# WEGAGEN BANK SHARE COMPANY

## ANNUAL CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the Year Ended 30 June 2026

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Wegagen Bank

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# Wegagen Bank S.C
# Annual Consolidated and Separate Financial Statements
## For the Year Ended 30 June 2026

### Directors, Executive Management, Auditor and Principal Correspondent Banks

| Name | Title in the Board | Membership on Board Committees | Date Appointed |
|---|---|---|---|
| Mr. Abdishu Hussien Waruyo | Chairman | Audit Sub-Committee | April 19,2024 |
| Mr. Woldegebriel Naizghi Aregai | Vice Chairman | Nomination, Remuneration and Credit sub-Committee | April 19,2024 |
| Mr. Gebregzabher Hadush Tedla | Member | Nomination, Remuneration and Credit Sub-Committee | April 19,2024 |
| Mr. Surafel Berhe Woldu | Member | Nomination and Remuneration Sub-Committee | April 19,2024 |
| Mr. Fikru Jiregna Shone | Member | Risk Management, Compliance and Credit Sub-committee | April 19,2024 |
| Mr. Hassen Yesuf Musa | Member | Audit Sub-Committee | April 19,2024 |
| Mr. Zenfu Asefaw G/Tinsae | Member | Risk Management and Compliance Sub-Committee | April 19,2024 |
| Mr. Fithanegest Gebru Abreha | Member | Audit Sub-Committee | April 19,2024 |
| Mr. Tesfatsion Desta Tesfa | Member | Nomination and Remuneration Sub-Committee | April 19,2024 |

### Executive Management

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

### Company Secretary

Mr. Haddush Hintsay Atsmu

### Independent Auditor

TMS Plus Audit Service Limited Liability Partnership
Chartered Certified Accountants and Authorized Auditors
Telephone: +251-930034356 Email: tmsplus@ethionet.et tafessef@hotmail.com
Addis Ababa, Ethiopia

### Principal Correspondent Banks

| | |
|---|---|
| Citi Bank | East Africa Bank,Djibouti |
| Commerz Bank | Citi Bank, London |
| CAC International Bank | UniCredit Bank |
| African Export Import Bank | Natixis Bank |
| Mashreq Bank | Aktif Bankasi |
| Exim Bank | |

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TMS Plus Audit Service LIMITED Liability Partnership TMS Plus

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

# Wegagen Bank S.C
# Annual Consolidated and Separate Financial Statements
## For the Year Ended 30 June 2026

### Report of the Directors

The directors submit their report together with the financial statements for the year ended 30 June 2026, 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 in creating sustainable economic development and raised an initial capital of Birr 30 million. As of June 30, 2026, the Bank's paid-up capital reached Birr 10.09 billion. As at June 30, 2026, the Bank has 15,598 shareholders and a network of 459 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 Earnings

The Bank's results for the year ended 30 June 2026 are set out on page 7 and 89. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 30-Jun-2026 Birr'000 | 30-Jun-2025 Birr'000 | 30-Jun-2026 Birr'000 | 30-Jun-2025 Birr'000 |
| Net Interest Income | 7,063,059 | 5,303,178 | 7,020,188 | 5,303,361 |
| Net operating income | 11,106,958 | 9,764,359 | 10,968,889 | 9,756,826 |
| **Profit before tax** | **4,306,596** | **3,852,553** | **4,256,843** | **3,866,956** |
| Tax charge | (1,152,343) | (1,075,043) | (1,148,738) | (1,082,556) |
| **Profit for the year** | **3,154,253** | **2,777,510** | **3,108,105** | **2,784,400** |
| **Other comprehensive income net of taxes** | **226,670** | **38,174** | **226,670** | **38,174** |
| **Total comprehensive income for the year** | **3,380,923** | **2,815,684** | **3,334,775** | **2,822,574** |
| **Earnings Per Share** | **34.40%** | **46.10%** | **33.90%** | **46.19%** |

Mr. Abdishu Hussien
Chairman, Board of Directors

# Wegagen Bank S.C
# Annual Consolidated and Separate Financial Statements
## For the Year Ended 30 June 2026

### 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 from pages 7 to 110 were approved and authorized for issue by the board of directors and management on September 04, 2026, and signed on their behalf by:

TMS Plus Audit Service LIMITED Liability Partnership

Mr. Abdishu Hussien
Chairman, Board of Directors

Aklilu Wubet (PhD)
Chief Executive Officer

TMS Plus

TMS Plus Audit Service Limited Liability Partnership

Tel. 251-011-8961752 /011 6180638 Mob. 0911 229425 /0930 034356/0930 034357 Fax: 251-011 662 12 70/60
E-mail:- tafessef@gmail.com / tafessef@hotmail.com P.O.Box 110690 Addis Ababa - Ethiopia

# INDEPENDENT AUDITOR'S REPORT ON THE ACCOUNTS OF WEGAGEN BANK SHARE COMPANY

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Wegagen Bank Share Company specified on pages 7 to 110, which comprise the statement of financial position as at 30 June 2026, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### *Basis for Opinion*

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As described in note 16 to the financial statements, the impairment losses have been determined in accordance with IFRS 9 Financial Instruments. This was considered a key audit matter as IFRS 9 is a complex accounting standard which requires significant judgment to determine the impairment losses.

IFRS 13 fair value measurement requires entities to measure fair value using observable inputs whenever possible, and unobservable inputs only when observable inputs are not available. In the case of the Bank's investment in other entities, the Bank has determined that there are no observable inputs available to measure fair value. Therefore, the Bank has used a valuation model that incorporates unobservable inputs, such as the discount rate and future cash flows.

The use of unobservable inputs in the valuation model poses a risk of material misstatement, as the Bank's judgment in determining these inputs could be biased or inaccurate. We have identified this as a key audit matter because of the following factors:

- The Bank's investment in other entities is significant, is material to the financial statements.
- The valuation of the investment is complex and requires the use of a number of unobservable inputs.

To address this key audit matter, we have performed the following audit procedures:

- We assessed the Bank's valuation methodology and evaluated the reasonableness of the key assumptions used in the valuation model.
- We compared the Bank's valuation results to those of independent market participants.

Based on our audit procedures, we believe that the Bank's valuation of its investment in other entities is reasonable and in accordance with IFRS 13. However, we recommend that the Bank consider the following actions to mitigate the risk of material misstatement in the future:

- Consider using a valuation methodology that incorporates more observable inputs.
- Regularly monitor the performance of the investment and update the valuation model as needed.

***Other Information***

The Directors are responsible for the other information, which comprises the Directors' report in accordance with Article 315(6)(c) of the Commercial Code of Ethiopia of 2021. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

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

***Responsibilities of Directors for the Financial Statements***

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. The Directors are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

***Report on Other Legal and Regulatory Requirements***

We have no comment to make on the report of your Board of Directors so far as it relates to these financial statements and, in accordance with the Commercial Code of Ethiopia of 2021 (Proclamation No. 1243/2021), we recommend approval of the financial statements. In addition, we have no objection to the amount of dividend proposed by the directors and hence, in accordance with article 349(3) of the Commercial Code of Ethiopia of 2021, we recommend approval of the proposed dividend distribution.

Tms Plus LLP

TMS Plus Audit Service Limited Liability Partnership
Chartered Certified Accountants (UK)
Authorized Auditors (ETH)

Addis Ababa
5 September 2026

# Wegagen Bank S.C
# Annual Consolidated and Separate Financial Statements
## For the Year Ended 30 June 2026

### Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Reporting Period Ended June 30 2026

| | Notes | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| Interest income | 5 | 11,689,003 | 8,459,357 |
| Interest expense | 6 | (4,625,943) | (3,156,179) |
| **Net interest income** | | **7,063,059** | **5,303,178** |
| Fee and Commission Income | 7 | 3,477,954 | 2,464,927 |
| Fee and Commission Expense | 7 | (112,043) | (99,689) |
| **Net fee and commission income** | **7** | **3,365,911** | **2,365,238** |
| **Net Trading Income** | | **10,428,970** | **7,668,417** |
| Other operating income | 8 | 1,197,050 | 2,555,514 |
| Loan impairment charge | 9 | (527,713) | (465,867) |
| Impairment losses on other assets reversal | 10 | 8,651 | 6,295 |
| **Net operating income** | | **11,106,958** | **9,764,359** |
| Salaries and benefits | 11 | (4,397,826) | (3,962,431) |
| Amortization of intangible assets | 20 | (305,715) | (83,282) |
| Depreciation of property and equipment | 21 | (283,197) | (202,212) |
| Depreciation of right-of-use asset | 21a | (355,683) | (310,569) |
| Other operating expenses | 12 | (1,455,829) | (1,352,225) |
| Audit fees | | (2,111) | (1,087) |
| **Total Operating Expenses** | | **(6,800,362)** | **(5,911,807)** |
| **Profit before income tax** | | **4,306,596** | **3,852,553** |
| Income tax expense | 13a | (1,152,343) | (1,075,043) |
| **Profit after tax** | | **3,154,253** | **2,777,510** |
| **Profit attributable to:** | | | |
| **Ordinary equity holders** | 28 | 3,148,488 | 2,778,853 |
| **Non-controling interest** | 29d | 5,765 | (1,343) |
| Other Comprehensive Income (OCI) net of income tax | | | |
| Remeasurement loss on retirement benefits | 25b | 46,992 | (119,790) |
| Fair value gain or (loss) of equity investments | 29c | 179,678 | 157,963 |
| **Total other comprehensive income (net of tax)** | | **226,670** | **38,174** |
| **Total comprehensive income for the period** | | **3,380,923** | **2,815,684** |
| **Basic & diluted earnings per share** | **27** | **34.40%** | **46.10%** |

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 September 04, 2026, and signed on their behalf by:

Mr. Abdishu Hussien
Chairman, Board of Directors

Aklilu Wubet (PhD)
Chief Executive Officer

# Wegagen Bank S.C
# Annual Consolidated and Separate Financial Statements
## For the Year Ended 30 June 2026

### Statement of Financial Position as at June 30, 2026

| | Notes | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and bank balances | 14 | 22,569,852 | 15,030,282 |
| Placements with Financial Institutions | 15 | 1,410,424 | 405,918 |
| Loans and advances to customers | 16a | 64,590,783 | 51,260,502 |
| Investment securities: | | | |
| - Equity Investments at FVOCI | 17a | 1,126,412 | 822,894 |
| - Debt Securities at Amortized Cost | 17a | 8,674,852 | 8,311,193 |
| Other assets | 18 | 7,615,426 | 5,159,025 |
| Intangible assets | 20 | 726,655 | 493,497 |
| Property and Equipment | 21 | 3,944,797 | 1,860,431 |
| Right-of-Use Asset | 21a | 657,319 | 993,853 |
| **Total assets** | | **111,316,522** | **84,337,595** |
| **LIABILITIES** | | | |
| Deposit from customers | 22 | 73,517,597 | 61,651,819 |
| Deposit from financial institutions | 23 | 7,735,887 | 4,498,218 |
| Current tax liabilities | 13c | 1,174,726 | 1,091,622 |
| Other liabilities | 24 | 10,830,605 | 3,688,224 |
| Employee benefit obligations | 25 | 543,327 | 504,869 |
| Deferred tax liabilities | 13d | 168,863 | 94,870 |
| **Total liabilities** | | **93,971,006** | **71,529,622** |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | 26 | 10,094,666 | 7,028,357 |
| Share premium | 26 | 103,315 | 87,819 |
| Retained earnings | 28 | 2,181,734 | 1,944,300 |
| Legal reserve | 29a | 3,674,563 | 2,885,999 |
| Regulatory risk reserve | 29b | 843,863 | 646,558 |
| Other reserve | 29c | 392,204 | 165,534 |
| | | **17,290,344** | **12,758,566** |
| Non-controlling interest | 29d | 55,172 | 49,407 |
| **Total equity** | | **17,345,516** | **12,807,973** |
| **Total liabilities and equity** | | **111,316,522** | **84,337,595** |

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 September 04, 2026, and signed on their behalf by:

Mr. Abdishu Hussien
Chairman, Board of Directors

Akilu Wubet (PhD)
Chief Executive Officer

## Consolidated Statement of Changes in Owners Equity for the Reporting Period Ended June 30 2026

| | 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-controling Interest | Total Birr'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at the beginning of the reporting period** | **5,058,890** | **74,917** | **1,246,781** | **2,191,623** | **507,882** | **127,360** | **-** | **9,207,451** |
| 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 (net of tax) | | | | | | 157,963 | | 157,963 |
| Profit for the year | | | 2,777,510 | | | | | 2,777,510 |
| Remeasurement of Defined Benefit plans (net of tax) | | | | | | (119,790) | | (119,790) |
| Directors' Share of Profits | | | (1,500) | | | | | (1,500) |
| Prior Period Adjustments | | | (118,140) | | 118,140 | | | - |
| Transfer to legal reserve | | | (694,378) | 694,378 | | | | - |
| Transfer from Regulatory Risk Reserve | | | (20,536) | | 20,536 | | | - |
| Non-controlling Interest | | | 1,343 | | | | 49,407 | 50,750 |
| **Balance at the end of 30 June 2025** | **7,028,357** | **87,819** | **1,944,300** | **2,886,001** | **646,558** | **165,534** | **49,407** | **12,807,973** |
| Dividend declared | | | (1,944,300) | | | | | (1,944,300) |
| New shares issued | 3,066,309 | 15,496 | | | | | | 3,081,805 |
| Fair value gain of Equity investments (net of tax) | | | | | | 179,678 | | 179,678 |
| Profit for the year | | | 3,154,253 | | | | | 3,155,665 |
| Re-measurement of Defined Benefit plans (net of tax) | | | | | | 46,992 | | 46,992 |
| Directors' share of profit | | | (1,413) | | | | | (1,413) |
| Prior year adjustment | | | 20,527 | | | | | 19,115 |
| Transfer to legal reserve | | | (788,563) | 788,563 | | | | - |
| Transfer to regulatory risk reserve | | | (197,305) | | 197,305 | | | - |
| Non-controlling interest | | | (5,765) | | | | 5,765 | - |
| **Balance at the end of the reporting period** | **10,094,666** | **103,315** | **2,181,734** | **3,674,564** | **843,863** | **392,204** | **55,172** | **17,345,517** |

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 September 04, 2026, and signed on their behalf by:

Mr. Abdishu Hussien
Chairman, Board of Directors

Aklilu Wubet (PhD)
Chief Executive Officer

# Wegagen Bank S.C
# Annual Consolidated and Separate Financial Statements
## For the Year Ended 30 June 2026

### Consolidated Statement of Cash flows for the Reporting Period Ended June 30 2026

| | Notes | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 30 | 10,930,695 | 7,189,925 |
| Profit tax assesment paid | | (17,373) | - |
| Income tax paid | 13c | (1,091,622) | (649,612) |
| **Net cash (outflow)/inflow from operating activities** | | **9,821,700** | **6,540,314** |
| **Cash flows from investing activities** | | | |
| Purchase of investment securities | 17 | (46,836) | (56,537) |
| Purchase of intangible assets | 20 | (539,676) | (528,711) |
| Purchase of property, plant and equipment | 21 | (2,346,442) | (469,816) |
| Proceeds from matured debt securities | 17b | (363,659) | (3,698,038) |
| Proceeds from disposal of property and equipments | | 48,783 | 6,967 |
| **Net cash (outflow)/inflow from investing activities** | | **(3,247,830)** | **(4,746,136)** |
| **Cash flows from financing activities** | | | |
| Share premium collected | 26 | 15,496 | 12,902 |
| New shares issued | 26 | 3,066,309 | 1,969,467 |
| Directors' remuneration paid | 28 | (1,413) | (1,500) |
| Dividend paid | 28 | (1,944,300) | (1,246,781) |
| Payment for leases | 21a | (183,477) | (646,391) |
| **Net cash (outflow)/inflow from financing activities** | | **952,477** | **87,697** |
| **Net increase/(decrease) in Cash and bank balances** | | **7,526,485** | **1,881,875** |
| Cash and bank balances at the beg. of the year | 14 | 15,030,282 | 13,123,499 |
| Effect of exchange rate movement on cash and cash equivalent | | 13,084 | 24,908 |
| **Cash and bank balances at the end of the year** | | **22,569,852** | **15,030,282** |

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 September 04, 2026, and signed on their behalf by:

Mr. Abdishu Hussien
Chairman, Board of Directors

Aklilu Wubet (PhD)
Chief Executive Officer

## Notes to the Consolidated Financial Statements for the Reporting Period Ended June 30 2026

## 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 later replaced by the 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 June 30, 2026, the paid up capital of the Bank reached Birr 10.09 billion contributed by 15,598 shareholders.

The Bank's registered office is at Kirkos Sub-City, Wereda 10, in front of the National Stadium, in Addis Ababa, Ethiopia. Besides, it operates in all twelve regions and two city administrations of Ethiopia by opening 459 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 year ended 30 June 2026 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.

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 estmates 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.

