

Unaudited Consolidated and Separate Condensed Interim Financial Statements

For the six months ended 31 December 2025

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Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

Directors, Executive Management, Auditor and Principal Correspondent Banks

Board of Directors

Name	Title	Date Appointed
Mr. Abdishu Hussien	Chairman	April 19,2024
Mr. Woldegebriel Naizghi	Vice Chairman	April 19,2024
Mr. Gebregzabher Hadush	Member	April 19,2024
Mr. Surafel Berhe	Member	April 19,2024
Mr. Fikru Jiregna	Member	April 19,2024
Mr. Hassen Yesuf	Member	April 19,2024
Mr. Zenfu Asefaw	Member	April 19,2024
Mr. Fithanegest Gebru	Member	April 19,2024
Mr. Alemseged Assefa	Member	April 19,2024
Mr. Tesfatsion Desta	Member	April 19,2024

Executive Management

Name	Title	Date Appointed
Aklilu Wubet (PhD)	Chief Executive Officer	January 11,2022
Mr. Yehwalashet Zewdu	Deputy Chief Executive Officer - Enterprise Services	August 5, 2023
Mr. Solomon Tesfaye	Deputy Chief Executive Officer - Technologies	August 5, 2023
Mr. Kidane G/Sellassie	Deputy Chief Executive Officer - Operations	August 5, 2023
Mr. Debela Merga	Chief Risk and Compliance Officer	November 17, 2021
Mr. Negasi G/Aregawi	Chief Internal Auditor	April 11, 2022

Company Secretary

Mr. Haddush Hintsay Atsmu

Corporate Registered Address

Wegagen Bank Share Company
Ras Mekonnen Street, Infront of Addis Ababa Stadium, Swift: WEGAETAA
Tel.+251 115523800, +251 115 177500, P.O.Box 1018, www.wegagen.com
Addis Ababa, Ethiopia

Principal Correspondent Bank

Citi Bank	UniCredit Bank
Commerz Bank	African Export Import Bank
CAC International Bank	Natixis Bank
Mashreq Bank	United Overseas Bank
Exim Bank	Standard Chartered Bank



Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

For the Six Months Ended 31 December 2025

Report of the Directors

The directors submit their report together with the financial statements for the interim period ended 31 December 2025, to the members of Wegagen Bank ("Wegagen or the Bank"). This report discloses the financial performance and state of affairs of the Bank.

Incorporation and address

"Wegagen Bank S.C. was established on June 11, 1997. It came into being with 16 founding members who recognized the critical role that financial institutions would play to create a sustainable economic development and raised an initial capital of Birr 30 million. As of December 31, 2025, the Bank's paid-up capital reached Birr 10.09 Billion. As of December 31, 2025, the Bank has 15,541 shareholders and a network of 458 branches.

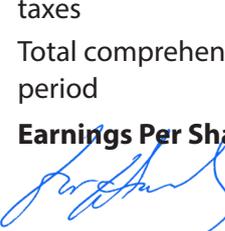
Principal activities

The mandate of the Bank is to provide efficient and effective full-fledged commercial banking services by utilizing qualified, honest and motivated staff and state-of-the-art technology and thereby optimize shareholders interest.

Results and dividends

The Bank's results for the interim period ended 31 December 2025 are set out on page **4 and 108**. The summarized results are presented below.

	Consolidated		Separate	
	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
Net Interest Income	3,473,197	2,611,121	3,454,001	2,611,121
Net operating income	5,329,413	4,990,701	5,233,876	4,990,701
Profit before tax	2,102,422	2,475,679	2,050,126	2,475,679
Loss Carry forward from Invest Bank	(10,189)	-	-	-
Tax charge	(634,567)	(875,908)	(613,835)	(875,908)
Profit for the period	1,457,666	1,599,771	1,436,291	1,599,771
Other comprehensive income net of taxes	-	15,391	-	15,391
Total comprehensive income for the period	1,457,666	1,615,162	1,436,291	1,615,162
Earnings Per Share	17.58%	28.88%	17.38%	28.88%



 Mr. Abdishu Hussien
 Chairman, Board of Directors

Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

For the Six Months Ended 31 December 2025

Statement of Directors' Responsibilities

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 Directors are responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standard 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 keep such records are necessary to:

- a) Exhibit clearly and correctly the state of its affairs;
- b) Explain its transactions and financial position; and
- c) Enable the National Bank to determine whether the Bank had complied with the provisions of the banking business proclamation and regulations and directives issued for the implementation of the aforementioned proclamation.

The Directors accepts responsibility for the annual financial statement, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Banking Business Proclamation, Commercial code of 2013 E.C and the relevant Directives issued by the National Bank of Ethiopia.

The Directors are 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

The financial statements on pages 4 to 108 were approved and authorized for issue by the board of directors and management on January 29, 2026, and signed on their behalf by:



Mr. Abdishu Hussien
Chairman, Board of Directors



Akiflu Wubet (PhD)
Chief Executive Officer

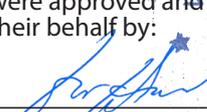
Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

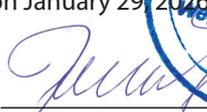
Consolidated Statement of Profit or Loss and Other Comprehensive Income For the six months ended 31 December 2025

	Notes	12/31/2025 (Unaudited) Birr'000	12/31/2024 (Unaudited) Birr'000	06/30/2025 (Audited) Birr'000
Interest income	5	5,525,755	4,017,769	8,459,357
Interest expense	6	(2,052,558)	(1,406,648)	(3,156,179)
Net interest income		3,473,197	2,611,121	5,303,178
Fee and Commission Income	7	1,841,868	1,697,592	2,464,927
Fee and Commission Expense	7	(68,445)	21,994	(99,689)
Net fee and commission income	7	1,773,423	1,719,586	2,365,238
Net Trading Income		5,246,621	4,330,707	7,668,416
Other operating income	8	511,629	1,385,297	2,555,514
Loan impairment charge	9	(507,888)	(684,674)	(465,867)
Impairment losses on other assets	10	79,052	(40,629)	6,295
Net operating income		5,329,413	4,990,701	9,764,359
Salaries and benefits	11	(1,998,592)	(1,738,174)	(3,962,431)
Amortization of intangible assets	20	(125,452)	(22,160)	(83,282)
Depreciation of property and equipment	21	(123,712)	(101,756)	(202,212)
Depreciation of right-of-use asset	21a	(189,105)	(152,698)	(310,569)
Other operating expenses	12	(790,130)	(499,634)	(1,352,225)
Audit fees		-	-	(1,087)
Directors related expenses		-	(600)	-
Total Operating Expenses		(3,226,991)	(2,515,022)	(5,911,807)
Profit before income tax		2,102,422	2,475,679	3,852,553
Loss Carryforward(C/f) from Investment bank		(10,189)	-	-
Income tax expense	13a	(634,567)	(875,908)	(1,075,043)
Profit after tax		1,457,666	1,599,771	2,777,510
Profit attributable to;				
Ordinary equity holders		1,452,595	-	2,778,853
Non-controlling interest		5,071	-	(1,343)
Other Comprehensive Income (OCI) net of income tax				
Remeasurement loss on retirement benefits	25b	-	-	(119,790)
Fair value gain or (loss) of equity investments	29c	-	15,391	157,963
Total other comprehensive income (net of tax)		-	15,391	38,174
Total comprehensive income for the period		1,457,666	1,615,162	2,815,684
Basic & diluted earnings per share	27	17.58%	28.88%	46.10%

The accompanying notes are an integral part of these financial statements. The interim financial statements were approved and authorized for issue by the directors and management on January 29, 2026 and signed on their behalf by:



 Mr. Abdishu Hussien
 Chairman, Board of Directors



 Akilfu Wubet (PhD)
 Chief Executive Officer

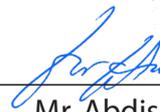
Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

Consolidated Statement of Financial Position As at 31 December 2025

Notes	12/31/2025 (Unaudited) Birr'000	12/31/2024 (Unaudited) Birr'000	06/30/2025 (Audited) Birr'000	
ASSETS				
Cash and bank balances	14	22,025,848	14,355,783	15,768,955
Loans and advances to customers	15a	61,338,422	47,137,400	51,260,502
Investment securities:				
- Equity Investments at FVOCI	16a	869,731	613,268	822,894
- Debt Securities at Amortized Cost	16b	8,658,909	6,713,456	8,311,193
Other assets	17	5,285,115	3,527,648	5,159,025
Investment property	18	-	2,556	-
Intangible assets	20	585,421	218,515	493,497
Property and Equipment	21	2,841,028	1,701,563	1,860,431
Right-of-Use Asset	21a	954,536	900,138	993,853
Total assets		102,559,011	75,170,327	84,670,350
LIABILITIES				
Deposit from customers	22	75,101,098	55,010,283	61,651,819
Deposit from financial institutions	23	5,472,712	3,143,323	4,830,973
Current tax liabilities	13c	585,434	893,153	1,091,622
Other liabilities	24	5,300,970	4,983,281	3,688,224
Employee benefit obligations	25	545,359	308,898	504,869
Deferred tax liabilities	13d	143,879	92,619	94,870
Total liabilities		87,149,452	64,431,557	71,862,377
EQUITY				
Capital and reserves				
Share capital	26	10,094,666	6,213,504	7,028,357
Share premium	26	103,315	83,241	87,819
Retained earnings	28	1,072,671	1,133,922	1,944,300
Legal reserve	29a	3,250,417	2,591,565	2,885,999
Regulatory risk reserve	29b	667,136	573,787	646,558
Other reserve	29c	165,534	142,751	165,534
		15,353,739	10,738,770	12,758,567
Non-controlling interest	29d	55,821		49,407
Total equity		15,409,560	10,738,770	12,807,974
Total liabilities and equity		102,559,011	75,170,327	84,670,350

The accompanying notes are an integral part of these financial statements. The interim financial statements were approved and authorized for issue by the directors and management on January 29, 2026 and signed on their behalf by:


Mr. Abdishu Hussien
Chairman, Board of Directors


Akilu Wubet (PhD)
Chief Executive Officer

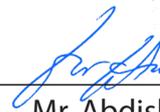
Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

Consolidated Statement of Changes in Owners Equity For the six month ended 31 December 2025

	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Regulatory Risk Reserve Birr'000	Other Reserve Birr'000	Non-Controlling Interest Birr'000	Total Birr'000
1 July 2024								
Balance at the beginning of the reporting period	5,058,890	74,917	1,246,781	2,191,623	507,882	127,360		9,207,452
Dividend declared			(1,246,781)					(1,246,781)
New shares issued	1,969,467	12,902						1,982,369
FV gain of Equity investments (net of tax)						157,963		157,963
Profit for the year			2,777,510					2,777,510
Remeasurement of Defined Benefit plans						(119,790)		(119,790)
Non-controlling interest			1,343					1,343
Directors' share of profit			(1,500)					(1,500)
Non-distributable reserve adjustment			(118,140)		118,140			-
Transfer to legal reserve			(694,378)	694,378				-
Transfer from Regulatory Risk Reserve			(20,536)		20,536			-
Non-controlling interest							49,407	49,407
Balance at the end of 30 June 2025	7,028,357	87,819	1,944,299	2,886,001	646,558	165,533	49,407	12,807,974
Dividend declared			(1,944,299)					(1,944,299)
New shares issued	3,066,309	15,496						3,081,805
Profit for the year			1,457,666					1,457,666
Non-controlling interest								-
Transfer to legal reserve			(364,416)	364,416				-
Transfer to regulatory risk reserve			(20,578)		20,578			-
Non-controlling interest							6,414	6,414
Balance at the end of the reporting period	10,094,666	103,315	1,072,671	3,250,417	667,136	165,533	55,821	15,409,560

The accompanying notes are an integral part of these financial statements. The interim financial statements were approved by the directors and management on January 29, 2026 and signed on their behalf by:



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 Chairman, Board of Directors



 Akilu Wubet (PhD)
 Chief Executive Officer

Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

Consolidated Statement of Changes in Owners Equity For the six month ended 31 December 2025

	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Regulatory Risk Reserve Birr'000	Other Reserve Birr'000	Non-Controlling Interest Birr'000	Total Birr'000
As at 1 July 2024	5,058,890	74,917	1,246,781	2,191,622	507,882	127,360	9,207,451
Dividend declared			(1,246,781)				(1,246,781)
New shares issued	1,154,614	8,324					1,162,938
Fair value gain of Equity investments (net of tax)						15,391	15,391
Profit for the year			1,599,771				1,599,771
Transfer to legal reserve			(399,943)	399,943			-
Transfer to Regulatory Risk Reserve			(65,906)		65,906		-
As at 31 December 2024	6,213,504	83,241	1,133,922	2,591,565	573,787	142,751	10,738,770

The accompanying notes are an integral part of these financial statements. The interim financial statements were approved by the directors and management on January 29, 2026 and signed on their behalf by:



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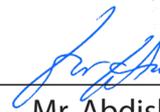
Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

Consolidated Statement of Cash Flows For the six months ended 31 December 2025

	Notes	12/31/2025 (Unaudited) Birr'000	12/31/2024 (Unaudited) Birr'000	06/30/2025 (Audited) Birr'000
Cash flows from operating activities				
Cash generated from operations	30	8,038,510	4,706,093	7,960,473
Profit tax assesment paid		-	-	-
Income tax paid	13c	(1,092,104)	(641,432)	(649,612)
Net cash (outflow)/inflow from operating activities		6,946,406	4,064,661	7,310,862
Cash flows from investing activities				
Purchase of investment securities	16	(46,836)	-	(56,537)
Purchase of intangible assets	20	(91,924)	(192,606)	(528,711)
Purchase of property and equipment	21	(980,597)	(116,140)	(469,816)
Payment for asset use right acquisitions	21a	(359,947)	(339,486)	(646,391)
Proceeds from matured debt securities	16b	(347,716)	(2,100,302)	(3,698,038)
Net cash (outflow)/inflow from investing activities		(1,827,019)	(2,748,534)	(5,399,494)
Cash flows from financing activities				
Share premium collected	26	15,496	8,324	12,902
New shares issued	26	3,066,309	1,154,614	1,969,467
Directors' remuneration paid	28	-	-	(1,500)
Dividend paid	28	(1,944,299)	(1,246,781)	(1,246,781)
Net cash (outflow)/inflow from financing activities		1,137,506	(83,843)	734,088
Net increase/(decrease) in Cash and bank balances		6,256,894	1,232,284	2,645,456
Cash and bank balances at the beg. of the year	14	15,768,955	13,123,499	13,123,499
Effect of exchange rate movement on Cash and bank balances		-	-	-
Cash and bank balances at the end of the period		22,025,848	14,355,783	15,768,955

The accompanying notes are an integral part of these financial statements. The interim financial statements were approved by the directors and management on January 29, 2026 and signed on their behalf by:



 Mr. Abdishu Hussien
 Chairman, Board of Directors



 Akilfu Wubet (PhD)
 Chief Executive Officer

Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

1. General information

Wegagen Bank S.C. (“Wegagen Bank or the Bank”) is a private commercial Bank that was established in June 1997 in accordance with the provisions of the Commercial code of Ethiopia of 1960 (which was latter replaced by Commercial code of Ethiopia of 1243/2021) and the Licensing and Supervision of Banking Business Proclamation No. 84/1994 (as amended by 1360/2025). As at December 31, 2025, the paid-up capital of the Bank reached Birr 10.09 billion, contributed by 15,541 shareholders.

The Bank’s registered office is at Kirkos Sub-City, Wereda 10, in front of National Stadium, in Addis Ababa, Ethiopia. Besides, it operates in all the twelve regions and two city administrations of Ethiopia by opening 458 branches.

