

# **ZEMEN BANK SHARE COMPANY**

## **PROSPECTUS**

### **For the Registration of Existing Ordinary Shares**

No new equity shares are proposed to be sold or offered pursuant to this Prospectus

15 April, 2026

<b>Name of the Issuer:</b>	<b>Zemen Bank Share Company</b>
<b>Commercial Registration No.:</b>	<b>MT/AA/3/0052748/2014</b>
<b>Type of Offer:</b>	<b>Registration of all Ordinary Shares currently held by the existing Shareholders</b>
<b>Number of Shares:</b>	<b>15,000,000</b>

This Prospectus is issued by Zemen Bank Share Company (“the Bank” or “Issuer”) under the provisions of the Capital Market Proclamation No. 1248/2021 and in compliance with the Public Offering and Trading of Securities Directive No. 1030/2024 of the Ethiopian Capital Markets Authority (ECMA). Its purpose is to provide comprehensive information to potential investors regarding the registration of existing ordinary shares of the Bank as at the record date as defined in the Prospectus (the “Existing Ordinary Shares”).

The Prospectus has been approved, and the securities it offers have been registered by the Ethiopian Capital Markets Authority.

The Bank, Board of Directors, the Chief Executive Officer, and Chief Financial Officer (the "Executive Management") whose names also appear in Section 11 of this Prospectus accept full responsibility for the information contained in the Prospectus.. To the best of their knowledge and belief, all reasonable care has been taken to ensure the information in the Prospectus is in accordance with facts and does not omit anything likely to affect the importance of such information or make the expression of such information or opinion misleading or untrue.

Investing in this offer involves possible risks, and this Prospectus incorporates Section 9 (Risk Factors) for a discussion of certain risk factors that should be considered by both existing shareholders and prospective investors in connection with any investment in the bank. Please read the Prospectus in full and, where in doubt as to the action you should take, consult an appropriate licensed independent securities advisor for guidance before investing in securities.

**THE APPROVAL OF THE PROSPECTUS AND THE REGISTRATION OF THE SECURITIES SHOULD NOT BE CONSTRUED AS AN ENDORSEMENT BY THE ETHIOPIAN CAPITALS MARKET AUTHORITY OF THE ISSUER OR OF THE SECURITIES THAT ARE THE SUBJECT OF THIS PROSPECTUS. THE ETHIOPIAN CAPITAL MARKET AUTHORITY DOES NOT ASSUME RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS, OPINIONS, OR REPORTS INCLUDED HEREIN.**

**Transaction Advisor**  
i-Capital Institute PLC

**Legal Advisor**  
DABLO Law Firm

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## 1. SECTION ONE – GENERAL INFORMATION

### 1.1. Definitions, Acronyms and Abbreviations

This Prospectus of Zemen Bank S.C. contains certain technical terms, accounting references, and regulatory abbreviations which, unless otherwise indicated by the context, shall carry the meanings ascribed to them in this document. References made herein to any legislation, proclamation, regulation, directive, guideline, policy, circular, notification, or clarification shall be deemed to include any amendments, modifications, or re-enactments thereof, as may be issued from time to time by the National Bank of Ethiopia (NBE), the Ethiopian Capital Market Authority (ECMA), or any other relevant regulatory authority. Accordingly, investors are advised to interpret such references in light of applicable Ethiopian banking, financial reporting, and capital market laws and their subsequent updates.

**Table 1: Table of Terms**

Term or Abbreviations	Meaning
A.A.	Addis Ababa
AABE	Accounting & Auditing Board of Ethiopia
AFLEX	African Leadership Excellence Academy
ALCO	Asset-Liability Committee
AML	Anti-Money Laundering
ATM	Automated Teller Machine
Auditors	Auditors licensed by the Accounting and Audit Board of Ethiopia (AABE)
Authority	The Ethiopian Capital Market Authority was established under the Capital Market Proclamation No. 1248/2021
BA	Bachelor of Arts
Banking Business Proclamation	NBE Regulation on the Scope of Banking Activities: Banking Business Proclamation No. 1360/2025
Board of Directors or BoD	Members of the Board of Directors of the Bank as at the date of this document are those persons whose names are set out in Section 4 of this Prospectus.
BSc	Bachelor of Science
BTEC	Bachelor of Technology
CAGR	Compounded Annual Growth Rate
CBE	Commercial Bank of Ethiopia
CEO	Chief Executive Officer
CICO	Cash-in/Cash-out
CR WASH	Community-Resilient Water, Sanitation and Hygiene
CSA	Central Statistics Agency

Term or Abbreviations	Meaning
DBE	Development Bank of Ethiopia
DFI	Development Finance Institution
DPS	Dividend per share
Districts	Administrative Divisions
EASTRIP	Eastern Africa Skills for Transformation and Regional Integration Project
ECMA	Ethiopian Capital Market Authority
ECX	Ethiopia Commodity Exchange
EIB	European Investment Bank
EIC	Ethiopian Investment Commission
EMCC	Executive Management Credit Committee
EPMES	Education Performance Monitoring and Evaluation System
EPS	Earnings per Share
Equity Shares	The equity shares of the Company are <b>15,000,000</b> having a par value of Birr 1,000 each.
ERMF	Enterprise Risk Management Framework
ERP	Enterprise Resource Planning
ESA	Ethio Scholars Academy
ESG	Environmental, Social, and Governance
ESS	Ethiopian Statistical Services
ESX	Ethiopian Securities Exchange
ETB	Ethiopian Birr
Ethiopia or The Country or FDRE	Federal Democratic Republic of Ethiopia
FCY	Foreign Currency
FDI	Foreign Direct Investment
Fintech	Financial Technology Company
Financial Statements	Audited financial statements of the Bank
FIS	Financial Intelligence Service
FY	Financial Year/ Fiscal Year
GDP	Gross Domestic Product
GEQIP	General Education Quality Improvement Program
GWPTE	General Work Process Training and Evaluation
HFI	Historical Financial Information
i-Capital	i-Capital Institute PLC

Term or Abbreviations	Meaning
IECBA	Institute of Ethics and the Certified Public Accountants of Ethiopia
IFESH	International Foundation for Education and Self-Help
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
Independent Director	A non-executive director who has no family of first-degree consanguinity relationship or business, professional, or commercial relationship with the bank, and is neither part of senior management nor involved in the day-to-day operations of the bank
Investor	Any person who sells, buys, or holds Zemen Bank shares in accordance with this Proclamation with the expectation of a financial return from such transactions
Insider Trading	The action of buying or selling of securities based on material, non-public information about a company.
IT	Information Technology
IQPEP	Integrated Quality Program for Education Performance
L/C	Letters of Credit
MCC	Management Credit Committee
MELA	Monitoring, Evaluation, Learning, and Adaptation
MFI	Micro Finance Institution
MPC	Monetary Policy Committee
MOA	Memorandum of Association
MoTRI	Ministry of Trade and Regional Integration
MT 940	Standardized SWIFT Message
NBE	National Bank of Ethiopia
NPL	Non-Performing Loan
NSSDA	National School Standards and Development Agency
ODA	Official Development Assistance
Ordinary Shares	Issued and fully paid-up ordinary shares
PBT	Profit Before Tax
PCI DSS	Payment Card Industry Data Security Standard
PCI PIN	Payment Card Industry Personal Identification Number
PhD	Doctor of Philosophy

Term or Abbreviations	Meaning
PLC	Private Limited Company
Proclamation	Ethiopian Capital Market Proclamation No. 1248/2021 and Ethiopian Banking Business Proclamation No. 1360/2025
Prospectus	The Prospectus dated 20 April 2026, is to be filed with the ECMA
Public Offer Directive	Public Offering and Trading of Securities Directive No. 1030/2024
RoAA	Return on Average Assets
RoAE	Return on Average Equity
RTI	Research Triangle Institute
Shareholders	Holders of the ordinary shares in the capital of the Bank
SWIFT	Society for Worldwide Interbank Financial Telecommunication
The Bank Management	Members of the senior management team of the Bank whose names are set out in section 4.2 of this Prospectus
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
USD	United States Dollar
WASPaLS#2	Water and Sanitation for Peacebuilding and Learning – Phase 2
YOY	Year-on-Year
Zemen Bank or the Bank or the Company or the Issuer	Zemen Bank S.C

## 1.2. Corporate Directory

Zemen Bank is legally registered as a share company with a commercial registration number of MT/AA/3/0052748/2014 and is licensed by the National Bank of Ethiopia (NBE) to undertake banking business under license number LBB/010/2008.

### **The registered office of the Bank is given as:**

Zemen Bank S.C.

Lideta Sub City, Woreda 07, Ras Abebe Aregay Street,

Postal Address: P.O. Box 1212, Addis Ababa, Ethiopia

Telephone: +251-115540069

Email: [info@zemenbank.com](mailto:info@zemenbank.com)

Website: [www.zemenbank.com](http://www.zemenbank.com)

As of the date of this Prospectus, the Company maintains 140 branches located throughout Ethiopia, managed through its 14 districts, across all 12 regions of the country. The contact information, including addresses and telephone numbers for these branches and district offices, is provided in Annex 2 of the Prospectus.

### **The Company's registrar:**

Ministry of Trade and Regional Integration ("MoTRI")

Bole Sub City

Addis Ababa, Ethiopia

Website: <https://motri.gov.et>

## 1.3. Persons Responsible for the Information Disclosed

The Bank, the Bank's Directors, the Chief Executive Officer, and the Chief Finance Officer (collectively, the "Responsible Parties", whose names appear below) accept full responsibility for the information contained in this Prospectus.

To the best of their knowledge and belief, the Responsible Parties have taken all reasonable care to ensure that the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the significance of such information or render any statement misleading or untrue.

The Responsible Parties may be contacted at the Bank's registered address, as indicated under Section 1.2.

The following individuals, as Responsible Parties, have approved and signed this Prospectus.

## Individual Responsible Parties

1. Enye Bemir Kidanu – Board Chairperson, Member Nomination & Remuneration Committee, Member Strategy and Corporate Development Committee, Member Risk Management and Compliance Committee.
2. Sewale Abate Ayalew (PhD) – Deputy Chairperson, Chairperson Audit Committee, Member Credit Committee, Member Strategy and Corporate Development Committee.
3. Abera Abegaz Eshete – Board Director, Chairperson Risk Management and Compliance Committee, Member Credit Committee, Member Information Technology Committee.
4. Dawit Ergetu Tessema – Board Director, Chairperson Strategy and Corporate Development Committee, Member Audit Committee, Member Information Technology Committee.
5. Emawayish Addisu Hagos – Board Director, Chairperson Credit Committee, Member Audit Committee.
6. Ermias Eshetu Geletew – Board Director, Member Strategy and Corporate Development Committee, Member Risk Management and Compliance Committee, Member Information Technology Committee.
7. National Insurance Company of Ethiopia S.C. (Ato Sangeorge Dessalegn) – Board Director, Member Nomination & Remuneration Committee, Member Risk Management and Compliance Committee.
8. Tilaye Kassahun Ayen (PhD) – Board Director, Chairperson Nomination & Remuneration Committee, Member Credit Committee.
9. Wondwossen Mulugeta Gewe (PhD) – Board Director, Chairperson Information Technology Committee, Member Audit Committee, Member Nomination & Remuneration Committee.
10. Dereje Zebene Kelile – Chief Executive Officer
11. Meseret Wondim Bizuneh – Chief Finance Officer

### 1.3.1. Transaction Advisor's responsibility statement

i-Capital Institute PLC (“i-Capital”), in its capacity as Transaction Advisor to Zemen Bank S.C., hereby accepts full responsibility for the information it has provided and consented to the inclusion of in this Prospectus.

i-Capital declares that, to the best of its knowledge and belief, and having taken all reasonable care to ensure that such is the case, the information provided by it and included in this Prospectus is in accordance with the facts and does not omit anything likely to affect the importance of such information or to make the expression of such information or opinion misleading or untrue.

i-Capital is licensed by the Ethiopian Capital Market Authority as a securities investment adviser under the Capital Market Service Providers Licensing and Supervision Directive No. 980/2024 and has been appointed by the Bank as Transaction Advisor for the registration of its shares.

In this capacity, i-Capital has provided advisory services to the Bank in relation to regulatory compliance, the preparation and submission of the registration statement and this Prospectus, responses to regulatory queries, advisory support to the Board and senior management on statutory obligations, preparation of a valuation report for the Board, and such related activities as may be required under applicable laws, directives, and regulatory guidance.

The responsibilities of i-Capital are limited to the services expressly attributed to it in this Prospectus. Save for any responsibility and liability expressly arising under the Public Offer Directive, and only to the extent provided therein, i-Capital does not assume any additional duty, responsibility, or liability in respect of this Prospectus or its contents. To the fullest extent permitted by applicable law, i-Capital does not accept responsibility for any information in this Prospectus that is not expressly attributed to it.

In accordance with Article 81(3) of the Public Offer Directive, i-Capital confirms that it does not have any material interest in the Bank, or the securities being offered, other than fees payable to it by the Bank in the ordinary course of its engagement as transaction advisor.

i-Capital Institute PLC Registered office is;

6th Floor, Elsi Building, Arada Sub-City Arat-Killo,  
Addis Ababa, Ethiopia.

### **1.3.2. The External Auditor's responsibility statement**

HST Audit Limited Liability Partnership ("HST") (the "External Auditor"), in its capacity as External Auditor of Zemen Bank S.C., hereby accepts full responsibility for the audit opinions it has issued and consented to the inclusion of in this Prospectus.

HST declares that, to the best of its knowledge and belief, and having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus that relates to the audit opinions issued by HST is in accordance with the facts and does not omit anything likely to affect the importance of such information or to make the expression of such information or opinion misleading or untrue.

HST has audited the historical financial statements of the Bank included in this Prospectus in accordance with International Standards on Auditing and the applicable requirements of the Accounting and Audit Board of Ethiopia. The audit opinions were prepared for purposes of inclusion in this Prospectus, and HST has provided its written consent to such inclusion.

The responsibility of HST is limited to the audit opinions and related statements expressly attributed to it in this Prospectus. Save for any responsibility expressly arising under the Public Offer Directive and only to the extent provided therein, HST does not assume responsibility for any other information contained in this Prospectus.

In accordance with Article 81(3) of the Public Offering and Trading of Securities Directive No 1030/2024, the External Auditor confirms that it does not have any material interest in the Bank or the securities being offered, other than audit fees payable to it by the Bank in the ordinary course of its engagement as external auditor.

HST Audit Limited Liability Partnership Registered office is;

5th Floor, Mina Building, Ethio-China Friendship Avenue,  
P.O. Box 1608, Addis Ababa, Ethiopia.

### **1.3.3. The Legal Advisor's responsibility statement**

Dablo Law Firm LLP ("Dablo"), in its capacity as Legal Advisor to Zemen Bank S.C., hereby accepts full responsibility for the Legal Opinion it has issued and for the information it has provided and consented to include in this Prospectus.

Dablo Law Firm LLP declares that, to the best of its knowledge and belief, and having taken all reasonable care to ensure that such is the case, the information provided by it and included in this Prospectus is in accordance with the facts and does not omit anything likely to affect the importance of such information or to make the expression of such information or opinion misleading or untrue.

Dablo Law Firm LLP has acted as independent legal counsel to the Bank in connection with the registration of its shares and has issued a legal opinion dated March 23, 2026 (the "Legal Opinion"). The Legal Advisor has consented to the inclusion of the Legal Opinion as an accompanying document and to references to its name in this Prospectus.

The responsibility of the Legal Advisor is limited to the Legal Opinion and the statements expressly attributed to it or stated to be based upon the Legal Opinion. Save for any responsibility expressly arising under the Public Offer Directive and only to the extent provided therein, the Legal Advisor does not assume responsibility for any other information contained in this Prospectus.

In accordance with Article 81(3) of the Public Offer Directive, the Legal Advisor confirms that it does not have any material interest in the Bank, or the securities being offered, other than fees payable to it by the Bank in the ordinary course of its engagement as legal counsel

Dablo Law Firm Registered office is;

2<sup>nd</sup> Floor, NIB Bank Building, Adwa Street, Arat Kilo,  
Addis Ababa, Ethiopia

### **1.4. Third Party Information**

The information presented in this Prospectus regarding macroeconomic conditions, the banking industry, as well as relevant trends, challenges, and prospects, has been sourced or derived from publicly available data released by both governmental and private organizations. The Bank has endeavored to reproduce such third-party information accurately and, to the best of its knowledge and belief, has omitted no facts that would render any of the reproduced information inaccurate or misleading.

Furthermore, certain market and industry data used in this Prospectus have been obtained from internal surveys, reports, and studies conducted by the Bank, alongside publicly available information and industry publications, including those issued by the National Bank of Ethiopia (NBE), the Ethiopian Statistical Services (ESS), the International Monetary Fund (IMF), and the World Bank. While the Directors believe this third-party information to be reliable, the Bank has not independently verified such data. Where third-party information is included herein, the specific source has been duly identified.

## Rounding

Certain numerical figures presented in this Prospectus may have undergone rounding adjustments. Consequently, the totals displayed in specific figures may not represent a precise arithmetic sum of the preceding figures.

### 1.5. External Auditors

In appointing external auditors, the Bank complies with the Commercial Code of Ethiopia and the relevant directives issued by the NBE. The Bank's external auditor is selected through a competitive bidding process, conducted in accordance with its internal procurement policies and procedures, and is subsequently appointed by resolution of the shareholders at an Ordinary General Meeting. Each year, the NBE reviews and approves the appointment or reappointment of the external auditor. All external auditors engaged by the Bank are legally registered in Ethiopia and licensed by the Accounting & Auditing Board of Ethiopia (AABE), in line with the Council of Ministers Regulation No. 332/2014.

Accordingly, the external auditors responsible for auditing the historical financial information set out in Section 6 of this Prospectus and served the Bank during the referenced fiscal years are as follows:

**Table 2: External Auditors**

Financial Year	External Auditor
2024/2025	HST Audit Limited Liability Partnership
2023/2024	5th Floor, Mina Building, Ethio-China Friendship Avenue, P.O. Box 1608, Addis Ababa, Ethiopia.
2022/2023	info@hst.et.com AABE License ADF00007 License Valid up to February 7, 2027

### 1.6. Prospectus Summary

This section offers a concise introduction to the Prospectus. It must be read in conjunction with the other sections of this document. Any decision by a prospective investor to purchase Ordinary Shares should be made only after carefully reviewing the Prospectus as a whole.

#### 1.6.1. Key Information about the Bank

Zemen Bank Share Company is a financial institution legally registered in the Federal Democratic Republic of Ethiopia as a share company under registration number MT/AA/3/0052748/2014 and licensed by the National Bank of Ethiopia to undertake banking business under license number LBB/010/2008.

The Bank was established in Addis Ababa on 17 June 2008 and commenced operations on 2 October 2008. At commencement, the Bank had subscribed capital of ETB 149.7 million, of which ETB 87.24 million was paid up, with a par value of ETB 1,000 per share. The Bank was incorporated through a public subscription process, resulting in a broad and diversified shareholder base of approximately 2,800 shareholders, with no single shareholder identified as a controlling shareholder at inception. As of the date of this prospectus, the number of shareholders was 10,755.

Over the years, the Bank's total equity expanded from ETB 8.48 billion in FY2023 to ETB 12.26 billion in FY2024 and reached ETB 18.43 billion by June 2025. Paid-up capital grew from ETB 5.0 billion in FY2023 to ETB 7.46 billion in FY2024 and further to ETB 9.39 billion by June 2025. As of the date of this Prospectus, the paid-up capital was ETB 13.9 billion. The Bank's total assets increased from ETB 47.78 billion in FY2023 to ETB 59.20 billion in FY2024 and reached ETB 88.60 billion as of June 30, 2025, while deposits rose from ETB 36.87 billion to ETB 43.09 billion and further to ETB 64.44 billion over the same period. Net loans and advances grew from ETB 31.39 billion to ETB 35.63 billion and reached ETB 41.53 billion, and profit before tax increased substantially from ETB 2.50 billion in FY2023 to ETB 3.32 billion in FY2024 and ETB 8.21 billion in June 2025.

Operationally, Zemen Bank has expanded its footprint and workforce strategically. From its inception with a single upscale branch in Addis Ababa offering tiered services, the network grew to 102 branches by FY2023, 125 branches by FY2024, and has now expanded to 140 branches. The Bank's staff complement, which stood at 1,568 in FY2023, increased to 1,831 in FY2024, and reached 1,877 employees as of June 2025.

For the KPIs, notable shifts over the FY2023 to FY2025 period occurred in the Loan to Deposit Ratio, Liquidity Ratio, and the NPL Ratio. The Loan to Deposit ratio decreased from 86% in FY2023 to 83% in FY2024 and further to 65% in FY2025 due to strong deposit mobilization, reflecting a more conservative liquidity posture. The Liquidity Ratio increased significantly from 24.0% in FY2023 to 32% in FY2024 and 52.4% in FY2025 because of deposit growth alongside an increase in holdings of liquid assets, including cash balances, deposits with foreign banks, and placements with the NBE.

The NPL ratio increased from 1.10% in FY2023 to 2.16% in FY2024 and 2.81% in FY2025, primarily due to sector-specific stress in domestic trade, hotel and tourism, and import. Despite the upward movement, the NPL ratio remains within regulatory thresholds, and provisioning coverage has been strengthened accordingly.

**Table 3: Key Quantitative Data and Ratios (ETB'000s)**

(ETB '000s, except for EPS)	FY 2025	FY 2024	FY 2023
Total Net Loans and Advances	41,526,316	35,630,149	31,393,240
Total Deposits	64,666,408	43,610,841	37,078,970
Total Assets	88,597,686	59,200,782	47,784,520
Total Equity	18,434,118	12,261,943	8,480,046
Net Interest Income	4,775,048	3,640,566	2,630,768
Net Fees & Commission Income	3,308,856	1,958,947	1,307,150
Operating Expenses	3,466,932	2,449,924	1,716,897

(ETB '000s, except for EPS)	FY 2025	FY 2024	FY 2023
Profit Before Tax	8,212,077	3,318,310	2,501,040
EPS	683	376	430
<b>KPIs</b>			
Net Interest Margin	7.20%	7.50%	7.10%
Net Interest Income/Total Income	39%	60%	60%
Non-Interest Income/Total Income	60%	40%	40%
Cost to Income Ratio	30%	42%	40%
RoAA	8.0%	4.5%	4.4%
RoAE	47.1%	27.5%	29.4%
Debt/Equity	1%	6%	1%
Loan to Deposit Ratio	65%	83%	86%
Liquidity Ratio	52.4%	32%	24.0%
Capital Adequacy Ratio (CAR)	37%	31%	28%
NPL Ratio	2.81%	2.16%	1.10%
Total Branches	132	125	102
Total Number of employees	1,877	1,831	1,568
Number of Customers	294,419	217,832	179,955
Number of ATMs	300	293	200
Number of POS	1,314	755	312
Number of Cardholders	100,493	69,752	35,103
Number of Active Mobile Users	137,148	99,354	57,289
Number of Active Internet Users	137,148	99,354	57,289

### 1.6.2. Principal Activities of the Bank

The bank provides a full range of commercial banking services in line with Ethiopian law. Its principal activities include mobilizing deposits, extending loans and advances to businesses and individuals, and facilitating domestic and international payment services. The Bank engages in corporate and commercial

banking, retail and personal Banking, trade finance, and treasury operations, including investment in government securities and interbank placements.

In addition, the Bank provides foreign exchange and remittance services, supports import and export transactions through letters of credit and guarantees, and offers digital and alternative delivery channels such as mobile, internet, and card banking. Through its technology-driven service model, the Bank provides efficient, customer-focused financial solutions while supporting economic activity across Ethiopia's key sectors.

For FY2025, the Bank's loans and advances reached ETB 41.5 billion (net), with sectoral distribution showing corporate lending (46.4% of total loans), retail banking (32.1%), and business & SME lending (21.5%). Total deposits reached ETB 64.4 billion, with retail banking contributing 49.7%, corporate clients 41.1%, and business & SME clients 9.2%.

A significant portion of the Bank's revenue comes from both interest and non-interest sources. Net interest income reached ETB 4.78 billion in FY2025, while non-interest income contributed ETB 3.31 billion. This robust performance is driven by:

- **Fees and Commission Income (ETB 3.31 billion):** Earned from commissions on letters of credit (ETB 2.79 billion), service charges (ETB 376 million), commissions on letters of guarantee (ETB 89 million), and other fee-based services.
- **Foreign Exchange Gains (ETB 3.87 billion):** From foreign currency transactions and translation differences following the shift to a market-based exchange rate regime.
- **Digital Banking Revenue (ETB 17.8 million):** Generated from mobile and internet banking transactions, card services, and digital payment channels.

The bank has a growing digital footprint with 300 ATMs, 1,314 POS terminals, 100,493 cardholders, and over 191,000 mobile and internet banking users as of FY2025, enabling the Bank to serve its customers effectively while expanding financial inclusion across Ethiopia.

### 1.6.3. Corporate Governance Information

The Bank is governed by a Board of Directors composed of nine (9) members, whose names are outlined in Section 1.3 of this Prospectus. The Board is responsible for providing strategic oversight and ensuring that the Bank operates in compliance with regulatory requirements and best corporate governance practices.

#### Board Committees

To support its governance role, the Board has established several specialized committees in line with National Bank of Ethiopia (NBE) directives and the Bank's own corporate governance policy. These committees include:

- Board Audit Committee
- Board Risk Management and Compliance Committee
- Board Nomination and Remuneration Committee
- Board Information Technology Committee
- Board Credit Committee

- Board Strategy and Corporate Development Committee

These committees provide focused oversight and guidance in their respective areas, ensuring that the Bank maintains sound risk management, financial integrity, and strategic alignment.

### Management Team

Supporting the Board is an Executive Management team, led by the Chief Executive Officer (CEO). The CEO, who in turn is supported by seven (7) Chief Officers and two (2) deputy chief officers, including:

- Chief Officer - Finance
- Chief Officer - Credit
- Chief Officer - Retail Banking
- Chief Officer - Strategy
- Chief Officer - Wholesale Banking
- Chief Officer- Information
- Deputy Chief Officer – Human Capital
- Deputy Chief Officer – Estate Management.

This management structure ensures that all functional areas of the Bank are effectively coordinated and aligned with the Bank's strategic objectives.

#### 1.6.4. Summary of Historical Financial Information

The tables below set out the Bank's key historical financial information for the years indicated as reported in accordance with IFRS. The key historical financial information for the Bank set out below has been extracted without material adjustment from the Historical Financial Information of this Prospectus.

#### 1.6.5. Summary of Financial Statements

**Table 4: Summary of Statement of Comprehensive Income (ETB '000)**

Particular	FY 2025	FY 2024	FY 2023
Net Interest Income	4,775,048	3,640,566	2,630,768
Net Operating Income	11,679,009	5,768,234	4,217,937
Profit before tax	8,212,077	3,318,310	2,501,040
Tax Charge	(2,343,976)	(925,880)	(687,927)
Profit for the Year	5,868,101	2,392,430	1,813,113
Other Comprehensive Income Net of taxes	3,178	250,425	94,074
Earnings Per Share	683	376	430

The table shows a sustained improvement in the Bank's income and profitability over the three years from FY 2023 to FY 2025. Net interest income increased steadily from ETB 2.63 billion in FY 2023 to ETB 3.64

billion in FY 2024 and further to ETB 4.78 billion in FY 2025, reflecting growth in interest-earning assets and improved interest income generation.

Net operating income also recorded strong growth, rising from ETB 4.22 billion in FY 2023 to ETB 5.77 billion in FY 2024, before more than doubling to ETB 11.68 billion in FY 2025, indicating higher overall revenue generation beyond interest income.

This growth translated into an increase in profitability, with profit before tax rising from ETB 2.50 billion in FY 2023 to ETB 3.32 billion in FY 2024 and reaching ETB 8.21 billion in FY 2025, while profit for the year increased correspondingly from ETB 1.81 billion to ETB 2.39 billion and then to ETB 5.87 billion over the same period.

The tax charge increased in line with higher taxable profits, and other comprehensive income remained relatively modest and volatile across the years, suggesting that overall performance was primarily driven by core operating results rather than non-operating or valuation-related items.

**Table 5: Summary of Financial Position (ETB '000)**

Particular	FY 2025	FY 2024	FY 2023
<b>Assets</b>			
Cash and Cash Equivalents	33,894,004	13,962,284	8,914,774
Non-Current Assets	54,703,682	45,238,498	38,869,746
<b>Total Assets</b>	<b>88,597,686</b>	<b>59,200,782</b>	<b>47,784,520</b>
<b>Liabilities</b>			
Current Liabilities	24,733,599	16,751,991	17,547,792
Non-Current Liabilities	45,429,969	30,186,848	21,756,681
<b>Total Liabilities</b>	<b>70,163,568</b>	<b>46,938,839</b>	<b>39,304,473</b>
<b>Equity</b>			
Share Capital	9,390,451	7,455,181	5,000,000
Reserves & Surplus	9,043,668	4,806,762	3,480,047
<b>Total Equity</b>	<b>18,434,118</b>	<b>12,261,943</b>	<b>8,480,047</b>
<b>Total Equity &amp; Liabilities</b>	<b>88,597,686</b>	<b>59,200,782</b>	<b>47,784,520</b>

The table illustrates a significant expansion in the Bank's balance sheet over the period from FY 2023 to FY 2025. Total assets increased from ETB 47.78 billion in FY 2023 to ETB 59.20 billion in FY 2024 and further to ETB 88.60 billion in FY 2025, driven primarily by a substantial rise in cash and cash equivalents as well as growth in non-current assets.

Cash and cash equivalents more than tripled over the period, increasing from ETB 8.91 billion in FY 2023 to ETB 13.96 billion in FY 2024 and reaching ETB 33.89 billion in FY 2025. This was supported by a strengthened liquidity position alongside balance sheet growth.

On the liabilities side, total liabilities rose in line with asset growth, increasing from ETB 39.30 billion in FY 2023 to ETB 46.94 billion in FY 2024 and to ETB 70.16 billion in FY 2025, due to higher current and non-current obligations associated with the Bank's expanding operations. Non-current liabilities remained the largest component, while current liabilities increased steadily.

Equity also strengthened materially during the period, with total equity rising from ETB 8.48 billion in FY 2023 to ETB 12.26 billion in FY 2024 and further to ETB 18.43 billion in FY 2025, as a result of increases in share capital and accumulated reserves.

**Table 6: Summary of Cashflows (ETB '000)**

Particular	FY 2025	FY 2024	FY 2023
Net Cash Outflow/ Inflow from Operating Activities	19,654,475	5,293,388	1,862,265
Net Cash Outflow/ Inflow from Investing Activities	(3,329,526)	(2,239,004)	(1,686,351)
Net Cash Outflow/ Inflow from Financing Activities	(259,241)	1,674,029	420,639
Net Increase/Decrease in Cash and Bank Balance	16,065,709	4,728,413	596,554
Cash and Bank book Balance at the beginning of the year.	13,962,284	8,914,774	8,048,523
Effect of exchange rate movement on cash and bank balance	3,866,011	319,098	269,697
<b>Cash and Bank book Balance at the end of the year.</b>	<b>33,894,004</b>	<b>13,962,284</b>	<b>8,941,774</b>

The table presents the Bank's cash flow performance over the three years from FY 2023 to FY 2025. Net cash inflows from operating activities increased steadily from ETB 1.86 billion in FY 2023 to ETB 5.29 billion in FY 2024 and rose to ETB 19.65 billion in FY 2025, due to a significant improvement in operating cash generation in line with the Bank's expanded scale of operations. Cash flows from investing activities remained consistently negative across the period, due to investment in assets, with outflows increasing from ETB 1.69 billion in FY 2023 to ETB 2.24 billion in FY 2024 and ETB 3.33 billion in FY 2025.

Financing cash flows had a net inflow of ETB 0.42 billion in FY 2023 and ETB 1.67 billion in FY 2024, followed by a net outflow of ETB 0.26 billion in FY 2025, due to reduced reliance on external funding in the most recent year. As a result of these movements, the Bank recorded a net increase in cash and bank balances of ETB 0.60 billion in FY 2023, ETB 4.73 billion in FY 2024, and ETB 16.07 billion in FY 2025. Together with the positive effect of exchange rate movements on cash balances, this led to an increase in cash and bank balances from ETB 8.94 billion at the end of FY 2023 to ETB 13.96 billion at the end of FY 2024 and ETB 33.89 billion at the end of FY 2025.

### **1.6.6. Information about the Registration**

In this Prospectus, the Bank intends to register all its existing ordinary shares with the Ethiopian Capital Market Authority (ECMA). Accordingly, a total of 15,000,000 ordinary shares, representing all shares currently held, will be registered. No new securities are being issued or offered with this prospectus.

### **1.6.7. Summary of Risks**

An investment in the Ordinary Shares of Zemen Bank involves inherent risks and uncertainties arising from the Bank's operations and the regulatory, economic, and business environment in which it operates. The risks described below have been identified by the Bank as material, based on their likelihood of occurrence and potential impact.

The occurrence of one or more of these risks, whether individually or in combination, could have a material adverse effect on the Bank's business, financial condition, results of operations, and prospects.

The Bank's risk exposures are broadly categorized as institution-specific risks, sector-related risks, and macroeconomic and country risks. Institution-specific risks relate to internal operations, governance, and execution of strategy. Sector-related risks arise from conditions within the banking industry, including competition and changes in customer behavior. Macroeconomic and country risks reflect external factors such as inflation, foreign exchange volatility, and regulatory developments that may affect the Bank directly or indirectly.

A summary of the principal risks facing the Bank is set out below.

#### **1.6.7.1. Macroeconomic, Industry, and Regulatory Risks**

##### **1.6.7.1.1. Macroeconomic Risks**

The Bank operates exclusively within Ethiopia and is therefore exposed to risks arising from the country's macroeconomic environment, including inflationary pressures, foreign exchange constraints, fiscal imbalances, and changes in economic growth conditions. Such factors may adversely affect business activity, household incomes, and borrower repayment capacity, potentially increasing credit risk across the Bank's loan portfolio. Elevated inflation and foreign exchange shortages can increase operating costs, constrain foreign currency availability for trade-related activities, and place pressure on interest margins.

##### **1.6.7.1.2. Political and Security Risks**

The Bank is exposed to risks arising from political and security conditions within Ethiopia, which may affect economic activity and the stability of the operating environment. Political instability or security-related disruptions may result in operational interruptions, including temporary branch closures, restricted customer access to banking services, and disruptions to deposit and withdrawal activities. Such disruptions may also adversely affect asset quality, as customers operating in affected areas may experience reduced business activity, weakening their ability to meet repayment obligations.

##### **1.6.7.1.3. Industry Competition Risk**

The Ethiopian banking sector is highly competitive, with institutions offering similar products and services. Increasing competition, including potential foreign bank entry, may result in pricing pressure, margin compression, higher operating costs, and challenges in customer retention.

#### **1.6.7.1.4. Regulatory and Policy Risk**

The Bank operates in a highly regulated environment and is subject to laws, directives, and supervisory requirements issued by the National Bank of Ethiopia. Changes in regulatory frameworks, prudential standards, or policy direction may affect the Bank's operations, profitability, capital adequacy, and strategic flexibility.

#### **1.6.7.2. Business Model and Revenue Risks**

##### **1.6.7.2.1. Concentration Risk in Core Business Activities**

The Bank's business model is concentrated in corporate and commercial banking activities. As of the reporting period, the top 20 depositors account for 28.6% of the Bank's total deposits. As a result, the Bank's earnings and asset quality are closely linked to the performance of corporate clients and key economic sectors, increasing sensitivity to sector-specific or client-specific shocks.

##### **1.6.7.2.2. Geographical Risk Concentration**

A significant portion of the Bank's deposits, lending activities, and branch operations are concentrated in Addis Ababa, exposing it to geographic concentration risk. As a result, adverse developments affecting the city—such as economic slowdowns, business disruptions, or shifts in corporate liquidity—may have a disproportionate impact on the Bank's revenue generation, asset quality, and funding stability. This concentration may also increase earnings volatility and constrain the Bank's ability to diversify its growth across regions with different economic drivers, thereby affecting long-term resilience and financial performance.

##### **1.6.7.2.3. Foreign Exchange Availability and Trade Finance Risk**

The Bank is exposed to risks associated with limited foreign exchange availability, which may affect its ability to support trade finance activities. Constraints in foreign currency supply or settlement delays may reduce transaction volumes, fee income, and customer satisfaction.

#### **1.6.7.3. Financial Risks**

##### **1.6.7.3.1. Credit Risk Associated with the Loan Portfolio**

The Bank faces credit risk due to its lending activities, which include relatively large exposures to a limited number of borrowers. Deterioration in the financial condition of individual borrowers or sectors may result in increased non-performing loans, higher impairment charges, and earnings volatility.

##### **1.6.7.3.2. Sectoral Concentration Risk**

The Bank's credit exposures are concentrated in specific sectors, including trade, manufacturing, and services. Adverse developments affecting these sectors may lead to correlated borrower stress and simultaneous credit deterioration across multiple exposures.

##### **1.6.7.3.3. Deposit Concentration and Liquidity Risk**

The Bank relies primarily on customer deposits for funding, with a notable share sourced from a limited number of large depositors. Changes in depositor behavior may result in liquidity pressure, funding constraints, and challenges in meeting obligations as they fall due.

#### **1.6.7.3.4. Interest Rate Risk**

The Bank is exposed to interest rate risk arising from mismatches in the repricing characteristics of assets and liabilities. Changes in interest rate levels may affect net interest income, asset valuations, borrower behavior, and overall profitability.

#### **1.6.7.4. Operational and Technology Risks**

##### **1.6.7.4.1. Operational Risk**

Operational risk arises from failures in internal processes, human error, system breakdowns, or external events. Such failures may result in financial loss, service disruption, regulatory consequences, or reputational damage.

##### **1.6.7.4.2. Digital Channel and Cybersecurity Risk**

The Bank's reliance on digital platforms exposes it to risks from cyberattacks, data breaches, system outages, and technology failures. Cyber incidents may disrupt operations, compromise customer information, and damage trust and reputation.

##### **1.6.7.4.3. Technology Obsolescence and Third-Party Risk**

Dependence on information technology systems and third-party service providers exposes the Bank to risks related to system obsolescence, service interruptions, and data security vulnerabilities, which may affect operational continuity and service delivery.

#### **1.6.7.5. Human Capital and Strategic Risk**

##### **1.6.7.5.1. Human Capital and Skills Risk**

The Bank's operations depend on the availability and retention of qualified personnel. Loss of key staff, skills shortages, or high employee turnover may reduce operational efficiency, institutional knowledge, and execution capability.

##### **1.6.7.5.2. Strategic Risk**

The Bank is exposed to strategic risk arising from decisions related to growth, product development, market positioning, and investment priorities. Strategic initiatives may not deliver expected results due to changes in market conditions, competition, or regulatory requirements.

#### **1.6.7.6. Risks relating to the Ordinary Shares**

##### **1.6.7.6.1. Share Subscription and Payment Risk**

The Bank may choose to undertake corporate actions such as rights issues. In such an instance, the Ordinary Shares may be subject to subscription and payment arrangements that affect the timing of capital inflows. Delays or variations in payment during such corporate actions might influence capital availability. Such arrangements may also affect administrative processes relating to share issuance.

##### **1.6.7.6.2. Absence of an Active Secondary Market**

As of the date of the Prospectus, there is no established active secondary market for the Ordinary Shares. The absence of an active secondary market may affect the ability of shareholders to transfer their shares. Liquidity may depend on future market developments and trading arrangements.

### **1.6.7.6.3. Share Price Movements**

The market price of the Ordinary Shares may vary over time. Price movements may be influenced by the Bank's performance, macroeconomic conditions, regulatory developments, and market sentiment. Price variations may occur following the commencement of trading.

## 2. SECTION TWO – INFORMATION ON THE ISSUER AND THE BUSINESS

### 2.1. Information on the Issuer

The legal name of the Bank is “Zemen Bank Share Company.” It is organized under the laws of Ethiopia as a share company, in accordance with the country’s Commercial Code, bearing commercial registration number MT/AA/3/0052748/2014. The Bank is also licensed to undertake banking operations by the National Bank of Ethiopia (NBE) under registration number LBB/010/2008.

#### Registered Office

Zemen Bank S.C.

Lideta Sub City, Woreda 07

Ras Abebe Aregay Street,

Postal Address: P.O. Box 1212

Addis Ababa, Ethiopia

Telephone: +251-115540069

Email: [info@zemenbank.com](mailto:info@zemenbank.com)

Website: [www.zemenbank.com](http://www.zemenbank.com)

#### 2.1.1. Brief History of the Company

Zemen Bank Share Company was established in Addis Ababa on June 17<sup>th</sup>, 2008 and registered as a share company in accordance with the provisions of the Licensing and Supervision of Banking Business Proclamation no. 592/2008 (amended proclamation no. 115/2019) and the Commercial Code of Ethiopia in particular Commercial Code of Ethiopia (Proclamation No. 1243/2021), which modernizes and partially replaces the former Commercial Code (Proclamation No. 166/1960) for matters relating to business organizations and commercial activities. Certain legacy provisions of the 1960 Code continue to apply in limited areas pending the enactment of a comprehensive Financial Services Code.

At incorporation, the Bank attracted broad shareholder participation through a public subscription process, during which approximately 2,800 shareholders subscribed to its initial share offering. This diverse shareholder base has continued to support the Bank’s growth and corporate governance framework. The Bank was then licensed on June 17, 2008, by the National Bank of Ethiopia and commenced operations on October 2, 2008. When it started, it had Birr 149.7 million subscribed capital, of which Birr 87.24 million was paid-up. The par value per share was ETB 1,000.

Instead of rapid branch proliferation, Zemen introduced a single upscale branch offering tiered services based on deposit levels:

- Basic (from ETB 25,000): No fees, efficient paperless transactions.
- Intermediate (from ETB 100,000): Personalized banking and better rates.
- Z-Club (from ETB 500,000: Exclusive lounge, private bankers) – an experience of prestige.

This strategy prioritized service differentiation and operational efficiency.

The Bank has not had any issues affecting its solvency over FY2025, as of the date of this prospectus.

### **2.1.2. Subsidiaries**

Zemen Bank does not have any subsidiaries or affiliated companies.

## **2.2. Business Overview**

Zemen Bank structures its products and services around business segment: Retail Banking, Corporate, SME and Diaspora.

### **Retail Banking**

Zemen Bank's Retail Banking segment serves individual customers through a diversified suite of deposit, credit, and transactional products designed to meet every-day financial needs. This segment offers savings and demand accounts, personal and consumer lending solutions, mortgage financing, card products (debit and prepaid), and digital banking services (mobile and internet banking). Retail Banking focuses on broadening financial inclusion and deepening customer relationships by providing convenient access to banking services across urban and peri-urban markets. By leveraging the Bank's digital platforms and customer service channels, the Retail segment contributes to stable low-cost deposits and generates fee and commission income through electronic payments, remittances, and retail transactions.

### **Business and SME Banking**

The Small and Medium Enterprise (SME)/Commercial and Corporate Banking segment addresses the financing and cash management needs of business clients ranging from small enterprises to large corporates. For SMEs, the Bank provides working capital and investment financing, trade and supply chain solutions, equipment and asset finance, and tailored advisory support to support business growth and operational resilience.

### **Corporate Banking**

The Corporate Banking unit delivers structured financing, syndications, project finance support, commercial loans, and specialized treasury and risk management products to medium and large enterprises. Across both sub-segments, Zemen Bank offers trade finance instruments including letters of credit, guarantees, import and export facilities, and foreign exchange services, enabling clients to effectively manage cross-border commerce and working capital cycles. This segment is central to the Bank's asset-yielding portfolio and fee-based revenue generation.

### **Segment Level KPIs**

Across all segments, FY2025 marked a year of accelerated deposit growth, with particularly strong expansion in Corporate and Business & SME deposits, while Retail Banking continued to provide a broad, stable, and increasingly scalable funding base. The diversified growth profile enhances the Bank's liquidity resilience, reduces concentration risk, and supports sustainable balance-sheet expansion.

**Table 7: Segment KPIs – Total Deposits**

ETB Millions	FY2025	FY2024	FY2023
Retail Banking	30,082	23,887	23,136
Business & SME	5,596	3,799	
Corporate	24,859	14,155	13,105

The loan portfolio shows a clear strategic shift over the three-year period, with growth concentrated in Corporate and Business & SME segments, while Retail lending was deliberately scaled back to preserve asset quality and manage risk. This rebalancing reflects a disciplined credit strategy aligned with macroeconomic conditions, regulatory constraints, and the Bank's focus on sustainable, risk-adjusted growth.

**Table 8: Segment KPIs: – Total Loans**

ETB Millions	FY2025	FY2024	FY2023
Retail Banking	13,595	17,171	21,048
Business & SME	9,074	6,206	
Corporate	19,649	12,857	10,778

Customer growth over the three-year period was heavily concentrated in the Retail Banking segment, which drove the majority of absolute customer additions. Business & SME customers grew at a strong pace, albeit from a smaller base, while corporate customer growth remained steady and selective. This distribution reflects a balanced customer acquisition strategy, combining mass-market expansion with targeted growth in higher-value business and corporate relationships.

**Table 9: Segment KPI: – Total Number of Customers**

	FY2025	FY2024	FY2023
Retail Banking	278,186	209,329	151,014
Business & SME	535	378	
Corporate	352	331	306

Note: In 2023, the Business & SME unit was under establishment and operated in coordination with the Retail Banking rather than as an independent function.

Table 10: Bank Milestones

Year	Milestone
2021-22	<ul style="list-style-type: none"> <li>• Zemen was amongst the first three banks to launch a mobile App solution. While introducing the App in April 2021, the Bank came up with a host of new functionalities like self-onboarding, chatbot, Z-cash service, QR-Code payments, PFM (Personal financial management), Recurrent payments, etc.</li> <li>• Zemen Bank announced certification of PCI-DSS, which is an international card payment security standard, in collaboration with Control Case.</li> <li>• Zemen Bank announced certification of PCI-DSS PIN, which is an international card payment security standard, in collaboration with SISA.</li> <li>• Zemen Bank announced a partnership with Mastercard that will see the introduction of the Country's first prepaid and contactless travel MasterCard in Ethiopia.</li> <li>• Partnered with Mastercard to introduce the first-ever MasterCard Payment Gateway Services (MPGS) in Ethiopia. Through MPGS, Zemen Bank was able to facilitate E-commerce and online Payment.</li> <li>• With the collaboration of multiple stakeholders, Zemen Bank established Ethiopia's first Tier III Data Center in 2022, securing Uptime Institute's Tier III design certification in 2021, becoming the first private bank in the country to achieve this milestone and the second in Ethiopia after CBE.</li> </ul>
2023	<ul style="list-style-type: none"> <li>• Zemen Bank achieved a Birr 5 billion paid-up capital, exceeding the central bank's minimum requirement three years ahead of schedule. This was a significant milestone, reflecting strong shareholder support and financial resilience.</li> <li>• Additionally, by October 31, 2023, the total subscribed capital had reached Birr 11.309 billion, following additional subscriptions of Birr 9 billion.</li> <li>• Zemen Bank's headquarters, a 32-storey building constructed on a 2,300Sqm plot at a cost of around 1.69 billion birr, located in the financial district of Addis Ababa, Ethiopia, was inaugurated in May 2023.</li> <li>• Awarded the Platinum Award by the Ministry of Revenue</li> </ul>
January 2024	<ul style="list-style-type: none"> <li>• Zemen Bank became the first privately held financial institution to invest in the newly established ESX, acquiring a 5% stake valued at Birr 47.5 million. This landmark investment positioned the bank as a pioneer in Ethiopia's emerging capital markets.</li> </ul>
February 2024	<ul style="list-style-type: none"> <li>• In partnership with the International Finance Corporation (IFC), Zemen Bank secured a \$30 million trade finance facility (guarantee) to bolster its trade finance operations and support export–import firms amid volatile global markets.</li> <li>• Awarded the Platinum Award by the Ministry of Revenue</li> </ul>
FY 2024	<ul style="list-style-type: none"> <li>• In the fiscal year ending mid-2024, the bank further increased its paid-up capital by 49.1%, reaching Birr 7.45 billion.</li> <li>• Awarded the Platinum Award by the Ministry of Revenue</li> </ul>

Year	Milestone
FY 2025	<ul style="list-style-type: none"> <li>As of 30<sup>th</sup> September 2025, the paid-up capital had surpassed Birr 9 billion. This increase was achieved through combined new capital injections and retained earnings, reinforcing the bank's capital market positioning.</li> <li>Having surpassed 1 billion Birr in gross profit before tax for the financial year ending June 30, 2021, Zemen Bank has continued its impressive growth trajectory, leapfrogging its performance year after year. The Bank achieved remarkable profit milestones of Birr 2.02 billion in 2022, Birr 2.5 billion in 2023, and Birr 3.3 billion in 2024, culminating in a record-high gross profit before tax of Birr 8.2 billion in June 2025.</li> <li>Awarded the Platinum Award and Diplomatic passport by the Ministry of Revenue</li> </ul>

### 2.2.1. Brand Positioning of the Bank

Zemen Bank takes pride in its name, which means 'New Era'. It represents its revolutionary business model's niche market approach, daily interest on deposits, and transformative customer service, which is new and unique in the Ethiopian market.