# Wegagen Bank S.C
# Annual Consolidated and Separate Financial Statements
## For the Year Ended 30 June 2026

### 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 following are amendments to standards that are effective for annual periods beginning after 30 June 2026, and have not been applied in preparing these financial statements.

| Standard | Description | Effective date | Impact |
|---|---|---|---|
| IFRS S1 General Requirements for Disclosure of Sustainability-Related Financial Information and IFRS S2 Climate-related Disclosures | IFRS S1 sets out general requirements for the disclosure of material information about sustainability-related financial risks and opportunities and other general reporting requirements. IFRS S2 sets out disclosure requirements that are specific to climate-related matters. These standards were developed in response to requests from primary users of general-purpose financial reporting for more consistent, complete, comparable and verifiable sustainability-related financial information to enable them to assess an entity's enterprise value. The standards will require disclosure of information about an entity's impacts and dependencies on people, the planet and the economy to meet the needs of primary users of general-purpose financial information. | Voluntary - Effective for periods starting on or after 1 January 2024. Endorsed in July 2026 by the Accounting and Auditing Board of Ethiopia" | The bank may apply it when it is application on or after the effective date. |
| Translation to a Hyperinflationary Presentation Currency – Amendments to IAS 21 | "The amendments to IAS 21 require translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. An entity whose functional currency and presentation currency are the currency of a hyperinflationary economy restates the comparative amounts of a foreign operation, whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of IAS 29, to the foreign operation's comparative figures" | Effective for annual periods beginning on or after 1 January 2027, but may be applied earlier. | The bank may apply it when it is application on or after the effective date. |

| Standard | Description | Effective date | Impact |
|---|---|---|---|
| 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. | Effective from annual reporting periods beginning on or after 1 January 2027 | The bank may apply it when it is application on or after the effective date. |
| 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); andenhanced 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 may apply it when it is application on or after the effective date. |
| IFRS 20 - Regulatory Assets and Regulatory Liabilities | It sets out the requirements for the recognition, measurement, presentation and disclosure of regulatory assets, regulatory liabilities, regulatory income and regulatory expense. It introduces requirements that will result in information that supplements the information an entity already provides by applying IFRS accounting standards, such as IFRS 15. Such information enables users of financial statements to understand the total allowed compensation for regulatory goods or services supplied in each reporting period and the related rights and obligations. | Effective for annual periods beginning on or after 1 January 2029 | The bank may apply it when it is application on or after the effective date. |

# Wegagen Bank S.C
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### 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 operating income or loss. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date with monetray 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 sevice 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. 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.

## 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.

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### 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 colection.

### 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.

#### 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.

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

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

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

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

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

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

### 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

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

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

No impairment loss shall be recognized on equity investments.

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

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

Loss allowances for lease receivables shall always be measured at an amount equal to lifetime ECL. 12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments'.

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

- 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 PDs.

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### ii. 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,

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, 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.

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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 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
- 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.

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.

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

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

### 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.

### 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.

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.

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### 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.
IFRS 9 requires amortised cost instruments to reflect time value via the Effective Interest Rate (EIR) method. To comply with Sharia prohibitions on interest (Riba), Interest-Free Banking uses the same calculation under the name Effective Profit Rate (EPR) or Effective Profit Method (EPM).

## 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 profit or loss as incurred.

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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 (years) |
|---|---|
| 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 or 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 profit or loss 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.

### 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 Profit or loss 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 Profit or loss.

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 range from two to six years.

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## 2.10 Impairment of non-financial asset

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 Profit or loss.

## 2.11 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 the carrying amounts of the investment.

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### 2.12 Fair value measurement

The Bank measures financial instruments 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. 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 regularly, the Bank determines whether transfers have occurred between Levels in the hierarchy by reassessing 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 recurring fair value measurement.
For fair value disclosures, the Bank has determined classes of assets and liabilities based on the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## 2.13 Employee benefits

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

### a. Defined contribution plan

The Bank operates defined contribution plan;

The Bank operates defined contribution plan;

- pension scheme in line with the provisions of Ethiopian pension of private organisation employees proclamation 715/2011 (as ammended no. 1268/2022).

Funding under the scheme is 7% and 11% by employees and the Bank respectively;

### b. Defined benefit plan

The liability or asset 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 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 Profit or loss 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 Profit or loss

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.

### c. 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.

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### 2.14 Provisions

Provisions are recognised when the bank has a present obligation (legal or constructive) as a result of a past event, an outflow of resources embodying economic benefits will probably 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 profit or loss 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.

### 2.15 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.

### 2.16 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.

### 2.17 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.
- 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 arrengment 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 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 masures:

- 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.

## 2.18 Income taxation

### a. Current income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. 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

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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.

### 2.19 Consolidated financial statements

### 2.19.1 Subsidiery

The bank controls and hence consolidate an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power exists where the bank has existing rights that give it the current ability to direct the relevant activities of the investee (i.e. the activities that most significantly affect the entity's returns).

These requirements apply to all entities, including voting right entities (also commonly known as operating entities) and structured entities. Only substantive rights, and not protective rights, are considered when assessing power. For rights to be substantive, the party must have the practical ability to exercise those rights, and such rights must not be protective in nature. Protective rights are designed at inception to protect the interests of the holder against future risks without giving that party participative power over the entity, and hence that party cannot at inception have power or prevent another party from having power over the entity.

Factors that have been considered by the bank in reaching decision of consolidate investee are as follows:

- Wegagen bank aquired 86.82% or near to 87% of Wegagen-capital invetsment bank shares. This gives Wegagen bank majority ownership (i.e >50%);
- majority of board membership and key decisions are under control;
- having majority votes; and
- Due to majority owneship, It takes big chunk of profit or loss

The bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control included above.Intragroup transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the bank for the purposes of the consolidation.Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control.

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements of the investor. The cost of these investments is assessed for impairment when there are indicators that an impairment may have occurred. Where an indicator of impairment exists, the recoverable amount of the investment is calculated and an impairment loss is recognised to the extent that the recoverable amount of the investment is less than its cost.

## 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.

#### 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 collaterised.

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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.

### Fair value measurement of financial instrument

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 severance benefits, and the 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 of 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.

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.

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## 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 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.

### 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 June 30,2026

| Financial assets | Financial assets (Birr '000) | | | |
|---|---|---|---|---|
| | 30-Jun-26 | | | 30-Jun-25 |
| | Classification under IFRS 9 | New carrying amount under IFRS 9 | Increase/ decrease | Original carrying amount |
| Cash and bank balances | Amortised cost | 22,569,852 | 7,539,570 | 15,030,282 |
| Placements with Financial Institutions | Amortised cost | 1,410,424 | 1,004,506 | 405,918 |
| Loans and advances to customers (net) | Amortised cost | 64,590,783 | 13,330,281 | 51,260,502 |
| Equity Investments at FVOCI | FVOCI | 1,126,412 | 303,518 | 822,894 |
| Investment securities: Loans and receivables | Amortised cost | 8,674,852 | 363,659 | 8,311,193 |
| Other financial assets at amortised cost | Amortised cost | 4,496,614 | 1,168,141 | 3,328,473 |
| **Total financial assets** | | **102,868,938** | **23,709,676** | **79,159,262** |
| **Financial liabilities** | | | | |
| Deposits from customers | Amortised cost | 73,517,597 | 11,865,778 | 61,651,819 |
| Deposit from financial institutions | Amortised cost | 7,735,887 | 3,237,669 | 4,498,218 |
| Other financial liabilities | Amortised cost | 10,830,605 | 7,142,381 | 3,688,224 |
| **Total financial liabilities** | | **92,084,089** | **22,245,827** | **69,838,261** |

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.

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### 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.

### 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:

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Loans and advances; | | |
| Manufacturing | 9,003,245 | 7,855,541 |
| Domestic Trade and Services | 10,077,936 | 9,580,063 |
| Construction | 12,761,095 | 8,241,443 |
| Transport Service | 5,528,862 | 4,228,026 |
| Export | 12,240,822 | 8,791,973 |
| Import | 14,969,721 | 13,242,348 |
| Staff loans | 486,681 | 311,679 |
| Digital lending | 1,215,718 | 624,095 |
| IFB-Financing & Investments | 1,030,936 | 650,146 |
| | **67,315,017** | **53,525,315** |
| **Off-statement of financial position exposure;** | | |
| Guarantees | 9,246,187 | 4,583,597 |
| Letter of Credit | 24,380,565 | 3,322,967 |
| Undrawn loan and advances | 8,878,483 | 6,100,397 |
| | **42,505,235** | **14,006,961** |

### 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

| | June 30,2026 | | | Birr'000 |
|---|---|---|---|---|
| **Loans & advances to customers** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Stage 1 – Pass | 61,061,684 | | | 61,061,684 |
| Stage 2 – Special mention | | 2,582,018 | | 2,582,018 |
| Stage 3 - Non performing | | | 3,671,316 | 3,671,316 |
| **Total gross exposure** | **61,061,684** | **2,582,018** | **3,671,316** | **67,315,017** |
| Loss allowance | 876,949 | 49,260 | 1,798,025 | 2,724,234 |
| **Net carrying amount** | **60,184,735** | **2,532,758** | **1,873,291** | **64,590,783** |

| | June 30,2025 | | | 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** | **53,525,315** |
| Loss allowance | 662,783 | 35,842 | 1,566,188 | 2,264,813 |
| **Net carrying amount** | **47,240,452** | **2,387,653** | **1,632,398** | **51,260,502** |

#### b. Credit Quality Analysis for Others Assets

| | | June 30,2026 | | Birr'000 |
|---|---|---|---|---|
| **Item** | **Stage** | **Gross Exposure** | **Loss allowance** | **Net carrying amount** |
| Cash and balances with banks | 12 Month ECL | 23,980,735 | (459) | 23,980,276 |
| Investment securities (debt instruments) | 12 Month ECL | 8,675,334 | (482) | 8,674,852 |
| Other financial assets | Lifetime ECL | 4,496,614 | (621,720) | 3,874,894 |
| **Totals** | | **37,152,683** | **(622,660)** | **36,530,022** |

| | | June 30,2025 | | Birr'000 |
|---|---|---|---|---|
| | **Stage** | **Gross Exposure** | **Loss allowance** | **Net carrying amount** |
| Cash and bank balances | 12 Month ECL | 15,436,265 | (65) | 15,436,200 |
| 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** | | **27,076,342** | **(802,900)** | **26,273,442** |

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### 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 | 30-Jun-26 | 30-Jun-25 | Principal type of collateral held |
|---|---|---|---|
| Loans and Advances | 116,812,674 | 99,558,522 | Land and building, vehicles,machines, shares and bank guarantees |

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

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

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

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

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

### Macroeconomic variable selection

The macroeconomic variables selected for the estimation of forward-looking adjustments for each portfolio cluster are presented below

| Sector/Product | Macroeconomic factors |
|---|---|
| "Cluster 1<br>Agriculture, Consumer Loans,and Interest Free Financing " | • Import cover months • Current account bal, USD • G&S bal, USD • Nominal Effective Exchange Rate Index • CPI inflation, 2010=100, eop • Trade, goods bal, USD • Goods imp, USD |
| "Cluster 2<br>Domestic Trade & Services,Mining and Energy,Transport,Health,Merchadise,Financial services" | • CPI inflation, 2010=100, eop • Import cover months • Services exp, LCU • Current account bal, USD • Capex, LCU • Total revenue, LCU |
| "Cluster 3<br>Building & Construction,Hotel & Tourism,Manufacturing & Production Industry,Real estate,Housing & construction" | • Import cover months • G&S imp, LCU • Private final cons, LCU • Budget bal, USD • Services imp, USD • Trade, goods bal, USD |
| "Cluster 4<br>Export,Import,Advance against import bills,International Trade" | • Nominal Effective Exchange Rate Index • Use of IMF credit/cap, USD • Total revenue, USD • Capex, USD • Total expend, USD • LCU/USD, eop • Total govt debt, LCU |

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The economic scenarios used included the following key indicators for Ethiopia for the years 2024 to 2026:

| Indicators | 30-Jun-24 | 30-Jun-25 | 30-Jun-26 |
|---|---|---|---|
| CPI inflation, 2010=100, eop | 944 | 1,067 | 1,195 |
| CPI inflation, 2010=100, avg | 964 | 1,127 | 1,276 |
| Total debt service, LCU | 98,864,143,239 | 195,771,067,239 | 315,190,348,840 |
| Total debt service, USD | 1,462,645,000 | 1,688,140,000 | 2,070,855,000 |
| Total debt service/cap, USD | 11 | 13 | 15 |
| Use of IMF credit, LCU | 173,964,221,650 | 353,471,027,200 | 450,363,006,000 |
| Use of IMF credit, USD | 1,703,500,000 | 2,485,000,000 | 2,724,000,000 |
| Use of IMF credit/cap, USD | 13 | 19 | 20 |
| Total govt debt, LCU | 4,831,770,464,500 | 7,092,427,370,000 | 8,528,988,000,000 |
| Total govt debt, USD | 56,080,000,000 | 50,175,000,000 | 51,610,000,000 |
| Total govt debt/cap, USD | 431 | 375 | 376 |
| G&S exp, LCU | 613,920,500,000 | 700,861,500,000 | 803,019,500,000 |
| G&S exp, USD | 9,217,423,626 | 6,657,107,086 | 5,297,772,455 |
| G&S imp, LCU | 1,301,269,500,000 | 1,484,423,500,000 | 1,687,460,000,000 |
| G&S imp, USD | 19,542,132,909 | 14,098,507,327 | 11,140,321,060 |
| G&S bal, LCU | (823,414,009,200) | (1,212,724,966,200) | (1,746,386,743,750) |
| G&S bal, USD | (12,017,000,000) | (11,171,000,000) | (11,409,500,000) |
| Transport & comms nom GVA, LCU | 348,182,000,000 | 418,931,000,000 | 509,268,000,000 |
| Transport & comms nom GVA, USD | 5,192,643,199 | 3,957,960,611 | 3,348,856,134 |
| Finance, public sector nom GVA, LCU | 1,775,622,500,000 | 2,095,806,500,000 | 2,360,882,500,000 |
| Finance, public sector nom GVA, USD | 26,168,338,725 | 20,136,675,501 | 15,542,266,542 |
| Trade, accom & food nom GVA, LCU | 1,600,576,000,000 | 1,916,969,500,000 | 2,137,322,500,000 |
| Trade, accom & food nom GVA, USD | 23,490,796,639 | 18,429,095,862 | 14,079,757,031 |
| Utilities nom GVA, % GDP | 1 | 1 | 0 |
| Budget bal, LCU | (227,042,000,000) | (239,859,500,000) | (349,953,000,000) |
| Budget bal, USD | (3,435,244,621) | (2,301,468,806) | (2,261,925,704) |
| Goods imp, LCU | 1,229,003,419,800 | 2,250,866,360,800 | 3,495,783,871,000 |
| Goods imp, USD | 17,475,000,000 | 20,221,000,000 | 22,839,000,000 |
| Goods exp, LCU | 325,231,662,650 | 771,227,727,650 | 1,315,885,537,750 |
| Goods exp, USD | 4,525,500,000 | 6,697,500,000 | 8,595,500,000 |
| Trade, goods bal, LCU | (903,799,057,650) | (1,479,638,633,150) | (2,179,898,333,250) |
| Trade, goods bal, USD | (12,950,000,000) | (13,523,500,000) | (14,243,500,000) |
| STER, Economic Growth | 2 | 10 | 15 |
| Services imp, LCU | 435,786,095,400 | 636,996,178,900 | 938,076,939,750 |
| Services imp, USD | 6,569,500,000 | 5,712,500,000 | 6,156,000,000 |
| Services exp, LCU | 516,729,843,200 | 903,868,545,200 | 1,371,588,529,250 |
| Services exp, USD | 7,502,000,000 | 8,064,500,000 | 8,990,000,000 |