The Bank is principally engaged in the provision of diverse range of financial services ranging from accepting deposits from the public and lending to a wide range of sectors that mainly includes manufacturing, import, export, construction, domestic trade and transport areas. It also performs trade services activities to facilitate the import and export process of the Country. Moreover, it facilitates local and international remittance activities through various partners. Last but not least, the Bank reaches its customers through various electronic banking channels like ATM, internet banking, mobile banking, mobile wallet and agency banking platforms.

2. Summary of Significant Accounting Policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of preparation

The financial statements for the interim period ended 31 December 2025 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) 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.



Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

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

2.2.1 Going Concern

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

2.2.2 Changes in accounting policies and disclosures

The Bank has consistently applied the accounting policies to all periods presented in these financial statements. The below are amendments to standards that are effective for annual periods beginning after 1 July 2025, and have not been applied in preparing these financial statements.

Standard	Description	Effective date	Impact
The amendments to IFRS 9 and IFRS 7 for the classification and measurement of financial instruments.	The amendments clarify that a financial liability is derecognised on the settlement date and introduce an accounting policy choice to derecognise financial liabilities settled using an electronic payment system before the settlement date	Applicable to annual reporting periods beginning on or after 1 January 2025	The Bank opted to apply the amendments when due.



Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

Standard	Description	Effective date	Impact
Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)	In December 2024 the IASB issued amendments to IFRS 9 and IFRS 7 to address issues with accounting for contracts associated that involve renewable energy. Contracts that reference nature-dependent electricity production, also known as power purchase agreements (PPAs), are contracts to buy and take delivery of electricity that is produced from nature-dependent sources. As generation of renewable energy has increased, so has the number of PPAs.	The amendments are effective for periods starting on or after 1 January 2026	The bank may apply the ammenment when it is application on or after the effective date
IFRS 19 Subsidiaries without Public Accountability: Disclosures	This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if: it does not have public accountability; and it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.	The ammendment is effective from annual reporting periods beginning on or after 1 January 2027	The Bank opted to apply the amendments when due.



Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

Standard	Description	Effective date	Impact
IFRS 18 Presentation and Disclosure in Financial Statements	This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.	Effective for annual reporting periods beginning on or after 1 January 2027.	The bank shall apply the amendment when due. The amendments are expected to have an impact on the bank's financial statements.
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).	Effective for annual reporting periods beginning on or after 1 January 2026.	The Bank opted to apply the amendments when due.



Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

2.3 Foreign currency translation

a. Functional and presentation currency

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

b. Transactions and Balances

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

2.4 Recognition of income and expenses

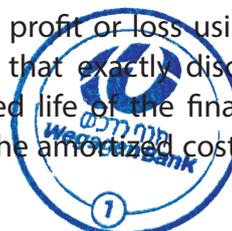
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Bank, earns income from interest on loans and commission and service charges from the various services it provides to customers. The Bank's main expenses includes the interest it paid to deposits from customers, the impairment allowance for loans and the operating expenses it incurs to run the day to day operations of the Bank.

2.4.1 Net Interest Income

2.4.1.1. Policy applicable

a. Effective interest rate and amortized cost

"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 the gross carrying amount of the financial asset; or the amortized cost of the financial liability.



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When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability"

b. Amortized cost and gross carrying amount

"The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

c. Calculation of interest income and expense

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. 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. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves..

d. Presentation

Interest income and expense presented in the statement of profit or loss and OCI include

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;

- interest on debt instruments measured at FVTPL calculated on an effective interest basis;

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.



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2.4.2 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income (for example commission on drafts, cash payment order (CPO), letter of credit (LC), letter of guarantee, etc) are recognised as the related services are performed.

“When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expenses relates mainly to transaction and service fees and they are expensed as the services are received.”

2.4.3 Dividend income

This is recognised when the Bank’s right to receive the payment is established, which is generally when the shareholders of the investee company approve and declare the dividend.

2.4.4 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. The monetary assets and liabilities include financial assets within the foreign currencies deposits received and held on behalf of third parties etc.

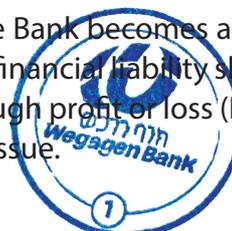
2.4.5 Other income and expense

Other expenses are recognized when they are incurred by the Bank and other revenues recognized when they are earned which usually occurs simulatneously with cash collection.

2.5 Financial instruments

a. Recognition and initial measurement

The Bank shall initially recognize loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) shall be recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability shall be measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.



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b. Classification and subsequent measurement

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

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

- The asset is held within a business model whose objective is to hold it to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI). "

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

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

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

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

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



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- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

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

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

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

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;



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- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Financial liabilities

The Bank shall classify its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

A financial guarantee is an undertaking/commitment that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms. Financial guarantees issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of: the amount of the obligation under the guarantee, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

c. Impairment

c. Impairment- At each reporting date, the Bank shall assess whether there is objective evidence that financial assets (except equity investments), other than those carried at FVTPL, are impaired. The Bank shall recognize loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

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

No impairment loss shall be recognized on equity investments.

The Bank shall measure loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.



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Loss allowances for lease receivables shall always be measured at an amount equal to lifetime ECL.

12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments'.

Life-time ECL is the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments that are credit impaired and for which a lifetime ECL is recognized are referred to as 'Stage 3 financial instruments'.

i. Measurement of ECL- it is probability-weighted estimate of credit losses & shall be measured as follows:

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

"Where the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then the Bank shall assess whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset



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• If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

The key inputs into the measurement of ECL are the term structure of probability of default (PD), loss given default (LGD); and exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

Probability of Default (PD)- It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations. The methodology of estimating PD

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

"The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

• the remaining lifetime probability of default (PD) as at the reporting date; with the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

• the Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due,



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

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

a. Term loan exposures

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance
- Data from credit reference agencies, press articles, changes in external credit ratings
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
- Internally collected data on customer behaviour – e.g. utilisation of credit card facilities
- Affordability metrics

b. Overdraft exposures

- Payment record – this includes overdue status as well as a range of variables about payment ratios
 - Utilisation of the granted limit
 - Requests for and granting of forbearance
 - Existing and forecast changes in business, financial and economic conditions
- The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.”

“As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. However,



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

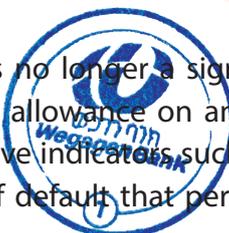
"Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. The Bank employs statistical models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

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

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

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

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased



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to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;

“• exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and

- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2)

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank.
- overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

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



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- based on data developed internally and obtained from external sources.
- Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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

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

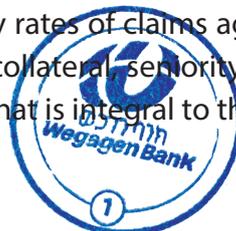
For each segment, the Bank formulates three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside and one downside. For each sector, the base case is aligned with the macroeconomic model's information value output, a measure of the predictive power of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

External information considered includes economic data and forecasts published by Business Monitor International, an external and independent macroeconomic data body. This is in addition to industry – level, semi – annual NPL trends across statistically comparable sectors.

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

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

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



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

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

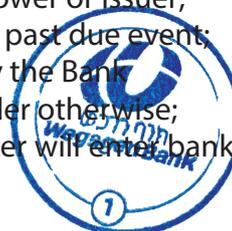
- instrument type;
- credit risk grading;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

C. Credit-impaired financial assets

At each reporting date, the Bank shall assess whether financial assets carried at amortized cost, debt financial assets carried at FVOCI, and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset shall be considered 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank
- on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or



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- the disappearance of an active market for a security because of financial difficulties.

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

d. Presentation of allowance for ECL in the statement of financial position

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

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

e. Write-off

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

Recoveries of amounts previously written off shall be included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.



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f. Non-integral financial guarantee contracts

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

Where the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset shall be treated as a transaction cost of acquiring it. The Bank shall consider the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL. Where the Bank determines that the guarantee is not an integral element of the debt instrument, then it shall recognize an asset representing any prepayment of guarantee premium and a right to compensation for credit losses.

g. Derecognition

The Bank shall derecognise a financial asset when:

- The contractual right to the cash flows from the financial asset expires or
- It transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI shall not be recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank shall be recognized as a separate asset or liability.

The Bank shall derecognise a financial liability when its contractual obligations are discharged or cancelled, or expire.



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h. Modifications of financial assets and financial liabilities

If the terms of a financial asset are modified, then the Bank shall evaluate whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset shall be deemed to have expired. In this case, the original financial asset shall be derecognised and a new financial asset shall be recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification shall be 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 shall be 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 derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it shall first consider whether a portion of the asset should be written off before the modification takes place.

Where the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank shall first recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and shall be amortised over the remaining term of the modified financial asset.

Where such a modification is carried out because of financial difficulties of the borrower, then the gain or loss shall be presented together with impairment losses. In other cases, it shall be presented as interest income calculated using the effective interest rate method.

The Bank shall derecognise 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 shall be recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid shall include non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.



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Where the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability shall be recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

i. Offsetting

Financial assets and financial liabilities shall be 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 shall be presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

j. Designation at fair value through profit or loss

At initial recognition, the Bank may designate certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

The Bank shall designate certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2.6 Interest Free Banking

Murabaha is an Islamic financing transaction which represents an agreement whereby the Bank buys a commodity/good and sells it to a counterparty (customer) based on a promise received from that counterparty to buy the commodity according to specific terms and conditions. The selling price comprises of the cost of the commodity/goods and a pre-agreed profit margin.

It is treated as financing receivables. Financing receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The profit is quantifiable and contractually determined at the commencement of the contract. Murabaha Income (profit) is recognized as it accrues over the life of the contract using the effective profit method (EPRM) on the principal balance outstanding. These products are carried at amortized cost less impairment.



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2.7 Cash and Cash Equivalents

Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less 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. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

2.8 Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

All other repair and maintenance costs are recognised in income statement as incurred.

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

Depreciation is calculated using the straight-line method to allocate their cost to their residual values starting from the asset is available for use over their estimated useful lives, as follows:

Asset class	Useful Lives
Buildings	50
Computer hardware	7
Furnitures and fittings	10
Equipments	5 to 20
Lifts	15
Motor Vehicles	10

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.



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2.9 Intangible assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented as a separate item in the income statement. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, which ranges from two to six years.

2.10 Non-current assets (or disposal groups) held for sale

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

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

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



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

2.11 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Bank bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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



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2.12 Other assets

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

(a) Prepayment

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

(b) Other receivables

Other receivables are recognised upon the occurrence of event or transaction as they arise and cancelled when payment is received.

The Bank's other receivables are receivables from mastercard, receivables from visa card and other receivables from debtors. This has been added to the carrying amounts of the investment.

2.13 Fair value measurement

The Bank measures financial instruments classified as available-for-sale at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions
- Quantitative disclosures of fair value measurement hierarchy
- Financial instruments (including those carried at amortised cost)

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Bank.



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

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

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

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

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

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

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

2.14 Employee benefits

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



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(a) Defined contribution plan

The Bank operates the following defined contribution plans;

- Pension scheme in line with the provisions of Ethiopian pension of private organisation employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank respectively;

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised 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 recognised immediately in 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.

(b) Profit-sharing and bonus plans

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

(c) Defined Benefit plans

The Bank recognizes the liability for severance and other long service awards based on actuarial requirements that set assumptions for salary increases, inflation, discount rates, turnover, mortality and others.



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2.15 Provisions

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

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

2.16 Share capital

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

2.17 Earnings per share

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

2.18 Leases

The Bank has initially adopted IFRS 16 from 1 July 2019. The standard eliminates the classification of leases as either operating leases or finance leases under IAS 17 and introduces a single lease accounting model that requires lessees to recognize assets and corresponding liabilities. Due to the transition method chosen by the Bank in applying IFRS 16, comparative information throughout these financial statements has not generally been restated to reflect its requirements. It also elected to apply the practical expedient that allows entities to rely on its assessment of whether leases were onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

The effect of initially applying IFRS 16 is mainly attributed to:

- an increase in non-current assets as obligations to make future payments under leases previously classified as an operating lease were recognized on the balance sheet, along with the corresponding asset: right-of-use asset.



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- Expenditure on operation has decreased and finance cost have increased, as operating lease costs have been replaced by depreciation and interest expense on lease liabilities. The adoption of IFRS 16 requires the Bank to make a number of assumptions, estimations and judgments that includes:
 - lease liabilities were determined based on the value of the remaining lease payments, discounted by an appropriate incremental borrowing rate.
 - term of each arrangement was based on the original lease term.
 - the discount rate used to determine lease liabilities was the Bank's incremental borrowing rate. It was calculated based on observable inputs.

At the commencement date, the Bank recognized:

- all leases as right-of-use-asset at cost. Cost of right-of-use asset includes the amount of lease liability, lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to be incurred by the Bank in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

- a lease liability at the present value of the lease payments that are not paid at that date. Present value of lease payments will be determined by discounting future lease payments at the interest rate implicit in the lease arrangement, if it is readily determined or at Bank's incremental borrowing rate.

After the commencement date, the Bank measures:

- right-of-use assets using cost model, i.e. cost at initial recognition less accumulated depreciation (in line with IAS 16: Property, plant and Equipment) and accumulated impairment losses (in line with IAS 36: Impairment of Assets).
 - lease liability by increasing its carrying amount to reflect interest on the lease liability and by reducing its carrying amount to reflect lease payments made.
- Interest incurred on lease liability will be recognized in the statement of profit and loss as a finance cost.

Determination of whether an arrangement is a lease, or contains a lease

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Bank as a Lessor

The Bank has rented temporary freehold space in its head office building that is mainly constructed for office use. The lease advance payments are recognized as deferred income until recognized



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2.19 Income tax

(a) Current income tax

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

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

(b) Deferred tax

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

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

Deferred tax assets and liabilities are only offset when there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.



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3. Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

- Capital management
- Financial risk management and policies
- Sensitivity analyses disclosures

3.1 Judgements

In the process of applying the Bank's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments - Bank as lessee

The Bank has entered into commercial property leases. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

3.2 Estimates and assumptions

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



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Impairment losses on financial assets at amortized cost

The Bank reviews its loan portfolios for impairment on an on-going basis. The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that has been deemed to be impaired, management has deemed that cashflow from collateral obtained would arise within 12 months where the financial asset is collateralised.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the statement of financial position date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgement applied in the calculation of the Bank's impairment charge on financial assets are set out in the Financial risk management section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.



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Fair value measurement of financial instruments

When the fair values of financial assets recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. As at the year end there are no financial instrument currently measured at fair value.

Defined benefit plans

The cost of the defined benefit pension plan such as managerial employee compensation and the severance benefit and their present value of these benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Depreciation and carrying value of property, plant and equipment

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

Taxes

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



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

Development cost

The Bank capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The development costs that were capitalised by the Bank relates to those arising from the development of computer software.

4. Financial Risk Management

4.1 Introduction

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

4.1.1 Risk Management Structure

"The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established Risk and Compliance sub-Committee, which is responsible for developing and monitoring Bank's risk management policies.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the regulation, market conditions, products and services offered. The Bank, through its training and procedures and policies for management, aims to develop a constructive



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control environment, in which all employees understand their roles and obligations. The Bank's Board of Directors is assisted in these functions by the Risk and Compliance Management unit which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Risk Management Committee.

The Bank's Board of Directors is assisted in these functions by the Risk and Compliance Management unit which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Risk Management Committee.

4.1.2 Risk Measurement and Reporting Systems

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

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

4.1.3 Risk Mitigation

Risk controls and mitigants, identified and approved for the Bank, are documented for existing and new processes and systems. The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently audited as part of the review process.

