutions.

To succeed in Somalia's fragile and fragmented environment, SDRB will confront and reduce both real and perceived risks that deter private investors. From regulatory uncertainty and limited infrastructure to climate shocks and weak data systems, frontier risks remain high, particularly in rural and undercapitalized sectors. SDRB will take early stage and structural risks that others cannot, using catalytic capital and risk-sharing instruments to create investable opportunities.

9. FUTURE DEVELOPMENT PLANS (Continued)

Secondly, SDRB will unlock capital by designing flexible, context-driven tools that expand the national capital stack and better align financing with enterprise realities. These include context-specific risk-sharing tools such as partial credit guarantees, insurance mechanisms for climate and business continuity, and flexible repayment products that better reflect household and enterprise income volatility. Innovation will focus not only on tools, but on how they are structured, delivered, and governed. A major priority will be advancing the frontiers of Islamic finance. While Murabaha has become the default across Somalia, SDRB will expand the toolkit to include more dynamic and equity-based instruments such as Musharaka and Murabaha for entrepreneurs, Ijara for asset-based lending, and Istisna'a for infrastructure projects.

SDRB will work with financial service providers and fintech partners to pilot new delivery models to reach out to underserved groups -particularly youth, women, and informal enterprises. SDRB will create channels for diaspora participation in local development through innovative structures such as matched savings products, diaspora-targeted investment funds, and co-investment platforms aligned with national priorities.

Thirdly, SDBR aims to gain public and investors 'trust by building a high performing, trusted, Institution underpinned by a culture of performance, discipline, and public accountability. It will invest in robust systems across governance, technology, risk management, and financial reporting to ensure that every shilling mobilized is deployed with integrity and effectiveness. Strong internal controls-including an empowered risk unit, independent audit function, and regular performance evaluations will form the backbone of this effort.

Additionally, SDRB will engage stakeholders transparently, publish data and learnings regularly, and ensure its Board and leadership are merit based, diverse, and capable of steering the bank toward impact. In a context where public institutions have often been viewed with skepticism, SDRB will strive to be different: a bank that leads by example, prioritizes fiduciary excellence, and delivers results.

Finally, SDRB will pursue a capital-raising strategy that reflects today's context: climate vulnerability, diaspora potential, and Islamic financial preferences. Over the next five years, it will blend concessional finance with innovative Islamic financing structures, tap into emerging green and resilience-linked funds, and actively engage diaspora networks. The Bank will also position itself as a credible partner to institutional investors and development finance institutions seeking to deploy long-term, structured capital in fragile and high-impact settings.

SDRB will not only raise funds, but it will also demonstrate that capital can be aligned with trust, performance, and development value. Every dollar mobilized will be deployed to where it matters most, amplifying both public and private outcomes for the people of Somalia.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for risk management and internal control systems of the Bank. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations.
- The safeguarding of the Bank's assets.
- Compliance with applicable laws and regulations.
- The reliability of accounting records.
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviors towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Bank's system is designed to provide the Board with reasonable assurance that procedures in place are operating effectively. The Bank ensures that existing and emerging risks are identified and managed within acceptable risk tolerances.

10. RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Key risks and uncertainties

The key risks that may significantly affect the Bank's strategies and development are mainly financial, operational and strategic. Below we provide a description of the operational and strategic risks facing the Bank. The risks related to financial instruments have been disclosed under Note 5 of the financial statements:

(a) Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. Operational risk encompasses risks arising from day-to-day operations, institutional capacity constraints, governance arrangements, and the external environment in which the Bank operates. Operational risk may lead to financial loss, service disruption, or regulatory non-compliance if not effectively identified and managed.

SDRB is exposed to operational risk across all its activities, including financing, treasury, and supporting functions such as IT, HR, procurement, and administration. While operational risk cannot be fully eliminated, the Bank maintains a low to moderate tolerance for material operational risk events, particularly those arising from weak controls, negligence, fraud, or Shariah non-compliance.

The Bank manages operational risk by fostering a strong culture of integrity, accountability, and risk awareness, supported by robust internal controls, clear policies and procedures, and effective risk identification, assessment, monitoring, and reporting mechanisms.

The Board of Directors approves the Operational Risk Policy and provides oversight through regular reporting on the Bank's operational risk profile. Senior Management is responsible for ensuring that effective operational risk management practices are implemented and maintained in line with approved policies and guidelines.

SDRB applies the three lines of defense model:

- **First Line of Defense:** Business and support units own and manage operational risks within their activities, ensuring risks are identified, mitigated, and incidents promptly reported.
- **Second Line of Defense:** The Risk & Compliance Department provides bank-wide oversight, monitors operational risk events and losses, and reports regularly to Senior Management, the Asset, Liability and Risk Committee, and the Board.
- **Third Line of Defense: Internal Audit independently evaluates the adequacy and** effectiveness of controls, risk management, and governance processes.

SDRB's operational risk management focuses on preventive and proactive controls to ensure operational resilience, business continuity, data integrity, staff competence, and compliance with internal policies, regulatory requirements, and Shariah principles.

Key elements include:

- Operational loss event collection and analysis to identify root causes and strengthen controls;
- Risk and control self-assessments (RCSAs) for processes, systems, and material changes, evaluating risks based on likelihood and impact;
- Product and process approval governance, ensuring that new or materially changed products are subject to comprehensive risk and Shariah review prior to implementation;
- Outsourcing and third-party risk management, ensuring outsourced activities are subject to due diligence, clear contractual arrangements, and risk standards equivalent to in-house operations;
- Key Risk Indicators (KRIs) for non-financial risks to provide early warning of potential breaches of risk tolerance;

10. RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Key risk and uncertainties (Continued)

(a) Credit risk

Credit risk refers to the risk of financial loss arising from a counterparty's failure to fulfill its contractual obligations under the Bank's financing arrangements, resulting in an economic impairment to the Bank. Credit risk encompasses not only the risk of non-settlement of amounts due, but also the risk of non-performance or underperformance of assets, projects, or activities financed by the Bank.

SDRB maintains a moderate appetite for credit risk from long-term lending and guarantees that supports economic growth, while actively managing concentration risk through portfolio diversification to preserve financial sustainability and maintaining a low appetite for counterparty credit risk arising from negligence or weak controls, accepting higher credit risk only where it is justified by strong development impact.