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| | | | |
|---|---|---|---|
| Current account bal, USD | (4,373,000,000) | (3,110,000,000) | (3,055,000,000) |
| Trade, services bal, LCU | 80,343,747,800 | 266,872,366,300 | 433,511,589,500 |
| Trade, services bal, USD | 932,500,000 | 2,352,000,000 | 2,834,000,000 |
| Broad money (% GDP) - Sovereign Scorecard | 19 | 18 | 17 |
| Import cover months | 1 | 2 | 3 |
| Real GDP, USD (PPP) constant 2010 | 260,680,512,078 | 280,868,102,602 | 302,764,565,715 |
| Nominal GDP, LCU | 10,237,224,000,000 | 12,810,021,000,000 | 15,166,203,500,000 |
| Nominal GDP/cap, USD | 1,159 | 909 | 728 |
| Nominal GDP, USD | 151,010,901,099 | 121,238,539,526 | 99,893,205,132 |
| Nominal GDP, USD (PPP) | 413,416,542,668 | 457,383,695,022 | 501,069,643,065 |
| Real GDP, LCU (2010 prices) | 1,115,869,000,000 | 1,202,284,000,000 | 1,296,014,000,000 |
| Real GDP, USD (2010 prices) | 77,439,276,593 | 83,436,320,231 | 89,941,011,548 |
| Real GDP/cap, LCU | 8,556 | 8,985 | 9,444 |
| Real GDP/cap, USD (2010 prices) | 594 | 624 | 655 |
| Private final cons, LCU | 8,153,314,500,000 | 10,338,613,000,000 | 12,286,377,500,000 |
| Private final cons/cap, LCU | 62,422 | 77,214 | 89,479 |
| Private final cons, USD | 120,076,607,802 | 97,695,959,563 | 80,936,930,713 |
| Private final cons/cap, USD | 922 | 732 | 590 |
| Private final cons, LCU (2010 prices) | 809,576,500,000 | 868,142,000,000 | 912,745,000,000 |
| Private final cons, USD (2010 prices) | 56,183,134,855 | 60,247,473,906 | 63,342,840,884 |
| Private final cons/cap, LCU (2010 prices) | 6,207 | 6,489 | 6,652 |
| Govt final cons, LCU | 600,553,500,000 | 693,678,500,000 | 788,168,500,000 |
| Govt final cons/cap, LCU | 4,602 | 5,182 | 5,741 |
| Govt final cons, USD | 8,981,237,743 | 6,598,424,767 | 5,201,128,032 |
| Govt final cons/cap, USD | 69 | 49 | 38 |
| Govt final cons, LCU (2010 prices) | 91,139,000,000 | 96,639,000,000 | 100,024,500,000 |
| Govt final cons, USD (2010 prices) | 6,324,880,635 | 6,706,570,620 | 6,941,518,155 |
| Govt final cons/cap, LCU (2010 prices) | 699 | 722 | 729 |
| Savings, LCU | 2,259,646,500,000 | 2,813,748,000,000 | 2,727,280,000,000 |
| Savings/cap, LCU | 17,269 | 21,049 | 19,881 |
| Lending rate, %, avg | 15 | 15 | 14 |
| Lending rate, %, eop | 15 | 15 | 13 |
| M1, LCU | 584,105,000,000 | 660,745,000,000 | 747,570,000,000 |
| M1, LCU | 584,105,000,000 | 660,745,000,000 | 747,570,000,000 |
| M2, LCU | 1,932,335,000,000 | 2,247,120,000,000 | 2,613,620,000,000 |
| M2, LCU | 1,932,335,000,000 | 2,247,120,000,000 | 2,613,620,000,000 |
| Total employment | 38,138,900 | 39,189,350 | 48,031,600 |
| Total revenue, LCU | 802,382,500,000 | 1,229,344,000,000 | 1,839,128,000,000 |

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| | | | |
|---|---|---|---|
| Total revenue, USD | 11,941,431,529 | 11,047,662,877 | 12,048,698,831 |
| Total expend, LCU | 1,029,424,500,000 | 1,469,203,000,000 | 2,189,081,000,000 |
| Total expend, USD | 15,376,676,150 | 13,349,128,070 | 14,310,623,946 |
| Current expend, LCU | 617,737,500,000 | 860,970,500,000 | 1,256,472,000,000 |
| Current expend, USD | 9,287,824,333 | 7,813,575,990 | 8,228,997,676 |
| Capex, LCU | 411,687,500,000 | 608,233,500,000 | 932,609,000,000 |
| Capex, USD | 6,088,857,870 | 5,535,561,747 | 6,081,626,858 |
| Budget bal, LCU | (227,042,000,000) | (239,859,500,000) | (349,953,000,000) |
| Budget bal, USD | (3,435,244,621) | (2,301,468,806) | (2,261,925,704) |
| LCU/USD, avg | 69 | 111 | 152 |
| LCU/USD, eop | 91 | 141 | 165 |
| Nominal Effective Exchange Rate Index | 30 | 19 | 13 |
| Real effective exchange rate index | 173 | 126 | 96 |
| Political Risk Index | 59 | 59 | 59 |
| Central bank policy rate, %, eop | 11 | 15 | 16 |

### Non-performing loan rates computation

For purposes of the FLI analysis, Stage 3 outstanding balances and total gross loan balances were collected from the 27 member banks across the relevant economic sectors over the period 2021 to 2026, representing ten semi-annual data points. The sector data was aggregated to derive cluster-level NPL ratios for each reporting period. Sector-level NPL ratios were calculated as aggregate Stage 3 balances divided by total gross loans per cluster and subsequently mapped to the defined portfolio clusters. A summary of the resulting cluster-level NPL ratios is presented below

| Date | Cluster 1 | Cluster 2 | Cluster 3 | Cluster 4 |
|---|---|---|---|---|
| December 2021. | 19.06% | 9.11% | 9.32% | 5.78% |
| June 2022. | 12.26% | 6.10% | 7.22% | 3.39% |
| December 2022. | 7.93% | 6.14% | 8.50% | 3.78% |
| June 2023. | 7.25% | 5.79% | 3.97% | 2.55% |
| December 2023. | 8.21% | 6.81% | 4.37% | 4.29% |
| June 2024. | 8.88% | 5.70% | 2.91% | 4.35% |
| December 2024. | 9.17% | 6.43% | 4.92% | 5.46% |
| June 2025. | 8.18% | 4.77% | 4.36% | 4.16% |
| December 2025. | 7.68% | 4.22% | 6.31% | 4.16% |
| June 2026. | 7.30% | 4.81% | 5.44% | 4.23% |

### Scenario weights

Scenario weights were derived using the historical distribution of cluster-level NPL ratios over the observation period from 2021 to 2026, comprising ten semi-annual data points. For each cluster, the historical mean and standard deviation of the NPL ratio were calculated. A confidence interval was then established using the mean NPL ratio plus or minus one standard deviation. Historical NPL observations falling within this range were

classified as base scenario outcomes. Observations exceeding the upper bound of the interval were classified as downside scenario outcomes, reflecting periods of elevated credit risk and deteriorating portfolio performance. Conversely, observations falling below the lower bound were classified as upside scenario outcomes, reflecting periods of improved credit quality and lower-than-expected default experience. The frequency of observations within each category was subsequently used to estimate the probability of occurrence of the respective scenarios. These probabilities were then applied as the scenario weights for the base, upside, and downside scenarios in the computation of probability-weighted forward-looking adjustments.

The resulting scenario weights are presented below

**Summary of scenario weightings**

| | Base | Downside | Upside |
|---|---|---|---|
| Cluster 1 | 90.00% | 10.00% | 0.00% |
| Cluster 2 | 80.00% | 10.00% | 10.00% |
| Cluster 3 | 70.00% | 20.00% | 10.00% |
| Cluster 4 | 70.00% | 20.00% | 10.00% |

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2026 represent the allowance account for credit losses and reflect the measurement basis under IFRS 9.

## a. Reconcilation of loan loss allowance

| 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 | 455,885 | (10,727) | (7,042) | 438,116 |
| Transfer to Lifetime ECL not credit impaired | (22,684) | 1,312 | (818) | (22,190) |
| Transfer to Lifetime ECL credit impaired | (483,727) | (4,628) | 946,925 | 458,569 |
| Net remeasurement of Loss allowance | (284,218) | (7,401) | (826,270) | (1,117,889) |
| Net financial assets originated or purchased | 387,218 | 24,045 | 337,399 | 748,661 |
| Financial assets derecognised | (177,293) | (14,050) | (361,898) | (553,241) |
| **Balance at 30 June 2026** | **860,871** | **48,858** | **1,813,679** | **2,723,408** |

| 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) | (510,393) |
| Transfer to Lifetime ECL not credit impaired | (10,717) | 4,539 | (14,741) | (20,918) |
| Transfer to Lifetime ECL credit impaired | (14,771) | (921) | 641,922 | 626,230 |
| Net remeasurement of Loss allowance | 1,125,448 | 13,004 | 832,441 | 1,970,893 |
| Net financial assets originated or purchased | 282,431 | 16,538 | 58,232 | 357,201 |
| Financial assets derecognised | (190,816) | (2,873) | (76,786) | (270,475) |
| **Balance at 30 June 2025** | **662,662** | **35,842** | **1,566,188** | **2,264,692** |

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### b. Reconcilation of off-financial position allowance

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Balance at 1 July 2025 | 121 | | | 121 |
| Transfer to 12 months ECL | 79 | | | 79 |
| Net remeasurement of Loss allowance | 200 | | | 200 |
| Net financial assets originated or purchased | 626 | | | 626 |
| **Balance at 30 June 2026** | **826** | | | **826** |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Balance at 1 July 2024 | 248 | | | 248 |
| Net financial assets originated or purchased | 120 | | | 120 |
| Financial assets derecognised | (248) | | | (248) |
| **Balance at 30 June 2025** | **121** | | | **121** |

### c. Reconcilation of other assets alowance

| 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 | 802,424 | 802,900 |
| Net remeasurement of loss allowance | 394 | 71 | (180,704) | (180,240) |
| **Balance as at 30 June 2026** | **459** | **482** | **621,720** | **622,660** |

| 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 Managment 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.

### 4.4.3 Maturity analysis of financial Assets and Financial liabilities

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 liquidty 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

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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:

- 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 at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future. Considering that 37% of the deposits will be withdrawan within a short period of time; one year without any additioanl deposit mobilization, which is unlikely to happen, there will be a positive liquidty gap between maturing assets and liabilities. Moreover, in terms of regulatory compliance in terms of liquidty postion, the Bank's liquidity postion as at June 30,2026 stood at 27.99%, which is well above the regulatory requirement of 15% indicating that the Bank is liquid to honor its committments. This was a persistent penomena during the whole year.

| 30 June 2026<br>ASSETS | Below 1 year<br>Birr'000 | 1-3 years<br>Birr'000 | Over 3 years<br>Birr'000 | Total<br>Birr'000 |
|---|---|---|---|---|
| Cash and Bank Balances | 22,569,852 | - | - | 22,569,852 |
| Placements with Financial Institutions | 1,410,424 | - | - | 1,410,424 |
| Debt Securities at Amortized Cost | - | 1,184,966 | 7,126,157 | 8,674,852 |
| Loans and advances | 18,020,829 | 28,516,831 | 18,053,124 | 64,590,783 |
| Other assets | 6,914,675 | 700,751 | - | 7,615,426 |
| **TOTAL** | **48,915,780** | **30,402,548** | **25,179,281** | **104,861,338** |
| LIABILITIES | | | | |
| Deposits | 30,063,789 | 5,129,836 | 46,059,858 | 81,253,484 |
| Other liabilities | 10,658,779 | 10,310 | 161,517 | 10,830,605 |
| Income Tax payable | 1,174,726 | - | - | 1,174,726 |
| **TOTAL** | **41,897,294** | **5,140,146** | **46,221,375** | **93,258,815** |
| Net Mismatch | * 7,018,486 | 25,262,402 | (21,042,095) | 11,602,523 |
| **Cumulative Mismatch** | **7,018,486** | **32,280,888** | **11,238,793** | |

| 30 June 2025 ASSETS | Below 1 year Birr'000 | 1-3 years Birr'000 | Over 3 years Birr'000 | Total Birr'000 |
|---|---|---|---|---|
| Cash and Bank Balances | 15,768,955 | 0 | 0 | 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 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.

### iii. 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.

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

| 30 June 2026 | Interest bearing Birr'000 | Non-interest bearing Birr'000 | Total Birr'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and bank balances | 11,749,993 | 10,819,859 | 22,569,852 |
| Placements with Financial Institutions | 1,410,424 | - | 1,410,424 |
| Loans and advances to customers | 64,590,783 | | 64,590,783 |
| Equity Investments at FVOCI | | 1,126,412 | 1,126,412 |
| Debt Securities at Amortized Cost | 8,674,852 | | 8,674,852 |
| Other Financial Assets | | 4,496,614 | 4,496,614 |
| **Total** | **86,426,052** | **16,442,886** | **102,868,938** |
| **Financial liabilities** | | | |
| Deposits from customers | 73,517,597 | | 73,517,597 |
| Deposits from Financial Institutions | 7,735,887 | | 7,735,887 |
| Guarantees issued | | 9,246,187 | 9,246,187 |
| Letter of credit | | 24,380,565 | 24,380,565 |
| Loan commitments | 8,878,483 | | 8,878,483 |
| Other Financial liabilities | | 9,025,632 | 9,025,632 |
| **Total** | **90,131,967** | **42,652,383** | **132,784,350** |

| 30 June 2025 | Interest bearing Birr'000 | Non-interest bearing Birr'000 | Total Birr'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and bank balances | 7,620,121 | 7,410,161 | 15,030,282 |
| 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 | | 2,526,049 | 2,526,049 |
| **Total** | **67,191,817** | **10,759,104** | **77,950,920** |
| Financial liabilities | | | |
| Deposits from customers | 61,651,819 | | 61,651,819 |
| Deposits from Financial Institutions | 4,498,218 | | 4,498,218 |
| 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** | **72,250,434** | **10,044,902** | **82,295,337** |

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### iv. 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 balance**

| Cash and bank balances; | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| USD | 11,051,462 | 6,417,734 |
| GBP | 84,049 | 3,004 |
| Euro | 278,980 | 205,533 |
| Other currencies | 39,730 | 8,828 |
| | **11,454,221** | **6,635,100** |

**Sensitivity analysis for foreign exchange risk**

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

| 30 June 26 | Basis points | Effect of appreciation of the Birr against foreign currencies | Effect of depreciation of the Birr against foreign currencies |
|---|---|---|---|
| | Birr'000 | Birr'000 | Birr'000 |
| USD | 10% | 1,105,146 | (1,105,146) |
| GBP | 10% | 8,405 | (8,405) |
| Euro | 10% | 27,898 | (27,898) |
| **Total** | | **1,141,449** | **(1,141,449)** |

| 30 June 2025 | Basis points | Effect of appreciation of the Birr against foreign currencies | Effect of depreciation of the Birr against foreign currencies |
|---|---|---|---|
| | Birr'000 | Birr'000 | Birr'000 |
| USD | 10% | 641,773.41 | (641,773) |
| GBP | 10% | 300 | (300) |
| Euro | 10% | 20,553 | (20,553) |
| **Total** | | **662,627** | **(662,627)** |

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### 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 assessmnet of potentail operational risk areas including IT security risks, made register of operational risk incldents, investigated them and took action on perperators and strengthen its internal controls accordingly. Despite the number of operational risk incidents, the Bank sustained insignifact losses.

### 4.7 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.

### 4.7.1 Risk based capital adequency

During the reporting period, the National Bank of Ethiopia issued a new risk-based capital adequacy directive in line with Basel II/III. It is the replacement for the long-serving directive SBB/9/95, since August 18, 1995. According to the Licensing & Supervision of Banking Business Directive No. SBB/95/2025 of the National Bank of Ethiopia, a bank shall, at all times, maintain the following minimum capital adequacy ratio for each component of tier of capital and the total regulatory capital:

- Common Equity Tier 1 (CET1) ratio: seven percent (7 %) of risk-weighted assets;
- Tier 1 capital ratio: nine percent (9%) of risk-weighted assets; and
- Total capital (Tier 1 Capital plus Tier 2 Capital) ratio: eleven percent (11%) of risk-weighted assets.

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. As at June 30, 2026, the total capital to risk-weighted asset ratio stood at 14.39%, showing a marginal decrease of 0.57% compared with the same period last year. This arises because of a new incorporation in the calculation of risk-weighted assets, i.e., operational and market risk.

| **Capita adequency ratio** | **30-Jun-26** | **30-Jun-25** |
|---|---|---|
| **Capital** | | |
| CET1 | 12,383,855 | 10,002,175 |
| Additional Tier1 | - | - |
| Tier2 | 1,033,452 | - |
| **Total eligible capital base** | **13,417,307** | **10,002,175** |
| **Risk Weighted Assets** | | |
| Credit | 82,676,160 | 66,839,183 |
| Operational | 6,670,171 | - |
| Market | 2,063,948 | - |
| **Total risk weighted asset** | **91,410,280** | **66,839,183** |

| | | |
|---|---|---|
| Total eligible capital to risk weighted asset ratio | 14.39% | 14.96% |
| CET1 to risk weighted asset | 13.26% | - |
| Total Tier 1 capital to risk weighted asset | 13.26% | - |

CET1 capital of birr 13.4 bilion includes paid-up shares, share premium and legal reserves less deductibles of intangible assets. We have no additional tier I capital. Trier II capital of birr 1.03 Billion includes loan loss provisions up to 1.25 percentage point of credit risk weighted assets. Total risk weighted assets of birr 91.4Billion includes on balance sheet of Birr 75.6 Billion and off-balance sheet credit risk weighted assets of birr 7billion whereas operational risk weighted assets of Birr 6.6 Billion and market risk weighted assets of 2.06 Billion as of June 30, 2026.