The Bank draws strength from its universal nature, appealing to all customers regardless of tribe, religion, region, or affiliations.

Zemen's Black Bull is a symbol of strength and aggressiveness, which represents the bank's approach to market, i.e., aggressiveness in customer targeting and service delivery, innovativeness, and fearlessness in venturing into the untried and strong technology leverage.

The bank enjoys a strong brand image and reputation with the diplomatic community and international organizations. This perception has been a key driver of success with embassies, International Development Organizations (IDOs), and expatriates etc.

Zemen's unique brand positioning presents it with a myriad of opportunities for market growth.

Zemen has achieved a consistent brand across all banking centers. The brand colors, office layout and interior design of the head office and banking centers have been constructed and maintained as per a set standard defined in a documented brand guide.

Semi-annual brand audits also ensure that brand consistency is upheld and maintained across all the banking centers. The brand positioning uniquely differentiates the bank's banking centers from competitor branches. It also makes them distinctively stand out and therefore easily identifiable.

All bank staff are responsible for maintaining and achieving persistent branding across all Banking Centers and departments.

Customer relationships are managed by a relationship banking model (for corporate and Z-club customers)

### 2.2.2. Branch Network and National Footprint

As of FY 2025, Zemen Bank operates a network of 132 banking centers across Ethiopia, comprising 113 branches and 19 sub-branches.

- Geographic Distribution:** The network is strategically distributed, with approximately 63% (83 branches) located in Addis Ababa and 37% (49 branches) serving customers in up-country regions. This distribution reflects the Bank's historical focus on the capital city, which remains the country's primary commercial and financial hub, while also maintaining a presence in key regional markets.
- Recent Expansion:** During the financial year (ending June 30, 2025), the bank expanded its physical footprint by opening seven new banking centers and strategically relocating four existing outlets to enhance market coverage, accessibility, and overall service delivery efficiency.

While the concentration of branches in Addis Ababa allows the Bank to maintain strong visibility and access to the country's largest customer base, it also results in a relatively high geographic concentration of operations in a single market. Such concentration may expose the Bank to risks associated with localized economic conditions, increased competition within the capital, and limited diversification of its customer base compared to institutions with a broader regional presence. Changes in regulatory requirements, market saturation, or economic slowdown in Addis Ababa could therefore have a more pronounced impact on the Bank's performance than on banks with more geographically diversified networks.

To mitigate this risk, the Bank has continued to expand its presence outside Addis Ababa by establishing branches in major regional cities and emerging commercial centers, including Oromia, Amhara, Sidama, Dire Dawa, and other regions, as shown in Table 11 and Table 12 below. The Bank's growth strategy includes gradual expansion in selected regional markets to support business diversification, improve customer reach, and reduce reliance on a single geographic area while maintaining operational efficiency.

**Table 11: Number of Branches by District**

	District Name	City	No. of Branches
1	South West Addis Ababa	Addis Ababa	43
2	North East Addis Ababa	Addis Ababa	41
3	Dire Dawa	Dire Dawa	2
4	Tigray	Various cities and towns	4
5	Afar	Logia	1
6	Amhara	Various cities and towns	13
7	Oromia	Various cities and towns	18
8	Central Ethiopia	Hossana	1
9	South Ethiopia	Wolayita Sodo and Arba Minch	2

	District Name	City	No. of Branches
10	Wester Ethiopia	Mizan Aman	1
11	Harari	Harari	1
12	Ben-Gumuz	Assosa	1
13	Gambella	Gambella	1
14	Sidama	Hawassa	3
<b>TOTAL</b>			<b>132</b>

Table 12: Number of Branches by Region

S/N	District Name	City	No. of Branches
1	South West Addis Ababa	Addis Ababa	43
2	North East Addis Ababa	Addis Ababa	41
3	South West Outline	Outline	23
4	North East Outline	Outline	25
<b>TOTAL</b>			<b>132</b>

### Customer Distribution

The Bank's customer base has continued to grow steadily over the last three financial years, increasing from 179,955 customers in FY2023 to 217,832 in FY2024 and 294,419 in FY2025, representing growth of approximately 21% in FY2024 and 35% in FY2025. The growth reflects continued expansion of the Bank's branch network, increased customer acquisition initiatives, and higher utilization of banking services across both Addis Ababa and regional markets.

The Bank's customer base remains concentrated in Addis Ababa, which continues to account for the largest share of customers, particularly in the South West Addis Ababa and North East Addis Ababa districts. In FY2025, these two districts recorded 111,063 and 75,337 customers respectively, compared to 87,235 and 57,467 in FY2024, reflecting strong growth in the Bank's primary operating market. The concentration in Addis Ababa is consistent with the Bank's branch distribution, as a significant proportion of its outlets are located in the capital, which remains the country's main commercial and financial center.

Outside Addis Ababa, the Bank recorded notable growth in several regional districts, particularly in Oromia, where customers increased to 43,940 in FY2025 from 29,753 in FY2024, and in Amhara, where the customer base grew to 30,113 from 20,880 over the same period. Growth was also observed in Sidama, South Ethiopia, SWERPS, and CERS, reflecting the Bank's gradual expansion into regional markets and increased customer penetration outside the capital. Some districts, including Benishangul-Gumuz,

Gambella, and Harari, continue to represent a small proportion of the total customer base, consistent with the limited branch presence in those regions.

While the Bank's customer distribution demonstrates increasing geographic diversification, the overall customer base remains significantly concentrated in Addis Ababa. This concentration may expose the Bank to localized economic conditions and competitive pressures within the capital; however, the Bank's ongoing branch expansion and customer acquisition efforts in regional markets are intended to support a more balanced distribution of customers over time and reduce reliance on a single geographic area.

**Table 13: Number of Customers by District**

S/N	District	FY2025	FY 2024	FY2023
1	South West Addis Ababa	111,063	87,235	81,977
2	North East Addis Ababa	75,337	57,467	52,299
3	Dire Dawa	4,393	3,714	2,884
4	Tigray	4,934	3,655	3,083
5	Afar	1,903	771	55
6	Amhara	30,113	20,880	13,590
7	Oromia	43,940	29,753	18,212
8	CERS	1,852	1,267	632
9	South Ethiopia	4,752	3,140	1,556
10	SWEPRS	2,600	1,537	162
11	Harari	377	73	0
12	Ben-Gumuz	469	0	0
13	Gambella	1447	712	1
14	Sidama	10,439	6,953	5,018
15	Somalia	800	675	486
<b>Total</b>		<b>294,419</b>	<b>217,832</b>	<b>179,955</b>

### ATM Network Distribution

The Bank expanded its ATM network significantly over the last three financial years, with the total number of machines increasing from 200 in FY2023 to 293 in FY2024 and 300 in FY2025, representing overall growth of 50% over the period. The expansion was driven primarily by installations in FY2024, during which the Bank increased its ATM network by 93 machines, while growth in FY2025 was more moderate as the Bank focused on optimizing utilization of the existing network.

The Bank's ATM network remains highly concentrated in Addis Ababa, which accounted for 247 ATMs in FY2025, compared to 241 in FY2024 and 165 in FY2023, representing more than 80% of the Bank's total ATM installations. This concentration reflects the Bank's branch distribution, customer base, and higher transaction volumes in the capital, which remains the primary commercial and financial center of the

country. The high concentration of ATMs in Addis Ababa allows the Bank to support its core customer base efficiently but also results in limited geographic diversification of the ATM network.

Outside Addis Ababa, the Bank maintains a small but gradually expanding ATM presence across regional markets. Oromia represents the largest regional network with 22 ATMs in FY2025, followed by Amhara (9) and Dire Dawa (6), while other regions, including Sidama, SERS, Tigray, SWERPS, Somali, Afar, Gambella, and Harer, have a limited number of machines consistent with the Bank's smaller branch footprint in those areas. The relatively low number of ATMs in certain regions reflects the Bank's strategy of aligning ATM deployment with branch presence, transaction volumes, and cost efficiency considerations.

Below is a table illustrating the distribution of ATMs across the various regions.

**Table 14: Number of ATMS by Region**

	Districts Offices	FY 2025	FY 2024	FY 2023
1.	Afar	1	1	-
2.	Amhara	9	9	9
3.	CERS	1	1	1
4.	Dire Dewa	6	6	5
5.	Gambella	1	1	-
6.	Harer	1	1	-
7.	Oromia	22	21	11
8.	Sidama	3	3	3
9.	Somali	1	1	1
10.	SWERPS	2	2	2
11.	Tigray	3	3	3
12.	SERS	3	3	-
13.	Addis Ababa	247	241	165
	<b>TOTAL</b>	<b>300</b>	<b>293</b>	<b>200</b>

### POS Network Distribution

The Bank significantly expanded its point-of-sale (POS) network over the last three financial years, with the number of terminals increasing from 312 in FY2023 to 755 in FY2024 and 1,314 in FY2025, representing cumulative growth of more than 320%. The expansion was driven primarily by installations in Addis Ababa, which accounted for 1,140 terminals in FY2025, compared to 663 in FY2024 and 272 in

FY2023, representing the majority of the Bank's total POS installations. Deployment was concentrated in high-transaction locations, including commercial centers, merchants, and service providers, while the Bank continued gradual expansion of POS services in selected regional markets.

Outside Addis Ababa, the Bank increased its POS presence across several regions, with Oromia recording the largest number of terminals outside the capital, rising to 81 in FY2025 from 43 in FY2024 and 16 in FY2023. Growth was also observed in Sidama, Amhara, Dire Dawa, and SERS, reflecting the Bank's efforts to expand merchant acquiring services in regional cities. Other regions, including Harer, Afar, Somali, SWERPS, and Tigray, continue to have relatively small numbers of terminals, consistent with the Bank's more limited branch presence and lower transaction volumes in those areas.

Overall, the distribution of POS machines indicates that the Bank's electronic payment infrastructure remains highly concentrated in Addis Ababa, consistent with the concentration of its branches, customers, and transaction activity in the capital.

The table below illustrates the distribution of POS machines across the various regions.

**Table 15: Number of POS by Region**

	Districts Offices	FY 2025	FY 2024	FY 2023
1.	Afar	1	-	-
2.	Amhara	29	17	7
3.	Dire Dewa	14	9	5
4.	Harer	3	1	1
5.	Oromia	81	43	16
6.	Sidama	30	17	8
7.	Somali	2	2	-
8.	SWERPS	3	1	1
9.	Tigray	6	-	-
10.	SERS	5	2	2
11.	Addis Ababa	1,140	663	272
	<b>TOTAL</b>	<b>1,314</b>	<b>755</b>	<b>312</b>

### Cardholder Distribution

The Bank's cardholder base increased significantly over the last three financial years, rising from 35,103 in FY2023 to 69,752 in FY2024 and 100,493 in FY2025, representing strong growth driven by the expansion of electronic banking services, increased issuance of debit and ATM cards, and wider adoption of card-based transactions by customers.

The cardholder base remains highly concentrated in Addis Ababa, which accounted for 66,579 cardholders in FY2025, compared to 47,686 in FY2024 and 26,019 in FY2023, representing the largest share of total cardholders. This concentration reflects the Bank's branch distribution, customer base, and higher usage of electronic banking channels in the capital city, which continues to be the country's primary commercial and financial center.

Outside Addis Ababa, the Bank recorded notable growth in several regional markets, particularly in Oromia, where cardholders increased to 12,732 in FY2025 from 8,244 in FY2024 and 3,623 in FY2023,

and in Amhara, where the number of cardholders rose to 10,168 from 7,053 and 2,964 over the same period. Growth was also observed in Sidama, Dire Dawa, SERS, and SWERPS, reflecting the Bank's gradual expansion of card services in regional cities in line with branch expansion and increased customer acquisition.

Other regions, including Afar, Benishangul, Gambella, Harer, Somali, and Tigray, continue to account for a relatively small proportion of the total cardholder base, consistent with the Bank's limited branch presence and lower transaction volumes in those areas. Overall, the distribution of cardholders indicates that the Bank's electronic banking services remain concentrated in Addis Ababa, although the increasing number of cardholders in regional markets demonstrates gradual diversification of the Bank's customer base.

The table below illustrates the distribution of cardholders across various regions.

**Table 16: Number of Cardholders by Region**

	Districts Offices	FY 2025	FY 2024	FY 2023
1.	Afar	1,124	615	34
2.	Amhara	10,168	7,053	2,964
3.	Benishangul	123	-	-
4.	CERS	516	366	208
5.	Dire Dewa	1,359	1,062	548
6.	Gambella	406	220	-
7.	Harer	128	4	-
8.	Oromia	12,732	8,244	3,623
9.	Sidama	4,089	2,264	815
10.	Somali	289	274	178
11.	SWERPS	711	466	69
12.	Tigray	668	225	22
13.	SERS	1,601	1,273	623
14.	Addis Ababa	66,579	47,686	26,019
	<b>TOTAL</b>	<b>100,493</b>	<b>69,752</b>	<b>35,103</b>

### Mobile Banking Users

The Bank's mobile banking user base has grown significantly over the last three financial years, increasing from 74,382 users in FY2023 to 138,880 in FY2024 and 191,464 in FY2025, reflecting continued adoption of digital banking services and the Bank's efforts to expand alternative delivery channels. The growth has been driven by increased customer enrollment, wider availability of mobile banking services, and greater use of electronic transactions by customers across both Addis Ababa and regional markets.

The distribution of mobile banking users remains highly concentrated in Addis Ababa, which accounted for 116,454 users in FY2025, compared to 52,318 in FY2024 and 54,738 in FY2023, representing the

largest share of total users. This concentration is consistent with the Bank's branch network, customer base, and higher usage of electronic banking channels in the capital city, which continues to be the country's primary commercial and financial center. The strong increase in FY2024 and FY2025 reflects the Bank's focus on expanding digital banking services in its core market.

Outside Addis Ababa, the Bank recorded notable growth in several regional markets, particularly in Oromia, where mobile banking users increased to 32,470 in FY2025 from 20,236 in FY2024 and 7,992 in FY2023, and in Sidama, where users rose to 6,556 from 3,498 and 1,624 over the same period. Growth was also observed in Amhara, SERS, Dire Dawa, SWERPS, and Somali, reflecting the Bank's gradual expansion of digital banking services in line with branch growth, customer acquisition, and increased use of electronic payment channels.

Other regions, including Afar, Benishangul, Gambella, Harer, and CERS, continue to account for a relatively small proportion of total mobile banking users, consistent with the Bank's smaller branch presence and lower transaction volumes in those areas. Overall, the distribution of mobile banking users indicates that the Bank's digital banking activity remains concentrated in Addis Ababa, although the increasing number of users in regional markets demonstrates gradual diversification of the Bank's service delivery channels.

The table below illustrates the distribution of mobile banking users across the various regions.

**Table 17: Mobile Banking Users by Region**

	Districts Offices	FY 2025	FY 2024	FY 2023
1.	Afar	1,461	723	42
2.	Amhara	21,758	13,620	5,343
3.	Benishangul	177	-	-
4.	CERS	1,518	1,117	392
5.	Dire Dewa	2,491	2,271	1,564
6.	Gambella	1,342	665	-
7.	Harer	183	8	-
8.	Oromia	32,470	20,236	7,992
9.	Sidama	6,556	3,498	1,624
10.	Somali	766	645	466
11.	SWERPS	2,524	1,448	130
12.	Tigray	865	326	63
13.	SERS	2,859	1,805	728
14.	Addis Ababa	116,494	92,318	54,738
	<b>TOTAL</b>	<b>191,464</b>	<b>138,680</b>	<b>73,082</b>

Overall, the Bank's distribution network, customer base, and electronic service channels remain significantly concentrated in Addis Ababa, which accounts for the majority of branches, customers, ATMs, POS terminals, cardholders, and mobile banking users. This concentration reflects the Bank's historical focus on the capital city, which remains the country's primary commercial and financial center and

generates the highest transaction volumes. While this concentration supports operational efficiency and stronger business activity in the Bank's core market, it also exposes the Bank to geographic concentration risk, as changes in economic conditions, regulatory environment, or competitive dynamics in Addis Ababa could have a disproportionate effect on the Bank's operations and financial performance.

The Bank has been gradually expanding its presence in regional markets, including Oromia, Amhara, Sidama, Dire Dawa, SERS, and other regions, through the establishment of new branches, deployment of ATMs and POS terminals, and increased promotion of card and mobile banking services.

### **2.2.3. Strategy**

Zemen Bank has a strategic plan for FY2022/23 to FY2026/27 and is in the process of refreshing to account for changes in the economy, operating environment, business conditions, customer preferences, and emerging opportunities, among others.

Zemen Bank's strategy is focused on achieving resilient and profitable growth while strengthening its position as a relationship-driven commercial bank serving corporate, institutional, and selected retail segments. The Bank seeks to expand its balance sheet in a disciplined manner by growing deposits, increasing foreign currency inflows, and diversifying income sources, while maintaining strong asset quality and capital adequacy. Strategic emphasis is placed on priority sectors such as trade, manufacturing, agriculture, infrastructure, and services, which are expected to benefit from Ethiopia's economic reforms, industrialization agenda, and expanding private sector activity. The Bank aims to deepen customer relationships through tailored products, improved service standards, and enhanced relationship management capabilities, with a focus on retention and cross-selling to existing clients.

In parallel, Zemen Bank's strategy prioritizes operational excellence and digital enablement to support scalability and efficiency. Key initiatives include strengthening internal processes, upgrading core banking and digital platforms, enhancing data and analytics capabilities, and improving risk management, governance, and compliance frameworks. The Bank also emphasizes workforce capability development, performance management, and organizational culture to support the sustainable execution of its strategic objectives. In the medium term, the strategy envisages leveraging partnerships, digital channels, and emerging capital market developments to broaden service offerings and revenue streams, while maintaining prudent cost management and disciplined capital deployment in line with regulatory requirements and shareholder expectations

#### **2.2.3.1. The Bank's strategy is based on six strategic pillars:**

##### **2.2.3.1.1. Resilient and profitable market growth**

The Bank's foremost strategic pillar is to achieve sustainable growth while safeguarding profitability in a competitive and evolving financial sector. This will be driven by a deliberate focus on deepening market penetration, diversifying the customer base, and expanding into underbanked and emerging segments of the economy. Growth will not merely be measured by asset expansion, but by the quality of earnings, the strength of the balance sheet, and the resilience of operations against economic shocks and regulatory changes. The Bank offers its services in tiers to enable graduated approaches to banking that are accessible to Ethiopian customers.

#### **2.2.3.1.2. Superior Customer Experience and Centricity**

The Bank's customer-centric pillar is designed to address the diverse needs of Ethiopia's financial landscape. Through data-driven insights and continuous engagement, the Bank seeks to deliver simple, relevant, and accessible solutions across all channels, branches, digital platforms, agency networks, and call centers. By fostering a customer-first culture, enhancing personalization through digital analytics, and maintaining responsive, reliable service, the Bank aims to strengthen loyalty, differentiate itself from FinTechs and incoming foreign banks, and position itself as a trusted long-term financial partner.

#### **2.2.3.1.3. Explore and Capitalize on Strategic Partnerships**

The Bank will actively pursue partnerships that enhance growth, innovation, and reach. Collaborations with FinTechs, telecoms, and microfinance institutions will expand digital and rural access, supporting financial inclusion. Regional and international alliances with financial institutions and DFIs will bring in expertise, funding, and best practices, strengthening competitiveness as the sector opens to foreign players.

Beyond finance, partnerships with agriculture, energy, and infrastructure actors will create opportunities to finance value chains and align with national development priorities. Each partnership will be guided by clear objectives, sound governance, and measurable outcomes to ensure sustainable value creation.

#### **2.2.3.1.4. Operational Excellence**

The Bank is committed to building efficient, reliable, and resilient operations that drive performance and service quality. This involves streamlining processes, strengthening internal controls, and leveraging technology to reduce costs and improve turnaround times.

Operational excellence also means embedding a culture of accountability, continuous improvement, and risk awareness across all levels of the organization. By investing in modern systems, robust governance, and skilled talent, the Bank will ensure it operates with agility, transparency, and resilience, delivering consistent value to customers, shareholders, and regulators.

#### **2.2.3.1.5. Excellence in Digital Technology**

The Bank will position digital innovation at the core of its strategy, using technology to enhance efficiency, customer experience, and financial inclusion. This includes strengthening mobile and internet banking platforms, expanding digital payment networks, and leveraging data analytics for smarter decision-making.

By adopting modern systems and embracing fintech collaborations, the Bank will deliver secure, convenient, and accessible services to both urban and rural customers. Excellence in digital technology will ensure the Bank remains competitive, agile, and future-ready in Ethiopia's rapidly evolving financial landscape.

#### **2.2.3.1.6. Engaged and empowered workforce**

Zemen Bank recognizes that its people are its greatest asset. By fostering an engaged and empowered workforce, the Bank is committed to creating a culture where employees are motivated, well-equipped, and supported to deliver excellence. This involves investing in continuous learning and professional

development, nurturing leadership at all levels, and ensuring inclusivity and diversity across the organization.

Through open communication, recognition of performance, and the provision of growth opportunities, the Bank seeks to enhance employee satisfaction and retention. By empowering staff to take ownership of their work and contribute innovative ideas, Zemen Bank ensures that its workforce remains aligned with its vision and capable of driving sustainable growth in Ethiopia's evolving financial sector.

### **2.2.3.2. Strategic Objectives**

The Strategic Objectives are mapped onto the strategic pillars and are detailed below:

#### **I. Strategic Pillar I – Resilient and profitable market growth**

Under this pillar, the strategic objectives are:

- i. Robust financial performance and shareholder value – Focus on achieving long-term profitable growth and attaining market leadership on key financial metrics;
- ii. Drive Fair Market – Expand customer base from existing and new markets to drive revenue and market growth;
- iii. Propagate Innovation as a culture – Innovation is constantly used to improve accessibility of banking products, better customer experience, reduce operational costs, and stay relevant in the wake of Fintech forays in the banking space.

#### **II. Strategic Pillar II – Superior Customer Experience and Centricity**

Under this pillar, the strategic objectives are:

- i. Enhance customer satisfaction and Lifetime Value – Establish a clear understanding of customers and institute customer-centered operations to enhance service quality and standards.
- ii. Enhance brand visibility and positioning – Identify smart approaches to increase awareness around the Zemen Bank brand, its products, and services;
- iii. Ensure best and sustainable service standard – Service standards are critical to define key service requirements/expectations from customers and how these will be fulfilled by the Bank. This is important to ensure streamlined operations and differentiated service delivery to customers.

#### **III. Strategic Pillar III – Explore and Capitalize on Strategic Partnerships**

Under this pillar, the strategic objectives are:

- i. Forge strategic partnerships for business growth and social impact – Utilize collaborations across industry value chains for effective go-to-market and business Scale-up.

#### **IV. Strategic Pillar IV – Operational Excellence**

Under this pillar, the strategic objectives are:

- i. Enhance efficiency across the Bank – Operational efficiency is key for the bank to remain competitive and become fit for growth. It requires achieving the right combination of people, process, and technology to enhance the productivity and value of business operations, while driving down the cost of operations to a desired level.
- ii. Enhance effective corporate governance and risk management – Embed risk management in all organizational processes and culture, and build a sustainable capability to manage risks and ensure business continuity.

#### V. **Strategic Pillar V – Excellence in Digital Technology**

Under this pillar, the strategic objectives are:

- i. Establish a digitally transformed bank – Providing personalized digital products (such as automated loan provisions) through innovative digitally enabled channels (self-service kiosks, automated support tools), increasing technology uptake within the business functions (digital marketing, cyber security tools);
- ii. Establish an agile IT operating environment - The bank of the future will need to embrace the non-traditional operating models that are largely focused on maintaining infrastructure and service delivery in-house to gain cost efficiencies.

#### VI. **Strategic Pillar VI - Engaged and empowered workforce**

Under this pillar, the strategic objectives are:

- i. Drive best talent management practices - Zemen Bank has an opportunity to acquire, develop, engage, and deploy the best-in-class talent. The Bank should understand pivotal talent pools, including those groups of employees where having more and/or better people would have the greatest impact on business performance, and craft tailored value propositions to have a competitive advantage for critical talent.
- ii. Foster a high-performance and results-based culture - Zemen Bank should intentionally nurture a culture that values results, customers, and open communication and collaboration. The workplace experience and climate should exhibit high standards, clarity of purpose, and agile practices.

#### **2.2.3.3. Strategy Implementation Framework and Business Plan Metrics**

The Bank's strategic plan is based on defined strategic pillars supported by measurable objectives and performance indicators aligned with the Bank's financial projections, risk management framework, and capital planning requirements. Each pillar is monitored using key indicators covering profitability, market growth, operational efficiency, customer development, digital capability, governance, and human capital, enabling management and the Board to track implementation and ensure that growth remains consistent with regulatory capital requirements, liquidity constraints, and the Bank's risk appetite.

The Bank's financial forecasts, balance sheet growth plans, and capital adequacy projections have been prepared on the basis of these strategic objectives, and management regularly assesses the impact of strategic initiatives on earnings, asset quality, funding structure, and capital levels. The table below

summarizes the six strategic pillars together with the related objectives, performance indicators, risk considerations, and financial and capital implications derived from the approved strategic plan.

**Table 18: Strategy–Performance–Risk–Capital Alignment Framework**

Strategic Pillar	Key Strategic Objective	Performance Indicators (KPIs)	Risk Impact	Capital Planning & Financial Implications
<b>Resilient &amp; Profitable Growth</b>	Drive sustainable balance sheet growth with strong risk-adjusted returns through expansion of corporate, SME, and trade finance portfolios	<ul style="list-style-type: none"> <li>• Loan growth rate (%)</li> <li>• Deposit growth rate (%)</li> <li>• ROE / ROA</li> <li>• Cost-to-income ratio</li> <li>• NPL ratio</li> </ul>	<ul style="list-style-type: none"> <li>• Credit risk from portfolio expansion</li> <li>• Concentration risk (corporate exposure)</li> <li>• Regulatory credit cap constraints</li> </ul>	<ul style="list-style-type: none"> <li>• Requires capital allocation to high-yield lending segments</li> <li>• Increased provisioning buffers</li> <li>• Balance sheet optimization to maintain CAR above regulatory minimum</li> </ul>
<b>Superior Customer Experience &amp; Centricity</b>	Enhance customer acquisition, retention, and lifetime value through tailored products and relationship banking	<ul style="list-style-type: none"> <li>• Customer growth (by segment)</li> <li>• Customer retention rate</li> <li>• Service quality indicators</li> <li>• Account growth</li> <li>• Fee income growth</li> <li>• Share of wallet</li> <li>• Net Promoter Score (NPS)</li> </ul>	<ul style="list-style-type: none"> <li>• Customer attrition risk due to competition (banks, fintechs)</li> <li>• Reputational risk from service failures</li> </ul>	<ul style="list-style-type: none"> <li>• Investment in CRM systems and service infrastructure</li> <li>• Increased marketing and customer acquisition costs</li> <li>• Long-term revenue uplift through cross-selling and fee income.</li> </ul>
<b>Operational Excellence</b>	Improve efficiency, cost control, and process reliability to support scalable growth	<ul style="list-style-type: none"> <li>• Cost-to-income ratio</li> <li>• Process turnaround time</li> <li>• Operational error rates</li> <li>• Productivity per employee process efficiency</li> <li>• Compliance indicators</li> <li>• Risk metrics</li> </ul>	<ul style="list-style-type: none"> <li>• Operational risk (process failures, Internal control gaps)</li> <li>• Compliance risk</li> <li>• Fraud Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Upfront investment in process automation and systems</li> <li>• Long-term cost savings and margin improvement</li> <li>• Lower operational loss provisions</li> </ul>
<b>Excellence in Digital Technology</b>	Scale digital channels to drive transaction volumes, improve efficiency, and increase non-interest income	<ul style="list-style-type: none"> <li>• Digital transaction volume &amp; value</li> <li>• Active digital users (%)</li> <li>• Fee &amp; commission income from digital channels- Cost per transaction</li> </ul>	<ul style="list-style-type: none"> <li>• Cybersecurity risk</li> <li>• Technology failure risk</li> <li>• Disintermediation risk from FinTechs</li> </ul>	<ul style="list-style-type: none"> <li>• Significant capex in IT infrastructure and digital platforms</li> <li>• Reduction in branch-related costs over time</li> </ul>

Strategic Pillar	Key Strategic Objective	Performance Indicators (KPIs)	Risk Impact	Capital Planning & Financial Implications
<b>Engaged &amp; Empowered Workforce</b>	Build a high-performance, skilled, and accountable workforce aligned with strategic objectives	<ul style="list-style-type: none"> <li>Employee productivity</li> <li>Staff turnover rate</li> <li>Training hours per employee</li> <li>Performance scorecard achievement</li> </ul>	<ul style="list-style-type: none"> <li>Talent retention risk</li> <li>Execution risk due to skill gaps</li> </ul>	<ul style="list-style-type: none"> <li>Growth in high-margin fee-based income streams</li> <li>Increased HR investment (training, incentives)</li> <li>Improved productivity which leads to higher revenue per employee</li> <li>Better execution of strategy</li> </ul>
<b>Strategic Partnerships</b>	Leverage partnerships (FinTechs, DFIs, international banks) to expand capabilities, funding, and market reach	<ul style="list-style-type: none"> <li>Number of active partnerships</li> <li>Revenue contribution from partnerships</li> <li>FX inflows / trade finance lines</li> <li>New product launches via partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Counterparty risk</li> <li>Dependency risk on external partners</li> <li>Execution risk in partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Access to external funding (e.g., trade finance lines)</li> <li>Lower capital intensity for expansion</li> <li>Shared investment costs for innovation and product development</li> </ul>
<b>Resilient &amp; Profitable Growth</b>	Drive sustainable balance sheet growth with strong risk-adjusted returns through expansion of corporate, SME, and trade finance portfolios	<ul style="list-style-type: none"> <li>Loan growth rate (%)</li> <li>Deposit growth rate (%)</li> <li>ROE / ROA</li> <li>Cost-to-income ratio</li> <li>NPL ratio</li> </ul>	<ul style="list-style-type: none"> <li>Credit risk from portfolio expansion</li> <li>Concentration risk (corporate exposure)</li> <li>Regulatory credit cap constraints</li> </ul>	<ul style="list-style-type: none"> <li>Requires capital allocation to high-yield lending segments</li> <li>Increased provisioning buffers</li> <li>Balance sheet optimization to maintain CAR above regulatory minimum</li> </ul>
<b>Superior Customer Experience &amp; Centricity</b>	Enhance customer acquisition, retention, and lifetime value through tailored products and relationship banking	<ul style="list-style-type: none"> <li>Customer growth (by segment)</li> <li>Customer retention rate-</li> <li>Service quality indicators</li> <li>Account growth</li> <li>Fee income growth</li> <li>Share of wallet</li> <li>Net Promoter Score (NPS)</li> </ul>	<ul style="list-style-type: none"> <li>Customer attrition risk due to competition (banks, fintechs)</li> <li>Reputational risk from service failures</li> </ul>	<ul style="list-style-type: none"> <li>Investment in CRM systems and service infrastructure</li> <li>Increased marketing and customer acquisition costs</li> <li>Long-term revenue uplift through cross-selling and fee income.</li> </ul>

#### **2.2.3.4. Recent/Major developments**

Zemen Bank has achieved several milestones that strengthen its market position and enhance its capacity to capture future growth opportunities. Key developments include:

##### **2.2.3.4.1. Capital Strength**

The Bank surpassed the National Bank of Ethiopia's (NBE) minimum capital requirement, due to take effect in June 2026, well ahead of schedule. This early compliance demonstrates strong capitalization, enhances financial resilience, and provides the foundation for expanding lending, investment, and product development activities. The NBE's directive SBB/78/2021 requires that domestic banks maintain a minimum paid-up capital of ETB 5 billion, to be fully funded in cash.

##### **2.2.3.4.2. Foreign Exchange Reform Gains**

Following Ethiopia's move toward a floating exchange rate regime, Zemen Bank successfully leveraged market reforms to generate significant revaluation income gains. In the most recent period, revaluation income was 105% above plan, highlighting the Bank's effective forex management and strong position in currency trading and intermediation, which enabled it to show a strong performance in FY2025/24 compared to FY2024/23.

##### **2.2.3.4.3. Innovation and Strategic Partnerships**

Zemen Bank has advanced its digital transformation agenda through both internal innovation and external partnerships. To date, the Bank has completed 9 of 14 planned fintech integrations and developed 11 proprietary software solutions in-house. These initiatives are enhancing operational efficiency, improving customer experience, and supporting new product rollouts.

##### **2.2.3.4.4. Record Financial Performance**

In FY2025, Zemen Bank delivered record financial results, significantly outperforming its business plan targets:

- Net Profit: ETB 5.87 billion, representing 137% of plan.
- Deposits Mobilized: ETB 64.7 billion, representing 115% of plan.

These results reflect the Bank's robust business model, effective resource mobilization, and strong execution capability. The performance underscores Zemen's growing capacity to deliver value to shareholders while supporting the broader Ethiopian economy.

##### **2.2.3.5. Future Prospects and Challenges**

The Bank operates in a dynamic financial services environment influenced by economic conditions, regulatory developments, technological change, and competitive pressures. This section outlines the Bank's expectations regarding future business prospects as well as the key challenges that may affect its performance. The discussion is intended to provide investors with a balanced view of the factors that may influence the Bank's growth, profitability, and strategic direction in the coming years.

### **2.2.3.5.1. Future Prospects**

This subsection outlines the Bank's expected areas of growth and development based on its current business strategy, market position, and recent expansion of its branch network, customer base, and electronic banking channels. The purpose of this discussion is to provide an overview of the factors that are expected to support the Bank's future operations and financial performance. The realization of these prospects will depend on prevailing economic conditions, regulatory developments, and the level of competition in the banking sector. Key future prospects include:

#### **2.2.3.5.1.1. Lifting of Mandatory Treasury Bond Purchases**

The removal of the National Bank of Ethiopia's mandatory treasury bond purchase requirement has improved liquidity within the banking sector. This development allows Zemen Bank to reallocate resources previously tied in low-yield government securities toward higher-return activities such as lending, trade finance, and investment products. The Bank expects this shift to enhance profitability and support sustainable balance sheet growth.

#### **2.2.3.5.1.2. Rising FDI Inflows**

Ethiopia's increasing foreign direct investment inflows are expected to boost demand for banking services. According to the Ethiopian Investment Commission ("EIC"), FDI flows grew 5.6% for the fiscal year ending July 2025<sup>1</sup>. Zemen Bank is well-positioned to provide trade finance solutions, foreign exchange intermediation, and cross-border settlement services to support exporters and investors. The Bank anticipates stronger fee income and foreign currency revenue streams as international trade and investment flows expand.

#### **2.2.3.5.1.3. Opening of the Financial Sector to Foreign Investors**

The progressive opening of Ethiopia's financial sector to foreign investors marks a significant structural shift for the banking industry. For Zemen Bank, this transition presents both competitive pressures and strategic opportunities. Increased foreign participation is expected to introduce advanced banking practices, capital inflows, and technological innovation. The Bank views this as an opportunity to form strategic alliances that enhance operational efficiency, strengthen risk management, and broaden its product and service offering. Through such collaborations, Zemen aims to leverage international expertise to build institutional capacity and position competitively within an increasingly open and dynamic financial landscape. At the same time, foreign entrants will introduce higher thresholds for competition and could pressure Zemen if it fails to successfully match competitor capabilities and customer offerings.

#### **2.2.3.5.1.4. Introduction of a Capital Market**

The launch of the Ethiopian Securities Exchange (ESX) provides Zemen Bank with opportunities to expand into capital market-related services, including securities trading/brokerage, custody, and advisory offerings. The development of an organized capital market is also expected to attract portfolio inflows and increase the availability of foreign currency, potentially enhancing Zemen Bank's ability to grow its foreign

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<sup>1</sup> <https://financein africa.com/news/ethiopia-fdi-rises-sweeping-reforms/>

exchange and fee-based businesses. However, the Bank will need to have a capital market service provider license to offer the aforementioned services.

The Bank has the potential to access the Ethiopian capital markets as an additional and complementary avenue for raising capital, particularly as the regulatory and market infrastructure continues to develop following the establishment of the Ethiopian Securities Exchange (ESX) and the implementation of the Capital Market Proclamation. Capital market access would allow the Bank to diversify its funding sources beyond retained earnings and private share subscriptions, while strengthening its capital base to support balance sheet growth and regulatory compliance.

#### **2.2.3.5.1.5. Partnerships with Fintech Companies**

The rapid growth of digital financial services in Ethiopia presents new opportunities for technology-driven banking. Zemen Bank aims to strengthen partnerships with fintech companies to deliver innovative solutions in payments, digital lending, and mobile banking. Such collaborations are expected to improve customer engagement, broaden financial inclusion, and position the Bank as a leading digital financial services provider.

#### **2.2.3.5.2. Challenges**

Zemen Bank's future performance may be affected by a number of internal and external challenges, including changes in the macroeconomic environment, regulatory requirements, market competition, and operational risks. This subsection highlights the principal challenges that could influence the Bank's ability to achieve its growth objectives. Key challenges include:

##### **2.2.3.5.2.1. Regulatory Credit Cap**

The National Bank of Ethiopia (NBE) imposes an annual credit growth limit of 24% (raised from a previous cap of 18%). This regulatory cap constrains Zemen Bank's ability to expand its loan portfolio in line with market demand, potentially limiting interest income growth and reducing flexibility in asset allocation. If the NBE were to lift the cap, the Bank would be able to grow its loan book in tandem with market demand.

##### **2.2.3.5.2.2. Deposit Concentration**

As of the reporting period, the top 20 depositors account for 28.6% of the Bank's total deposits. This concentration increases liquidity risk, as the withdrawal of large deposits could materially affect funding stability and necessitate reliance on more expensive sources of liquidity. The bank is determined to expand its customer base to address this challenge.

##### **2.2.3.5.2.3. Foreign Exchange Dependency**

The Bank's foreign exchange inflows remain highly concentrated, with 58% of export proceeds derived from the Horticulture sector. Dependence on a narrow customer and sector base exposes the Bank to volatility in FX earnings in the event of sector-specific shocks or declines in export performance.

**Table 19: Composition of foreign exchange inflows (USD Millions)**

S/No	Particulars	FY 2025	%	FY 2024	%	FY 2023	%
1	Export	342.69	58.3%	327.34	57.8%	292.34	55.4%
2	Incoming Transfer	200.54	34.1%	199.99	35.3%	218.38	41.4%
3	Dealing	32.23	5.5%	28.49	5.0%	0.35	0.07%
4	Others (Money transfer, Visa & Master Card)	12.12	2.1%	10.22	1.8%	16.43	3.1%
<b>Total FX Inflow</b>		<b>587.58</b>	<b>100.0%</b>	<b>566.04</b>	<b>100.0%</b>	<b>527.5</b>	<b>100.0%</b>

#### **2.2.3.5.2.4. Asset Quality Pressure**

Although the Bank's non-performing loan (NPL) ratio remains within regulatory limits at 2.81%, the absolute value of NPLs and special mention loans is rising. This trend highlights increasing credit risk and the potential for future deterioration in asset quality, which could result in higher provisioning requirements and reduced profitability.

#### **2.2.3.5.2.5. Political and Security Environment Risk**

The Bank operates within a dynamic political and security environment. Periodic changes in the operating context, including localized security concerns or shifts in public policy, may affect business activity, borrower performance, and investor sentiment. Such developments could indirectly influence the Bank's operations, lending activities, and overall business environment.

#### **2.2.3.5.2.6. Rising External Debt and FX Pressure**

Ethiopia's elevated external debt burden and ongoing balance-of-payments pressures continue to constrain the availability of foreign currency in the domestic financial system. These structural limitations may restrict the Bank's access to foreign exchange and its ability to meet customer demand for international payments and trade finance, potentially affecting the scale and continuity of its foreign trade operations.

#### **2.2.3.5.2.7. Exchange Rate Volatility and Depreciation**

The NBE's move toward a market-determined foreign exchange regime resulted in a gradual depreciation against major currencies. For the Bank, the transition had immediate operational and financial effects. These included tighter foreign currency liquidity, increased volatility in foreign exchange positions, and challenges in meeting client demand for international payments and trade finance. The depreciation has also increased the local currency value of foreign currency-denominated exposures.

#### **2.2.3.5.2.8. High Inflationary Environment**

Persistent high inflation erodes real interest rates, reduces purchasing power, and increases operating costs. For the Bank, this environment challenges loan affordability for customers and compresses margins on financial products.

#### **2.2.3.5.2.9. Intense Competition**

The Ethiopian banking sector is experiencing increasing competition from new market entrants, including telecom operators offering mobile financial services, prospective foreign banks, and fintech firms. This competition is expected to put pressure on margins, increase customer acquisition costs, and require accelerated investment in digital innovation.

#### **2.2.3.6. Zemen Bank's Strategic Response to Financial Sector Liberalization**

The introduction of the Banking Business Proclamation No. 1360/2025 marks a crucial change in Ethiopia's financial sector via liberalization. The law's provision permitting foreign participation in banking presents both significant opportunities and emerging challenges for domestic banks.

Additionally, the launch of the Ethiopian Securities Exchange (ESX) and the growing prominence of mergers and acquisitions provide further opportunities for the Bank.

##### **2.2.3.6.1. Strategic Opportunities**

Zemen Bank views the entry of foreign banks and investors as an opportunity to accelerate innovation, institutional learning, and capital inflow into Ethiopia's financial system. The Bank intends to leverage this environment through:

##### **2.2.3.6.2. Strategic Alliances and Partnerships**

Engaging in mutually beneficial partnerships with foreign institutions for knowledge transfer, technical assistance, and product innovation in areas such as trade finance, treasury management, and risk modeling.

##### **2.2.3.6.3. Product and Technology Enhancement**

Utilizing collaborations with international players and fintech firms to enhance digital banking capabilities, improve customer experience, and expand financial inclusion.

##### **2.2.3.6.4. Access to Foreign Funding**

Exploring syndicated loans, trade lines, and other cross-border funding mechanisms to diversify sources of capital and improve foreign exchange liquidity.

##### **2.2.3.6.5. Competitiveness and Cost Efficiency**

Driving operational efficiency and technology-driven service delivery to maintain competitive pricing and margins in a more liberalized market.

##### **2.2.3.6.6. Capital Strength and Risk Resilience**

Maintaining a strong capital base, well above regulatory minimums, to absorb potential shocks and support strategic expansion.

### **2.2.3.6.7. Regulatory Readiness**

Strengthening compliance frameworks to align with international standards (Basel II/III, AML/CFT, ESG) expected under foreign participation.

In summary, Zemen Bank considers the liberalization of the financial sector as complementary to its future, enabling the Bank to scale, innovate, and compete regionally while reinforcing its position as a forward-looking and well-capitalized institution in Ethiopia's evolving financial ecosystem. The Bank acknowledges the impact of competitive pressure and is working on positioning itself to be ready to operate with rising competition, especially from foreign banks.

## **2.3. Operations and Principal Activities**

Zemen Bank S.C. is licensed by the National Bank of Ethiopia (NBE) to engage in commercial banking activities. The Bank's core operations are structured around four core business functions:

- Deposit Products and Services (Resource Mobilization)
- Loan and Financing Products (Resource Allocation)
- Digital and Channel Banking (Service Delivery)
- International banking and remittance services
- Interest Free Banking

### **2.3.1. Deposit Products and Services (Resource Mobilization)**

Zemen Bank mobilizes deposits from the public by offering a range of deposit products, broadly categorized into Saving, Current (Demand), and Fixed Time Deposits. These products are available in local currency and selected foreign currencies, primarily targeting foreign investors and diaspora communities. The pricing of the respective deposit products is contingent on the prevailing treasury rates, liquidity, tenor, and the amount of the deposit.

#### **Saving Deposits**

Zemen Bank offers a range of savings and deposit products designed to serve diverse customer segments, including individuals, high-net-worth clients, youth, corporates, and non-residents. The principal savings and deposit products are as follows:

##### **a. Personal Savings Accounts**

Conventional savings accounts for individuals, opened with a minimum initial deposit and bear interest calculated on daily balances. Accounts are accessible through the Bank's full suite of delivery channels, including ATMs, internet, and mobile banking.

##### **b. Z-Club Savings Accounts**

Tiered savings account for priority customers. As deposits grow, higher tiers give more attractive interest rates. Basic starts at ETB 500,001; Gold at ~ ETB 2,000,001; Platinum ~ ETB 5,000,001. But it can be opened with a lower initial deposit and built up.

### c. Executive Special Savings Accounts

Designed for executives or senior managers in the Ethiopian market. Offers higher interest rates, priority services, a special branded ATM debit card, and higher withdrawal limits. Tiered categories (e.g., Basic, Gold, Platinum) depending on balance. Minimums for these higher tiers are specified, though you can open with a smaller deposit and build up.

### d. Children and Youth Savings Accounts

Specialized savings products for minors and young customers. These accounts are available in Basic, Special, and Exclusive tiers, offering progressive interest rates as balances grow, and are intended to promote savings discipline from an early age.

### e. Certificates of Deposit (CDs)

Fixed-term deposit instruments offering higher yields compared to conventional savings accounts. Certificates of Deposit are available in varying maturities, with options for upfront or periodic interest payments, and may be pledged as collateral for loans.

### f. Non-Resident Accounts

Accounts tailored for non-resident Ethiopians, members of the diaspora, and eligible foreign nationals. Product offerings include Non-Resident Foreign Currency (NR-FCY) Accounts, Non-Resident Transferable (NR-T) Birr Accounts, and Non-Resident Non-Transferable (NR-NT) Birr Accounts. These accounts provide a mechanism for non-residents to participate in the Ethiopian banking system and facilitate foreign currency management.

The table below shows deposits mobilized through different savings accounts.

**Table 20: Deposits by Region (ETB Millions)**

S/N	Region	Deposits		
		FY 2025	FY 2024	FY 2023
1	Afar	28.42	13.13	1.02
2	Amhara	876.01	729.99	680.15
3	Benishangul	13.68	-	-
4	CERS	97.94	73.80	43.37
5	Dire Dewa	320.22	257.55	245.18
6	Gambella	34.35	14.24	-
7	Harer	23.59	3.27	-
8	Oromia	1,693.85	1,177.26	980.89
9	Sidama	487.43	447.26	363.93
10	SNNP	229.06	163.56	119.91

S/N	Region	Deposits		
		FY 2025	FY 2024	FY 2023
11	Somali	29.18	25.49	30.20
12	SWERPS	56.97	38.67	3.16
13	Tigray	167.52	91.55	69.93
15	Addis Ababa	56,478.15	38,805.94	33,703.78
<b>Grand Total</b>		<b>60,536.37</b>	<b>41,841.70</b>	<b>36,241.51</b>

Total deposits grew from ETB 36.2 billion to ETB 60.5 billion. Addis Ababa remained the dominant market, accounting for the majority of the deposits, driven by the concentration of corporate, institutional, and high-value retail clients.