4.2 Classification of financial assets and financial liabilities

The following table shows measurement categories and amounts in accordance IFRS 9 for the Bank's financial assets and financial liabilities as at December 31, 2025



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Financial assets	Classification under IFRS 9	Financial assets (Birr '000)		
		31-Dec-25 New carrying amount	31-Dec-24 carrying amount	30-Jun-25 Original carrying amount
Cash and bank balances	Amortised cost	22,025,848	14,355,783	15,768,955
Loans and advances to customers (net)	Amortised cost	61,338,422	47,137,400	51,260,502
Equity Investments at FVOCI	FVOCI	869,731	613,268	822,894
Investment securities: Loans and receivables	Amortised cost	8,658,909	6,713,456	8,311,193
Other financial assets at amortised cost	Amortised cost	5,285,115	3,527,648	5,159,025
Total financial assets		98,178,026	72,347,555	81,322,570
Financial liabilities				
Deposits from customers	Amortised cost	75,101,098	55,010,283	61,651,819
Deposit from financial institutions	Amortised cost	5,472,712	3,143,323	4,830,973
Other financial liabilities	Amortised cost	5,300,970	4,983,281	3,688,224
Total financial liabilities		85,874,780	63,136,887	70,171,016

The application of the Bank's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.5 resulted in the reclassifications set out in the table above and explained below.

"Further equity investment securities were reclassified out available-for-sale categories to FVOCI at their then fair values. The carrying amount of those assets was adjusted so that their amortised cost under IFRS 9 was as if those assets were accounted for at amortised cost from their inception.

On the adoption of IFRS 9, some other financial assets were reclassified out of the loans and receivable to amortized cost and some to non financial assets. The carrying amount of those assets was adjusted so that their amortised cost under IFRS 9 was as if those assets were accounted for at amortised cost from their inception.

4.3 Credit Risk

Credit Risk is risk of financial loss to the bank if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the banks loans & advances to customers & other banks & investment securities & other financial assets the bank adopts conservative approach to credit risk.



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4.3.1 Management of credit risk

For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector 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.

Exposure to credit risk is also mitigated, in part, by obtaining collateral, commercial and personal guarantees. In Managing credit risk the Board of Directors approves the credit policy, risk limits, collateral requirements, risk gradings and follows up the implementation of same. The credit limits are placed on the amount of risk accepted in relation to one borrower, or groups of borrowers, to geographical regions, and to term of the financial instrument and economic sectors. The policies and limits are reviewed and modified periodically based on changes and expectations of the markets where the Bank operates, regulations, and other factors.

4.3.2 Concentrations of credit risk

Gross loans and advances to customers per sector is analysed as follows:

	31 December 2025 Birr'000	31 December 2024 Birr'000	30 June 2025 Birr'000
Manufacturing	9,367,246	7,640,193	7,855,541
Domestic Trade and Services	10,194,850	10,386,539	9,568,471
Construction	9,446,968	7,400,345	8,241,443
Transport Service	5,027,708	3,743,518	4,228,026
Export	11,842,283	7,624,058	8,791,973
Import	15,868,907	11,936,505	13,242,348
Staff loans	1,395,520	252,976	935,774
IFB-Financing & Investments	967,193	713,965	661,738
	64,110,675	49,698,099	53,525,315
Off-statement of financial position exposure;			
Active Guarantees	5,254,917	5,649,384	4,583,597
Letter of Credit	18,411,841	7,166,388	3,322,967
Undrawn loan and advances	7,197,248	2,137,732	6,100,397
	30,864,005	14,953,504	14,006,961



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4.3.3 Credit quality analysis

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

"The loss allowance for loans and advances to customers also includes the loss allowances for loan commitments, letter of credit and financial guarantee contracts."

a) Credit Quality Analysis for Loans and Advances

	31-Dec-2025			Birr'000
Loans & advances to customers	Stage 1	Stage 2	Stage 3	Total
Stage 1 – Pass	58,299,074			58,299,074
Stage 2 – Special mention		3,103,879		3,103,879
Stage 3 - Non performing			2,707,722	2,707,722
Total gross exposure	58,299,074	3,103,879	2,707,722	64,110,675
Loss allowance	986,560	60,309	1,725,383	2,772,252
Net carrying amount	57,312,514	3,043,569	982,339	61,338,422

	30-June-2025			Birr'000
Loans & advances to customers	Stage 1	Stage 2	Stage 3	Total
Stage 1 – Pass	47,903,236			47,903,236
Stage 2 – Special mention		2,423,494		2,423,494
Stage 3 - Non performing			3,198,586	3,198,586
Total gross exposure	47,903,236	2,423,494	3,198,586	53,525,316
Loss allowance	662,783	35,842	1,566,188	2,264,813
Net carrying amount	47,240,453	2,387,652	1,632,398	51,260,503

b) Credit Quality Analysis for Others Assets

		31-Dec-25		Birr'000
	Stage	Gross Exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	22,025,938	(89)	22,025,848
Investment securities (debt instruments)	12 Month ECL	8,659,338	(429)	8,658,909
Other financial assets	Lifetime ECL	2,851,661	(723,215)	2,128,446
Totals		33,536,937	(723,733)	32,813,203



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		30-June-25		Birr'000
	Stage	Gross Exposure	Loss allowance	Net carrying amount
Cash and bank balances	12 Month ECL	15,769,020	(65)	15,768,955
Investment securities (debt instruments)	12 Month ECL	8,311,604	(411)	8,311,193
Other financial assets	Lifetime ECL	3,328,473	(802,424)	2,526,049
Totals		27,409,097	(802,900)	26,606,197

4.3.4 Collateral held and their financial effect

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests collateral for loans and advances granted to customers. The Bank may take collateral in the form of a first charge over real estate, liens and guarantees. The Bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on creditworthiness, the Bank aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.

For impaired loans, the Bank obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement. The fair value of the collaterals are based on the last revaluations carried out by the Bank's in-house engineers, which is usually done every three years.

The valuation technique adopted for properties is in line with the Bank's valuation manual and the revalued amount is similar to fair values of properties with similar size and location. The fair value of collaterals other than properties such as share certificates, cash, NBE bills etc. are disclosed at the carrying amount as management is of the opinion that the cost of the process of establishing the fair value of the collateral exceeds benefits accruable from the exercise.

Collateral Held ('000)

Type of financial asset	31-Dec-25	30-June-25	Principal type of collateral held
Loans and Advances	106,084,324	99,558,522	Land and Building, Vehicles, Machines, Shares and Bank Guarantees



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4.3.5 Measurement of Expected Credit Losses (ECL)

i) Techniques used for estimating impairment

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

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

ii) Incorporation of forward-looking information

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

For each segment, the Bank formulates three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside and one downside. For each sector, the base case is aligned with the macroeconomic model's information value output, a measure of the predictive power of the model, as well as base macroeconomic projections for identified macroeconomic variables for each sector.

The upside and downside scenarios are based on a combination of a percentage error factor of each sector model as well as simulated optimistic and pessimistic macroeconomic projections based on a measure of historical macroeconomic volatilities. External information considered includes economic data and forecasts published by Fitch Solutions, formerly known as Business Monitor International, an external and independent market intelligence and research institution. This is in addition to industry-level, semi-annual NPL trends across statistically comparable sectors.

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios.



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A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management.

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

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

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

The Bank defined a statistically significant correlation threshold with macro-economic of 60%.

The economic scenarios used included the following key indicators for Ethiopia for the years 2023 to 2025:

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

The below scenario weightings have been observed:

Summary of Scenario Weightings			
	Base	Downturn(Downside)	Optimistic(Upside)
Cluster 1	73.33%	6.67%	20.00%
Cluster 2	73.33%	13.33%	13.33%
Cluster 3	66.67%	13.33%	20.00%
Cluster 4	66.67%	13.33%	20.00%



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iii). Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2025 represent the allowance account for credit losses and reflect the measurement basis under IFRS 9.

(a) Reconciliation of loan loss allowance

In Birr'000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 July 2025	662,662	35,842	1,566,188	2,264,692
Transfer to 12 months ECL	638,007	(13,313)	(3,427)	621,267
Transfer to Lifetime ECL not credit impaired	(39,273)	10,000	(1,816)	(31,089)
Transfer to Lifetime ECL credit impaired	(124,265)	(25,493)	1,311,979	1,162,221
Net remeasurement of Loss allowance	1,137,131	7,036	2,872,924	4,017,091
Net financial assets originated or purchased	330,943	9,220	263,645	603,808
Financial assets derecognised	(111,527)	(9,802)	(50,374)	(171,703)
Balance at 31 December 2025	985,690	60,309	1,725,383	2,771,382

In Birr'000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 July 2024	796,192	23,229	1,056,554	1,875,975
Transfer to 12 months ECL	354,744	(13,843)	(851,294)	172,151
Transfer to Lifetime ECL not credit impaired	(10,717)	4,539	(14,741)	(5,979)
Transfer to Lifetime ECL credit impaired	(14,771)	(921)	641,922	237,917
Net remeasurement of Loss allowance	1,125,448	13,004	832,441	2,280,064
Net financial assets originated or purchased	282,431	16,538	58,232	407,386
Financial assets derecognised	(190,816)	(2,873)	(7 6,786)	(267,868)
Balance at 30 June 2025	662,662	35,842	1,566,188	2,264,692



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(b) Reconciliation of off-financial position allowance

In Birr'000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 July 2025	121			121
Transfer to 12 months ECL	-			-
Transfer to Lifetime ECL not credit impaired				-
Transfer to Lifetime ECL credit impaired				-
Net remeasurement of Loss allowance	121			121
Net financial assets originated or purchased	748			748
Financial assets derecognised	-			-
Balance at 31 December 2025	869			869
In Birr'000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 July 2024	248			248
Net financial assets originated or purchased	121			121
Financial assets derecognised	(248)			(248)
Balance at 30 June 2025	121			121

(C) Reconciliation of other assets allowance

In Birr'000	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Balance as at 1 July 2025	65	411	810,693	811,169
Net remeasurement of loss allowance	24	18	(87,478)	(87,436)
New financial assets originated or purchased	-	-	-	-
Balance as at 31 December 2025	89	429	723,215	723,733
In Birr'000	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Balance as at 1 July 2024	176	230	810,693	811,099
Net remeasurement of loss allowance	38	320	-	358
New financial assets originated or purchased	(149)	(139)	(8,269)	(8,557)
Balance as at 30 June 2025	65	411	802,424	802,900



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4.3.6 Offsetting financial assets and financial liabilities

- The Bank does not offset financial assets against financial liabilities.

4.4 Liquidity risk

4.4.1 Introduction

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

Liquidity risk management in the Bank 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.”

4.4.2 Management of liquidity risk

Cash flow forecasting is performed by the Treasury Management Directorate. The directorate monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. The Bank evaluates its ability to meet its obligations on an ongoing basis.

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



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4.4.3 Exposure to liquidity risk

The Treasury directorate receives information from other directorates of Wegagen bank regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. It then maintain a portfolio of short-term liquid assets, largely made up of physical cash, cash with banks, short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank. The liquidity position and market conditions are regularly monitored.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Bank and liquidity reports are submitted weekly to the NBE. In addition to regulatory liquidity ratio requirements, the Bank has set its own internal liquidity ratio limits and monitor it accordingly.

The Bank has access to a limited funding base as there is no active primary and secondary market in Ethiopia. Funds are raised using instruments including deposits, borrowed funds and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities.

The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall Bank strategy.

In order for the liquidity risk to be kept at acceptable level the bank has set internal limits on liquidity risk exposure which are regularly followed and reported. Also as part of the overall liquidity risk management in order to address future emergencies, as a liquidity crisis management tool the bank has established liquidity contingency plan with clearly defined roles and responsibilities of the parties involved in the processes itself.

The liquidity contingency plan is specifying developments, so that immediate actions will be taken in order to prevent escalation of such events. In regular course of the activities of the Bank liquidity risk is managed according to the Policy and Procedure on liquidity risk management. As key indicators, that will be used to recognise liquidity problems, the Bank, as minimum is defining the following:



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- substantial increase in the assets financed by short term deposits;
- significant and sudden decrease in the core deposits or loss of the regular depositors of the Bank;
- considerable decrease in the assets quality, particularly the credit portfolio;
- extensive withdrawal of deposits before their maturity date;
- regulatory liquidity indicators; internal liquidity indicators;

As a part of the crisis management actions, within the Liquidity Contingency Plan, the following are considered as immediate:

- borrow on inter-bank money market;
- sell short term securities (domestic and foreign);
- borrowing from the National Bank of Ethiopia"

4.4.4 Maturity analysis of financial Assets and Financial liabilities

The table below analyses the Bank's financial assets and liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in the future. Considering that **37%** of the deposits will be withdrawn within a short period, one year without any additional deposit mobilization, which is unlikely to occur, will result in a positive liquidity gap between maturing assets and liabilities. Moreover, in terms of regulatory compliance regarding liquidity position, the Bank's liquidity position as of December 31, 2025, stood at 31.23%, which is well above the regulatory requirement of 15%, indicating that the Bank is liquid to honor its commitments. This was a persistent phenomenon during the whole year.

31 December 2025	Below 1 year	1-3 years	Over 3 years	Total
ASSETS	Birr'000	Birr'000	Birr'000	
Cash and Bank Balances	22,025,848	-	-	22,025,848
Debt Securities at Amortized Cost	-	1,370,869	7,288,040	8,658,909
Loans and advances	17,174,758	27,080,914	17,082,751	61,338,422
Other assets	4,800,675	484,441	-	5,285,115
TOTAL	44,001,281	28,936,223	24,370,791	97,308,295
LIABILITIES				
Deposits	29,812,310	5,129,836	45,631,664	80,573,810
Other liabilities	5,092,564	12,504	195,902	5,300,970
Income Tax payable	585,434	-	-	585,434

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TOTAL	35,490,307	5,142,341	45,827,566	86,460,214
Net Mismatch	8,510,974	23,793,883	(21,456,775)	10,848,081
Cumulative Mismatch	8,510,974	32,304,857	10,848,081	

30 June 2025	Below 1 year	1-3 years	Over 3 years	Total
ASSETS	Birr'000	Birr'000	Birr'000	
Cash and Bank Balances	15,768,955	-	-	15,768,955
Debt Securities at Amortized Cost	-	1,184,966	7,126,227	8,311,193
Loans and advances	14,352,941	22,631,512	14,276,050	51,260,502
Other assets	4,644,152	514,873	-	5,159,025
TOTAL	34,766,047	24,331,351	21,402,277	80,499,675
LIABILITIES				
Deposits	24,598,633	5,129,836	36,754,323	66,482,792
Other liabilities	3,480,972	12,435	194,817	3,688,224
Income Tax payable	1,091,622	-	-	1,091,622
TOTAL	29,171,226	5,142,271	36,949,140	71,262,637
Net Mismatch	5,594,821	19,189,079	(15,546,863)	9,237,038
Cumulative Mismatch	5,594,821	24,783,900	9,237,038	

4.4.5 Financial assets pledged as collaterals

The Bank had no financial asset pledged as collateral during the year under review.

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

4.5.1 Management of market risk

The Bank manages changes in interest rate risk by applying fixed term interest rates while the foreign exchange risk is managed by matching of liabilities and assets and holding of assets appreciating currencies especially the USD to which the Birr is pegged to. Assets and



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liabilities committee (ALCO) analyzes the Bank's market risk on a monthly basis and reports to the Risk Committee. ALCO performs analyses and makes decisions with regard to balance sheet structure, liquidity risk, and currency risk and also is analyzing the risk of the Bank's treasury unit.