## 4.8 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.

### 4.8.1 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 date 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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### 4.8.2 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.

| 30 June 2026 | 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 | 22,569,852 | 22,569,852 | 22,569,852 | | | 22,569,852 |
| Placements with Financial Institutions | 1,410,424 | 1,410,424 | 1,410,424 | | | 1,410,424 |
| Loans and advances to customers | 64,590,783 | 64,590,783 | | | 64,590,783 | 64,590,783 |
| Investment securities; | | | | | - | - |
| • Debt Securities at Amortized Cost | 8,674,852 | 8,674,852 | | | 8,674,852 | 8,674,852 |
| • Equity Investments at FVOCI | 331,232 | 1,126,412 | | | 1,126,412 | 1,126,412 |
| Other Financial Assets | 4,496,614 | 4,496,614 | | | 4,496,614 | 4,496,614 |
| **Total** | **102,073,757** | **102,868,938** | **23,980,276** | **-** | **78,888,662** | **102,868,938** |
| **Financial liabilities** | | | | | | |
| Deposits from customers | 73,517,597 | 73,517,597 | | | 73,517,597 | 73,517,597 |
| Deposit from financial institutions | 7,735,887 | 7,735,887 | | | 7,735,887 | 7,735,887 |
| Other Financial liabilities | 9,025,632 | 9,025,632 | | | 9,025,632 | 9,025,632 |
| **Total** | **90,279,116** | **90,279,116** | | | **90,279,116** | **90,279,116** |

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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 | 15,030,282 | 15,030,282 | 15,030,282 | | | 15,030,282 |
| 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 | 96,322 | 822,894 | | | 822,894 | 822,894 |
| Other Assets | 2,526,049 | 2,526,049 | | | 2,526,049 | 2,526,049 |
| **Total** | **77,224,349** | **77,950,920** | **15,030,282** | **-** | **62,920,638** | **77,950,920** |
| **Financial liabilities** | | | | | | |
| Deposits from customers | 61,651,819 | 61,651,819 | | | 61,651,819 | 61,651,819 |
| Deposit from financial institutions | 4,498,218 | 4,498,218 | | | 4,498,218 | 4,498,218 |
| Other liabilities | 2,138,338 | 2,138,338 | | | 2,138,338 | 2,138,338 |
| **Total** | **68,288,375** | **68,288,375** | **-** | **-** | **68,288,375** | **68,288,375** |

### 4.8.3 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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| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 5 | **Interest income** | | |
| | Treasury Bill | 10,068 | 47,500 |
| | Loans and advances to customers | 10,104,056 | 7,583,342 |
| | Investment securities | 1,416,530 | 787,214 |
| | Interest Income on Corrospondent Bank Accounts | 158,348 | 41,302 |
| | | **11,689,003** | **8,459,357** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 6 | **Interest expense** | | |
| | Saving deposits | 1,921,686 | 1,489,283 |
| | Fixed time deposits | 2,485,751 | 1,443,395 |
| | Current deposits | 22,672 | 5,406 |
| | Short term borrowing | 167,155 | 189,649 |
| | Interest Incurred on lease liabilities | 28,679 | 28,446 |
| | | **4,625,943** | **3,156,179** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 7 | **Net fees and commission income** | | |
| | **Fee and Commission Income;** | | |
| | Commission and fees on L/C | 2,539,671 | 1,879,844 |
| | Commission on Guarantees | 310,411 | 237,241 |
| | Advisory Income | 89,890 | - |
| | Fee from mobile banking | 16,011 | 4,397 |
| | Income from VISA | 7,838 | 1,357 |
| | Income from Mastercard | 28,703 | 884 |
| | Income from Ethswitch | 34,562 | 35,081 |
| | ATM and POS Transaction Fees-Foreign | 6,421 | 512 |
| | ATM and POS Transaction Fees-Local | 2,312 | 2,099 |
| | Commission on CPO issued | 1,553 | 1,679 |
| | Loan Processing Fee | 15,383 | 69,716 |
| | Service Charge-Local | 49,806 | 17,001 |
| | SWIFT charges | 286,532 | 98,072 |
| | Commission Sundries | 71,320 | 41,123 |
| | Brokerage Commission | 6,849 | 1 |
| | Commission & Charges from IFB | 10,692 | 75,921 |
| | | **3,477,954** | **2,464,927** |

| | | |
|---|---|---|
| **Fee and Commission Expense;** | | |
| Visa Charge | 13,948 | 29,904 |
| Master Card Charges | 21,780 | 16,606 |
| Ethswitch Charges | 3,373 | 12,782 |
| Membership Fee | 12,738 | 4,582 |
| Broad Band Expense | 43,110 | 25,068 |
| Subscription & Publication | 592 | 521 |
| License Fee | 16,502 | 10,223 |
| | **112,043** | **99,689** |
| **Balance net fee and commission income** | **3,365,911** | **2,365,238** |

| | | 30 June 2026 | 30 June 2025 |
|---|---|---|---|
| | | Birr'000 | Birr'000 |
| 8 | **Other operating income** | | |
| | Rental income | 10,485 | 11,432 |
| | Estimation fees | 3,621 | 2,907 |
| | Rebates | 4,690 | 3,076 |
| | Fee on Bounced Checks | 100 | 143 |
| | Dividend income | 57,860 | 49,877 |
| | Gain on Disposal of Old Assets | 43,037 | 6,967 |
| | Card banking charges | 6,651 | 4,717 |
| | Income from Investment services | 275 | 1,030 |
| | Sundries-Local | 148,042 | 61,684 |
| | Gain from foreign exchange rate spread | - | 605,983 |
| | Gain on foreign exchange | 922,289 | 1,807,698 |
| | | **1,197,050** | **2,555,514** |

| | | 30 June 2026 | 30 June 2025 |
|---|---|---|---|
| 8a | **Rental income** | Birr'000 | Birr'000 |
| | From buildings located in Addis Ababa | 4,981 | 11,145 |
| | From Buildings reside in regional cities | 5,504 | 287 |
| | | **10,485** | **11,432** |

This rental income is derived from small, excess office spaces in Addis Ababa and regional cities that are rented out beyond the bank's own operational needs. Although they generate rent, these buildings are classified under Property, Plant, and Equipment (PPE) and repossessed properties because the bank primarily uses them for its own business operations rather than holding them to run a rental business.

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# Annual Consolidated and Separate Financial Statements
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| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 9 | **Loan impairment charge** | | |
| | Loans and Advances - charge for the year (note 16c) | 527,713 | 465,867 |
| | | **527,713** | **465,867** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 10 | **Impairment losses on other assets** | | |
| | Other assets - impairment reversal (note 18a) | (8,651) | (6,295) |
| | | **(8,651)** | **(6,295)** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 11 | **Salaries and benefits** | | |
| | Employee salaries | 2,337,975 | 1,897,677 |
| | Outsourced employee salaries | 322,110 | 308,043 |
| | Pension costs | 254,070 | 207,719 |
| | Short-term employee benefits | 1,355,711 | 1,472,552 |
| | Directors monthly allowance | 3,295 | 1,560 |
| | Severance pay- Defined benefit plan | 124,666 | 74,880 |
| | | **4,397,826** | **3,962,431** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 12 | **Other operating expenses** | | |
| | Advertisement & Publicity | 167,410 | 107,521 |
| | Agent Banking | - | 2 |
| | Bank Charges | 33,815 | 19,863 |
| | Card payment Charges | 13,731 | 6,902 |
| | Consultant Fee | 24,373 | 47,522 |
| | Communication expenses | 7,478 | 7,590 |
| | Consumables | 41,313 | 29,415 |
| | Donations | 81,414 | 29,837 |
| | Stump Duty Expense | 1,602 | 2,243 |
| | Entertainment | 10,788 | 7,153 |
| | Event organization expense | 15,198 | 11,544 |

| | | |
|---|---|---|
| Insurance | 23,666 | 21,516 |
| IT support charges | 28,778 | 81,052 |
| E-banking support charges | 9,872 | 105,476 |
| Court related Expenses | 4,098 | 4,910 |
| Legal provision | - | 16,008 |
| Land and Building fees | 8,703 | 8,375 |
| Loss on Disposal of fixed assets | 5,746 | 999 |
| Maintenance | 80,126 | 73,997 |
| Money transfer charges | 20,876 | 17,669 |
| Penalty Expense | 1,738 | - |
| Perdiem and Travel | 131,913 | 85,469 |
| Petrol and Oil | 63,195 | 48,503 |
| Printing and stationary | 36,792 | 34,774 |
| Rental expenses | 130,112 | 65,766 |
| Sundries | 16,000 | 20,710 |
| Uniform | 33,751 | 25,893 |
| Utilities | 28,933 | 19,211 |
| Wages for non-permanent employees. | 1,051 | 246 |
| Loading and unloading expense | 4,644 | 3,727 |
| Loss on exchange rate negotation | 247,254 | 302,930 |
| Deposit Insurance Expense | 181,459 | 145,403 |
| | **1,455,829** | **1,352,225** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 13 | **Income and deferred tax** | | |
| 13a | **Current income tax** | | |
| | Income tax | 1,175,563 | 1,100,031 |
| | Deferred income tax/(credit) to profit or loss | (23,220) | (24,988) |
| | Total charge to profit or loss | **1,152,343** | **1,075,043** |
| | Tax (credit) on other comprehensive income | **97,144** | **16,360** |
| | **Total tax in statement of comprehensive income** | **1,249,487** | **1,091,403** |

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### 13b Reconciliation of effective tax to statutory tax

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

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| **Profit before tax** | **4,296,112** | **3,852,553** |
| **Non-allowable Expenses;** | | |
| Entertainment | 10,788 | 7,379 |
| Preoperating expense | - | 4,241.20 |
| Donation | 11,914 | 2,687 |
| Penalty | 1,738 | 0 |
| Provision for Legal cases | - | 16,008 |
| Employee Severance benefits | 126,951 | 74,880 |
| Loss on disposal of fixed assets | 2,705 | 999 |
| Provision for loans and other assets | 527,713 | 465,867 |
| Depreciation for accounting purpose | 283,197 | 202,212 |
| Depreciaion and int. expense IFRS 16 | 384,363 | 338,554 |
| Amortization for accounting purpose | 305,715 | 83,282 |
| Loss on FCY revaluation | 323,117 | 405,459 |
| Life Insurance | 21,165 | 18,719 |
| Staff loan market interest rate differential | 28,142 | 47,725 |
| Accrud leave Expense | 1,446 | 104,921 |
| Other fring benefits | 42,062 | - |
| | **2,071,017** | **1,772,933** |
| **Allowable Expenses;** | | |
| Depreciation for tax purpose | (337,862) | (221,184) |
| Amortization for tax purpose | (169,342) | (62,003) |
| Rent expense | (512,181) | (404,371) |
| Employee severance paid in cash | (21,361) | (29,596) |
| Provision for loans and other assets as per NBE | (548,230) | (361,550) |
| Accrued leave paid in cash to resigned staffs | - | (4,924) |
| Dividend income taxed at source | (57,860) | (49,877) |
| Interest income exempted from tax | (792,158) | (783,911) |
| Gain from sale of acquired properties | (14,089) | - |
| Interest from correspondent bank taxed at 5% | - | (41,302) |
| | **(2,453,083)** | **(1,958,717)** |
| **Taxable Income** | **3,914,046** | **3,666,769** |
| **Loss BBF** | **(4,580)** | **-** |
| **Total Taxable Income** | **3,909,466** | **3,666,769** |
| **Statutory tax at rate 30%** | **1,172,840** | **1,100,031** |

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| 13c | Current income tax liability | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| | Balance at the beginning of the year | 1,091,622 | 641,203 |
| | Charge for the year: | | |
| | Income tax expense (notes 13b & 13e) | 1,175,563 | 1,100,031 |
| | Payment during the year | (1,091,622) | (641,203) |
| | Withholding tax | (836) | (8,409) |
| | **Balance at the end of the year** | **1,174,726** | **1,091,622** |

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

**13d 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 | 30 June 2026 Birr'000 |
|---|---|---|---|---|
| Property, Plant and Equipment | 142,584 | (8,309) | | 134,614 |
| Post employment benefit obligation | (151,461) | (32,106) | 20,140 | (163,428) |
| Accrued Leave | (53,797) | 13,819 | | (39,978) |
| Equity Investments | 161,549 | - | 77,005 | 238,554 |
| Pre-operating expense | (1,184) | 318 | | (866) |
| Loss for tax purpose | (3,092) | 3,059 | | (33) |
| **Total deferred tax (assets)/liabilities** | **94,870** | **(23,220)** | **97,144** | **168,863** |

| Deferred income tax assets/(liabilities): | At 1 July 2024 Birr'000 | Credit/ (charge) to P/L Birr'000 | Credit/ (charge) to equity Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|---|
| Property, plant and equipment | 119,913 | 22,942 | | 142,855 |
| Post employment benefit obligation | (86,537) | (13,585) | (51,338) | (151,461) |
| Accrued Leave | (23,729) | (30,068) | | (53,797) |
| Equity Investments | 93,851 | | 67,699 | 161,549 |
| Pre-operating expense | - | (1,184) | | (1,184) |
| Loss for tax purpose | | (3,092) | | (3,092) |
| **Total deferred tax assets/(liabilities)** | **103,498** | **(24,988)** | **16,360** | **94,870** |

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| 13e | Rental income tax | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| | Rent income from Addis Ababa city properties | 4,981 | 11,145 |
| | **Deductibles;** | | |
| | Depreciation expense | 1,407 | 2,748 |
| | **Taxable Income** | 3,573 | 8,397 |
| | Statutory tax@30% | (1,072) | 2,519 |
| | Withholding tax receivable | 274 | - |
| | **Net Rental Income** | 2,775 | 10,916 |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| | Rental income tax | | |
| | Rent income from Regional Cities acquired assets | 5,503 | 287 |
| | **Deductibles;** | | |
| | Depreciation expense | - | - |
| | **Taxable Income** | 5,503 | 287 |
| | Statutory tax@30% | (1,651) | 86 |
| | Withholding tax receivable | 35 | - |
| | **Net Rental Income** | 3,887 | 373 |

| 14 | Cash and bank balances | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| | Cash in hand | 1,069,231 | 1,391,320 |
| | Deposit with local commercial banks | 1,847,048 | 1,009,391 |
| | Deposit with foreign banks | 9,902,945 | 6,610,730 |
| | Deposit with National Bank of Ethiopia | 9,751,087 | 5,718,906 |
| | Deposit with Interbank Money Market | - | 300,000 |
| | **Gross cash and bank balances** | 22,570,311 | 15,030,348 |
| | **Impairment Allowance for cash** | (459) | (65) |
| | | 22,569,852 | 15,030,282 |

Comparative figures for cash on hand have been restated to correct a prior-year omission involving the subsidiary's cash deposits of Wegagen Capital Investment Bank of Birr 332,754,787.87. The intercompany balance should have been eliminated upon consolidation in the prior period but was not. It has now been eliminated and restated. In addition, deposits with local commercial banks were restated by Birr 1,410,424 for the period ended June 30, 2026, and Birr 405,918 for the period ended June 30, 2025, and reclassified from cash to short-term placements.

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| **Maturity analysis** | | |
| Current | 22,569,852 | 15,030,282 |
| Non-Current | - | - |
| | 22,569,852 | 15,030,282 |

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| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 15 | **Placements with Financial Institutions** | | |
| | Time deposit with banks | 1,410,424 | 405,918 |
| | | **1,410,424** | **405,918** |
| | **Maturity analysis** | | |
| | Current | 1,410,424 | 405,918 |
| | Non-Current | - | - |
| | | **1,410,424** | **405,918** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 16 | **Loans and advances** | | |
| 16a | **Loans and advances to customers** | | |
| | Manufacturing | 9,003,245 | 7,855,541 |
| | Domestic Trade and Services | 10,077,936 | 9,580,063 |
| | Construction | 12,761,095 | 8,241,443 |
| | Transport Service | 5,528,862 | 4,228,026 |
| | Export | 12,240,822 | 8,791,973 |
| | Import | 14,969,721 | 13,242,348 |
| | Staff loans | 486,681 | 311,679 |
| | Digital lending | 1,215,718 | 624,095 |
| | IFB-Financing & Investments | 1,030,936 | 650,146 |
| | **Gross loans and advances** | **67,315,017** | **53,525,315** |
| | Less: Impairment allowance ( note 16c) | (2,724,234) | (2,264,813) |
| | **Net loans and advances** | **64,590,783** | **51,260,502** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| | **Maturity analysis** | | |
| | Current | 18,020,829 | 14,352,941 |
| | Non-Current | 46,569,955 | 36,907,562 |
| | | **64,590,783** | **51,260,502** |

**16b Digital lending**

During the reporting period, the Bank, in collaboration with Qena, a platform by Kifya Financial Technology, officially launched its digital lending product, "Efoyta". The digital lending product aims to benefit various segments of society by providing accessible financing. Efoyta is designed to alleviate cash shortage challenges and especially meet the working capital needs of micro, small, and medium enterprises (MSMEs), as well as enable salaried employees to access an emergency loan facility.