SDRB manages credit risk through a strong governance framework in which the Board of Directors sets policy, risk appetite, and exposure limits, delegates defined approval authorities to Management and the Credit and Compliance Committee, and ensures independent oversight through regular reporting on credit decisions, while the Lending Department is responsible for the appraisal of borrowers and risk owners and the Risk & Compliance Department provides independent portfolio-level oversight by monitoring credit risk exposures and capital adequacy and reporting regularly to the Board of Directors.

(b) Liquidity risk

Liquidity risk refers to the risk that the Bank is unable to meet its financial obligations as they fall due, without incurring unacceptable losses or compromising its ongoing operations. Failure to maintain adequate liquidity risks continuity of operations, maintenance of confidence among stakeholders, and the timely execution of its mandate.
The scope of liquidity risk at the Bank includes risks arising from both structural balance-sheet characteristics and short-term cash flow dynamics.

The Board of Directors approves the Liquidity Policy and provides oversight through regular review of the Bank's liquidity position and compliance with approved limits. Senior Management is responsible for implementing Liquidity.

Policy, ensuring effective liquidity risk management practices, approving liquidity stress-testing methodologies, and informing the Board when contingency measures are activated.

The Treasury function manages day-to-day liquidity positions and funding activities, while Risk Management and Risk & Compliance functions provide independent monitoring and reporting. The Asset, Liability and Risk Committee (ALRC) oversees funding strategy, liquidity developments, and liquidity-related risk decisions in accordance with its mandate.

(c) Legal and IT Risk Management

Legal risk is managed through standardized documentation, legal review of all binding agreements, and the use of established contractual clauses to ensure enforceability and compliance across jurisdictions. Information Technology is recognized as a critical enabler of operational excellence, with governance structures in place to ensure system reliability, scalability, security, and alignment with the Bank's strategic objectives.

10. RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Key risk and uncertainties (Continued)

(d) Strategic Risk

Strategic risk refers to the risk of adverse impact on the Bank arising from ineffective or inappropriate strategic decisions, inadequate implementation of approved strategies, or failure to respond appropriately to changes in the operating environment. Strategic risk may materialize through misalignment between the Bank's mandate, strategic objectives, and operational capabilities, or through external developments that undermine the relevance, feasibility, or sustainability of the Bank's strategic direction. The scope of strategic risk at the Bank encompasses risks arising from both internal decision-making and external conditions.

Strategic risk arises from decisions relating to markets, products, partnerships, financing parameters, investments, and resource allocation, and the Bank shall manage this risk by ensuring that all strategic objectives and initiatives are clearly aligned with its mandate, mission, values, and approved risk appetite, and are formally approved and periodically reviewed by the Board.

The Bank shall identify, measure, monitor, and control strategic risk through a structured strategic planning, performance monitoring, and reporting process that assesses inherent risks, key assumptions, expected returns, and inter-risk interactions, applies proportionate risk analysis to strategic initiatives, ensures adequate organizational capacity and controls, and enables timely review, corrective action, and contingency planning where strategic objectives are not being achieved.

(e) Reputational Risk

Reputational risk refers to the risk of adverse impact on the Bank arising from negative perceptions among stakeholders regarding its integrity, effectiveness, governance, or conduct. For the Somali Reconstruction and Development Bank, reputational risk may arise from actual or perceived failures in decision-making, operations, compliance, or stakeholder engagement, regardless of whether such perceptions are fully substantiated. Reputational damage can undermine trust, limit access to funding and partnerships, and impair the Bank's ability to fulfill its mandate.

The scope of reputational risk at the Bank includes risks arising from both internal actions and external perceptions.

SDRB maintains a zero tolerance for reputational risk, recognizing reputation as a critical strategic asset fundamental to public trust, stakeholder confidence, and the Bank's development mandate. The Bank has zero tolerance for reputational damage arising from unethical conduct, regulatory or Shariah non-compliance, weak governance, or poor customer treatment, and accepts only limited residual reputational risk that is unavoidable in the normal course of business.

The Board of Directors provides oversight of reputational risk by setting expectations for ethical conduct, approving relevant policies, and receiving regular reports on reputational risk exposures and emerging issues. Senior Management is responsible for embedding reputational risk considerations into business decisions, ensuring timely escalation of reputational concerns, and coordinating effective responses to incidents.

Reputational risk management is cross-functional, involving business units, Operations, Customer Relations, Legal, Compliance, Human Resources, and Communications, with overall coordination under Senior Management and oversight by the Executive Committee.

10. RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Key risk and uncertainties (Continued)

(e) Reputational Risk (Continued)

SDRB manages reputational risk proactively by integrating ethical standards, Shariah principles, and strong governance across all operations. The Bank seeks to identify and address potential reputational risks arising from products, services, customer interactions, employee conduct, third-party relationships, regulatory actions, and external events.

(f) Going Concern.

The Board of Directors confirms that International Financial Reporting Standards (IFRS) have been followed and that the financial statements have been prepared on a going concerning basis. The Board of Directors has reasonable expectations that SDRB has adequate resources to continue carrying out its statutory activities for the foreseeable future.

(g) Fiduciary Risk

Fiduciary risk refers to the risk of loss, misuse, or mismanagement of funds, or failure to ensure that resources are used for their intended purposes in an efficient, transparent, and accountable manner. Fiduciary risk may affect the integrity of financial management and the credibility of the institution, as well as its ability to retain the confidence of stakeholders and development partners. Fiduciary risk arises when weaknesses in controls, governance, or oversight compromise the Bank's responsibility to safeguard entrusted resources.

The scope of fiduciary risk at the Bank includes risks arising from internal processes, systems, and external relationships. including those related to budgeting, procurement, financial management, internal controls, reporting, and the management of funds provided to or through third parties.

SDRB maintains no risk appetite for fiduciary risk, reflecting its role as a custodian of public and development finance resources. The Bank does not accept material weaknesses in financial control, transparency, or accountability that could undermine confidence in its operations or the proper use of entrusted funds. While SDRB operates in complex and capacity-constrained environments, fiduciary risks must be mitigated through robust controls, oversight, and corrective actions.

The Board of Directors holds ultimate responsibility for oversight of fiduciary risk and for ensuring that appropriate governance, control frameworks, and assurance mechanisms are in place. Senior Management is responsible for implementing these frameworks and maintaining effective systems of financial management, internal control, and oversight.