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk. The Bank's exposure to the risk of changes in market interest rates relates primarily to the Bank's obligations and financial assets with floating interest rates. The Bank is also exposed on fixed rate financial assets and financial liabilities. The Bank's investment portfolio is comprised of loans and advances to customers, Ethiopian government bonds and cash deposits.

The table below sets out information on the exposures to interest rate sensitive financial assets and liabilities:

31 December 2025	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Financial assets			
Cash and bank balances	22,025,848	-	22,025,848
Loans and advances to customers	61,338,422		61,338,422
Equity Investments at FVOCI		869,731	869,731
Debt Securities at Amortized Cost	8,658,909		8,658,909
Other Financial Assets		2,128,446	2,128,446
Total	92,023,180	2,998,177	95,021,357
Financial liabilities			
Deposits from customers	75,101,098		75,101,098
Deposits from Financial Institutions	5,472,712		5,472,712
Guarantees issued		5,254,917	5,254,917
Letter of credit		18,411,841	18,411,841
Loan commitments	7,197,248		7,197,248
Other Financial liabilities		3,916,106	3,916,106
Total	87,771,058	27,582,863	115,353,921



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30 June 2025	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Cash and bank balances	-	15,768,955	15,768,955
Loans and advances to customers	51,260,502		51,260,502
Equity Investments at FVOCI		822,894	822,894
Debt Securities at Amortized Cost	8,311,193		8,311,193
Other Financial Assets		3,328,473	3,328,473
Total	59,571,696	19,920,322	79,492,017
Financial liabilities			
Deposits from customers	61,651,819		61,651,819
Deposits from Financial Institutions	4,830,973		4,830,973
Guarantees issued		4,583,597	4,583,597
Letter of credit		3,322,967	3,322,967
Loan commitments	6,100,397		6,100,397
Other Financial liabilities		2,138,338	2,138,338
Total	72,583,189	10,044,902	82,628,092

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Bank is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The Bank's foreign currency bank accounts act as a natural hedge for these transactions. Management has set up a policy to manage the Bank's foreign exchange risk against its functional currency.

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

Foreign currency denominated balances

	31 December 2025 Birr'000	30 June 2025 Birr'000
Cash and bank balances;		
USD	6,788,284	6,417,734
GBP	30,669	3,004
Euro	189,317	205,534
Other currencies	7,044,415	8,828
	7,044,415	6,635,100

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Sensitivity analysis for foreign exchange risk

The sensitivity analysis for currency rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date. The sensitivity of the Bank's earnings to fluctuations in exchange rates is reflected by varying the exchange rates at 10% as shown below:

31 December 2025		Effect of appreciation of the Birr against foreign currencies Birr'000	Effect of depreciation of the Birr against foreign currencies Birr'000
USD	10%	678,828	(678,828)
GBP	10%	5,067	(5,067)
Euro	10%	18,932	(18,932)
Total		702,827	(702,827)

30 June 2025		Effect of appreciation of the Birr against foreign currencies Birr'000	Effect of depreciation of the Birr against foreign currencies Birr'000
USD	10%	641,773	(641,773)
GBP	10%	300	(300)
Euro	10%	20,553	(20,553)
Total		662,627	(662,627)

4.6 Operational Risk

Operational risk is risk of loss due to inappropriate or weak internal processes, inappropriate persons and inappropriate or weak systems in the Bank as well as external events. The Bank defined its framework for managing operational risk by adopting the policy and procedure on operational risk management as approved by the board of directors of the Bank. In the Policy, the basic aims are defined such as operational risk management (system and processes for managing operational risk, organizational structure, reporting system, internal control and etc), as well as measuring and monitoring the operational risk. Implementation of the operational risk management framework is meant to be delivered by performing risk and control self-assessment on continuous process.

During the fiscal year, the Bank made assessment of potential operational risk areas including IT security risks, made register of operational risk incidents, investigated them and took action on perpetrators and strengthened its internal controls accordingly. Despite the number of operational risk incidents, the Bank sustained insignificant losses.



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4.7 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 categorised within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

4.7.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

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

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.



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4.7.2 Financial instruments measured at fair value - fair value hierarchy

The following table summarises the carrying amounts of financial assets and liabilities not measured at fair value and their fair value measurements as at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

31 Dec 2025	Carrying amount Birr'000	Fair value Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets						
Cash and Bank Balances	22,025,848	22,025,848	22,025,848			22,025,848
Loans and advances to customers	61,338,422	61,338,422			61,338,422	61,338,422
Investment securities;						
• Debt Securities at Amortized Cost	8,658,909	8,658,909			8,658,909	8,658,909
• Equity Investments at FVOCI	331,232	869,731			869,731	869,731
Other Financial Assets	2,128,446	2,128,446			2,128,446	2,128,446
Total	94,482,858	95,021,357	22,025,848	-	72,995,509	95,021,357
Financial liabilities						
Deposits from customers	75,101,098	75,101,098			75,101,098	75,101,098
Deposit from financial institutions	5,472,712	5,472,712			5,472,712	5,472,712
Other Financial liabilities	3,916,106	3,916,106			3,916,106	3,916,106
Total	84,489,916	84,489,916	-	-	84,489,916	84,489,916



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30 June 2025	Carrying amount Birr'000	Fair value Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
Financial assets						
Cash and Bank Balances	15,768,955	15,768,955	15,768,955			15,768,955
Loans and advances to customers	51,260,502	51,260,502			51,260,502	51,260,502
Investment securities;						
• Debt Securities at Amortized Cost	8,311,193	8,311,193			8,311,193	8,311,193
• Equity Investments at FVOCI	284,396	822,894			822,894	822,894
Other Assets	3,328,473	3,328,473			3,328,473	3,328,473
Total	78,953,520	79,492,017	15,768,955	-	63,723,063	79,492,017
Financial liabilities						
Deposits from customers	61,651,819	61,651,819			61,651,819	61,651,819
Deposit from financial institutions	4,830,973	4,830,973			4,830,973	4,830,973
Other liabilities	2,138,338	2,138,338			2,138,338	2,138,338
Total	68,621,130	68,621,130	-	-	68,621,130	68,621,130

4.7.3 Transfers between the fair value hierarchy categories

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



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	31 December 2025 Birr'000	31 December 2024 Birr'000
5 Interest income		
Treasury Bill	10,068	47,500
Loans and advances to customers	4,629,159	3,588,228
Investment securities	820,683	376,450
Interest Income on Corrospendent Bank Accounts	65,844	5,592
	5,525,755	4,017,769
	31 December 2025 Birr'000	31 December 2024 Birr'000
6 Interest expense		
Saving deposits	900,232	736,941
Fixed time deposits	1,125,136	629,779
Current deposits	10,455	388
Short term borrowing	3,396	27,085
Interest Incurred on lease liabilities	13,339	12,454
	2,052,558	1,406,648
	31 December 2025 Birr'000	31 December 2024 Birr'000
7 Net fees and commission income		
Fee and Commission Income;		
Commission and fees on L/C	1,290,496	1,438,044
Commission on Guarantees	138,940	113,543
Agent Banking Fee	23,210	16,020
ATM Transaction Fees-Foreign	9,870	629
ATM Transaction Fees-Local	5,064	720
Commission on CPO issued	810	708
Loan Processing Fee	62,757	37,771
Service Charge-Local	26,321	7,269
SWIFT charges	110,821	40,118
Commission Sundries	49,979	12,472
Brokerage Commission	77,167	-
Commission & Charges from IFB	46,434	30,297
Commission and Fees on Fund transfers	0	1
	1,841,868	1,697,592



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Fee and Commission Expense;		
Visa Charge	12,598	668
Master Card Charges	19,748	115
Ethswitch Charges	1,869	1,094
Membership Fee	7,701	1,273
Broad Band Expense	14,041	8,016
Subscription & Publication	141	186
License Fee	12,346	10,642
	68,445	21,994
Balance net fee and commission income	1,773,423	1,675,598

	31 December 2025 Birr'000	31 December 2024 Birr'000
8 Other operating income		
Rental income	4,663	4,717
Estimation fees	2,339	1,204
Rebates	2,307	1,438
Fee on Bounced Checks	84	96
Dividend income	57,860	43,636
Gain on Disposal of Old Assets	10,996	5,194
Card purchase & replacement income	3,990	1,402
Sundries-Local	45,572	10,343
Gain on foreign exchange	383,818	1,317,267
	511,629	1,385,297

	31 December 2025 Birr'000	31 December 2024 Birr'000
9 Loan impairment charge		
Loans and Advances - charge for the year (note 15b)	507,888	684,674
	507,888	684,674



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	31 December 2025 Birr'000	31 December 2024 Birr'000
10 Impairment losses on other assets		
Other assets - charge for the year (note 17a)	(79,052)	40,629
	(79,052)	40,629
	31 December 2025 Birr'000	31 December 2024 Birr'000
11 Salaries and benefits		
Employee salaries	1,212,554	940,910
Outsourced employee salaries	159,386	148,329
Pension costs	126,175	103,178
Short-term employee benefits	445,970	508,578
Directors monthly allowance	1,270	-
Severance pay- Defined benefit plan	53,238	37,180
	1,998,592	1,738,174
	31 December 2025 Birr'000	31 December 2024 Birr'000
12 Other operating expenses		
Advertisement & Publicity	88,299	49,636
Agent Banking	-	2,637
Bank Charges	8,608	6,016
Card payment Charges	5,726	34,318
Consultant Fee	1,463	43,024
Communication expenses	3,088	4,172
Consumables	19,875	13,527
Donations	70,777	29,487
Stump Duty Expense	1,055	1,146
Entertainment	4,244	2,405
Event organization expense	12,897	9,476
Insurance	11,325	10,665
IT support charges	37,561	49,269
E-banking support charges	31,024	33,376
Court related Expenses	1,252	5,069
Land and Building Tax	4,717	9,828
Loss on Disposal of fixed assets	1,564	100



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Maintenance	45,689	28,556
Money transfer charges	9,783	7,647
Perdiem and Travel	38,568	15,534
Petrol and Oil	30,037	21,330
Printing and stationary	19,784	13,840
Rental expenses	40,414	3,384
Sundries	18,451	3,773
Uniform	27,653	20,163
Utilities	11,553	6,473
Wages for non-permanent employees.	844	1,903
Loading and unloading expense	1,765	-
Loss on exchange rate negotiation	156,813	-
Deposit Insurance Expense	85,301	72,880
	790,130	499,634

On July 29, 2024, National Bank of Ethiopia issued directive no. FXD/01/2024, which permits banks and foreign currency recipients to negotiate exchange rates at the time of currency purchase. As this directive marks a significant change, there is no comparable figure from previous periods for the foreign exchange rate loss.

	31 December 2025 Birr'000	31 December 2024 Birr'000	30 June 2025 Birr'000
13 Company income and deferred tax			
13.a Current income tax			
Company income tax	589,556	893,383	1,100,031
Deferred income tax/(credit) to profit or loss	45,011	(17,475)	(20,706)
Total charge to profit or loss	634,567	875,908	1,079,325
Tax (credit) on other comprehensive income	(0)	6,596	16,360
Total tax in statement of comprehensive income	634,567	882,505	1,095,685



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13.b Reconciliation of effective tax to statutory tax

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

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000
Profit before tax	2,102,422	2,475,679
Non-allowable Expenses;		
Entertainment	4,244	2,403
Donation	1,777	200
Provision for Legal cases	-	2,453
Employee Severance benefits	53,238	37,180
Loss on disposal of fixed assets	1,564	100
Provision for loans and other assets	507,888	725,303
Depreciation for accounting purpose	123,712	101,757
Depreciaion and int. expense IFRS 16	202,444	165,153
Amortization for accounting purpose	125,452	22,160
Loss on FCY revaluation	1,437	785,957
Life Insurance	10,593	9,513
Staff Loan Fair valuation expense	7,329	(1,720)
Accrud leave Expense	-	94,593
	1,039,677	1,945,053
Allowable Expenses;		
Depreciation for tax purpose	(132,808)	(121,133)
Amortization for tax purpose	(101)	(17,250)
Rent expense	(240,998)	(180,990)
Employee severance paid in cash	(12,805)	(16,740)
Provision for loans and other assets as per NBE	(342,363)	(630,170)
Dividend income taxed at source	(57,860)	(43,637)
Interest income exempt/taxed at Sources	(402,111)	(423,950)
Interest from correspondent bank taxed at 5%	-	(5,590)
	(1,189,046)	(1,439,460)
Taxable Income	1,953,053	2,981,272
Statutory tax at rate 30%	585,916	894,382



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	31 December 2025 Birr'000	31 December 2024 Birr'000	31 June 2025 Birr'000
13.c Current income tax liability			
Balance at the beginning of the year	1,091,622	641,203	641,203
Charge for the year:			
Income tax expense	585,916	893,383	1,100,031
Payment during the year	(1,091,622)	(641,203)	(641,203)
Withholding tax	(482)	(230)	(8,409)
Balance at the end of the year	585,434	893,153	1,091,622

The income tax payable during the period are current in nature.

13.d Deferred income tax

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

Deferred income tax (assets)/ liabilities:	At 1 July 2025 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to OCI Birr'000	31 Dec 2025 Birr'000
Property, Plant and Equipment	142,792	56,087		198,879
Post employment benefit obligation	(151,460)	(12,148)	-	(163,608)
Accrued Leave	(53,728)	785		(52,943)
Equity Investments	161,550	-	(0)	161,550
Total deferred tax (assets)/ liabilities	99,152	44,725	(0)	143,879
	At 1 July 2024 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2025 Birr'000
Deferred income tax assets/ (liabilities):	119,913	22,879		142,792
Post employment benefit obligation	(86,537)	(13,585)	(51,338)	(151,460)
Accrued Leave	(23,729)	(29,999)		(53,728)
Equity Investments	93,851		67,699	161,550
Total deferred tax assets/ (liabilities)	103,498	(20,706)	16,360	99,152



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	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
14 Cash and bank balances			
Cash in hand	1,460,751	1,314,963	1,724,075
Cash at Wegagen Investment bank	380,608	-	-
Deposit with local commercial banks	1,893,842	2,460,559.0	1,415,309
Deposit with foreign banks	7,044,415	6,074,877	6,610,730
Deposit with National Bank of Ethiopia	7,342,334	4,505,434	5,718,906
Deposit with Open Market Operation	501,233	-	-
Deposit with Interbank Money Market	3,402,753	-	300,000
Gross cash and bank balances	22,025,938	14,355,833	15,769,020
Impairment Allowance for cash	(89)	(50)	(65)
	22,025,848	14,355,783	15,768,955
Maturity analysis			
Current	22,025,848	14,355,783	15,768,955
Non-Current	-	-	-
	22,025,848	14,355,783	15,768,955
	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
15 Loans and advances			
15.a Loans and advances to customers			
Manufacturing	9,367,246	7,640,193	7,855,541
Domestic Trade and Services	10,194,850	10,386,539	9,568,471
Construction	9,446,968	7,400,345	8,241,443
Transport Service	5,027,708	3,743,518	4,228,026
Export	11,842,283	7,624,058	8,791,973
Import	15,868,907	11,936,505	13,242,348
Staff loans	1,395,520	252,976	935,774
IFB-Financing & Investments	967,193	713,965	661,738
Gross loans and advances	64,110,675	49,698,099	53,525,315
Less: Impairment allowance (note 15b)	(2,772,252)	(2,560,698)	(2,264,813)
Net loans and advances	61,338,422	47,137,401	51,260,502
Maturity analysis			
Current	17,174,758	11,373,312	14,352,941
Non-Current	44,163,664	35,764,088	36,907,562
	61,338,422	47,137,401	51,260,502



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15.b Impairment allowance on loans and advances to customers

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

Allowance for loan impairment	As at 1 July 2025 Birr'000	Write offs during the year Birr'000	Charge for the year Birr'000	As at 31 Dec 2025 Birr'000
Construction	345,297	-	(3,430)	341,867
Domestic Trade and Services	723,808	-	262,253	986,061
Export	215,399	-	(823)	214,576
Import	698,648	-	222,258	920,906
Manufacturing	197,024	-	50,599	247,623
Staff loans	5,225	-	782	6,007
Transport Service	63,702	-	(21,492)	42,210
Letter of Guarantee	83	-	182	265
Letter of Credit	39	-	565	604
IFB Financing	15,589	-	(3,456)	12,133
	2,264,814	-	507,888	2,772,252
Allowance for loan impairment	As at 1 July 2024 Birr'000	Write offs during the year Birr'000	Charge for the year Birr'000	As at 30 June 2025 Birr'000
Construction	236,832	-	108,465	345,297
Domestic Trade and Services	788,064	(11,120)	(53,135)	723,808
Export	315,878	(53,663)	(46,816)	215,399
Import	209,921	-	488,727	698,648
Manufacturing	236,162	-	(39,137)	197,024
Staff loans	5,869	(1,116)	472	5,225
Transport Service	73,672	-	(9,970)	63,702
Guarantee	88	-	(5)	83
Letter of Credit	160	-	(121)	39
IFB Financing	6,578	(11,378)	17,388	15,589
	1,873,223	(77,277)	465,867	2,264,813



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	31 December 2025 Cost Birr'000	Fair Value(FV) Adjustment	31 December 2025 FV Birr'000	30 June 2025 FV Birr'000
16 Investment Securities				
16.a Equity Investment securities at FVOCI				
Ethio switch	150,876	538,458	689,334	665,074
Africa Insurance S.C	49,637	(2,707)	46,930	28,359
Addis Ababa Exhibition & Con. Center	56,666	2,084	58,750	58,750
Ethiopian Reinsurance S.C	25,090	5,814	30,904	26,899
Capital Finance Excellence Center	5,000	1,352	6,352	6,352
Allenatech Electronics S.C.	5,000	(1,950)	3,050	3,050
Ethiopian Securities Exchange S.C	38,963	(4,552)	34,411	34,411
	331,232	538,499	869,731	822,895

All the above equity investmnets are made in unquoted companies whose fair value is determined on net asset basis. Valuation of these investments have made by independent consultant for the reporting period.