**Table 21: Deposits based on various savings accounts (ETB '000s)**

Deposit	Deposit Type	FY 2025	FY 2024	FY 2023
Deposit from Customers (net)	<b>Savings deposits</b>	27,741,494	21,120,635	17,201,956
	<b>Demand deposits</b>	24,332,799	16,698,568	15,662,648
	<b>Time deposits</b>	4,323,255	2,199,545	2,326,735
	<b>Other deposits</b>	4,149,058	1,805,228	870,320
	<b>Retention deposits*</b>	3,892,742	1,270,760	811,632
<b>Sub-Total</b>		<b>64,439,347</b>	<b>43,094,736</b>	<b>36,873,291</b>
<b>Deposit from other Banks</b>	<b>Time deposits</b>	<b>227,061</b>	<b>516,105</b>	<b>205,679</b>
<b>TOTAL</b>		<b>64,666,408</b>	<b>43,610,841</b>	<b>37,078,970</b>

\* Retention Deposits are the total amount of foreign currency deposits maintained with our Bank by eligible exporters of goods and services. Exporters of goods and services shall immediately convert fifty percent (50%) of their export proceeds into birr, at a freely negotiated rate, and are eligible to keep the remaining fifty percent (50%) in their retention account.

**Table 22: Zemen Deposits vs Ethiopian Banking Industry**

Metric	FY 2025	FY 2024	FY 2023
Number of Accounts	294,419	217,832	179,955
Balance Outstanding (ETB)	64,666,407,952	43,610,840,902	37,078,970,554
Industry Deposit (ETB)	3,502,691,820,000 (provisional)	2,491,031,240,000	2,146,340,370,000
Share of Total Deposits (%)	1.8%	1.8%	1.7%
Average Balance Per Account	219,640.70	200,204.00	206,045.80

Metric	FY 2025	FY 2024	FY 2023
Deposit Growth Drivers (qualitative)	<ul style="list-style-type: none"> <li>• Aggressive deposit mobilization campaigns and promotions</li> <li>• Utilizing digital platforms to engage younger, tech-savvy customers</li> <li>• Data-driven cross-selling of deposit products.</li> <li>• Strong brand reputation supporting organic growth.</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing digital transformation with improved user experience.</li> <li>• Strategic marketing and brand awareness initiatives</li> <li>• Growth in corporate and institutional deposits via partnerships.</li> <li>• Launch of innovative deposit products to cater to diverse customer needs.</li> </ul>	<ul style="list-style-type: none"> <li>• Built strong trust and credibility with both retail and corporate clients.</li> <li>• Expanded branch network and digital banking channels.</li> <li>• Offered competitive deposit rates to attract savers.</li> </ul>
Challenges (e.g., competition, customer attrition)	<ul style="list-style-type: none"> <li>• Margin pressure due to competitive deposit rates</li> <li>• Ongoing need for innovation in digital banking services</li> <li>• Macroeconomic factors affecting depositor behavior</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing competition from FinTechs.</li> <li>• Challenges in maintaining customer loyalty amid diverse product options</li> <li>• Potential impact of regulatory changes on deposit offerings</li> <li>• Economic fluctuations affecting deposit growth</li> </ul>	<ul style="list-style-type: none"> <li>• Intense competition from larger banks is capturing market share</li> <li>• Limited branch network compared to industry leaders</li> <li>• Price-sensitive depositors are putting pressure on margins.</li> </ul>

Table 23: Customer Segmentation

Segment	Number of accounts	Total Deposits	% of Deposits	Comments
Retail	287,874	30,081,745,251	49.69%	Retail customers form the largest customer base and contribute nearly half of the total deposits. This reflects strong outreach, growing financial inclusion, and increased use of savings and transactional accounts, though average balances per customer remain relatively small.
SME	1,192	5,595,960,493	9.24%	The SME segment contributes a modest share of deposits despite its strategic importance. This suggests potential to deepen relationships through tailored cash management, trade finance, and working-capital-linked deposit products.
Corporate	1,036	24,858,670,244	41.06%	Corporate customers, though limited in number, account for a significant portion of total deposits.

Segment	Number of accounts	Total Deposits	% of Deposits	Comments
Diaspora	3,616	Diaspora and government/institutional account deposits are included within the retail, SME, and corporate segments above.		This highlights reliance on large-value accounts and underscores concentration risk, as deposit levels may be sensitive to shifts in corporate liquidity and competition.
Government/Institutional	701			

### 2.3.2. Loan and Financing Products (Resource Allocation)

Zemen Bank provides a comprehensive range of credit facilities designed to meet the needs of retail, SME, corporate, and institutional customers. The principal lending products are as follows:

#### 2.3.2.1. Term Loans

Medium and long-term (more than one year) financing facilities to support corporate and commercial clients. Term loans are utilized for plant expansion, equipment purchases, fixed asset acquisition, and working capital financing. Facilities may include grace periods and are typically secured by collateral.

#### 2.3.2.2. Lines of Credit

Revolving credit and overdraft facilities enable customers to meet short-term operational and seasonal financing needs. Lines of credit facilities are subject to annual review and renewal.

#### 2.3.2.3. Consumer Loans

Personal loan products are designed for individual customers to finance major expenditures such as vehicle purchases, housing, and other personal needs.

#### 2.3.2.4. International Banking and Remittance Services

Zemen Bank provides a full suite of international banking and foreign exchange services designed to support Ethiopia's trade, investment, and remittance flows. The Bank's International Banking Division delivers customized, technology-driven solutions that facilitate cross-border transactions for corporate, institutional, and high-net-worth Individual clients.

#### 2.3.2.5. Trade Finance Facilities

These are comprehensive international banking services which include import and export letters of credit, standby and confirmed L/Cs, export pre- and post-shipment financing, bank guarantees, and documentary collections. These products facilitate cross-border trade and support customers engaged in international commerce. The tables below show the amount.

Table 24: Loans &amp; Advances by Product Category (ETB '000)

Category	FY2025	FY2024	FY2023
Term Loans	26,943,523.41	25,255,629.43	20,084,934.69
Lines of Credit	4,186,727.71	3,792,332.94	3,915,858.90
Merchandise Loans	2,905,344.35	2,302,602.16	2,715,891.01
Retail/Consumer Loans	8,282,362.97	4,883,701.62	5,108,945.79
Trade Finance	70,421,882.56	20,951,754.09	14,950,530.44

Table 25: Cost Structure of Loans

Category	Interest Rate	Charges
Term Loans	7% -21%	Processing fee (0.125%)
Lines of Credit	7.25% -20.37%	Loan processing fee
Merchandise Loans	13% -20%	Loan processing fee
Retail/Consumer Loans	6.85% -21%	Loan processing fee

Table 26: Loans &amp; Advances by Region (ETB Millions)

S/N	District	Loans & Advances		
		FY 2025	FY 2024	FY 2023
1.	Amhara	1,430.07	1,450.90	1,006.57
2.	Benishangul	0.77	-	-
3.	CERS	31.03	31.61	-
4.	Dire Dewa	523.03	533.43	452.4
5.	Gambella	0.25	-	-
6.	Harer	30.64	19.88	15.75
7.	Oromia	4,106.23	3,733.96	3,140.63
8.	Sidama	307.98	343.26	311.88
9.	SNNP	-	-	42.88
10.	Somali	23.9	28.68	34.1
11.	SWERPS	1.43	-	-
12.	Tigray	228.36	221.24	98.64
13.	SERS	61.23	68.94	-
14.	Addis Ababa	35,573.02	29,802.37	26,722.78
<b>Grand Total (Gross)</b>		<b>42,317.96</b>	<b>36,234.27</b>	<b>31,825.64</b>

The Bank's total loans and advances grew by approximately 14% year-on-year in FY 2024 and a further 17% in FY 2025. As of FY 2025, Addis Ababa accounted for about 84% of total lending, underscoring the Bank's strong corporate and commercial focus, while Oromia (10%) and Amhara (3%) remained the next

largest regional exposures. The geographical concentration in Addis Ababa is due to the Bank's business model with focuses on affluent customers, SMEs and Corporate who happen to be in the capital. Nonetheless, the Bank is seeking to diversify its regional footprint to zones outside Addis Ababa.

**Table 27: Trade Finance Details – Value of Transactions (ETB'000)**

	FY 2025	FY 2024	FY 2023
Letters of Credit (L/Cs)	16,955,220.74	5,444,651.59	4,667,032.77
Cash Against Document (CAD)	16,526,687.49	5,265,674.87	3,919,501.86
Advance Payments	776,826.61	365,705.64	507,247.44
Bid Bonds	4,413.21	3,562.77	1,543.86
Performance Guarantees	204,009.45	10,053.56	3,791.24
Advance Payment Guarantees	10,703.94	18,843.20	11,297.65
Electronic Fund Transfers (EFT)	35,944,021.12	9,843,262.46	5,840,115.62
<b>TOTAL</b>	<b>70,421,882.56</b>	<b>20,951,754.09</b>	<b>14,950,530.44</b>

The Bank's trade finance transaction values grew by approximately 40% year-on-year to FY 2024 and by about 236% in FY 2025, reflecting a significant expansion in trade-related activity. Growth in FY 2025 was driven primarily by Letters of Credit and Cash Against Documents, both of which more than tripled year-on-year (+210%), alongside an increase in Electronic Fund Transfers (+265%), while advance payments doubled.

**Table 28: Trade Finance Details – Revenue generated (ETB '000)**

	FY 2025	FY 2024	FY 2023
Letters of Credit (L/Cs)	1,104,195.33	570,379.45	470,921.31
Cash Against Document (CAD)	381,484.66	164,918.81	183,378.49
Advance Payments	23,164.41	12,808.84	20,806.76
Merchandise Loans	5,202.12	3,866.25	3,342.24
Guarantees:- Total (Bid Bonds, Performance Guarantees, Advance Payment Guarantees, Customs Duty & Customs Bond Guarantees, Retention Money Guarantees, Suppliers' Credit Guarantees)	87,688.00	77,063.72	64,493.06
Electronic Fund Transfers (EFT) –	1,285,481.51	693,751.88	312,807.00
Payroll Processing Services			
Utility and Bill Payments			
Point-of-Sale (POS) Payments			
<b>TOTAL</b>	<b>2,887,216.03</b>	<b>1,522,788.95</b>	<b>1,055,748.86</b>

\*\* We provide the aforementioned services free of charge to our clients

**Table 29: Trade Finance – Correspondent Banks**

Correspondent banks	Country	Currency	Type of service	Relationship maturity
CITIBANK NEWYORK NA	USA	USD	Correspondence/account relationship	Active/open
CITIBANK_NA_LONDON	UK	GBP	Correspondence/account relationship	Active/open
CITIBANK_NA_LONDON	UK	EUR	Correspondence/account relationship	Active/open
COMMERZBANK	GERMANY	EUR	Correspondence/account relationship	Active/open
COMMERZBANK	GERMANY	USD	Correspondence/account relationship	Active/open
COMMERZBANK	GERMANY	GBP	Correspondence/account relationship	Active/open
CAC INTERNATIONAL BANK	DJIBOUTI	USD	Correspondence/account relationship	Active/open
ABN_AMRO_BANK_NV	NETHERLAND	EUR	Correspondence/account relationship	Active/open
AFREXIMBANK	EGYPT	USD	Correspondence/account relationship	Active/open
SEB_BANK	SWEDEN	SEK	Correspondence/account relationship	Active/open

### 2.3.2.6. Diaspora Credit Facilities

Loan products tailored for non-resident Ethiopians, including mortgages and consumer loans, are offered under preferential terms. These facilities complement diaspora deposit accounts and support investment in housing and personal assets in Ethiopia.

Through these lending products, the Bank supports a wide spectrum of the Ethiopian economy, ranging from individuals and SMEs to large corporates and trade-oriented businesses, thereby contributing to economic growth and financial intermediation.

**Table 30: Loan Product Attributes**

Category	Loan Type/Name	Purpose	Target Borrower	Key Features	Maximum Tenor	Security Requirements	Eligibility Criteria	Documentation Checklist
<b>Term Loans</b>	Investment Loans, Equipment Loan, Project Finance	The term loan may be availed for working capital, asset financing, existing business expansion, or any other justifiable business-related purpose.	Corporate, SME	Pre-determined repayment period and amount, available grace periods, various repayment modalities (weekly, monthly, quarterly, semi-annual, and annual) are key features of the term loan.	15 Years	The Bank may require securities, including but not limited to the pledge of tangible immovable or movable property and/or financial instruments. Real properties, motor vehicles, and other corporeal assets of business entities offered as collateral must be capable of being registered with a legally empowered registrar. Acceptable collateral that may not require registration includes merchandise, bank guarantees, bank deposits, negotiable instruments (such as treasury bills, government bonds, and share certificates), written undertakings from the Federal Government, negative pledges, letters of comfort, and corporate or personal guarantees. The Bank may also extend clean loans depending on the client's business position and overall creditworthiness.	Bank extends credit only to creditworthy clients and/or to companies engaged in lawful business activities.	The applicant is required to present, including but not limited to, legal documentation of the business (license, MOA, tax clearance), proof of income, financial and non-financial documents such as audited financial statements, management profiles, credit information, business plan/feasibility study, account statements, and other relevant supporting documents.
<b>Lines of Credit</b>	Overdrafts, Revolving Credit	Available for working capital purposes	Corporate, SME,	Line of Credit/Overdraft is a form of credit facility by which a customer may be allowed to draw beyond the deposits of its current accounts for the day-to-day operational needs of a viable and ongoing business, for short-term financing needs like seasonal	Overdraft facility is financed for a limited duration for a maximum of one year. , with possible extension based on annual utilization performance.	Due to the high-risk nature of the product, the bank typically prefers strong collateral. However, depending on the client's business and creditworthiness, the bank may consider extending credit using alternative collateral, even on a clean basis.	Applicants should have at least six months of a banking relationship with Zemen. However, clients with less or no prior relationship may be considered if they have a good business reputation and strong financials.  The business must have operated for at least one year after receiving a trade license. Exceptions may be made for owners with relevant prior business experience.  Given the risk of overdraft facilities, they should be secured by strong collateral (buildings, cash deposits, guarantees). In exceptional cases, the Bank may allow overdrafts on a clean basis or against movable collateral.	Similar to the Term loans

Category	Loan Type/Name	Purpose	Target Borrower	Key Features	Maximum Tenor	Security Requirements	Eligibility Criteria	Documentation Checklist
				purchases, operating expenses, and working capital.			All applicants must submit a financial statement, in addition to the required documents in the standard checklist.	
<b>Merchandise Loans</b>	Inventory Financing, Commodity Loans	The purpose of a Merchandise Loan is to relieve the customer from cash-flow problems arising from money being tied up in the merchandise.	Traders, wholesalers	<ul style="list-style-type: none"> <li>• Inventory-based financing: Loans provided based on the value of merchandise purchased</li> <li>• Flexible repayment terms: Aligned with the turnover of your goods</li> <li>• Quick access to capital: Allows timely restocking to meet customer demand</li> <li>• Ideal for retailers, wholesalers, and distributors with regular purchasing needs</li> </ul>	Six months with possible extensions	Merchandise	Merchandise loan facility shall be granted to customers who have been proven. to be highly credit-worthy in their relation with Zemen and/or other Banks	In addition to the above list of documents required for TL and OD facilities, the applicant is required to present a stock list along with the related ownership documents
<b>Retail/Consumer Loans</b>	Personal Loan, Auto Loan, Salary Loan, Education Loan	These loans are intended for personal needs such as purchasing an automobile, acquiring or constructing a residential house, buying consumer goods, or meeting other undefined personal expenses, including education and medical costs.	Individuals	<ul style="list-style-type: none"> <li>• Consumer loans are provided for non-business purposes.</li> </ul>	10-25/25-year loan tenure is for SLA loans	Consumer loans might be secured by the acquired and/or other assets in the name of the applicant or third party, personal guarantee, blocked deposit accounts, etc.	Consumer loans are available for applicants who have consistent income and stable cash flows.	In addition to the other loan requirements, the applicant is required to present proof of income.
<b>Diaspora Loans</b>	Diaspora Mortgage, Diaspora Consumer Loan	Diaspora Credit Products are credit products designed to meet the needs of Diaspora.	NR-Ethiopians	Diaspora loans have preferential interest rates and loan tenures.	15 Years	The house to be purchased or constructed, an automobile, or other types of collateral may be required	In addition to other criteria, the applicant may open a foreign currency account in one of our branches.	Work permit, authenticated employment contract, and tax return.

Category	Loan Type/Name	Purpose	Target Borrower	Key Features	Maximum Tenor	Security Requirements	Eligibility Criteria	Documentation Checklist
		Ethiopians who include mortgage loans, automobile loan and personal loans.						
<b>Trade Finance</b>	LCs, CAD, Export Financing, Bank Guarantees	The purpose is to facilitate the applicant's import business and to settle the outstanding LC	Importers, Exporters, Contractors	Availing against import documents	90 days-6 months	It could have similar collateral requirements as other loans, and in some cases, the imported goods themselves may serve as collateral.	<p>The Bank shall finance only import letters of credit opened at its end. However, The Bank may exceptionally finance an LC opened at other Banks.</p> <p>The applicant shall not have any other long-standing outstanding import letter of credit document arrived (other than the requested one). The customer shall apply for a loan as soon as possible after the Bank advises on the arrival of the letter of credit documents.</p> <p>The customer can be availed with this facility only once during a fiscal year of the Bank. However, the bank can exceptionally provide more than one during the fiscal year</p>	Trade documents (such as outstanding LC contracts, purchase orders, etc.)

**Table 31: Loans and Advances Attribution (ETB '000)**

<b>Loan by Sector</b>	<b>FY 2025</b>	<b>FY 2024</b>	<b>FY 2023</b>
Agriculture	649,327	503,737	410,222
Building and construction	7,304,856	4,178,164	2,309,744
Domestic Trade and Service	5,234,732	6,630,444	8,010,456
Export	6,009,885	5,336,641	5,198,123
Hotel and Tourism	4,684,088	3,808,947	2,945,333
Import	3,205,706	2,340,890	2,323,494
Industry	5,445,738	4,886,499	5,194,022
Personal Loans – Customers	6,199,198	5,605,689	3,586,927
Personal Loans – Staff	2,083,165	1,855,007	1,528,501
Transportation	1,501,264	1,088,250	319,072
<b>TOTAL</b>	<b>42,317,959</b>	<b>36,234,266</b>	<b>31,825,894</b>

These lending activities represent the primary driver of the Bank's profitability, reflected in both interest income and guarantee commission fees. Interest income on loans and advances (Term loan, Overdraft, Merchandise) increased from ETB 4,917,952 billion in the fiscal year ended FY 2023/24, to ETB 5,970,013 billion in the fiscal year ended FY 2024/25.

**Table 32: Interest Income on Loans & Advances (ETB'000)**

<b>Interest Income</b>	<b>FY 2025</b>	<b>FY 2024</b>	<b>FY 2023</b>
Interest on Term Loans	4,981,342	4,063,122	3,045,206
Interest on Overdraft & others	983,792	842,326	692,019
Interest on Merchandise loan	4,879	12,504	12,582
Interest income on loans & advances	5,970,013	4,917,952	3,749,807
Loan Processing Fee	10,061	22,941	28,582
Service Charge	375,876	366,879	204,183
<b>Total</b>	<b>12,325,963</b>	<b>10,225,724</b>	<b>7,732,379</b>

As at 30 June 2025, the Company's conventional NPL ratio by major sectors was concentrated in Domestic Trade Services, Hotel and Tourism, and Import. The table below indicates the Company's NPL ratios, by sector, as at 30 June 2025, 2024, and 2023:

Domestic trade and services exhibited elevated levels in prior years, with NPL ratios peaking at 79.19% in FY2024 before declining to 45.54% in FY2025. Import-related lending continues to show comparatively higher NPL ratios, increasing to 27.88% in FY2025 from 2.15% in 2024, which was a drop from 11.75% in 2023. Export-related lending showed improvement in FY2025, with the NPL ratio declining to 3.94% from 7.47% in FY2024. Agriculture and construction sectors maintained relatively low NPL ratios in FY2025.

Personal lending exposures, both customer and staff loans, remained low risk, with NPL ratios of 3.68% and 0.01%, respectively, in FY2025.

## Non-Performing Loans

The Bank's NPL ratio for 2025 was 2.81% compared to 2.16% in 2024 and 1.10% in 2023. The rise in the NPL ratio is attributable to loan growth while the sector specific movements are explained below:

**Domestic Trade and Services** – The fluctuation in the NPL rate in the Domestic Trade and Services sector is primarily due to the diverse nature of borrowers in this sector. The Bank has a considerable portfolio exposure in this category, and reductions occur during the settlement of major NPLs, while increases reflect portfolio growth. Defaults in this sector arise from a combination of sector-specific and borrower-related factors. Consequently, the default rate may fluctuate when compared to other sectors.

**Hotel and Tourism** – The increase is mainly due to the default of one major borrower, rather than being related to a sector-wide issue. Since the defaulted borrower has a large outstanding exposure (~ETB 166 million), the increment appears high compared to the previous amount.

**Import** – Similarly, the increase in NPLs in the import sector is attributable to a single large borrower rather than issues affecting the sector as a whole.

**Table 33: Loan Portfolio Performance**

Metric	FY 2025	FY 2024	FY 2023
Total Outstanding Loans (ETB '000s)	42,317,958	36,234,266	31,825,894
Total Customers	3,500	3,320	3,138
NPL Ratio (%)	2.81%	2.16%	1.10%
<b>NPL Ratio by Sector</b>			
Agriculture	1.66%	0.00%	3.06%
Building and construction	0.16%	0.00%	0.88%
Domestic Trade and Service	45.54 %	79.19%	38.55%
Export	3.94%	7.47%	27.97%
Hotel and Tourism	17.05 %	6.12%	6.14%
Import	27.88 %	2.15%	11.75%
Industry	0.00%	1.88%	9.50%
Personal Loans – Customers	3.68 %	2.71%	0.50%
Personal Loans – Staff	0.01%	0.36%	1.35%
Transportation	0.08%	0.12%	0.30%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
Loan Growth (%)	16.79%	13.85%	48.63%
Collateral Coverage Ratios	89.80%	88.95%	85.26%
Largest Sector Exposure (%)	17.26%	20.29%	25.19%

**Table 34: NPLs by Sector (ETB 000)**

Sector	NPL Amount FY 2025
Agriculture	19,739.73
Building and construction	1,863.93
Domestic Trade and Service	540,923.35
Export	46,842.46
Hotel and Tourism	202,559.29
Import	331,190.41
Industry	-
Personal Loans – Customers	43,694.20
Personal Loans – Staff	102.56
Transportation	932.33
<b>Total</b>	<b>1,187,848.25</b>

As of FY2025, the Bank's non-performing loans (NPLs) amounted to ETB 1.19 billion and were predominantly concentrated in trade- and service-related sectors. Domestic Trade and Services accounted for ETB 540.9 million, representing 45.5% of total NPLs, followed by Import-related exposures at ETB 331.2 million (27.9%) and Hotel and Tourism at ETB 202.6 million (17.1%). Collectively, these three sectors comprised approximately 90.4% of the Bank's total NPL portfolio. NPLs in other sectors, including agriculture, exports, personal loans, construction, and transportation, were comparatively limited, each contributing less than 4% individually to total NPLs.

**Table 35: Fee & Commission Income (ETB'000)**

Fee & Commission Income	FY 2025	FY 2024	FY 2023
Commission on Letters of Guarantee	89,437	78,251	52,984

Commission income from Letters of Guarantee increased steadily over the review period, rising from ETB 53.0 million in FY2023 to ETB 78.3 million in FY2024 and further to ETB 89.4 million in FY2025. This represents cumulative growth of approximately 69% over the three years.

### Trade Service

The Bank facilitates the import and export of goods and services in compliance with directives issued by the National Bank of Ethiopia (NBE) and relevant International Chamber of Commerce rules. Major payment modes include Letters of Credit (LCs), Cash against Document (CAD), Advance Payments, and (for exports) Consignment.

For import transactions, the Bank supplies foreign currency through Letters of Credit, Cash against Documents, or Advance Payments. In return, revenue is generated from commissions, fees, and SWIFT charges.

The table below shows the income generated from import services over the last three financial years.

**Table 36: Income generated from import services (ETB'000)**

<b>Income from Imports</b>	<b>FY 2025</b>	<b>FY 2024</b>	<b>FY 2023</b>
Commissions on letters of credit	2,794,326	1,441,861	987,914
Service charge	375,876	366,879	204,183
Commissions on letters of guarantee	89,437	78,251	52,984
SWIFT	35,328	20,523	19,282
<b>Total income from imports</b>	<b>3,294,967</b>	<b>1,907,514</b>	<b>1,264,363</b>

Income generated from import services recorded strong growth over the review period, increasing from ETB 1.26 billion in FY2023 to ETB 1.91 billion in FY2024 and further to ETB 3.29 billion in FY2025, representing cumulative growth of approximately 161%. This growth was mainly driven by commissions on letters of credit, which rose from ETB 0.99 billion in FY2023 to ETB 2.79 billion in FY2025 and accounted for about 85% of total import-related income in FY2025.

### **2.3.3. Digital and Channel Banking (Service Delivery)**

Zemen Bank has invested significantly in technology to expand its digital service delivery, enhance customer convenience, and improve operational efficiency. The Bank's principal digital channels and products include:

#### **a. Internet Banking**

A 24/7 online platform enabling customers to view balances and statements, transfer funds within Zemen and to other banks, access loan information, request cheque books, and obtain daily exchange rate updates. The platform also allows customers to export transaction reports for financial management purposes.

#### **b. Mobile Banking**

Available through the Zemen Bank mobile application on Android and iOS devices. Features include biometric login, interbank and intrabank transfers, bill payments (including utilities, telecoms, and subscription services), QR and contactless payments, and the "Z-Cash" service, which facilitates instant voucher-based transfers. Customers may also activate or deactivate debit cards, monitor account activity, and access exchange rate information.

#### **c. USSD Banking**

A mobile service accessible via short code (\*844#), enabling customers to perform core transactions without requiring internet connectivity. The service is particularly suited for areas with limited data access.

#### **d. ATM and POS Services**

The Bank operates an expanding network of ATMs and point-of-sale (POS) terminals. Customers use debit and prepaid cards to withdraw cash, transfer funds, and make payments. POS services include "Z-Tap," which supports contactless transactions.

**e. Prepaid and Travel Cards**

Zemen Bank, in partnership with Mastercard, issues prepaid and contactless travel cards denominated in major currencies, including USD and EUR. These products enhance convenience for customers traveling abroad and provide a secure means of foreign currency access.

**f. Digital Wallet and Cash Services**

Through its “Z-Wallet” and “Z-Cash” features, the Bank offers voucher-based and wallet-based payment options, extending services to both account holders and non-customers.

**g. Doorstep Banking**

An innovative service that allows customers to request delivery or collection of cash, cheques, and deposit slips at their premises, reducing the need to visit branches for routine transactions.

**h. Self-Service Registration and Support**

Customers can self-register for digital channels and reset credentials through online guides and support tools, enabling independent activation and management of digital services.

**i. Third-party and Fintech Integration**

Third-party and Fintech integration is a strategic service offered by the bank that enables secure, standardized, and real-time integration between third-party financial service providers and the Bank’s internal systems. Additionally, the bank provides interfaces to corporate customers’ internal systems and the bank’s core systems, allowing secure and automated interaction between the bank’s core systems and the client’s internal systems.

**j. SMS Notification Service**

SMS Notification service is a service provided by the bank that allows customers, corporate or individual, to receive transaction alerts, account notifications, mini-statements, OTPs (One-Time Passwords), and other banking updates via SMS (Short Message Service) on their mobile phones.

**k. MT 940**

The bank provides MT 940 statement service to its corporate customers by integrating their ERP system with the core banking and SWIFT system. The service also enables the customers to directly send an MT 940 message to the SWIFT alliance.

**Digital Channels Contribution to Financial Performance**

These digital channels not only enhance customer experience but also provide new streams of non-interest income through fees and commissions on transfers, bill payments, and card services. They also improve cost efficiency by reducing reliance on physical branches and lowering transaction costs.

Collectively, Zemen Bank's digital platforms support growth in deposits, strengthen customer loyalty, and contribute to sustainable profitability.

The Bank's mobile banking platform has recorded strong growth in user engagement, transaction volumes, and revenue generation over the three years under review, underscoring the increasing importance of digital channels in the Bank's operating model. The volume of mobile transactions increased from 36,510 in FY2023 to 84,705 in FY2024, a growth of 132%, before rising further to 105,798 in FY2025, a growth of 25%.

The value of transactions processed through mobile banking increased significantly from ETB 1.06 billion in FY2023 to ETB 3.38 billion in FY2024, a growth of 219%, before moderating by 21% to ETB 2.66 billion in FY2025.

Revenue generated from mobile banking channels grew steadily over the period, increasing from ETB 1.18 million in FY2023 to ETB 4.66 million in FY2024, a growth of 295%, and further to ETB 6.49 million in FY2025, a growth of 39%.

User engagement metrics also show notable improvement. The number of active mobile banking users increased from 57,289 out of 73,082 registered users in FY2023, a growth of 73%, to 99,354 out of 138,680 users. For FY2025, the number of active users was 137,148 out of 191,464 users, a growth of 38%. The number of total users grew faster than the number of active users because of enrolled users not yet activating their accounts.

**Table 37: Number of Mobile Users**

	FY2025	FY2024	FY2023
Volume of transactions	105,798	84,705	36,510
Value of transactions (ETB)	2,659,275,412	3,376,436,737	1,058,602,341
Revenue generated for each digital channel (ETB)	6,487,535	4,663,579	1,181,426
Active Users/Total Users	137,148/ 191,464	99,354/ 138,680	57,289/ 73,082
Active Users/Total Users (%)	71.6%	71.6%	78.4%

The Bank's internet banking platform has demonstrated substantial growth in transaction activity, value processed, and revenue contribution over the three financial years under review, based on increasing customer adoption of digital channels for higher-value and more complex transactions. The volume of internet banking transactions increased significantly from 102,575 in FY2023 to 385,270 in FY2024, and further to 567,784 in FY2025, a growth of

The value of transactions conducted through internet banking rose markedly over the period, increasing from ETB 4.08 billion in FY2023 to ETB 9.51 billion in FY2024, and further to ETB 11.59 billion in FY2025. The consistent growth in transaction value underscores the platform's importance in supporting corporate, commercial, and affluent retail customer activity.

Revenue generated from internet banking channels increased steadily from ETB 0.37 million in FY2023 to ETB 0.82 million in FY2024, reaching ETB 1.10 million in FY2025. Although revenue growth has been more moderate relative to transaction growth. The increasing revenue trend demonstrates the scalability of digital platforms and their growing contribution to fee-based income.

The user engagement metrics below further support these trends. The number of active internet banking users rose from 57,289 out of 73,082 registered users in FY2023 to 99,354 out of 138,680 in FY2024, and further to 137,148 active users out of 191,464 registered users in FY2025. While the proportion of active users relative to total registered users declined slightly as the user base expanded rapidly, the strong absolute growth in active users shows deepening customer reliance on internet banking services.

**Table 38: Number of Internet Users**

	FY2025	FY2024	FY2023
Volume of transactions	567,784	385,270	102,575
Value of transactions (ETB)	11,593,192,957	9,513,112,476	4,081,661,530
Revenue generated for each digital channel (ETB)	1,099,538	823,346	369,610
Active Users/Total Users	137,148/191,464	99,354/138,680	57,289/73,082
Active Users/Total Users (%)	71.6%	71.6%	78.4%

The Bank has continued to strengthen its digital banking capabilities with sustained growth across customer adoption, transaction volumes, and fee-based income. As of FY2025, total Internet and Mobile Banking users each reached 191,464, representing a significant increase from 138,680 in FY2024 and 73,082 in FY2023, a growth of 38% and 90% respectively.

Card usage also expanded materially, with the number of cardholders increasing to 100,493 in FY2025 from 69,752 in FY2024, a growth of 44%, and 35,103 in FY2023, a growth of 99%. Supporting this expansion, the Bank significantly scaled its physical digital infrastructure, with POS terminals rising to 1,314 units in FY2025 from 755 in FY2024, a growth of 74%, and 312 in FY2023, a growth of 142%. The ATM network expanded to 300 machines from 293 in FY2025, a growth of 2% and a growth of 47% for FY2024.

Digital transaction volumes increased steadily, reaching 5.33 million transactions in FY2025, compared to 4.27 million in FY2024 and 2.25 million in FY2023, growth of 25% and 90% respectively. This growth translated into higher non-interest income, with digital banking fees and commissions rising to ETB 17.8 million in FY2025, up from ETB 16.7 million in FY2024 and ETB 9.6 million in FY2023, growth of 7% and 74% respectively.

**Table 39: Digital Performance Metrics**

Metric	FY 2025	FY 2024	FY 2023
Total Internet Banking Users	191,464	138,680	73,082
Total Mobile Banking Users	191,464	138,680	73,082
Cardholders	100,493	69,752	35,103
POS Machines	1,314	755	312
ATMs	300	293	200
Digital Transaction Volume	5,332,469	4,273,774	2,246,639
Digital Revenue (Fees & Commissions) (ETB)	17.8Mn	16.7Mn	9.6Mn

To increase clients' digital adoption and reduce branch visits, thereby easing the workload on our branches, Zemen Bank offers all on-us transactions conducted through its digital channels free of charge, except for the digital transaction fees collected through EthSwitch. The digital revenues are immaterial compared to non-interest income.

Table 40: Business Support

Dependency Area	Description of Services	Criticality	Vendor/Provider	Contract Status	Risks
Core Banking System	Oracle Flexcube – Handles core banking operations, including accounts, loans, deposits, and transactions.	High	Oracle	Active	System downtime, data inconsistency, and upgrade delays
ATM Switch / POS	CR2 – Manages ATM and POS transactions	High	CR2	Active	Transaction failures, network outages, security vulnerabilities
Digital Platforms	CR2 – Mobile, internet banking, and digital channels	High	CR2	Active	Cybersecurity threats, service interruptions, and integration issues
Risk Management Systems	OFSAA – Risk analytics and reporting	High	Oracle	Active	Inaccurate risk reporting, compliance failures, and system downtime
Payment Integration / APIs	MPGS and local third-party integrations – Payment gateway connectivity	High	MPGS, Local vendors	Active	Failed transactions, integration errors, vendor dependency
External Vendors	Oracle, CR2, MasterCard, Intrusion Data Card, others – IT service providers and hardware/software vendors	Medium	Oracle, CR2, MasterCard, Intrusion Data Card,	Active	Vendor delays, contract lapses, service quality issues
Branch Network	Physical branches providing banking services and customer support	High	Internal Bank Operations	Active	Operational disruptions, security risks, and regulatory compliance
Human Resources	Employee management, recruitment, training, and workforce planning	High	Internal HR Department	Active	Staff shortages, compliance issues, service delays, skill gaps

## Material Interruptions

The Bank did not experience any material interruptions in the last twelve months.

### 2.3.4. Interest Free Banking

Zemen Bank's Interest-Free Banking (IFB) implementation formally began in March 2024 with the appointment of a dedicated IFB Director and has since achieved major milestones, including establishing an IFB project team and business unit, developing a distinct IFB brand, building staff capacity, and completing comprehensive governance, operational, and system frameworks. The Bank finalized regulatory requirements, registered the IFB trademark, on boarded a Shari'ah Advisory Board, and prepared IFB-specific operational materials. As a result, Zemen Bank secured an official IFB license from the National Bank of Ethiopia effective January 13, 2026, and is currently finalizing pilot branches, conducting targeted training, and performing user acceptance testing to enable a timely launch while a full IFB core banking module is being deployed.

### 2.3.5. Key Dependencies

Zemen Bank's operations are supported by a range of critical infrastructure and strategic partnerships that underpin its service delivery and financial intermediation activities. These include its core banking platform, digital systems, and information security architecture; established relationships with development finance institutions and trade finance counterparties; connectivity to national payment and settlement systems; and a network of correspondent banking relationships that enable cross-border transactions. The Bank also maintains strategic partnerships to support remittance flows and digital financial services, including mobile money integrations. While the Executive Management team plays an important role in overseeing operations and executing strategy, the Bank's governance framework and institutional structures are designed to ensure continuity of operations, and it does not rely on any single individual.

## 2.4. Principal Markets and Competition

### 2.4.1. Macroeconomic and Industry Overview

#### Africa

Africa's growth is now projected to accelerate from 3.3% in 2024 to 3.9% in 2025, firming up further to 4.0% in 2026. 21 African countries will see expansion in output exceeding 5% in 2025, and four of them (Ethiopia, Niger, Rwanda, and Senegal) could attain the minimum 7% growth threshold required to address poverty and achieve inclusive growth. Africa's projected growth rates in 2025 and 2026 will surpass the global average and that of other regions, except in the emerging and developing areas of growth and sustainable development. These positive trends demonstrate the continued resilience of some African economies even under recurrent and compounding shocks, as well as declining official development assistance (ODA) and other external financial flows. Importantly, Africa's projected growth rates in 2025 and 2026 will surpass the global average and that of other regions, except emerging and developing Asia.<sup>2</sup>

#### East Africa

Growth in the region is projected to accelerate from 4.3% in 2024 to 5.9% in 2025 and 2026. This reflects resilience in Ethiopia, Rwanda, Djibouti, Uganda, and Tanzania, all expected to attain an average growth rate of 6% or higher in 2025–26, supported by continued public investments to deepen domestic value

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<sup>2</sup> "African Economic Outlook – 2025." African Development Bank.

chains in the agriculture sector and domestic energy infrastructure. East Africa's resilience to shocks may be explained by the region being home to some of the most diversified economies in Africa, with a growing share of manufactured goods in intra-regional trade and relatively strong regional trade penetration. For instance, in 2023, the regional bloc's total trade grew by 13.1% to \$12.1 billion, and the percentage share of intra-EAC trade to EAC total trade increased to 15%.<sup>3</sup>

#### **Ethiopia<sup>4</sup>**

Zemen Bank operates within an Ethiopian macroeconomic environment that demonstrated notable stabilization during the July 2024 to June 2025 period, following several years of heightened inflation, foreign exchange scarcity, and policy constraints. The improvement was driven by coordinated reforms aimed at restoring macroeconomic balance, strengthening financial sector confidence, and improving the allocation of foreign exchange and credit.

The shift to a more market-determined exchange rate regime in July 2024 was particularly significant for Zemen Bank, given its strong focus on corporate banking, trade finance, and foreign exchange-related services. The reduction in exchange rate distortions improved the flow of export proceeds and remittances through formal channels, supporting higher trade finance volumes, increased utilization of letters of credit and advance payment facilities, and improved non-interest income generation.

Monetary policy reforms enhanced liquidity predictability and reduced uncertainty around funding costs, enabling Zemen Bank to better align asset growth with risk management priorities. The moderation of inflation improved borrowers' repayment capacity, supporting asset quality in the corporate and SME segments. At the same time, fiscal consolidation and improvements in the external sector—supported by stronger exports and remittance inflows—began to ease foreign exchange constraints that had previously limited trade activity.

From an industry perspective, Ethiopia's banking sector continued to expand, with deposits and credit growing strongly and private banks accounting for more than half of total deposits. Competition remains intense, particularly among private banks serving similar corporate and trade-oriented client bases. However, Zemen Bank's specialization, relationship-driven banking model, and strong positioning in trade and FX services allow it to selectively benefit from economic recovery and structural reforms while managing competitive pressures in a liberalizing market.

#### **2.4.2. Industry Overview**

According to the NBE's Q2 2024/2025 Second Quarter Bulletin, as of December 2025, the number of banks in Ethiopia has reached 32, of which 30 were private and 2 state-owned. These banks opened 28 new bank branches during the second quarter of 2024/25, thereby raising the number of bank branches to 12,454. As a result, population to bank branch ratio stood at 8.7924. State-owned banks accounted for 18.1% of the total bank branches, while private banks took the lion's share (81.9%). Of the total bank branches, 30.6% were located in Addis Ababa. State-owned banks accounted for 40.7% and private banks 59.3% of the total banking sector capital.

At the end of the review quarter, the number of Micro Finance Institutions (MFIs) reached 55. Their savings, credit, capital, and total assets increased by 34%, 24.2%, 39.9% and 36.3% on an annual basis,

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<sup>3</sup> Ibid 6.

<sup>4</sup>“Ethiopia: Quarterly Economic Profile – April 2025.” UNDP.

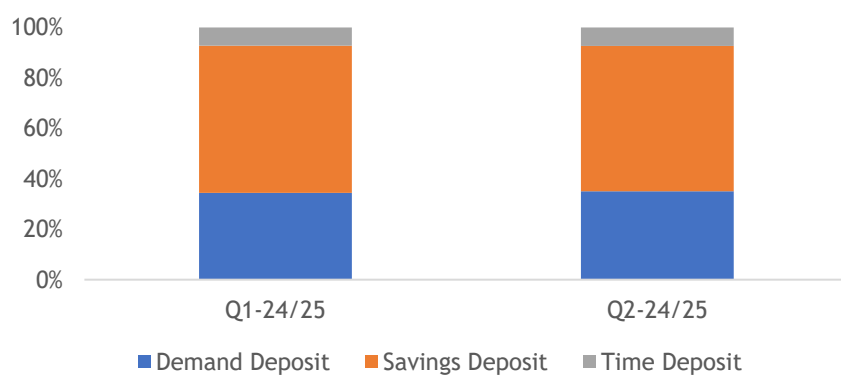
respectively, signifying the steadily growing role of micro-finance institutions in providing access to finance for low-income groups both in rural and urban areas.

Other players in the landscape include 6 non-bank Payment Instrument Issuers (PIIs), including the state-owned Telebirr and the private M-Pesa, and 14 licensed Payment System Operators (PSOs) driving merchant acceptance. A network of over 540,000 mobile money agents forms the crucial last-mile link for cash-in/cash-out (CICO) services<sup>5</sup>.

At the end of the second quarter, total resources mobilized by the banking system (the sum of net change in deposits, net change in borrowings, and loans collected) showed an annual growth rate of 82.7% due to a very significant growth of net deposits registered in the reviewed quarter.

Total deposit liabilities of the banking system reached Birr 2.9 trillion, depicting a 27% annual growth. Demand deposits, which accounted for 35.1% of the total deposits, amounted to ETB 1 trillion and had a 43.9% annual expansion. Similarly, saving deposits went up by 19.7% and stood at ETB 1.7 trillion, accounting for 57.7% of the total deposits. Meanwhile, time deposits constituted 7.3% of the total deposit liabilities and rose (16.8%) to ETB 212.7 billion. The share of private banks' total deposit was 51.3%, and that of state-owned banks 48.7%.

**Figure 1: Stock of Deposits Mobilized by the Banking System<sup>6</sup>**



During the review quarter, banks collected loans of ETB 122 billion, which showed a 33.9% annual growth excluding corporate bonds. Of the total loan collection, private banks had 67.6% share, while that of state-owned banks was 32.4%. Total outstanding borrowing of the banking system stood at ETB 135.5 billion, showing a 16.9% annual increase. Of the total borrowing, ETB 95.3 billion (70.3%) was from domestic sources, and ETB 40.3 billion (29.7%) was from external sources.

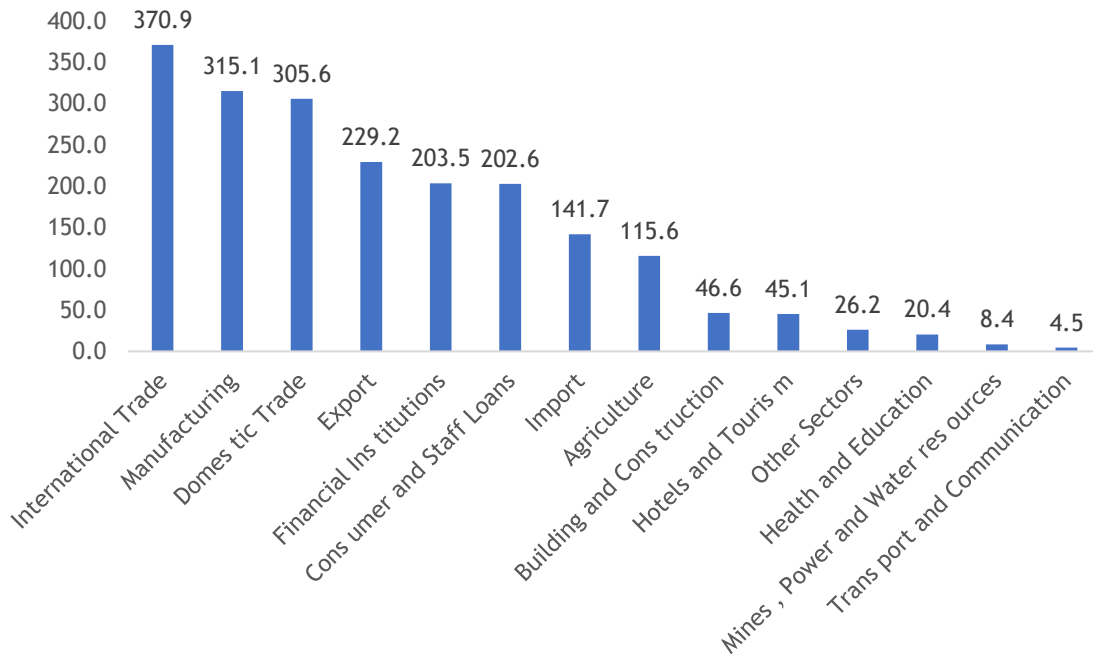
During the same period, ETB 170.5 billion was disbursed in fresh loan indicating a 46.7% annual increase. Of the total new loans, the share of state-owned banks was 57.3%, and that of private banks was 42.7%. The major beneficiaries of the fresh loans were domestic trade (ETB 42.9 billion or 25.2%), international trade (ETB 32 billion or 18.8%), manufacturing (ETB 26.7 billion or 15.7%), agriculture (ETB 25.5 billion

<sup>5</sup> “National Digital Payments Strategy: 2026-2030.” NBE.

<sup>6</sup> “Quarterly Bulletin: Second Quarter 2024/25 Fiscal Year Series. Volume 41, No. 2.” National Bank of Ethiopia.

or 15%), financial institutions (ETB 14.3 billion or 8.4% consumer and staff loan (ETB 11.7 billion or 6.9%), and building and construction (ETB 6.9 billion or 4%). About 99.5% of the total outstanding credit of private banks went to finance private enterprises and cooperatives. Sector-wise, the major holders of outstanding credit were international trade (ETB 370.9 billion or 22.3%), manufacturing (ETB 315.1 billion or 18.9%), domestic trade (ETB 305.6 billion or 18.4%), financial institutions (ETB 203.5 billion or 12.2%), and consumer & staff loans (ETB 202.6 billion or 12.2%).

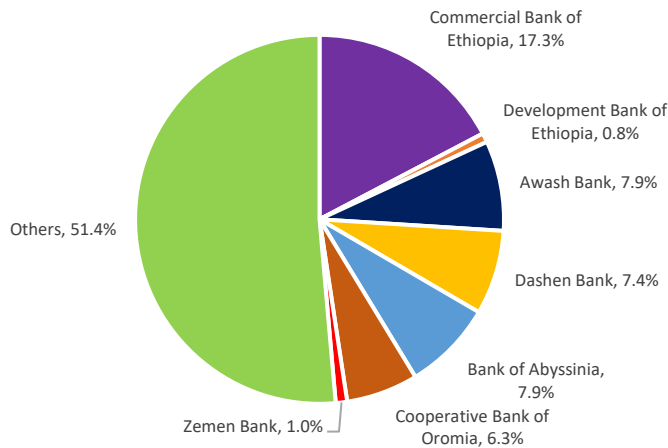
**Figure 2: Banks' Loan and Advances by Sector<sup>7</sup>**



**Figure 3: Banking Sector Distribution by Branch Network<sup>8</sup>**

<sup>7</sup> Ibid 7.