The Risk, Finance, Internal Audit, and Compliance functions play central roles in identifying, managing, and monitoring fiduciary risk. Business and operational units are responsible for adhering to established policies and procedures and for managing fiduciary risks within their respective activities. External partners and counterparties are required to meet fiduciary standards as a condition of engagement with the Bank.

10. RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Key risk and uncertainties (Continued)

(h) Fiduciary Risk (Continued)

SDRB manages fiduciary risk through a structured control environment designed to prevent, detect, and respond to misuse or mismanagement of resources. This includes clear financial policies and procedures, segregation of duties, authorization and approval controls, procurement standards, and reliable financial reporting systems.

Fiduciary risk considerations are integrated into operational decision-making, project design, and the selection and oversight of counterparties. Where fiduciary weaknesses are identified, the Bank applies proportionate mitigation measures, including enhanced supervision, corrective action plans, or restrictions on disbursements. Serious fiduciary breaches may result in escalation, suspension of activities, or, ultimately, termination of relationships.

(h) ESG and Climate Risk

Environmental, Social, Governance (ESG), and Climate Risk refers to the risk of adverse impact on the Bank arising from environmental, social, governance, or climate-related factors that affect the sustainability, viability, or acceptability of its activities and investments. ESG and climate risks may affect the performance of the Bank's financed activities, expose the Bank to legal, reputational, or fiduciary concerns, and undermine its development objectives if not adequately identified and managed. ESG and climate risk encompasses both direct risks to the Bank and indirect risks arising through financed projects, counterparties, and intermediaries, particularly in contexts characterized by environmental vulnerability and social sensitivity. The Bank's approach to ESG and Climate risks is guided by the Bank's Environmental, Social, and Governance Policy. Climate-related risks may include both physical risks arising from climate hazards and transition risks associated with policy, market, and technological change, to the extent relevant for risk management.

The Bank's ESG tolerances are informed by and calibrated with the National Adaptation Programmes of Action (NAPAs), Nationally Determined Contributions (NDCs), the Paris Agreement, the SDGs, and international ESG standards such as IFC Performance Standards, World Bank ESS, GRI, SASB, and TCFD.

SDRB maintains a low to moderate risk appetite for ESG and Climate Risk, reflecting its mandate as a development finance institution and its responsibility to promote sustainable, inclusive, and resilient economic development.
While the Bank recognizes that development finance inherently involves operating in high-risk environments, it does not accept exposure to activities that cause major environmental or social harm, or that conflict with fundamental governance standards.

10. RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Key risk and uncertainties (Continued)

(i) ESG and Climate Risk (Continued)

ESG and Climate Risk governance is embedded within SDRB's overall governance framework, with clear roles and accountability across the institution.

- **Board of Directors:** The Board provides ultimate oversight of ESG and Climate Risk and approves the Bank's ESG Policy, ESG Risk Management Framework, and any material updates thereto. The Board, through its relevant committee(s), including an ESG Committee of the Board, reviews ESG risk exposure, policy compliance, and periodic ESG performance reporting.
- **Senior Management:** Senior Management is responsible for ensuring that ESG and climate considerations are embedded institutionally across the Bank's strategy, operations, and investment processes. This includes allocating adequate resources, approving procedures, and ensuring alignment between the Risk Framework and the ESG Policy.
- **Impact Team and Risk Department:** The Impact Team and Risk Department jointly design and maintain ESG tools, screening methodologies, risk categorization systems, and monitoring frameworks. They oversee implementation of ESG controls, provide guidance on higher-risk transactions, and escalate material ESG issues as required.
- **Investment and Compliance Functions:** Investment and Compliance teams are the primary line of defense for ensuring that external financing activities comply with SDRB's ESG standards and requirements. They integrate ESG due diligence into deal origination, structuring, approval, and post-disbursement monitoring. Operations and technical teams support implementation and monitoring at the project level.
- **Clients and Partners**: Compliance with SDRB's ESG standards is a condition of financing. Clients and partners are responsible for implementing agreed ESG measures, providing required information, and cooperating with monitoring and reporting requirements.

4. CORPORATE SOCIAL RESPONSIBILITY

The Bank is committed to fulfilling part of its Corporate Social Responsibility (CSR) through supporting national activities and other areas of interest to the Bank in the Federal Republic of Somalia.

5. COMPLIANCE WITH LAWS AND REGULATIONS

In performing the activities of the Bank, various laws and regulations having the impact on the Banks operations were observed.

6. STATEMENT OF GRATITUDE TO INTERNATIONAL DONORS

The SDRB continues to engage with its international partners i.e. AFDB, ISDB, EIB, IFU,UNDP, World Bank, and other stakeholders in its continued effort to reforming its financial systems and ensuring that it meets its obligations.

The Directors have pleasure in presenting their report together with the audited financial statements of The Somali Development and Reconstruction Bank for the year ended 31 December 2024, which disclose the Bank's state of financial affairs.

7. REVIEW OF THE BANK'S PERFORMANCE

The bank total income increased by 13.7% to USD 891,548 from USD 784,192 in 2023. Total expenditure increased by 41.8% to USD 969,223 from USD 683,296 in 2023. This resulted in a net loss of USD 77,675 (2023 – profit of USD 100,896).

8. RESULTS FOR THE YEAR

	2024	2023
	USD	USD
(Loss)/profit for the year	(77,675)	100,896
	======	=======

9. DIRECTORS

The present members of the Board of Directors are shown on page 2.

10. TERMS OF APPOINTMENT OF AUDITOR

Deloitte & Touche LLP were appointed as auditors in 2025 to audit the financial statements of the Bank for the year ended 31 December 2024 and have expressed willingness to continue in office.

The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

BY ORDER OF THE BOARD

27/07/2026

Hodan Osman
The President and Chairperson of the Board

THE SOMALI DEVELOPMENT AND RECONSTRUCTION BANK

STATEMENT ON CORPORATE GOVERNANCE

The Somali Development and Reconstruction Bank (the 'Bank' or 'SDRB') is wholly owned by the Federal Republic of Somalia. The Bank builds on a long and transformative legacy that began over five decades ago. First established in 1968 under the name Somali Development Bank (SDB), Somalia's original development finance institution was created to provide long-term financing for productive sectors and stimulate private sector-led industrialization.

However, much has changed since 1968. The disruption of state institutions in 1991 led to the collapse of SDB, with its assets destroyed and its functions suspended for decades. The reconstitution of the bank in 2014 marked a new chapter backed by Law No. 25 and framed under a more inclusive and market-oriented vision.