	Fair Value Adjustment as at July 1, 2025 Birr'000	Adjustment during reporting period	Fair Value Adjustment as at December 31, 2025 Birr'000
Ethswitch	538,458	-	538,458
Africa Insurance S.C	(2,707)	-	(2,707)
Addis International Convention Center	2,084	-	2,084
Ethiopian Reinsurance S.C	5,814	-	5,814
Capital Finance Excellence Center	1,352	-	1,352
Allenatech Electronics S.C.	(1,950)	-	(1,950)
Ethiopian Securities Exchange S.C	(4,552)	-	(4,552)
Balance at the end of reporting period	538,499	-	538,499



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	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
16.b Investment in Debt Securities			
Ethiopian Government Securities	8,659,338	6,713,788	8,311,604
Impairment Allowance for debt Securities	(429)	(332)	(411)
Balance at the end of reporting period	8,658,909	6,713,456	8,311,193
	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
Maturity analysis			
Current	-	-	-
Non-Current	8,658,909	6,713,456	8,311,193
	8,659,338	6,713,788	8,311,604
	31 December 2025	31 December 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
17 Other assets			
Financial assets			
Staff receivables	1,994	1,780	2,352
Receivable from money transfer agents	104,051	172,982	99,112
Receivable from VISA	65,129	40,776	10,815
Receivable from Master Card	14,716	26,957	2,151
Eth-switch Receivable	162,090	219,002	137,388
Emergency salary advance	948,129	-	896,452
Receivable from employment agencies	981,654	-	835,589
Other receivables	1,099,927	2,240,555	1,950,471
Receivables due to cash shortage	197,187	192,811	196,567
Gross financial assets	3,574,876	2,894,863	4,130,896
Less: Impairment allowance (note 17a)	(723,215)	(851,346)	(802,424)
Net financial assets	2,851,661	2,043,517	3,328,472
Non-financial assets;			
Prepayments	1,323,424	551,445	794,989
Prepaid expenses on staff loans	666,079	630,789	509,543
Inventory	106,048	122,564	123,247
Repossessed properties	337,904	179,332	402,774
Gross Non-financial assets	2,433,454	1,484,130	1,830,552
	5,285,115	3,527,647	5,159,025

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	31 December 2025 Birr'000	31 December 2024 Birr'000	30 June 2025 Birr'000
Maturity analysis			
Current	4,800,675	1,447,290	4,644,152
Non-Current	484,441	294,959	514,873
	5,285,115	3,527,647	5,159,025

Emergency salary advance and receivable from employment agencies are non-interest bearing financial assets reclassify from loan and advance to financial assets during previous reporting period

17.a Impairment allowance on other assets

A reconciliation of the allowance for impairment losses for other assets is as follows:

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
Balance at the beginning of the year	802,424	810,693	810,693
Reversal/Written off during the year	(157)	40,653	(1,974)
Charge for the year	(79,052)	-	(6,295)
Balance at the end of the year	723,215	851,346	802,424

17.b Inventory

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

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
Stationery	19,895	38,554	23,200
Office supplies	35,821	28,172	45,163
Visa cards	13,414	22,645	18,754
Other stock	36,757	33,031	35,969
Memorial Coins	161	161	161
	106,048	122,563	123,247



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18 Investment property re-classified to Property and Equipments	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
Cost:			
At at July 01	-	3,027	3,027
Re-classification	-	-	(3,027)
At the end of the interim period	-	3,027	-
Accumulated depreciation:			
At at July 01	-	441	441
Charge for the year	-	29	58
Re-classification	-	-	(499)
At the end of the interim period	-	470	-
Net book value	-	2,557	-

Kombolcha building, previously held by the bank for rental purposes and generating income, experienced tenant departures during the year. As a result, the bank has decided to renovate the property for its own operational use. Accordingly, the asset has been reclassified from investment property to property, plant, and equipment in line with applicable accounting standards.

19 Investment in Wegagen capital investment bank	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
Wegagen Capital Investment Bank	334,250	-	334,250

The bank invests in a new company, Wegagen Capital Investment Bank, with a 86.82% shareholding. Wegagen Capital Investment Bank has started operations at the end of the last reporting period (refer to note 31c).

20 Intangible Assets	"Purchased Software" Birr'000	Software Under Development Birr'000	Total Birr'000 I
Cost:			
As at 1 July 2024	205,467	-	205,467
Acquisitions	528,711	-	528,711
As at 30 June 2025	734,178	-	734,178
As at 1 July 2025	734,178	-	734,178
Acquisitions	217,376	-	217,376
As at 31 December 2025	951,554	-	951,554



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Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

Accumulated amortisation

As at 1 July 2024	157,399	-	157,399
Amortisation	83,282		83,282
As at 30 June 2025	240,681	-	240,681
As at 1 July 2025	240,681	-	240,681
Amortisation	125,452	-	125,452
As at 31 December 2025	366,133	-	366,133
Net book value			
As at 30 June 2025	493,497	-	493,497
As at December 31, 2025	585,421	-	585,421

	Office Equipments Birr'000	Building Birr'000	Motor vehicles Birr'000	Furniture and Fittings Birr'000	Computer Equipment Birr'000	Capital work in Progress Birr'000	Total Birr'000
21 Property and Equipment							
Cost:							
As at 1 July 2024	550,784	855,764	424,481	336,712	607,451	13,395	2,788,586
Additions	112,687	-	35,336	190,837	128,388	1,466	468,713
Disposals	(1,416)	-	(1,386)	(7,593)	(8,206)	-	(18,601)
Write-off	-	-	-	(186)	-	-	(186)
Reclassification	(36,614)	3,027	(3,343)	(15,331)	(36,946)	-	(89,207)
As at 30 June 2025	625,440	858,791	455,087	504,439	690,687	14,861	3,149,305
As at 1 July 2025	625,440	858,791	455,087	504,439	690,687	14,861	3,149,305
Additions	52,067	246,965	112,071	48,396	272,984	428,316	1,160,799
Disposals	(8,607)	-	-	(9,956)	(3,589)	-	(22,152)
Reclassification	(10,707)	-	(4,034)	(24,594)	(15,740)	-	(55,075)
As at 31 December 2025	658,193	1,105,756	563,124	518,286	944,342	443,177	4,232,877



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Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

Accumulated depreciation;							
As at 1 July 2024	298,245	104,655	204,382	154,603	339,259	-	1,101,144
Charge for the year	48,729	16,317	31,754	36,138	70,177	-	203,115
Write-off				(110)		-	(110)
Disposals	(1,386)	-	(1,293)	(5,989)	(8,070)	-	(16,737)
Reclassification		441					441
As at 30 June 2025	345,588	121,413	234,843	184,641	401,366	-	1,287,852
As at 1 July 2025	345,588	121,413	234,843	184,641	401,366	-	1,287,852
Charge for the year	30,157	9,172	17,740	23,386	43,256	-	123,712
Write-off				-		-	-
Disposals	(8,211)	-	-	(8,117)	(3,385)	-	(19,714)
As at 31 December 2025	367,533	130,586	252,584	199,910	441,237	-	1,391,850
Net book value							
As at 30 June 2025	279,853	737,378	220,243	319,798	289,320	14,861	1,861,453
As at 31 December 2025	290,660	975,170	310,540	318,376	503,104	443,177	2,841,028

21a Leases

Amount recognized in statement or profit or loss in respect of leases for which the bank is lessee;

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
Depreciation charge for right-of-use assets	189,105	152,698	310,569
Interest Expense on lease liabilities	13,339	86,089	27,984
Expense related to short-term leases	40,414	3,384	65,766
Cost of lease contracts - stamp duty	1,071	1,146	2,160
	243,929	243,317	406,480

Amount recognized in statement of financial position in respect of leases for which the bank is lessee;



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Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
Right of use assets			
• Office building	954,536	900,138	984,040
Lease liabilities			
• Office building	274,219	236,892	272,700
Maturity analysis of lease liabilities			
Less than one year	65,812	56,854	65,448
More than one year	208,406	180,038	207,252
	274,219	236,892	272,700

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
22 Deposits from customers			
Demand deposits	27,186,947	19,071,265	20,746,597
Saving deposits	38,784,605	30,599,106	32,949,781
Fixed term deposits	9,129,546	5,339,912	7,955,441
Total	75,101,098	55,010,283	61,651,819

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
Maturity analysis			
Current	27,787,406	8,624,716	22,811,173
Non-Current	47,313,692	39,793,235	38,840,646
	75,101,098	55,010,283	61,651,819

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
23 Other liabilities			
Deposit from financial institutions			
Saving Deposit	1,211,032	127,499	816,916
Demand Deposit	965,854	334,680	939,663
Fixed Term deposit	3,295,827	2,681,143	3,074,394
Total	5,472,712	3,143,322	4,830,973

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
Maturity analysis			
Current	2,024,904	660,290	1,787,460
Non-Current	3,447,809	3,046,484	3,043,513
	5,472,712	3,143,322	4,830,973



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Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
24 Other liabilities			
Financial liabilities			
Blocked Account	9,484	9,484	9,488
Cash payment order payable	276,262	184,089	231,578
Customer deposits for letter of credit	2,974,834	1,957,999	1,564,389
Deferred revenue	288,916	123,859	128,681
Deposit for Guarantees Issued	28,566	13,907	11,003
Dividend payable	161,203	376,905	82,956
Exchange payable to NBE	75,060	71,208	9,178
Nostro Account	-	5	-
Old draft payables	59,002	61,092	59,966
Payable to Ethio switch	24,714	11,745	19,151
Prepaid card control account	5,668	11,088	9,551
Telegraphic transfer payable	12,397	12,400	12,397
Borrowing	-	1,000,000	-
	3,916,106	3,833,781	2,138,338
Non-financial liabilities			
Provision for court cases	70,355	62,568	70,355
Pension Contribution Pay	29,582	24,450	20,301
Stamp duty payable	4,401	4,522	5,746
Interest Tax Payable	37,091	13,019	20,907
Withholding tax payable	7,929	4,137	1,326
Employee income Tax Payable	68,115	57,565	105,726
VAT payable	73,224	95,274	46,376
Cost Sharing Payable	379	339	290
Technical Service Payable	1,299	7,178	5,801
Accrued leave pay	176,475	170,530	179,323
Sundry payables	634,461	473,029	553,145
Lease Liability	281,552	236,892	281,381
Employee Bonus Payable	-	-	259,210
	1,384,864	1,149,503	1,549,887
	5,300,970	4,983,284	3,688,225



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Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
Maturity analysis			
Current	5,092,564	4,803,245	3,480,972
Non-Current	208,406	180,039	207,252
	5,300,970	4,983,284	3,688,224

25. Employee benefit obligations

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30 June 2025 Birr'000
25.a Defined benefits liabilities:			
-Severance benefits	545,359	308,898	504,869
Liability in the statement of financial position	545,359	308,898	504,869
Income statement charge included in personnel expenses:			
- Severance pay	53,238	37,180	74,880
Total defined benefit expenses	53,238	37,180	74,880
Remeasurements for:			
- Severance pay	-	-	(119,790)
	-	-	(119,790)

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

25.a Severance pay

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



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Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

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

	31 Dec 2025 Birr'000	30 Dec 2024 Birr'000	30 June 2025 Birr'000
A Liability recognized in the statement of financial position	545,359	308,898	504,869
B Amount recognized in profit or loss statement			
Current and past service cost	16,295	10,012	19,698
Interest cost	36,944	27,168	55,182
	53,238	37,180	74,880
C Amount recognized in other comprehensive income:			
Remeasurement gain arising from experience	-	-	(93,703)
Remeasurement losses arising from changes in the financial assumptions	-	-	(77,425)
	-	-	(171,128)
Tax Credit/Charge at 30%	-	-	51,338
	-	-	(119,790)

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

	31 Dec 2025 Birr'000	30 Dec 2024 Birr'000	30 June 2025 Birr'000
At the beginning of the year	504,869	288,457	288,457
Current and past service cost	16,295	10,012	19,698
Interest cost	36,944	27,168	55,182
Re-measurement (gains)/ losses	-	-	171,128
Benefits paid	(12,805)	(16,739)	(29,596)
At the end of the period	545,302	308,898	504,869

The significant actuarial assumptions were as follows:



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Unaudited Consolidated and Separate Condensed Interim Financial Statements

Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

i) Financial Assumption Long term Average

	31 Dec 2025 Birr'000	30 Dec 2024 Birr'000	30 June 2025 Birr'000
Discount Rate	14.50%	18.80%	14.50%
Salary Increase rate	14.20%	16.30%	14.20%
Inflation rate	12.20%	14.30%	12.20%

ii) Mortality in Service

Mortality rates are commonly set with reference to standard tables published by reputable institutions (such as the Actuarial Society of South Africa and the Central Statistics Agency ("CSA")) who have access to statistically significant data from which to derive mortality rates. Sample mortality rates are as follows:

Age	Mortality rate	
	Males	Females
20	0.30%	0.23%
25	0.36%	0.31%
30	0.41%	0.28%
35	0.52%	0.32%
40	0.45%	0.43%
45	0.63%	0.63%
50	0.98%	0.98%
55	1.54%	1.54%
60	1.54%	1.54%

iii) Withdrawal/Resignation from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed that resignation rates decrease by 2.5% for each age from 15% at age 20 (and below) to 0% at age 50. A sample of the resignation rates is summarised in the table below.