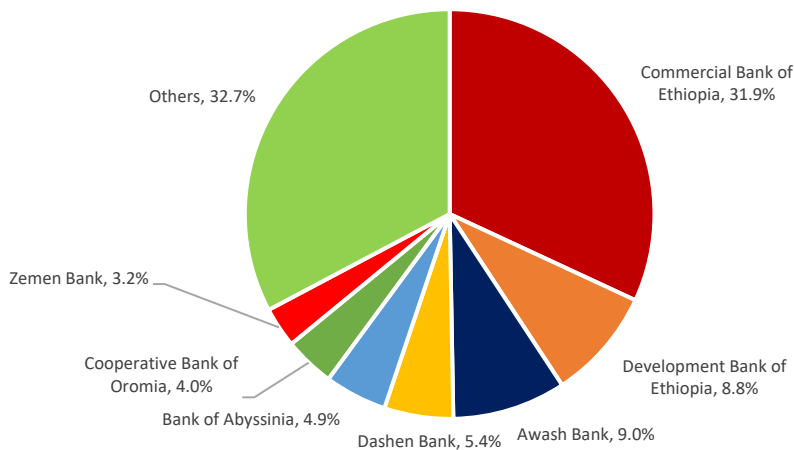
<sup>8</sup> Ibid 8.



### 2.4.3. Competitive landscape

The banking sector is extremely competitive, with the state-owned bank, Commercial Bank of Ethiopia, accounting for the bulk of branches, capital, and loans and advances made to the banking industry. The banking industry has 1 large bank, 5 medium-sized banks and 25 small banks. The figure below shows the distribution of the banks' sizes on the basis of capital.

Figure 4: Banking Sector Distribution by Capital<sup>9</sup>



Competition in other sectors of the banking industry, such as payments, is characterized by a small number of large providers hold a disproportionate share of the market, particularly in key segments like government payments, creating competitive imbalances. This is compounded by the risk that providers who control essential closed-loop digital systems and telecommunications infrastructure could leverage this position

<sup>9</sup> Ibid 9.

to disadvantage competitors through non-transparent or discriminatory access terms. This combination of market concentration and potential for unfair access to infrastructure can stifle competition, limit consumer choice, and slow the pace of innovation<sup>10</sup>.

FinTechs are a key player in Ethiopia's financial services industry. A growing roster of local FinTechs now tackles payments, merchant acceptance, remittances, and digital lending. Notable names that appear repeatedly in market lists include Kifiya, Chapa, CashGo, E-Birr (M-Birr earlier), YaYa, and several domestic payment instrument issuers — plus a scattering of startups focused on e-commerce payments and SME onboarding. These firms vary: some are payment rails and gateways (Chapa, Kifiya); others focus on wallet/mobile money and agent networks<sup>11</sup>. FinTechs compete with Zemen's mobile and internet offering and could pose challenges in terms of costs, accessibility, convenience, and ease of use. However, the competitive pressure remains especially on lower fees charged by the FinTechs and possible customer migration if the fees are substantially lower than the Banks. Nevertheless, Zemen's client base is affluent customers, SMEs and Corporates who benefit from a wide array of services not just limited to payment.

Another key player in Ethiopia's financial services industry is the mobile money providers. Notable players include Telebirr, M-PESA Kacha, Hello Cash, Amole, and CBE Birr, among others. Similar to FinTechs, Mobile Money providers compete on cost, accessibility, convenience, and ease of use. The bank is ready to offer compelling value propositions on quality and ease of convenience, not just price and stands ready to enhance its offering in the face of increasing competition from mobile money providers.

### **Zemen's Response to non-traditional competition**

Zemen has invested in Digital channels and aims to compete by offering seamless end-to-end services on mobile and internet banking. Cost is not the only determinant, ease of use and convenience are appealing to customers and the Bank seeks to capitalize on the existing channels. Moreover, the bank continues to invest in its digital suite to attract and retain customers. The bank's customers comprise relatively well to do clients, corporates and diaspora who are more interested in a reliable and resilient platform. Zemen is also ready to improve its digital offering to compete with Fintech's and mobile money platforms and is open to collaboration in a bid to preserve its online customer base.

The Bank has invested in its Digital offerings for FY2025, and as a result, 65.39% of all transactions volumes were executed digitally, underscoring the growing adoption and confidence in electronic banking solutions. The Bank is working to continuously improve its. Digital offerings in light of growing competitive pressure.

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<sup>10</sup> "National Digital Payments Strategy: 2026-2030." NBE.

<sup>11</sup> <https://newbusinessethiopia.com/finance/ethiopias-fintech-landscape-2025-key-trends/>

Table 41: Zemen Bank Versus Industry Comparison (ETB '000)<sup>12</sup>

Particulars	Industry			Zemen			Market share against the industry			CGAR	
	2024	2023	2022	2024	2023	2022	2024	2023	2022	Industry	Zemen
Deposit	2,491,031	2,146,340	1,735,624	43,611	37,079	26,872	1.75%	1.73%	1.55%	19.80%	27.39%
Loan	1,487,743	1,277,293	1,005,385	35,630	31,393	21,122	2.39%	2.46%	2.10%	21.65%	29.88%
Interest Income	273,998	226,590	178,244	5,353	3,997	2,433	1.95%	1.76%	1.37%	23.98%	48.32%
Non-interest income	83,580	66,427	64,736	2,416	1,746	1,678	2.89%	2.63%	2.59%	13.63%	20.01%
Total Income	357,578	293,017	242,979	7,769	5,743	4,111	2.17%	1.96%	1.69%	21.31%	37.47%
Non-interest Expense	181,641	138,593	115,475	2,739	1,876	1,153	1.51%	1.35%	1.00%	25.42%	54.10%
Interest Expense	104,741	91,360	72,675	1,712	1,366	938	1.63%	1.50%	1.29%	20.05%	35.11%
Total Expense	286,148	229,952	188,151	4,451	3,242	2,092	1.56%	1.41%	1.11%	23.32%	45.88%
Gross profit before Dep& amortization	100,636	86,284	68,949	3,772	2,756	2,152	3.75%	3.19%	3.12%	20.81%	32.38%
Profit before tax	71,430	61,905	54,829	3,318	2,501	2,020	4.65%	4.04%	3.68%	14.14%	28.18%
EPS	285	320	313	376	430	455					
ROAA	2.00%	2.70%	1.50%	4.47%	4.37%	4.90%					
ROAE	15.20%	15.10%	14.90%	27.02%	29.40%	27.50%					

<sup>12</sup> Industry data from publicly available materials including NBE reports and annual reports from peers.

The data in the table above provides a comparative view of the Bank's performance against the industry, highlighting both relative scale and growth dynamics over the period under review.

Over the 2022–2024 period, Zemen Bank recorded growth rates across key balance sheet and income lines that consistently exceeded industry averages, despite operating with a relatively modest market share. Deposits increased from ETB 28.9 billion to ETB 43.6 billion, representing a CAGR of 27.39%, compared to the industry CAGR of 19.80%, while loans grew from ETB 21.1 billion to ETB 35.6 billion, reflecting a CAGR of 29.88% against the industry's 21.85%. As a result, the Bank maintained a deposit market share of approximately 1.75% and a higher loan market share of 2.39% in 2024, indicating effective conversion of deposits into income-earning assets.

Income growth over the period was driven by both interest and non-interest sources and materially outpaced industry trends. Interest income increased from ETB 2.43 billion in 2022 to ETB 5.35 billion in 2024, translating into a CAGR of 48.32%, compared to the industry CAGR of 23.98%, while non-interest income grew at a CAGR of 20.01%, exceeding the industry average of 13.83%. Total income expanded from ETB 4.11 billion to ETB 7.77 billion, reflecting a CAGR of 37.47% versus the industry's 21.31%, resulting in a total income market share of 2.17% in 2024. Although operating expenses grew over the period, reflecting investments in operational capacity, income growth outpaced expense growth, supporting operating leverage and profitability.

These trends translated into sustained profitability and superior return metrics over the period under review. Profit before tax increased from ETB 2.02 billion in 2022 to ETB 3.32 billion in 2024, representing a CAGR of 28.18%, compared to the industry CAGR of 14.14%, with the Bank's share of industry profit before tax rising to 4.85% in 2024. While earnings per share declined due to capital expansion, the Bank maintained ROAA in the range of 4.37%–4.90% and ROAE between 27.02% and 29.40%, both materially above industry averages. Overall, the data indicate that over the 2022–2024 period the Bank's comparative advantage lay in higher asset productivity, strong income growth, and efficient capital utilization, rather than balance-sheet scale.

While Zemen Bank maintains a relatively modest market share in deposits (1.75%) and loans (2.39%) as of 2024, its performance reflects a strategy focused on higher-yield segments rather than balance sheet scale. The Bank's growth is primarily driven by its concentration in corporate, trade finance, and foreign exchange-linked activities, which are key revenue-generating segments within the Ethiopian banking sector.

The Bank's comparatively higher loan-to-deposit conversion and exposure to trade-related financing have contributed to stronger interest income growth, which recorded a CAGR of 48.32% over the 2022–2024 period, significantly exceeding the industry average of 23.98%. This reflects the Bank's ability to deploy its funding base into higher-yield, income-generating assets, particularly in international and domestic trade sectors, which represent a substantial share of credit demand in the market.

In addition, the Bank's relationship-driven business model and focus on affluent, SME, and corporate clients support non-interest income generation through trade services, foreign exchange transactions, and advisory-related activities. This is evidenced by non-interest income growth exceeding industry levels, contributing to diversified revenue streams and reducing reliance on traditional lending margins.

Despite operating at a smaller scale relative to larger banks, these segment-driven revenue strategies have translated into superior profitability metrics. The Bank consistently outperformed the industry in return on assets (ROAA) and return on equity (ROAE), supported by higher asset productivity, efficient capital utilization, and operating leverage as income growth outpaced expense growth.

Accordingly, the Bank's competitive advantage lies not in market share size but in its ability to generate higher returns from targeted segments through efficient balance sheet deployment, specialized product offerings in trade and foreign exchange services, and a client-focused relationship banking model. This positioning enables the Bank to convert relatively limited market share into disproportionately higher revenue growth and profitability.

## **2.5. Regulatory Environment of the Banking Industry**

### **2.5.1. Institutional Authorization and Supervisory Framework**

The institutional authorization and regulatory oversight of banks in Ethiopia are primarily governed by the National Bank of Ethiopia Proclamation No. 1359/2025 and the Banking Business Proclamation No. 1360/2025. Together, these instruments establish the legal framework under which banking institutions are licensed, supervised, and regulated by the National Bank of Ethiopia (NBE). The NBE operates as the central monetary authority and the primary prudential supervisor of the banking sector, with powers to issue directives, conduct on-site and off-site supervision, impose prudential standards, and enforce corrective measures where regulatory breaches are identified.

Under this framework, the authorization to conduct banking business is not treated as a static regulatory approval but as an ongoing supervisory status subject to continuous compliance with prudential, governance, and operational requirements. Banks are required to maintain effective internal controls, sound governance structures, and adequate risk management systems in order to preserve their regulatory authorization. The NBE may impose supervisory measures, including restrictions on activities, capital strengthening requirements, or other remedial actions where deficiencies are identified.

The Requirements for Licensing and Renewal of Banking Business and Representative Office Directive No. SBB/94/2025 further operationalizes this framework by setting out the licensing criteria applicable to banks, including minimum capital requirements, ownership structures, governance arrangements, operational readiness, and compliance systems. Importantly, the Directive links license renewal and continued authorization to sustained regulatory compliance and supervisory engagement.

The National Bank of Ethiopia ("NBE") has introduced regulatory limits on credit expansion by commercial banks as part of its macroprudential policy framework aimed at containing inflationary pressures, managing liquidity conditions, and promoting financial stability. Under this framework, banks are subject to an annual credit growth ceiling, currently set at 24%, which limits the rate at which lending portfolios may expand within a given financial year. The credit cap directly influences banks' lending strategies, balance sheet growth, and asset allocation decisions by requiring institutions to prioritize credit allocation across sectors and customer segments within the permitted growth limits. For banks such as Zemen Bank, the cap may constrain the pace of loan portfolio expansion during periods of strong credit demand, potentially affecting interest income growth and market share dynamics. At the same time, the measure encourages disciplined credit underwriting and supports system-wide stability by preventing excessive credit expansion that could amplify macroeconomic imbalances. Future adjustments to the credit cap by the NBE may therefore have a direct impact on lending capacity, earnings growth, and strategic planning across the banking sector.

Effective 9 January 2026, the National Bank of Ethiopia (NBE) issued Directive No. NBE/INT/13/2026, introducing interest rate liberalization by removing the previous minimum savings deposit rate floor of 7 percent. Under the revised framework, banks are permitted to set interest rates on demand, savings, and time deposits based on market conditions and negotiations with depositors. The effect of this reform will depend on how the Bank adjusts its deposit pricing in response to factors such as macroeconomic conditions, liquidity levels, competitive pressures within the banking sector, and the cost of alternative funding sources. Overall, greater flexibility in interest rate setting may support deposit growth and enhance the Bank's ability to mobilize funds, which could strengthen its liquidity position.

For Zemen Bank, this regulatory structure directly influences governance and strategic decision-making. The requirement for continuous regulatory compliance places significant emphasis on board oversight, internal control effectiveness, and risk governance. It also affects operational decision-making, including the pace of balance sheet expansion, the design of risk management frameworks, and the allocation of resources toward regulatory compliance, internal audit, and supervisory reporting functions. The framework therefore shapes both the Bank's governance model and its strategic planning environment, ensuring that growth initiatives and operational decisions remain aligned with supervisory expectations.

### **2.5.2. Banking Business Proclamation**

The Banking Business Proclamation No. 1360/2025 serves as the primary legislation governing the Ethiopian banking sector and establishes the legal foundation for banking operations, licensing, governance, and supervision.

The Proclamation sets out key regulatory provisions governing licensing requirements, ownership structures, governance arrangements, financial reporting obligations, supervisory inspections, and resolution procedures including receivership and liquidation.

A significant reform introduced by this legislation is the authorization of foreign participation in Ethiopia's banking sector. Under the Proclamation, foreign banks and investors may participate in the domestic market through several entry mechanisms, including establishing subsidiaries, opening branches, acquiring equity stakes in domestic banks, or establishing representative offices. The law further stipulates that aggregate foreign ownership in any domestic bank may not exceed 49%.

The introduction of foreign bank participation is expected to gradually reshape the competitive landscape of Ethiopia's financial sector. Increased competition may lead to improvements in banking technology, product innovation, operational efficiency, and service quality across the sector. At the same time, foreign bank entry may increase competitive pressures on domestic banks, particularly in areas such as corporate banking, trade finance, and digital banking services.

For Zemen Bank, the liberalization of the banking sector presents both opportunities and strategic considerations. Potential partnerships with foreign financial institutions may support knowledge transfer, product development, and access to international financial networks. However, increased competition may also require domestic banks to enhance operational efficiency, invest in digital infrastructure, strengthen governance frameworks, and maintain competitive service offerings in order to retain market share.

### 2.5.3. Capital Strength and Balance Sheet Resilience

The prudential framework governing capital adequacy and balance sheet resilience in Ethiopia is anchored in the National Bank of Ethiopia Proclamation No. 1359/2025 and the Banking Business Proclamation No. 1360/2025, which empower the NBE to prescribe minimum capital standards and monitor banks' capital positions relative to their risk profiles.

Under the prevailing regulatory framework, commercial banks must maintain a minimum capital adequacy ratio (CAR) of 8% on a risk-weighted basis. These requirements are operationalized through the Risk-Based Capital Adequacy Requirements for Banks Directive No. SBB/95/2025, which introduces a risk-sensitive capital framework covering credit risk, market risk, and operational risk exposures. This approach links capital requirements directly to the scale and risk profile of a bank's activities, thereby ensuring that risk-taking is supported by adequate loss-absorbing capital.

In addition to risk-based capital requirements, the Minimum Capital Requirement for Banks (Amended) Directive No. SBB/78/2021 establishes a minimum paid-up capital threshold of ETB 5 billion for licensed banks. This requirement aims to strengthen the resilience of the banking system by ensuring that institutions maintain adequate capital buffers capable of absorbing unexpected losses and supporting depositor confidence.

For Zemen Bank, these capital regulations directly influence balance sheet strategy, dividend policy, and growth planning. Maintaining capital levels above regulatory thresholds allows the Bank to expand lending activities, invest in new technologies, and pursue strategic initiatives while remaining compliant with prudential requirements. Conversely, regulatory capital requirements impose constraints on excessive leverage and balance sheet expansion, requiring the Bank to carefully align loan growth, asset allocation, and capital planning. As disclosed in this Prospectus, Zemen Bank maintains capital levels significantly above the regulatory minimum, which provides additional resilience and supports its ability to pursue disciplined growth strategies.

### 2.5.4. Limits on Risk Taking and Concentration

The Ethiopian banking regulatory framework includes prudential limits designed to restrict excessive risk concentrations and promote diversified balance sheets across the sector. These limits are established under the Banking Business Proclamation No. 1360/2025 and further implemented through various directives issued by the National Bank of Ethiopia.

Credit concentration risk is addressed through the Large Exposures to Counterparty or Group of Connected Counterparties Directive No. SBB/87/2024, which limits a bank's exposure to a single borrower or group of connected counterparties to 25% of total regulatory capital. The Directive requires banks to identify related borrowers, aggregate exposures across on- and off-balance sheet items, and monitor compliance on a continuous basis.

Similarly, the Exposure to Related Parties Directive No. SBB/88/2024 establishes specific restrictions and governance requirements for transactions involving related parties. These provisions require enhanced internal approvals, arm's-length terms, and stricter exposure limits to mitigate conflicts of interest and protect depositors.

Foreign exchange risk is regulated under the Foreign Exchange Exposure Limits of Banks Directive No. SBB/96/2025, which limits the net open foreign exchange position of banks to  $\pm 18\%$  of Tier 1 capital. Banks are required to measure and monitor these exposures on a daily basis to ensure compliance with regulatory limits.

These prudential limits have direct implications for Zemen Bank's risk appetite and lending strategy. Exposure limits influence portfolio diversification decisions, sectoral lending allocations, and treasury management practices. Compliance with concentration limits may also affect the Bank's ability to extend large credit facilities to single borrowers or sectors, thereby requiring careful portfolio management and risk monitoring. By imposing quantitative limits on exposures, the regulatory framework seeks to ensure that individual credit events or market fluctuations do not materially impair a bank's financial stability.

### **2.5.5. Prudential and Conduct-Related Laws**

In addition to the core prudential framework governing licensing, capital adequacy, and risk concentration, the Ethiopian banking sector operates under a broader set of regulatory instruments designed to strengthen governance, financial integrity, and customer protection.

The Requirements for Persons with Significant Influence in a Bank Directive No. SBB/89/2024 establishes suitability and fitness standards applicable to board members, senior management, and significant shareholders. These provisions require banks to ensure that individuals exercising influence over the institution meet regulatory standards of integrity, competence, and financial soundness. This framework directly affects governance practices and board composition within banks.

The Recovery Plan of Banks Directive No. SBB/93/2025 requires banks to prepare contingency plans outlining actions that would be taken in the event of financial stress. This forward-looking requirement strengthens institutional preparedness and supports financial stability by ensuring that banks have credible strategies for restoring capital and liquidity positions during adverse scenarios.

Customer conduct and market practices are regulated through the Financial Consumer Protection Directive No. FCP/01/2020, which establishes principles for fair treatment of customers, transparency in financial products, and responsible service delivery.

Financial system integrity is reinforced through the Prevention and Suppression of Money Laundering and Financing of Terrorism Proclamation No. 780/2013, which requires banks to implement robust customer due diligence, transaction monitoring, and reporting systems to prevent the misuse of the financial system for illicit activities.

For Zemen Bank, these regulatory requirements influence governance frameworks, compliance costs, operational procedures, and internal control systems. Compliance with conduct and integrity regulations requires investment in technology, staff training, and compliance monitoring systems. These requirements therefore affect the Bank's operational cost structure and risk management framework while strengthening confidence among regulators, investors, and customers.

### **2.5.6. Capital Market Regulatory Environment**

Zemen Bank's participation in Ethiopia's emerging capital market is governed by the Capital Market Proclamation No. 1248/2021, which establishes the legal framework for securities issuance, public

offerings, and capital market supervision. The Proclamation created the Ethiopian Capital Market Authority (ECMA) as the primary regulator responsible for licensing market participants, approving public offerings, and supervising capital market activities.

The Public Offer and Registration of Securities Directive No. 1030/2024 operationalizes this framework by prescribing the disclosure standards, eligibility requirements, and approval processes applicable to issuers seeking to raise capital through public offerings. The Directive emphasizes transparency, investor protection, and continuous disclosure obligations.

For Zemen Bank, these regulations introduce additional governance and reporting requirements beyond those applicable to privately held institutions. As a publicly listed entity, the Bank will be required to maintain enhanced disclosure practices, provide periodic financial reporting, and promptly disclose material information affecting investors.

The Dematerialization of Securities Directive No. 1047/2025 further requires publicly offered securities to be held in electronic form through a centralized securities depository. This framework supports efficient settlement, transparency of ownership records, and reduced operational risk in securities transactions.

Following registration, Zemen Bank will be subject to the rules of the Ethiopian Capital Markets Authority (ECMA), which impose ongoing obligations relating to corporate governance, financial reporting, and continuous disclosure. These requirements strengthen investor protection and transparency but may also increase compliance costs and administrative obligations for listed institutions.

### **2.5.7. Other Applicable Laws**

In addition to sector-specific banking and capital market regulations, Zemen Bank operates within a broader legal framework governing taxation, employment relations, corporate governance, and financial integrity.

The Income Tax Proclamation No. 979/2016, as amended, imposes corporate income tax at a rate of 30% on taxable profits of banks. Dividend distributions are subject to a 10% withholding tax, which constitutes a final tax for shareholders. These tax obligations directly influence the Bank's profitability, dividend distribution policies, and capital accumulation.

Employment relationships are governed by the Labour Proclamation No. 1156/2019 and the Private Organizations Employees' Pension Proclamation No. 1268/2021, which require employers to contribute 11% of employees' salaries to pension schemes, while employees contribute 7%. These statutory requirements affect the Bank's personnel cost structure and workforce management practices.

Corporate governance matters are regulated under the Commercial Code of Ethiopia (2021), which establishes rules governing share companies, shareholder rights, directors' duties, and corporate decision-making.

The Prevention and Suppression of Money Laundering and Financing of Terrorism Proclamation No. 780/2013 further imposes obligations relating to customer due diligence, transaction monitoring, and reporting requirements to safeguard the financial system from illicit activities.

Together, these legal frameworks shape the operational and compliance environment within which the Bank conducts its business.

**As of the most recent reporting date, Zemen Bank is fully compliant with all major applicable directives.**

## 2.6. Employees

As of FY 2025, Zemen Bank S.C. employed a total of 1,910 individuals on both permanent and contract terms, with a gender composition of **62% male** and **38% female**. The table below presents the Bank's permanent and contract-based staff levels for the past three financial years.

**Table 42: Employee Distribution**

Category	FY2025	FY2024	FY2023
Executive Management	10	10	9
Senior and Middle Management	281	254	200
Clerical	1,318	1,317	1,141
Non-Clerical	268	250	218
<b>Total Permanent Employees</b>	<b>1,877</b>	<b>1,831</b>	<b>1,568</b>
Contract Employees	33	30	16
<b>TOTAL</b>	<b>1,910</b>	<b>1,861</b>	<b>1,584</b>

**Table 43: Number of Employees**

Number of Employees	FY 2025			FY 2024			FY 2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent	1,170	707	<b>1,877</b>	1,128	703	<b>1,831</b>	955	613	<b>1,568</b>
Contract	8	25	<b>33</b>	9	21	<b>30</b>	7	9	<b>16</b>
<b>Total</b>	<b>1,178</b>	<b>732</b>	<b>1,910</b>	<b>1,137</b>	<b>724</b>	<b>1,861</b>	<b>962</b>	<b>622</b>	<b>1,584</b>

The Bank's staff complement has expanded in line with its strategic ambitions, recording a 2.6% increase in headcount between 2023/24 and 2024/25. Recognizing that people are among its most valuable assets, the Bank continues to invest in staffing to support the achievement of its long-term objectives. During the period, the proportion of permanent employees grew, reflecting a shift toward a more stable and sustainable workforce structure.

To attract and retain talent, the Bank implements various reward and incentive programs. The benefits provided to all employees include pension contributions, transport, bonuses, and other forms of allowances.

The table below shows the costs incurred by the Bank on some of the employee benefits over the last three financial years.

The criteria used to determine executive bonuses are the yearly performance appraisal results. Benefits are determined based on the result of the market assessment centered on the job category and job grade of the job. For staff loans provided to employees, they are based on a preferential rate. Estimated remuneration for the current financial year is ETB 2.038 billion.

Zemen Bank does not operate any compensation, equity-linked incentive plans, or employee participation arrangements. Employees and members of management are not entitled to receive shares, share options, or other equity instruments of the Bank as part of their remuneration or incentive packages. Accordingly, the Bank does not maintain any employee share ownership plans, profit-sharing schemes linked to equity, or similar arrangements that would provide employees with an ownership interest in the Bank.

**Table 44: Employee Benefits (ETB '000s)**

	FY 2025	FY 2024	FY 2023
Salaries and wages	916,321	722,498	468,934
Bonus	313,796	201,310	151,088
Other staff expenses	240,823	110,640	109,271
Transport	225,846	167,366	104,750
Pension costs – Defined contribution plan	135,893	107,497	68,952
Staff allowances	124,800	95,459	40,240
Defined benefit expense	25,585	19,687	11,058
<b>Total</b>	<b>1,983,062</b>	<b>1,424,457</b>	<b>954,293</b>

## 2.7. Issuer's Debt Position

The Bank's principal source of funding is derived from customer deposits. As of FY 2025, the Bank maintained a total deposit base in which the ten largest depositors accounted for approximately ETB 14 billion, representing 21.3% of total deposits. The twenty largest depositors collectively held approximately ETB 18.5 billion, equivalent to 28.6% of total deposits.

While the Bank's depositor base is diversified across multiple customer segments, the concentration of a material portion of deposits among a limited number of large depositors presents potential liquidity risk. Significant or simultaneous withdrawals by such depositors could adversely affect the Bank's funding profile and necessitate recourse to alternative, potentially higher-cost, sources of liquidity.

On 10 June 2024 the Bank has obtained a short-term liquidity facility from the National Bank of Ethiopia (NBE) under a Liquidity Supply Agreement in the amount of ETB 600.0 million. The facility which bore interest at a rate of 18% per annum and had a tenor of one month and matured on 9 July 2024. The total amount payable at maturity, including accrued interest, was ETB 606.197 million, which was fully repaid by the Bank. The borrowing is secured by DBE bonds pledged as collateral. The facility was obtained to support the Bank's short-term liquidity requirements in the normal course of business. The National Bank of Ethiopia is the central bank of the Federal Democratic Republic of Ethiopia and is headquartered in Addis Ababa, Ethiopia.

The Bank has also obtained a medium-term loan from the Development Bank of Ethiopia of ETB 70.4 million, which bears an interest rate of 12% per annum, bringing the total borrowings to ETB 95.5 million from DBE in the FY2025 period. The borrowings are granted in three tranches – 26 September 2024, 21 April 2025 and 22 April 2025 while the borrowings mature on 25 September 29, April 21, 2030 and April 22, 2030 respectively. The purpose of the borrowing is to support Small and Medium size enterprises. Development Bank of Ethiopia is located at 511 Tito St, Addis Ababa, Ethiopia.

There were no other changes to the bank's debt position during the year. The Bank is not a guarantor of any significant debt.

The Bank intends to finance its growth through a combination of retained earnings, deposit mobilization, and potential capital raising, while maintaining compliance with regulatory capital requirements.

**Table 45: Borrowings**

ETB '000s	30 June 2024	Additional Loan during the year	Less Repayment	30 June 2025
<b>Lenders</b>				
National Bank of Ethiopia	606,197.00	-	(606,197.00)	-
Development Bank of Ethiopia	69,327.00	70,395.00	(44,182.00)	95,540.00
<b>Total</b>	<b>675,524.00</b>	<b>70,395.00</b>	<b>(650,379.00)</b>	<b>95,540.00</b>

## 2.8. Key Investments Activities

The Bank has stakes in Eth-Switch S.C., National Insurance Company of Ethiopia and Ethiopian Security Exchange S.C. all located in Ethiopia. Below is an outline of the valuation of the portfolio of investments as of June 30, 2025. The Fair Valuation was done according to internationally accepted standards by PwC Associates Africa Ltd (Mauritius). (Valuation Report attached as a supplement.)

**Table 46: Investment Portfolio (ETB'000)**

Entities	Stake	FY 2024	Fair Value Adjustment	Additional investment/ (impairment)	FY 2025
Eth-Switch Solution S.C.	5.88%	760,411	32,093	-	792,504
National Insurance Company of Ethiopia	2.30%	8,074	(1,144) <sup>13</sup>	2,179	9,109
Ethiopia Securities Exchange S.C.	1.50%	15,423	(1,802) <sup>14</sup>	-	13,621
<b>TOTAL</b>		<b>783,908</b>	<b>29,147</b>	<b>2,179</b>	<b>815,234</b>

<sup>13</sup> From FY Financials, Note 17, Page 117.

<sup>14</sup> Ibid.

The bank also has an investment debt portfolio of ETB 6.79 billion, composed of NBE treasury bonds and Government bonds.

**Table 47: Government Securities (ETB'000)**

Key Investments outstanding as of 30-June-2025.	
Treasury Bonds	5,838,045
Government Bonds	952,902
<b>Total</b>	<b>6,790,947</b>

**Table 48: Income earned from Investments (ETB '000)**

Investment Type	Income Type	Year		
		FY 2025	FY 2024	FY 2023
ETH-SWITCH S.C.	Dividends	-	44,990.31	21,105.64
NICE S.C.		-	2,450.30	1,662.33
Ethiopian Security Exchange S.C		-	-	-
Treasury Bond	Interest	395,199.44	228,402.23	37,865.11
Treasury Bills		8,099.45	45,938.67	158,900.11
Government Bonds (DBE & GERD)		65,640.31	44,118.86	25,236.16

The Bank does not foresee any investment activities in the future and plans to maintain the portfolio as is.

## 2.9. Property, Land, and Fixed Assets

In the ordinary course of business, the Bank owns property, plant, and equipment (“PPE”) comprising buildings, land, vehicles, furniture, and equipment used to support its banking operations. As of FY 2025, the carrying value of PPE was ETB 2,895 million.

In accordance with the Bank’s stated accounting policies, as disclosed in the audited financial statements for 2023/24, PPE is carried at cost less accumulated depreciation and impairment losses. During the reporting period, no impairment indicators were identified and, accordingly, no impairment adjustments were recognized in respect of the Bank’s buildings.

**Table 49: Property, Plant & Equipment (ETB '000)**

Item	FY 2025	FY 2024	FY 2023
Building	1,770,654	1,618,418	1,214,225
Motor Vehicles	174,523	58,164	67,859
Computers	554,812	415,978	281,923
Furniture, fittings and equipment	394,583	415,662	347,629

Item	FY 2025	FY 2024	FY 2023
<b>Total</b>	<b>2,894,572</b>	<b>2,508,222</b>	<b>1,911,636</b>

All properties are held for the Bank's own use in delivering banking services. The Bank does not generate income from investment property or from any external utilization of these assets.

The bank applies the cost model for properties, and no valuation methodology is used for properties that are not subject to valuation. The table below shows the details of the properties owned by the bank:

**Table 50: Property Owned (ETB'000)**

Property Name	Description	Plinth (m <sup>2</sup> )	Address	Encumbrances & Legal Restrictions	Current Book Value (ETB)
HQ Building	Office and partial commercial	2,304	Lideta Sub City, Wereda 07	None	1,694,408.79
Goffa warehouse	Office (warehouse)	2,332	Nefas Silk Lafto Sub City, Wereda 06	None	56,788.60
Bole 24 Building	Archive and for future expansion office	484	Bole Sub City, Wereda 06	None	30,019.24
Century Mall Branch, Banking center	Branch Office	318	Bole Sub City, Wereda 03	None	61,870.52
					1,843,087.15

## 2.10. Material Contracts

Zemen Bank defines material contracts as those which either involve high-value transactions, critical vendors, or strategic partnerships that go beyond the ordinary course of business. For the contracts detailed below, they are considered material because they are strategic partnerships that go beyond the ordinary course of business

### 2.10.1. Ethio Telecom – Virtual Top-Up Distribution Agreement

#### Purpose and Scope of the Contract

The agreement between Zemen Bank and Ethio Telecom establishes a strategic collaboration to enable digital financial services, specifically the integration of Ethio Telecom's mobile money (telebirr) platform with the Bank's systems and the provision of virtual airtime top-up services. The scope includes enabling customers to convert funds between bank accounts and mobile wallets, perform cash withdrawals via ATMs, and distribute virtual airtime through digital channels. The contract also extends to reconciliation,

settlement processes, and integration of systems to facilitate real-time transaction processing and service delivery.

### **Completion Status**

The agreement is ongoing and operational, with provisions indicating continuous service delivery and integration. The contract is structured to apply for an indefinite period, subject to termination rights by either party, indicating that the services are active and form part of the Bank's current digital and transaction banking operations.

### **Key Terms and Conditions (Including Termination Provisions)**

The contract establishes a framework of mutual rights and obligations between the parties:

#### **Service and Operational Obligations:**

Zemen Bank is required to maintain system connectivity, facilitate mobile wallet integration, enable customer transactions, and ensure reconciliation and settlement processes. Ethio Telecom provides access to its airtime distribution system, determines pricing, and manages core telecom infrastructure.

#### **Revenue and Commission Structure:**

The Bank earns commissions on airtime sales and telebirr transactions, with specific allocations (e.g., a portion of service charges retained by the Bank and shared with Ethio Telecom). Commission structures may be adjusted unilaterally by Ethio Telecom upon notice.

#### **Pricing and Control:**

Ethio Telecom retains the exclusive right to set airtime prices and tariffs, and the Bank must comply with these pricing structures without modification.

#### **Payment and Settlement Obligations:**

The Bank is required to pre-fund airtime purchases and maintain sufficient balances for settlement accounts. Transactions are reconciled regularly, and any discrepancies are subject to dispute resolution procedures.

#### **Penalties and Guarantees:**

Where airtime is extended on credit, the Bank may be required to provide guarantees, and penalties (including interest charges) may apply for delayed payments.

#### **Termination Provisions:**

- The contract may be terminated:
- By either party with 30 days' prior written notice;
- Immediately upon breach, insolvency, fraud, or non-compliance;

- At Ethio Telecom’s discretion in cases of misconduct, pricing violations, or unauthorized activities;
- Automatically upon prolonged force majeure events.

**Other Material Provisions:**

The agreement includes confidentiality obligations, intellectual property protections, indemnity provisions, and dispute resolution through Ethiopian courts.

**Monetary Value and Payment Status**

The contract does not specify a fixed total contract value, as it is transaction-based and volume-driven. Payments are structured around:

- Pre-funded airtime purchases by the Bank;
- Commission-based earnings linked to transaction volumes;
- Ongoing settlement of balances through designated accounts.

As such, amounts paid and outstanding are variable and dependent on transaction flows, rather than a defined contract sum.

**Other Significant Material Obligations or Conditions**

The Bank must maintain continuous system integration and operational readiness, including infrastructure, connectivity, and reconciliation systems.

The Bank bears responsibility for customer onboarding, transaction execution, and compliance with regulatory requirements.

The contract also requires minimum transaction activity and ongoing promotion of services, reinforcing its role as a revenue-generating digital channels.

**2.10.2. Ethiopian Airlines – Online Payments Collection Service Agreement (Flygate Integration)****Purpose and Scope of the Contract**

The agreement between Ethiopian Airlines Group and Zemen Bank establishes a payment collection and settlement framework to support online ticket sales through Ethiopian Airlines’ Flygate platform. The Bank is responsible for receiving customer payments made through digital channels (including online banking and branch channels), validating transactions, and settling collected funds into Ethiopian Airlines’ designated account. The scope includes real-time payment confirmation, integration with Ethiopian Airlines’ booking systems, transaction validation, reconciliation, and weekly settlement of funds.

**Completion Status**

The agreement is effective from October 2022 and remains ongoing for an indefinite duration, unless terminated in accordance with contractual provisions. An addendum effective October 2024 extends the

scope to include automated ticket refund processing through system integration. The contract is therefore active and operational, forming part of the Bank's transaction banking and digital payments services.

### **Key Terms and Conditions (Including Termination Provisions)**

The agreement outlines detailed operational, financial, and governance obligations:

#### **Core Operational Responsibilities:**

The Bank is required to validate transactions, ensure payments fall within defined time limits, provide real-time confirmation, and transfer collected funds to Ethiopian Airlines' account on a weekly basis. Ethiopian Airlines is responsible for maintaining system connectivity, initiating transaction requests, and ensuring accurate booking and payment data.

#### **Settlement and Payment Terms:**

The Bank must transfer all collected funds exceeding ETB 1 million weekly to Ethiopian Airlines' account at the Commercial Bank of Ethiopia. The Bank assumes financial responsibility for confirmed transactions and must ensure timely settlement.

#### **System Integration and Service Levels:**

The agreement requires continuous integration between the Bank's systems and Ethiopian Airlines' Flygate platform, including real-time communication, transaction confirmation within minutes, and prompt notification of system outages or disruptions.

#### **Interest and Penalties:**

The Bank is required to pay interest at 11.5% per annum on delayed settlement amounts, reflecting financial exposure for settlement delays.

#### **Refund Processing (Addendum):**

Under the 2024 addendum, the Bank is responsible for processing automated ticket refunds, verifying refund eligibility, ensuring amounts do not exceed original transactions, and crediting customer accounts accordingly.

#### **Termination Provisions:**

The agreement may be terminated:

- By either party with 30 days' written notice;
- Immediately by Ethiopian Airlines in the event of breach or service failure;
- Automatically if the Flygate platform is suspended or terminated;
- Following force majeure events exceeding one month.

**Other Material Provisions:**

The contract includes confidentiality obligations, data protection requirements, indemnity clauses, dispute resolution through Ethiopian courts, and provisions governing intellectual property and system usage.

**Monetary Value and Payment Status**

The agreement does not specify a fixed contract value, as it is transaction-based and volume-driven. Financial flows arise from:

- Customer payments processed through the Bank;
- Periodic settlement of collected funds to Ethiopian Airlines;
- Potential interest payments on delayed settlements.

Accordingly, amounts paid and outstanding vary based on transaction volumes and settlement cycles, rather than a predefined contract amount.

**Other Significant Material Obligations or Conditions**

The Bank assumes financial liability for confirmed transactions, including risks arising from system validation and settlement accuracy.

The agreement creates operational dependency on system integration, requiring continuous uptime and coordination between the Bank and Ethiopian Airlines.

**2.10.3. Safaricom M-PESA – Super Agent Agreement****Purpose and Scope of the Contract**

The agreement between Safaricom M-PESA Mobile Financial Services Plc and Zemen Bank appoints the Bank as a Super Agent within the M-PESA mobile money ecosystem in Ethiopia. Under this arrangement, the Bank participates in the provision of mobile financial services, including cash-in and cash-out transactions, float management, agent support, and facilitation of transfers between bank accounts and M-PESA wallets. The scope also includes onboarding and supporting sub-agents, maintaining float liquidity, enabling ATM-based transactions, and integrating banking services with the M-PESA platform.

**Completion Status**

The agreement was executed on 4 August 2023 and is active and operational. While the approval document indicates a five-year commercial framework, the main agreement provides for an initial two-year term, renewable upon mutual agreement of the parties. The contract therefore remains ongoing, subject to renewal and termination provisions.

**Key Terms and Conditions (Including Termination Provisions)**

The agreement establishes a comprehensive operational, financial, and regulatory framework:

**Appointment and Nature of Relationship:**

Zemen Bank is appointed as a non-exclusive Super Agent, operating as an independent contractor and not as an agent or representative of Safaricom M-PESA.

**Operational Responsibilities:**

The Bank is required to:

- Facilitate cash-in and cash-out transactions;
- Maintain sufficient float balances;
- Enable bank-to-wallet and wallet-to-bank transfers;
- Support sub-agent networks and ensure service delivery across branches;
- Comply with customer verification and record-keeping requirements.

**Revenue Model (Commission-Based):**

The Bank earns commissions based on transaction volumes and types, credited periodically to its M-PESA account. Commission rates are determined and may be revised by Safaricom M-PESA.

**Pricing and Conduct Restrictions:**

The Bank is prohibited from charging additional fees outside approved tariffs, conducting off-system transactions, or manipulating transactions to increase commissions.

**Compliance and Regulatory Obligations:**

The agreement imposes strict requirements on AML/CFT compliance, customer due diligence, data protection, and adherence to National Bank of Ethiopia directives.

**No Income Guarantee:**

Safaricom M-PESA does not guarantee any minimum revenue or transaction volumes, placing commercial risk on the Bank.

**Termination Provisions:**

The agreement may be terminated:

- By either party for convenience with 90 days' notice;
- Immediately by Safaricom M-PESA in cases of breach, fraud, regulatory violations, insolvency, or failure of due diligence;
- Upon regulatory action affecting licenses or operations;
- In cases of ownership or control changes without approval;
- Upon insolvency or cessation of business by either party.

**Effect of Termination:**

Upon termination, the Bank must cease services immediately, remove branding, and forfeits claims for compensation or loss of future income.

**Monetary Value and Payment Status**

The contract does not specify a fixed monetary value and is structured as a commission-based commercial arrangement. Revenues depend on:

- Transaction volumes processed through the M-PESA platform;
- Applicable commission tariffs determined by Safaricom M-PESA.

Accordingly, amounts paid and outstanding are variable and performance-based, rather than fixed contractual payments.

**Other Significant Material Obligations or Conditions**

The Bank bears operational and liquidity risk, particularly in maintaining sufficient float balances to support transactions.

The contract includes strict data protection, confidentiality, and intellectual property provisions, limiting use of M-PESA systems and branding.

**Contractual Arrangements**

No arrangements that govern the relationship between an interested person and the Bank of its shareholders exist.

### **3. SECTION THREE – FINANCIAL STATEMENTS AND INFORMATION**

#### **3.1. Financial Information**

The annual financial statements, including supporting notes and audit reports thereon from the External Auditor, have been included in Annex 1 of this Prospectus. The annual financial statements included in Annex 1 of the Prospectus have been reproduced verbatim and without adjustment from the Company's annual report and accounts for the years ended 30 June 2025, 30 June 2024, and 30 June 2023.

No additional information has been audited by the Company's External Auditor.

The Bank has released its unaudited six months results for the period ending December 31, 2025, where information from these unaudited financial statements has been used, appropriate disclosures have been made in those sections.

#### **3.2. Profit Forecast**

This Prospectus does not contain any profit forecast or estimate. Nothing stated herein should be regarded or construed as a projection or estimate of future profits.

#### **3.3. Significant Changes in Issuer's Financial Position**

The Bank has interim unaudited financial results for the 6-month period ended December 31, 2025. Paid-up Capital increased from ETB 9,390 million to ETB 13,884 million between June 2025 and December 2025 (48%).

There have been no material investments made by the Bank since 30 June 2025, whether in progress or for which firm commitments have already been made.

#### **3.4. Pro Forma Financial Information**

There is no pro forma financial information included in this Prospectus.

## 4. SECTION FOUR – GOVERNANCE AND MANAGEMENT

### 4.1. Corporate Governance

The Bank's corporate governance framework is guided by Directive No. SBB/91/2024 issued by the National Bank of Ethiopia and is founded on the principles of transparency, accountability, and integrity. The framework is designed to balance the interests of shareholders, employees, customers, regulators, and the wider community, with the objective of supporting long-term sustainability.

As at the date of this Prospectus, Zemen Bank does not fully comply with Directive No. SBB/91/2024 in respect of Board independence. The Directive requires that a bank's Board include at least two independent directors. The Bank's current Board composition does not include any independent directors and therefore does not meet this specific requirement. The Bank has identified this gap and recognizes the role of independent directors in strengthening governance oversight. Measures to address this non-compliance are subject to the applicable governance, shareholder, and regulatory processes. Notwithstanding the above, the Bank is compliant with the Directive's gender diversity requirement, which provides that shareholders shall ensure that at least two female directors are elected to the Board. The current Board composition includes no single-gender representation, and therefore meets this requirement.

Except as disclosed above, there is no other material instances of non-compliance with Directive No. SBB/91/2024.

The governance structure maintains a clear separation of powers between the Board of Directors and executive management. This ensures effective strategic oversight and risk management without compromising daily operations. The framework also promotes ethical conduct and compliance with all laws, reinforcing stakeholder trust. The bank's governance framework is overseen by a Board of Directors consisting of a minimum and maximum of nine members. These members serve a term of three years and are responsible for the strategic direction and oversight of the bank.

Zemen Bank's governance is guided by five core principles:

- **Transparency:** Providing stakeholders with accurate, timely information for informed decisions.
- **Accountability:** Clearly defining roles and responsibilities to hold management and the Board accountable for their actions.
- **Integrity:** Upholding high ethical standards and fostering a culture of honesty.
- **Sustainability:** Ensuring business strategies consider long-term environmental, social, and economic impacts.
- **Inclusiveness and Stakeholder Engagement:** Actively engaging with stakeholders to incorporate their perspectives into governance practices. The stakeholders include employees, shareholders and affected communities.

### Stakeholder Engagement

The Bank places significant emphasis on effective stakeholder management as a core element of its governance and sustainability framework. Engagement with employees is conducted through structured internal communication channels, performance management systems, training and capacity-building

programs, and regular consultations aimed at promoting alignment with strategic objectives, operational effectiveness, and ethical standards.

Shareholders are engaged through formal governance mechanisms, including annual general meetings, periodic disclosures, and ongoing communication facilitated by the Board of Directors and senior management, ensuring transparency in performance, strategy, and capital matters.

In addition, the Bank engages with communities affected by its operations and financing activities through the application of environmental and social risk management practices, including screening of relevant lending activities and mechanisms for receiving and addressing community-related concerns, alongside outreach initiatives and support for social and economic development activities.

The Bank's governance is built on a clear hierarchy to ensure effective oversight and accountability.

1. **General Assembly of Shareholders:** As the highest authority, the General Assembly holds ultimate decision-making power, approving major corporate actions, including electing the Board of Directors and amending the Memorandum of Association.
2. **Board of Directors:** This body provides strategic oversight, approving policies and monitoring risk management. Board members are elected by shareholders and are responsible for ensuring the bank operates in compliance with all relevant laws and ethical standards.
3. **Executive Management:** Led by the CEO, this team manages the bank's daily operations. They are accountable for implementing the Board's strategies, efficiently managing resources, and driving operational performance.
4. **Internal Audit:** This is an independent function that safeguards the bank's financial integrity. It ensures the accuracy of financial statements and the effectiveness of internal controls, supporting sound risk management and governance.
5. **Company Secretary:** This role is crucial for corporate administration. The Company Secretary maintains corporate records, documents meeting minutes, and facilitates communication among the Board, management, and shareholders, thereby ensuring regulatory compliance.

#### 4.1.1. Environmental, Social, and Governance (ESG)

The Bank has integrated Environmental, Social, and Governance (ESG) considerations into its operations through a dedicated ESG function, with oversight embedded within its governance and risk management framework. ESG policies and procedures are aligned with applicable local regulations and selected international standards and are being progressively operationalized across the Bank's activities.

Stakeholder engagement under the Bank's ESG framework covers employees, shareholders, and communities affected by the Bank's operations. Employee engagement is conducted through internal communication channels, training programs, and performance management processes, supporting awareness of ethical standards, compliance obligations, and risk management expectations.

Engagement with shareholders is undertaken through statutory general meetings and periodic disclosures, enabling shareholders to receive information on the Bank's performance, governance, and strategic direction, and to provide input through established corporate governance processes.

Community engagement is primarily linked to the environmental and social aspects of the Bank's lending and operational activities. This includes the application of ESG screening and monitoring procedures for relevant financing activities.

A key highlight during the year was the Bank's partnership with the European Investment Bank (EIB) through its green financing technical support program. This collaboration has already yielded several important outcomes, reinforcing Zemen Bank's commitment to sustainable growth and responsible banking.

#### 4.1.2. Code of Conduct and Ethics

The Code of Conduct and Ethics establishes a unified ethical and governance framework applicable to the Board of Directors, senior management, and all employees of the Bank. It defines the standards of integrity, professionalism, accountability, and compliance required in the oversight, management, and day-to-day operations of the Bank, and aligns conduct expectations with applicable laws, regulatory directives of the National Bank of Ethiopia, and principles of sound corporate governance.