In 2024, with the appointment of new leadership and the endorsement of the Federal Government, SDRB was relaunched with a mandate not only to finance development but to build resilience, deepen financial inclusion, and enable long-term, Somali-owned growth.

SDRB's governance architecture is designed around two principles: independence from political interference, and accountability to the public it serves. These principles are not in tension they are mutually reinforcing.

The governance structure comprises a Board of Directors (initially seven members, expanding as needed), a Management Investment Committee, a Sharia Advisory Board, an Internal Audit and Risk function reporting directly to the Board Audit Committee, and a Risk & Compliance unit independent of operational departments. External audits will be conducted annually with results published publicly.

Three governance features deserve particular emphasis in the Somali context. First, the merit-based selection of Board members, with transparent processes and diverse expertise in development finance, Islamic finance, agriculture, energy, and ESG, is essential to building the credibility that will attract external capital. Second, the Sharia Advisory Board plays an active role in reviewing product structures and ensuring genuine compliance rather than nominal labelling. Third, the commitment to public financial disclosure, including regular impact reports and alignment with IFRS, is a deliberate signal that SDRB holds itself to international standards regardless of the constraints of its operating environment.

The board of directors and senior management are committed to ensuring SDRB upholds the highest standards of governance, transparency, and performance, aligning with national priorities while remaining agile in the face of risk and opportunity.

To this end, the Somali Development and Reconstruction Bank (SDRB) Law 25, of 2014, has provided a framework for ensuring application of sound corporate governance principles and best practices by the Bank's Board of Directors and its Committees and Management in the course of managing the day-to-day affairs/operations of the Bank as summarized below:
Most of requirements of the Act have not been met yet and the Bank is in the process of complying with various requirements from 2026 onwards.

Board of Directors

The Board shall be charged with the formulation and the supervision of the implementation of the policies, and the supervision of the administration and the operations of the Bank.

The Board shall consist of:

a) The president, who shall be the Chairperson.
b) Six other non-executive Directors.

Board responsibilities

The president, as chairperson of the Board of the Bank, shall convene meetings of the board not less than twice a year, or whenever the business of the Bank so requires or whenever he is so requested in writing by the board of Directors.

Board responsibilities (Continued)

Meetings of the Board shall be called by the President either at the Head Office, or elsewhere, by giving notice to each Director by registered letter containing an Agenda of the matters be discussed at least twenty days prior to the date fixed for the meeting. Notwithstanding the provisions of paragraph (1) of this Article (24), meetings may be convened by giving notice to each Board member at least ten days prior to the date fixed for the meeting.

Board meetings shall be presided over by the President of the Bank, in his absence, by the Director General.

Board Committees

Two Committees are currently assisting the Bank's Board of Directors in the discharge of its functions. These are the Audit and Risk Committee and the Investment and Credit Committee. SDRB is in the process of establishing Sharia Board, which is not considered a committee, but an independent arm which will oversee and guide the Bank on all matters related to Sharia.

The Audit and Risk Committee

The Committee is largely composed of Non-executive Directors. The Chairperson of the Committee is a Non-executive Director. The Terms of Reference for the Audit and Risk Committee cover audit and risk responsibilities. Major areas include; Internal Control, Financial Reporting, Internal Audit and External Audit, oversight of risk profile, ensuring regulatory compliance and safeguarding the institutions stability and integrity. The Committee reports to the Board of Directors.

The Committee's mandate on Internal Audit covers review of the activities and resources of the internal audit function; effectiveness, standing and independence of internal audit function within the Bank; review of the internal audit plan; and follow up on implementation of internal audit findings and recommendations.

The mandate relating to Financial Reporting requires the Audit Committee to review significant accounting and reporting issues and their impact on the financial reports and ensure current financial risk areas are managed appropriately. The Committee also ensures the adequacy of the financial reporting process and reviews the Bank's annual accounts before approval and adoption by the Board.

The Committee reviews and approves the external auditors' proposed audit scope, approach and audit deliverables, drafts financial statements before submission to the External Auditors for audit; and reviews and approves the proposed audit fee.

The committee also assists the board in approval and periodic review of the Bank's risk management framework, ensuring alignment with overall strategy and risk appetite, overseeing the risk appetite statement and ensuring institution-wide adherence, and ensuring proper segregation between risk-taking and risk control functions.

The Investment and Credit Committee

The committee assists the board in developing the investment policy, determining asset allocations for the portfolio, and oversee selection of investment managers, regularly reviewing the managers' performance, and ensure compliance of all investment activities with the relevant laws and regulations. The Investment Committee reports to the Board of Directors.

Board remuneration

The remuneration received by the independent board members shall be in line with that received by persons holding similar positions with large financial institutions and be disclosed in the annual report. Independent board members receive an allowance per board meeting or any other event attended upon invitation by SDRB. This initial allowance has been set with consideration for the bank's current financial outlook and is intended to acknowledge the board's dedication. Additionally, SDRB will pay for or reimburse all related travel and accommodation expenses incurred during the member's official duties.

STATEMENT ON CORPORATE GOVERNANCE (Continued)

Conflicts of interest

Directors have a statutory obligation to avoid situations in which they have or may have interests that conflict with those of the Bank.

Independence

All Non-executive Directors are considered by the Board to be independent in character, judgment and free of relationships or circumstances, which could affect their judgment.

Approved by the Board of Directors on 27 July 2026, and signed on its behalf by:

27/07/2026

Hodan Osman
The President and Chairperson of the Board

THE SOMALI DEVELOPMENT AND RECONSTRUCTION BANK

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with SDRB Act, 2014, the Directors are responsible for the preparation of financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the Bank's financial performance. The Directors also ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors accept responsibility for the preparation and fair presentation of financial statements in accordance with IFRS ® accounting standards issued by the International Accounting Standards Board that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

(i) Designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
(ii) Selecting and applying appropriate accounting policies; and
(iii) Making accounting estimates and judgments that are reasonable in the circumstances.

The Directors have delegated their responsibility in respect of the preparation of the financial statements, keeping proper accounting records and safeguarding the assets of the Bank to the Management of the Bank.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the Bank as of 31 December 2024 and of the Bank's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

These financial statements are prepared on a going-concern basis, considering the legal mandate and responsibilities of the Bank, in accordance with SDRB Act.