Age	Resignation rates per annum
20	15.00%
25	12.50%
30	10.00%
35	7.50%
40	5.00%
45	2.50%
50	0.00%



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The sensitivity of the main results to changes in the assumed salary escalation rates and the discount rate have been calculated based on the duration of the liabilities. The changes in the 30 June 2025 Defined Benefit Obligation and the assets are reflected below:

	Base DBO Birr'000	Current service cost one year impact Birr'000	% Change
Discount rate + 1%	545,302	462,437	-15.2%
Discount rate - 1%	545,302	551,739	1.2%
Salary Increase +1%	545,302	551,439	1.1%
Salary Increase +1%	545,302	461,974	-15.3%

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

	31 Dec 2025 Birr'000	30 Dec 2024 Birr'000	30 June 2025 Birr'000
26 Share capital			
Authorised:			
Ordinary shares of Birr 1000 each	20,000,000	20,000,000	20,000,000
Issued and fully paid:			
Ordinary shares of Birr 1000 each	10,094,666	6,213,504	7,028,357
Share premium	103,315	83,241	87,819
	10,197,981	6,296,745	7,116,176



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Unaudited Consolidated and Separate Condensed Interim Financial Statements

Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

27 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit after tax attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the reporting period

	31 Dec 2025 Birr'000	30 Dec2024 Birr'000	30 June 2025 Birr'000
Profit attributable to shareholders	1,452,595	1,599,771	2,778,853
Non-controlling interest	5,071		(1,343)
Weighted average number of ordinary shares in issue	8,262,959	5,539,904	6,028,243
Basic earnings per share (%age)	17.58%	28.88%	46.10%

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date and the year before, hence the basic and diluted profit per share have the same value.

	31 Dec 2025 Birr'000	30 Dec2024 Birr'000	30 June 2025 Birr'000
28 Retained earnings			
At the beginning of the year	1,944,300	581,796	1,246,781
Dividend Paid/Capitalized	(1,944,300)	(581,796)	(1,246,781)
Board of directors remuneration	-	-	(1,500)
Profit/(Loss)for the year	1,457,666	1,599,771	2,777,510
Transfer to Legal Reserve	(364,416)	(399,943)	(694,378)
Transfer to Regulatory Reserve	(20,578)	(65,906)	(20,536)
Non-distributable reserve adjustment	-	-	(118,140)
Non-controlling interest	-	-	1,343
Balance at the end of the year	1,072,671	1,133,922	1,944,300

	31 Dec 2025 Birr'000	30 Dec2024 Birr'000	30 June 2025 Birr'000
29 Reserve			
29.a Legal Reserve			
At the beginning of the year	2,886,000	2,191,622	2,191,622
Transfer from profit or loss	364,416	399,943	694,378
At the end of the year	3,250,417	2,591,565	2,886,000



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Banking Business Proclamation No. 1360/2025 article 22(1) and NBE Directive Number SBB/4/95 requires the Bank to transfer annually 25% of its annual net profit to its legal reserve account.

29.b Regulatory Risk Reserve

This includes interest on Non performing loans/Stage 3 loans that are recognized per IFRS but not available for dividend distribution as required by National Bank of Ethiopia directive and the excess of provision per NBE directive over that of IFRS 9 which is not accounted as bad debt expense.

	31 Dec 2025 Birr'000	30 Dec2024 Birr'000	30 June 2025 Birr'000
Opening Balance	646,558	507,882	507,882
Additional provision per NBE	42	36,126	-
Prior period adjustment	-	-	118,141
Interest income on Non Performing Loans(NPL)	20,536	29,779	20,536
	667,136	573,787	646,558

29.c Other Reserve

The other reserve includes the fair value gain/loss on equity instruments classified at FVOCI and remeasurement gains/losses on defined benefit obligations of the Bank.

	31 Dec 2025 Birr'000	30 Dec2024 Birr'000	30 June 2025 Birr'000
Opening Balance	165,534	127,360	127,360
Fair Value gain of Equity Instruments	-	15,391	157,963
Remeasurement loss on defined benefit plans(net of tax)	-	-	(119,790)
	165,534	142,751	165,534

29.d Non-controlling interest

	31 Dec 2025 Birr'000	30 Dec2024 Birr'000	30 June 2025 Birr'000
Paid-up capital	50,750	-	50,750
Retaning earnings	5,071	-	(1,343)
	55,821	-	49,407



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Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

	31 Dec 2025	30 Dec2024	30 June 2025
	Birr'000	Birr'000	Birr'000
Cash generated from operating activities			
Profit before tax	2,102,422	2,475,679	3,866,956
Adjustments for non-cash items:			
Depreciation of property and equipment	123,712	101,727	201,786
Depreciation of investment property	-	29	-
Amortisation of intangible assets	125,452	22,160	83,282
Depreciation of right of use assets	189,105	152,698	309,316
(Gain)/Loss on disposal of property, plant and equipment	1,564	(5,094)	-
Impairment on loans and receivables	429,355	725,303	460,048
Foreign currency exchange rate gain on cash and cash equivalents	-	(150,976)	-
Employee benefit obligations	53,238	131,773	179,801
Dividend income	(57,860)	(43,636)	(49,877)
Changes in working capital:			
-Decrease/ (Increase) in loans and advances	(10,585,359)	(4,521,465)	(8,348,682)
-Decrease/ (Increase) in other assets	(46,882)	(1,826,051)	(3,400,243)
-Increase/ (Decrease) in deposits from customers	13,449,279	6,592,332	13,233,869
-Increase/ (Decrease) in deposits from financial institutions	641,739	(563,451)	1,124,199
-Increase/ (Decrease) in other liabilities	1,612,746	1,615,064	307,015
	8,038,510	4,706,093	7,967,470



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Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

31 Investment in Wegagen-Capital Investment Bank

Wegagen Capital Investment Bank S.C. (WCIB) is Ethiopia's first investment bank licensed by Ethiopian capital market authority on March 2025, established to shape the future of the country's financial markets. Guided by the visionary leadership of Chief Executive Officer Mrs. Brutawit Dawit Abdi, WCIB is committed to delivering trusted, forward-looking, and innovative financial solutions that align global best practices with local market realities. With a strong capital foundation of ETB 385 million in initial paid-up capital, WCIB is wellpositioned to offer reliable, transparent, and high-quality investment banking services tailored to the needs of both institutional and individual investors.

In May 2025 Wegagen capital officially receive its trading membership certificate from the Ethiopian security exchange. Services provided by Wegagen Capital Investment bank S.C are capital raising, business advisory, stock brokerage and research

	31 December 2025 Birr'000	June 30, 2025 Birr'000
Wegagen bank Investment	334,250	334,250
Total paid-up capital in investment company	385,000	385,000
Percentage holdings	86.82%	86.82%
Transaction with Wegagen Investment bank		
Deposit balance;	332,295	370,598
Subsidiary	31 December 2025 Birr'000	June 30, 2025 Birr'
Profit or loss after taxation	38,467	(10,189)
Total assets	445,061	383,589

The total number of persons employed by the Bank during the year was as follows:

32 Employees

The total number of persons employed during the year was as follows:

	31-Dec-2025 Number	31-Dec-2025	31-Dec-2025 Number
Staffs at Wegagen Bank	5,543	5,426	5,553
Staffs at Wegagen Capital Investment Bank	37	-	33
Total staffs	5,580	5,426	5,586



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Unaudited Consolidated and Separate Condensed Interim Financial Statements

Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

33 Contingent liabilities and assets

33a Claims and litigation

The Bank is involved in a number of legal proceedings initiated by various organizations and individuals in the ordinary course of its business. As at 31 December 2025, the Bank's maximum potential exposure in respect of these cases amounts to Birr 711.6 million. The Bank has made assesment of these legal cases, and held Br. 70.35 million provision, where an outflow of economic resources is considered probable. The remaining cases are assessed as having a low likelihood of resulting in an unfavorable outcome, and no such events occurred during the financial year and in certain cases, the bank expects a favorable resolution. Accordingly, no additional obligation has been recognized by the Bank.

33b 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.

The table below summarises the fair value amount of contingent liabilities for the account of customers:"

	31-Dec-2025	31-Dec-2024	30-Jun-2025
	Birr'000	Birr'000	Birr'000
Guarantees issued	5,254,917	5,649,384	4,583,597
Letter of credit	18,411,841	7,166,388	3,322,967
	23,666,757	12,815,772	7,906,564

33c Commitments	31-Dec-2025	31-Dec-2024	30-Jun-2025
	Birr'000	Birr'000	Birr'000
Loan commitments;			
Unutilized overdraft and other facilities	7,197,248	2,137,732	6,100,397
	7,197,248	2,137,732	6,100,397



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Unaudited Consolidated and Separate Condensed Interim Financial Statements

Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

34 Events after reporting period

In the opinion of the directors, there were no significant post-balance sheet events which could have a material effect on the state of affairs of the Bank as at 31 December 2025 and on the profit for the half year ended on that date, which have not been adequately provided for or disclosed.

35 Segment Reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are different from those of other segments . Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker is the person of the Bank that allocates resources to and assesses the performance of the operating segments of an entity.

The Bank has determined the Board of Directors as its chief operating decision maker. All transactions between business segments are conducted on commercial terms basis with intra-segment revenue and costs being eliminated at Bank level.

Segment information

IFRS 8 requires operating segments to be identified on the bases of internal reports about components of the bank that are regularly reviewed by the board of directors in order to allocate resources to the segment and to assess its performance

Information reported to the Bank's Board of Directors for the purposes of resource allocation and assessment of segment performance is focused on products and services.

The accounting policies of the reportable segments are the same as the Bank's accounting policies described in note 2

For management purposes, the Bank has been organised into two operating segments based on products and services, as follows:

1• Interest Free Banking- All Islamic banking products offered to customers are included under the Islamic Banking segment. These products include Wadiah deposits, Amanah deposits and mudarabah investments, Murabaha and Qard Financing.

2• Conventional Banking- The conventional banking segment comprises of corporate, retail and institutional banking customers in various sectors which include agriculture, manufacturing, domestic trade, construction, hotel and tourism, microfinance institutions, mortgage loans and personal loans. It also comprises public, private, cooperative, government and non-governmental organizations deposits.



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Unaudited Consolidated and Separate Condensed Interim Financial Statements

Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

The Executive Management Committee have monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the consolidated financial statements. However, income taxes are managed at bank level and are not allocated to operating segments.

Transfer prices between operating segments are based on the Bank's internal pricing framework.

No revenue from transactions with single external customer or Counterparty amounted to 10% or more of the bank's total revenue in 2025

Half-year ended 31 December 2025

35a Statement of Profit or Loss

	Conventional Banking Birr '000	Interest Free Banking Birr '000	The Bank Birr '000
Interest income	5,484,274	-	5,484,274
Income from Interest free financing and investment products	-	41,482	41,482
Interest expense	(1,977,763)		(1,977,763)
Distribution to depositors- Interest Free Banking Products		(74,795)	(74,795)
Net interest income and income from Interest Free Banking products net of distribution to depositors	3,506,511	(33,313)	3,473,197
Fee and commission income	1,769,319	4,104	1,773,423
Other operating income	510,781	848	511,629
Gain from sale of aquired properies	-	-	-
Loan and Other asset impairment charge	(427,256)	(1,580)	(428,836)
Net operating income	5,359,354	(29,941)	5,329,413
Amortization of intangible assets	(125,452)	-	(125,452)
Depreciation of property,plant and equipment	(123,240)	(472)	(123,712)
Personnel and Other operating expenses	(2,960,449)	(17,378)	(2,977,827)
Segment Profit before tax	2,150,213	(47,791)	2,102,422
Income tax expense	(634,567)	-	(634,567)
Segment profit after tax	1,515,646	(47,791)	1,467,855



Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

As at 12/31/2025

35b Statement of Financial Position

	Conventional Banking Birr '000	Interest Free Banking Birr '000	The Bank Birr '000
Assets			
Cash and bank balances	21,964,368	61,480	22,025,848
Loans and advances to customers	60,382,372		60,382,372
IFB financings	-	956,050	956,050
Investment securities	9,528,640	-	9,528,640
Other assets	705,595	4,579,520	5,285,115
Property and Equipments	4,365,345	15,640	4,380,985
Total assets	96,946,321	5,612,690	102,559,011
Liabilities			
Deposit from customers	74,922,190	-	74,922,190
IFB deposits	-	5,651,620	5,651,620
Current tax liabilities	585,434	-	585,434
Other liabilities	5,981,658	8,550	5,990,208
Total liabilities	81,489,282	5,660,170	87,149,452
EQUITY			
Share capital	10,094,666	-	10,094,666
Share premium	103,315	-	103,315
Retained earnings and reserves	5,203,238	(47,480)	5,155,758
Non-controlling Interest	-	-	55,821
Total equity	15,401,219	(47,480)	15,409,560
Total equity and liabilities	96,890,501	5,612,690	102,559,011

Haly-year ended 31 December 2024

35c Statement of Profit or Loss

	Conventional Banking Birr '000	Interest Free Banking Birr '000	The bank Birr '000
Interest income	3,988,856	-	3,988,856
Income from Interest free financing and investment products	-	28,913	28,913
Interest expense	(1,397,276)	0	(1,397,276)
Distribution to depositors- Interest Free Banking Products		(9,372)	(9,372)
Net interest income and income from Interest Free Banking products net of distribution to depositors	2,591,580	19,541	2,611,122



Wegagen Bank S.C

Unaudited Consolidated and Separate Condensed Interim Financial Statements

Notes to the Consolidated Financial statement for the Interim Period Ended 31 December 2025

Fee and commission income	1,696,776	816	1,697,592
Other operating income	1,384,728	567	1,385,295
Gain from sale of acquired Properties	-	-	-
Loan and Other asset impairment charge	(725,037)	(266)	(725,303)
Net operating income	4,948,048	20,658	4,968,707
Amortisation of intangible assets	(22,160)	-	(22,160)
Depreciation of property and equipment	(100,671)	(1,085)	(101,756)
Personal and Other operating expenses	(2,353,413)	(15,698)	(2,369,111)
Segment Profit before tax	2,471,804	3,874	2,475,680
Income tax expense	(874,746)	(1,162)	(875,908)
Segment profit after tax	1,597,058	2,712	1,599,772

30-Jun-25

35d Statement of Financial Position

	Conventional Banking	Interest Free Banking	The Bank
Asset			
Cash and bank balances	11,946,021	3,822,934	15,768,955
Loans and advances to customers	50,625,945		50,625,945
IFB financings	-	634,558	634,558
Investment securities	9,134,087	-	9,134,087
Other assets	4,859,715	299,309	5,159,024
Fixed assets	3,331,233	16,548	3,347,781
Total assets	79,897,001	4,773,349	84,670,350
LIABILITIES			
Deposit from customers	61,700,893	-	61,700,893
IFB deposits	-	4,781,899	4,781,899
Current tax liabilities	1,091,622	-	1,091,622
Other liabilities	4,274,338	13,624	4,287,962
Total liabilities	67,066,853	4,795,523	71,862,376
EQUITY			
Share capital	7,028,357	-	7,028,357
Share premium	87,819	-	87,819
Retained earnings and reserves	5,664,564	(22,174)	5,642,390
Non-controlling Interest	49,407	-	49,407
Total equity	12,830,147	(22,174)	12,807,973
Total equity and liabilities	79,897,001	4,773,349	84,670,350



Unaudited Separate Financial Statements

For the six months Ended 31 December 2025

Wegagen Bank S.C

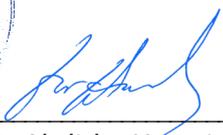
Unaudited Separate Condensed Interim Financial Statements

Separate Statement of Profit or Loss and Other Comprehensive Income For the six months ended 31 December 2025