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| Loan Category | Total no. of borrowers until June 30, 2026 | Total Disbursement until June 30 2026 Birr '000 | Outstanding no. of loans June 30, 2026 | Outstanding Balance June 30 2026 Birr '000 | Outstanding Balance June 30 2025 Birr '000 |
|---|---|---|---|---|---|
| MSME* Working Capital | 381,847 | 8,133,458 | 33,992 | 802,539 | 613,459 |
| Agri-value Chain | 5,883 | 406,129 | 5,368 | 348,947 | - |
| Agri-Input Financing | 78 | 962 | 78 | 974 | - |
| Salary Payday | 16,781 | 391,301 | 2,274 | 59,830 | 3,050 |
| Consumer | 26,301 | 132,066 | 716 | 3,429 | 7,586 |
| **Grand Total** | **430,890** | **9,063,916** | **42,428** | **1,215,718** | **624,095** |

*MSME (micro, small and medium enterprises)

### 16c 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:

| | As at 1 July 2025 Birr'000 | Write offs during the year Birr'000 | Charge for the year Birr'000 | As at 30 June 2026 Birr'000 |
|---|---|---|---|---|
| **Allowance for loan impairment** | | | | |
| Construction | 345,297 | | 93,665 | 438,962 |
| Domestic Trade and Servces | 723,808 | (15,201) | 377,618 | 1,086,225 |
| Export | 215,399 | (52,213) | 111,886 | 275,072 |
| Import | 698,648 | | (71,354) | 627,294 |
| Manufacturing | 197,024 | | 30,120 | 227,144 |
| Staff loans | 5,225 | (878) | (320) | 4,026 |
| Transport Service | 63,702 | | (12,477) | 51,225 |
| Letter of Guarantee | 83 | | 139 | 222 |
| Letter of Credit | 39 | | 565 | 604 |
| IFB Financing | 15,589 | | (2,130) | 13,459 |
| | **2,264,813** | **(68,292)** | **527,713** | **2,724,234** |

| | 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 |
|---|---|---|---|---|
| **Allowance for loan impairment** | | | | |
| Construction | 236,832 | - | 108,465 | 345,297 |
| Domestic Trade and Servces | 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 | (116) | 472 | 5,225 |
| Transport Service | 73,672 | - | (9,970) | 63,702 |

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| | | | | |
|---|---|---|---|---|
| Guarantee | 88 | - | (5) | 83 |
| Letter of Credit | 160 | - | (121) | 39 |
| IFB Financing | 9,578 | (11,378) | 17,388 | 15,589 |
| | **1,876,223** | **(77,277)** | **465,867** | **2,264,813** |

| 17 | Investment Securities | 30 June 2026 Cost Birr'000 | Fair Value (FV) Adjustment | 30 June 2026 FV Birr'000 | 30 June 2025 FV Birr'000 |
|---|---|---|---|---|---|
| 17a | **Equity Investment securities at FVOCI** | | | | |
| | Ethswitch | 150,876 | 808,001 | 958,877 | 665,074 |
| | Africa Insurance S.C | 49,637 | (5,233) | 44,404 | 28,359 |
| | Addis International Convention Center | 56,666 | (594) | 56,072 | 58,750 |
| | Ethiopian Reinsurance S.C | 25,090 | (2,775) | 22,315 | 26,899 |
| | Capital Finance Excellence Center | 5,000 | 2,777 | 7,777 | 6,352 |
| | Allenatech Electronics S.C. | 5,000 | (4,483) | 517 | 3,050 |
| | Ethiopian Securities Exchange S.C | 38,963 | (2,512) | 36,451 | 34,411 |
| | | **331,232** | **795,180** | **1,126,412** | **822,894** |

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

| Reconcilation of Fairvalue Adjustment | Fair Value Adjustment as at July 1, 2025 Birr'000 | Adjustment during reporting period | Fair Value Adjustment as at June 30, 2026 Birr'000 |
|---|---|---|---|
| Ethswitch | 538,458 | 269,542 | 808,001 |
| Africa Insurance S.C | (2,707) | (2,526) | (5,233) |
| Addis International Convention Center | 2,084 | (2,678) | (594) |
| Ethiopian Reinsurance S.C | 5,814 | (8,589) | (2,775) |
| Capital Finance Excellence Center | 1,352 | 1,425 | 2,777 |
| Allenatech Electronics S.C. | (1,950) | (2,533) | (4,483) |
| Ethiopian Securities Exchange S.C | (4,552) | 2,040 | (2,512) |
| **Balance at the end of reporting period** | **538,498** | **256,682** | **795,180** |

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| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 17b | **Investment in Debt Securities** | | |
| | Ethiopian Government Securities | 8,675,334 | 8,311,604 |
| | Impairment Allowance for debt Securities | (482) | (411) |
| | **Balance at the end of reporting period** | **8,674,852** | **8,311,193** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| | **Maturity analysis** | | |
| | Current | - | - |
| | Non-Current | **8,674,852** | **8,311,193** |
| | | **8,674,852** | **8,311,193** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 18 | **Other assets** | | |
| | **Financial assets;** | | |
| | Staff receivables | 2,659 | 2,352 |
| | Receivable from money transfer agents | 66,401 | 99,112 |
| | Recievable from VISA | 170,001 | 10,815 |
| | Recievable from Master Card | 25,021 | 2,151 |
| | Eth-switch Receivable | 172,876 | 137,388 |
| | Securities trading accounts | 38,775 | - |
| | Emergency salary advance | 917,796 | 896,452 |
| | Receivable from employment agenecies | 982,448 | 835,589 |
| | Other receivables | 2,710,716 | 1,950,471 |
| | Receivables due to cash lost | 31,641 | 196,567 |
| | **Gross financial assets** | **5,118,333** | **4,130,896** |
| | Less: Impairment allowance (note 18a) | (621,720) | (802,424) |
| | **Net financial assets** | **4,496,614** | **3,328,473** |
| | **Non-financial assets;** | | |
| | Prepayments | 1,701,819 | 794,989 |
| | Prepaid expenses on staff loans | 777,566 | 509,543 |
| | Consumables stock | 109,741 | 123,247 |
| | Repossessed properties | 529,687 | 402,774 |
| | **Gross Non-financial assets** | **3,118,813** | **1,830,552** |
| | | **7,615,426** | **5,159,025** |

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| **Maturity analysis** | | |
| Current | 6,914,675 | 4,644,152 |
| Non-Current | 700,751 | 514,873 |
| | **7,615,426** | **5,159,025** |

## 18a Impairment allowance on other assets

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

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Balance at the beginning of the year | 802,424 | 810,693 |
| Reversal/Written off during the year | (172,054) | (1,974) |
| Charge for the year | (8,651) | (6,295) |
| **Balance at the end of the year** | **621,720** | **802,424** |

## 18b Consumables stock

A breakdown of the items included within consumables stock is as follows:

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Stationery | 29,337 | 23,200 |
| Office supplies | 35,120 | 45,163 |
| Visa cards | 5,549 | 18,754 |
| Other stock | 39,573 | 35,969 |
| Memorial Coins | 161 | 161 |
| | **109,741** | **123,247** |

## 19 Investment in Wegagen capital investment bank

A breakdown of the items included within consumables stock is as follows:

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| **Wegagen Capital Investment Bank** | **334,250** | **334,250** |

The bank invested in subsidery company 'Wegagen Capital Investment Bank' with a shareholding of 86.82%. Wegagen Capital Investment Bank started its operations in March, 2025 in accordance with the Ethiopian Capital Market Proclamation No. 1248/2013 (refer to note 31c). There is no additional investment during the reporting period.

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| | | Purchased Software Birr'000 | Software Under Development Birr'000 | Total Birr'000 |
|---|---|---|---|---|
| 20 | **Intangible Assets** | | | |
| | **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 | 457,503 | 82,173 | 539,676 |
| | **As at 30 June 2026** | **1,191,681** | **82,173** | **1,273,052** |
| | **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 | 305,715 | - | 305,715 |
| | **As at 30 June 2026** | **546,397** | **-** | **546,397** |
| | **Net book value** | | | |
| | **As at 30 June 2025** | **493,497** | **-** | **493,497** |
| | **As at 30 June 2026** | **644,482** | **82,173** | **726,655** |

During the reporting period, the bank began upgrading its existing core banking system to the latest version, Flexcube V.14.7. Besides this, the bank is designing, installing, and integrating a software-defined network (SDN) in the data center. Not yet amortized until the asset is available for use.

## 21 Property and Equipment

| | 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 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| **As at 1 July 2024** | **550,784** | **855,764** | **424,481** | **336,712** | **607,451** | **13,395** | **2,261,045** |
| Additions | 112,502 | 1,543 | 35,336 | 190,629 | 126,857 | 1,466 | 237,478 |
| Disposals | (1,416) | - | (1,386) | (7,593) | (8,206) | - | (18,601) |
| Write-off | - | - | - | (186) | - | - | |
| Reclassification | (36,614) | 3,027 | (3,343) | (15,331) | (36,946) | - | - |
| **As at 30 June 2025** | **625,255** | **860,334** | **455,087** | **504,231** | **689,156** | **14,861** | **3,148,923** |
| **As at 1 July 2025** | **625,255** | **860,334** | **455,087** | **504,231** | **689,156** | **14,861** | **3,148,923** |
| Additions | 261,677 | 243,549 | 111,369 | 66,543 | 502,712 | 1,160,592 | 2,346,442 |
| Disposals | (8,631) | - | (1,369) | (9,958) | (3,662) | - | (23,619) |
| **As at 30 June 2026** | **878,301** | **1,103,883** | **565,086** | **560,816** | **1,188,207** | **1,175,452** | **5,471,746** |
| **Accumulated depreciation;** | | | | | | | |
| **As at 1 July 2024** | **298,245** | **104,655** | **204,382** | **154,603** | **339,259** | **-** | **1,101,144** |
| Charge for the year | 48,672 | 16,492 | 31,204 | 36,032 | 69,812 | - | 202,212 |
| Write-off | | | | (110) | | - | |
| Disposals | (1,386) | - | (1,293) | (5,989) | (7,895) | - | (16,563) |
| Reclassification | | 441 | | | | | |
| **As at 30 June 2025** | **345,531** | **121,588** | **234,294** | **184,536** | **401,176** | **-** | **1,287,124** |
| **As at 1 July 2025** | **345,531** | **121,588** | **234,294** | **184,536** | **401,176** | **-** | **1,287,124** |
| Charge for the year | 76,401 | 20,477 | 37,523 | 47,569 | 101,227 | - | 283,197 |
| Write-off | | | | - | | - | - |
| Disposals | (18,116) | - | (1,656) | (15,443) | (8,158) | - | (43,372) |
| **As at 30 June 2026** | **403,817** | **142,065** | **270,161** | **216,662** | **494,245** | **-** | **1,526,949** |
| **Net book value** | | | | | | | |
| **As at 30 June 2025** | **279,724** | **738,745** | **220,793** | **319,696** | **287,981** | **14,861** | **1,861,799** |
| **As at 30 June 2026** | **474,485** | **961,818** | **294,925** | **344,155** | **693,962** | **1,175,452** | **3,944,797** |

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# Wegagen Bank S.C
# Annual Consolidated and Separate Financial Statements
## For the Year Ended 30 June 2026

### 21a Leases

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

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Depreciation charge for right-of-use assets | 355,683 | 310,569 |
| Interest Expense on lease liabilities | 28,679 | 27,984 |
| Expense related to short-term leases | 127,566 | 65,766 |
| Cost of lease contracts - stamp duty | 1,602 | 2,160 |
| | **513,531** | **406,480** |

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

| Right of use assets | 30 June 2026 Birr'000 | 30 June 205 Birr'000 |
|---|---|---|
| • Office building | 657,319 | 993,853 |
| Lease liabilites | | |
| • Office buidling | 226,087 | 272,700 |
| Maturity analysys of lease liabilities | | |
| Less than one year | 54,261 | 65,448 |
| More than one year | 171,826 | 207,252 |
| | **226,087** | **272,700** |

### 22 Deposits from customers

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Demand deposits | 23,616,493 | 20,746,597 |
| Saving deposits | 39,234,898 | 32,949,781 |
| Fixed term deposits | 10,666,206 | 7,955,441 |
| | **73,517,597** | **61,651,819** |

| Maturity analysis | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Current | 28,671,863 | 22,811,173 |
| Non-Current | 44,845,734 | 38,840,646 |
| | **73,517,597** | **61,651,819** |

| 23 Deposit from financial institutions | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Saving Deposit | 191,815 | 816,916 |
| Demand Deposit | 2,661,168 | 939,663 |
| Fixed Term deposit | 4,882,904 | 2,741,640 |
| **Total** | **7,735,887** | **4,498,218** |

| Maturity analysis | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Current | 3,016,996 | 1,664,341 |
| Non-Current | 4,718,891 | 2,833,877 |
| | **7,735,887** | **4,498,218** |

| 24 Other liabilities | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| **Financial liabilities** | | |
| Blocked Account | 9,511 | 9,488 |
| Cash payment order payable | 169,581 | 231,578 |
| Customer deposits for letter of credit | 2,828,582 | 1,564,389 |
| Deferred revenue | 259,379 | 128,681 |
| Short-term borrowing | 5,500,000 | - |
| Deposit for Guarantees Issued | 16,791 | 11,003 |
| Dividend payable | 117,109 | 82,956 |
| Exchange payable to NBE | 8,425 | 9,178 |
| Old outstanding payable | 59,002 | 59,966 |
| Payable to Ethio switch | 20,749 | 19,151 |
| Client payable account | 19,542 | - |
| Prepaid card control account | 4,563 | 9,551 |
| Telegraphic transfer payable | 12,397 | 12,397 |
| | **9,025,632** | **2,138,338** |
| **Non-financial liabilities** | | |
| Provision for court cases | 70,355 | 70,355 |
| Pension Contribution Payable | 24,142 | 20,301 |
| Stamp duty payable | 5,624 | 5,746 |
| Interest Tax Payable | 35,970 | 20,907 |
| Withholding tax payable | 15,113 | 1,326 |

# Wegagen Bank S.C
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| | | |
|---|---|---|
| Employee income Tax Payable | 52,422 | 105,726 |
| VAT payable | 80,711 | 46,376 |
| Cost Sharing tax Payable | 136 | 290 |
| Technical Service tax Payable | 18,483 | 5,801 |
| Accrued leave pay | 133,259 | 179,323 |
| Sundry payables | 803,198 | 553,145 |
| Lease Liability | 226,087 | 281,381 |
| Employee Bonus Payable | 339,474 | 259,210 |
| | **1,804,973** | **1,549,886** |
| **Gross amount** | **10,830,605** | **3,688,224** |

| **Maturity analysis** | **30 June 2026 Birr'000** | **30 June 2025 Birr'000** |
|---|---|---|
| Current | 10,658,779 | 3,480,972 |
| Non-Current | 171,826 | 207,252 |
| | **10,830,605** | **3,688,224** |

### 24a Short term borrowings

Governed primarily by Directive No. MFAD/IBM/03/2024, the National Bank of Ethiopia (NBE) established a modernized interbank money market. Operated in partnership with the Ethiopian Securities Exchange (ESX), the platform allows commercial banks to seamlessly lend and borrow short-term funds (overnight and 7-day tenors) at market-determined interest rates to manage daily liquidity. The following table shows the bank's borrowing from the market at the end of the reporting period. The bank had no outstanding borrowing at the end of the previous year.

| **Borrowed from** | **Period** | **Currency** | **Interest rate** | **Amount as of June 30, 2026 ETB'000** |
|---|---|---|---|---|
| Interbank money market | 7 days | ETB | 13% | 1,500,000 |
| | 7 days | ETB | 12% | 500,000 |
| | Overnight | ETB | 12% | 3,500,000 |
| | **Total** | | | **5,500,000** |

| 25 Employee benefit obligations | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| 25a Defined benefits liabilities: | | |
| -Severance benefits | 543,327 | 504,869 |
| **Liability in the statement of financial position** | **543,327** | **504,869** |

| Income statement charge included in personnel expenses: | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| – Severance pay | 124,666 | 74,880 |
| **Total defined benefit expenses** | **124,666** | **74,880** |

| Remeasurements for: | | |
|---|---|---|
| – Severance pay | 46,992 | (119,790) |
| | **46,992** | **(119,790)** |

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

### 25b *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.

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

| A Liability recognised in the stat. of financial position | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| | **543,327** | **504,869** |

| B Amount recognised in profit or loss statement | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Current service cost | 49,425 | 19,698 |
| Interest cost | 75,241 | 55,182 |
| | **124,666** | **74,880** |

| C Amount recognised in other comprehensive income: | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Remeasurement gain or(loss) arising from experience | (9,088) | (93,703) |
| Re-measurement gain or(loss) arising from economic assumptions | 76,219 | (77,425) |
| | 67,132 | (171,128) |
| Tax Credit/Charge at 30% | (20,140) | 51,338 |
| | **46,992** | **(119,790)** |

# Wegagen Bank S.C
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The movement in the defined benefit obligation over the years is as follows:

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| At the beginning of the year | 504,869 | 288,457 |
| Current service cost | 49,425 | 19,698 |
| Interest cost | 75,241 | 55,182 |
| Re-measurement (gains)/ losses | (67,132) | 171,128 |
| Additional re-measurement | 2,285 | - |
| Benefits paid | (21,361) | (29,596) |
| **At the end of the year** | **543,327** | **504,869** |

The significant actuarial assumptions were as follows:

i) **Actuarial Assumption**

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Discount Rate | 16.00% | 14.50% |
| Salary Increase rate | 14.00% | 14.20% |
| Mortality Assumptions – Males | DHS 2016 Males | DHS 2016 Males |
| Mortality Assumptions – Females | DHS 2016 Female | DHS 2016 Female |
| Weighted average duration of defined benefit obligation | 8.33 | 10 |

ii) **Mortality in Service**

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

| | Mortality rate | |
|---|---|---|
| Age | Males | Females |
| 20 | 0.31% | 0.22% |
| 25 | 0.30% | 0.23% |
| 30 | 0.36% | 0.31% |
| 35 | 0.41% | 0.28% |
| 40 | 0.52% | 0.32% |
| 45 | 0.45% | 0.43% |
| 50 | 0.63% | 0.63% |
| 55 | 0.98% | 0.98% |
| 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% |
| 55 | 0.08% |

### IV) Health/Disability

The rates selected are consistent with those used for other African post employment benefits arrangement and are ActServ best estimate of the expected future long-term experience of the bank. These rates are internally developed by ActServ.

| Age | Males | Females |
|---|---|---|
| 20 | 0.04% | 0.04% |
| 25 | 0.04% | 0.04% |
| 30 | 0.04% | 0.04% |
| 35 | 0.04% | 0.04% |
| 40 | 0.06% | 0.05% |
| 45 | 0.11% | 0.08% |
| 50 | 0.20% | 0.14% |
| 55 | 0.35% | 0.25% |
| 60 | 0.57% | 0.42% |

The sensitivity of the main results to changes in the assumed salary escalation rates, discount rate, and mortality has been calculated based on the duration of the liabilities. The changes in the 30 June 2026 defined benefit obligation and the assets are reflected below:

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| | Base DBO Birr'000 | Current service cost one year impact Birr'000 | % Change Birr'000 |
|---|---|---|---|
| Discount rate + 1% | 543,327 | 501,069 | -7.78% |
| Discount rate - 1% | 543,327 | 580,690 | 6.88% |
| Salary increase +1% | 543,327 | 578,749 | 6.52% |
| Salary decrease -1% | 543,327 | 502,351 | -7.54% |
| Mortality increase +10% | 543,327 | 540,914 | -0.44% |
| Mortality decrease -10% | 543,327 | 535,016 | -1.53% |

## 26 Share capital

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| **Authorised:** | | |
| Ordinary shares of Birr 1000 each | 20,000,000 | 20,000,000 |
| Number of Shares: | | |
| Total number of shares | 10,095 | 7,028 |
| Issued and fully paid: | | |
| Ordinary shares of Birr 1000 each | 10,094,666 | 7,028,357 |
| Share premium | 103,315 | 87,819 |
| | **10,197,981** | **7,116,176** |

## 27 Earnings per share

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

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Profit attributable to shareholders | 3,154,253 | 2,778,853 |
| Weighted average number of ordinary shares in issue | 9,168,883 | 6,028,243 |
| **Basic earnings per share (%age)** | **34.40%** | **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.