Additionally,

1. The Board shall, for the attainment of the Bank's objectives, exercise all powers except those which are reserved by the Law or By-Laws to the Shareholder (s);

2. Without limitations to the generality of the foregoing, the Board may:

   a) Decide on calling on unpaid balances of capital subscriptions to be paid-in accordance with Article 6 paragraphs (2) and (3) and in case of shares to be transferred to new Shareholder (s), take appropriate action as provided in Article 13, paragraph 2.
   The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof;
   b) Determine the manner in which negotiable instruments are handled.
   c) Propose the issue of securities;
   d) Determine the manner in which negotiable instruments shall be signed, drawn, accepted, endorsed, or otherwise executed;
   e) Establish branches, agencies and representative offices in the FRS and abroad;
   f) Cause to be kept proper books of account and approve the formulation of Balance Sheet and Profit and Loss Statement and the proposal to be submitted to the Shareholder (s);
   g) Appoint the members of the Shari'ah Advisory Committee and define their functions;
   h) Delegate functions and powers to the President, General Manager and confer mandates and powers on third parties, including appointment of attorney or legal counsel of the bank;
   i) Set up Special Committees and specify functions and powers thereof;
   j) Decide on all mortgages or attachments or distrait transactions, or any other collateral transaction related thereto;
   k) Authorise a director to become a director and accept remuneration therefore in any company in which the Bank may have an interest.

Approved by the Board of Directors and signed on its behalf by:

27/07/2026

Hodan Osman
President-Somali Development and Reconstruction Bank

Deloitte.

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INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF THE SOMALI DEVELOPMENT AND RECONSTRUCTION BANK

Report on the Audit for the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of The Somali Development and Reconstruction Bank (the "Bank"), set out on pages 22 to 38, which comprise the statement of financial position as of 31 December 2024, and the 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 material accounting policy information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2024 and of its financial performance and cash flows for the year then ended, in accordance with IFRS accounting standards as issued by International Accounting Standards Board.

Basis for Qualified Opinion

Valuation of investment property

As of 31 December 2023, and 2024, the Bank has not measured its investment properties in accordance with its accounting policy and the requirements of the applicable IFRS Accounting Standards - being IAS 40, Investment Property, and IFRS 13, Fair Value Measurement. In particular, the Bank has not determined, recognized and/or disclosed the fair value of its investment properties as required by the Bank's accounting policy and the IFRS Accounting Standards. As disclosed in Note 4 to these financial statements, the Bank has assigned Nil carrying value to these properties for the reasons disclosed in the note. However, in the absence of an appropriate fair valuation exercise, we were unable to obtain sufficient appropriate audit evidence to ascertain whether the carrying value assigned to the investment properties is fairly stated in accordance with the measurement and disclosure requirements of the IFRS Accounting Standards and the Bank's accounting policy.

Report on the Audit for the Financial Statements

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF THE SOMALI DEVELOPMENT AND RECONSTRUCTION BANK (Continued)

Other Information

Directors are responsible for the other information. The other information comprises the information included in the Statement from the President, Report of the Directors, Statement on Corporate Governance and Statement of Directors' Responsibilities but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report on in this regard.

Responsibilities of Directors for the Financial Statements

Directors have responsibility for the preparation and fair presentation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Somali Development and Reconstruction Bank Act, 2014 and for such internal controls as Directors determine are 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, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so. The Directors are responsible for overseeing the Bank's financial reporting process.

Auditors' 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, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We are 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 risk 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.

INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF THE SOMALI DEVELOPMENT AND RECONSTRUCTION BANK (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' 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 material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditors' report is **CPA Fredrick Okwiri, Practicing certificate No. 1699.**

Fredrick Okwiri

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi

28 July 2026

UNIQUE CODE: 35003260728

THE SOMALI DEVELOPMENT AND RECONSTRUCTION BANK

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 USD	2023 USD
REVENUE	5(a)	887,548	784,192
OTHER INCOME	5(b)	4,000	-
OPERATING EXPENDITURE	6	(969,223)	(683,296)
(LOSS)/PROFIT FOR THE YEAR		(77,675)	100,896
OTHER COMPREHENSIVE INCOME		-	-
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME		(77,675)	100,896

THE SOMALI DEVELOPMENT AND RECONSTRUCTION BANK
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Notes	2024	2023
ASSETS		USD	USD
Cash and cash equivalents	9	106,311	286,293
Other receivables	10	13,346	14,649
Property and equipment	13	136,816	43,045
TOTAL ASSETS		256,473	343,987
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	-	-
Retained earnings		44,806	122,482
TOTAL EQUITY		44,806	122,482
LIABILITIES			
Deferred revenue	11	169,300	206,850
Other payables	12	42,366	14,655
TOTAL LIABILITIES		211,666	221,505
TOTAL EQUITY AND LIABILITIES		256,473	343,987

The financial statements in pages 22 to 38 were approved and authorized for issue by the Board of Directors on 27/07/2026 and were signed on its behalf by:

27/07/2026

Hodan Osman
President-Somali Development and Reconstruction Bank

THE SOMALI DEVELOPMENT AND RECONSTRUCTION BANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Share Capital USD	Retained Earnings USD	Total USD
At 1 January 2023	-	21,586	21,586
Profit for the year	-	100,896	100,896
At 31 December 2023	-	122,482	122,482
At 1 January 2024	-	122,482	122,482
Loss for the year	-	(77,675)	(77,675)
At 31 December 2024	-	44,806	44,806

THE SOMALI DEVELOPMENT AND RECONSTRUCTION BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 USD	2023 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit for the year		(77,675)	100,896
Adjustments for:			
Depreciation (note 13)		25,658	10,468
Loss on disposal of property and equipment (note 6)		2,110	-
Working capital changes:			
Decrease/(increase) in other receivables		1,303	(13,794)
Increase in other payables		27,711	9,655
Decrease in deferred revenue		(37,550)	(28,549)
Net cash (used in)/generated from operating activities		(58,443)	78,676
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	13	(138,539)	-
Proceeds from disposal of property and equipment		17,000	-
Net cash used in investing activities		(121,539)	-
NET (DECRESE)/INCREASE IN CASH AND CASH EQUIVALENTS		(179,982)	78,676
CASH AND CASH EQUIVALENTS AT 1 JANUARY		286,293	207,617
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	106,311	286,293

1 GENERAL INFORMATION

The Somali Development and Reconstruction Bank is incorporated under Law No. 25 of 24th June 2014, which amends all previous laws pertaining to the Somali Development Bank. The Bank operates as a legal entity under the laws of Somalia, with its registered office located at SDRB Building, Dalxureeye road, Mogadishu, Somalia.