The Code requires the Board, senior management, and employees to act honestly, in good faith, and in the best interests of the Bank and its stakeholders. Covered persons are required to avoid actual or perceived conflicts of interest, disclose related-party interests, and refrain from participating in decisions where conflicts arise. The Code strictly prohibits bribery, corruption, insider trading, misuse of confidential or non-public information, and the exploitation of corporate opportunities for personal benefit. It also establishes clear expectations regarding confidentiality and data protection, accurate financial reporting, proper use of the Bank's assets and resources, fair treatment of customers, ethical dealings with suppliers and competitors, and the maintenance of a respectful, safe, and inclusive workplace free from harassment or discrimination.

Specific provisions apply across governance levels. The Board is required to provide ethical leadership, exercise independent judgment, oversee compliance with the Code, and act in the best interests of the Bank without personal or financial self-interest. Senior management is responsible for embedding ethical conduct into operations, ensuring effective internal controls, promoting a culture of compliance, and leading by example. Employees are required to comply with the Code in the execution of their duties, safeguard confidential information, follow internal policies and procedures, and escalate ethical or legal concerns through established channels.

Implementation of the Code is supported through formal adoption by the Board, integration into governance and human resource frameworks, and mandatory acknowledgment by all covered persons confirming receipt, understanding, and commitment to comply. The Code is communicated across the organization and forms part of onboarding and ongoing awareness initiatives. Employees and management are required to consult the Compliance Officer where uncertainty exists regarding ethical or legal obligations.

Monitoring and enforcement are overseen through the Bank's compliance and governance structures. The Compliance Officer serves as the primary point of guidance and oversight, while senior management and the CEO are responsible for receiving and investigating reported concerns. Suspected or confirmed breaches of the Code are escalated as appropriate, including to the Board of Directors for material matters. The Code provides for proportionate disciplinary measures, which may include warnings, restriction or reassignment of duties, suspension, termination of employment, and referral to regulatory or law-enforcement authorities in cases involving serious misconduct or legal violations. Failure to report known breaches is itself treated as a violation. The Code of Conduct and Ethics is reviewed periodically, at least every two years, to ensure continued relevance, regulatory alignment, and effectiveness. Amendments are subject to Board approval, reinforcing the Board's oversight role and ensuring that ethical standards

remain embedded, actively monitored, and consistently enforced across the Board, senior management, and employees.

#### 4.1.3. Risk Management

Zemen maintains a comprehensive risk management framework designed to identify, assess, manage, monitor, and report risks that may affect the Bank's strategic objectives, financial performance, operations, and reputation. The Board of Directors has ultimate responsibility for risk oversight, as provided for in the Board Charter, and sets the tone for effective risk governance across the Bank. In accordance with its mandate, the Board approves the Enterprise Risk Management Framework ("ERMF"), the risk management strategy, and the Risk Appetite Statement, and oversees the Bank's risk culture and overall risk profile.

The Board is supported by the Board Risk and Compliance Committee, which, as established under the Board Charter, provides focused oversight of risk management and compliance matters. The Committee reviews risk management frameworks and policies, monitors the Bank's risk profile against the approved risk appetite, and evaluates management actions where risk exposures deviate from established limits. This structure ensures a clear linkage between Board-level oversight responsibilities and the operational execution of risk management.

The Enterprise Risk Management Framework provides the overarching structure through which the Board's risk oversight responsibilities are operationalized. The framework applies across all business activities and levels of the Bank and covers all material financial and non-financial risks. Senior management is responsible for implementing the ERMF, managing risks within Board-approved appetite and limits, and embedding risk management into strategic planning and day-to-day operations.

Risk governance under the ERMF is based on the Three Lines of Defense model:

- **Business units** act as the first line of defense and are accountable for identifying and managing risks arising from their activities.
- **The independent risk and compliance function** serves as the second line of defense by establishing risk policies, limits, and methodologies, and by providing oversight and challenge.
- **Internal audit** provides the third line of defense through independent assurance on the effectiveness of risk management and internal controls. Regulators provide additional external oversight.

The Board-approved Risk Appetite Statement defines the level and type of risk the Bank is willing to accept in pursuit of its strategy and includes qualitative statements and quantitative tolerance limits. Risk exposures are monitored on an ongoing basis and reported regularly to senior management and the Board. Breaches of risk appetite or limits are subject to heightened monitoring, remediation actions, and escalation to the relevant Board committee. The ERMF is supported by an enterprise-wide risk taxonomy, risk governance policies, and a robust management information system that provides timely, accurate, and comprehensive risk information. The framework is reviewed periodically to ensure continued alignment with the Board Charter, regulatory requirements, and the Bank's strategic objectives, thereby ensuring that risk management remains effective, integrated, and actively overseen at the Board level.

The table below lists the key policies supporting governance

**Table 51: Key Policies Supporting Governance**

Policy Name	Purpose / Coverage	Last Approved Date	Reviewed By (Board / Management)
Code of Conduct	Establishes ethical standards, professional behavior, and accountability requirements applicable to the Board, senior management, and employees, including integrity, confidentiality, compliance with laws, fair dealing, and avoidance of misconduct or unethical practices.	June, 2022	Board
Conflict of Interest Policy	Provides a framework for identifying, disclosing, managing, and mitigating actual or potential conflicts of interest, including personal, financial, or related-party interests, to ensure decisions are made in the best interests of the Bank.	June, 2022	Board
Insider Trading Policy	Sets out rules governing the handling and use of material non-public information, prohibiting insider trading, tipping, and misuse of confidential information, and ensuring compliance with applicable laws and regulatory expectations.	June, 2022	Board
Board Evaluation Policy	Establishes procedures for the periodic assessment of the performance, effectiveness, composition, and governance practices of the Board and its committees, supporting continuous improvement and accountability.	April, 2023	Board
Related Party Transactions Policy	Regulates transactions with related or connected parties to ensure transparency, arm's-length terms, appropriate approvals, and protection of the Bank and its stakeholders from undue influence or conflicts of interest.	June, 2022	Board
Risk Management Program	Defines the Bank's approach to identifying, assessing, managing, monitoring, and reporting financial and non-financial risks, with the objective of protecting the Bank against unforeseen losses, ensuring earnings stability, supporting informed decision-making, and enhancing long-term shareholder value.	March, 2024	Board

#### 4.1.4. Board Changes

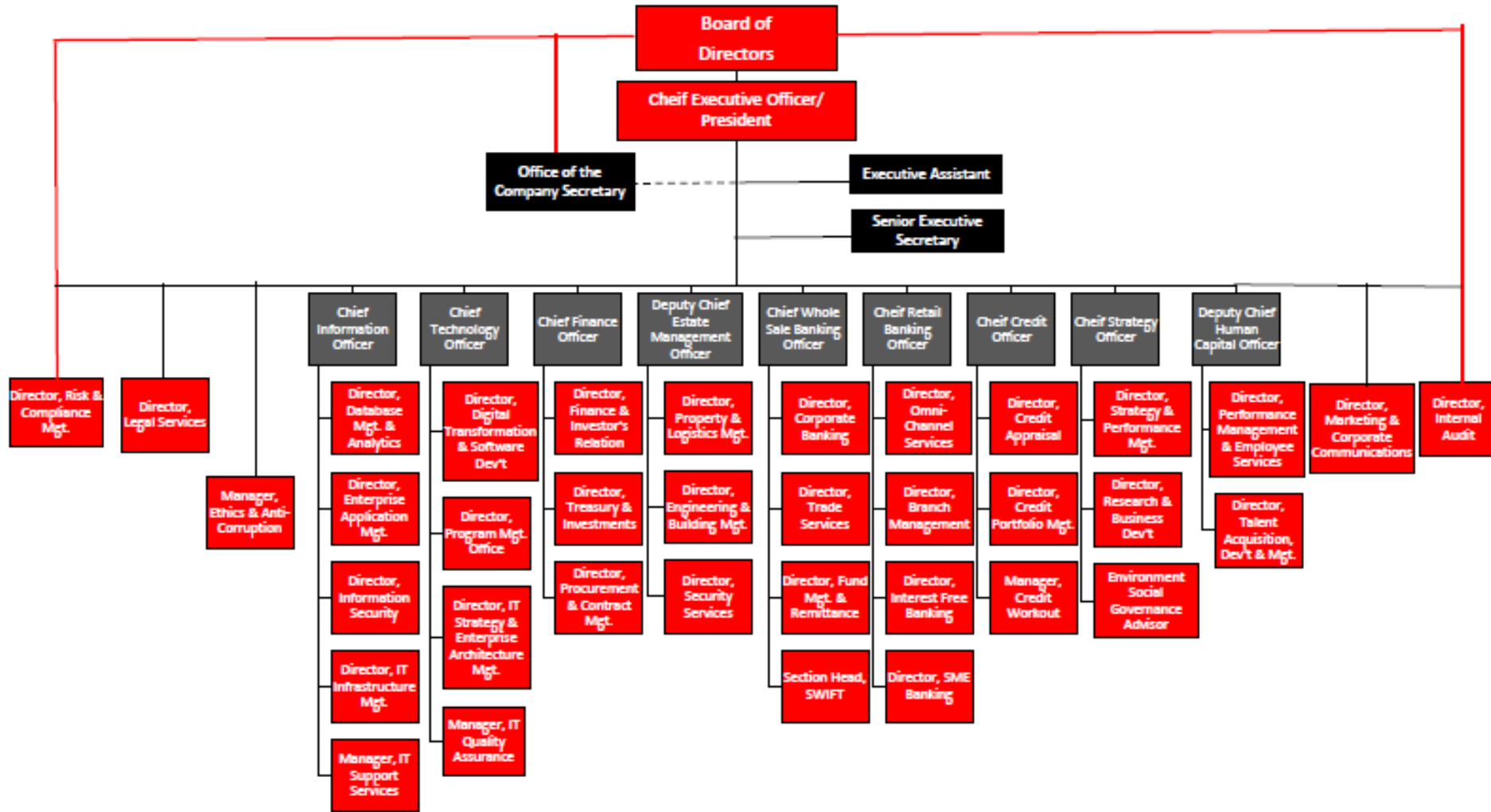
The current Board is constituted for a three-year term ending in May 2027, and no immediate changes to the composition of the Board or its committees are anticipated during the remaining tenure of the current term.

Any future changes to the Board are expected to arise in the ordinary course of governance, including at the expiry of directors' terms, resignation, replacement, or re-election in accordance with the Bank's Articles of Association and the National Bank of Ethiopia's corporate governance principles.

The bank's organizational chart is as below.

Figure 5: Bank Organization Chart

Zemen Bank S.C. Organizational Structure (September 2025)



#### 4.2. Board of Directors and Management's Brief Profile

The table below provides a full list of the nine members currently serving on the Board of Directors.

**Table 52: Board of Directors**

No.	Full Name	Position	Nationality	Date of Appointment	Term Expiry	Independent (Yes/No)	Gender
1	Enye Bemir Kidanu	Board Chairperson	Ethiopian	May 24, 2024	May 09, 2027	No	Female
2	Sewale Abate Ayalew (PhD)	Deputy Chairperson	Ethiopian	May 24, 2024	May 09, 2027	No	Male
3	Abera Abegaz Eshete	Board Director	Ethiopian	May 24, 2024	May 09, 2027	No	Male
4	Dawit Ergetu Tessema	Board Director	Ethiopian	May 24, 2024	May 09, 2027	No	Male
5	Emawayish Addisu Hagos	Board Director	Ethiopian	May 24, 2024	May 09, 2027	No	Female
6	Ermias Eshetu Geletew	Board Director	British	May 24, 2024	May 09, 2027	No	Male
7	National Insurance Company of Ethiopia S.C. (Ato Sangeorge Dessalegn)	Board Director	Ethiopian	May 30, 2025	May 09, 2027	No	Male
8	Tilaye Kassahun Ayen (PhD)	Board Director	Ethiopian	May 24, 2024	May 09, 2027	No	Male
9	Wondwossen Mulugeta Gewe (PhD)	Board Director	Ethiopian	June 19, 2025	May 09, 2027	No	Male

Zemen Bank does not currently fully comply with the NBE Directive SBB/91/2024 on board independence, as the current Board composition does not include any independent directors. AS per NBE Directive No. SBB/91/2024, a board ought to have at least two independent directors.

Under the National Bank of Ethiopia corporate governance directives, an independent director is a non-executive board member who has no material relationship with the bank, its management, or significant shareholders that could impair the exercise of objective and independent judgment.

The following table provides the professional and academic background of Zemen's Directors. All of the directors listed below are currently active members of the Board.

Table 53: Profiles of Zemen's Directors

No	Name	Position	Professional Experience	Academic Credentials
1.	Enye Bemir Kidanu	Chairperson	<p>The Chairperson has over 14 years of professional experience, having served in various roles as set out below.</p> <ul style="list-style-type: none"> <li>• General Manager, Twoeb Management Solutions PLC</li> <li>• Human Resource and General Service Manager -Digital Opportunity Trust (DOT)</li> <li>• HRM &amp; Support Service Department Director - Enat Bank</li> <li>• Human Resource Management Director - Abay Bank S.C.</li> <li>• HR Coordinator - ActionAid</li> <li>• HR manager and Senior Consultant - Ethiopian Management Institute</li> </ul>	<ul style="list-style-type: none"> <li>• MA in Educational Leadership and Management, Addis Ababa University</li> <li>• BA in Business Management, Addis Ababa University</li> </ul>
2.	Sewale Abate Ayalew (PhD)	Deputy Chairperson	<p>Has Over 26 years of professional experience in various capacities, as outlined below.</p> <ul style="list-style-type: none"> <li>• General Manager –Woreta International Business PLC</li> <li>• Assistant Professor, Addis Ababa University (AAU)</li> <li>• Board Director &amp; Chairman, Finance, Audit, and Risk Committee, Ethiopian Shipping and Logistics Enterprise</li> <li>• Board Chairman, Buna Bank S.C.</li> <li>• Investment Director, Gift Real Estate</li> <li>• Finance and Administration Manager, Gift Real Estate</li> <li>• Associate Dean for Research &amp; Technology Transfer, College of Business and Economics, Addis Ababa University</li> <li>• Department Head, Bahir Dar University</li> <li>• Head of Audit Directorate, Bahir Dar University</li> <li>• Academic Vice Dean, Bahir Dar University</li> </ul>	<ul style="list-style-type: none"> <li>• PhD in Accounting and Finance, Andhra University</li> <li>• MA in Commerce (Finance), University of Delhi</li> <li>• BA in Accounting, Addis Ababa University</li> </ul>
3.	Abera Abegaz Eshete	Member	<p>Over 45 years of professional experience in various capacities, as outlined below</p> <ul style="list-style-type: none"> <li>• Former Board Director, Addis Ababa Chamber of Commerce and Sectoral Association</li> <li>• Head of Logistics, Concern Ethiopia</li> <li>• Senior Professional, SIDA (Swedish International Development Agency)</li> <li>• Operations Manager, SGS</li> <li>• General Manager, A.Y Noble Inspection &amp; Surveillance Service</li> </ul>	<ul style="list-style-type: none"> <li>• MA in Logistics and Supply Chain Management, Addis Ababa University</li> <li>• BA in Business Administration, Century University</li> </ul>
4.	Dawit Ergetu Tessema	Member	<p>Over 25 years of professional experience in various capacities, as outlined below</p> <ul style="list-style-type: none"> <li>• Chief Executive Officer, Mansen Investments</li> <li>• Board Director, Zemen Bank S.C.</li> <li>• Director Finance &amp; Administration, Corbetti Geothermal</li> <li>• Finance &amp; Administration Manager, Tullow Oil</li> <li>• Finance Officer, Africa Oil Ethiopia.</li> <li>• Finance Manager ZTE(HK) Limited Ethiopian Branch</li> </ul>	<ul style="list-style-type: none"> <li>• Executive MBA, Quantic School of Business and Technology</li> <li>• B.Sc. in Information Systems, Addis Ababa University</li> <li>• Diploma in Accounting, Unity University</li> </ul>
5.	Emawayish Addisu Hagos	Member	<p>Has over 45 years of experience across multiple professional roles including the following;</p> <ul style="list-style-type: none"> <li>• Director, International Banking, Birhan Bank</li> <li>• Director, Operations, Birhan Bank</li> <li>• Manager, International Banking, Bank of Abyssinia</li> <li>• Worked in various positions, including Head of Marketing &amp; Research Department, Commercial Bank of Ethiopia</li> </ul>	<ul style="list-style-type: none"> <li>• Master's in Business Administration (MBA), Addis Ababa University</li> <li>• B.A. Accounting, Addis Ababa University</li> <li>• Diploma in Banking, Ethiopian Insurance and Banking Institute</li> <li>• Certificate in Management Information Systems and Audit Framework, Association of Chartered and Certified Accountants</li> </ul>
6.	Ermias Eshetu Geletew	Member	<p>Over 18 years of experience across multiple professional roles including the following;</p> <ul style="list-style-type: none"> <li>• Chief Executive Officer (CEO), FSD Ethiopia</li> <li>• Non-Executive Director, Grant Thornton Ethiopia</li> <li>• Chief Executive Officer (CEO), Ethiopia Commodity Exchange (ECX)</li> <li>• Vice President &amp; Founding Team Member, Zemen Bank S.C.</li> </ul>	<ul style="list-style-type: none"> <li>• M.Sc. in International Business, Manchester School of Management, UK</li> <li>• B.Sc. in Computation, University of Manchester Institute of Science and Technology (UMIST)</li> <li>• BTEC Higher National Diploma in Software Engineering, Newham College</li> </ul>

No	Name	Position	Professional Experience	Academic Credentials
			<ul style="list-style-type: none"> <li>Board Director, American Chamber in Ethiopia</li> <li>Board Director, Accounting and Auditing Board of Ethiopia</li> <li>Advisory Board Member, Village Enterprise</li> <li>Advisory Board Member, Welkite University</li> <li>Advisory Board Member, Safaricom Ethiopia</li> </ul>	<ul style="list-style-type: none"> <li>BTEC National Diploma in Business and Finance, Newham College</li> <li>BTEC First Diploma in Information Technology and Applications</li> </ul>
7.	Tilaye Kassahun Ayen (PhD)	Member	<p>Has over 40 years of professional experience, having served in various roles as set out below:</p> <ul style="list-style-type: none"> <li>Board Director for Academic and Innovation at the reFocus Africa Investment Group</li> <li>Board Director at Abay Bank S.C.</li> <li>Board Chairman and G/Manager at Abrak Medical Service PLC</li> <li>President at Ethio Scholars Academy (ESA) PLC</li> <li>Chairman for P&amp;Y ELDP Advisors</li> <li>Founding Promoter at Seed Micro Finance Institution S.C.</li> <li>G/Manager at TAKSEL Trading PLC</li> <li>G/Manager at PRIN International Consultancy &amp; Research Services PLC</li> <li>Lead Trainer at African Leadership Excellence Academy (AFLEX)</li> <li>Project Manager &amp; Consultant at UNESCO, UNESCO/IECBA</li> <li>Project Manager for M&amp;E at MDF/UNICEF</li> <li>Project Manager &amp; Consultant at USAID (RTI/CR WASH, Social Impact/EPMES, The Mitchel Group/Transform MELA, Tetra Tech/WASPaLS#2, IQPEP, IFESH)</li> <li>Project Manager &amp; Consultant at World Bank (MoE/GEQIP, CSA/NSSDA, GWPTE/EASTRIP)</li> <li>Project Manager &amp; Consultant at Education Development Trust (EDT)</li> <li>Project Manager &amp; Consultant at Civil Society Support Program (CSSP)/British Council</li> <li>Assoc. Professor at the University of South Africa (UNISA)</li> <li>Assoc. Professor at St. Mary's University</li> <li>Director for Research &amp; Consultancy Directorate, Senior Planning Expert, &amp; Lecturer at the Ethiopian Civil Service College</li> <li>Instructor and External Examiner at Addis Ababa University</li> <li>Instructor and External Examiner at Amhara Management Institute</li> <li>External Examiner at Bahir Dar University</li> <li>External Examiner at Mekelle University</li> <li>Instructor at International Leadership Institute (ILI)</li> <li>Instructor at Zemen Development Institute and Jetro Leadership Institute</li> <li>Deputy Principal, Department Head, and Teacher at different schools (Education Bureaus)</li> </ul>	<ul style="list-style-type: none"> <li>PhD in Management, University of Delhi</li> <li>PGD in Management, Indira Gandhi National Open University</li> <li>MBA in Human Resources Management, Indira Gandhi National Open University</li> <li>MA in Educational Administration, Addis Ababa University</li> <li>BA in Pedagogical Science, Addis Ababa University</li> <li>Certified Project Management, Project Management Institute (PMI Greece)</li> </ul>

No	Name	Position	Professional Experience	Academic Credentials
8.	Sangeorge Dessalegn	Member	<p>Over 19 years of professional experience in various capacities, as outlined below:</p> <ul style="list-style-type: none"> <li>• Chief Executive Officer, National Insurance Company of Ethiopia S.C.</li> <li>• Deputy Chief Executive Officer – Operations, Bunna Insurance Company S.C.</li> <li>• Reinsurance and Branch Operations Department Manager, Nile Insurance Company S.C.</li> <li>• Claims Management Department Manager, Nile Insurance Company S.C.</li> <li>• Branch Manager, Nile Insurance Company S.C.</li> <li>• Main Branch Manager, Abay Insurance S.C.</li> <li>• Branch Manager, Nile Insurance Company S.C.</li> <li>• Branch Manager, Nile Insurance Company S.C.</li> </ul>	<ul style="list-style-type: none"> <li>• Executive Master of Business Administration, Addis Ababa University</li> <li>• BA in Economics, Addis Ababa University</li> </ul>
9.	Wondwossen Mulugeta Gewe (PhD)	Member	<p>Over 26 years of professional experience in various capacities, as outlined below.</p> <ul style="list-style-type: none"> <li>• Vice President for Digitalization and Infrastructure, Addis Ababa University</li> <li>• Assistant Professor, Information Technology, Addis Ababa University</li> <li>• Former Head and Senior Leader, Various Academic and Administrative Roles, Addis Ababa University</li> </ul>	<ul style="list-style-type: none"> <li>• PhD in Information Technology, Addis Ababa University</li> <li>• M.Sc. in Information Science, Addis Ababa University</li> <li>• B.Sc. in Statistics (Minor: Computer Science), Addis Ababa University</li> </ul>

## Executive Management

The Executive Management is headed by the Chief Executive Officer.

The table below provides a brief detail about the executive management team.

**Table 54: Executive Management Team**

No	Name	Position	Date of Appointment	Professional Experience	Academic Credentials
1.	Dereje Zebene Kelile	Chief Executive Officer	April 1, 2018	Over 30 years of experience in various capabilities including the following institutions; National Bank of Ethiopia, Wegagen Bank S.C., Ministry of Foreign Affairs, Commerz Bank AG, Awash Bank S.C., Zemen Bank S.C.	Master of Business Administration (Lincoln University), Bachelor of Laws, BA in Management, Diploma in Banking & Financing (Addis Ababa University)
2.	Asrat Tadesse Gudeta	Chief Officer – Retail Banking	March 23, 2020	Over 29 years of experience in various capacities in the following institutions. Hibret Bank S.C., New Horizon Trading and Consultancy PLC, Zemen Bank S.C.	Master of Business Administration (St. Mary's University), BA in Accounting (Addis Ababa University)
3.	Addis W/Cherkos G/Hiwot	Chief Officer –Credit	March 16, 2020	Over 29 years of experience in various capacities in the following institutions; Bebeke Coffee Farm, Wegagen Bank, Zemen Bank S.C.	BA in Management and Public Administration (Addis Ababa University)
4.	Tewahido Tafesse Fisehatsion	Chief Officer – Strategy	January 1, 2023	Over 28 years of experience in various capacities in the following institutions; Edget Yarn & Sewing Thread Factory, COS Trading and Technical Co. AGK Enterprises PLC, Wegagen Bank S.C., Gift Trading PLC, Hagbes PLC, NKH Construction PLC, Zemen Bank S.C.	M.Sc. In Finance and Investment (Mekelle University), MBA in General Management (ST. Mary's University), BA in Economics, Diploma in Marketing Management (Addis Ababa University)
5.	Meseret Wondim Bizuneh	Chief Officer – Finance	February 15, 2017	Over 30 years of experience in various capacities in the following institutions; Audit Service Corporation, Dashen Bank S.C., Zemen Bank S.C.	Executive Master of Business Administration (EMBA), BA in Accounting (Addis Ababa University), ACCA
6.	Michael Tsegaye Mekuria	Chief Officer – Wholesale Banking	October 2, 2023	Over 15 years of experience in various capacities in the following institutions; Infinite Dimensions PLC, Zemen Bank S.C.	B.A. in Management (Mekelle University)

No	Name	Position	Date of Appointment	Professional Experience	Academic Credentials
7.	Phylipose Mitiku Wolde	Chief Information Officer (CIO)	April 24, 2025	Over 21 years of experience in various capacities in the following institutions: Dashen Bank, Zemen Bank S.C.	B.A. in Library & Information Science (Addis Ababa University)
8.	Ermias Zewde Desta	Chief Technology Officer (CTO)	August 1, 2025	Over 22 years of experience in various capacities in the following institutions; Commercial Bank of Ethiopia, Awash Bank S.C., Amhara Bank S.C., Tsedey Bank S.C., Zemen Bank S.C.	B.Sc. in Information Systems, Diploma in Commerce (In Human Resource Management) (AAU)
9.	Elias Kinfegebriel Altaye	Deputy Chief Officer - Estate Management	October 1, 2022	Over 26 years of experience in various capacities in the following institutions; Ambasel Trading House PLC, SATCON Construction PLC, Aggar Micro Finance S.C., Zemen Bank S.C.	MBA (International Leadership Institute), BA in Management & Diploma in Personnel Management (Addis Ababa University)
10.	Takele Dibekulu Demisse	Deputy Chief Officer - Human Capital	April 1, 2023	Over 14 years of experience in various capacities in the following institutions; Mettu University, Ethiopian Airlines, Repi Soap and Detergent PLC (Wilmar), Zemen Bank S.C.	MA in Human Resource Management, BA in Management (AAU)
11.	Fikru Tabor Urgesa <sup>15</sup>	Director - Risk and Compliance Management Department	March 1, 2021	Over 28 years of experience in various capacities in the following institutions; BE, Ries Engineering, Zemen Bank S.C.	MBA in Business Administration (International Leadership Institute), BA in Management & Public Administration (Addis Ababa University)
12.	Yohannes Getachew Kassahun <sup>16</sup>	Director - Internal Audit Department	May 17, 2017	Over 22 years of experience in various capacities in the following institutions; AIB, United Bank, Zemen Bank S.C.	MSc. In Accounting & Finance (Unity University), BA in BAIS & Diploma in Commerce/in Accounting (Addis Ababa University)

<sup>15</sup> Ato Fikru Tabor and Ato Yohannes Getachew are not executive team members.

<sup>16</sup> Ibid 15.

There have been no material changes to the shareholding structure of the Bank in the past three (3) years.

#### **General Disclosures:**

#### **Family Relationships**

There are no family relationships between any of the members of the Board of Directors and senior management of the Bank, nor are there any family relationships among the members of the Board.

#### **Succession Planning**

As at the date of this Prospectus, the Bank does not expect any changes to its senior management within the twelve (12) months following the registration of the Prospectus.

#### **Disciplinary & Legal History**

As at the date of this Prospectus, none of the Bank's Directors or senior executives has been subject to any bankruptcy or insolvency proceedings, criminal convictions, or regulatory or administrative proceedings that would be material to an assessment of their suitability or integrity. The background checks for the directors also includes international jurisdictions.

#### **Material Interests**

As at the date of this Prospectus, none of the members of the Board of Directors or senior executives has any material interest in transactions with the Bank or any of its affiliates, other than interests arising from their respective positions, remuneration, and, where applicable, shareholdings in the Bank.

#### **Service Contracts**

The Board Directors have 3-year service contracts outlining their responsibilities, roles and remuneration. There are no termination benefits or additional benefits other than fees for service and allowance benefits, which include an annual remuneration of ETB 150,000 and a monthly transport allowance of ETB 10,000. The contracts comply with the NBE directive SBB/91/2024.

#### **Directors Status**

All directors have an active status on the Board.

### **4.3. Committees of the Board and Practices**

The bank operates with a structured governance framework that includes several key committees. Each committee is designed to oversee specific functions and ensure the institution's strategic goals are met while maintaining regulatory compliance and financial stability. The minutes of committee meetings are formally recorded and periodically reviewed.

As at the date of this Prospectus, Zemen Bank does not fully comply with the requirements of Directive No. SBB/91/2024 issued by the National Bank of Ethiopia in respect of Board and Board committee independence. The Directive requires the inclusion of independent directors on the Board and, by

extension, in the composition of Board committees. The Bank's current Board comprises only non-independent directors, and consequently, none of the Board committees include independent directors, as contemplated under the Directive.

This absence of independent directors at both Board and committee levels is directly linked to the governance non-compliance disclosed in Section 4.1 of this Prospectus. The Bank has identified this gap and recognizes the role of independent directors in strengthening Board and committee oversight. Any measures to address this non-compliance are subject to the applicable governance, shareholder, and regulatory approval processes.

These committees are as follows:

#### **4.3.1. Audit Committee**

The Audit Committee consists of four members, as listed below.

1. Sewale Abate (PhD) - Chairperson
2. Dawit Ergetu
3. Emawayish Addisu
4. Wondwossen Mulugeta (PhD)

The mandate and scope of work of the Audit Committee are as described below:

The Audit Committee of the Board is responsible for assisting the Board in overseeing the integrity of the Bank's financial reporting, the effectiveness of internal controls and risk management, the independence and performance of external and internal auditors, and compliance with legal and regulatory requirements. The Committee has the authority to access information, engage external experts, and question management or staff as needed. It reviews financial statements, audit plans, and key findings, ensures appropriate corrective actions, monitors regulatory compliance, and reports regularly to the Board, thereby strengthening transparency, accountability, and sound governance within the Bank.

The Audit Committee meets quarterly.

#### **4.3.2. Credit Committee**

As listed below, the Credit Committee has four members.

1. Emawayish Addisu - Chairperson
2. Abera Abegaz
3. Sewale Abate (PhD)
4. Tilaye Kassahun (PhD)

The Credit Committee of the Board is responsible for overseeing and approving the Bank's credit policies, strategies, and significant credit exposures in line with the Bank's risk appetite and regulatory requirements. It ensures sound credit risk management by reviewing large and material lending proposals, monitoring portfolio quality, concentration risks, and non-performing loans, and providing guidance on credit limits and provisioning. The Committee also ensures that credit decisions are consistent with the Bank's overall business strategy, prudential standards, and regulatory directives, while regularly reporting to the Board on

credit performance, emerging risks, and corrective measures to safeguard the Bank's asset quality and financial stability.

The Credit Committee meets quarterly.

#### **4.3.3. Nomination & Remuneration Committee**

The four members of the Nomination & Remuneration Committee are listed below.

1. Tilaye Kassahun (PhD) - Chairperson
2. Enye Bemir
3. National Insurance Company of Ethiopia S.C. (Ato Sangeorge Dessalegn)
4. Wondwossen Mulugeta (PhD)

The Nomination and Remuneration Committee of the Board is responsible for overseeing the governance of Board and senior management appointments, succession planning, and compensation policies. The Committee ensures that the Bank attracts and retains competent leaders by recommending suitable candidates for Board and executive positions in line with regulatory requirements, independence standards, and the Bank's strategic needs.

In relation to remuneration, the Committee determines the structure and level of directors' remuneration, including sitting allowances and board remuneration, having regard to the roles, responsibilities, and time commitment of Board members, and oversees a formal process for determining senior executive remuneration, including the review of compensation and benefit arrangements, periodic benchmarking against peer institutions, and consideration of performance evaluation outcomes.

The Committee develops and reviews remuneration frameworks, incentive structures, and performance evaluation criteria to ensure fairness, transparency, and alignment with the Bank's objectives and applicable regulatory requirements, and regularly reports to the Board of Directors with recommendations on nominations, promotions, and remuneration matters for approval.

The Nomination and Remuneration Committee meets quarterly.

#### **4.3.4. Strategy and Corporate Development Committee**

There are four members on the Strategy and Corporate Development Committee, and they are listed below.

1. Dawit Ergetu - Chairperson
2. Enye Bemir
3. Ermias Eshetu
4. Sewale Abate (PhD)

The Strategy and Corporate Development Committee of the Board is responsible for guiding and overseeing the Bank's strategic direction, long-term business plans, and organizational transformation initiatives. It reviews and recommends corporate strategies, annual plans, and key performance targets to ensure alignment with the Bank's vision, mission, and regulatory environment. The Committee also monitors progress on major strategic projects, digital transformation, restructuring, and other change management programs, ensuring that resources are effectively allocated, risks are managed, and intended

outcomes are achieved. In doing so, it provides the Board with insights on emerging opportunities and challenges to support sustainable growth and competitiveness.

The Strategy and Corporate Development Committee meets quarterly.

#### **4.3.5. Risk Management and Compliance Committee**

The Committee includes the four members listed below.

1. Abera Abegaz - Chairperson
2. Enye Bemir
3. Ermias Eshetu
4. National Insurance Company of Ethiopia S.C. (Ato Sangeorge Dessalgne)

The Risk Committee of the Board is responsible for overseeing the Bank's risk management framework and ensuring that all material risks, including credit, market, liquidity, operational, compliance, strategic, and reputational risks, are properly identified, assessed, monitored, and controlled within the approved risk appetite. The Committee reviews risk policies, capital adequacy, stress testing, and contingency plans, and ensures alignment of risk management with the Bank's strategic objectives and regulatory requirements. It provides guidance to management on emerging risks, evaluates the adequacy of risk mitigation measures, and reports regularly to the Board to support prudent decision-making and safeguard the Bank's financial soundness and stability.

The Risk Management and Compliance Committee meets once a month.

#### **4.3.6. Information Technology Committee**

The Committee has four members listed below.

1. Wondwossen Mulugeta (PhD) – Chairperson
2. Abera Abegaz
3. Dawit Ergetu
4. Ermias Eshetu

The Information Technology Committee of the Board is responsible for overseeing the Bank's technology strategy and ensuring that information technology investments, systems, and operations effectively support the Bank's long-term strategic goals. The Committee monitors IT-related risks, including cybersecurity, operational, and infrastructure risks, and ensures that appropriate controls, policies, and governance frameworks are in place. It reviews and recommends IT strategies, major technology projects, budgets, and post-implementation evaluations to confirm that projected benefits are achieved. The Committee also advises management on emerging technology trends, digital transformation, and innovation initiatives to enhance operational efficiency and customer experience. It reports regularly to the Board on technology performance, risks, and opportunities to ensure alignment with the Bank's strategic objectives and regulatory expectations.

The Information Technology Committee meets at least once every quarter.

### 4.3.7. Management Committees

The bank has three management committees, namely: ALCO (Asset-Liability Committee), Executive Management Credit Committee (EMCC), and Management Credit Committee (MCC).

#### 4.3.7.1. ALCO (Asset-Liability Committee)

The Asset-Liability Committee (ALCO) is a critical management-level body responsible for the strategic oversight and management of the Bank's balance sheet structure, with a primary focus on liquidity risk, market risk, and capital allocation. The ALCO ensures that the Bank maintains an optimal and sustainable balance between its assets and liabilities in light of the evolving internal and external financial environments.

#### Composition and Structure

The ALCO is composed of six senior management members, ensuring comprehensive representation across the major functional areas of the Bank:

**Table 55: Composition Structure of ALCO**

Role	Department/Function
Chairperson	Chief Officer - Finance
Member	Chief Officer - Retail Banking
Member	Chief Officer - Credit Officer
Member	Chief Officer - Wholesale Banking
Member	Director- Fund management and remittance
Member	Director- Credit Portfolio Management
Member	Director - Finance & Investor Relations Dept.
Member	Risk & Compliance Dept. Representative
Member	Director - Treasury & Investment Dept.

#### Mandate and Responsibilities

The ALCO's primary responsibilities include:

**Funding Strategy Review:** Regularly review the Bank's funding strategy and profile, adjusting plans and recommendations in response to material changes in market conditions, regulatory requirements, or the Bank's internal risk posture.

**Liquidity Risk Management:** Recommend and oversee the structure, specific responsibilities, and control framework necessary for managing liquidity risk. This includes continuous oversight of the liquidity positions across all legal entities and branches.

**Balance Sheet Maturity Assessment:** Conduct thorough assessments of the maturity profiles of the Bank’s Assets and Liabilities to identify and manage any structural mismatches. The Committee is responsible for ensuring that timely and appropriate measures are taken to mitigate maturity risk.

**Cash Flow and Off-Balance Sheet Impact:** Assess the collective impact of on-balance sheet and off-balance sheet items on the Bank’s cash flow over various time horizons, determining appropriate actions and responsibilities to protect the financial stability of the Bank.

### 3. Meeting Frequency

The ALCO meets monthly to provide continuous, high-level strategic direction and oversight of the balance sheet management and risk exposure.

#### 4.3.7.2. Executive Management Credit Committee (EMCC)

The Executive Management Credit Committee (EMCC) is the highest executive body within the Bank responsible for both approving significant credit exposures and providing critical oversight on high-level strategy, policy, and emergent operational matters. The committee ensures that the Bank’s growth, risk management practices, and operational direction remain cohesive and aligned with the mandate set by the Board of Directors.

#### Composition and Structure

The EMCC is composed of four senior management members, ensuring comprehensive executive oversight across the Bank’s primary functions, credit risk, and financial planning.

**Table 56: Composition Structure of the EMCC**

Role	Department/Function
Chairperson	Chief Executive Officer (CEO)
Member	Chief Officer - Finance
Member	Chief Officer - Retail Banking
Member	Chief Officer - Credit
Member	Director - Credit Appraisal

#### Mandate and Responsibilities

The EMCC operates with a dual mandate covering both credit risk mitigation and executive strategic decision-making.

#### Credit & Risk Management Oversight

**Credit Approval Threshold:** Review, approve, and oversee all credit facilities and loan exposures that exceed the pre-defined threshold of ETB 7 Million.

**Exposure Management:** Continuously review, approve, and oversee the Bank’s overall credit facilities and loan exposures to maintain prudent risk concentration limits and asset quality standards.

### Strategic and Operational Management

**Corporate Strategy:** Review and deliberate on the Bank’s Corporate Strategy before submitting it for approval to the Board of Directors.

**Annual Planning & Budgeting:** Review and deliberate on the Bank’s annual operating plan and financial budgets, ensuring alignment with strategic objectives, and obtaining the necessary approval from the Board of Directors.

**Policy Formulation:** Review and deliberate on strategic and policy issues that may have a material impact on the overall operation and future direction of the Bank.

**Emergency Decision-Making:** Make immediate decisions on emergency and extraordinary operational issues that may emanate from the day-to-day running of the Bank.

### 3. Meeting Frequency

To maintain agile oversight of both high-value credit risk and rapid response to operational issues, the EMCC meets on a weekly basis.

#### 4.3.7.3. Management Credit Committee (MCC)

The Management Credit Committee (MCC) serves as the Bank’s primary management body for the detailed review, approval, and risk management of the routine credit portfolio. The MCC ensures that the extension of credit facilities adheres strictly to the Bank’s internal credit policy framework and regulatory compliance standards, particularly exposures below the Executive Management Committee’s threshold.

#### Composition and Structure

The MCC comprises four senior executives, led by the Chief Officer - Credit, providing the necessary expertise in credit appraisal, operational management, and financial oversight.

**Table 57: Composition Structure of MCC**

Role	Department/Function
Chairperson	Chief Officer - Credit
Member	Director – Finance & Investor Relations Dept.
Member	Director – Credit Appraisal
Member	Director – Branch Management

### Mandate and Responsibilities

The MCC is entrusted with the following core responsibilities:

**Credit Authority:** The MCC is authorized to review, approve, and oversee credit facilities and loan exposures that fall below the threshold of ETB 7 million Ethiopian Birr.

**Regulatory Compliance:** Approve all forms of credit and limit facilities, ensuring absolute compliance with both the Bank's internal credit policies and all relevant Directives issued by the National Bank of Ethiopia.

**Risk Oversight:** Monitor and manage the quality and concentration of the lower-tier credit portfolio to mitigate risk and ensure sustainable growth.

### 3. Meeting Frequency

The MCC convenes on a weekly basis to ensure prompt and continuous evaluation of credit applications and immediate management of portfolio risk.

#### 4.4. Memorandum of Association of the Bank

The Bank's Memorandum of Association (MoA) comprises **44** articles, which address various core aspects of the Bank's governance and operations. Key provisions are summarized below:

##### 1. Business purpose of the Bank (Article 4 of the MOA)

Outlines the list of the Bank's primary business objectives

- Mobilize various types of legally authorized deposits.
- Utilize the mobilized deposits, either fully or partially, for granting loans, making investments, and pursuing other objectives in accordance with applicable laws, NBE directives, and relevant regulations.
- Engage in the purchase and sale of raw gold and silver, foreign currency trading, and the provision of foreign exchange and related services.
- Issuing prepaid performance guarantees and other types of guarantees.
- Acting as an agent for other banks and investors while safeguarding the interests of the Bank.
- Manage investment funds on behalf of customers.
- Provide custody services for documents, precious metals, and other valuable items in accordance with the policies and other documents issued by the Board of Directors.
- Provide advisory services related to the Bank's operations.
- Offer digital financial services.
- Provide necessary banking services to customers.

##### 2. Capital (Article 5 of the MOA)

Indicates that the Bank's share capital is comprised of ordinary shares with equal rights, each bearing a par value of ETB 1,000.00. The Bank's subscribed capital is fully paid.

- The Bank's subscribed capital amounts to ETB 4,960,016,000, with a par value of ETB 1,000 per share.<sup>17</sup>
- From the Bank's subscribed capital, an amount of ETB 3,644,654,000 has been paid for ordinary shares.<sup>18</sup>

### **3. Rights and obligations attached to shares and shareholders (Article 7 of the MOA)**

Detail the rights and responsibilities conferred on both shares and shareholders.

- In addition to all applicable laws, each shareholder shall have the following rights:
  - To attend and participate in the General Assembly.
  - To claim dividends approved by the General Assembly.
  - To claim his or her rights to a share of the residual assets, after debts are settled, in the event that the Bank ceases operations due to losses or other reasons.
  - To exercise voting rights, with each share representing one vote.
  - To review the minutes and attendance sheet of the General Assembly, and to obtain a copy of the financial statements.
  - Shall have the preemptive right to purchase an equivalent or proportional number of shares when the Bank issues additional shares to raise capital, in accordance with the Commercial Code.

### **4. General meeting of shareholders (Article 12 of the MOA)**

Stipulates that the General Meeting of Shareholders is the highest decision-making body within the Bank, granting shareholders the authority to make major decisions outlined in these articles.

- The General Assemblies are classified as the Ordinary General Assembly and the Extraordinary General Assembly.
- The General Assembly may be convened on various matters by the Board of Directors, Auditors, or the Court.
- Every year, following the end of the budget or accounting year, an Ordinary General Assembly shall be held.
- Shareholders may participate in the General Assembly either in person or electronically. With their consent, they can submit their input on proposed decisions electronically and cast their votes accordingly.

### **5. Board of Directors of the Bank (Article 23 of the MOA)**

Specifies the size and composition of the Bank's Board of Directors and defines their powers and key responsibilities

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<sup>17</sup> The provision is amended as the shareholders of the Bank, in Nov.2022, in the 11th extraordinary general meeting, have passed a resolution to raise the capital of the bank to Birr 15, 000,000,000(fifteen billion) and thus as of 31 of Oct.2025 the paid-up capital of the Bank is 12,450,655,000 (twelve billion, four hundred fifty million, six hundred fifty five thousand) and the subscribed capital is Birr 15, 000,000,000(fifteen billion)

<sup>18</sup> See, the above note

- The Bank shall be governed by a Board of twelve Directors, 1/3 of the Board of Directors shall be independent directors, and the rest shall be elected by the General Assembly (Article 21). Their term of office is three years (Article 20), and their powers and primary responsibilities are outlined in Article 23 of the Articles of Association.

#### **6. Chief Executive Officer (Article 29 of the MOA)**

Establishes that the Chief Executive Officer (CEO) is appointed by, and reports directly to, the Board of Directors. These provisions also define the CEO's powers and functions.

- Serve as the Bank's representative to achieve the objectives outlined in the Articles of Association.
- Act as the Bank's delegate in its local and international business dealings with third parties, government and private organizations, banks, and other financial institutions, and execute contracts on behalf of the Bank with third parties.
- Develop the Bank's policies and submit them to the Board of Directors for approval, and approve the corresponding procedures.
- Oversee the Bank's accounting and implement appropriate controls.
- Attend regular management meetings to oversee and facilitate the Bank's day-to-day operations.
- Open provision accounts in accordance with the law, the Articles of Association, and the approvals of the Shareholders' General Assembly.
- Authorized to legally assign, promote, demote, and dismiss employees not directly appointed by the Board of Directors.
- Authorized to open and operate demand accounts in the Bank's name, subject to prior notice to the Board.
- Authorized to enter into insurance contracts with reputable insurance companies for potential damages, with prior notification to the Board of Directors.
- Authorized to invest idle funds, with prior approval from the Board of Directors, in a manner consistent with the Bank's objectives and interests.
- Authorized to appoint and dismiss legal attorneys, representatives, and other professionals, other than employees, in the best interest of the Bank.
- Report the Bank's performance for the previous year to the Board of Directors.
- Prepare, submit, and obtain approval for the Bank's plan and budget from the Board of Directors.
- Propose updates or amendments to provisions in the Articles of Association for consideration by the Board of Directors.
- Approve all necessary and lawful payments and expenses for the Bank's day-to-day operations.
- Prepare agenda items for Board meetings in collaboration with the Company Secretary, as requested by the Board Chairperson.
- Coordinate the arrangements of Board meetings in collaboration with the Board Chairperson and the Company Secretary.
- Authorized to borrow funds not exceeding 25% of the Bank's capital for the benefit or purposes of the Bank.
- The CEO may delegate his authority to the Bank's management.

#### **7. External Auditor of the Bank (Article 30 of the MOA)**

Describes the process by which an External Auditor is chosen by the General Meeting of Shareholders. These articles additionally address remuneration, re-election, and the maximum tenure of the External Auditor

- The Shareholders' General Assembly appoints an auditor acceptable to the National Bank of Ethiopia. The auditor's roles and responsibilities are as defined in Articles 343–354 of the Commercial Code.
- The auditor shall prepare the financial statements responsibly and diligently, in accordance with the applicable auditing standards.
- The auditor's report shall be submitted to the relevant government authorities in accordance with applicable laws following the end of the fiscal year.

#### **8. Budget Year of the Bank (Article 34 of the MOA)**

Confirms that the Bank's fiscal year begins on July 1st and concludes on June 30th of the following year.

- The Bank's fiscal year commences on July 1 and ends on June 30 of the following year.
- Following the end of each fiscal year, the Board of Directors shall prepare and present the annual reports to the General Assembly.
- The annual report shall incorporate the Bank's profit and loss statement, directors' remuneration, auditors' detailed fees, provision accounts, annual profit and dividend distribution, and all other items required under applicable laws.

#### **9. Disbursement of Net Profit of the Bank (Article 39 of the MOA)**

Provides for the annual profit distribution, following deductions for profit tax, legal reserve funds, and other lawful obligations, to shareholders.

- The annual profit distribution, after deductions for profit tax, provisions, legal reserve funds, previous period losses, and other lawful obligations, based on the Board of Directors' proposal and assessed by the auditor, shall be payable to shareholders in a single payment once approved by the Shareholders' General Assembly.
- When the dividend is paid to the shareholders, the following two points shall be considered:
  - Each shareholder's proportion of paid-up capital relative to the total paid-up capital.
  - The period of full or partial payment of the share price during the fiscal year.
- The annual dividend distribution may be made in cash or in the form of shares.
- Dividend distribution without an audited and approved financial statement, or beyond the approved amount, constitutes the distribution of unearned profits and may result in criminal or civil (business) liability.
- The date and details of the annual dividend distribution shall be determined by the Shareholders' General Assembly.