		12/31/2025 (Unaudited)	12/31/2024 (Unaudited)	6/30/2025 (Audited)
	Notes	Birr'000	Birr'000	Birr'000
Interest income	5	5,525,755	4,017,769	8,459,357
Interest expense	36	(2,071,754)	(1,406,648)	(3,155,997)
Net interest income		3,454,001	2,611,121	5,303,361
Fee and Commission Income	37	1,764,701	1,697,592	2,464,926
Fee and Commission Expense	37	(68,445)	21,994	(106,374)
Net fee and commission income	37	1,696,256	1,719,586	2,358,553
Net Trading Income		5,150,258	4,330,707	7,661,914
Other operating income	38	512,455	1,385,297	2,554,484
Loan impairment charge	9	(507,888)	(684,674)	(465,867)
Impairment losses on other assets	10	79,052	(40,629)	6,295
Net operating income		5,233,876	4,990,701	9,756,826
Salaries and benefits	39	(1,972,429)	(1,738,174)	(3,953,215)
Amortization of intangible assets	20	(125,452)	(22,160)	(83,282)
Depreciation of property & equipment	47	(121,847)	(101,756)	(201,786)
Depreciation of right-of-use asset	47a	(187,245)	(152,698)	(309,316)
Other operating expenses	40	(776,776)	(499,634)	(1,341,299)
Audit fees		-	-	(972)
Directors related expenses			(600)	
Total Operating Expenses		(3,183,750)	(2,515,022)	(5,889,871)
Profit before income tax		2,050,126	2,475,679	3,866,956
Income tax expense	41a	(613,835)	(875,908)	(1,082,556)
Profit after tax		1,436,291	1,599,771	2,784,400
Other Comprehensive Income (OCI) net of income tax				
Remeasurement gain or(loss) on retirement	25b	-	-	(119,790)
Fair value gain of equity investments	29c	-	15,391	157,963
Total other comprehensive income (net of tax)		-	15,391	38,174
Total comprehensive income for the period		1,436,291	1,615,162	2,822,574
Basic & diluted earnings per share	49	17.38%	28.88%	46.19%

The accompanying notes are an integral part of these financial statements. The financial statements were approved and authorized for issue by the directors and management on January 29, 2026 and signed on their behalf by:




Mr. Abdishu Hussein
Chairperson, Board of Directors




Aklilu Wubet (PhD)
Chief Executive Officer

Wegagen Bank S.C

Unaudited Separate Condensed Interim Financial Statements

Separate Statement of Financial Position As at 31 December 2025

		12/31/2025 (Unaudited) Birr'000	12/31/2024 (Unaudited) Birr'000	6/30/2025 (Audited) Birr'000
ASSETS				
Cash and bank balances	42	21,645,240	14,355,783	15,436,200
Loans and advances to customers	15a	61,338,422	47,137,400	51,260,502
Investment securities:				
- Equity Investments at FVOCI	16a	869,731	613,268	822,894
- Debt Securities at Amortized Cost	16b	8,658,909	6,713,456	8,311,193
Other assets	45	5,262,307	3,527,648	5,150,762
Investment property	18	-	2,556	-
Investment in Subsidiary	18	334,250	-	334,250
Intangible assets	20	585,421	218,515	493,497
Property and Equipment	47	2,808,814	1,701,563	1,827,673
Right-of-Use Asset	47a	946,583	900,138	984,040
Total assets		102,449,677	75,170,327	84,621,011
LIABILITIES				
Deposit from customers	22	75,101,098	55,010,283	61,651,819
Deposit from financial institutions	23	5,472,712	3,143,323	4,830,973
Current tax liabilities	41c	568,628	893,153	1,094,852
Other liabilities	48	5,283,917	4,983,281	3,675,232
Employee benefit obligations	25	545,359	308,898	504,869
Deferred tax liabilities	41d	143,879	92,619	99,152
Total liabilities		87,115,593	64,431,557	71,856,898
EQUITY				
Share capital	26	10,094,666	6,213,504	7,028,357
Share premium	26	103,315	83,241	87,819
Retained earnings	50	1,056,641	1,133,922	1,948,124
Legal reserve	51a	3,246,794	2,591,565	2,887,722
Regulatory risk reserve	51b	667,136	573,787	646,558
Other reserve	51c	165,534	142,751	165,534
Total equity		15,334,086	10,738,770	12,764,113
Total liabilities and equity		102,449,677	75,170,327	84,621,011

The accompanying notes are an integral part of these financial statements. The financial statements were approved and authorized for issue by the directors and management on January 29, 2026 and signed on their behalf by:



[Signature]

Mr. Abdishu Hussein
Chairperson, Board of Directors



[Signature]

Aklilu Wubet (PhD)
Chief Executive Officer

Wegagen Bank S.C

Unaudited Separate Condensed Interim Financial Statements

Separate Statement of Changes in Owners Equity For the six months Ended 31 December 2025

	Share capital	Share premium	Retained earnings	Legal reserve	Regulatory Risk Reserve	Other Reserve	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Balance at July, 2024	5,058,890	74,917	1,246,781	2,191,623	507,882	127,360	9,207,451
Dividend declared			(1,246,781)	-	-	-	(1,246,781)
New shares issued	1,969,467	12,902	-	-	-	-	1,982,369
Fair value gain of Equity investments	-	-	-	-	-	157,963	157,963
Remeasurement of Defined Benefit plans (net of tax)	-	-	-	-	-	(119,790)	(119,790)
Prior period tax adjustment	-	-	(1,500)	-	-	-	(1,500)
Transfer to legal reserve	-	-	(696,100)	696,100	-	-	-
Transfer from Regulatory Risk Reserve	-	-	(138,677)	-	138,677	-	-
Balance at the end of 30 June 2025	7,028,357	87,819	1,948,123	2,887,723	646,559	165,534	12,764,113
Dividend declared			(1,948,123)				(1,948,123)
New shares issued	3,066,309	15,496					3,081,805
Profit for the intrim			1,436,291				1,436,291
Transfer to legal			(359,073)	359,073			-
Transfer to			(20,578)		20,578		-
Balance at the end of the Interim period	10,094,666	103,315	1,056,641	3,246,795	667,137	165,534	15,334,086

The accompanying notes are an integral part of these financial statements. The financial statements were approved and authorized for issue by the directors and management on January 29, 2026 and signed on their behalf by:



Mr. Abdishu Hussein
Chairperson, Board of Directors



Aklilu Wubet (PhD)
Chief Executive Officer

Wegagen Bank S.C

Unaudited Separate Condensed Interim Financial Statements

Separate Statement of Changes in Owners Equity For the six months ended 31 December 2025

	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Regulatory Risk Reserve Birr'000	Other Reserve Birr'000	Total Birr'000
As at 1 July 2024	5,058,890	74,917	1,246,781	2,191,622	507,882	127,360	9,207,451
Dividend declared			(1,246,781)				(1,246,781)
New shares issued	1,154,614	8,324					1,162,938
Fair value gain of Equity investments (net of tax)						15,391	15,391
Profit for the year			1,599,771				1,599,771
Transfer to legal reserve			(399,943)	399,943			-
Transfer to Regulatory Risk Reserve			(65,906)		65,906		-
As at 31 December 2024	6,213,504	83,241	1,133,922	2,591,565	573,787	142,751	10,738,770

The accompanying notes are an integral part of these financial statements. The interim financial statements were approved by the directors and management on January 29, 2026 and signed on their behalf by:



Mr. Abdishu Hussein
Chairperson, Board of Directors



Aklilu Wubet (PhD)
Chief Executive Officer

Wegagen Bank S.C

Unaudited Separate Condensed Interim Financial Statements

Separate Statement of Cash Flows

For the six months ended 31 December 2025

		12/31/2025 (Unaudited) Birr'000	12/31/2024 (Unaudited) Birr'000	30 June 2025 (Audited) Birr'000
Cash flows from operating activities				
Cash generated from operations	52	7,992,974	4,706,093	7,967,470
Profit tax assesment paid		-	-	-
Income tax paid	41c	(1,095,334)	(641,432)	(649,612)
Net cash (outflow)/inflow from operating activities		6,897,640	4,064,661	7,317,858
Cash flows from investing activities				
Purchase of investment securities	44	(46,836)	-	(390,787)
Purchase of intangible assets	51	(91,924)	(192,606)	(528,711)
Purchase of property and equipment	47	(981,141)	(116,140)	(433,606)
Payment for asset use right acquisitions	47a	(354,666)	(339,486)	(688,103)
Proceeds from matured debt securities	47b	(347,716)	(2,100,302)	(3,698,038)
Net cash (outflow)/inflow from investing activities		(1,822,282)	(2,748,534)	(5,739,246)
Cash flows from financing activities				
Share premium collected	50	15,496	8,324	12,902
New shares issued	50	3,066,309	1,154,614	1,969,467
Directors' remuneration paid	50	-	-	(1,500)
Dividend paid	50	(1,948,123)	(1,246,781)	(1,246,781)
Net cash (outflow)/inflow from financing activities		1,133,682	(83,843)	734,088
Net increase/(decrease) in Cash and bank balances		6,209,039	1,232,284	2,312,700
Cash and bank balances at the beg. of the reporting period	42	15,436,200	13,123,499	13,123,499
Cash and bank balances at the end of the reporting period		21,645,240	14,355,783	15,436,200

The accompanying notes are an integral part of these financial statements. The financial statements were approved and authorized for issue by the directors and management on January 29, 2026 and signed on their behalf by:



Handwritten signature of Mr. Abdishu Hussein

Mr. Abdishu Hussein
Chairperson, Board of Directors



Handwritten signature of Akilu Wubet (PhD)

Akilu Wubet (PhD)
Chief Executive Officer

Wegagen Bank S.C

Unaudited Separate Condensed Interim Financial Statements

Notes to the Separate Financial Statement for the Interim Period Ended 31 December 2025

	31 Dec. 2025	31 Dec. 2024
	Birr'000	Birr'000
36 Interest expense		
Saving deposits	919,428	736,941
Fixed time deposits	1,125,136	629,779
Current deposits	10,455	388
Short term borrowing	3,396	27,085
Interest Incurred on lease liabilities	13,339	12,454
	2,071,754	1,406,648
	31 Dec 2025	31 Dec 2024
	Birr'000	Birr'000
37 Net fees and commission income		
Fee and Commission Income;		
Commission and fees on L/C	1,290,496	1,438,044
Commission on Gurantees	138,940	113,543
Agent Banking Fee	23,210	16,020
ATM Transaction Fees-Foreign	9,870	629
ATM Transaction Fees-Local	5,064	720
Commission on CPO issued	810	708
Loan Processing fee	62,757	37,771
Service Charge-Local	26,321	7,269
SWIFT charges	110,821	40,118
Commission Sundries	49,979	12,472
Commission & Charges from IFB	46,434	30,297
Commission & Fees on Fund transfers	0	1
	1,764,701	1,697,592
Fee and Comission Expense;		
Visa Charge	12,598	668
Master Card Charges	19,748	115
Ethswitch Charges	1,869	1,094
Membership Fee	7,701	1,273
Broad Band Expense	14,041	8,016
Subscription & Publication	141	186
License Fee	12,346	10,642
	68,445	21,994
Net fee and commission income	1,696,256	1,675,598



Wegagen Bank S.C

Unaudited Separate Condensed Interim Financial Statements

Notes to the Separate Financial Statement for the Interim Period Ended 31 December 2025

38 Other operating income

	31 Dec. 2025 Birr'000	31 Dec. 2024 Birr'000
Rental income	5,489	4,717
Estimation fees	2,339	1,204
Rebates	2,307	1,438
Fee on Bounced Checks	84	96
Dividend income	57,860	43,636
Gain on Disposal of Old Assets	10,996	5,194
Card purchase & replacement income	3,990	1,402
Sundries-Local	45,572	10,343
Gain on foreign exchange Dealing	383,818	1,317,267
	512,455	1,385,297

39 Salaries and benefits

	31 Dec. 2025 Birr'000	31 Dec. 2024 Birr'000
Employee salaries	1,187,071	940,910
Outsourced employee salaries	159,386	148,329
Pension costs	126,175	103,178
Short-term employee benefits	445,970	508,578
Directors monthly allowance	590	-
Severance pay- Defined benefit plan	53,238	37,180
	1,972,429	1,738,174



Wegagen Bank S.C

Unaudited Separate Condensed Interim Financial Statements

Notes to the Separate Financial Statement for the Interim Period Ended 31 December 2025

	31 Dec. 2025	31 Dec. 2024
	Birr'000	Birr'000
40 Other operating expenses		
Advertisement & Publicity	88,299	49,636
Agent Banking	-	2,637
Bank Charges	8,608	6,016
Card payment Charges	5,726	34,318
Consultant Fee	1,463	43,024
Communication expenses	3,088	4,172
Consumables	19,875	13,527
Donations	70,777	29,487
Stump Duty Expense	1,055	1,146
Entertainment	4,244	2,405
Event organization expense	12,897	9,476
Insurance	11,325	10,665
IT support charges	37,561	49,269
E-banking support charges	31,024	33,376
Court related Expenses	1,252	5,069
Land and Building Tax	4,717	9,828
Loss on Disposal of fixed assets	1,564	100
Maintenance	45,689	28,556
Money transfer charges	9,783	7,647
Perdiem and Travel	38,568	15,534
Petrol and Oil	30,037	21,330
Printing and stationary	19,784	13,840
Rental expenses	40,414	3,384
Sundries	5,097	3,773
Uniform	27,653	20,163
Utilities	11,553	6,473
Wages for non-permanent employees.	844	1,903
Loading and Unloading Expense	1,765	-
Loss on exchange rate negotiation	156,813	-
Deposit Insurance Expense	85,301	72,880
	776,776	499,634

On July 29, 2024, National Bank of Ethiopia issued directive no. FXD/01/2024, which permits banks and foreign currency recipients to negotiate exchange rates at the time of currency purchase. As this directive marks a significant change, there is no comparable figure from previous periods



Wegagen Bank S.C

Unaudited Separate Condensed Interim Financial Statements For the Interim period ended 31 December 2025

41 Income and deferred tax	31-Dec-2025 Birr'000	31-Dec-2024 Birr'00	30-Jun-2025 Birr'00
41a Current income tax			
Income tax	569,110	893,383	1,103,261
Deferred income tax/(credit) to profit or loss	44,725	(17,475)	(20,706)
Total charge to profit or loss	613,835	875,908	1,082,555
Tax (credit) on other comprehensive income	(0)	6,596	16,360
Total tax in statement of comprehensive income	613,835	882,505	1,098,915

41b Reconciliation of effective tax to statutory tax

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

	31 Dec. 2025 Birr'000	31 Dec. 2024 Birr'000
Profit before tax	2,050,126	2,475,679
Non-allowable Expenses;		
Entertainment	4,244	2,403
Donation	1,777	200
Provision for Legal cases	-	2,453
Employee Severance benefits expensed	53,238	37,180
Loss on disposal of fixed assets	1,564	100
Provision for loans and other assets	507,888	725,303
Depreciation for accounting purpose	121,847	101,757
Depreciaion and int. expense as per IFRS 16	200,585	165,153
Amortization for accounting purpose	125,452	22,160
Loss on FCY revaluation	1,437	785,957
Life Insurance	10,593	9,513
Staff loan Fair valuation expense	7,329	(1,720)
Accrud leave Expense	-	94,593
	1,035,952	1,945,053
Allowable Expenses;		
Depreciation for tax purpose	(132,808)	(121,133)
Amortization for tax purpose	(101)	(17,250)
Rent expense	(240,998)	(180,990)
Employee severance paid in cash	(12,805)	(16,740)
Provision for loans and other assets	(342,363)	(630,170)
Dividend income taxed at source	(57,860)	(43,637)
Interest income exempt/taxed at Sources	(402,111)	(423,950)
Interest from correspondent banks taxed at 5%	-	(5,590)
	(1,189,046)	(1,439,460)
Taxable Income	1,897,032	2,981,272
Statutory tax at rate 30%	569,110	894,382



Wegagen Bank S.C

Unaudited Separate Condensed Interim Financial Statements For the Interim period ended 31 December 2025

	31 Dec. 2025	31-Dec-2024	30-Jun-2025
	Birr'000	Birr'000	Birr'000
41c Current income tax liability			
Balance at the beginning of the period	1,094,852	641,203	641,203
Charge for the year:			
Income tax expense	569,110	893,383	1,103,261
Payment during the year	(1,094,852)	(641,203)	(641,203)
Withholding tax	(482)	(230)	(8,409)
Balance at the end of the year	568,628	893,153	1,094,852

The income tax payable during the period are current in nature.