During the financial year ended December 31, 2024, the primary activities of the SDRB were the management and rental of its property portfolio and the receipt of commission income from the port authority. The bank's property management operations involved holding and leasing out its real estate assets to generate rental income. Additionally, the bank received a percentage of commission revenue from the port authority as part of an existing agreement. The commission income represents a allocation of funds to the Bank pursuant to Federal Government of Somalia support framework, under which the Port Authority, being a government-controlled entity, channels a portion of its collections to the Bank. These activities constituted the core sources of revenue for the development bank during the year.

The financial statements are presented in United States Dollar (USD) which is the Bank’s functional and presentation currency.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS.

Impact of relevant new standards

Several new and revised standards and interpretations became effective during the year. The Directors have evaluated the impact of these new standards and interpretations, and none of them apply to the Bank’s financial statements.

New and amended standards and interpretations in issue but not yet effective in the current year

At the date of authorization of these financial statements, below standards and interpretations were in issue but not yet effective. The adoption of these standards and interpretations, when effective, will not result in changes in the Bank’s accounting policies or result in any material impact on the financial statements of the Bank.

New standards or amendments	**Effective for the annual period beginning on or after**
Amendments to IAS 21-Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7-Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards—Volume 11	1 January 2026
Amendments to IFRS 9 and IFRS 7- Contracts Referencing Nature-dependent Electricity	1 January 2026
IFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 - Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28-Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Early adoption of standards

The Bank did not early adopt any new or amended standards in the financial year.

3 MATERIAL ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Somali Development and Reconstruction Bank, 2014.

The Bank prepares its financial statements under the historical cost convention, modified to include the revaluation of certain assets which are measured at revalued amounts at the end of each reporting period.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been applied consistently.

Revenue recognition

Rental income from investment properties is recognized on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern in which the benefits from the leased asset are consumed.

Property and equipment

Land and buildings are stated at cost or as professionally revalued less accumulated depreciation and accumulated impairment losses where applicable. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period. Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income.

Other categories of property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis at annual rates estimated to write off the cost of the property and equipment over their expected useful lives. The rates generally in use are:

Buildings	2%
Building improvements	5%
Furniture and fixtures	10%
Motor vehicles	20%
Computers and equipment	20%

The Bank assesses at each reporting date whether there is any indication that an item of property and equipment may be impaired. If such indication exists, the Bank estimates the recoverable amount of the asset, being, the higher of fair value less cost to sell or value in use. An impairment loss is recognized in profit or loss if the carrying amount of an asset exceeds its recoverable amount.

Subsequent expenditures are capitalized only when it is probable that the future economic benefits will flow to the Bank and the cost of the expenditure exceeds $500. Expenditure incurred to replace a component of item of property and equipment is accounted for separately and capitalized while the major replaced component is derecognized.

The entity reviews the useful life and residual value of these assets at the end of the period.

3 MATERIAL ACCOUNTING POLICIES (Continued)

Leases

The Bank acts as a lessor in leasing out various properties under operating lease agreements, as defined by IFRS 16 Leases. These leases are classified as operating leases because they do not transfer substantially all the risks and rewards of ownership of the underlying assets to the lessee. Assets leased out under these operating leases are included in property and equipment in the statement of financial position and are depreciated over their expected useful lives in a manner consistent with similar owned assets.

Lease income from operating leases is recognized on a straight-line basis over the lease term, in accordance with IFRS 16, unless another systematic basis is more representative of the time pattern in which the benefit from the leased asset is diminished.

Investment properties

Investment properties, which comprise properties held to earn rentals and/or for capital appreciation, are stated at the fair value of those properties at the statement of financial position date. Years of conflict in Somalia have disrupted the Bank's operations and resulted in the loss of relevant historical transaction data. In light of this, it is not possible to determine the historical cost of the Bank's properties for the reporting period ending December 31, 2024. The value of those investment properties is therefore nil in the statement of financial position as of 31 December 2024 and 2023.

Financial Assets

Classification

A financial asset is measured at amortized cost if both of the following conditions are met (and is not designated as at FVTPL):

(i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
(ii) 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.

A financial asset is measured at FVOCI if both of the following conditions are met (and is not designated as at FVTPL):

i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank's receivables and cash balance are held are classified at amortized cost.

Recognition and de-recognition of financial instruments

Financial assets are recognized when the Bank becomes a party to the contractual provisions of the asset. Initial recognition of financial asset is at fair value plus, for all financial assets except those carried at fair value through profit or loss, transaction costs. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

3 MATERIAL ACCOUNTING POLICIES (Continued)

Financial Assets (Continued)

Write-off policy

The Bank writes off a financial asset when there is information indicating that there is no reasonable expectation of recovery of the financial instrument, e.g. when the debtor has been placed under liquidation or has entered into Bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss as other income.

Impairment of financial assets

The Bank measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following, which are measured as 12-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Financial assets where credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Bank considers financial assets to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'. 12-month ECL is the portion of ECL that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments. Lifetime ECL are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments. Financial instruments that are considered credit – impaired are referred to as 'Stage 3 financial instruments. The Bank records an allowance for the lifetime ECL and follows the simplified approach methodology.

Financial liabilities

After initial recognition, the Bank measures all financial liabilities at amortised cost other than liabilities held for trading. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

Derecognition of financial liabilities

Financial liabilities are derecognised when and only when the Bank obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Employee benefits and staff tax payable

The Bank does not provide retirement benefits to employees. The Bank may provide funding for medical treatment to staff and their dependents on a compassionate basis.

3 MATERIAL ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances held with the Somali Development and Reconstruction Bank (SDRB) and balances held with a private bank, both of which are available to finance the Bank's day-to-day operations. These balances are considered highly liquid assets, readily accessible to meet the Bank's short-term financial needs. For presenting cash flows in the financial statements, cash and cash equivalents are carried at amortized cost in the statement of financial position.

Commission income

Commission income comprises appropriations as a result of an agreement with the port authority and Central Bank of Somalia (CBS), under which the Bank receives 0.5% of Federal Government of Somalia (FGS) customs revenue. This income is recognized in the income statement upon receipt of payment from CBS, which generally coincides with the Bank's receipt of funds. Since the Bank does not provide any specific service in exchange for this income, it is recognized as commission income at the time of receipt, in accordance with the terms of the agreement with the port authority and CBS.