##### **4.4.1. Remuneration of the Board of Directors**

Members of the Board of Directors are compensated through sitting allowances and board remuneration approved in accordance with the Bank's internal governance arrangements and applicable regulatory guidance.

For the financial year ended June 30, 2025, sitting allowances paid to Board members amounted to ETB 2,671,000, while board remuneration amounted to ETB 2,390,000. These amounts relate solely to services

rendered by directors in their capacity as members of the Board and its committees and do not include any form of salary, pension, or performance-based incentives.

Board members do not participate in the Bank's employee benefit schemes and are not entitled to management salaries or other employment-related benefits. The aggregate amount disclosed represents total compensation paid or payable to the Board during the financial year and is presented separately from management remuneration to ensure transparency and clarity of disclosure.

**Table 58: Directors' Total Remuneration (ETB '000s)**

S/N	Directors Name	FY2025	FY2024	FY2023
1	Eneye Bemir Kidanu	270.00	270.00	270.00
2	Sewale Abate Ayalew (Phd)	270.00	26.67	
3	Abera Abegaz Eshete	270.00	26.67	
4	Dawit Ergetu Tessema	270.00	26.67	
5	Emawayish Addisu Hagos	270.00	26.67	
6	Ermias Eshetu Geletew	246.92	251.67	263.18
7	National Insurance Company Of Ethiopia S.C.	226.83		
8	Tilaye Kassahun Ayen (Phd)	270.00	270.00	270.00
9	Wondwossen Mulugeta Gewe (Phd)		261.67	270.00
10	Abebe Dinku Belay (Pro.)*		190.00	256.36
11	Mieraf Shewaye Bedane*		261.67	270.00
12	Sinafekesh Tekle Lemecha*		261.67	270.00
13	Ashenafi Embeza Assfeha*		261.67	270.00
14	Bizuneh Bekele Beyene*		226.67	270.00
15	Eng. Getnet Belay Ferede*	193.85	26.67	
	<b>Total</b>	<b>2,390</b>	<b>2,338</b>	<b>2,410</b>

\* Directors who retired from the board during the period under review.

#### 4.4.2. Remuneration of Key Management

Key management remuneration consists primarily of salaries and other short-term employee benefits paid to executive management and senior management in consideration of their operational and strategic responsibilities. For the financial year ended June 30, 2025, management salaries and other short-term employee benefits amounted to ETB 37,813 thousand. This includes fixed remuneration and benefits provided in the normal course of employment and excludes any amounts paid to non-executive directors.

Key management personnel are employed under standard employment contracts and are remunerated in line with their roles, experience, and responsibilities within the Bank. No separate disclosure of individual executive remuneration is made, and amounts are presented on an aggregate basis in the financial statements. The remuneration structure does not include equity-based compensation or share-linked

incentive arrangements (bonuses) for senior executives. The criteria used to determine executive bonus is yearly performance appraisal result. Benefits are determined based on the result of the market assessment centered the Job Category and job grade of the job. The Bank provides staff loans at preferential rates to the prevailing market rate.

**Table 59: Remuneration to Board of Directors and Key Management (ETB '000)**

Remuneration	FY 2025	FY 2024	FY2023
Mgt Salaries and other short-term employee benefits	37,813	26,434	16,110
Bonus	26,676	15,041	11,216
Sitting allowance	2,671	1,736	862
Board Remuneration	2,390	2,388	2,410
<b>Total</b>	<b>42,874</b>	<b>30,558</b>	<b>19,381</b>

Based on existing contractual arrangements and approved remuneration structures, the estimated remuneration payable by the Bank and any member of the Group to executive officers and directors for the current financial year is expected to be consistent with the levels disclosed for the most recent financial period. Executive officers are expected to receive remuneration primarily in the form of salaries and other short-term employee benefits, while directors are expected to receive remuneration in the form of sitting allowances and board remuneration. Accordingly, and subject to any changes approved in accordance with applicable laws and governance procedures, the aggregate remuneration payable to executive officers and directors for the current financial year is estimated to be broadly in line with the amounts disclosed in the most recent audited financial statements. No arrangements are currently in place that would result in material changes to the nature or structure of such remuneration during the current financial year.

**Table 60: Remuneration Payable to Management and Board for FY 2026**

Remuneration	FY 2026
Mgt Salaries and other short-term employee benefits	29,462
Sitting allowance	1,489
Board Remuneration	540
<b>Total</b>	<b>31,491</b>

**Table 61: Related Party Transactions – (Amounts in ETB Millions)**

	Type	FY 2025	FY 2024	FY 2023
Executive Management	Loans	60.72	51.97	50.85
BODs and their Affiliates	Loans	41.86	45.00	43.91
<b>TOTAL LOANS</b>		<b>102.58</b>	<b>97.97</b>	<b>94.76</b>

Type	FY 2025	FY 2024	FY 2023
<b>Total Operating Income</b>	<b>12,136,183</b>	<b>6,034,307</b>	<b>4,359,899</b>
<b>Total Loans/Total Operating Income</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.<sup>19</sup></b>

No guarantees exist for loans issued to Executive Management and the Board of Directors. The amounts in related party transactions are immaterial to the total turnover for the Bank.

#### 4.5. Promoters

Promoters do not have any interest in the Company other than as promoters. Further, there are no individuals or entities that form part of the promoter group.

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<sup>19</sup> n.m. – not meaningful

## 5. SECTION FIVE – CAPITAL STRUCTURE AND INFORMATION ON SECURITIES

### 5.1. Capital Structure

Zemen Bank was founded in 2008 by promoters Tecele Alemneh Desta and Ermyas Tekil Amelga, who were granted preferential founder share rights at incorporation in accordance with the Bank's Prospectus and Articles of Association. These preferential founder rights relate solely to founder recognition at incorporation and do not constitute a separate class of shares, nor do they confer preferential economic, voting, dividend, or liquidation rights. All shares held by the founders are ordinary shares ranking pari passu with those held by all other shareholders. As of the date of this Prospectus, Tecele Alemneh Desta remains an active shareholder of the Bank, while Ermyas Tekil Amelga is no longer a shareholder.

The preferential founder share rights are provided for under the Bank's constitutive documents; however, these rights do not give rise to a separate class of shares, and all shares issued by the Bank are ordinary shares. No preferred or special class shares have been issued by the Bank at any time.

The Bank was licensed by the National Bank of Ethiopia on June 17, 2008, and commenced operations on October 2, 2008. The Bank's initial capital was mobilized through a public subscription involving approximately 2,800 shareholders. At incorporation, Zemen Bank had a subscribed share capital of ETB 149.7 million, of which ETB 87.24 million was paid up in cash, as disclosed in its first annual report. The balance of the subscribed capital was subsequently settled through later cash subscriptions in accordance with shareholder approvals and applicable regulatory requirements.

As of the date of this Prospectus, the Bank's authorized share capital amounts to ETB 15,000,000,000. The issued and subscribed share capital stands at ETB 15,000,000,000, while the paid-up share capital amounts to ETB 13,884,951,000. The Bank has exceeded the minimum paid-up capital requirement of ETB 5,000,000,000 prescribed by the National Bank of Ethiopia under Directive No. SBB/78/2021. The par value of each share is ETB 1,000.

The Bank has 15,000,000,000 shares currently in issue, all of which are ordinary shares. The Bank has only one class of shares and has never issued any preferred shares or other special classes of shares. All issued shares rank pari passu in all respects, including voting rights, entitlement to dividends, and distribution of assets upon liquidation. Any increase or reduction of the Bank's share capital is subject to approval by shareholders through a duly convened general meeting, in accordance with the Bank's Articles of Association and applicable laws.

The ordinary shares being offered do not currently have an established market price, and none of the Bank's shares have ever been listed or traded on a licensed securities exchange or over-the-counter market. All capital raised by the Bank to date has been paid for in cash, and no shares have been issued in consideration for assets other than cash.

Since its establishment, the Bank has undertaken multiple capital increases through rights issues and public subscriptions, reflecting sustained shareholder support. By the financial year ended 30 June 2023, the Bank's paid-up capital reached ETB 5.0 billion, enabling it to meet the minimum regulatory capital requirement ahead of the prescribed deadline (June 30, 2026). Paid-up capital further increased to ETB 7.45 billion as at 30 June 2024 and to ETB 9.39 billion as at 30 June 2025, strengthening the Bank's capital base and regulatory buffers.

**Table 62: Summary of Issued and Paid-up capital (FY2023-FY2025)**

Financial Year	Authorized Capital (ETB '000)	Subscribed Capital at the end of the period (ETB '000)	Paid-Up Capital (ETB '000)	No. New of Shares Issued	Par Value (ETB)	Proceeds from Share issuance (ETB '000)	No. of shareholders at the end of the period
June 2023	15,000,000	5,000,000	5,000,000	1,355,346	1,000	1,355,346	7,231
June 2024	15,000,000	11,309,456	7,455,181	2,455,181	1,000	2,455,181	8,795
June 2025	15,000,000	14,906,349	9,390,451	1,935,270	1,000	1,935,270	9,508
20 Feb 2026	15,000,000	15,000,000	13,884.951	4,494,500	1,000	4,494,500	10,755

The increase in paid-up capital during the transition period was driven by the capitalization of retained earnings through a share dividend approved by shareholders. A portion of the profit declared for FY2025 was converted into equity, resulting in the issuance of additional ordinary shares to existing shareholders in proportion to their shareholdings.

Pursuant to Article 105(7) of the applicable markets directive, the issuer confirms that there are no material deviations, guarantees, encumbrances, or undisclosed arrangements related to the share capital.

## 5.2. Dividend Policy of the Bank

The Bank has a formal dividend policy in place, approved by the Board of Directors on 7 October 2020. The policy aims to balance shareholder returns with financial stability, capital preservation, and regulatory compliance. It outlines a process of allocating annual net profits to ensure long-term sustainability.

Under the policy, the Bank first deducts corporate income tax from annual net profit. Thereafter, 25% of the remaining profit is transferred to the legal reserve until such reserve equals the Bank's paid-up capital, and additional allocations are made to regulatory and risk reserves as required by National Bank of Ethiopia directives. Following these deductions, the residual profit may be proposed for distribution to shareholders.

Dividend declaration is not automatic. The Board of Directors evaluates company-specific factors, including capital adequacy, profitability, liquidity, regulatory compliance, growth requirements, and macroeconomic conditions, before proposing either dividend distribution or earnings retention. Any proposed dividend is subject to approval by the General Assembly of shareholders.

Dividends may be distributed in cash or, where approved by the General Assembly, in the form of bonus shares. Shareholders are afforded the option to receive dividends in cash or reinvest them through share-based distributions, subject to the terms approved for each distribution cycle.

The table below shows the dividends paid for the last five (5) years.

**Table 63: Dividend Payment History**

Fiscal Year	Net Profit (ETB)	Dividend Declared (ETB '000')	Weighted Average Number of Shares	Dividend per Share	Payout Ratio (%)	Approval Reference (AGM or Board Resolution)
2020/21	952,681	657,169	2,032,000	313.81	66.91%	AGM Resolution
2021/22	1,476,272	1,070,615	3,246,000	320.09	70.35%	AGM Resolution
2022/23	1,813,114	1,352,661	4,217,000	311.15	72.36%	AGM Resolution
2023/24	2,392,430	1,679,726	6,361,000	465.12	68.10%	AGM Resolution
2024/25	5,868,101	4,106,579	8,591,000	263.12	69.98%	AGM Resolution

The historical dividend and dividend per share (DPS) information presented above has not been adjusted to reflect changes in the number of issued or paid-up shares over the relevant financial periods. Accordingly, the DPS figures represent the actual dividends declared and paid in each respective year based on the share capital structure prevailing at the time of declaration and may not be directly comparable across periods.

#### Restrictions or Limitations on Dividends

The Banking Business Proclamation No. 592/2008, as reinforced by directives from the National Bank of Ethiopia (NBE), establishes the following restriction:

- No bank may at any time declare, credit the account of, or pay to shareholders any dividend until all impairments of its capital, as determined by the National Bank, have been removed
- Dividend shall be declared after the necessary deduction of corporate income tax, allocations to legal and regulatory reserves, and settlement of any prior period losses.

#### Other Securities

The Bank has not issued, and has no outstanding, other securities within the meaning of Article 106 of the Public Offering Directive. In particular, the Bank has not issued preference shares, bonds, debentures, convertible instruments, warrants, or any other equity-linked or debt securities.

## 6. SECTION SIX – INTERESTS AND RELATED-PARTY TRANSACTIONS

The Bank defines a related party, in accordance to IFRS (IAS 24- Related Party Disclosures), as person or entity that is related to Zemen Bank through control, joint control, or significant influence over financial and operating decisions.

Persons considered related parties:

- Members of the Board of Directors or Key Management Personnel (KMP) of Zemen Bank or its Parent.
- Close family members of such individuals (spouse, children, dependents, or those expected to influence/be influenced by the individual).

Entities considered related parties:

- Parent company, subsidiaries, and fellow subsidiaries.
- Associates and joint ventures.
- Entities controlled, jointly controlled, or significantly influenced by Zemen Bank, KMP, or their close family.
- Post-employment benefit plans for employees of the Bank or related entities.

**Table 64: Categories of Related Parties**

Category	According to IFRS (IAS 24)	According to Zemen Bank's Internal Policies
<b>Parent &amp; Subsidiaries</b>	Parent company, subsidiaries, fellow subsidiaries	Parent (if any) and subsidiaries/affiliates of Zemen Bank
<b>Associates &amp; Joint Ventures</b>	Associates, joint ventures	Business ventures in which the Bank participates
<b>Key Management Personnel (KMP)</b>	Members of the Board of Directors, senior executives, and others with authority over financial/operating policies	Board of Directors, Executive Management Committee (EMC), senior management
<b>Close Family Members of KMP</b>	Spouse, children, dependents, and close relatives of KMP	Family members of directors and executives with financial dealings with the Bank
<b>Entities Controlled by KMP or Family</b>	Entities controlled or significantly influenced by KMP or their close family members	Companies owned/controlled by directors, executives, or their family
<b>Post-employment Benefit Plans</b>	Plans for employees of the Bank or related entities	Pension or staff benefit schemes sponsored by Zemen Bank

Category	According to IFRS (IAS 24)	According to Zemen Bank's Internal Policies
<b>Significant Shareholders</b>	(Not explicitly in IAS 24 unless they exert control or significant influence)	Shareholders with significant influence ( $\geq 5\%$ or as defined by NBE directives)
<b>Interlocking Directorships</b>	Covered under "entities controlled/influenced by KMP."	Entities where Zemen Bank directors also serve as board members
<b>Regulatory-defined Related Parties</b>	Not specifically in IAS 24	Related parties as recognized under NBE directives and Ethiopian banking law

None of the Directors, senior management, or other persons responsible for the information contained in this Prospectus has any indirect interest in the Bank or in the securities being offered, whether beneficial or non-beneficial. In particular, no such person holds any indirect shareholding, voting rights, economic interest, or other indirect participation in the Bank through nominees, trusts, affiliated entities, or similar arrangements.

#### 6.1. Details of Equity Shares Held by Directors

The Bank's Board of Directors members are elected by the shareholders during the General Shareholders' Meeting. This means all current members are either individual shareholders or representatives of corporate shareholders. The Directors collectively hold a direct interest in Ordinary shares, representing 2.50% of the total paid-up share capital as at 25 November, 2025.

There were no sales or purchases of goods and services between the Bank and key management personnel as of FY 2025.

During the period from 1 July 2025 (being the date of the latest financial information of the Company as set out in Section 3 (Financial statements and information)) to the latest predictable date, there are no Related Party transactions between the Company and Related Parties outside of the aforementioned banking services to the Related Parties.

No directors have beneficial or non-beneficial interests.

No person or entity, whether directly or indirectly and whether acting individually or together with others, owns or controls two percent (2.0%) or more of the Company's share capital or voting rights. Each share carries equal voting rights, ensuring a uniform voting privilege for all shareholders.

There is no person or group of persons who, directly or indirectly, has or may obtain the ability to exercise control over the Company, nor are there any arrangements or circumstances that could reasonably be expected to lead to a change in control of the Company in the future.

The Company has not entered into any agreements, arrangements, or understandings that regulate or otherwise affect the relationships between shareholders, other interested persons, and the Company.

There are no shareholder agreements, voting arrangements, or other contractual or informal arrangements currently in place that would result in, or could reasonably be expected to result in, a change of control of the Company. Additionally, no provisions exist that grant any shareholder or third-party special rights that could materially influence or alter the control or management of the Company.

## 6.2. Related Party Transactions

In the ordinary course of business, the Bank enters into banking relationships with Related Parties and provides standard banking products and services, including loan facilities, deposit accounts, and foreign currency-related transactions. Such transactions are conducted as part of the Bank's normal banking activities and are priced and administered on arm's-length terms.

In addition to these banking services, the Bank pays remuneration and other compensation to members of the Board of Directors and Executive Management in accordance with approved governance and remuneration frameworks.

The Bank's related party transactions and balances are disclosed in its annual financial statements in compliance with the Commercial Code and IFRS. The Bank also confirms compliance with the National Bank of Ethiopia Related Party Transactions Directive No. SBB/88/2024, with all exposures to Related Parties maintained within applicable prudential limits and subject to established internal controls and approval processes.

There are no beneficial and non-beneficial interest between the Directors and the Board.

Future arrangements regarding related party transactions are expected to continue provided they comply to Directive No. SBB/88/2024.

The table below indicates the summary of the outstanding transactions with related parties for FY 2025, FY 2024 and FY 2023.

**Table 65: Related Party Loans (ETB Millions)**

Related Party	FY 2025	FY 2024	FY 2023
Safaricom Telecommunication Ethiopia	1,019.36	-	-
Sharpcon Construction Plc	30.65	32.31	33.65
	<b>1,050.01</b>	<b>32.31</b>	<b>33.65</b>
Loans to Board of Directors, Executive Management and Executive Officers	71.93	50.29	61.11
<b>TOTAL</b>	<b>1,121.94</b>	<b>91.36</b>	<b>94.76</b>

## 7. SECTION SEVEN – MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) is a comprehensive discussion of the bank's historical financial performance, detailing key metrics and providing underlying reasons for the performance. This section should be read together with the information set out in Section 2 "Business Overview", Section 3 "Financial Information", and the information relating to the Bank's business included elsewhere in this Prospectus.

The Bank has made reference to the Historical Audited Financial Statements for the fiscal years ended June 30, 2025, 2024, and 2023, and internal management reports.

### 7.1. Overview

Over the review period, the Bank recorded strong growth in total assets, deposits, and profitability, alongside expansion in its operational infrastructure and digital capabilities. The balance sheet expanded materially, supported primarily by customer deposit mobilization and retained earnings accumulation. Profitability remained strong over all three years, underpinned by growth in both interest and non-interest income streams and improved operating efficiency.

#### Income Growth and Composition

The Bank recorded revenue expansion over the three-year period ended FY2025.

Net operating income increased from ETB 4.22 billion in FY2023 to ETB 5.77 billion in FY2024, representing an increase of ETB 1.55 billion (37%) year-on-year, and further to ETB 11.68 billion in FY2025, reflecting an increase of ETB 5.91 billion (102%) year-on-year. The growth was driven by expansion in both interest and non-interest income streams.

Net interest income increased from ETB 2.63 billion in FY2023 to ETB 3.64 billion in FY2024, a year-on-year increase of ETB 1.01 billion (38%), and further to ETB 4.78 billion in FY2025, representing an additional year-on-year increase of ETB 1.13 billion (31%). This growth was supported by an expansion in interest-earning assets and the Bank's loan portfolio.

Interest income increased from ETB 4.00 billion in FY2023 to ETB 5.35 billion in FY2024 which was a year-on-year increase of ETB 1.36 billion (34%) and further to ETB 7.02 billion in FY2025 representing an year-on-year ETB 1.67 billion (31%), while interest expense increased from ETB 1.37 billion in FY2023 to ETB 1.71 billion in FY2024, an year-on-year increase of ETB 0.35 billion (25%) and to ETB 2.25 billion in FY2025 an year-on-year increase of ETB 0.54 billion (31%), supported by growth in customer deposits and funding costs .

Fee and Commission (Non-interest) income recorded strong growth over the period, primarily driven by fee-based income and foreign exchange operations. Fee and commission income increased from ETB 1.32 billion in FY2023 to ETB 1.98 billion in FY2024, an increase of ETB 0.66 billion (50%), and further to ETB 3.34 billion in FY2025, representing an increase of ETB 1.35 billion (68%).

## Operating Expenses

Operating expenses increased in line with business expansion. Employee expenses rose from ETB 0.95 billion in FY2023 to ETB 1.42 billion in FY2024, an increase of ETB 0.47 billion (49%), and further to ETB 1.98 billion in FY2025, representing an increase of ETB 0.56 billion (39%) year-on-year. Other operating expenses increased from ETB 0.65 billion in FY2023 to ETB 0.84 billion in FY2024 an increase of ETB 0.19 billion (29%) year-on-year and to ETB 1.24 billion in FY2025 which was an year-on-year increase of ETB 0.40 billion (48%). This was in line with continued investment in operations, infrastructure, and digital capabilities.

## Profitability

Profit before tax increased significantly from ETB 2.50 billion in FY2023 to ETB 3.32 billion in FY2024, an increase of ETB 0.82 billion (33%), and further to ETB 8.21 billion in FY2025, representing a significant increase of ETB 4.89 billion (147%).

Profit after tax, similarly increased from ETB 1.81 billion in FY2023 to ETB 2.39 billion in FY2024 an ETB 0.58 billion (32%) year-on-year increase and to ETB 5.87 billion in FY2025 which was an year-on-year increase of ETB 3.48 billion (145%).

The increase in profitability over the period was primarily driven by strong growth in net operating income, particularly in FY2025. This was supported by higher net interest income from expansion of the loan book and interest-earning assets, and a significant increase in non-interest income, notably fee and commission income and foreign exchange income. Profitability was further supported by income growth materially outpacing the increase in operating expenses.

## Asset Growth

Total assets increased from ETB 47.78 billion in FY2023 to ETB 59.20 billion in FY2024, representing an increase of ETB 11.42 billion (24%), and further to ETB 88.60 billion in FY2025, an increase of ETB 29.40 billion (50%) year-on-year.

Net loans and advances increased from ETB 31.39 billion in FY2023 to ETB 35.63 billion in FY2024, an increase of ETB 4.24 billion (13%), and further to ETB 41.53 billion in FY2025, representing an increase of ETB 5.90 billion (17%), driven by continued expansion in lending activities. Investment securities increased from ETB 3.62 billion in FY2023 to ETB 5.24 billion in FY2024 (ETB 1.62 billion; 45%) and further to ETB 7.61 billion in FY2025 (ETB 2.36 billion; 45%), contributing to overall asset growth..

## Funding and Liabilities

Customer deposits increased from ETB 36.87 billion in FY2023 to ETB 43.09 billion in FY2024, representing an increase of ETB 6.22 billion (17%), and further to ETB 64.44 billion in FY2025, reflecting an increase of ETB 21.35 billion (50%). These increases were consistent with the strong deposit mobilization over the period.

Total liabilities increased from ETB 39.30 billion in FY2023 to ETB 46.94 billion in FY2024, an increase of ETB 7.63 billion (19%), and further to ETB 70.16 billion in FY2025, representing an increase of ETB 23.22 billion (49%). This was broadly in line with balance sheet expansion.

### **Capital Position**

Total equity increased from ETB 8.48 billion in FY2023 to ETB 12.26 billion in FY2024, representing an increase of ETB 3.78 billion (45%), and further to ETB 18.43 billion in FY2025, reflecting an increase of ETB 6.17 billion (50%).

Share capital increased from ETB 5.00 billion in FY2023 to ETB 7.46 billion in FY2024, an increase of ETB 2.46 billion (49%), and further to ETB 9.39 billion in FY2025, representing an increase of ETB 1.93 billion (26%), reflecting capital strengthening initiatives.

### **Financial Key Performance Indicators**

The Bank's cost-to-income ratio increased from 40% in FY2023 to 42% in FY2024, representing a deterioration of 2 percentage points (5%), before declining to 30% in FY2025, reflecting a significant improvement of 12 percentage points (-29%) year-on-year. The improvement in FY2025 reflects strong operating leverage, with income growth outpacing the increase in operating expenses.

The loan-to-deposit ratio declined from 88% in FY2023 to 83% in FY2024, representing a reduction of 5 percentage points (-3%), and further to 65% in FY2025, reflecting a reduction of 18 percentage points (-22%). This indicates stronger deposit mobilization relative to loan growth and an improved liquidity position.

The capital adequacy ratio (CAR) increased from 28% in FY2023 to 31% in FY2024, representing an increase of 3 percentage points (11%), and further to 37% in FY2025, reflecting an increase of 6 percentage points (19%). This was driven by growth in retained earnings and capital strengthening initiatives.

The liquidity ratio improved from 24.0% in FY2023 to 32.0% in FY2024, representing an increase of 8.0 percentage points (33%), and further to 52.4% in FY2025, reflecting an increase of 20.4 percentage points (64%). This reflects strong deposit growth and a more conservative asset allocation.

The non-performing loan (NPL) ratio increased from 1.10% in FY2023 to 2.16% in FY2024, representing an increase of 1.06 percentage points (98%), and further to 2.81% in FY2025, reflecting an increase of 0.65 percentage points (30%). While asset quality remains within manageable levels, the upward trend reflects portfolio expansion and seasoning effects.

### **Non-Financial Key Performance Indicators**

The Bank continued to expand its physical and digital footprint over the period. The number of branches increased from 102 in FY2023 to 125 in FY2024, an increase of 23 branches (23%), and further to 132 in FY2025, representing an additional 7 branches (8%).

Total number of employees increased from 1,568 in FY2023 to 1,831 in FY2024, an increase of 263 employees (17%), and further to 1,877 in FY2025, representing an increase of 46 employees (3%), consistent with network expansion and operational scaling.

The customer base grew from 179,955 in FY2023 to 217,832 in FY2024, an increase of 37,877 customers (21%), and further to 294,419 in FY2025, representing a significant increase of 76,587 customers (35%), reflecting successful customer acquisition and market penetration.

Digital and service channel expansion also contributed to growth. The number of ATMs increased from 200 in FY2023 to 293 in FY2024 (+93; 47%) and further to 300 in FY2025 (+7; 2%), while the number of cardholders almost doubled from 35,103 in FY2023 to 69,752 in FY2024 an increase of 34,649 cardholders (99%) and further to 100,493 in FY2025 an increase of 30,741 cardholders(44%).

Digital banking adoption increased significantly, with mobile and internet users increasing from 57,289 in FY2023 to 99,354 in FY2024 an increase of 42,065 users(73%) and further to 137,148 in FY2025 which was an increase of 37,794 users (38%), reflecting continued investment in digital platforms and increased customer uptake of electronic channels.

**Table 66: Summary KPIs**

ETB '000s except for EPS	Financial Year			YoY Growth (%)	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
<b>Statement of Profit of Loss and OCI</b>					
Interest income	7,024,867	5,352,881	3,996,963	31%	34%
Interest expense	(2,249,819)	(1,712,315)	(1,366,195)	31%	25%
Net interest income	4,775,048	3,640,566	2,630,768	31%	38%
Fee and commission income	3,336,316	1,981,377	1,324,450	68%	50%
Other operating income	186,268	115,696	152,284	61%	-24%
Net operating income	11,679,009	5,768,234	4,217,937	102%	37%
Employee expenses	(1,983,062)	(1,424,457)	(954,293)	39%	49%
Other expenses	(1,241,833)	(838,157)	(649,261)	48%	29%
Profit before income tax	8,212,077	3,318,310	2,501,040	147%	33%
Profit for the year	5,868,101	2,392,430	1,813,113	145%	32%
EPS	683	376	430	82%	-13%
<b>Statement of Financial Position</b>					
Loans and advances to customers (net)	41,526,316	35,630,149	31,393,240	17%	13%
Investment security	7,605,842	5,242,557	3,615,565	45%	45%
Total assets	88,597,686	59,200,783	47,784,520	50%	24%
Customer deposits	64,439,347	43,094,736	36,873,291	50%	17%
Total liabilities	70,163,568	46,938,839	39,304,473	49%	19%

ETB '000s except for EPS	Financial Year			YoY Growth (%)	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
Share capital	9,390,451	7,455,181	5,000,000	26%	49%
Total equity	18,434,118	12,261,943	8,480,047	50%	45%
<b>Financial Key Performance Indicators</b>					
Cost to Income Ratio	30%	42%	40%	-29%	5%
Loan to Deposit Ratio	65%	83%	86%	-22%	-3%
Capital Adequacy Ratio (CAR)	37%	31%	28%	19%	11%
Liquidity Ratio	52.4%	32.0%	24.0%	64%	33%
NPL Ratio	2.81%	2.16%	1.10%	30%	96%
<b>Non-Financial Key Performance Indicators</b>					
Total Branches	132	125	102	6%	23%
Total Number of employees	1,877	1,831	1,568	3%	17%
Number of Customers	294,419	217,832	179,955	35%	21%
Number of ATMs	300	293	200	2%	47%
Number of Cardholders	100,493	69,752	35,103	44%	99%
Number of Active Mobile Users	137,148	99,354	57,289	38%	73%
Number of Active Internet Users	137,148	99,354	57,289	38%	73%

### Key Financial Ratio Analysis

Net interest margin increased from 7.1% in FY2023 to 7.5% in FY2024, representing an improvement of 0.4 percentage points (6%), before declining to 7.2% in FY2025, a reduction of 0.3 percentage points (-4%). Overall, margins remained broadly stable despite balance sheet expansion.

The cost-to-income ratio increased from 40.0% in FY2023 to 42.0% in FY2024, representing a deterioration of 2.0 percentage points (5%), before improving significantly to 30.0% in FY2025, a reduction of 12.0 percentage points (-29%), driven by strong operating leverage as income growth outpaced operating expenses.

The Bank's income composition shifted materially over the period. Net interest income to total income remained stable at 60.0% in FY2023 and FY2024, before declining to 39.0% in FY2025, a reduction of 21.0 percentage points (-35%). Conversely, non-interest income to total income remained at 40.0% in FY2023 and FY2024, before increasing to 60.0% in FY2025, an increase of 20.0 percentage points (50%). This indicates a clear shift towards non-funded income streams.

Net profit margin declined from 43.0% in FY2023 to 41.5% in FY2024, representing a reduction of 1.5 percentage points (-3%), before increasing to 50.2% in FY2025, an improvement of 8.7 percentage points (21%), supported by strong revenue growth and improved cost efficiency.

Return on assets (ROA) increased from 4.4% in FY2023 to 4.5% in FY2024, representing a marginal increase of 0.1 percentage points (2%), and further to 8.0% in FY2025, an increase of 3.5 percentage points (78%), demonstrating improved asset utilization.

Return on equity (ROE) declined from 29.4% in FY2023 to 27.5% in FY2024, representing a reduction of 1.9 percentage points (-6%), before increasing significantly to 47.1% in FY2025, an increase of 19.6 percentage points (71%), driven by strong earnings growth relative to equity.

The debt-to-equity ratio increased from 350.0% in FY2023 to 357.0% in FY2024, representing an increase of 7.0 percentage points (2%), and further to 436.0% in FY2025, an increase of 79.0 percentage points (22%), consistent with deposit-led balance sheet expansion.

**Table 67: Summary of Key Financial Ratios**

Ratio	Financial Year		
	FY 2025	FY 2024	FY 2023
Net Interest Margin	7.2%	7.5%	7.1%
Cost to Income Ratio	30.0%	42.0%	40.0%
Net Interest Income/Total Income	39.0%	60.0%	60.0%
Non-Interest Income/Total Income	60.0%	40.0%	40.0%
Net Profit Margin	50.2%	41.5%	43.0%
ROA	8.0%	4.5%	4.4%
ROE	47.1%	27.5%	29.4%
Debt/Equity	436.0%	357.0%	350.0%

**Service Delivery Channels**

The Bank expanded both its physical and digital service delivery channels over the period, supporting customer acquisition, transaction growth, and service accessibility.

The number of branches increased from 102 in FY2023 to 125 in FY2024, representing an increase of 23 branches (23%), and further to 132 in FY2025, an increase of 7 branches (6%). The expansion was driven by continued investment in physical distribution to support customer onboarding and deposit mobilization.

The ATM network increased from 200 in FY2023 to 293 in FY2024, representing an increase of 93 ATMs (47%), and further to 300 in FY2025, an increase of 7 ATMs (2%). The slower growth in FY2025 indicates a shift from rapid infrastructure rollout toward optimization of the existing network.

Point-of-sale (POS) machines increased significantly from 312 in FY2023 to 755 in FY2024, representing an increase of 443 machines (142%), and further to 1,314 in FY2025, an increase of 559 machines (74%).

The expansion in POS infrastructure was driven by increased focus on digital payments and merchant acquisition.

The increase in service delivery channels supported:

- Expansion in the customer base
- Higher transaction volumes, particularly through digital channels
- Growth in fee and commission income, driven by card and payment-related services

Overall, the Bank’s distribution strategy shifted from branch-led expansion in FY2024 toward accelerated growth in digital and merchant-based channels in FY2025, supporting scalability and transaction-driven revenue growth

**Table 68: Service Delivery Channels**

Channels	Financial Year			YoY Growth (%)	
	FY2025	FY2024	FY2023	2024/ 25	2023/ 24
Number of Branches	132	125	102	6%	23%
Number of ATMs	300	293	200	2%	47%
Number of POS machines	1,314	755	312	74%	142%

**Customer Base**

The Bank’s customer base expanded significantly over the period, supporting growth in deposits, transactions, and digital adoption.

The number of customer accounts increased from 179,955 in FY2023 to 217,832 in FY2024, representing an increase of 37,877 accounts (21%), and further to 294,419 in FY2025, an increase of 76,587 accounts (35%). The growth indicates continued customer acquisition and deeper market penetration.

The number of cardholders increased from 35,103 in FY2023 to 69,752 in FY2024, representing an increase of 34,649 (99%), and further to 100,493 in FY2025, an increase of 30,741 (44%). The expansion in cardholders supported growth in transaction volumes and fee-based income.

Mobile banking users increased from 73,082 in FY2023 to 138,680 in FY2024, representing an increase of 65,598 users (90%), and further to 191,464 in FY2025, an increase of 52,784 users (38%). Similarly, active internet banking users increased from 57,289 in FY2023 to 99,534 in FY2024 (+42,245; 74%), and further to 137,148 in FY2025 (+37,614; 38%).

Despite the strong growth in absolute numbers, the proportion of active digital users declined from 78.4% in FY2023 to 71.6% in FY2024, and remained stable at 71.6% in FY2025, indicating that customer growth outpaced digital activation rates.

The expansion in the customer base and digital users contributed to:

- Growth in customer deposits
- Increased transaction volumes across digital channels
- Expansion in fee and commission income, particularly from card and payment-related services

**Table 69: Customer Base**

Customer Base	Financial Year			YoY Growth (%)	
	FY2025	FY2024	FY2023	2024/25	2023/24
Number of Customer Accounts	294,419	217,832	179,955	21%	35%
Number of Cardholders	100,493	69,752	35,103	44%	99%
Mobile Banking Users	191,464	138,680	73,082	38%	90%
Number of Active Internet Users	137,148	99,534	57,289	38%	74%
Number of Active Internet/Mobile Banking Users <sup>20</sup>	71.6%	71.6%	78.4%		

## 7.2. Material factors affecting the Company’s results of operations

### 7.2.1. Macroeconomic Overview<sup>21</sup>

Real GDP growth was 7.2% in FY2025, moderating from 8.1% in FY2024, supported by investments in mining, agriculture, and energy. However, key risks remain, especially from potential political instability and inflationary pressures. The Bank has navigated these challenges vis-à-vis balance sheet growth, profitability, and cash flow generation, but any future inflationary shocks or political instability could pressure financial performance via impact on consumers and businesses.

Over the three-year period from FY2023 to FY2025, Ethiopia’s macroeconomic environment evolved from acute stress conditions toward gradual stabilization, creating a more supportive operating backdrop for the banking sector.

#### Economic Growth

Real GDP growth remained resilient throughout the period, expanding at 7.2% in FY2023, accelerating to 8.1% in FY2024, and moderating to 7.2% in FY2025. Growth was underpinned by recovery in services, trade, construction, and manufacturing, alongside gradual normalization in agricultural output. The sustained pace of economic expansion supported credit demand across retail, SME, and corporate segments, particularly in trade-related activities and consumer lending.

<sup>20</sup> Ibid 14.

<sup>21</sup> “Macro Poverty Outlook / October 2025.” World Bank.

The impact of sustained economic growth is reflected in the Bank's expansion over the period. Loans and advances increased from ETB 31.39 billion in FY2023 to ETB 35.63 billion in FY2024 (+13%), and further to ETB 41.53 billion in FY2025 (+17%), indicating continued credit demand across key segments. This growth contributed to the increase in net interest income, which rose from ETB 2.63 billion in FY2023 to ETB 4.78 billion in FY2025, and supported overall profitability.

### **Inflation Dynamics**

Inflation declined materially over the review period, falling from 30.2% in FY2023 to 21.1% in FY2024, and further to 13.1% in FY2025. This downward trajectory reflects tighter monetary policy, reduced monetization of fiscal deficits, and exchange-rate reforms that helped ease supply-side distortions. Lower inflation improved household purchasing power and borrowers' debt-servicing capacity, contributing to improved asset quality and more stable deposit growth for banks.

The decline in inflation is reflected in the Bank's funding and asset quality indicators. Customer deposits increased from ETB 36.87 billion in FY2023 to ETB 43.09 billion in FY2024 (+17%), and further to ETB 64.44 billion in FY2025 (+50%), indicating improved savings mobilization. At the same time, asset quality pressures remained manageable, with the NPL ratio at 2.81% in FY2025, while improved price stability supported borrowers' repayment capacity and operating conditions.

### **Exchange Rate Adjustment**

The Ethiopian Birr experienced considerable movement over the review period, consistent with the shift from a managed exchange rate system to a more market-based framework. The average official exchange rate changed moderately between FY2023 and FY2024, moving from ETB 53.3/USD to ETB 56.0/USD, and then rose to ETB 119.3/USD in FY2025 following the introduction of a market determined exchange rate mechanism in July 2024.

The limited movement in FY2023 and FY2024 was mainly associated with administrative controls in the official market. The adjustment in FY2025 represents a transition toward rates more aligned with market conditions.

The exchange rate adjustment had a direct impact on the Bank's income profile. Non-interest income increased significantly over the period, supported by foreign exchange-related activities, contributing to the increase in net operating income from ETB 4.22 billion in FY2023 to ETB 11.68 billion in FY2025. This was a key driver of profitability, with profit before tax increasing to ETB 8.21 billion in FY2025 (+147%), indicating the sensitivity of earnings to exchange rate movements.

### **Demographic Fundamentals**

Population growth remained strong, increasing from 105.7 million in FY2023 to 110.2 million in FY2025. This expanding population continues to provide a structural demand base for financial services, including retail banking, digital payments, savings mobilization, and SME financing. The demographic trend reinforces long-term growth opportunities for banks with scalable branch networks and digital delivery channels.

The exchange rate adjustment had a direct impact on the Bank's income profile. Non-interest income increased significantly over the period, supported by foreign exchange-related activities, contributing to the

increase in net operating income from ETB 4.22 billion in FY2023 to ETB 11.68 billion in FY2025. This was a key driver of profitability, with profit before tax increasing to ETB 8.21 billion in FY2025 (+147%), indicating the sensitivity of earnings to exchange rate movements.

### **Overall Banking Sector Implications.**

Taken together, moderating inflation, sustained GDP growth, exchange-rate reform, and favorable demographics improved macroeconomic predictability and reduced systemic risk over FY2023–FY2025. While FY2023 was characterized by macro-financial stress, the subsequent years marked a transition toward stabilization and reform-driven growth. These conditions enhanced the operating environment for Ethiopian banks, supporting balance-sheet expansion, diversification of income streams, and stronger profitability, while positioning the sector to benefit from continued structural reforms and financial sector liberalization.

These macroeconomic developments are reflected in the Bank's overall performance. Total assets increased from ETB 47.78 billion in FY2023 to ETB 59.20 billion in FY2024 (+24%), and further to ETB 88.60 billion in FY2025 (+50%), while profitability improved significantly, with profit for the year increasing from ETB 1.81 billion in FY2023 to ETB 5.87 billion in FY2025 (+145%). In addition, key indicators improved, including the cost-to-income ratio declining from 40% to 30% and the liquidity ratio increasing from 24.0% to 52.4%, indicating stronger operational efficiency and liquidity.

### **Political Stability**

Ethiopia has experienced periods of political and security instability in recent years, arising from internal conflicts, regional tensions, and transitional political reforms. While the federal government has taken steps to restore stability through peace agreements, security operations, and institutional reforms, certain regions continue to face localized disruptions. These conditions have, at times, affected economic activity, investor confidence, and the operating environment for financial institutions.

Political and security challenges may disrupt business operations, supply chains, and trade flows, particularly in affected regions. For banks operating nationwide, such conditions can constrain branch operations, delay project implementation, and adversely impact borrowers' cash flows and repayment capacity. Heightened uncertainty may also reduce private sector investment, slow credit demand in certain sectors, and increase credit and operational risks.

The potential impact of political and security risks is reflected in the Bank's risk profile and portfolio management. While overall loan growth remained strong, sectoral and geographic risks are managed through portfolio diversification and ongoing credit monitoring. This is evidenced by the Bank maintaining an NPL ratio of 2.81% in FY2025, despite the operating environment.

The Bank operates with a relatively light branch footprint, with the majority of its operations concentrated in Addis Ababa. This concentration mitigates exposure to localized disruptions in other regions. However, the Bank is actively evaluating opportunities to expand its branch network beyond the capital to reduce geographic concentration risk and support more balanced growth.

Notwithstanding these measures, continued instability may affect borrower performance, credit demand, and operational continuity in certain regions.

**Table 70: Macroeconomic Indicators<sup>22</sup>**

	FY2025	FY2024	FY2023
GDP growth rate	7.2%	8.1%	7.2%
Inflation rate	13.1%	21.1%	30.2%
Exchange rate (ETB/USD) <sup>23</sup>	119.3	56.0	53.3
Population (millions)	110.2	108.4	105.7

### 7.2.2. Digital Banking

The liberalization of Ethiopia's financial sector presents both opportunities and challenges. The Bank views these reforms not merely as compliance requirements but as an opportunity to innovate, differentiate, and lead. Digital Transformation is a strategic pillar, and the bank has been making steady inroads in building up its Digital capabilities. The liberalization reinforces the Bank's need to fully innovate and embed Digital into everyday operations. The Bank's digital footprint expanded to 300 ATMs and 1,314 POS terminals, with digital channels now accounting for 65 percent of all transactions. Today, over 197,000 customers actively use Internet and Mobile Banking platforms, which illustrates the Bank's commitment to accessibility, convenience, and efficiency. Over the past fiscal year, the Bank made progress in its digital transformation agenda, introducing various IT initiatives designed to enhance service management, strengthen customer experience, and streamline internal operations. Key achievements included improved system availability, advanced automation, stronger security protocols, and the deployment of innovative customer-facing technologies, both developed in-house and through strategic partnerships. The Bank also enhanced system reliability, expanded automation, and collaborated with FinTechs and payment service providers to broaden digital access.

The expansion of digital channels has translated into measurable financial outcomes. Active mobile users increased from 57,289 in FY2023 to 99,354 in FY2024 (+73%), and further to 137,148 in FY2025 (+38%), while cardholders increased from 35,103 in FY2023 to 100,493 in FY2025. This growth is reflected in fee and commission income, which increased from ETB 1.32 billion in FY2023 to ETB 3.34 billion in FY2025 (+68% in FY2025). In addition, increased digital adoption contributed to improved efficiency, with the cost-to-income ratio declining from 40% in FY2023 to 30% in FY2025, indicating that income growth outpaced operating costs.

### 7.2.3. Industry Competition

Competition in Ethiopia's financial services sector is undergoing a structural shift from a historically protected, state-led model toward a more liberalized and dynamic market environment. The enactment of Banking Business Proclamation No. 1360/2025, which permits foreign banks to establish subsidiaries or acquire up to a 49% aggregate stake in domestic institutions, is expected to intensify competitive pressures, particularly in corporate banking, trade finance, and high-value customer segments.

The sector remains dominated by traditional commercial banks, with the Commercial Bank of Ethiopia (CBE) maintaining a leading position in terms of assets and customer base. However, competitive dynamics are increasingly shaped by digital financial service providers, including telco-backed platforms such as

<sup>22</sup> Statista Database.

<sup>23</sup> "Financial Stability Report/March 2026" NBE.

Telebirr and M-Pesa, which have significantly expanded access to payments and transactional services through mobile channels. These platforms are driving disintermediation in low-value, high-volume transactions and reshaping customer expectations around speed, convenience, and cost.

Private commercial banks and emerging FinTech players, including Kacha and YaYa Wallet, are further intensifying competition by offering digital-first solutions, streamlined onboarding processes, and specialized financial products. These players are particularly effective in attracting younger, technology-oriented customers and underserved segments, contributing to a gradual shift toward a more customer-centric and technology-driven financial ecosystem.

At the same time, Savings and Credit Cooperative Organizations (SACCOs) remain a key competitive force in rural and semi-urban areas, where they provide accessible and affordable financial services to a large membership base. Their increasing collaboration with FinTech providers to deliver mobile-enabled services is enhancing their competitiveness and expanding their reach.

The impact of competition is reflected in both funding and income dynamics. Customer deposits increased from ETB 36.87 billion in FY2023 to ETB 64.44 billion in FY2025, while interest expense increased by 31% in FY2025, indicating pricing pressure in the deposit market. At the same time, lending growth remained moderate relative to deposit growth, as evidenced by the loan-to-deposit ratio declining from 86% in FY2023 to 65% in FY2025, indicating stronger deposit mobilization. Competitive dynamics also contributed to growth in non-interest income, particularly transaction-based income streams.

#### **7.2.4. Government Regulations and Policies**

The NBE has issued directives on capital adequacy, foreign exchange risk, licensing, recovery planning, liquidity management, and the credit cap, all of which impact the Bank's operations and strategy. For FY 2025, the Bank disbursed loans of ETB 41.5 billion vs. ETB 35.6 billion in FY2024, a growth of 14%. The growth is in line with the credit cap of 18%. The credit cap, first introduced in August 2023 at 14%, limited the annual growth of loans disbursed by commercial banks to the private sector. The NBE decided to maintain the credit cap at 24% in an announcement following the Monetary Policy Committee's (MPC) fifth meeting on December 22, 2025.

Other directives that the Bank benefited from include Directive No. FXD/01/2024 which introduced a market-based exchange rate regime in Ethiopia and allowed banks to gain from foreign exchange fluctuations in their operations.

Zemen Bank's operations, financial position, and strategic flexibility are materially influenced by directives issued by the National Bank of Ethiopia (NBE), including Directive SBB/92/2024, Directive SBB/95/2025, and relevant ONPS (Operational and Prudential Standards) directives.

Directive SBB/92/2024 (Investment in Non-Banking and Capital Market Activities) expands the permissible scope of bank investments by allowing banks, subject to prior approval, to hold up to 100% equity in capital market service providers (excluding credit rating agencies), while imposing strict quantitative limits on non-core investments. For Zemen Bank, this directive creates opportunities to participate in capital market infrastructure and related financial services; however, it also constrains investment diversification by capping equity exposure to non-banking businesses at 10% per entity and 15% in aggregate relative to total capital, and by limiting real estate investments outside operational premises. Compliance with these

limits may restrict the Bank’s ability to pursue certain strategic investments or require divestment or restructuring of non-core holdings.

Directive SBB/95/2025 (Capital, Liquidity, and Balance Sheet Management Requirements) strengthens prudential oversight by reinforcing minimum capital adequacy, liquidity ratios, and eligible buffer requirements. This directive directly affects Zemen Bank’s capital planning, dividend policy, and balance sheet growth, as the Bank may be required to retain higher levels of capital or liquid assets to remain compliant. As a result, loan growth, funding strategies, and returns to shareholders may be influenced by the need to maintain regulatory buffers under varying economic and market conditions.