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| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 28 | **Retained earnings** | | |
| | At the beginning of the year | 1,944,300 | 1,246,781 |
| | Loss C/f from Investment bank | (10,189) | - |
| | Dividend Paid/Capitalized | (1,944,300) | (1,246,781) |
| | Board of directors remuneration | (1,413) | (1,500) |
| | Prior year adjustments | 30,716 | - |
| | Profit/(Loss)for the year | 3,154,253 | 2,777,510 |
| | Transfer to Legal Reserve | (788,563) | (694,378) |
| | Transfer to Regulatory Reserve | (197,305) | (20,536) |
| | Non-distributable reserve adjustment | - | (118,140) |
| | Non-controlling interest | (5,765) | 1,343 |
| | **Balance at the end of the year** | **2,181,734** | **1,944,300** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 29 | **Reserve** | | |
| 29a | **Legal Reserve** | | |
| | At the beginning of the year | 2,885,999 | 2,191,622 |
| | Transfer from profit or loss | 788,563 | 694,378 |
| | **At the end of the year** | **3,674,563** | **2,885,999** |

Banking Business Proclamation No. 1360/2025, Article 22(1), and directive number SBB/4/95 require the bank to transfer 25% of its annual net profit to its legal reserve account.

**29b Regulatory Risk Reserve**

This includes interest on Non perfroming 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.

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Opening Balance | 646,558 | 507,882 |
| Additional provision per NBE | 166,690 | - |
| Prior period adjustment | - | 118,140 |
| Interest income on Non Performing Loans(NPL) | 30,616 | 20,536 |
| | **843,863** | **646,558** |

# Wegagen Bank S.C
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### 29c 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.

| | 30 June 2026 | 30 June 2025 |
|---|---|---|
| | Birr'000 | Birr'000 |
| Opening Balance | 165,534 | 127,360 |
| Fair Value gain of Equity Instruments | 179,678 | 157,963 |
| Remeasurement loss on defined benefit plans(net of tax) | 46,992 | (119,790) |
| | **392,204** | **165,534** |

### 29d Non-controlling Interest

| | 30 June 2026 | 30 June 2025 |
|---|---|---|
| | Birr'000 | Birr'000 |
| Paid-up capital | 49,407 | 50,750 |
| Retained earnings | 5,765 | (1,343) |
| | **55,172** | **49,407** |

### 30 Cash generated from operating activities

| | 30 June 2026 | 30 June 2025 |
|---|---|---|
| | Birr'000 | Birr'000 |
| **Profit before tax** | 4,306,596 | 3,852,553 |
| **Adjustments for non-cash items:** | | |
| Depreciation of property and equipment | 283,197 | 202,212 |
| Amortisation of intangible assets | 305,715 | 83,282 |
| Depreciation of right of use assets | 355,683 | 310,569 |
| Gain or loss on disposal of property and equipment | (48,783) | (5,968) |
| Effect of exchange rate movement on Cash and bank balances | (13,084) | (24,908) |
| Impairment on loans and receivables | 520,003 | 460,048 |
| Employee benefit obligations | 103,305 | 179,801 |
| Dividend income | (57,860) | (49,877) |
| **Changes in working capital:** | | |
| -Decrease/ (Increase) in loans and advances | (13,789,702) | (8,348,682) |
| -Decrease/ (Increase) in other assets | (2,275,697) | (3,408,506) |
| -Increase/ (Decrease) in deposits from customers | 11,865,778 | 13,233,869 |
| -Increase/ (Decrease) in deposits from financial institutions | 3,237,669 | 791,445 |
| -Increase/ (Decrease) in deposit into financial institutions | (1,004,506) | (405,918) |
| -Increase/ (Decrease) in other liabilities | 7,142,381 | 320,007 |
| | **10,930,695** | **7,189,925** |

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## 31 Related party transactions

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

| | | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|---|
| 31a | **Transactions with related parties** | **Nature of relationship** | | |
| | I. Loans and advances to: | • Influential shareholders | 3,649,452 | 2,208,185 |
| | | • Key Management Personnel | 128,067 | 98,111 |
| | | | **3,777,519** | **2,306,296** |
| | II. Deposit balances of: | • Influential shareholders | 925,504 | 964,841 |
| | | • Key Management Personnel | 20,097 | 20,131 |
| | | | **945,601** | **984,971** |

## 31b 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 purchase of goods and services between the Bank and key management personnel as at 30 June 2026.

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| Salaries and other employee benefits to : | • Board of Directors | 4,708 | 1,560 |
| | • Executive Management | 129,863 | 35,441 |
| | | **134,571** | **37,001** |

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

## 31c 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 recceive 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

# Wegagen Bank S.C
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| | June 30, 2026 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;** | **352,015** | **332,295** |

| Subsidiary; | June 30, 2026 Birr'000 | June 30, 2025 Birr'000 |
|---|---|---|
| **Profit or loss after taxation** | **43,737** | **(10,189)** |
| **Total assets** | **457,017** | **383,589** |

### 32 Employees

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

| | 30 June 2026 Number | 30 June 2025 Number |
|---|---|---|
| **Total staff** | **5,591** | **5,553** |

### 33 Contingent liabilities and assets

### 33a Claims and litigation

In the ordinary course of business, the Bank is involved in various legal proceedings initiated by third parties and individuals. As of June 30, 2026, the maximum potential exposure arising from these cases was Br. 577.7 million (June 30, 2025: Br. 706.81 million). Based on its evaluation, the Bank has set aside a provision of Br. 70.35 million (June 30, 2025: Br. 70.35 million). For the remaining lawsuits, the likelihood of an adverse ruling is considered low, and no liabilities are expected to materialise.

### 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, whcih created committment 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 custmers 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:

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Guarantees issued | 9,246,187 | 4,583,597 |
| Letter of credit | 24,380,565 | 3,322,967 |
| | **33,626,752** | **7,906,564** |

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## 33c Commitments

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Loan commitments; | | |
| Unutilized overdraft and other facilities | 8,878,483 | 6,100,397 |
| | **8,878,483** | **6,100,397** |

## 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 June 30, 2026, and on the profit for the 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 regularily reviewd by the borad 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 inlcude 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,goverment and non-governmental orginizations deposits.

# Wegagen Bank S.C
# Annual Consolidated and Separate Financial Statements
## For the Year Ended 30 June 2026

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 reveunue in 2025/2026

### 35a Statement of Profit or Loss for the reporting period ended 30-Jun-26

| | Conventional Banking | Interest Free Banking | The Bank |
|---|---|---|---|
| | Birr '000 | Birr '000 | Birr '000 |
| Interest income | 11,632,639 | - | 11,632,639 |
| Income from Interest free financing and investment products | - | 56,364 | 56,364 |
| Interest expense | (4,434,159) | | (4,434,159) |
| Distribution to depositors- Interest Free Banking Products | | (191,785) | (191,785) |
| **Net interest income and income from Interest Free Banking products net of distribution to depositors** | **7,198,480** | **(135,421)** | **7,063,059** |
| Fee and commission income | 3,356,371 | 9,540 | 3,365,911 |
| Other operating income | 1,195,897 | 1,153 | 1,197,050 |
| Loan and Other asset impairment charge | (516,907) | 2,130 | (519,062) |
| **Net operating income** | **11,233,841** | **(126,884)** | **11,106,958** |
| Amortization of intangible assets | (305,715) | - | (305,715) |
| Depreciation of property,plant and equipment | (285,327) | (948) | (283,197) |
| Personnel and Other operating expenses | (6,206,710) | (4,739) | (6,211,449) |
| **Segment Profit before tax** | **4,434,882** | **(128,286)** | **4,306,596** |
| Income tax expense | (1,152,343) | - | (1,152,343) |
| **Segment profit after tax** | **3,282,539** | **(128,286)** | **3,154,253** |

35b Statement of Financial Position as at 30-Jun-26

| | Conventional Banking Birr '000 | Interest Free Banking Birr '000 | The Bank Birr '000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and bank balances | 22,530,980 | 38,872 | 22,569,852 |
| Placements with Financial Institutions | 1,410,424 | - | 1,410,424 |
| Loans and advances to customers | 63,562,680 | | 63,562,680 |
| IFB financings | - | 1,028,103 | 1,028,103 |
| Investment securities | 9,801,265 | - | 9,801,265 |
| Other assets | 3,892,229 | 3,723,197 | 7,615,426 |
| Property and Equipments | 5,305,783 | 22,989 | 5,328,771 |
| **Total assets** | **106,503,361** | **4,813,160** | **111,316,522** |
| **Liabilities** | | | |
| Deposit from customers | 76,328,726 | - | 76,328,726 |
| IFB deposits | - | 4,924,758 | 4,924,758 |
| Current tax liabilities | 1,174,726 | - | 1,174,726 |
| Other liabilities | 11,521,822 | 20,973 | 11,542,795 |
| **Total liabilities** | **89,025,274** | **4,945,732** | **93,971,006** |
| **EQUITY** | | | |
| Share capital | 10,094,666 | - | 10,094,666 |
| Share premium | 103,315 | - | 103,315 |
| Retained earnings and reserves | 7,224,934 | (132,571) | 7,092,363 |
| Non-controling Interest | 55,172 | | 55,172 |
| **Total equity** | **17,478,087** | **(132,571)** | **17,345,516** |
| **Total equity and liabilities** | **106,503,361** | **4,813,160** | **111,316,522** |

# Wegagen Bank S.C
# Annual Consolidated and Separate Financial Statements
## For the Year Ended 30 June 2026

**35c Statement of Profit or Loss for the reporting period ended 30-Jun-25**

| | Conventional Banking Birr '000 | Interest Free Banking Birr '000 | The bank Birr '000 |
|---|---|---|---|
| Interest income | 8,402,994 | - | 8,402,994 |
| Income from Interest free financing and investment products | - | 56,364 | 56,364 |
| Interest expense | (3,106,109) | | (3,106,109) |
| Distribution to depositors- Interest Free Banking Products | | (50,071) | (50,071) |
| **Net interest income and income from Interest Free Banking products net of distribution to depositors** | **5,296,885** | **6,293** | **5,303,178** |
| Fee and commission income | 2,358,410 | 6,828 | 2,365,238 |
| Other operating income | 2,554,377 | 1,137 | 2,555,514 |
| Gain from sale of acquired Properties | - | - | - |
| Loan and Other asset impairment charge | (458,724) | (848) | (459,572) |
| **Net operating income** | **9,750,949** | **13,411** | **9,764,359** |
| Armotisation of intangible assets | (83,282) | - | (83,282) |
| Depreciation of property and equipment | (198,885) | (3,327) | (202,212) |
| Personal and Other operating expenses | (5,594,055) | (32,258) | (5,626,313) |
| **Segment Profit before tax** | **3,874,727** | **(22,174)** | **3,852,553** |
| Income tax expense | (1,075,043) | - | (1,075,043) |
| **Segment profit after tax** | **2,799,684** | **(22,174)** | **2,777,510** |

35d **Statement of *Financial Position* as at 30-Jun-25**

| | Conventional Banking | Interest Free Banking | The Bank |
|---|---|---|---|
| **Asset** | | | |
| Cash and bank balances | 11,207,348 | 3,822,934 | 15,030,282 |
| Placements with Financial Institutions | 405,918 | | 405,918 |
| 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 | 5,159,025 |
| Fixed assets | 3,331,233 | 16,548 | 3,347,781 |
| **Total assets** | **79,564,246** | **4,773,349** | **84,337,595** |
| **LIABILITIES** | | | |
| Deposit from customers | 61,368,139 | - | 61,368,139 |
| IFB deposits | - | 4,781,899 | 4,781,899 |
| Current tax liabilities | 1,091,622 | 0 | 1,091,622 |
| Other liabilities | 4,274,338 | 13,624 | 4,287,963 |
| **Total liabilities** | **66,734,099** | **4,795,523** | **71,529,622** |
| **EQUITY** | | | |
| Share capital | 7,028,357 | 0 | 7,028,357 |
| Share premium | 87,819 | 0 | 87,819 |
| Retained earnings and reserves | 5,664,564 | (22,174) | 5,642,391 |
| Non-controling Interest | 49,407 | | 49,407 |
| **Total equity** | **12,830,147** | **(22,174)** | **12,807,973** |
| **Total equity and liabilities** | **79,564,246** | **4,773,349** | **84,337,595** |

# WEGAGEN BANK SHARE COMPANY

## ANNUAL SEPARATE FINANCIAL STATEMENTS

For the Year Ended 30 June 2026












# Wegagen Bank S.C
# Annual Separate Financial Statement

## For the Year Ended 30 June 2026

### Separate Statement of Financial Position at 30 June 2026

| | Note | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and bank balances | 44 | 22,567,286 | 15,030,282 |
| Placements with Financial Institutions | 45 | 1,410,424 | 405,918 |
| Loans and advances to customers | 16 | 64,590,783 | 51,260,502 |
| Investment securities: | | | |
| - Equity Investments at FVOCI | 17a | 1,126,412 | 822,894 |
| - Debt Securities at Amortized Cost | 17b | 8,674,852 | 8,311,193 |
| Investment in subsidiary | 19 | 334,250 | 334,250 |
| Other assets | 46 | 7,549,388 | 5,150,762 |
| Intangible assets | 20 | 726,655 | 493,497 |
| Property and Equipment | 47 | 3,912,476 | 1,827,673 |
| Right-of-Use Asset | 47a | 657,319 | 984,040 |
| **Total assets** | | **111,549,846** | **84,621,011** |
| **LIABILITIES** | | | |
| Deposit from customers | 48 | 73,517,597 | 61,651,819 |
| Deposit from financial institutions | 49 | 8,087,897 | 4,830,973 |
| Current tax liabilities | 43c | 1,173,963 | 1,094,852 |
| Other liabilities | 50 | 10,797,239 | 3,675,232 |
| Employee benefit obligations | 51 | 541,042 | 504,869 |
| Deferred tax liabilities | 43d | 170,235 | 99,152 |
| **Total liabilities** | | **94,287,973** | **71,856,898** |
| **EQUITY** | | | |
| Capital and reserves | | | |
| Share capital | 26 | 10,094,666 | 7,028,357 |
| Share premium | 26 | 103,315 | 87,819 |
| Retained earnings | 53 | 2,163,078 | 1,948,124 |
| Legal reserve | 54 | 3,664,748 | 2,887,722 |
| Regulatory risk reserve | 29b | 843,863 | 646,558 |
| Other reserve | 29c | 392,204 | 165,534 |
| **Total equity** | | **17,261,873** | **12,764,113** |
| **Total liabilities and equity** | | **111,549,846** | **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 September 04, 2026, and signed on their behalf by:

Mr. Abdishu Hussien
Chairman, Board of Directors

Aklilu Wubet (PhD)
Chief Executive Officer

# Wegagen Bank S.C
# Annual Separate Financial Statement

## For the Year Ended 30 June 2026
### Separate Statement of Profit or Loss and Other Comprehensive Income
### For the Reporting Period Ended 30 June 2026

| | Notes | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| Interest income | 36 | 11,689,003 | 8,459,357 |
| Interest expense | 37 | (4,668,814) | (3,155,997) |
| **Net interest income** | | **7,020,188** | **5,303,361** |
| Fee and Commission Income | 38 | 3,381,215 | 2,464,926 |
| Fee and Commission Expense | 38 | (110,228) | (106,374) |
| **Net fee and commission income** | | **3,270,987** | **2,358,553** |
| **Net Trading Income** | | **10,291,176** | **7,661,914** |
| Other operating income | 39 | 1,196,775 | 2,554,484 |
| Loan impairment charge | 9 | (527,713) | (465,867) |
| Impairment losses on other assets | 40 | 8,651 | 6,295 |
| **Net operating income** | | **10,968,889** | **9,756,826** |
| Salaries and benefits | 41 | (4,332,221) | (3,953,215) |
| Amortization of intangible assets | 20 | (305,715) | (83,282) |
| Depreciation of property and equipment | 47 | (278,915) | (201,786) |
| Depreciation of right-of-use asset | 47a | (355,683) | (309,316) |
| Other operating expenses | 42 | (1,437,700) | (1,341,299) |
| Audit fees | | (1,811) | (972) |
| **Total Operating Expenses** | | **(6,712,046)** | **(5,889,871)** |
| **Profit before income tax** | | **4,256,843** | **3,866,956** |
| Income tax expense | 43a | (1,148,738) | (1,082,556) |
| **Profit after tax** | | **3,108,105** | **2,784,400** |
| **Other Comprehensive Income (OCI) net of income tax** | | | |
| Remeasurement loss on retirement benefits | 51 | 46,992 | (119,790) |
| Fair value gain or (loss) of equity investments | 29c | 179,678 | 157,963 |
| **Total other comprehensive income (net of tax)** | | **226,670** | **38,174** |
| **Total comprehensive income for the period** | | **3,334,775** | **2,822,574** |
| **Basic & diluted earnings per share** | 52 | **33.90%** | **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 September 04, 2026, and signed on their behalf by:

Mr. Abdishu Hussien
Chairman, Board of Directors

Aklilu Wubet (PhD)
Chief Executive Officer

# Wegagen Bank S.C
# Annual Separate Financial Statement
## For the Year Ended 30 June 2026
### Separate Statement of Cash Flows For the Reporting Period Ended 30 June 2026

| | Notes | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 55 | 10,944,807 | 7,530,677 |
| Profit tax assesment paid | | (17,373) | - |
| Income tax paid | 43c | (1,094,852) | (649,612) |
| **Net cash (outflow)/inflow from operating activities** | | **9,832,582** | **6,881,065** |
| Cash flows from investing activities | | | |
| Purchase of investment securities | 17a | (46,836) | (390,787) |
| Purchase of intangible assets | 20 | (539,676) | (528,711) |
| Purchase of property, plant and equipment | 47 | (2,343,030) | (433,606) |
| Proceeds from matured debt securities | 17b | (363,659) | (3,698,038) |
| Proceeds from disposal of property and equipments | | 37,292 | 5,968 |
| **Net cash (outflow)/inflow from investing activities** | | **(3,255,909)** | **(5,045,175)** |
| **Cash flows from financing activities** | | | |
| Share premium collected | 26 | 15,496 | 12,902 |
| New shares issued | 26 | 3,066,309 | 1,969,467 |
| Directors' remuneration paid | 53 | (1,413) | (1,500) |
| Dividend paid | 53 | (1,948,124) | (1,246,781) |
| Payment for leases | 47a | (185,022) | (688,103) |
| **Net cash (outflow)/inflow from financing activities** | | **947,247** | **45,985** |
| **Net increase/(decrease) in Cash and bank balances** | | **7,523,919** | **1,881,875** |
| Cash and bank balances at the beg. of the year | 44 | 15,030,282 | 13,123,499 |
| Effect of exchange rate movement on Cash and bank balances | | 13,084 | 24,908 |
| **Cash and bank balances at the end of the year** | | **22,567,286** | **15,030,282** |

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 September 04, 2026, and signed on their behalf by:

Mr. Abdishu Hussien
Chairman, Board of Directors

Aklilu Wubet (PhD)
Chief Executive Officer

# Wegagen Bank S.C

## Annual Separate Financial Statement

### For the Year Ended 30 June 2026

**Separate Statement of Changes in Owners' Equity For the Reporting Period Ended 30 June 2026**

| | 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 (net of tax) | | | | | | 157,963 | 157,963 |
| Profit for the year | | | 2,784,400 | | | | 2,784,400 |
| Remeasurement of defined benefit plans (net of tax) | | | | | | (119,790) | (119,790) |
| Directors' Share of Profits | | | (1,500) | | | | (1,500) |
| Prior Period Adjustments | | | (118,140) | | 118,140 | | - |
| Transfer to legal reserve | | | (696,100) | 696,100 | | | - |
| Transfer from Regulatory Risk Reserve | | | (20,536) | | 20,536 | | - |
| **Balance at the end of 30 June 2025** | **7,028,357** | **87,819** | **1,948,124** | **2,887,723** | **646,558** | **165,534** | **12,764,113** |
| Dividend declared | | | (1,948,124) | | | | (1,948,124) |
| New shares issued | 3,066,309 | 15,496 | | | | | 3,081,805 |
| Fair value gain of Equity investments (net of tax) | | | | | | 179,678 | 179,678 |
| Profit for the year | | | 3,108,105 | | | | 3,108,105 |
| Re-measurement of Defined Benefit plans (net of tax) | | | | | | 46,992 | 46,992 |
| Directors' share of profit | | | (1,413) | | | | (1,413) |
| Prior year adjustment | | | 30,716 | | | | 30,716 |
| Transfer to legal reserve | | | (777,026) | 777,026 | | | - |
| Transfer to regulatory risk reserve | | | (197,305) | | 197,305 | | - |
| **Balance at the end of the reporting period** | **10,094,666** | **103,315** | **2,163,078** | **3,664,749** | **843,863** | **392,204** | **17,261,873** |

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 September 04, 2026, and signed on their behalf by:

Mr. Abdishu Hussien
Chairman, Board of Directors

Aklilu Wubet (PhD)
Chief Executive Officer

## Notes to the Separate Finanacial Statement
## For the Reporting Period Ended 30 June 2026

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 36 | **Interest income** | | |
| | Treasury Bill | 10,068 | 47,500 |
| | Loans and advances to customers | 10,104,056 | 7,583,342 |
| | Investment securities | 1,416,530 | 787,214 |
| | Interest Income on Corrospondent Bank Accounts | 158,348 | 41,302 |
| | | **11,689,003** | **8,459,357** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 37 | **Interest expense** | | |
| | Saving deposits | 1,921,686 | 1,489,562 |
| | Fixed time deposits | 2,529,737 | 1,443,395 |
| | Current deposits | 22,672 | 5,406 |
| | Short term borrowing | 167,155 | 189,649 |
| | Interest Incurred on lease liabilities | 27,564 | 27,984 |
| | | **4,668,814** | **3,155,997** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 38 | **Net fees and commission income** | | |
| | **Fee and Commission Income;** | | |
| | Commission and fees on L/C | 2,539,671 | 1,879,844 |
| | Commission on Guarantees | 310,411 | 237,241 |
| | Fee from mobile banking | 16,011 | 4,397 |
| | Income from VISA | 7,838 | 1,357 |
| | Income from Mastercard | 28,703 | 884 |
| | Income from Ethswitch | 34,562 | 35,081 |
| | Agent Banking Fee | 3 | 9 |
| | ATM and POS Transaction Fees-Foreign | 6,421 | 512 |
| | ATM and POS Transaction Fees-Local | 2,312 | 2,099 |
| | Commission on CPO issued | 1,553 | 1,679 |
| | Loan Processing Fee | 15,383 | 69,716 |
| | Service Charge-Local | 49,806 | 17,001 |
| | SWIFT charges | 286,532 | 98,072 |
| | Commission Sundries | 71,317 | 41,112 |
| | Commission & Charges from IFB | 10,692 | 75,921 |
| | Commission and Fees on Fund transfers | 0 | 2 |
| | | **3,381,215** | **2,464,926** |

# Wegagen Bank S.C
# Annual Separate Financial Statement
## For the Year Ended 30 June 2026

| | | |
|---|---|---|
| **Fee and Commission Expense;** | | |
| Visa Charge | 13,948 | 29,904 |
| Master Card Charges | 21,780 | 16,606 |
| Ethswitch Charges | 3,373 | 12,782 |
| Membership Fee | 10,923 | 11,267 |
| Broad Band Expense | 43,110 | 25,068 |
| Subscription & Publication | 592 | 521 |
| License Fee | 16,502 | 10,223 |
| | **110,228** | **106,374** |
| **Balance net fee and commission income** | **3,270,987** | **2,358,553** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 39 | **Other operating income** | | |
| | Rental income | 10,485 | 11,432 |
| | Estimation fees | 3,621 | 2,907 |
| | Rebates | 4,690 | 3,076 |
| | Fee on Bounced Checks | 100 | 143 |
| | Dividend income | 57,860 | 49,877 |
| | Gain on Disposal of Old Assets | 43,037 | 6,967 |
| | Card banking charges | 6,651 | 4,717 |
| | Sundries-Local | 148,042 | 61,684 |
| | Gain from foreign exchange rate spread | - | 605,983 |
| | Gain on foreign exchange | 922,289 | 1,807,698 |
| | | **1,196,775** | **2,554,484** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 39a | **Rental income** | | |
| | From buildings located in Addis Ababa | 7,526 | 11,145 |
| | From Buildings reside in regional cities | 2,959 | 287 |
| | | **10,485** | **11,432** |

This rental income is derived from small, excess office spaces in Addis Ababa and regional cities that are rented out beyond the bank's own operational needs. Although they generate rent, these buildings are classified under Property, Plant, and Equipment (PPE) and repossessed properties because the bank primarily uses them for its own business operations rather than holding them to run a rental business.

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 40 | **Impairment losses on other assets** | | |
| | Other assets - impairment reversal (note 46a) | (8,651) | (6,295) |
| | | **(8,651)** | **(6,295)** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 41 | **Salaries and benefits** | | |
| | Employee salaries | 2,291,671 | 1,891,033 |
| | Outsourced employee salaries | 322,110 | 308,043 |
| | Pension costs | 251,986 | 207,371 |
| | Short-term employee benefits | 1,340,658 | 1,470,688 |
| | Directors monthly allowance | 1,130 | 1,200 |
| | Severance pay- Defined benefit plan | 124,666 | 74,880 |
| | | **4,332,221** | **3,953,215** |

| 42 | **Other operating expenses** | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| | Advertisement & Publicity | 166,196 | 107,521 |
| | Agent Banking | - | 2 |
| | Bank Charges | 31,041 | 19,863 |
| | Card payment Charges | 13,731 | 6,902 |
| | Consultant Fee | 21,885 | 47,522 |
| | Communication expenses | 7,248 | 7,590 |
| | Consumables | 38,900 | 29,415 |
| | Donations | 81,414 | 29,837 |
| | Stump Duty Expense | 1,602 | 2,243 |
| | Entertainment | 10,677 | 7,153 |
| | Event organization expense | 14,622 | 11,544 |
| | Insurance | 22,358 | 21,516 |
| | IT support charges | 28,778 | 81,052 |
| | E-banking support charges | 9,872 | 105,476 |
| | Court related Expenses | 3,705 | 4,910 |
| | Legal provision | - | 16,008 |
| | Land and Building fees | 8,703 | 8,375 |
| | Loss on Disposal of fixed assets | 5,746 | 999 |
| | Maintenance | 79,958 | 73,997 |
| | Money transfer charges | 20,876 | 17,669 |
| | Penalty Expense | 1,733 | - |
| | Perdiem and Travel | 129,489 | 85,469 |

# Wegagen Bank S.C
# Annual Separate Financial Statement
## For the Year Ended 30 June 2026

| | | |
|---|---|---|
| Petrol and Oil | 63,019 | 48,503 |
| Printing and stationary | 36,792 | 34,774 |
| Rental expenses | 127,566 | 65,766 |
| Sundries | 14,847 | 9,784 |
| Uniform | 33,751 | 25,893 |
| Utilities | 28,796 | 19,211 |
| Wages for non-permanent employees. | 1,038 | 246 |
| Loading and unloading expense | 4,644 | 3,727 |
| Loss on exchange rate negotation | 247,254 | 302,930 |
| Deposit Insurance Expense | 181,459 | 145,403 |
| | **1,437,700** | **1,341,299** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| **43** | **Income and deferred tax** | | |
| **43a** | **Current income tax** | | |
| | **Income tax** | 1,174,799 | 1,103,261 |
| | Deferred income tax/(credit) to profit or loss | (26,061) | (20,705) |
| | **Total charge to profit or loss** | **1,148,738** | **1,082,556** |
| | Tax (credit) on other comprehensive income | 97,144 | 16,360 |
| | **Total tax in statement of comprehensive income** | **1,245,882** | **1,098,916** |

**43b Reconciliation of effective tax to statutory tax**

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

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| **Profit before tax** | **4,246,359** | **3,866,956** |
| **Non-allowable Expenses;** | | |
| Entertainment | 10,677 | 7,153 |
| Donation | 11,914 | 2,687 |
| Penalty | 1,733 | - |
| Provision for Legal cases | - | 16,008 |
| Employee Severance benefits | 124,666 | 74,880 |
| Loss on disposal of fixed assets | 2,705 | 999 |
| Provision for loans and other assets | 527,713 | 465,867 |
| Depreciation for accounting purpose | 278,915 | 201,786 |
| Depreciaion and int. expense IFRS 16 | 383,248 | 337,301 |
| Amortization for accounting purpose | 305,715 | 83,282 |
| Loss on FCY revaluation | 323,117 | 405,459 |
| Life Insurance | 21,165 | 18,719 |
| Staff loan market interest rate differential | 28,142 | 47,725 |
| Accrud leave Expense | - | 104,921 |
| Other fring benefits | 42,062 | - |
| | **2,061,772** | **1,766,788** |
| **Allowable Expenses;** | | |
| Depreciation for tax purpose | (332,403) | (220,550) |
| Amortization for tax purpose | (168,282) | (61,709) |
| Rent expense | (510,814) | (403,067) |
| Employee severance paid in cash | (21,361) | (29,596) |
| Provision for loans and other assets as per NBE | (548,230) | (361,550) |
| Accrued leave paid in cash to resigned staffs | - | (4,924) |
| Dividend income taxed at source | (57,860) | (49,877) |
| Interest income exempted from tax | (748,172) | (783,632) |
| Gain from sale of acquired properties | (14,089) | - |
| Interest from correspondent bank taxed at 5% | - | (41,302) |
| | **(2,401,211)** | **(1,956,206)** |
| **Taxable Income** | **3,906,920** | **3,677,537** |
| **Statutory tax at rate 30%** | **1,172,076** | **1,103,261** |

# Wegagen Bank S.C
## Annual Separate Financial Statement
### For the Year Ended 30 June 2026

| | | 30 June 2026 | 30 June 2025 |
|---|---|---|---|
| 43c | **Current income tax liability** | **Birr'000** | **Birr'000** |
| | Balance at the beginning of the year | 1,094,852 | 641,203 |
| | Charge for the year: | | |
| | Income tax expense | 1,174,799 | 1,103,261 |
| | Payment during the year | (1,094,852) | (641,203) |
| | Withholding tax | (836) | (8,409) |
| | **Balance at the end of the year** | **1,173,963** | **1,094,852** |

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

**43d 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 | 30 June 2026 Birr'000 |
|---|---|---|---|---|
| Property, Plant and Equipment | 142,792 | (8,820) | | 133,972 |
| Post employment benefit obligation | (151,461) | (30,991) | 20,140 | (162,313) |
| Accrued Leave | (53,728) | 13,750 | | (39,978) |
| Equity Investments | 161,549 | | 77,005 | 238,554 |
| **Total deferred tax (assets)/liabilities** | **99,152** | **(26,061)** | **97,144** | **170,235** |

| **Deferred income tax assets/(liabilities):** | At 1 July 2024 Birr'000 | Credit/ (charge) to P/L Birr'000 | Credit/ (charge) to equity Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|---|
| Property, plant and equipment | 119,913 | 22,879 | | 142,792 |
| Post employment benefit obligation | (86,537) | (13,585) | (51,338) | (151,461) |
| Accrued Leave | (23,729) | (29,999) | | (53,728) |
| Equity Investments | 93,851 | | 67,699 | 161,549 |
| **Total deferred tax assets/(liabilities)** | **103,498** | **(20,705)** | **16,360** | **99,152** |

| | **43e Rental income tax** | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| | **Rent income from Addis Ababa City properties** | 7,526 | 11,145 |
| | **Deductibles;** | | |
| | Depreciation expense | (1,407) | ( 2,748) |
| | **Taxable Income** | **6,119** | **8,397** |
| | Statutory tax@30% | **(1,836)** | **(2,519)** |
| | Withholding tax receivable | **274** | **-** |
| | **Net Rental Income** | **4,557** | **5,878** |