Deferred Income

Rental income is recognized on a straight-line basis over the lease term. Amounts received in advance from tenants are recognized as deferred income and are released to profit or loss over the period to which the rental income relates.

Disclosures about estimates

In preparing the financial statements for the year ended December 31, 2024, the Bank has made an estimation regarding the initial recognition of its properties. Due to the lack of historical transaction data and the absence of reliable fair value information, management has estimated the value of all properties at $0 for the current reporting period. This conservative approach was adopted to reflect the significant uncertainty surrounding the fair value of these assets.

The Bank's management is currently carrying out an asset valuation exercise to ascertain the ownership and valuation of all land and buildings owned by the SDRB. This exercise applies to 56 units spread across 29 different locations. Any adjustments resulting from this exercise will be reflected in future financial statements.

This estimation does not represent a change from previously reported figures, as no balance sheet was prepared for the year ended December 31, 2023, under the Bank's prior accounting practices.

Fair Value Measurement

The Bank's land and buildings are located in an area currently affected by significant conflict and instability. Due to the ongoing conflict, there is extreme uncertainty regarding the market conditions, the ability to use or sell these assets, and the potential future economic benefits they may provide. As a result, the Bank has determined that it is not possible to reliably measure the fair value of these assets.

The Bank's land and buildings are classified as investment property under IAS 40, as they are held to earn rentals and for potential capital appreciation. Due to the ongoing conflict and lack of reliable market data, these properties are valued at $0 for the reporting period ending December 31, 2024.

3 MATERIAL ACCOUNTING POLICIES (Continued)

Fair value hierarchy

IFRS 13 establishes a fair value hierarchy that categorizes the inputs used in valuation techniques into three levels:

- Level 1: Quoted 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 or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Given the current circumstances, none of these levels provide a reliable basis for valuing the Bank's land and buildings.

Taxation

Article 15, third schedule of Somali income tax bill exempts the income of the federal government, the governments of federal member states and local governments from all:

a) taxes on its income and all duties, excise and other taxes and levies on the import
b) other taxes duties and levies from which Government ministries and other public agencies are exempted by law.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the process of applying the Bank's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

(i) Critical accounting judgements in applying the Bank's policies

Impairment allowance on financial assets

The measurement of impairment allowance under IFRS 9 across all categories of financial assets in scope requires judgement, particularly the estimation of the amount and timing of future cash flows and collateral values when determining impairment allowance and the assessment of a significant increase in credit risk.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Valuation of investment properties

Due to uncertainty and the lack of a reliable market or data to support any fair value assessment, the Bank has elected to reflect a zero value for its land and buildings as of 2024.

The decision is based on the following factors:

- Market inactivity: Investment properties were recorded at zero due to significant uncertainty arising from years of conflict and lack of reliable historical data to estimate historical costs. The desire to assess market values in a timely manner was challenged by lack of readily available and comparable transactions as of the year under review.
- Access and usage: The Bank had access to its properties as of 2024 and continues to have access to them; however, there were issues relating to legal title. Senior management, with the assistance of legal counsel, has assessed each known land dispute to determine whether the Bank's legal title is supportable and whether the claims against the Bank are likely to succeed. This explains the nil value recognition in the financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES (Continued)

(ii) Key sources of estimation uncertainty

Property and equipment

Critical estimates are made by Directors in determining the useful lives and residual values for property and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

	2024	2023
	USD	USD
5 a) REVENUE		
Commission income on custom revenue*	807,808	728,632
Rental income	79,740	55,560
	887,548	784,192

*This is a government appropriation derived from an agreement with the Port Authority and SDRB, under which the Bank receives 0.5% of all customs revenue collected.

b) OTHER INCOME	4,000	-

	2024	2023
	USD	USD
6 OPERATING EXPENDITURE		
Staff costs (note 7)	651,064	447,104
Maintenance and utilities (note 8)	67,220	82,599
Travel expense	150,570	72,600
Bank charges	275	-
Office supply expense	8,363	-
Membership and subscription fee	3,767	-
Meals and refreshments	13,482	-
Office purchases	29,050	14,116
License fee	739	1,086
Miscellaneous and vehicle expense	1,595	-
Loss on disposal of property and equipment	2,110	-
Other expenses	15,330	55,323
Depreciation (note 13)	25,658	10,468
	969,223	683,296

	2024 USD	2023 USD

7 STAFF COSTS

	2024 USD	2023 USD
Salaries and allowance	623,123	418,988
Development and training	13,961	4,708
Staff support	3,730	17,063
Health support	10,250	5,745
Special incentive	-	600
	651,064	447,104

8 MAINTAINANCE AND UTILITIES

	2024 USD	2023 USD
Electricity and utility	14,998	18,016
Telephone and internet	8,696	6,283
Maintenance and repair	19,257	49,242
Rental expense*	24,270	9,058
	67,220	82,599

* Rent for SDRB Senior management which are short-term in nature.

9 CASH AND CASH EQUIVALENTS

	2024 USD	2023 USD
Cash at bank	106,189	286,200
Cash on hand	122	93
	106,311	286,293

10 OTHER RECEIVABLES

	2024 USD	2023 USD
Other account receivables	10,050	4,420
Employee advances	3,296	10,229
	13,346	14,649

11 DEFERRED REVENUE

	2024 USD	2023 USD
Current	36,880	41,450
Non-Current	132,420	165,400
	169,300	206,850

Deferred revenue classified under current liabilities represents the portion of rental income that is expected to be recognized as income within the next 12 months.

Deferred revenue classified under non-current liabilities represents the portion of rental income that will not be recognized as income within the next 12 months. This relates to long-term contracts, where revenue will be earned beyond the next financial year, extending to 2030.

12 OTHER PAYABLES

	2024 USD	2023 USD
Staff tax payable	42,366	14,655
	42,366	14,655

Taxes payable represents statutory payroll taxes withheld from staff salaries, accrued in accordance with applicable Somali tax regulations and not yet remitted as at the reporting date. The balance increased by 189%, from USD 14,655 to USD 42,366, primarily driven by the expansion in headcount and higher salary levels in 2024.