ONPS Directives, including those governing loan classification and provisioning, large exposure limits, related-party transactions, and operational risk management, impose ongoing obligations on Zemen Bank to maintain robust credit assessment, monitoring, and reporting frameworks. These requirements affect the timing of income recognition, provisioning charges, and capital consumption, particularly in periods of economic stress or sectoral concentration. Non-compliance or changes in interpretation of ONPS standards could result in increased supervisory scrutiny, additional capital requirements, or restrictions on certain banking activities.

Collectively, these directives require Zemen Bank to operate within a tightly controlled prudential framework that prioritizes financial stability and depositor protection. Amendments to existing directives or the issuance of new regulatory instruments may necessitate changes to the Bank’s business model, systems, and governance arrangements, and could have a material effect on its profitability, growth prospects, and risk profile.

Regulatory developments have had a direct impact on the Bank’s financial performance and position. Loan growth remained aligned with regulatory constraints, increasing from ETB 31.39 billion in FY2023 to ETB 41.53 billion in FY2025 (+17% in FY2025). At the same time, exchange rate reforms contributed to a significant increase in non-interest income, supporting overall profitability, with profit after tax increasing from ETB 1.81 billion in FY2023 to ETB 5.87 billion in FY2025 (+145% in FY2025). Prudential requirements also influenced the Bank’s capital and liquidity profile, with capital adequacy increasing from 28% in FY2023 to 37% in FY2025, and the liquidity ratio improving from 24.0% to 52.4% over the same period.

### 7.3. Analysis of Historical Financial Performance

The tables below set out the Company’s historical statements of comprehensive income for the years ended 30 June 2025, 2024, and 2023.

**Table 71: Statement of comprehensive income (ETB ‘000)**

Particulars	FY 2025	FY 2024	FY 2023
Interest income	7,024,867	5,352,881	3,996,963
Interest expense	(2,249,819)	(1,712,315)	(1,366,195)
<b>Net interest income</b>	<b>4,775,048</b>	<b>3,640,566</b>	<b>2,630,768</b>
Fee and commission income	3,336,316	1,981,377	1,324,450
Fee and commission expense	(27,460)	(22,430)	(17,300)
Non-Interest income	<b>3,308,856</b>	<b>1,958,947</b>	<b>1,307,150</b>

Particulars	FY 2025	FY 2024	FY 2023
Net foreign exchange income	3,866,011	<b>319,098</b>	<b>269,697</b>
Other operating income	186,268	115,696	152,284
<b>Total operating income</b>	<b>12,136,183</b>	<b>6,034,307</b>	<b>4,359,899</b>
Loan impairment charge	(187,559)	(266,032)	(141,725)
Impairment losses on other assets	(34,623)	(41)	(237)
Provision for others	(234,992)	-	-
<b>Net operating income</b>	<b>11,679,009</b>	<b>5,768,234</b>	<b>4,217,937</b>
Personnel expenses	(1,983,062)	(1,424,457)	(954,293)
Amortization of intangible assets	(49,019)	(40,631)	(32,224)
Depreciation and impairment of property, plant, and equipment	(193,019)	(146,679)	(81,119)
Other operating expenses	(1,241,833)	(838,157)	(649,261)
<b>Profit before tax</b>	<b>8,212,077</b>	<b>3,318,310</b>	<b>2,501,040</b>
Income tax expense	(2,343,976)	(925,880)	(687,927)
<b>Profit after tax</b>	<b>5,868,101</b>	<b>2,392,430</b>	<b>1,813,113</b>
<b>Other comprehensive income (OCI) net of income tax</b>			
<b>Items that will not be subsequently reclassified into profit or loss:</b>			
Re-measurement gain/(loss) on retirement benefits obligations	(24,607)	(7,824)	(18,127)
Deferred tax (liability)/asset on re-measurement loss	7,382	2,347	5,438
Re-measurement gain / (loss) on equity investment	29,147	365,574	152,518
Deferred tax (liability)/asset on remeasurement gain	(8,744)	(109,672)	(45,755)
Total Other Comprehensive Income (net of tax)	3,178	250,425	94,074
<b>Total comprehensive income for the period</b>	<b>5,871,278</b>	<b>2,642,855</b>	<b>1,907,187</b>

### 7.3.1. Income Analysis

#### 7.3.1.1. Interest Income

##### Type of Interest Income

Total interest income increased from ETB 3.99 billion in FY2023 to ETB 5.35 billion in FY2024, representing an increase of ETB 1.36 billion (33.9%), and further to ETB 7.02 billion in FY2025, an increase of ETB 1.67 billion (31.2%). The growth was primarily driven by expansion in lending activities and increased returns on interest-earning assets.

Interest income from term loans increased from ETB 3.05 billion in FY2023 to ETB 4.06 billion in FY2024, an increase of ETB 1.02 billion (33.4%), and further to ETB 4.98 billion in FY2025, an increase of ETB 0.92 billion (22.8%). Term loans remained the largest contributor to total interest income over the period.

Interest income from overdrafts and other facilities increased from ETB 692.0 million in FY2023 to ETB 842.3 million in FY2024, an increase of ETB 150.3 million (21.7%), and further to ETB 983.8 million in FY2025, an increase of ETB 141.5 million (16.8%), driven by increased utilization of short-term credit facilities.

Interest income from investment securities increased from ETB 222.0 million in FY2023 to ETB 318.5 million in FY2024, an increase of ETB 96.5 million (43.4%), and further to ETB 468.9 million in FY2025, an increase of ETB 150.4 million (47.3%), supported by increased allocation to interest-bearing investments and improved yields.

Interest income from deposits with foreign banks increased from ETB 4.0 million in FY2023 to ETB 90.6 million in FY2024, an increase of ETB 86.6 million (2,189.5%), and further to ETB 443.0 million in FY2025, an increase of ETB 352.4 million (388.7%), reflecting increased foreign placements and higher returns on such balances.

Interest income from deposits with local banks increased from ETB 21.2 million in FY2023 to ETB 25.8 million in FY2024, an increase of ETB 4.6 million (21.8%), and further to ETB 27.4 million in FY2025, an increase of ETB 1.5 million (5.9%), indicating modest growth in local placements.

Interest income from merchandise loans declined from ETB 12.6 million in FY2023 to ETB 12.5 million in FY2024, a decrease of ETB 0.1 million (-0.6%), and further to ETB 4.9 million in FY2025, a decrease of ETB 7.6 million (-61.0%), indicating reduced activity in this segment.

Interest income from interbank investments amounted to ETB 111.7 million in FY2025, representing a new income stream during the year.

Overall, growth in interest income was primarily driven by term loans and supported by increased contributions from investment securities and foreign placements.

**Table 72: Interest Income by Type (ETB '000)**

Interest Income (ETB '000s)	FY2025	FY2024	FY2023	% Variance 25/24	% Variance 24/23
Interest on term loans	4,981,342	4,063,122	3,045,206	22.6%	33.4%
Interest on overdrafts and others	983,792	842,326	692,019	16.8%	21.7%
Interest on investment securities	468,939	318,460	222,001	47.3%	43.4%
Interest on deposits with foreign banks	442,981	90,641	3,959	388.7%	2189.5%
Interest earned on interbank investments	111,659	-	-	-	-
Interest on deposit with local banks	27,356	25,828	21,197	5.9%	21.8%
Interest on merchandise loans	4,879	12,504	12,582	-61.0%	-0.6%

Interest Income (ETB '000s)	FY2025	FY2024	FY2023	% Variance 25/24	% Variance 24/23
Interest on bills	3,921	-	-	-	-
<b>Total</b>	<b>7,024,867</b>	<b>5,352,881</b>	<b>3,996,963</b>	<b>31.2%</b>	<b>33.9%</b>

### Interest income on Loans and Advances

Interest income from loans and advances increased from ETB 3.75 billion in FY2023 to ETB 4.92 billion in FY2024, representing an increase of ETB 1.17 billion (31%), and further to ETB 5.97 billion in FY2025, an increase of ETB 1.05 billion (21%). The growth was driven by expansion across key lending segments.

Interest income from business loans increased from ETB 2.72 billion in FY2023 to ETB 3.51 billion in FY2024, an increase of ETB 0.79 billion (29%), and further to ETB 4.29 billion in FY2025, an increase of ETB 0.78 billion (22%), remaining the largest contributor to loan-related interest income.

Interest income from consumer loans increased from ETB 253.5 million in FY2023 to ETB 443.3 million in FY2024, an increase of ETB 189.8 million (75%), and further to ETB 564.6 million in FY2025, an increase of ETB 121.3 million (27%), driven by growth in retail lending.

Interest income from line of credit facilities increased from ETB 450.8 million in FY2023 to ETB 549.5 million in FY2024, an increase of ETB 98.7 million (22%), and further to ETB 686.4 million in FY2025, an increase of ETB 136.9 million (25%), indicating increased utilization of working capital facilities.

Interest income from pre-shipment loans increased from ETB 239.3 million in FY2023 to ETB 292.8 million in FY2024, an increase of ETB 53.5 million (22%), before declining slightly to ETB 297.4 million in FY2025, representing an increase of ETB 4.6 million (2%), indicating relatively stable performance in this segment.

Interest income from staff loans increased from ETB 74.5 million in FY2023 to ETB 113.8 million in FY2024, an increase of ETB 39.3 million (53%), and further to ETB 128.3 million in FY2025, an increase of ETB 14.5 million (13%), contributing modestly to overall income.

Interest income from merchandise loans declined from ETB 12.6 million in FY2023 to ETB 12.5 million in FY2024, a decrease of ETB 0.1 million (-1%), and further to ETB 4.9 million in FY2025, a decrease of ETB 7.6 million (-61%). The decline in interest income from merchandise loans reflects reduced utilization of inventory-backed financing facilities, as evidenced by a significant reduction in income from this segment alongside continued growth in overdraft and line of credit facilities over the period. This suggests a shift in borrower preference towards more flexible short-term funding options.

**Table 73: Interest income on loans and advances (ETB '000)**

	Financial Year			YoY Growth (%)	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
Interest on Business Loans	4,288,427	3,506,028	2,719,096	22%	29%

	Financial Year			YoY Growth (%)	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
Interest on Merchandise Loans	4,879	12,504	12,582	-61%	-1%
Interest on Pre shipment Loans	297,429	292,832	239,294	2%	22%
Interest on Line of Credits	686,363	549,495	450,778	25%	22%
Interest on Advance Import Bills	3,921	-	-	-	-
Interest on Consumer Loans	564,637	443,272	253,512	27%	75%
Interest on Staff loans	128,277	113,822	74,546	13%	53%
<b>Total</b>	<b>5,973,933</b>	<b>4,917,952</b>	<b>3,749,807</b>	<b>21%</b>	<b>31%</b>

### 7.3.1.2. Interest expense

Total interest expense increased from ETB 1.37 billion in FY2023 to ETB 1.71 billion in FY2024, representing an increase of ETB 0.35 billion (25.3%), and further to ETB 2.25 billion in FY2025, an increase of ETB 0.54 billion (31.4%). The growth was primarily driven by higher interest expense on customer deposits.

Interest expense on savings deposits increased from ETB 1.06 billion in FY2023 to ETB 1.38 billion in FY2024, an increase of ETB 0.32 billion (30.1%), and further to ETB 1.85 billion in FY2025, an increase of ETB 0.47 billion (34.2%), remaining the largest component of total interest expense and accounting for 82.3% of total interest expense in FY2025.

Interest expense on time deposits increased from ETB 300.6 million in FY2023 to ETB 320.8 million in FY2024, an increase of ETB 20.2 million (6.8%), and further to ETB 387.7 million in FY2025, an increase of ETB 66.9 million (20.8%), reflecting growth in interest-bearing deposit balances.

Interest expense on medium-term borrowings increased from ETB 5.6 million in FY2023 to ETB 5.6 million in FY2024, representing a marginal increase of ETB 0.05 million (0.8%), and further to ETB 8.0 million in FY2025, an increase of ETB 2.4 million (42.9%), although remaining immaterial relative to total funding costs.

Overall, the composition of interest expense indicates continued reliance on customer deposits as the Bank's primary funding source, with savings and time deposits accounting for the majority of funding costs. The increase in deposit-related expenses over the period also suggests rising pricing pressures in a competitive deposit market.

**Table 74: Interest expense by type (ETB '000s)**

Interest Expense	FY2025	FY2024	FY2023	YOY Growth 24-25	YOY Growth 23-24	% Share 2025
Interest on savings deposit	1,851,260	1,379,400	1,059,885	34.2%	30.1%	82.28%
Interest on time deposit	387,678	320,975	300,595	20.8%	6.8%	17.23%
Interest on medium-term borrowings	7,995	5,596	5,551	42.9%	0.8%	0.36%
Interest on short-term borrowing	2,136	6,197	-	-65.5%	-	0.09%
Interest on demand deposit	750	147	164	410.2%	-10.4%	0.03%
<b>Total Interest Expense</b>	<b>2,249,819</b>	<b>1,712,315</b>	<b>1,366,195</b>	<b>31.4%</b>	<b>25.3%</b>	<b>100.00%</b>

### 7.3.1.3. Fees and Commission income

Fee and commission income increased from ETB 1.32 billion in FY2023 to ETB 1.98 billion in FY2024, representing an increase of ETB 0.66 billion (50%), and further to ETB 3.34 billion in FY2025, an increase of ETB 1.35 billion (68.4%). The growth was primarily driven by trade-related commissions and increased transaction volumes.

Commission on letters of credit increased from ETB 987.9 million in FY2023 to ETB 1.44 billion in FY2024, an increase of ETB 454.0 million (46%), and further to ETB 2.79 billion in FY2025, an increase of ETB 1.35 billion (93.8%), remaining the largest contributor to fee and commission income.

Service charges increased from ETB 204.2 million in FY2023 to ETB 368.9 million in FY2024, an increase of ETB 164.7 million (80%), and further to ETB 375.9 million in FY2025, an increase of ETB 7.0 million (2.5%), indicating stabilization following strong growth in FY2024.

Commission on letters of guarantee increased from ETB 53.0 million in FY2023 to ETB 78.3 million in FY2024, an increase of ETB 25.3 million (48%), and further to ETB 89.4 million in FY2025, an increase of ETB 11.1 million (14.3%), indicating steady growth in trade-related activities.

Other fees and commission income increased from ETB 28.7 million in FY2023 to ETB 48.2 million in FY2024, an increase of ETB 19.5 million (68%), and further to ETB 59.9 million in FY2025, an increase of ETB 11.6 million (24.2%).

Loan processing fees declined from ETB 28.6 million in FY2023 to ETB 22.9 million in FY2024, a decrease of ETB 5.6 million (-20%), and further to ETB 10.1 million in FY2025, a decrease of ETB 12.9 million (-56.1%), indicating reduced activity in this segment.

Commission income from card transactions (Mastercard and VISA) showed mixed performance, increasing from ETB 9.82 million in FY2023 to ETB 13.22 million in FY2024, an increase of ETB 3.40 million (35%), before declining to ETB 6.33 million in FY2025, a decrease of ETB 6.89 million (-52%). The decline in FY2025 indicates reduced transaction volumes and changes in fee structures across card-based payment channels.

Overall, growth in fee and commission income was driven by strong performance in trade-related services, particularly letters of credit, supported by increased transaction volumes and foreign exchange-related activities.

**Table 75: Fee and Commission Income (ETB'000)**

	FY2025	FY2024	FY2023	FY2025/24 Growth %	FY2024/23 Growth %
Commissions on a letter of credit	2,794,326	1,441,861	987,914	93.80%	46%
Service charge	375,876	366,879	204,183	2.45%	80%
Commissions on the letter of guarantee	89,437	78,251	52,984	14.30%	48%
Other fees and commission income	59,881	48,231	28,731	24.15%	68%
Loan processing fee	10,061	22,941	28,582	-56.14%	-20%
Commission on Mastercard	5,471	10,933	7,452	-49.96%	47%
Commission on VISA transactions	961	2,285	2,371	-57.94%	-4%
Overdraft protection fee	290	355	370	-18.31%	-4%
Balance maintenance fee	14	9,640	11,863	-99.85%	-19%
<b>Total</b>	<b>3,336,316</b>	<b>1,981,377</b>	<b>1,324,450</b>	<b>68.38%</b>	<b>50%</b>

### International Banking Services/Trade Services

Over the three-year period, the Bank has steadily strengthened its foreign currency (FCY) generation capacity, supporting its trade finance operations and ability to meet importer demand. Total FCY inflows increased from USD 527.5 million in FY2023 to USD 566.0 million in FY2024 an ETB 38.5 million increase (7.3%), and further to USD 587.6 million in FY2025, an increase of ETB 21.5 million (3.8%), attributed to continued growth across key FX-generating channels.

**Table 76: International Banking Services**

Source (USD in Mn)	Financial Year			YoY Growth (%)	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
Export	342.69	327.33	292.34	5%	12%
Incoming Remittance	201.24	202.17	225.23	0%	-10%
Purchase of FCY Cash Notes	0.48	0.12	-	300%	-
Card Payments	10.94	7.93	9.58	38%	-17%
Interbank FX dealing	3.23	28.49	0.35	13%	8040%
<b>TOTAL</b>	<b>587.58</b>	<b>566.04</b>	<b>527.50</b>	<b>3.8%</b>	<b>7.3%</b>

Foreign currency generation from exports increased from USD 292.3 million in FY2023 to USD 327.3 million in FY2024, an increase of USD 35.0 million (12%), and further to USD 342.7 million in FY2025, an increase of USD 15.4 million (5%). Export proceeds remained the largest contributor to total FX inflows, reflecting the Bank's strong relationships with export-oriented clients and continued improvement in FX repatriation.

The sustained growth points to the resilience of export-driven inflows despite broader macroeconomic challenges. Remittance inflows remained relatively stable over the period, declining marginally from USD 225.2 million in FY2023 to USD 202.2 million in FY2024, a decrease of USD 23.0 million (-10%), and remained broadly stable at USD 201.2 million in FY2025, a marginal decrease of USD 1.0 million (0%). Despite the slight reduction, remittances continue to represent a significant and stable source of foreign currency, supported by diaspora flows and formal banking channels. The trend is driven by both external economic conditions and shifts in remittance behavior, while maintaining its role as a key liquidity driver. Foreign currency cash purchases, while relatively small in absolute terms, recorded significant growth in FY2025, increasing from USD 0.12 million in FY2024 to USD 0.48 million in FY2025, an increase of USD 0.36 million (300%). This growth shows increased inflows from retail FX sources, including travelers and small-scale transactions, and points to the Bank's expanding participation in the retail foreign exchange market. The Bank began reporting the purchase of foreign currency (FCY) cash notes separately starting in 2024. Card-based foreign currency transactions declined from USD 9.6 million in FY2023 to USD 7.9 million in FY2024, a decrease of USD 1.7 million (-17%), before increasing to USD 10.9 million in FY2025, an increase of USD 3.0 million (38%). The increase is due to higher adoption of digital payment channels, growth in international transactions, and increased usage of card-based platforms. This trend emphasizes the Bank's ongoing shift toward digital financial services and evolving customer payment preferences. Interbank foreign exchange dealings increased USD 0.35 million in FY2023 to USD 28.5 million in FY2024, an increase of USD 28.2 million, and further to USD 32.3 million in FY2025, an increase of USD 3.8 million (13%). The strong growth is driven by the Bank's expanding participation in the domestic FX market, particularly following recent exchange rate reforms that have improved market activity and liquidity. This segment represents an increasingly important source of FX generation and trading income.

#### 7.3.1.4. Other operating income

Other operating income decreased from ETB 152.3 million in FY2023 to ETB 115.7 million in FY2024, representing a decline of ETB 36.6 million (-24%), before increasing to ETB 186.3 million in FY2025, an increase of ETB 70.6 million (61%).

The decline in FY2024 was primarily driven by a reduction in sundry income, which decreased from ETB 117.3 million in FY2023 to ETB 31.7 million in FY2024, a decline of ETB 85.6 million (-73%), and further to ETB 20.3 million in FY2025, a decline of ETB 11.4 million (-36%).

The increase in FY2025 was supported by growth in rent and dividend income. Rent income increased from ETB 15.2 million in FY2023 to ETB 40.7 million in FY2024, an increase of ETB 25.5 million (167%), and further to ETB 83.2 million in FY2025, an increase of ETB 42.5 million (104%). Dividend income increased from ETB 0.4 million in FY2023 to ETB 22.8 million in FY2024, an increase of ETB 22.3 million (5,089%), and further to ETB 47.4 million in FY2025, an increase of ETB 24.7 million (108%).

Postage and processing fees increased from ETB 19.3 million in FY2023 to ETB 20.5 million in FY2024, an increase of ETB 1.2 million (6%), and further to ETB 35.3 million in FY2025, an increase of ETB 14.8 million (72%).

Overall, the increase in FY2025 reflects stronger contributions from rental and dividend income, which more than offset the continued decline in sundry income.

**Table 77: Other Operating Income (ETB'000)**

	Financial Year			YoY Growth (%)	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
Rent income	83,228	40,722	15,228	104%	167%
Dividend income	47,441	22,768	438	108%	5098%
Postage and processing fees	35,329	20,523	19,282	72%	6%
Sundry income	20,270	31,682	117,336	-36%	-73%
<b>Total</b>	<b>186,268</b>	<b>115,696</b>	<b>152,284</b>	<b>61%</b>	<b>-24%</b>

### 7.3.2. Expense Analysis

The Bank's expenses increased significantly in FY2025, driven by business expansion, higher staffing costs, and continued investment in infrastructure and service delivery. Despite the broad-based rise across all cost categories, the growth is driven by scaling operations and remains aligned with the Bank's overall performance and growth trajectory.

**Table 78: Expense Analysis (ETB '000)**

	Financial Year			YoY % Growth	
	FY2025	FY2024	FY2023	2024/25	2023/24
Personnel expenses	1,983,062	1,424,457	954,293	39.22%	49.27%
Amortization and impairment of intangible assets	49,019	40,631	32,224	20.64%	26.09%
Depreciation – Property, Plant and Equipment	193,019	146,679	81,119	31.59%	80.82%
Other operating expenses	1,241,833	838,157	649,261	48.16%	29.09%
<b>Total</b>	<b>3,466,933</b>	<b>2,449,924</b>	<b>1,716,897</b>	<b>41.51%</b>	<b>42.69%</b>

#### Personnel Expenses

Personnel expenses increased from ETB 954.3 million in FY2023 to ETB 1.42 billion in FY2024, representing an increase of ETB 470.2 million (49.3%), and further to ETB 1.98 billion in FY2025, an increase of ETB 558.6 million (39.2%). The increase was primarily driven by staff expansion, salary adjustments, and higher employee-related benefits in line with the Bank's operational growth.

#### Other Operating Expenses

Other operating expenses increased from ETB 649.3 million in FY2023 to ETB 838.2 million in FY2024, representing an increase of ETB 188.9 million (29.1%), and further to ETB 1.24 billion in FY2025, an increase of ETB 403.7 million (48.2%). The growth was mainly attributable to higher administrative, technology, and operational costs associated with business expansion and increased activity levels.

## Depreciation and Amortization

Depreciation and amortization increased from ETB 113.3 million in FY2023 to ETB 187.5 million in FY2024, representing an increase of ETB 74.2 million (65.3%), and further to ETB 242.0 million in FY2025, an increase of ETB 54.5 million (29.2%). The increase was driven by continued investment in property, plant and equipment, as well as intangible assets to support the Bank's operations.

## Total Expenses

Total expenses increased from ETB 1.72 billion in FY2023 to ETB 2.45 billion in FY2024, representing an increase of ETB 0.73 billion (42.7%), and further to ETB 3.47 billion in FY2025, an increase of ETB 1.02 billion (41.5%). The increase was driven by higher personnel costs, rising operating expenses, and continued investment in infrastructure and systems to support the Bank's growth.

### 7.3.3. Profitability

#### Profit Before Tax

Profit before tax increased from ETB 2.50 billion in FY2023 to ETB 3.32 billion in FY2024, representing an increase of ETB 0.82 billion (33%), and further to ETB 8.21 billion in FY2025, an increase of ETB 4.89 billion (147%). The significant increase in FY2025 was driven by strong growth in net operating income, supported by higher fee and commission income and foreign exchange-related earnings. In particular, the shift to a market-determined exchange rate system contributed to increased foreign exchange income and service charges, which materially supported profitability.

#### Profit After Tax

Profit after tax increased from ETB 1.81 billion in FY2023 to ETB 2.39 billion in FY2024, representing an increase of ETB 0.58 billion (32%), and further to ETB 5.87 billion in FY2025, an increase of ETB 3.48 billion (145%). The movement in profit after tax closely follows the trend in profit before tax, indicating stable tax efficiency over the period. The three-year growth highlights the Bank's strong earnings trajectory and its ability to translate operating performance into net returns..

**Table 79: Profit Trends (ETB '000')**

	Financial Year			YoY Growth (%)	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
Profit before tax	8,212,077	3,318,310	2,501,041	147%	33%
Profit after tax	5,868,101	2,392,430	1,813,114	145%	32%

## 7.4. Analysis Of Historical Financial Position

The table below sets out the Company's historical statements of financial position as at 30 June 2025, 2024, and 2023, and has been extracted without material adjustment from the HFI of this Prospectus

**Table 80: Statement of financial position (ETB '000)**

	FY 2025	FY 2024	FY 2023
<b>ASSETS</b>			
Cash and cash equivalents	33,894,004	13,962,284	8,914,774
Loans and advances to customers (net)	41,526,316	35,630,149	31,393,240
Assets held for sale	4,139	-	-
Investments at fair value through OCI	815,234	783,909	302,537
Investment at amortized cost	6,790,608	4,458,648	3,313,028
Other assets	1,693,221	1,069,879	1,314,747
Right of use asset	725,567	589,348	466,590
Intangible assets	254,026	198,342	167,965
Property, plant and equipment	2,894,571	2,508,223	1,911,637
<b>Total assets</b>	<b>88,597,686</b>	<b>59,200,783</b>	<b>47,784,520</b>
<b>LIABILITIES</b>			
Deposits from customers (Net)	64,439,347	43,094,736	36,873,291
Deposits from other banks	227,061	516,105	205,679
Current tax liabilities	2,335,613	925,258	698,153
Other liabilities	2,623,330	1,397,671	1,228,465
Lease liabilities	134,449	69,250	95,439
Borrowings	95,540	675,524	77,827
Defined benefit obligations	129,074	84,252	56,741
Deferred tax liabilities	179,154	176,043	68,878
<b>Total liabilities</b>	<b>70,163,568</b>	<b>46,938,839</b>	<b>39,304,473</b>
<b>EQUITY</b>			
Share capital	9,390,451	7,455,181	5,000,000
Share premium	906	906	906
Special reserve	143,024	97,672	61,150
Retained earnings	4,106,579	1,679,726	1,352,661
Legal reserve	3,762,774	2,295,749	1,697,642
Regulatory risk reserve	626,363	331,866	217,270
Other reserve	404,021	400,843	150,418
<b>Total equity</b>	<b>18,434,118</b>	<b>12,261,943</b>	<b>8,480,047</b>
<b>Total equity and liabilities</b>	<b>88,597,686</b>	<b>59,200,783</b>	<b>47,784,520</b>

#### 7.4.1. Assets

##### 7.4.1.1. Cash and bank balances

Total cash and cash equivalents increased from ETB 8.91 billion in FY2023 to ETB 13.96 billion in FY2024, representing an increase of ETB 5.05 billion (57%), and further to ETB 33.89 billion in FY2025, an increase of ETB 19.93 billion (143%). The increase reflects a significant strengthening of the Bank's liquidity position over the period.

The growth was primarily driven by balances with foreign banks, which increased from ETB 4.40 billion in FY2023 to ETB 8.31 billion in FY2024, an increase of ETB 3.91 billion (89%), and further to ETB 23.13 billion in FY2025, an increase of ETB 14.82 billion (178%), indicating increased foreign currency placements.

Cash reserves with the NBE increased from ETB 2.57 billion in FY2023 to ETB 2.93 billion in FY2024, an increase of ETB 0.36 billion (14%) due to higher reserve requirements associated with deposit growth and prudent liquidity management. It then declined to ETB 2.36 billion in FY2025, a decrease of ETB 0.57 billion (-19%), due to optimization of reserve holdings, with excess balances reallocated to higher-yielding assets, including foreign placements and investment securities, while maintaining compliance with regulatory reserve requirements.

Balances with the NBE – payment and settlement account increased from ETB 1.36 billion in FY2023 to ETB 1.89 billion in FY2024, an increase of ETB 0.53 billion (39%) reflecting higher transaction volumes and settlement activity, before declining slightly to ETB 1.72 billion in FY2025, a decrease of ETB 0.17 billion (-9%) which was due to optimization of liquidity allocation, with balances reallocated towards higher-yielding foreign placements while maintaining sufficient levels for operational settlement requirements .

Balances with domestic banks increased from ETB 0.20 billion in FY2023 to ETB 0.22 billion in FY2024, an increase of ETB 0.02 billion (8%), and further to ETB 0.54 billion in FY2025, an increase of ETB 0.32 billion (148%), indicating increased interbank placements.

Cash on hand increased from ETB 0.38 billion in FY2023 to ETB 0.61 billion in FY2024, an increase of ETB 0.23 billion (60%), before remaining broadly stable at ETB 0.60 billion in FY2025, a marginal decrease of ETB 0.00 billion (-1%).

Overall, the increase in cash and cash equivalents was driven primarily by higher balances with foreign banks, reflecting a strategic shift towards strengthening foreign currency liquidity and enhancing the Bank's capacity to meet short-term funding and settlement requirements.

**Table 81: Cash and bank balances (ETB '000)**

	Financial Year			YoY Growth (%)	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
Balances with foreign banks	23,130,899	8,312,667	4,401,517	178%	89%
Cash reserve with NBE	7,900,000	2,930,000	2,570,000	170%	14%
Balances with NBE – payment and settlement account	1,718,910	1,892,501	1,362,770	-9%	39%
Cash on hand	604,670	608,233	379,369	-1%	60%
Balances with domestic banks	541,189	219,550	203,790	146%	8%
	<b>33,895,668</b>	<b>13,962,951</b>	<b>8,917,446</b>	<b>143%</b>	<b>57%</b>
Loss allowance	(1,665)	(668)	(2,673)	149%	-75%
<b>Total Cash and cash equivalents</b>	<b>33,894,004</b>	<b>13,962,284</b>	<b>8,914,774</b>	<b>143%</b>	<b>57%</b>

#### 7.4.1.2. Loans and Advances to Customers (Net)

Total loans and advances increased to ETB 41.53 billion in FY2025 from ETB 35.63 billion in FY2024 and ETB 31.39 billion in FY2023, representing year-on-year growth of 17% in FY2025 and 13% in FY2024 respectively. The growth was primarily driven by strong expansion in the building and construction, personal loans, and export segments, which remained key contributors to the loan portfolio.

Building and construction recorded the strongest growth, increasing from ETB 2.31 billion in FY2023 to ETB 4.18 billion in FY2024, an increase of ETB 1.88 billion (81%), and further to ETB 7.30 billion in FY2025, an increase of ETB 3.12 billion (75%), making it the largest sector in the loan portfolio.

Personal loans to customers increased from ETB 3.58 billion in FY2023 to ETB 5.58 billion in FY2024, an increase of ETB 2.00 billion (56%), and further to ETB 6.18 billion in FY2025, an increase of ETB 0.60 billion (11%), driven by growth in retail lending.

Export financing increased from ETB 4.90 billion in FY2023 to ETB 5.19 billion in FY2024, an increase of ETB 0.29 billion (6%), and further to ETB 5.89 billion in FY2025, an increase of ETB 0.70 billion (14%), indicating continued support for export-oriented sectors.

Industry loans declined from ETB 5.16 billion in FY2023 to ETB 4.86 billion in FY2024, a decrease of ETB 0.30 billion (-6%), before increasing to ETB 5.44 billion in FY2025, an increase of ETB 0.58 billion (12%), indicating recovery in the sector.

Hotel and tourism loans increased from ETB 2.94 billion in FY2023 to ETB 3.79 billion in FY2024, an increase of ETB 0.85 billion (29%), and further to ETB 4.62 billion in FY2025, an increase of ETB 0.83 billion (22%), reflecting continued expansion in the sector.

Import financing increased from ETB 2.28 billion in FY2023 to ETB 2.26 billion in FY2024, a marginal decrease of ETB 0.02 billion (-1%), before increasing to ETB 2.95 billion in FY2025, an increase of ETB 0.69 billion (31%).

Personal loans to staff increased from ETB 1.53 billion in FY2023 to ETB 1.85 billion in FY2024, an increase of ETB 0.33 billion (21%), and further to ETB 2.08 billion in FY2025, an increase of ETB 0.23 billion (12%).

Domestic trade and service declined from ETB 7.95 billion in FY2023 to ETB 6.33 billion in FY2024, a decrease of ETB 1.62 billion (-20%), and further to ETB 4.91 billion in FY2025, a decrease of ETB 1.42 billion (-22%), indicating a shift in portfolio allocation.

Overall, the loan portfolio reflects a strategic reallocation towards higher-growth and asset-backed sectors, particularly building and construction, which accounted for a significant share of incremental lending in FY2025. At the same time, the Bank reduced its exposure to domestic trade and service segments, indicating a shift away from traditional working capital financing towards more structured lending and retail segments. This repositioning has supported portfolio growth, although it also increases concentration in selected sectors.

**Table 82: Loans and advances to customers by sector – Net (ETB ‘000)**

	Financial Year			YoY Growth (%)		CAGR (%)
	FY 2025	FY 2024	FY 2023	2024/25	2023/24	
Domestic trade and service	4,909,660	6,332,568	7,948,818	-22%	-20%	-21%
Export	5,899,097	5,188,506	4,969,813	14%	4%	9%
Industry	5,435,938	4,862,231	5,157,824	12%	-6%	3%
Personal Loans – Customers	6,179,273	5,581,080	3,580,460	11%	56%	31%
Hotel and tourism	4,622,940	3,792,632	2,935,937	22%	29%	25%
Import	2,953,479	2,256,189	2,263,755	31%	0%	14%
Building and construction	7,301,070	4,176,050	2,306,252	75%	81%	78%
Personal loans – Staffs	2,082,836	1,853,497	1,526,577	12%	21%	17%
Agriculture	643,961	503,217	387,778	28%	30%	29%
Transportation	1,498,061	1,084,181	316,026	38%	243%	118%
<b>Total</b>	<b>41,526,315</b>	<b>35,630,149</b>	<b>31,393,240</b>	<b>17%</b>	<b>13%</b>	<b>15%</b>

#### 7.4.1.3. IFB Financing

Zemen Bank initiated its Interest-Free Banking (IFB) implementation in March 2024 following the appointment of a dedicated IFB Director and has since made significant progress across key areas of development. These include the establishment of a dedicated IFB business unit and project team, development of a distinct IFB brand identity, enhancement of staff capabilities, and the design of comprehensive governance, operational, and system frameworks.

The Bank has also fulfilled key regulatory and institutional requirements, including the registration of the IFB trademark, the onboarding of a Shari'ah Advisory Board, and the preparation of IFB-specific policies and operational materials.

As a result of these efforts, Zemen Bank obtained an official IFB license from the National Bank of Ethiopia effective January 13, 2026. The Bank is currently in the final stages of implementation, including the rollout of pilot branches, targeted staff training, and user acceptance testing, alongside the deployment of a full IFB core banking module, in preparation for launch.

#### 7.4.1.4. Financial assets at FVOCI

Financial assets at fair value through OCI increased to ETB 815.2 million in FY2025 from ETB 783.9 million in FY2024, representing a modest growth of 4%, driven mainly by remeasurement gains on equity investments.

#### 7.4.1.5. Investment securities at amortized cost

Investment securities at amortized cost increased from ETB 3.31 billion in FY2023 to ETB 4.46 billion in FY2024, representing an increase of ETB 1.15 billion (35%), and further to ETB 6.79 billion in FY2025, an increase of ETB 2.33 billion (52%).

The growth was primarily driven by increased holdings of National Bank of Ethiopia (NBE) Bills (Treasury Bills), which increased from ETB 2.93 billion in FY2023 to ETB 3.74 billion in FY2024, an increase of ETB 0.81 billion (28%), and further to ETB 5.84 billion in FY2025, an increase of ETB 2.10 billion (56%), maintaining their position as the largest component of the investment portfolio.

Ethiopian Government bonds also recorded growth, increasing from ETB 0.38 billion in FY2023 to ETB 0.72 billion in FY2024, an increase of ETB 0.33 billion (87%), and further to ETB 0.95 billion in FY2025, an increase of ETB 0.24 billion (33%), contributing to portfolio diversification.

Overall, the increase in investment securities reflects a shift towards income-generating, low-risk assets, supporting liquidity management and providing stable returns.

**Table 83: Investment securities at amortized cost**

	Financial Year			YoY Growth (%)	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
NBE Bills (Treasury Bill)	5,838,045	3,742,197	2,929,330	56%	28%
Ethiopian Government bonds	952,902	716,673	383,864	33%	87%
<b>Total Investments at amortized cost</b>	<b>6,790,947</b>	<b>4,458,871</b>	<b>3,313,194</b>	<b>52%</b>	<b>35%</b>

#### 7.4.1.6. Other assets

Total financial assets declined from ETB 1.26 billion in FY2023 to ETB 0.36 billion in FY2024, a decrease of ETB 0.90 billion (-71%), before increasing to ETB 0.90 billion in FY2025, an increase of ETB 0.54 billion (149%). The volatility over the period demonstrates significant movements in working capital-related balances rather than structural asset growth.

The decline in FY2024 was primarily driven by a sharp reduction in sundry debtors, which decreased from ETB 1.18 billion in FY2023 to ETB 254.2 million in FY2024 (-78%), indicating settlement or recovery of outstanding balances. This was followed by a partial increase to ETB 415.9 million in FY2025 (+64%), suggesting renewed build-up of receivable balances.

The increase in FY2025 was further supported by the recognition of new items, including receivables from shareholders (ETB 281.2 million) and outward documentary bills for purchase (ETB 102.6 million), indicating higher transaction activity and settlement-related exposures. Prepaid staff assets increased from ETB 73.4 million in FY2023 to ETB 98.0 million in FY2024 (+34%) and further to ETB 130.2 million in FY2025 (+33%), indicative of growth in staff-related advances.

Specific impairment allowance increased from a net reversal of ETB 2.4 million in FY2024 to ETB 35.9 million in FY2025, indicating updated credit risk assessments in line with the increase in receivable balances.

Non-financial assets declined from ETB 1.31 billion in FY2023 to ETB 1.07 billion in FY2024 (-19%), before increasing to ETB 1.69 billion in FY2025 (+58%). The increase in FY2025 was driven primarily by prepaid interest (ETB 230.8 million) and suspended interest (ETB 183.9 million), alongside higher prepayments, indicating timing differences in income recognition and accruals rather than underlying asset expansion. Office supplies remained broadly stable over the period.

**Table 84: Other assets (ETB '000)**

	Financial Year			YoY Growth (%)	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
<b>Financial assets</b>					
Sundry debtors	415,852	254,228	1,180,210	64%	-78%
Receivable from shareholders	281,220	-	-	-	-
Prepaid staff asset	130,221	98,037	73,387	33%	34%
Outward document bill for purchase	102,636	-	-	-	-
Uncleared effects – foreign	-	-	8,594	-	-
Claim on HO and Branches	5,952	12,105	4,056	-51%	198%
	<b>935,881</b>	<b>364,370</b>	<b>1,266,247</b>	<b>157%</b>	<b>-71%</b>
Specific impairment allowance	(35,850)	(2,350)	(9,653)	1426%	-76%
<b>Total financial assets</b>	<b>900,031</b>	<b>362,020</b>	<b>1,256,594</b>	<b>149%</b>	<b>-71%</b>
<b>Non-financial assets</b>					
Office supplies	71,988	74,850	58,153	-4%	29%
Prepayments	306,372	395,793	-	-23%	-
Prepaid interest	230,847	106,314	-	117%	-
Suspended interest	183,983	130,901	-	41%	-
	<b>793,190</b>	<b>707,858</b>	<b>58,153</b>	<b>12%</b>	<b>1117%</b>
<b>Total</b>	<b>1,693,221</b>	<b>1,069,878</b>	<b>1,314,747</b>	<b>58%</b>	<b>-19%</b>

#### 7.4.1.7. Right of use leased assets

Right-of-use assets increased steadily over the period, with net carrying value rising from ETB 589.3 million in FY2024 to ETB 725.6 million in FY2025 an ETB 136.3 million increase (+23%). This growth was primarily

driven by additional lease contracts entered into during FY2025, resulting in additions of ETB 311.8 million, compared to ETB 284.3 million in FY2024.

The cost of right-of-use assets increased accordingly, reaching ETB 1.42 billion in FY2025 from ETB 1.11 billion in FY2024, due to continued expansion in leased properties, particularly land and buildings. Depreciation charges also rose in line with the expanding asset base, increasing to ETB 175.6 million in FY2025 from ETB 135.9 million in FY2024.

#### 7.4.1.8. Intangible assets – software

Intangible assets increased by ETB 55.68 million (28%) from ETB 198.34 million in FY 2024 to ETB 254 million in FY 2025, compared to ETB 167.97 million in FY 2023 an ETB 30.38 million (18%) increase. The balance has grown consistently over the three-year period, driven by continued investment in non-physical assets such as software.

**Table 85: Intangible assets (ETB ‘000)**

	Computer software	Software under progress	Total
<b>Opening net book value as at 1 July 2023</b>	<b>165,250</b>	<b>2,715</b>	<b>167,965</b>
Additions	43,325	27,682	71,008
Amortisation charge	(40,631)	-	(40,631)
<b>Closing net book value as at 30 June 2024</b>	<b>167,944</b>	<b>30,397</b>	<b>198,342</b>
<b>Opening net book value as at 1 July 2024</b>	<b>167,944</b>	<b>30,397</b>	<b>198,342</b>
Additions	126,250	(21,547)	104,703
Amortisation charge	(49,019)	-	(49,019)
<b>Closing net book value as at 30 June 2025</b>	<b>245,175</b>	<b>8,850</b>	<b>254,025</b>

#### 7.4.1.9. Property and equipment

Property, plant and equipment increased from ETB 1.91 billion in FY2023 to ETB 2.51 billion in FY2024, representing an increase of ETB 0.60 billion (31%), and further to ETB 2.89 billion in FY2025, an increase of ETB 0.38 billion (15%). The growth reflects continued capital investment, albeit at a moderating pace in FY2025

**Table 86: Property and equipment (ETB '000)**

	Building	Motor Vehicle	Computers	Furniture, fittings and equipment	Total
<b>Opening net book value as at 1 July 2023</b>	<b>1,214,225</b>	<b>67,859</b>	<b>281,923</b>	<b>347,629</b>	<b>1,911,636</b>
Additions	431,317	853	190,002	163,947	786,119
Depreciation	(25,079)	(10,547)	(57,491)	(53,562)	(146,679)
Other movements	(2,046)	-	1,544	(42,352)	(37,059)
<b>Closing net book value as at 30 June 2024</b>	<b>1,618,418</b>	<b>58,165</b>	<b>415,978</b>	<b>415,662</b>	<b>2,508,223</b>
<b>Opening net book value as at 1 July 2024</b>	<b>1,618,418</b>	<b>58,165</b>	<b>415,978</b>	<b>415,662</b>	<b>2,508,223</b>
Additions	182,880	131,143	222,670	45,808	582,501
Depreciation	(26,318)	(14,739)	(83,668)	(63,967)	(188,692)
Other movements	(4,327)	(46)	(168)	(2,920)	(7,461)
<b>Closing net book value as at 30 June 2025</b>	<b>1,770,653</b>	<b>174,523</b>	<b>554,812</b>	<b>394,583</b>	<b>2,894,571</b>

The increase in FY2024 was driven by additions of ETB 788.1 million, primarily in buildings (ETB 431.3 million) and computers (ETB 190.0 million), alongside investments in furniture and equipment (ETB 163.9 million). This indicates expansion in physical infrastructure and IT capacity. In FY2025, additions declined to ETB 582.5 million, with a more balanced allocation across computers (ETB 222.9 million), motor vehicles (ETB 131.1 million), and buildings (ETB 182.9 million), suggesting a shift towards operational and service delivery assets.

By category, buildings remained the largest component, increasing from ETB 1.21 billion at the start of FY2024 to ETB 1.77 billion at the end of FY2025, accounting for the majority of the asset base. Computer equipment increased from ETB 281.9 million to ETB 554.8 million, reflecting continued investment in IT systems, while motor vehicles increased from ETB 67.9 million to ETB 174.5 million, indicating expansion in operational capacity.

Overall, the asset base shows continued investment in infrastructure and technology, with a shift from branch-led expansion in FY2024 towards operational and digital capacity enhancement in FY2025.

#### 7.4.1.10. *Non-Performing Loans*

As of FY2025, total NPLs amounted to ETB 1.19 billion and were predominantly concentrated in trade-related sectors, reflecting sector-specific vulnerabilities and the Bank's portfolio composition. Domestic Trade and Services, Import, and Hotel and Tourism collectively accounted for approximately 90.4% of total NPLs, indicating concentration risk in these segments.

**Table 87: NPLS by Sector (FY 2025)**

Sector	NPL Amount (ETB '000)	NPL Ratio (%)
Agriculture	19,739.73	1.66%
Building and construction	1,863.93	0.16%
Domestic Trade and Service	540,923.35	45.54 %
Export	46,842.46	3.94%
Hotel and Tourism	202,559.29	17.05 %
Import	331,190.41	27.88 %
Industry	-	0.00%
Personal Loans – Customers	43,694.20	3.68 %
Personal Loans – Staff	102.56	0.01%
Transportation	932.33	0.08%
<b>Total</b>	<b>1,187,848.25</b>	<b>100.00%</b>

#### **Agriculture**

The agriculture sector recorded NPLs of ETB 19.7 million, representing a relatively small share of total NPLs. The sector's performance improved compared to prior periods, although it remains inherently exposed to weather variability and commodity price risks.

#### **Building and Construction**

The construction sector recorded minimal NPLs of ETB 1.9 million, indicating strong asset quality. Despite inherent project execution risks, current exposures remain well-managed.

#### **Domestic Trade Sector (DTS)**

The fluctuation in the NPL rate in the Domestic Trade and Services sector is primarily due to the diverse nature of borrowers in this sector. The Bank has a considerable portfolio exposure in this category, and reductions occur during the settlement of major NPLs, while increases reflect portfolio growth. Defaults in this sector arise from a combination of sector-specific and borrower-related factors. Consequently, the default rate may fluctuate when compared to other sectors.

## Export

Export-related NPLs stood at ETB 46.8 million, indicating relatively low impairment levels. The sector benefits from foreign currency earnings, which support borrower repayment capacity and contribute to its comparatively strong asset quality profile.

## Hotel and Tourism

NPLs in the hotel and tourism sector amounted to ETB 202.6 million, corresponding to 17.1% of total NPLs. The increase is mainly due to the default of one major borrower, rather than being related to a sector-wide issue. Since the defaulted borrower has a large outstanding exposure (~ETB 166 million), the increment appears high compared to the previous amount.

## Import

The import sector accounted for ETB 331.2 million in NPLs, representing 27.9% of total NPLs. The increase in FY2025 was largely driven by the default of a single large borrower, rather than a systemic sector-wide issue.

## Transport

Transportation NPLs were low at ETB 0.9 million, reflecting stable repayment performance, although the sector remains exposed to operational cost pressures such as fuel price volatility.

## Personal Loans

Customer personal loans recorded NPLs of ETB 43.7 million, reflecting moderate impairment levels. The performance is supported by diversified borrower exposure and structured repayment mechanisms.

Staff loans remained well-performing, with minimal NPLs of ETB 0.1 million, supported by payroll-linked repayment structures and low credit risk.

### 7.4.2. Liabilities

#### 7.4.2.1. Customer deposits

Customer deposits increased from ETB 36.87 billion in FY2023 to ETB 43.09 billion in FY2024, representing an increase of ETB 6.22 billion (17%), and further to ETB 64.44 billion in FY2025, an increase of ETB 21.35 billion (50%). The growth accelerated significantly in FY2025, indicating strong deposit mobilization.