41d Deferred income tax

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:

	At 1 July 2025	Credit/ (charge) to P/L	Credit/ (charge) to OCI	31 Dec 2025
	Birr'000	Birr'000	Birr'000	Birr'000
Deferred income tax (assets)/ liabilities:				
Property and Equipment	142,792	56,087	-	198,879
Post employment benefit obligation	(151,460)	(12,148)	-	(163,608)
Accrued Leave	(53,728)	785	-	(52,943)
Equity Investments	161,550	-	-	161,550
Total deferred tax (assets)/liabilities	99,152	44,725	(0)	143,879

	At 1 July 2024	Credit/ (charge) to P/L	Credit/ (charge) to equity	30 June 2025
	Birr'000	Birr'000	Birr'000	Birr'000
Deferred income tax assets/ (liabilities):				
Property, plant and equipment	119,913	22,879	-	142,792
Post employment benefit obligation	(86,537)	(13,585)	(51,338)	(151,460)
Accrued Leave	(23,729)	(29,999)	-	(53,728)
Equity Investments	93,851	-	67,699	161,550
Total deferred tax assets/(liabilities)	103,498	(20,706)	16,360	99,152

	31 Dec. 2025	31-Dec-2024	30-Jun-2025
	Birr'000	Birr'000	Birr'000
42 Cash and bank balances			
Cash in hand	1,460,751	1,314,963	1,391,320
Deposit with local commercial banks	1,893,842	2,460,559	1,415,309
Deposit with foreign banks	7,044,415	6,074,877	6,610,730
Deposit with National Bank of Ethiopia	7,342,334	4,505,434	5,718,906
Deposit with Open Market Operation	501,233	-	-
Deposit with Interbank Money Market	3,402,753	-	-
Gross cash and bank balances	21,645,329	14,355,833	15,436,265
Impairment Allowance for cash	(89)	(50)	(65)



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	21,645,240	14,355,783	15,436,200
	31 Dec. 2025 Birr'000	31 Dec. 2024 Birr'000	30-Jun-2025 Birr'000
Maturity analysis			
Current	21,645,240	14,355,783	15,768,955
Non-Current	-	-	-
	21,645,240	14,355,783	15,768,955

	31 Dec. 2025 Birr'000	31 Dec. 2024 Birr'000	30-Jun-2025 Birr'000
45 Other assets			
Financial assets;			
Staff receivables	1,994	1,780	2,352
Receivable from money transfer agents	104,051	172,982	99,112
Receivable from VISA	65,129	40,776	10,815
Receivable from Master Card	14,716	26,957	2,151
Eth-switch Receivable	162,090	219,002	137,388
Emergency salary advance	948,129	-	896,452
Receivable from employment agencies	981,654	-	835,589
Other receivables	1,081,348	2,240,555	1,942,208
Receivables due to cash shortage	197,187	192,811	196,567
Gross financial assets	3,556,297	2,894,863	4,122,633
Less: Impairment allowance (note 45a)	(723,215)	(851,346)	(802,424)
Net financial assets	2,833,082	2,043,517	3,320,209
Non-financial assets;			
Prepayments	1,319,195	551,445	794,989
Prepaid expenses on staff loans	666,079	630,789	509,543
Inventory	106,048	122,564	123,247
Repossessed properties	337,904	179,332	402,774
Gross Non-financial assets	2,429,225	1,484,130	1,830,552
Balance at the end of reporting period	5,262,307	3,527,647	5,150,761

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30-Jun-2025 Birr'000
Maturity analysis			
Current	4,777,866	1,447,290	4,644,152
Non-Current	484,441	294,959	514,873
	5,262,307	3,527,647	5,150,761

Emergency salary advance and receivable from employment agencies are non-interest bearing financial assets reclassify from loan and advance to financial assets during the reporting period



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45a Impairment allowance on other assets

A reconciliation of the allowance for impairment losses for other assets is as

	31 Dec. 2025	31 Dec. 2024	30-Jun-2025
	Birr'000	Birr'000	Birr'000
Balance at the beginning of the year	802,424	810,693	810,693
Reversal/Written off during the year	(157)	40,653	(1,974)
charge for the year	(79,052)	-	(6,295)
Balance at the end of the period	723,215	851,346	802,424

45b Inventory

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

	31 Dec. 2025	31 Dec. 2024	30-Jun-2025
	Birr'000	Birr'000	Birr'000
Stationery	19,895	38,554	23,200
Office supplies	35,821	28,172	45,163
Visa cards	13,414	22,645	18,754
Other stock	36,757	33,031	35,969
Memorial Coins	161	161	161
	106,048	122,563	123,247

47 Property and Equipment

Cost:	Office Equipments	Building	Motor vehicles	Furniture and Fittings	Computer Equipment	Capital work in Progress	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 1 July 2024	550,784	855,764	424,481	336,712	607,451	13,395	2,788,586
Additions	111,411	-	12,379	186,478	121,871	1,466	433,605
Disposals	(1,416)	-	(1,386)	(7,593)	(8,206)	-	(18,601)
Write-off	-	-	-	(186)	-	-	(186)
Reclassification	(36,614)	3,027	(3,343)	(15,331)	(36,946)	-	(89,207)
As at 30 June 2025	624,164	858,791	432,130	500,081	684,170	14,861	3,114,197
As at 1 July 2025	624,164	858,791	432,130	500,081	684,170	14,861	3,114,197
Additions	51,965	246,965	112,071	48,199	272,984	428,316	1,160,500
Disposals	(8,607)	-	-	(9,956)	(3,589)	-	(22,152)
Write-off	-	-	-	-	-	-	-
Reclassification	(10,707)	-	(4,034)	(24,594)	(15,740)	-	(55,075)



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As at 31 Dec. 2025	656,815	1,105,756	540,167	513,730	937,825	443,177	4,197,470
Accumulated depreciation;							
As at 1 July 2024	298,245	104,655	204,382	154,603	339,259	-	1,101,144
Charge for the year	48,645	16,317	30,929	35,983	69,912	-	201,786
Write-off				(110)		-	(110)
Disposals	(1,386)	-	(1,293)	(5,989)	(8,070)	-	(16,737)
Reclassification		441					441
As at 30 June 2025	345,504	121,413	234,019	184,486	401,101	-	1,286,523
As at 1 July 2025	345,504	121,413	234,019	184,486	401,101	-	1,286,523
Charge for the year	29,185	9,172	17,191	23,275	43,024	-	121,847
Write-off				-	-	-	-
Disposals	(8,211)	-	-	(8,117)	(3,385)	-	(19,714)
As at 31 Dec. 2025	366,478	130,586	251,210	199,644	440,739	-	1,388,656
Net book value							
As at 30 June 2025	278,661	737,378	198,111	315,594	283,068	14,861	1,827,673
As at 31 Dec. 2025	290,337	975,170	288,958	314,086	497,085	443,177	2,808,814

47a Leases

Amount recognized in statement or profit or loss in respect of leases for which the bank is lessee;

	31 Dec 2025	31 Dec 2024	30-Jun-2025
	Birr'000	Birr'000	Birr'000
Depreciation charge for right-of-use assets	187,245	152,698	310,569
Interest Expense on lease liabilities	13,339	86,089	27,984
Expense related to short-term leases	40,414	3,384	65,766
Cost of lease contracts - stamp duty	1,071	1,146	2,160
	242,070	243,317	406,480

Amount recognized in statement of financial position in respect of leases for which the bank is lessee;

	31 Dec 2025	31 Dec 2024	30 Jun 2025
	Birr'000	Birr'000	Birr'000
Right of use assets			
• Office building	946,583	900,138	984,040
Lease liabilities			
• Office building	274,219	236,892	272,700
Maturity analysis of lease liabilities			
Less than one year	65,812	56,854	65,448
More than one year	208,406	180,038	207,252
	274,219	236,892	272,700



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	31 Dec 2025	31 Dec 2024	30-Jun-2025
	Birr'000	Birr'000	Birr'000
48 Other liabilities			
Financial liabilities			
Blocked Account	9,484	9,484	9,488
Cash payment order payable	276,262	184,089	231,578
Customer deposits for letter of credit	2,974,834	1,957,999	1,564,389
Deferred revenue	288,916	123,859	128,681
Deposit for Guarantees Issued	28,566	13,907	11,003
Dividend payable	161,203	376,905	82,956
Exchange payable to NBE	75,060	71,208	9,178
Nostro Account	-	5	-
Old draft payable	59,002	61,092	59,966
Payable to Ethio switch	24,714	11,745	19,151
Prepaid card control account	5,668	11,088	9,551
Telegraphic transfer payable	12,397	12,400	12,397
Borrowing	-	1,000,000	-
	3,916,106	3,833,781	2,138,338
Non-financial liabilities			
Provision for court cases	70,355	62,568	70,355
Pension Contribution Pay	29,582	24,450	20,301
Stamp duty payable	4,401	4,522	5,746
Interest Tax Payable	37,091	13,019	20,907
Withholding tax payable	7,929	4,137	1,326
Employee income Tax Payable	68,115	57,565	105,726
VAT payable	73,224	95,274	46,376
Cost Sharing Payable	379	339	290
Technical Service Payable	1,299	7,178	5,801
Accrued leave pay	176,475	170,530	179,093
Sundry payables	624,742	473,029	549,063
Lease Liability	274,219	236,892	272,700
Employee Bonus Payable	-	-	259,210
	1,367,811	1,149,503	1,536,894
Gross amount	5,283,917	4,983,284	3,675,232
Maturity analysis			
	31 Dec 2025	31 Dec 2024	30-Jun-2025
	Birr'000	Birr'000	Birr'000
Current	5,075,511	4,803,243	3,480,972
Non-Current	208,406	180,038	207,252
	5,283,917	4,983,281	3,688,224



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Unaudited Separate Condensed Interim Financial Statements For the Interim Period Ended 31 December 2025

49 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit after tax attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the reporting period

	31 Dec. 2025 Birr'000	31 Dec 2024 Birr'000	30-Jun-2025 Birr'000
Profit attributable to shareholders	1,436,291	1,599,771	2,784,400
Weighted average number of ordinary shares in issue	8,262,959	5,539,904	6,028,243
Basic earnings per share (%age)	17.38%	28.88%	46.19%

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date and the year before, hence the basic and diluted profit per share have the same value.

	31 Dec 2025 Birr'000	31 Dec 2024 Birr'000	30-Jun-2025 Birr'000
50 Retained earnings			
At the beginning of the year	1,948,124	581,796	1,246,781
Dividend Paid/Capitalized	(1,948,124)	(581,796)	(1,246,781)
Board of directors remuneration	-	-	(1,500)
Profit/(Loss)for the year	1,436,291	1,599,771	2,784,400
Transfer to Legal Reserve	(359,073)	(399,943)	(696,100)
Transfer to Regulatory Reserve	(20,578)	(65,906)	(20,536)
Non-distributable reserve adjustment	-	-	(118,140)
Balance at the end of the reporting period	1,056,641	1,133,922	1,948,124

	31 Dec. 2025 Birr'000	31 Dec. 2024 Birr'000	30-Jun-2025 Birr'000
51 Reserve			

51a Legal Reserve

At the beginning of the year	2,887,721	2,191,622	2,191,622
Transfer from profit or loss	359,073	399,943	696,100
At the end of the reporting period	3,246,794	2,591,565	2,887,721

The banking business proclamation No. 1360/2025 article 22(1) requires the Bank to transfer annually 25% of its annual net profit to its legal reserve account.



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	31 Dec 2025	31 Dec 2024	30-Jun-2025
	Birr'000	Birr'000	Birr'000
52 Cash generated from operating activities			
Profit before tax	2,050,126	2,475,679	3,866,956
Adjustments for non-cash items:			
Depreciation of property and equipment	121,847	101,727	201,786
Depreciation of investment property	-	29	-
Amortisation of intangible assets	125,452	22,160	83,282
Depreciation of right of use assets	187,245	152,698	309,316
(Gain)/Loss on disposal of property, plant and equipment	1,564	(5,094)	-
Impairment on loans and receivables	429,355	725,303	460,048
Foreign currency exchange rate gain on cash and cash equivalents	-	(150,976)	-
Employee benefit obligations	53,238	131,773	179,801
Dividend income	(57,860)	(43,636)	(49,877)
Changes in working capital:			
-Decrease/ (Increase) in loans and advances	(10,585,359)	(4,521,465)	(8,348,682)
-Decrease/ (Increase) in other assets	(32,337)	(1,826,051)	(3,400,243)
-Increase/ (Decrease) in deposits from customers	13,449,279	6,592,332	13,233,869
-Increase/ (Decrease) in deposits from financial institutions	641,739	(563,451)	1,124,199
-Increase/ (Decrease) in other liabilities	1,608,685	1,615,064	307,015
	7,992,974	4,706,093	7,967,470



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53 Related party transactions

A number of transactions were entered into with related parties in the normal course of business. These are disclosed below

		31-Dec-2025	31-Dec-2024	30-Jun-2025
		Birr'000	Birr'000	Birr'000
53a Transactions with related parties	Nature of relationship			
Loans and advances to	• Influential shareholders	3,222,487	2,109,744	2,208,185
	• Key Management Personnel	117,096	97,754	98,111
		3,339,583	2,207,498	2,306,296
II. Deposit balances of	• Influential shareholders	15,197,149	858,859	964,841
	• Key Management Personnel	28,357	3,829	20,131
		15,225,505	862,688	984,971

53b Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management is shown. There were no sales or purchases of goods and services between the Bank and key management personnel as at 31 December 2025

		31-Dec-2025	31-Dec-2024	30-Jun-2025
		Birr'000	Birr'000	Birr'000
Salaries and other employee benefits to	• Board of Directors	590	600	1,560
	• Executive Management	19,796	16,983	35,441
		20,386	17,583	37,001

Compensation of the Bank's key management personnel includes salaries, non-cash benefits and contributions to the post-employment defined contribution plans



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54 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.

54a Capital adequacy ratio

'According to the Licensing & Supervision of Banking Business Directive No SBB/50/2011 (as ammended SBB/1360/2025) 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 ratio of the Bank's capital base to its risk-weighted asset base. As of December 31, 2025, the ratio stood at 16.16%, showing a marginal increase of 1.2% compared with the same period last year. This arises because of a new share issue, a rise in legal reserve, and an increase in risk-weighted assets during the Interim period ended December 31, 2025.

	31 Dec 2025	31 Dec 2024	30 June 2025
	Birr'000	Birr'000	Birr'000
Tier I Capital			
Share capital	10,094,666	6,213,504	7,028,357
Share premium	103,315	83,241	87,819
Legal reserve	3,246,794	2,591,565	2,887,722
Total regulatory capital	13,444,775	8,888,310	10,003,898
Total risk weighted assets	83,185,599	60,502,203	66,839,183
Capital Adequacy Ratio (CAR)	16.16%	14.69%	14.97%
Minium Capital Adequacy ratio	8%	8%	8%



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