The outstanding balance remains unpaid in light of the Bank's ongoing institutional restructuring and reform initiatives, together with the Ministry of Finance's 2023 and 2024 employee income tax exemption waiver applicable in 2024.

13 PROPERTY AND EQUIPMENT

COST	Land and buildings USD	Leasehold improvement USD	Furniture and fixtures USD	Motor Vehicles USD	Total USD
At 1 January 2023	-	-	9,760	68,450	78,210
Additions	-	-	-	-	-
At 31 December 2023	-	-	9,760	68,450	78,210
At 1 January 2024	-	-	9,760	68,450	78,210
Additions	-	38,477	40,562	59,500	138,539
Disposals	-	-	-	(30,000)	(30,000)
At 31 December 2024	-	38,477	50,322	97,950	186,749
ACCUMULATEDDEPRECIATION					
At 1 January 2023	-	-	3,018	21,679	24,697
Charge for the year	-	-	1,082	9,386	10,468
At 31 December 2023	-	-	4,100	31,065	35,165
At 1 January 2024	-	-	4,100	31,065	35,165
Charge for the year	-	3,858	4,941	16,859	25,658
Disposal	-	-	-	(10,890)	(10,890)
At 31 December 2024	-	3,858	9,041	37,034	49,933
NET BOOK VALUE					
At 31 December 2024	-	34,619	41,281	60,916	136,816
At 31 December 2023	-	-	5,660	37,385	43,045

Land and buildings are donated by the Federal Government of Somalia and are carried at revaluation less accumulated depreciation. Given the significant uncertainty regarding valuation of land and building, land and building are valued at a nil value. Leasehold improvements relate to associated renovation and improvement costs to office space occupied by the Bank in one of the Government offices occupied by SDRB.

14 SHARE CAPITAL

The law establishing the Somali Development Bank (2014) states that the initial Capital of the Bank is $50m (Fifty Million Dollars); comprising: Minimum Endowment of 51% for Federal Government of Somalia and maximum 49% for Somali entrepreneurs, International Private and Institutional Investors. The equity capital of the bank shall be divided into 50,000 shares of the value of USD1,000 each. No shares had been issued as of 31 December 2024.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management

The Bank's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Banks's overall risk management policies are set out by the board and implemented by the management and focus on the unpredictability of changes in the business environment and seek to minimize the potential adverse effects of such risks on the Bank's performance by setting acceptable levels of risk. The Bank does not hedge against any risks.

i) Credit risk

Credit risk refers to the risk of financial loss arising from a counterparty's failure to fulfill its contractual obligations under the Bank's financing arrangements, resulting in an economic impairment to the Bank. Credit risk encompasses not only the risk of non-settlement of amounts due, but also the risk of non-performance or underperformance of assets, projects, or activities financed by the Bank.

SDRB maintains a moderate appetite for credit risk from long-term lending and guarantees that supports economic growth, while actively managing concentration risk through portfolio diversification to preserve financial sustainability and maintaining a low appetite for counterparty credit risk arising from negligence or weak controls, accepting higher credit risk only where it is justified by strong development impact.

SDRB manages credit risk through a strong governance framework in which the Board of Directors sets policy, risk appetite, and exposure limits, delegates defined approval authorities to Management and the Credit and Compliance Committee, and ensures independent oversight through regular reporting on credit decisions, while the Lending Department is responsible for the appraisal of borrowers and risk owners and the Risk & Compliance Department provides independent portfolio-level oversight by monitoring credit risk exposures and capital adequacy and reporting regularly to the Board of Directors.

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 observable data about the following events:

- significant financial difficulty of the debtor;
- it is probable that the debtor will enter bankruptcy; and
- the disappearance of an active market for financial assets because of financial difficulties.

The gross carrying amounts of financial assets with exposure to credit risk at the balance sheet date were as follows:

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk management (Continued)

(i) Credit risk (Continued)

	Gross carrying amount USD	Expected credit losses USD	Net carrying amount USD
At 31 December 2024			
Cash and cash equivalent	106,311	-	106,311
Exposure to credit risk	106,311	-	106,311
At 31 December 2023			
Cash and cash equivalent	286,293	-	286,293
Exposure to credit risk	286,293	-	286,293

Basis of measurement of loss allowance

The expected credit losses represent an amount equal to lifetime expected credit losses, based on provision matrices. The management does not hold any collateral against the past due or impaired receivables.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Bank is unable to meet its financial obligations as they fall due, without incurring unacceptable losses or compromising its ongoing operations. Failure to maintain adequate liquidity risks continuity of operations, maintenance of confidence among stakeholders, and the timely execution of its mandate.
The scope of liquidity risk at the Bank includes risks arising from both structural balance-sheet characteristics and short-term cash flow dynamics.

The Board of Directors approves the Liquidity Policy and provides oversight through regular review of the Bank's liquidity position and compliance with approved limits. Senior Management is responsible for implementing Liquidity

Policy, ensuring effective liquidity risk management practices, approving liquidity stress-testing methodologies, and informing the Board when contingency measures are activated.

The Treasury function manages day-to-day liquidity positions and funding activities, while Risk Management and Risk & Compliance functions provide independent monitoring and reporting. The Asset, Liability and Risk Committee (ALRC) oversees funding strategy, liquidity developments, and liquidity-related risk decisions in accordance with its mandate.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk management (Continued)

(ii) Liquidity risk (Continued)

The table below summarizes the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

	Less than one year	Less than one year	After one year	
	2024	2023	2024	2023
	USD	USD	USD	USD
At 31 December:				
Other payables	42,366	14,655	132,420	165,400
	42,366	14,655	132,420	165,400

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprise three types of risks: currency risk, interest rate risk and other price risk. The Bank was not exposed to market risk as of 31 December 2024 and 2023.

16 CONTINGENCIES AND COMMITMENTS

The Bank did not have any known contingencies and commitments as of 31 December 2023 and 2024.

17 RELATED PARTY TRANSACTIONS

Parties are related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Other than transactions and balances in the normal course of business with the Government, there have been no significant transactions with related parties during 2024, nor are there known significant assets or liabilities with related parties as of 31 December 2024 (2023 – Nil).

18 EVENTS SUBSEQUENT TO THE REPORTING PERIOD

There are no significant adjusting or non-adjusting disclosure events after reporting period which have been reported in these financial statements.

19 CURRENCY

The financial statements have been prepared in the United States Dollars (USD), which has been determined to be the functional currency.