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| **Rent income from Regional Cities acquired assets** | 2,958 | 287 |
| **Deductibles;** | | |
| Depreciation expense | - | - |
| **Taxable Income** | **2,958** | **287** |
| Statutory tax@30% | (887) | (86) |
| Withholding tax receivable | 35 | - |
| **Net Rental Income** | **2,105** | **201** |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| 44 | **Cash and bank balances** | | |
| | Cash in hand | 1,066,670 | 1,391,320 |
| | Deposit with local commercial banks | 1,847,043 | 1,009,391 |
| | Deposit with foreign banks | 9,902,945 | 6,610,730 |
| | Deposit with National Bank of Ethiopia | 9,751,087 | 5,718,906 |
| | Deposit with Interbank Money Market | - | 300,000 |
| | **Gross cash and bank balances** | **22,567,745** | **15,030,348** |
| | Impairment Allowance for cash | (459) | (65) |
| | | **22,567,286** | **15,030,282** |

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| **Maturity analysis** | | |
| Current | 22,567,286 | 15,030,282 |
| Non-Current | - | - |
| | **22,567,286** | **15,030,282** |

Deposits with local commercial banks have been restated by Birr 1,410,424 for the period ended June 30, 2026, and Birr 405,918 for the period ended June 30, 2025, and thus reclassified from cash to short-term placements.

| 45 **Placements with Financial Institutions** | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Time deposit with banks | 1,410,424 | 405,918 |
| | **1,410,424** | **405,918** |
| **Maturity analysis** | | |
| Current | 1,410,424 | 405,918 |
| Non-Current | - | - |
| | **1,410,424** | **405,918** |

# Wegagen Bank S.C
# Annual Separate Financial Statement
## For the Year Ended 30 June 2026

| 46 Other assets | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| **Financial assets;** | | |
| Staff receivables | 2,659 | 2,352 |
| Receivable from money transfer agents | 66,401 | 99,112 |
| Recievable from VISA | 168,752 | 10,815 |
| Recievable from Master Card | 25,021 | 2,151 |
| Eth-switch Receivable | 172,876 | 137,388 |
| Emergency salary advance | 917,796 | 896,452 |
| Receivable from employment agenecies | 982,448 | 835,589 |
| Other receivables | 2,687,910 | 1,942,208 |
| Receivables due to cash lost | 31,641 | 196,567 |
| **Gross financial assets** | **5,055,504** | **4,122,633** |
| Less: Impairment allowance (note 46a) | (621,720) | (802,424) |
| **Net financial assets** | **4,433,784** | **3,320,209** |
| **Non-financial assets;** | | |
| Prepayments | 1,698,610 | 794,989 |
| Prepaid expenses on staff loans | 777,566 | 509,543 |
| Consumables stock | 109,741 | 123,247 |
| Repossessed properties | 529,687 | 402,774 |
| **Gross Non-financial assets** | **3,115,604** | **1,830,552** |
| | **7,549,388** | **5,150,762** |

| Maturity analysis | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Current | 6,848,637 | 4,635,889 |
| Non-Current | 700,751 | 514,873 |
| | **7,549,388** | **5,150,762** |

### 46a Impairment allowance on other assets

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

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| **Balance at the beginning of the year** | 802,424 | 810,693 |
| Reversal/Written off during the year | (172,054) | (1,974) |
| Charge for the year | (8,651) | (6,295) |
| **Balance at the end of the year** | **621,720** | **802,424** |

| | 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 |
| **47 Property and Equipment** | | | | | | | |
| **Cost:** | | | | | | | |
| **As at 1 July 2024** | **550,784** | **855,764** | **424,481** | **336,712** | **607,451** | **13,395** | **2,261,045** |
| Additions | 111,411 | - | 12,379 | 186,478 | 121,871 | 1,466 | 237,478 |
| Disposals | (1,416) | - | (1,386) | (7,593) | (8,206) | - | (18,601) |
| Write-off | - | - | - | (186) | - | - | - |
| Reclassification | (36,614) | 3,027 | (3,343) | (15,331) | (36,946) | - | - |
| **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 | 260,711 | 245,092 | 111,369 | 65,616 | 499,650 | 1,160,592 | 2,343,030 |
| Disposals | (8,631) | - | (1,369) | (9,958) | (3,662) | - | (23,619) |
| **As at 30 June 2026** | **876,245** | **1,103,883** | **542,130** | **555,739** | **1,180,159** | **1,175,452** | **5,433,608** |
| **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) | | - | |
| Disposals | (1,386) | - | (1,293) | (5,989) | (8,070) | - | (16,737) |
| Reclassification | | 441 | | | | | |
| **As at 30 June 2025** | **345,504** | **121,414** | **234,019** | **184,487** | **401,101** | **-** | **1,286,524** |
| **As at 1 July 2025** | **345,504** | **121,414** | **234,019** | **184,487** | **401,101** | **-** | **1,286,524** |
| Charge for the year | 76,137 | 19,962 | 35,342 | 47,126 | 100,347 | - | 278,915 |
| Disposals | (18,116 ) | - | (1,656) | (15,443) | (9,093) | - | (44,307) |
| **As at 30 June 2026** | **403,525** | **141,376** | **267,705** | **216,169** | **492,356** | **-** | **1,521,132** |
| **Net book value** | | | | | | | |
| **As at 30 June 2025** | **278,661** | **737,377** | **198,111** | **315,594** | **283,069** | **14,861** | **1,827,673** |
| **As at 30 June 2026** | **472,720** | **962,507** | **274,425** | **339,570** | **687,803** | **1,175,452** | **3,912,476** |

# Wegagen Bank S.C
# Annual Separate Financial Statement
## For the Year Ended 30 June 2026

### 47a Leases

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

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Depreciation charge for right-of-use assets | 355,683 | 309,316 |
| Interest Expense on lease liabilities | 27,564 | 27,984 |
| Expense related to short-term leases | 127,566 | 65,766 |
| Cost of lease contracts - stamp duty | 1,602 | 2,160 |
| | **512,416** | **405,227** |

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

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Right of use assets | | |
| • Office building | 657,319 | 984,040 |
| Lease liabilites | | |
| • Office buidling | 226,087 | 272,700 |
| Maturity analysys of lease liabilities | | |
| Less than one year | 54,261 | 65,448 |
| More than one year | 171,826 | 207,252 |
| | **226,087** | **272,700** |

### 48 Deposits from customers

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Demand deposits | 23,616,493 | 20,746,597 |
| Saving deposits | 39,234,898 | 32,949,781 |
| Fixed term deposits | 10,666,206 | 7,955,441 |
| | 73,517,597 | 61,651,819 |

**Maturity analysis**

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Current | 28,671,863 | 22,811,173 |
| Non-Current | 44,845,734 | 38,840,646 |
| | **73,517,597** | **61,651,819** |

### 49 Deposit from financial institutions

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Saving Deposit | 464,735 | 816,916 |
| Demand Deposit | 2,740,258 | 939,663 |
| Fixed Term deposit | 4,882,904 | 3,074,394 |
| **Total** | **8,087,897** | **4,830,973** |

| Maturity analysis | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Current | 3,154,280 | 1,787,460 |
| Non-Current | 4,933,617 | 3,043,513 |
| | **8,087,897** | **4,830,973** |

| 50 Other liabilities | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| **Financial liabilities** | | |
| Blocked Account | 9,511 | 9,488 |
| Cash payment order payable | 169,581 | 231,578 |
| Customer deposits for letter of credit | 2,828,582 | 1,564,389 |
| Deferred revenue | 259,379 | 128,681 |
| Short-term borrowing | 5,500,000 | - |
| Deposit for Guarantees Issued | 16,791 | 11,003 |
| Dividend payable | 117,109 | 82,956 |
| Exchange payable to NBE | 8,425 | 9,178 |
| Old outstanding payable | 59,002 | 59,966 |
| Payable to Ethio switch | 20,749 | 19,151 |
| Prepaid card control account | 4,563 | 9,551 |
| Telegraphic transfer payable | 12,397 | 12,397 |
| | **9,006,090** | **2,138,338** |
| **Non-financial liabilities** | | |
| Provision for court cases | 70,355 | 70,355 |
| Pension Contribution Payable | 24,142 | 20,301 |
| Stamp duty payable | 5,624 | 5,746 |
| Interest Tax Payable | 35,970 | 20,907 |
| Withholding tax payable | 15,113 | 1,326 |
| Employee income Tax Payable | 52,422 | 105,726 |
| VAT payable | 80,711 | 46,376 |
| Cost Sharing Tax Payable | 136 | 290 |
| Technical Service Tax Payable | 18,483 | 5,801 |
| Accrued leave pay | 133,259 | 179,093 |
| Sundry payables | 794,238 | 549,063 |
| Lease Liability | 226,087 | 272,700 |
| Employee Bonus Payable | 329,500 | 259,210 |
| | **1,786,039** | **1,536,894** |
| **Gross amount** | **10,792,129** | **3,675,232** |

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# Wegagen Bank S.C
# Annual Separate Financial Statement
## For the Year Ended 30 June 2026

| Maturity analysis | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Current | 10,625,413 | 3,467,980 |
| Non-Current | 171,826 | 207,252 |
| | **10,797,239** | **3,675,232** |

| 51 Employee benefit obligations | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| 51a Defined benefits liabilities: | | |
| -Severance benefits | 541,042 | 504,869 |
| **Liability in the statement of financial position** | **541,042** | **504,869** |

| Income statement charge included in personnel expenses: | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| – Severance pay | 124,666 | 74,880 |
| **Total defined benefit expenses** | 124,666 | 74,880 |
| **Remeasurements for:** | | |
| – Severance pay | 46,992 | (12,971) |
| | **46,992** | **(12,971)** |

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

**51b 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.

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

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| A | **Liability recognised in the stat. of financial position** | 541,042 | 504,869 |

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| B | **Amount recognised in profit or loss statement** | | |
| | Current service cost | 49,425 | 19,698 |
| | Interest cost | 75,241 | 55,182 |
| | | **124,666** | **74,880** |

Retirement benefit obligations (Contd)

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| C | **Amount recognised in other comprehensive income:** | | |
| | Remeasurement gain or(loss) arising from experience | (9,088) | (93,703) |
| | Re-measurement gain or(loss) arising from economic assumptions | 76,219 | (77,425) |
| | | 67,132 | (171,128) |
| | Tax Credit/Charge at 30% | (20,140) | 51,338 |
| | | **46,992** | **(119,790)** |

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

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| **At the beginning of the year** | **504,869** | **288,457** |
| Current service cost | 49,425 | 19,698 |
| Interest cost | 75,241 | 55,182 |
| Re-measurement (gains)/ losses | (67,132) | 171,128 |
| Benefits paid | (21,361) | (29,596) |
| **At the end of the year** | **541,042** | **504,869** |

# Wegagen Bank S.C
# Annual Separate Financial Statement
## For the Year Ended 30 June 2026

The significant actuarial assumptions were as follows:

**i) Actuarial Assumption**

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Discount Rate | 16.00% | 14.50% |
| Salary Increase rate | 14.00% | 14.20% |
| Mortality Assumptions – Males | DHS 2016 Males | DHS 2016 Males |
| Mortality Assumptions – Females | DHS 2016 Female | DHS 2016 Female |
| Weighted average duration of defined benefit obligation | 8.33 | 10 |

**ii) Mortality in Service**

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

| | Mortality rate | |
|---|---|---|
| Age | Males | Females |
| 20 | 0.31% | 0.22% |
| 25 | 0.30% | 0.23% |
| 30 | 0.36% | 0.31% |
| 35 | 0.41% | 0.28% |
| 40 | 0.52% | 0.32% |
| 45 | 0.45% | 0.43% |
| 50 | 0.63% | 0.63% |
| 55 | 0.98% | 0.98% |
| 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% |
| 55 | 0.08% |

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IV) **Health/Disability**

The rates selected are consistent with those used for other African post employment benefits arrangement and are ActServ best estimate of the expected future long-term experience of the bank. These rates are internally developed by ActServ.

| Age | Males | Females |
|---|---|---|
| 20 | 0.04% | 0.04% |
| 25 | 0.04% | 0.04% |
| 30 | 0.04% | 0.04% |
| 35 | 0.04% | 0.04% |
| 40 | 0.06% | 0.05% |
| 45 | 0.11% | 0.08% |
| 50 | 0.20% | 0.14% |
| 55 | 0.35% | 0.25% |
| 60 | 0.57% | 0.42% |

The sensitivity of the main results to changes in the assumed salary escalation rates, discount rate, and mortality has been calculated based on the duration of the liabilities. The changes in the 30 June 2026 defined benefit obligation and the assets are reflected below:

| | Base DBO Birr'000 | Current service cost one year impact Birr'000 | % Change Birr'000 |
|---|---|---|---|
| Discount rate + 1% | 541,042 | 501,069 | -7.39% |
| Discount rate - 1% | 541,042 | 580,690 | 7.33% |
| Salary increase +1% | 541,042 | 578,749 | 6.97% |
| Salary decrease -1% | 541,042 | 502,351 | -7.15% |
| Mortality increase +10% | 541,042 | 540,914 | -0.02% |
| Mortality decrease -10% | 541,042 | 535,016 | -1.11% |

**52 Earnings per share**

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

| | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| Profit attributable to shareholders | 3,108,105 | 2,784,400 |
| Weighted average number of ordinary shares in issue | 9,168,883 | 6,028,243 |
| **Basic earnings per share (%age)** | **33.90%** | **46.19%** |

# Wegagen Bank S.C
# Annual Separate Financial Statement
## For the Year Ended 30 June 2026

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.

| | | 30 June 2026 | 30 June 2025 |
|---|---|---|---|
| | | Birr'000 | Birr'000 |
| 53 | **Retained earnings** | | |
| | At the beginning of the year | 1,948,124 | 1,246,781 |
| | Dividend Paid/Capitalized | (1,948,124) | (1,246,781) |
| | Board of directors remuneration | (1,413) | (1,500) |
| | Prior year adjustments | 30,716 | - |
| | Profit/(Loss)for the year | 3,108,105 | 2,784,400 |
| | Transfer to Legal Reserve | (777,026) | (696,100) |
| | Transfer to Regulatory Reserve | (197,305) | (20,536) |
| | Non-distributable reserve adjustment | - | (118,140) |
| | **Balance at the end of the year** | **2,163,078** | **1,948,124** |

| | | 30 June 2026 | 30 June 2025 |
|---|---|---|---|
| | | Birr'000 | Birr'000 |
| 54 | **Legal Reserve** | | |
| | At the beginning of the year | 2,887,722 | 2,191,622 |
| | Transfer from profit or loss | 777,026 | 696,100 |
| | **At the end of the year** | **3,664,748** | **2,887,722** |

Banking Business Proclamation No. 1360/2025, Article 22(1), and directive number SBB/4/95 require the bank to transfer 25% of its annual net profit to its legal reserve account.

# Wegagen Bank S.C
# Annual Separate Financial Statement
## For the Year Ended 30 June 2026

| 55 Cash generated from operating activities | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|
| **Profit before tax** | **4,256,843** | **3,866,956** |
| **Adjustments for non-cash items:** | | |
| Depreciation of property and equipment | 278,915 | 201,786 |
| Amortisation of intangible assets | 305,715 | 83,282 |
| Depreciation of right of use assets | 355,683 | 309,316 |
| Gain or loss on disposal of property and equipment | (37,292) | (5,968) |
| Effect of exchange rate movement on cash and bank balances | (13,084) | (24,908) |
| Impairment on loans and receivables | 520,003 | 460,048 |
| Employee benefit obligations | 103,305 | 179,801 |
| Dividend income | (57,860) | (49,877) |
| **Changes in working capital:** | | |
| -Decrease/ (Increase) in loans and advances | (13,789,702) | (8,348,682) |
| -Decrease/ (Increase) in other assets | (2,217,922) | (3,400,243) |
| -Increase/ (Decrease) in deposits from customers | 11,865,778 | 13,233,869 |
| -Increase/ (Decrease) in deposits from financial institutions | 3,256,924 | 1,124,199 |
| -Increase/ (Decrease) in deposits to financial institutions | (1,004,506) | (405,918) |
| -Increase/ (Decrease) in other liabilities | 7,122,007 | 307,015 |
| | **10,944,807** | **7,530,677** |

**56 Related party transactions**

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

| 56a Transactions with related parties | Nature of relationship | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| **I. Loans and advances to:** | • Influential shareholders | 3,649,452 | 2,208,185 |
| | • Key Management Personnel | 128,067 | 98,111 |
| | | **3,777,519** | **2,306,296** |
| **II. Deposit balances of:** | • Influential shareholders | 925,504 | 964,841 |
| | • Key Management Personnel | 20,097 | 20,131 |
| | | **945,601** | **984,971** |

# Wegagen Bank S.C
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### 56b 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 purchase of goods and services between the Bank and key management personnel as at 30 June 2026

| | | 30 June 2026 Birr'000 | 30 June 2025 Birr'000 |
|---|---|---|---|
| Salaries and other employee benefits to : | • Board of Directors | 2,543 | 1,200 |
| | • Executive Management | 94,720 | 35,441 |
| | | 97,262 | 36,641 |

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

### 57 Employees

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

| | 30 June 2026 Number | 30 June 2025 Number |
|---|---|---|
| Total staff | 5,555 | 5,553 |