The increase was broad-based across deposit categories, with demand deposits rising from ETB 15.68 billion in FY2023 to ETB 16.70 billion in FY2024 (+ETB 1.01 billion; 7%) and further to ETB 24.33 billion in FY2025 (+ETB 7.63 billion; 46%), making them the largest contributor to deposit growth in FY2025.

Savings deposits increased from ETB 17.20 billion in FY2023 to ETB 21.12 billion in FY2024 (+ETB 3.92 billion; 23%) and further to ETB 27.74 billion in FY2025 (+ETB 6.62 billion; 31%), remaining a stable core funding source.

Time deposits declined from ETB 2.33 billion in FY2023 to ETB 2.20 billion in FY2024 (-ETB 0.13 billion; -5%), before increasing significantly to ETB 4.32 billion in FY2025 (+ETB 2.12 billion; 97%), indicating renewed uptake of fixed-term instruments.

Other deposits increased from ETB 0.87 billion in FY2023 to ETB 1.81 billion in FY2024 (+ETB 0.93 billion; 107%) and further to ETB 4.15 billion in FY2025 (+ETB 2.34 billion; 130%), reflecting growth in margin-related and operational balances. Retention deposits increased from ETB 0.81 billion in FY2023 to ETB 1.27 billion in FY2024 (+ETB 0.46 billion; 57%) and further to ETB 3.89 billion in FY2025 (+ETB 2.62 billion; 208%), indicating increased use of restricted or structured deposit products.

The deposit mix shifted over the period, with demand and savings deposits accounting for approximately 81% of total deposits in FY2025, supporting a relatively low-cost and stable funding base. The strong growth in demand deposits in FY2025, alongside increased retention and other deposits, indicates improved liquidity and operational balances, while the increase in time deposits suggests a more balanced funding structure.

**Table 88: Total deposits from customers (ETB '000)**

	Financial Year			YoY Growth (%)	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
Savings deposits	27,741,494	21,120,635	17,201,956	31%	23%
Demand deposits	24,332,799	16,698,568	15,662,648	46%	7%
Time deposits	4,323,255	2,199,545	2,326,735	97%	-5%
Other deposits	4,149,058	1,805,228	870,320	130%	107%
Retention deposits	3,892,742	1,270,760	811,632	206%	57%
<b>Total deposits from customers</b>	<b>64,439,348</b>	<b>43,094,736</b>	<b>36,873,291</b>	<b>50%</b>	<b>17%</b>

#### 7.4.2.2. Current Income tax

Current income tax liabilities increased from ETB 698.2 million in FY2023 to ETB 925.3 million in FY2024, representing an increase of ETB 227.1 million (33%), and further to ETB 2.34 billion in FY2025, an increase of ETB 1.41 billion (152%). The increase in FY2025 is consistent with the significant growth in taxable profits during the period, reflecting the overall improvement in earnings.

#### 7.4.2.3. Borrowings (domestic and foreign)

Borrowings decreased from ETB 675.5 million in FY2023 to ETB 77.8 million in FY2024, representing a reduction of ETB 597.7 million (-88%), and increased slightly to ETB 95.5 million in FY2025, an increase of ETB 17.7 million (23%). The FY2025 balance relates primarily to a medium-term facility from the Development Bank of Ethiopia.

The sharp reduction from FY2023 reflects repayment of existing facilities, while movements in FY2024 include the utilization of a short-term liquidity facility of ETB 600.0 million from the National Bank of Ethiopia, which was fully repaid within one month (including interest of ETB 6.2 million). Overall, the trend indicates reduced reliance on external borrowings and active liability management.

#### 7.4.2.4. Lease liabilities

Lease liabilities declined from ETB 95.4 million in FY2023 to ETB 69.3 million in FY2024, representing a decrease of ETB 26.1 million (-27%), before increasing to ETB 134.4 million in FY2025, an increase of ETB 65.2 million (94%). The increase in FY2025 was driven by new lease additions of ETB 65.9 million, partially offset by lease payments during the year.

The movement reflects continued investment in leased premises, with the majority of obligations falling within the one- to five-year maturity profile, indicating ongoing expansion of branch and office infrastructure.

#### 7.4.2.5. Other liabilities

Other liabilities increased from ETB 1.23 billion in FY2023 to ETB 1.40 billion in FY2024, representing an increase of ETB 169.2 million (14%), and further to ETB 2.62 billion in FY2025, an increase of ETB 1.23 billion (88%). The increase in FY2025 reflects higher transaction volumes and growth in operational balances associated with the expansion of the Bank's activities.

On the financial liabilities side, the increase was primarily driven by:

- MasterCard payable increased from ETB 180.2 million in FY2023 to ETB 288.4 million in FY2024 (+ETB 108.2 million; 49%), and further to ETB 598.3 million in FY2025 (+ETB 309.9 million; 123%), indicating sustained growth in card transaction volumes and settlement obligations.
- Bonus payable increased from ETB 151.6 million in FY2023 to ETB 200.0 million in FY2024 (+ETB 48.4 million; 32%), and further to ETB 310.3 million in FY2025 (+ETB 110.3 million; 55%), consistent with improving profitability.
- Cashier payment orders increased from ETB 137.1 million in FY2023 to ETB 115.0 million in FY2024 (-ETB 22.1 million; -16%), before increasing to ETB 171.9 million in FY2025 (+ETB 56.9 million; 50%), indicating higher payment activity.
- Retention payable increased from ETB 47.2 million in FY2023 to ETB 62.3 million in FY2024 (+ETB 15.1 million; 32%), and further to ETB 70.8 million in FY2025 (+ETB 8.5 million; 14%), reflecting growth in structured deposit-related balances.
- Dividend payable increased from ETB 44.8 million in FY2023 to ETB 59.2 million in FY2024 (+ETB 14.4 million; 32%), and further to ETB 63.9 million in FY2025 (+ETB 4.7 million; 8%).
- These increases were partially offset by blocked cash for guarantees issued, which increased from ETB 44.8 million in FY2023 to ETB 97.6 million in FY2024 (+ETB 52.8 million; 118%), before declining to ETB 21.5 million in FY2025 (-ETB 76.1 million; -78%), indicating reduced utilization of guarantee-backed facilities.

On the non-financial liabilities side, the increase was driven by:

- Miscellaneous liabilities declined from ETB 392.3 million in FY2023 to ETB 200.5 million in FY2024 (-ETB 191.9 million; -49%), before increasing significantly to ETB 571.5 million in FY2025 (+ETB 371.0 million; 185%), indicating increased accruals and pending settlements.
- Unearned income increased from ETB 82.3 million in FY2023 to ETB 163.7 million in FY2024 (+ETB 81.4 million; 99%), and further to ETB 228.9 million in FY2025 (+ETB 65.2 million; 40%), reflecting growth in deferred income balances.

- Taxes and stamp duty charges increased from ETB 74.5 million in FY2023 to ETB 78.3 million in FY2024 (+ETB 3.8 million; 5%), and further to ETB 178.7 million in FY2025 (+ETB 100.4 million; 128%), consistent with increased transaction activity.
- Provision for tax liabilities was recognized at ETB 234.0 million in FY2025, in line with higher taxable income.

Overall, non-financial liabilities decreased from ETB 603.8 million in FY2023 to ETB 512.9 million in FY2024 (-ETB 90.9 million; -15%), before increasing significantly to ETB 1.31 billion in FY2025 (+ETB 798.5 million; 155%).

**Table 89: Other liabilities (ETB '000)**

	Financial Year			YoY Growth(%)	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
<b>Financial liabilities</b>					
Master Card Payable	598,307	268,413	180,182	123%	49%
Bonus Payable	310,305	199,989	151,581	55%	32%
Cashier payment orders	171,937	114,970	137,057	50%	-16%
Exchange payable to NBE	77,893	81,006	17,689	-4%	358%
Retention Payable	70,840	62,321	47,192	14%	32%
Dividend payable	63,871	59,172	44,803	8%	32%
Blocked cash for guarantee issued	21,526	97,591	44,803	-78%	118%
Director's share on Profit	1,258	1,308	1,350	-4%	-3%
<b>Total Financial liabilities</b>	<b>1,315,937</b>	<b>884,770</b>	<b>624,657</b>	<b>49%</b>	<b>42%</b>
<b>Non-Financial liabilities</b>					
Miscellaneous	571,452	200,482	392,340	185%	-49%
Provision for tax liability	234,992	-	-	-	-
Unearned income	228,924	163,659	82,321	40%	99%
Taxes and stamp duty charges	178,715	78,308	74,465	128%	5%
Accrued leave	93,310	70,452	54,683	32%	29%
<b>Total non-financial liabilities</b>	<b>1,307,393</b>	<b>512,901</b>	<b>603,809</b>	<b>155%</b>	<b>-15%</b>
<b>Total</b>	<b>2,623,330</b>	<b>1,397,671</b>	<b>1,228,466</b>	<b>88%</b>	<b>14%</b>

#### 7.4.2.6. Defined benefits obligation

Table 90: Defined benefits obligation (ETB '000)

	Financial Year			YoY Growth (%)	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
At the beginning of the year	84,252	56,741	27,556	48%	106%
Current Service cost	8,780	6,632	3,634	32%	82%
Interest cost	16,805	13,055	7,424	29%	76%
Remeasurement losses	24,607	7,824	18,127	215%	-57%
Benefits paid	(5,370)	-	-	-	-
<b>At the end of the year</b>	<b>129,074</b>	<b>84,252</b>	<b>56,741</b>	<b>53%</b>	<b>48%</b>

Defined benefit obligations increased from ETB 56.7 million in FY2023 to ETB 84.3 million in FY2024, representing an increase of ETB 27.5 million (48%), and further to ETB 129.1 million in FY2025, an increase of ETB 44.8 million (53%). Overall, the increase in defined benefit obligations was driven by the combined effect of ongoing service and interest costs, together with higher actuarial losses in FY2025. While benefit payments partially reduced the liability, they were insufficient to offset the cumulative impact of accruals and remeasurement adjustments.

#### 7.4.3. Equity

##### 7.4.3.1. Share capital

Share capital increased from ETB 5.00 billion in FY2023 to ETB 7.46 billion in FY2024, representing an increase of ETB 2.46 billion (49.1%), and further to ETB 9.39 billion in FY2025, an increase of ETB 1.93 billion (26.0%). The increase was driven by additional capital contributions from shareholders through dividend capitalization programs, implemented in line with the Bank's capital strengthening objectives.

Refer to Section 5 (Capital structure and information of securities) for details regarding the share capital of the Company.

##### 7.4.3.2. Retained earnings (Profit and Loss Account)

Retained earnings increased from ETB 1.35 billion in FY2023 to ETB 1.68 billion in FY2024, representing an increase of ETB 0.33 billion (24.0%), and further to ETB 4.11 billion in FY2025, an increase of ETB 2.43 billion (144.6%). The increase was driven by higher profitability and increased earnings retention over the period.

##### 7.4.3.3. Share premium

Share premium increased from ETB 0.79 million in FY2023 to ETB 0.91 million in FY2024, representing an increase of ETB 0.11 million (14%), and remained unchanged at ETB 0.91 million in FY2025 (0% change). The increase in FY2024 arose from shares issued above par value, while the flat position in FY2025 indicates that subsequent share issuances were undertaken at par, with no additional premium recognized.

#### 7.4.3.4. Other reserves

Other reserves increased from ETB 150.4 million in FY2023 to ETB 400.8 million in FY2024, representing an increase of ETB 250.4 million (166%), and remained broadly stable at ETB 404.0 million in FY2025, an increase of ETB 3.2 million (1%).

The increase in FY2024 was driven primarily by fair value gains on equity investments. In FY2025, movements were limited, indicating a normalization of valuation gains following the significant increase recorded in the prior year. Remeasurement losses on defined benefit obligations continued over the period but remained moderate and did not materially affect overall reserves.

**Table 91: Retained Earnings (ETB '000)**

	Financial Year			YoY Growth (%)	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
At the beginning of the year	1,679,726	1,352,661	1,070,615	24%	26%
Profit/(loss) for the year	5,868,101	2,392,430	1,813,114	145%	32%
Dividends paid	(1,679,727)	(1,352,662)	(1,070,615)	24%	26%
Transfer to legal reserve	(1,467,025)	(598,107)	(453,278)	145%	32%
Transfer to regulatory risk reserve	(294,496)	(114,596)	(7,174)	157%	1497%
<b>At the end of the year</b>	<b>4,106,579</b>	<b>1,679,726</b>	<b>1,352,661</b>	<b>144%</b>	<b>24%</b>

Overall, the Bank's capital structure shows a strengthening equity base, supported by both internally generated earnings and shareholder-funded capital increases. The growth in retained earnings and stable reserve position in FY2025 indicate improved earnings quality, while continued capital injections support balance sheet expansion and regulatory capital requirements.

#### 7.5. Analysis of Historical Cash Flows

**Table 92: Statement of Cash Flows (ETB '000)**

	Financial Year			YOY Growth	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
Net cash (outflow)/inflow from operating activities	19,654,475	5,429,326	1,862,265	262%	192%
Net cash (outflow)/inflow from investing activities	-3,329,525	-2,374,943	-1,686,350	40%	41%
Net cash (outflow)/inflow from financing activities	-259,241	1,674,029	420,639	-115%	298%

	Financial Year			YOY Growth	
	FY 2025	FY 2024	FY 2023	2024/25	2023/24
Net increase/(decrease) in Cash and bank balances	16,065,709	4,728,412	596,554	240%	693%
Cash and bank balances at the beg. of the year	13,962,284	8,914,774	8,048,523	57%	11%
Effect of exchange rate movement on Cash and bank balances	3,866,011	319,098	296,697	1112%	8%
<b>Cash and bank balances at the end of the year</b>	<b>33,894,004</b>	<b>13,962,284</b>	<b>8,914,774</b>	<b>143%</b>	<b>57%</b>

### 7.5.1. Net Cash flow from operating activities

Net cash generated from operating activities increased from ETB 1.9 billion in FY2023 to ETB 5.4 billion in FY2024, representing an increase of ETB 3.5 billion (192%), and further to ETB 19.7 billion in FY2025, an increase of ETB 14.3 billion (262%). The increase was driven by higher profitability, with profit before tax rising significantly over the period, as well as strong growth in customer deposits, which supported operating cash inflows. Non-cash adjustments, including depreciation, amortization, and foreign exchange-related gains, also contributed to the overall increase.

### 7.5.2. Net Cash flow from investing activities

Net cash used in investing activities increased from an outflow of ETB 1.7 billion in FY2023 to ETB 2.4 billion in FY2024, representing an increase of ETB 0.7 billion (41%), and further to an outflow of ETB 3.3 billion in FY2025, an increase of ETB 0.9 billion (40%). The continued outflows were driven by investments in property, plant and equipment and other long-term assets, consistent with the Bank's expansion and infrastructure development strategy.

### 7.5.3. Net Cash flow from financing activities

Net cash flow from financing activities increased from an inflow of ETB 420.6 million in FY2023 to ETB 1.7 billion in FY2024, representing an increase of ETB 1.28 billion (305%), before declining to an outflow of ETB 259.2 million in FY2025, a decrease of ETB 1.96 billion (-115%). The shift to a net outflow in FY2025 was driven by reduced reliance on external borrowings and higher repayments of existing obligations, indicating a transition towards funding operations through internally generated cash flows.

## 7.6. Contingent Liabilities

The Bank conducts business involving performance bonds, guarantees, and Letters of Credit (L/C). Performance bonds and guarantee instruments are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts. Letters of Credit instruments are given to make payments to third parties on the production of documents, and the amounts are subsequently reimbursed by the customer. As of FY 2025, the amounts outstanding under performance bond guarantees and Letters of Credit were ETB 9.7 billion.

For the three consecutive financial periods and the half year to December 31 2025, the fair value amount of contingent liabilities was as follows:

Table 93: Contingent Liabilities (ETB '000)

Particular	HY 2026	FY 2025	FY 2024	FY 2023
Guarantees and letters of credit	16,241,302	9,748,351	3,227,002	3,318,863

## 7.7. Capital Resources and Liquidity

The Bank maintains a strong and well-diversified capital and liquidity position, supported by a balanced mix of internal and external funding sources. Internal funding is primarily driven by customer deposits, loan repayments, and cash flows from core banking operations, while external sources include interbank borrowings, facilities from the National Bank of Ethiopia (NBE), and equity raised through share issuances. This diversified funding structure enhances the Bank's ability to support balance sheet growth while maintaining adequate liquidity and capital buffers.

The Bank's funding base is anchored on the following key sources:

- Customer Deposits:** Customer deposits represent the primary and most stable source of funding, providing cost-effective base for lending and liquidity management.
- Internal Cash Flows:** Cash generated from operations and loan repayments contributes to ongoing liquidity and supports day-to-day funding needs.
- External Funding:** The Bank supplements its funding through interbank borrowings, NBE facilities, and equity capital, ensuring flexibility in managing liquidity and capital requirements.

### Liquidity Position

As of 30 June 2025, the Bank maintained a strong liquidity position, with a liquidity ratio of 52.4%, significantly above the regulatory minimum. Liquidity buffers are held across a range of instruments, including cash, deposits with domestic and foreign banks, and balances with the NBE.

The Bank's readily available funds amounted to ETB 6.54 billion against total obligations of ETB 4.77 billion, resulting in an excess liquidity position of ETB 1.77 billion. This surplus demonstrates the Bank's ability to meet short-term obligations, absorb liquidity shocks, and support continued lending activities.

The Bank's liquidity management framework is designed to:

- Meet Short-Term Obligations** through maintaining adequate liquid assets.
- Support Business Growth** by aligning funding sources with asset expansion.
- Ensure Resilience** against unexpected cash outflows and market fluctuations.

### Regulatory Requirements

The Bank's capital and liquidity management is governed by directives issued by the National Bank of Ethiopia, including:

- a) **Reserve Requirements:** A daily reserve requirement of 5% and a monthly average of 7% of eligible deposits.
- b) **Liquidity Ratio:** A minimum liquidity ratio of 15% of net deposits.
- c) **Credit Cap:** A macroprudential measure introduced in July 2023 to limit credit growth, indirectly influencing liquidity by slowing the deployment of funds into loans.

**Table 94: Liquidity Ratios**

Metric	Statistic (FY 2025)
Gross Loan to Deposit Ratio	65%
Net Advances to Assets Ratio	47%
Cash Reserve to Deposits Ratio	53%
Current Ratio	0.51

### Seasonal Cash Flow Patterns

The Bank's liquidity profile is influenced by predictable seasonal cash flow movements, particularly during peak tax settlement periods such as October and April, when corporate customers increase withdrawals.

Given the Bank's corporate-focused business model, exposure to agricultural seasonality is indirect and limited. Any impact arises primarily from transaction-driven trade and export activities rather than seasonal lending cycles.

These fluctuations are actively managed through the Bank's liquidity risk framework, which ensures sufficient allocation to short-term and highly liquid assets during peak outflow periods. As such, seasonal variations are well anticipated and do not pose a material risk to the Bank's liquidity position.

### Outlook

The Bank is considering a potential follow-on share offering to further strengthen its capital base and support future growth initiatives. Its strong liquidity position, combined with a diversified funding structure, provides a solid foundation for continued expansion, regulatory compliance, and resilience against market and operational risks.

### 7.8. Working Capital Statement

The Bank asserts that its working capital is sufficient to meet its current requirements and will remain adequate for at least the next twelve months, sourced from deposits, loan repayments, and investment income.

### 7.9. Capitalization and Indebtedness

The table below presents the Bank's capitalization and indebtedness as at 31 December 2025 (HY 2026), 30 June 2025 (FY 2025), and 30 June 2024 (FY 2024). The information for FY 2024 and FY 2025 has been extracted from the Bank's audited financial statements and contains no material adjustments. The information

for HY 2026 has been extracted, without material adjustment, from the Bank's unaudited management accounts as at 31 December 2025.

The Bank confirms that the unaudited financial information as at 31 December 2025 is not earlier than ninety (90) days prior to the date of this Prospectus.

**Table 95: Statement of Capitalization (ETB '000)**

Statement of Capitalization	HY 2026 <sup>24</sup>	FY 2025	FY 2024
<b>Current Debt</b>			
Financial Liabilities	1,430,287	1,315,937	884,770
Lease Liability		-	0
Borrowing		-	620,852
<b>Total Current Debt (Including current portion of long-term debt)</b>	<b>1,430,287</b>	<b>1,315,937</b>	<b>1,505,622</b>
<b>Non-current debt</b>			
Borrowing	109,994	95,540	54,672
Lease Liability	134,449	134,449	69,250
<b>Total non-current debt (excluding current portion of long-term debt)</b>	<b>244,443</b>	<b>229,989</b>	<b>123,922</b>
<b>Shareholders' Equity</b>			
Share Capital	13,884,591	9,390,451	7,455,181
Share Premium	6,784	906	906
Special Reserve	-	143,024	97,672
Retained Earnings/Profit and Loss	2,589,849*	4,106,579	1,679,726
Legal Reserve	4,626,058	3,762,774	2,295,749
Regulatory Risk Reserve	626,329	626,363	331,866
Other Reserve	404,021	404,021	400,843
<b>Total Shareholders' Equity</b>	<b>22,137,631</b>	<b>18,434,118</b>	<b>12,261,943</b>
<b>Total Capitalization</b>	<b>23,812,361</b>	<b>19,980,044</b>	<b>13,891,487</b>

<sup>24</sup> Unaudited Management Accounts Half Year 2026

Table 96: Statement of Indebtedness (ETB '000)

Statement of Indebtedness	HY 2026 <sup>25</sup>	FY 2025	FY 2024
<b>Cash and cash equivalents (A)</b>	<b>33,176,944</b>	<b>33,894,004</b>	<b>13,962,284</b>
Current financial indebtedness			
Financial Liabilities	930,100	1,104,602	653,910
Borrowing			620,852
Lease Liability	-	-	-
<b>Total Current financial indebtedness (B)</b>	<b>930,100</b>	<b>1,104,602</b>	<b>1,274,762</b>
<b>Net current financial indebtedness (C=B-A)</b>	<b>(32,246,844)</b>	<b>(32,789,402)</b>	<b>(12,687,522)</b>
Non-current financial indebtedness			
Financial Liabilities	501,445	211,335	230,860
Borrowing	109,994	95,540	54,672
Lease Liability	134,449	134,449	69,250
<b>Total Non-current financial indebtedness (D)</b>	<b>745,888</b>	<b>441,324</b>	<b>354,782</b>
<b>Net financial indebtedness (E=C-D)</b>	<b>(32,992,732)</b>	<b>(33,230,726)</b>	<b>(13,042,304)</b>

### 7.10. Legal and Arbitration Proceedings

The Bank is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The maximum exposure of the Bank to these legal cases as of FY 2025 is ETB 814.6 million. Of this amount, the significant portion of the legal case, ETB 516 million, is related to matters with dividend tax. The Bank has made ETB 235 million provision related to interest and penalty on dividend tax and ETB 25.9 million other provision. The Bank has also deposited ETB 211 million with the Tax Authority as a prerequisite to legal proceedings. No other provision has been made in the financial statements, as the Directors believe that it is not probable that the economic benefits will flow out of the Bank in respect of these legal actions.

In determining which pending legal proceedings to disclose under this section, the Bank applied a materiality assessment framework that considered both quantitative and qualitative factors. Quantitatively, matters were assessed based on their potential financial exposure relative to the Bank's capital base, profitability, and liquidity position, with amounts exceeding ETB 14.5 million considered material for disclosure purposes. Qualitatively, the Bank considered the nature of the claims, the likelihood of an adverse outcome, the potential impact on operations, regulatory compliance, and reputation, as well as whether the proceedings could reasonably be expected to influence the decision-making of investors.

Only those cases that, individually or in aggregate, could have a material adverse effect on the Bank's financial condition, results of operations, or business continuity were included. Matters assessed as routine, immaterial in value, remote in probability, or arising in the ordinary course of business were excluded from disclosure but are monitored and managed in accordance with the Bank's legal and risk management policies.

<sup>25</sup> Unaudited Management Accounts Half Year 2026

Table 97: Pending Legal Proceedings

S.N	Case Title	Court / Legal Body Involved	Claim amount (ETB)	Parties Involved	Status	Summary of allegations or dispute	Potential Financial or Reputational Impact
1.	Tax Case (VAT on service Charge)	Federal High Court	98,296,297	Zemen Bank S.C. vs. Ministry of Revenue	Pending in the Court	Ministry of Revenue has demanded the payment of ETB 98,296,297.37, claiming that the Bank failed to withhold VAT from its customers on transactions conducted from July 3, 2024, to October 1, 2023, based on the new VAT Proclamation (Proc. 1342/2024). The Bank is challenging the demand in the court of law on the grounds that the Ministry's demand is based on the law, which was not effective and/or impossible to apply in the given period.	No reputational damage as the government is applying the new law retroactively, and as every bank is involved in such a case.  No financial impact
2.	Tax Case (Dividend Tax)	Federal High Court	151,871,473	Zemen Bank S.C. vs. Ministry of Revenue	Pending in the Court	Ministry of Revenue has demanded ETB 151,871,472.97 37, claiming that the Bank failed to withhold dividend tax from the profit of the 2022/23 fiscal year. The Bank is challenging the demand in the court of law on the grounds that the profit was reinvested.	No reputational damage, and a provision is maintained by the Bank for the potential loss.

S.N	Case Title	Court / Legal Body Involved	Claim amount (ETB)	Parties Involved	Status	Summary of allegations or dispute	Potential Financial or Reputational Impact
3.	Tax Case (Dividend tax)	Federal High Court	364,340,141	Zemen Bank S.C. vs. Ministry of Revenue	Pending in the Court	Ministry of Revenue has demanded the payment of ETB 364,340,140.93, claiming that the Bank failed to withhold dividend tax from the profits of 2017/2018-2021/2022 fiscal years. The Bank is challenging the demand in the court of law on the grounds that the profit was reinvested.	No reputational damage, and a provision is maintained by the Bank for the potential loss.
4.	Tax Case (Profit Tax)	Federal Tax Appeal Commission	86,808,242	Zemen Bank S.C. vs. Ministry of Revenue	Pending in the Commission	Ministry of Revenue has demanded ETB 86,808,241.98 from the Bank as part of the profit tax for tax years of 2015 and 2016 E.C. As a result, we appealed to the tax appeal commission.	There is a high chance that the case could be decided in favor of the Bank.
5.	Collateral Arrangement	Federal High Court	14,502,537	Zemen Bank S.C. and Ato Yasin Abdurahman vs. Ato Beshir Ali Mohammed	Pending in the Court	The claimant alleges that the collateral arrangement affecting certain secured assets was invalid. The Bank maintains the validity of the underlying security agreement and its rights as a secured creditor.	No reputational damage, and a provision is maintained by the Bank for the potential loss.

## **8. INFORMATION ON THE SECURITIES BEING REGISTERED**

This prospectus is issued for the registration of existing 15,000,000 Ordinary shares of Zemen Bank S.C.

### **8.1. Registration of Securities**

The Ordinary Shares of the Company will be registered with the Ethiopian Capital Market Authority upon approval of the registration statement and this Prospectus, in accordance with applicable capital market laws and directives.

### **8.2. Record Keeping Securities**

The company secretary, Yosef Alemu, in his role, has and will be the person in charge of keeping the records of the Ordinary Shares of the Company. The company secretary's address:

Lideta Sub City, Woreda 07, Ras Abebe Aregay Street,

Postal Address: P.O. Box 1212, Addis Ababa, Ethiopia

Telephone: +251-115540069

Email: [info@zemenbank.com](mailto:info@zemenbank.com)

Website: [www.zemenbank.com](http://www.zemenbank.com)

### **8.3. Rights Attached to the Securities**

The Company has a single class of equity securities, being Ordinary Shares, all of which rank pari passu in all respects. The rights attached to the Ordinary Shares arise under the Commercial Code of Ethiopia and the applicable capital market legislation, and include, inter alia:

- the right to participate proportionately in distributable profits of the Company as and when declared by the General Meeting of Shareholders;
- the right to a proportional share of the residual assets of the Company upon liquidation, after settlement of liabilities in accordance with the order of priority prescribed by law;
- voting rights exercisable at meetings of shareholders, with each Ordinary Share conferring one vote;
- pre-emptive rights to subscribe for new shares issued for cash consideration in proportion to existing shareholdings, subject to applicable legal procedures.

The Ordinary Shares do not carry any contractual redemption rights at the option of shareholders.

### **8.4. Tax Treatment of the Securities**

Investment in the Ordinary Shares is subject to the taxation laws of the Federal Democratic Republic of Ethiopia. The tax treatment applicable to shareholders is governed primarily by the Federal Income Tax Proclamation No. 979/2016, as amended by Income Tax (Amendment) Proclamation No. 1395/2025.

Dividends distributed by the Company are generally subject to withholding tax at the applicable statutory rate on the gross dividend amount. Gains arising from the disposal of Ordinary Shares are subject to capital gains tax in accordance with the relevant provisions of the income tax legislation. The issuance or

transfer of shares may also attract stamp duty or similar charges as prescribed by law. The summary above does not constitute tax advice, and investors are encouraged to consult their own tax advisers.

### 8.5. Restrictions on Transferability of Securities

The Ordinary Shares are intended to be freely transferable, subject only to restrictions imposed by applicable laws and the Company's constitutional documents as amended from time to time.

### 8.6. Public Takeover Bids

As at the date of this Prospectus, the Company has not received any public takeover bids by third parties during the most recent financial year or in the period leading up to the publication of this Prospectus.

### 8.7. Pricing Considerations

Since the company is registering with the ECMA, an independent valuation of existing shares is not applicable.

### 8.8. Expenses for the Registration of Ordinary Shares

The table below is the itemized list of the major categories of estimated expenses incurred in connection with the registration of the Bank with ECMA. These expenses are payable by the Bank in full.

**Table 98: Estimated Registration Expenses (ETB)**

	Amount
Transaction Advisor	16,404,667.50
Legal Advisor	890,000.00
External Auditor	1,380,000.00
Securities registration fee payment to ECMA	15,300,000.00
<b>Total Estimated Registration Expenses</b>	<b>33,084,667.50</b>

### 8.9. Professional parties

Set out below is a summary of the professional parties and experts who have been engaged by the Company in connection with this registration.

**Table 99: Professional Parties**

Professional Party	Role	Interest in the Issuer	Material conflict of interest
i-Capital Institute PLC	Transaction Advisor	None	None
Dablo Law Firm	Legal Advisor	None	None
HST Audit Limited Liability Partnership	External Auditor	None	None

The consent of each of the parties named above to act in their stated capacity has been obtained and has not been withdrawn prior to the publication of this Prospectus.

## 9. SECTION NINE – RISK FACTORS

An investment in the Ordinary Shares involves a number of risks. Prospective investors should carefully review the risk factors set out in this Prospectus, together with all other information contained herein, before making an investment decision.

The risks described in this Prospectus are not intended to be an exhaustive list of all risks that may affect the Bank or its business. Additional risks and uncertainties, including those not presently known or deemed immaterial, may also have a material adverse effect on the Bank's operations, financial condition, or prospects. Should any such risks materialize, the value of the Ordinary Shares may decline, and investors may lose part or all of their investment.

An investment in the Ordinary Shares is suitable only for investors who, alone or with the assistance of an appropriate financial or other adviser, are capable of evaluating the merits and risks of such an investment and who have the financial capacity to bear potential losses. Investors should assess carefully the suitability of an investment in the Ordinary Shares in light of their individual circumstances and the information contained in this Prospectus.

An investment in the Ordinary Shares of Zemen Bank S.C. is subject to certain risks. Prospective investors should consider the risk factors described in this Section, together with the other information contained in this Prospectus, when assessing an investment in the Ordinary Shares. The risks set out below relate to the Bank's business activities, financial position, operating environment, governance framework, and the characteristics of the Ordinary Shares being offered.

### 9.1. Macroeconomic, Industry, and Regulatory Risks

#### 9.1.1. Macroeconomic Risk

The Bank operates exclusively within Ethiopia and is therefore exposed to risks arising from the country's macroeconomic environment, including inflationary pressures, foreign exchange constraints, fiscal imbalances, and changes in economic growth conditions. Such factors may adversely affect business activity, household incomes, and borrower repayment capacity, potentially increasing credit risk across the Bank's loan portfolio.

In addition, macroeconomic policy shifts may introduce or expand alternative investment instruments, including government securities such as treasury bills and bonds, as well as capital market products as the domestic capital markets develop. The availability of such instruments may alter investor and depositor behavior by providing alternative savings and investment options outside the banking system. This could, over time, affect deposit mobilization, funding stability, and the pricing of deposits, particularly in periods of tight liquidity or elevated interest rates, and may increase competition for customer funds.

Macroeconomic conditions may also affect the Bank's margins and operating performance. Elevated inflation and foreign exchange shortages can increase operating costs, constrain foreign currency availability for trade-related activities, and place pressure on interest margins. Prolonged macroeconomic stress may require higher provisioning for credit losses, which could adversely affect profitability and capital adequacy.

### **9.1.2. Political and Security Risk**

The Bank is exposed to risks arising from political and security conditions within Ethiopia, which may affect economic activity and the stability of the operating environment. Political instability or security-related disruptions in certain regions may translate into material risks for the Bank through operational interruptions, including the temporary closure of branches, restricted customer access to banking services, and disruptions to deposit and withdrawal activities.

Such disruptions may also adversely affect asset quality, as customers operating in affected areas may experience reduced business activity or income disruption, weakening their ability to meet repayment obligations. Prolonged instability may further increase credit risk concentrations in certain sectors or geographies and necessitate higher impairment provisions.

Political and security challenges may also impact the Bank's liquidity and profitability. Reduced customer confidence and disrupted economic activity can slow deposit inflows, increase cash withdrawals, and place pressure on liquidity management. Additional costs associated with safeguarding staff, securing assets, and maintaining business continuity may increase operating expenses, while reduced lending and transaction volumes may negatively affect income generation.

Although the Bank's operations are primarily concentrated in Addis Ababa, prolonged or widespread political or security instability may indirectly affect economic conditions in the capital and weaken overall stakeholder confidence in the banking sector. Any escalation or persistence of such conditions could materially and adversely affect the Bank's operations, financial performance, and growth prospects.

### **9.1.3. Industry Competition Risk**

The Ethiopian banking sector is highly competitive, with a growing number of private banks offering broadly similar products and services. Competitive pressures may intensify further as a result of sector liberalization, technological innovation, and potential foreign bank participation. Furthermore, enhanced offerings from new players such as FinTechs and existing players such as SACCOS may reduce Zemen's appeal to existing and new customers. Increased competition may lead to margin compression, higher operating costs, and pressure on customer retention. The Bank's ability to maintain market share and profitability depends on its capacity to compete effectively in pricing, service quality, technology, and product offerings.

### **9.1.4. Regulatory and Policy Risk**

The Ethiopian banking sector is subject to extensive regulation and supervision by the National Bank of Ethiopia ("NBE"). Changes in laws, directives, prudential requirements, capital rules, liquidity standards, foreign exchange regulations, or supervisory expectations may affect the Bank's operations, profitability, and capital adequacy. Regulatory reforms, including ongoing financial sector liberalization and the potential entry of foreign banks, may alter competitive dynamics and require adjustments to business strategy. Failure to adapt to regulatory changes promptly could adversely affect the Bank's financial condition and compliance standing.

## **9.2. Business Model and Revenue Risks**

### **9.2.1. Concentration Risk in Core Business Activities**

Zemen Bank's business model is primarily focused on corporate and commercial banking activities, including lending, trade finance, and deposit mobilization from business clients. As of the reporting period, the top 20 depositors account for 28.6% of the Bank's total deposits. This concentration increases liquidity risk, as the withdrawal of large deposits could materially affect funding stability and necessitate reliance on more expensive sources of liquidity. As a result, the Bank's revenues and asset quality are closely linked to the performance of the corporate sector and key economic segments. Adverse developments affecting major clients, industries, or trade flows may have a disproportionate impact on income generation, loan performance, and liquidity.

### **9.2.2. Geographical Risk Concentration**

Geographic concentration risk arising from a significant share of operations and deposits in Addis Ababa

A significant proportion of the Bank's deposits, lending activities, and branch operations are concentrated in Addis Ababa, which represents the primary commercial and financial center of Ethiopia. This concentration exposes the Bank to geographic concentration risk, as a material share of its revenue generation, liquidity base, and customer activity is linked to economic conditions within a single urban market.

Adverse developments affecting Addis Ababa—including localized economic slowdowns, business disruptions, infrastructure constraints, or regulatory or security-related events—may have a disproportionate impact on the Bank's financial performance. A contraction in economic activity within the city may reduce deposit inflows, weaken credit demand, and increase borrower default rates, particularly among corporate, trade, and service-sector clients that are heavily represented in the Bank's portfolio.

The concentration of deposits in Addis Ababa may also expose the Bank to funding volatility, particularly if large corporate or institutional clients adjust their liquidity positions or shift funds in response to market conditions. This may affect the Bank's liquidity position and increase reliance on alternative or higher-cost funding sources.

In addition, geographic concentration may constrain the Bank's long-term growth strategy by limiting diversification across regions with different economic drivers. Overreliance on a single economic hub may reduce resilience to regional shocks and increase earnings volatility relative to a more geographically diversified banking model.

### **9.2.3. Foreign Exchange Availability and Trade Finance Risk**

The Bank is exposed to risks arising from foreign exchange availability constraints that affect its trade finance and cross-border transaction activities. These risks arise from both external macroeconomic conditions and Bank-specific factors influencing access to foreign currency.

At a macro level, foreign exchange availability in Ethiopia is constrained by structural factors such as limited export earnings, balance-of-payments pressures, and foreign exchange allocation policies. These conditions may restrict the overall supply of foreign currency available to the banking sector, resulting in delays or rationing of foreign exchange for trade finance transactions and potentially reducing transaction volumes, fee income, and customer retention.

At the Bank level, exposure to foreign exchange risk is influenced by factors including foreign currency mobilization capacity, correspondent banking and remittance arrangements, and strategic allocation of available foreign exchange across products and customer segments. Limitations in these areas may

constrain the Bank's ability to source, pool, or deploy foreign currency efficiently. Prolonged foreign exchange shortages, whether driven by external conditions or Bank-specific limitations, may disrupt the execution and settlement of cross-border transactions and adversely affect the Bank's trade finance income and overall financial performance.

### **9.3. Financial Risks**

#### **9.3.1. Credit Risk Associated with the Loan Portfolio**

The Bank is exposed to credit risk arising from its lending activities to corporate and commercial customers. A significant portion of the Bank's loan portfolio consists of relatively large exposures to a limited number of borrowers. Consequently, the financial condition, cash flow generation, and repayment capacity of individual borrowers have a material influence on overall portfolio performance. Adverse developments affecting specific borrowers or sectors, such as business disruptions, foreign exchange constraints, regulatory changes, or sectoral downturns, may lead to increased non-performing loans, higher impairment charges, and volatility in earnings. Given the size of certain exposures, credit deterioration affecting a small number of counterparties could have a disproportionate adverse effect on the Bank's financial position and capital adequacy.

#### **9.3.2. Sectoral Concentration Risk**

The Bank's credit exposures are concentrated in selected economic sectors, including domestic and international trade, manufacturing, and services. These sectors are sensitive to macroeconomic conditions, exchange rate movements, interest rate changes, and policy interventions. A downturn affecting one or more key sectors may result in correlated borrower stress, leading to simultaneous credit deterioration across multiple exposures and amplifying losses.

#### **9.3.3. Deposit Concentration and Liquidity Risk**

Zemen Bank's funding is primarily derived from customer deposits, with a notable proportion sourced from a limited number of large corporate and institutional depositors. This concentration exposes the Bank to liquidity risk arising from changes in depositor behavior. The withdrawal, non-renewal, or reduction of deposits by significant customers may create funding pressure, constrain the Bank's ability to meet its obligations as they fall due, and affect compliance with regulatory liquidity requirements.

#### **9.3.4. Interest Rate Risk**

The Bank is exposed to interest rate risk arising from mismatches between the repricing characteristics of interest-earning assets and interest-bearing liabilities. Changes in interest rates, whether market-driven or administratively determined, may affect net interest income, profitability, and asset valuations. Interest rate movements may also influence borrower demand, repayment behavior, and balance sheet growth assumptions.

### **9.4. Operational and Technology Risks**

#### **9.4.1. Operational Risk**

Operational risk arises from inadequate or failed internal processes, human error, system failures, or external events. Zemen Bank's operations involve complex processes, including loan administration, payments, and trade finance transactions. Operational failures may result in financial losses, service disruptions, customer dissatisfaction, or reputational harm. Certain risks may be exacerbated by reliance on manual processes or third-party service providers.

#### **9.4.2. Digital Channel and Cybersecurity Risk**

The Bank's increasing reliance on digital platforms and electronic delivery channels exposes it to cybersecurity threats, system outages, data breaches, and technology failures. Cyber incidents may disrupt critical services, compromise sensitive customer information, and erode customer trust. Such events could result in financial losses, regulatory scrutiny, and reputational damage.

#### **9.4.3. Technology Obsolescence and Third-Party Risk**

The Bank depends on information technology systems to support core banking operations. Aging infrastructure, delayed system upgrades, or failures by outsourced IT providers may impair operational resilience and service quality. Dependence on third-party vendors introduces additional risks related to service continuity, data security, and contractual performance.

### **9.5. Human Capital and Strategic Risks**

#### **9.5.1. Human Capital and Skills Risk**

The Bank's performance depends on the availability and retention of skilled management and staff. Competition for experienced banking professionals may result in staff turnover or skills gaps, potentially affecting service quality, institutional knowledge, and execution of strategic initiatives.

#### **9.5.2. Strategic Risk**

Zemen Bank is exposed to strategic risk arising from decisions related to its growth trajectory, product mix, technological investments, and overall market positioning. The Bank operates in a rapidly evolving banking environment characterized by regulatory reform, increasing competition, digital transformation, and changing customer preferences. Strategic initiatives undertaken in response to these developments—such as expansion into new market segments, introduction of new products and services, or significant investments in technology and delivery channels—may not generate the anticipated levels of demand, efficiency gains, or financial returns.

Changes in macroeconomic conditions, regulatory requirements, or competitive dynamics may further affect the assumptions underlying the Bank's strategic plans. If market conditions evolve differently from expectations, the Bank may experience slower growth, reduced profitability, or increased operating costs. In addition, strategic decisions that involve significant capital allocation or organizational change may expose the Bank to execution risk, including delays, cost overruns, or operational disruptions. Any failure to effectively align strategy with market realities, regulatory developments, and the Bank's risk appetite could adversely affect its financial performance, competitive position, and long-term sustainability.

### **9.6. Risks Relating to the Ordinary Shares**

#### **9.6.1. Share Subscription and Payment Risk**

Certain Ordinary Shares of the Bank may be issued under subscription arrangements that permit payment to be made in installments over an agreed period rather than in full at the time of allotment. As a result, the availability of the full amount of capital proceeds is dependent on shareholders meeting their payment obligations in accordance with the agreed schedules. Any delay, default, or failure by subscribers to settle outstanding amounts may affect the timing, certainty, and quantum of capital available to the Bank for

business expansion, regulatory capital compliance, or other strategic purposes. In circumstances where shareholders fail to meet their payment commitments, the Bank may be required to take remedial actions in line with applicable laws, regulatory requirements, and the terms of the share offering, which could include enforcement measures, reallocation of shares, or adjustments to capital planning assumptions. Such situations may create administrative complexity, delay the deployment of planned capital, or result in uncertainty regarding the Bank's capital position. Persistent or widespread non-payment by subscribers could also affect investor confidence and constrain the Bank's ability to execute its growth strategy.

### **9.6.2. Absence of an Active Secondary Market**

As of the date of this Prospectus, there is no established active secondary market for the Ordinary Shares of the Bank. As a result, shareholders may face limitations in their ability to transfer, sell, or otherwise realize the value of their investment promptly. The absence of an active trading market means that shareholders may be required to hold their shares for an extended period and may not be able to readily find willing buyers at prices reflecting the Bank's underlying value.

### **9.6.3. Share Price Movements**

The market price of the Ordinary Shares, once trading commences, may fluctuate due to factors such as the Bank's financial performance, macroeconomic conditions, regulatory developments, and overall market sentiment. Accordingly, the price at which shares may be traded, may vary over time.

## 10. SECTION TEN – OTHER RELATED MATTERS

### 10.1. Trading Arrangements

The securities offered under this Prospectus are not intended for listing on the Ethiopian Securities Exchange (ESX) at the time of the Offer. Accordingly, trading in the Bank's shares shall be conducted in the over-the-counter market by a Capital Market Service Provider duly licensed by the relevant authority.

### 10.2. Documents Made Available to the Public


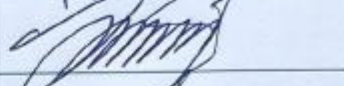

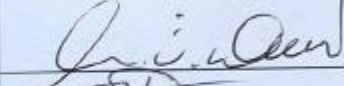


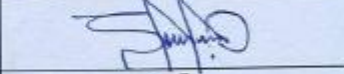




This Prospectus and the accompanying documents listed below are available to the public on the Bank's website at <https://www.zemenbank.com>, in accordance with the applicable capital market laws and directives. The Bank shall make all ongoing disclosures available on its website in accordance with Article 137 of the Public Offering Directive.

1. A certified copy of the Bank's Memorandum of Association;
2. Certified copies of the Bank's business licenses, including;
  - a) Commercial registration certificate;
  - b) Business license for banking activity;
3. Copies of the Bank's tax documents, which include;
  - a) Taxpayer registration certificate;
  - b) Value Added Tax ("VAT") certificate; and
  - c) Tax clearance certificate
4. Certified Minutes of Extraordinary General Meeting of shareholders of the Bank held on October 11 2025, authorizing the dematerialization and registration of the shares of the Bank;
5. Evidence of payment remittance related to the registration as prescribed by the Authority's Fee Directive;
6. An external, independent legal opinion issued in connection with the Offer;
7. Schedule of estimated expenses and fees payable to all external professional parties related to the Offer;
8. A certified copy of a no-objection letter from the National Bank of Ethiopia;
9. List of branches of the Bank;
10. Written consent of Advisors
  - a) i-Capital Institute PLC (the "Transaction Advisor");
  - b) DABLO Law Firm (the "Legal advisor");
  - c) HST Audit Limited Liability Partnership (the "External Auditor"); and
11. Schedule of pending claims and litigation;
12. Schedule of material contracts outside of the ordinary course of business;
13. Copies of material contracts and copies of agreements with the Transaction Advisor and other professional parties related to the Offer.
14. Certified copy of the resolution / document confirming the composition of the Board of Directors;
15. Evidence of an Escrow Account opened for the subscription monies in a financial institution licensed by the National Bank of Ethiopia (NBE).
16. Copies of the Bank's annual reports for the preceding three financial years, including the audited financial statements, are submitted as accompanying documents to this Prospectus.
17. Copy of the valuation report / equity investment valuation documentation relating to the Bank's investments;
18. Latest management accounts as at 31 December 2025;
19. Copies of contracts with third-party vendors, where material to the operations of the Bank.

## 11. SECTION ELEVEN: APPROVAL OF THE PROSPECTUS

Approval of this Prospectus has been given by the members of the Board of Directors, and the Chief Executive Officer and Chief Financial Officer.

**Table 100: Approval of the Prospectus**

Name / Title	Date	Signature
Enye Bemir Kidanu – Board Chairperson	15/04/2026	
Sewale Abate Ayalew (PhD) – Deputy Chairperson	15/04/26	
Abera Abegaz Eshete – Board Director	15/04/2026	
Dawit Ergetu Tessema – Board Director	15/04/2026	
Emawayish Addisu Hagos – Board Director	15/04/2026	
Ermias Eshetu Geletew – Board Director	15/04/2026	
National Insurance Company of Ethiopia S.C. (Ato Sangeorge Dessalegn) – Board Director	15/04/2026	
Tilaye Kassahun Ayen (PhD) – Board Director	15/04/2026	
Wondwossen Mulugeta Gewe (PhD) – Board Director	15/04/2026	
Dereje Zebene Kelile – Chief Executive Officer	15/04/2026	
Meseret Wondim Bizuneh – Chief Finance Officer	15/04/2026	



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